2019 Half Year Report

Excellent sales growth
On track to deliver
2020 guidance

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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At a glance
First half of 2019

Key Figures

For the six months ended 30 June, in millions of Swiss francs, except for earnings per share data	2019	2018	Percentage change
Group sales	**3,094**	**2,674**	**15.7%**
Fragrance sales	1,361	1,223	11.3%
Flavour sales	1,733	1,451	19.4%
Like-for-like sales growth	**6.3%**	**5.6%**	
Gross profit	**1,274**	**1,182**	**7.8%**
as % of sales	41.2%	44.2%	
EBITDA [a]	**660**	**601**	**9.9%**
as % of sales	21.3%	22.5%	
Operating income	**491**	**489**	**0.4%**
as % of sales	15.9%	18.3%	
Income attributable to equity holders of the parent	**380**	**371**	**2.3%**
as % of sales	12.3%	13.9%	
Operating cash flow [b]	**271**	**269**	**0.7%**
as % of sales	8.8%	10.1%	
Free cash flow	**148**	**113**	**31.0%**
as % of sales	4.8%	4.2%	
Earnings per share – basic (CHF)	**41.24**	**40.26**	**2.4%**

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 and lease payments.

Sales performance from January to June

in millions of Swiss francs	2018 Sales as reported	like-for-like development	2019 Sales like-for-like	Change % on like-for-like basis	Acquisition impact	Currency effects	2019 Sales as reported	Change % in Swiss francs
Group	**2,674**	**169**	**2,843**	**6.3%**	**284**	**(33)**	**3,094**	**15.7%**
- Fragrance	1,223	105	1,328	8.6%	50[c]	(17)	1,361	11.3%
- Flavour	1,451	64	1,515	4.4%	234	(16)	1,733	19.4%

c) The acquisition impact for the Fragrance Division includes CHF 39 million of sales for Expressions Parfumées, which was acquired and included in the Givaudan results as from June 2018.

Sales evolution by market – January to June

in millions of Swiss francs	2018 Sales as reported	like-for-like development	2019 Sales like-for-like	Change % on like-for-like basis	Acquisition impact	Currency effects	2019 Sales as reported	Change % in Swiss francs
Mature markets	1,531	54	1,585	3.5%	215	2	1,802	17.8%
High growth markets	1,143	115	1,258	10.0%	69	-35	1,292	13.0%

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

At a glance
Key indicators

"Our strong performance for the first half of 2019 confirms the resilience of our business and our ability to consistently deliver industry leading financial performance. I am very pleased with our results and with the continued progress we have made in delivering against our strategic goals under the 2020 strategy."
Gilles Andrier, CEO

Growth Drivers:

- Excellent growth in the Fragrance Division
- Sales growth from Expressions Parfumées, acquired in 2018, was particularly strong
- Sales in Naturals contributing to the strong results in the Flavour Division
- Double-digit growth across Latin America in the Flavour Division

Building on our capabilities:

- Expanding our capabilities in natural fragrance ingredients and aromatherapy with the acquisition of Albert Vieille
- Announced acquisition of Vietnamese Flavour Company Golden Frog to provide customers with natural solutions
- Strengthening Active Beauty's global capabilities in sustainable biopolymers with the acquisition of AMSilk

Driving innovation:

– Our Digital Factory in Paris enables us to accelerate digital transformation and anticipate trends
– Strengthening our global innovation ecosystem with the newly opened Innovation Centre in Zurich
– Our new fragrance encapsulation centre in Singapore enhances our encapsulation technology for the Asia Pacific market
– The launch of 'Carto', the Artificial Intelligence powered tool, redefines the rules of Fragrance creation

Business performance
Excellent sales growth

Business performance

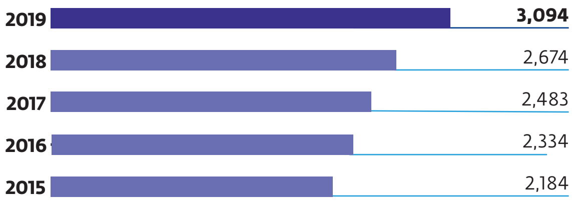
Givaudan Group sales for the first six months of the year were CHF 3,094 million, an increase of 6.3% on a like-for-like basis and 15.7% in Swiss francs.

Fragrance Division sales were CHF 1,361 million, an increase of 8.6% on a like-for-like basis and 11.3% in Swiss francs. Flavour Division sales were CHF 1,733 million, an increase of 4.4% on a like-for-like basis and 19.4% 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 excellent 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.

Group sales
in millions of Swiss francs



Gross profit

The gross profit increased by 7.8% from CHF 1,182 million in 2018 to CHF 1,274 million in 2019. Despite continued productivity gains and cost discipline, the gross margin declined to 41.2% in 2019 compared to 44.2% in 2018. This was mainly due to the impact of higher input costs and the lower margin of Naturex.

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

The EBITDA increased by 9.9% to CHF 660 million from CHF 601 million for the same period in 2018, whilst the EBITDA margin was 21.3% in 2019 compared to 22.5% in 2018. On a comparable basis, the EBITDA margin was 22.3% in 2019 compared to 23.4% in 2018.

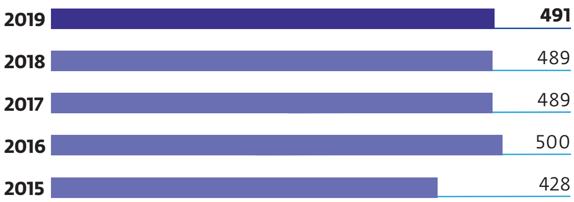
In 2019, the Group incurred costs of CHF 19 million in relation to the implementation of the Givaudan Business Solutions organisation, compared with CHF 25 million in 2018.

Group EBITDA
in millions of Swiss francs

Operating income

The operating income was stable at CHF 491 million, compared to CHF 489 million in 2018. When measured in local currency terms, the operating income increased by 2.3%. The operating margin decreased to 15.9% in 2019 from 18.3% in 2018.

Group operating income
in millions of Swiss francs



Financial performance

Financing costs were CHF 36 million in the first half of 2019, versus CHF 23 million for the same period in 2018, largely related to the increase in net debt of the Group in connection with the Naturex acquisition. Other financial expense, net of income, was CHF 18 million in 2019 versus CHF 35 million in 2018. As a reminder, in 2018 the Group incurred increased foreign exchange losses in markets where currencies could not be hedged.

The interim period income tax expense as a percentage of income before taxes was 13% in 2019, compared with 14% for the same period in 2018.

Net income

The net income for the first six months of 2019 was CHF 380 million compared to CHF 371 million in 2018, an increase of 2.3%, resulting in a net profit margin of 12.3% versus 13.9% in 2018. Basic earnings per share were CHF 41.24 versus CHF 40.26 for the same period in 2018.

Cash flow

Givaudan delivered an operating cash flow of CHF 271 million for the first six months of 2019, compared to CHF 269 million in 2018.

Net Working capital was relatively stable at 27.3% of sales compared to 28.7% in 2018.

Total net investments in property, plant and equipment were CHF 77 million, compared to CHF 122 million in 2018, as the Group continues to invest in expanding its capabilities in high growth markets. In 2018 the Group completed an agreement to sell and leaseback the Zurich Innovation Centre for a total consideration of CHF 173 million, of which CHF 100 million was received in 2018 and CHF 60 million was received in the first six months of 2019, with the balance to be received in the second half of 2019.

Intangible asset additions were CHF 17 million in 2019, compared to CHF 21 million in 2018, 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 3.0% of sales, compared to 5.3% in 2018. Excluding the impact of the ZIC transaction, total net investments in tangible and intangible assets would have been 4.6% of sales.

Operating cash flow after net investments was CHF 177 million versus CHF 126 million recorded in 2018, an increase of 40%. Free cash flow was CHF 148 million in the first half of 2019, versus CHF 113 million for the comparable period in 2018, an increase of 31%. As a percentage of sales, free cash flow in the first six months of 2019 was 4.8%, compared to 4.2% in 2018.

Financial position

Givaudan's financial position remained solid at the end of June 2019. Net debt at June 2019 was CHF 3,710 million, up from CHF 2,847 million at December 2018, with the increase driven by the adoption of IFRS 16, as well as the payment of the annual dividend of CHF 552 million in the first quarter of 2019. The leverage ratio was 49% compared to 41% at the end of 2018.

Givaudan Business Solutions

The Company is now well advanced in the implementation of Givaudan Business Solutions (GBS), a global organisational unit providing best-in-class internal processes and services.

The progressive implementation of GBS is fully in line with the plan and the new organisation continues to deliver the foreseen financial benefits.

In the first six months of 2019, the Group incurred costs of CHF 19 million in relation to the implementation of the Givaudan Business Solutions organisation, compared with CHF 25 million in the same period in 2018.

Naturex

Givaudan completed the acquisition of Naturex in September 2018 and has consolidated the financial results of Naturex from 1 September 2018. Naturex is an international leader in plant extraction and the development of natural ingredients and solutions for the food, health and beauty sectors.

In the first six months of 2019, Naturex contributed CHF 235 million of sales, CHF 229 million in the Flavour Division and CHF 6 million in the Fragrance Division. The integration of Naturex into Givaudan is progressing as planned and the business of Naturex has returned to growth in the first six months of 2019, compared to the same period in 2018.

Givaudan aims to achieve sales growth of the Naturex portfolio of 10% per annum from 2021 and at the same time return the profitability and other key financial indicators of the combined business to pre-acquisition levels by 2021 for the Flavour Division.

2020 guidance: Responsible growth. Shared success

The Company's 2020 ambition is to create further value through profitable, responsible growth. Building on the first three years of this strategic cycle, Givaudan's 2020 ambition is defined around 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 eleven 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.

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.

Flavour Division

Flavour sales

Flavour Division sales were CHF 1,733 million, an increase of 4.4% on a like-for-like basis and 19.4% in Swiss francs. The sales of the Flavour Division include CHF 229 million from Naturex, acquired in September 2018.

The sales performance was driven by new wins and strong business momentum across all regions. The key strategic focus areas of the 2020 strategy, namely Health and well-being and Naturals grew at double-digit and single-digit levels respectively.

From a segment perspective, Beverages, Sweet Goods, Savoury and Snacks were main contributors to the division's growth.

The EBITDA increased to CHF 390 million from CHF 351 million in 2018, an increase of 11.1%, with continuing productivity gains and cost discipline contributing to the increase. The EBITDA margin was 22.5% in 2019, down from 24.2% in 2018, largely due to the impact of the lower margin on the acquired Naturex business. On a comparable basis the EBITDA margin of the Flavour Division was 23.1% in 2019 compared to 24.2% in 2018.

The operating income decreased to CHF 278 million in 2019 from CHF 286 million in 2018, a decrease of 3.0%. The operating margin was 16.0% in 2019 compared to 19.7% in 2018.

Asia Pacific

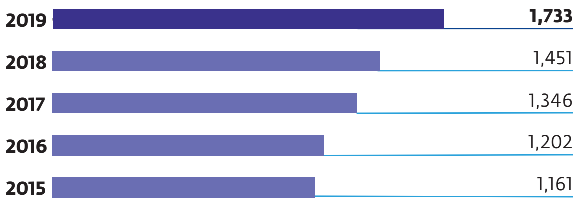
Sales in Asia Pacific grew by 6.2% on a like-for-like basis. In the high growth markets, Indonesia, Malaysia, Philippines and Vietnam delivered double-digit performance, whilst India delivered a strong single-digit increase. Sales growth in China was solid against a high prior year comparable.

In the mature markets, growth was driven by good performance in Japan, Korea and Australia. Local and regional customers continued to grow across the region, whilst from a segment perspective, Beverages and Savoury contributed significantly to the growth.

Europe, Africa and Middle East

Sales in Europe, Africa and Middle East increased by 2.8% on a like-for-like basis. In the high- growth markets of Africa and the Middle East, double-digit growth was achieved in Maghreb, Egypt and South Africa followed by the Middle East with strong single-digit growth. Growth in Central and Eastern Europe was led by Poland, Bulgaria and Czech Republic partially offset by a high comparable from last year in Russia and the economic situation in Turkey.

Flavour Division sales
in millions of Swiss francs



In the mature markets of Western Europe, double-digit growth was achieved in Spain and Portugal and good single-digit growth in the UK, Italy and Switzerland. There was good growth in Beverages and Sweet Goods segments.

North America

On a like-for-like basis, sales in North America decreased by 1.0% despite the good performance from Local and Regional Customers. From a segment perspective good growth in Savoury and Sweet Goods was offset by weaker performance in Dairy.

Latin America

Sales in Latin America increased by 22.8% on a like-for-like basis across all markets and segments in the region. There was strong growth led by Brazil, Mexico, Argentina and Colombia. From a segment perspective the growth was driven by double digit performance in Beverage, Snacks and Dairy.

Fragrance Division

Fragrance Division sales
in millions of Swiss francs

Fragrance sales

Fragrance Division sales were CHF 1,361 million, an increase of 8.6% on a like-for-like basis and an increase of 11.3% in Swiss francs over 2018. The sales of the Fragrance Division include CHF 6 million from Naturex, acquired in September 2018 and CHF 5 million from Albert Vieille, acquired in May 2019. Sales growth from Expressions Parfumées, acquired in 2018 was particularly strong in the first six months of the year.

Sales growth was driven both by price increases to recover the impact of higher input costs and strong growth of new wins.

Total sales for Fragrance Compounds (Fine Fragrances and Consumer Products combined) increased by 8.7% on a like-for-like basis. In Swiss francs, sales of compounds increased to CHF 1,131 million from CHF 1,057 million in 2018.

Fine Fragrance sales increased by 8.5% on a like-for-like basis against a strong comparable in 2018, with growth recorded in both mature and high growth markets.

Consumer Products sales increased by 8.7% on a like-for-like basis. The growth was delivered in both high growth and mature markets and was spread across all customer groups and regions.

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 increased to CHF 270 million in 2019 compared to CHF 250 million for the first six months of 2018. The increase is mainly driven by higher sales and the contribution of the recent acquisitions. The EBITDA margin decreased slightly to 19.8% in 2019 from 20.4% in 2018, largely due to the higher raw material costs. On a comparable basis the EBITDA margin of the Fragrance Division was 21.3% in 2019 compared to 22.4% in 2018.

In the first six months of 2019 the division incurred costs associated with the GBS project of CHF 19 million, compared to CHF 25 million in 2018.

The operating income increased by 5.0% to CHF 213 million in 2019, versus CHF 203 million for the same period in 2018. The operating margin decreased to 15.7% in 2019 from 16.6% in 2018.

Fine Fragrances

Fine Fragrance sales increased by 8.5% on a like-for-like basis against a strong 2018 comparable, with growth recorded in both mature and high growth markets. These gains were driven by a high level of new business wins across all customer groups and strong market performance of recent launches.

On a regional basis, growth was recorded in both mature and high growth markets. Sales performance in Western Europe was driven by strong inflow of new business while North America sustained a positive momentum with established volume growth at key clients. In the high growth markets, double-digit sales performance in Asia and the Middle East was partially offset by lower sales in Latin America which had a strong comparable from the prior year.

This growth was also supported by an excellent awards season in Latin America, the USA and Europe with many of our perfumers receiving recognition for their contribution to create products that consumers love.

Consumer Products

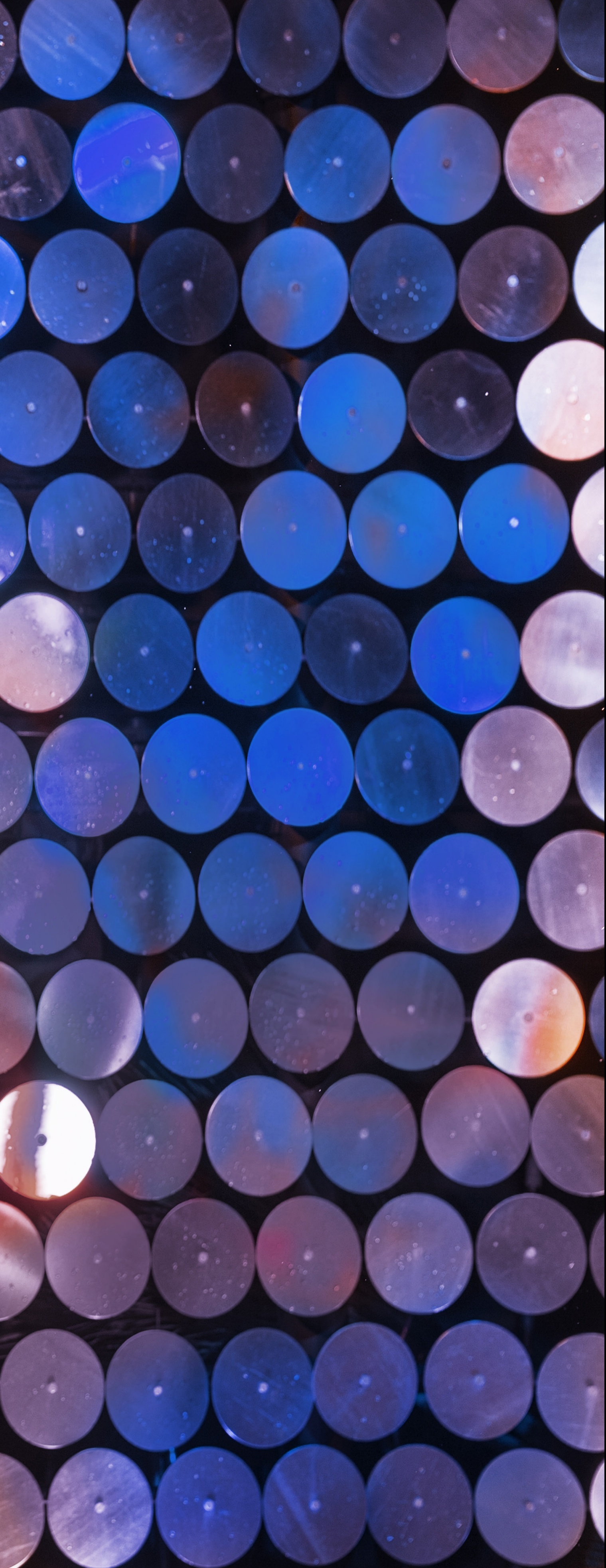
Consumer Products sales increased by 8.7% on a like-for-like basis. The growth was delivered in high growth and mature markets and was spread across all customer groups and all regions.

On a regional basis, Latin America reported double-digit growth with all customer groups and product segments contributing to the strong growth. Asia delivered mid single-digit growth versus a solid comparable period in 2018 driven by international customers across all sub-regions. The South Asia sub-region recorded double-digit growth despite a high comparable, and the South East Asia sub-region posted solid growth as well. In Europe, Africa and the Middle East, the sales increase was driven by good performance spread across all sub-regions, all customer groups, and all product segments, including double-digit growth in the African Middle East sub-region. North America grew double-digit, which was attributed to a high sales increase with international customers.

On a product segment basis, all segments contributed to the sales growth, notably double-digit growth of home care and solid performance in 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 delivered double-digit sales growth against a strong comparable driven by all customer types and by the strong growth of active ingredients. Fragrance Ingredients experienced good growth in the first six months of the year.



2019 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	**2019**	2018
Sales	6	3,094	2,674
Cost of sales		(1,820)	(1,492)
Gross profit		**1,274**	**1,182**
as % of sales		41.2%	44.2%
Selling, marketing and distribution expenses		(373)	(342)
Research and product development expenses		(259)	(224)
Administration expenses		(109)	(95)
Share of (loss) profit of jointly controlled entities		3	6
Other operating income	7	11	9
Other operating expense	8	(56)	(47)
Operating income		**491**	**489**
as % of sales		15.9%	18.3%
Financing costs	9	(36)	(23)
Other financial income (expense), net	10	(18)	(35)
Income before taxes		**437**	**431**
Income taxes	11	(57)	(60)
Income for the period		**380**	**371**
Attribution			
Income attributable to non-controlling interests		–	
Income attributable to equity holders of the parent		380	371
as % of sales		12.3%	13.9%
Earnings per share – basic (CHF)	**12**	**41.24**	**40.26**
Earnings per share – diluted (CHF)	**12**	**40.94**	**39.84**

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	2019	2018
Income for the period	**380**	**371**
Items that may be reclassified to the income statement		
Cash flow hedges		
Movement in fair value, net	(49)	4
Gains (losses) removed from equity and recognised in the consolidated income statement	3	3
Movement on income tax	4	–
Exchange differences arising on translation of foreign operations		
Movement in fair value arising on hedging instruments of the net assets in foreign operations	22	
Change in currency translation	(46)	(31)
Movement on income tax	(4)	–
Items that will not be reclassified to the income statement		
Defined benefit pension plans		
Remeasurement gains (losses) of post-employment benefit obligations	(87)	131
Movement on income tax	(1)	(29)
Other comprehensive income for the period	**(158)**	**78**
Total comprehensive income for the period	**222**	**449**
Attribution		
Total comprehensive income attributable to non-controlling interests	–	
Total comprehensive income attributable to equity holders of the parent	222	449

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 2019**	31 December 2018
Cash and cash equivalents		239	423
Derivative financial instruments	4	8	11
Financial assets at fair value through income statement	4	3	4
Accounts receivable - trade		1,384	1,253
Inventories		1,278	1,098
Current tax assets		52	41
Prepayments		66	53
Other current assets		179	238
Current assets		**3,209**	**3,121**
Derivative financial instruments	4		2
Property, plant and equipment		2,183	1,759
Intangible assets		3,960	3,999
Deferred tax assets		220	208
Post-employment benefit plan assets		14	22
Financial assets at fair value through income statement	4	64	61
Jointly controlled entities		37	33
Investment property		2	2
Other long-term assets		75	61
Non-current assets		**6,555**	**6,147**
Total assets		**9,764**	**9,268**
Short-term debt	14	696	4
Derivative financial instruments	4	21	12
Accounts payable - trade and others		835	719
Accrued payroll and payroll taxes		137	178
Current tax liabilities		90	95
Financial liability - own equity instruments		94	93
Provisions		19	24
Other current liabilities		198	225
Current liabilities		**2,090**	**1,350**
Derivative financial instruments	4	89	43
Long-term debt	14	3,253	3,266
Provisions		72	73
Post-employment benefit plan liabilities		572	490
Deferred tax liabilities		250	238
Other non-current liabilities		79	85
Non-current liabilities		**4,315**	**4,195**
Total liabilities		**6,405**	**5,545**
Share capital	15	92	92
Retained earnings and reserves	15	5,639	5,811
Own equity instruments	16	(176)	(142)
Other components of equity		(2,209)	(2,051)
Equity attributable to equity holders of the parent		**3,346**	**3,710**
Non-controlling interests		13	13
Total equity		**3,359**	**3,723**
Total liabilities and equity		**9,764**	**9,268**

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

2019 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**	**5,811**	**(142)**	**(61)**	**(1,559)**	**(431)**	**3,710**	**13**	**3,723**
Income for the period		380					380	–	380
Other comprehensive income for the period				(42)	(28)	(88)	(158)		(158)
Total comprehensive income for the period		**380**		**(42)**	**(28)**	**(88)**	**222**	**–**	**222**
Dividends paid		(552)					(552)		(552)
Movement on own equity instruments, net			(34)				(34)		(34)
Non-controlling interests								–	–
Net change in other equity items		**(552)**	**(34)**				**(586)**		**(586)**
Balance as at 30 June	**92**	**5,639**	**(176)**	**(103)**	**(1,587)**	**(519)**	**3,346**	**13**	**3,359**

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	Equity attributable to equity holders of the parents	Non-controlling interests	Total equity
Balance as at 1 January	**92**	**5,682**	**(157)**	**(65)**	**(1,456)**	**(558)**	**3,538**		**3,538**
Income for the period		371					371		371
Other comprehensive income for the period				7	(31)	102	78		78
Total comprehensive income for the period		**371**		**7**	**(31)**	**102**	**449**		**449**
Dividends paid		(534)					(534)		(534)
Movement on own equity instruments, net			(14)				(14)		(14)
Non-controlling interests									
Net change in other equity items		**(534)**	**(14)**				**(548)**		**(548)**
Balance as at 30 June	**92**	**5,519**	**(171)**	**(58)**	**(1,487)**	**(456)**	**3,439**		**3,439**

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	**2019**	2018
Income for the period		380	371
Income tax expense		57	60
Interest expense		31	17
Non-operating income and expense		23	41
Operating income		**491**	**489**
Depreciation of property, plant and equipment		88	58
Amortisation of intangible assets	6	80	52
Impairment of long-lived assets		1	2
Other non-cash items			
- share-based payments		18	19
- pension expense		19	19
- additional and unused provisions, net		4	–
- other non-cash items		(18)	4
Adjustments for non-cash items		**192**	**154**
(Increase) decrease in inventories		(180)	(178)
(Increase) decrease in accounts receivable		(137)	(80)
(Increase) decrease in other current assets		(13)	28
Increase (decrease) in accounts payable		131	12
Increase (decrease) in other current liabilities		(72)	(54)
(Increase) decrease in working capital		**(271)**	**(272)**
Income taxes paid		**(63)**	**(61)**
Pension contributions paid		(18)	(20)
Provisions used		(9)	(9)
Purchase and sale of own equity instruments, net		(51)	(12)
Cash flows from (for) operating activities		**271**	**269**
Increase in long-term debt	14	6	350
(Decrease) in long-term debt	14	(170)	(9)
Increase in short-term debt	14	1,296	1,091
(Decrease) in short-term debt	14	(817)	(435)
Cash flows from debt, net		**315**	**997**
Interest paid		(10)	(13)
Purchase and sale of derivative financial instruments, net		(2)	(20)
Lease payments		(19)	
Other, net		–	(3)
Cash flows from financial liabilities		**284**	**961**
Distribution to the shareholders paid	15	(552)	(534)
Cash flows from (for) financing activities		**(268)**	**427**
Acquisition of property, plant and equipment		(138)	(129)
Acquisition of intangible assets		(17)	(21)
Acquisition of subsidiaries, net of cash acquired	5	(61)	(247)
Proceeds from the disposal of property, plant and equipment	13	61	7
Proceeds from disposal of investment property			14
Interest received		3	1
Purchase and sale of financial assets at fair value through income statement, net		2	(605)
Impact of financial transactions on investing, net		(17)	(5)
Other, net		(20)	(6)
Cash flows from (for) investing activities		**(187)**	**(991)**
Net increase (decrease) in cash and cash equivalents		**(184)**	**(295)**
Net effect of currency translation on cash and cash equivalents		–	(8)
Cash and cash equivalents at the beginning of the period		423	534
Cash and cash equivalents at the end of the period		**239**	**231**

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 13,886 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 2019 (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 2018 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 31 December 2018 statement of financial position has been derived from the audited 2018 consolidated financial statements. Givaudan SA's Board of Directors approved these interim financial statements on 16 July 2019.

3. Accounting policies

The accounting policies adopted are consistent with those of the annual financial statements for the year ended 31 December 2018, as described in the 2018 consolidated financial statements with the exception of the adoption as of 1 January 2019 of the standards and interpretation described below:

IFRS 16 Leases provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases and lessors to confirm the continuation of classifying leases as operating or finance. The Group is not a lessor and is impacted by the standard only for the lessee accounting. The standard replaces IAS 17 Leases, under which operating lease payments were charged to the income statement on a straight-line basis over the term of the contract.

Under IFRS 16, at the inception of a contract, the Group assesses whether it is or contains a lease. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease agreements, except for short-term leases defined as leases with a lease term of 12 months or less, and low-value assets, which are recognised on a straight-line basis as an expense in the consolidated income statement, as done previously under IAS 17.

The lease liability is initially measured at the present value of the future lease payments as from commencement date of the lease. The lease payments are discounted by using the interest rate implicit in the contract and if not available the incremental borrowing rate, which is defined as the interest rate that the Group would have to pay to borrow, over a similar term and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment.

The lease liability is subsequently measured by increasing the carrying amount of the lease liability to reflect interest, lease payments and any lease modifications.

The lease liability is presented under the lines short-term debt and long-term debt in the consolidated statement of financial position. The interest expense is presented in the line financing costs in the consolidated income statement.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement date and initial direct costs. Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. They are depreciated over the shorter period of the lease term and the useful life of the underlying asset. Right-of-use-assets are presented in the consolidated statement of financial position under the line property, plant and equipment.

All lease payments on leases are presented as part of cash flows from financing activities, except for the short-term and low-value leases cash flows which are booked under operating activities.

The Group applied the standard from its mandatory adoption date of 1 January 2019. The Group applied the cumulative catch-up approach and did not restate comparative amounts for the year prior to first adoption.

On 1 January 2019 the Group recognised right-of-use assets and lease liabilities of CHF 253 million that were previously recognised as operating leases under IAS 17. The effect of applying the new standard of IFRS 16 does not have a material impact on the presentation of the consolidated income statement and the consolidated statement of cash flows. The difference between the lease liability recognised at 1 January 2019 and the non-discounted amount of the minimum commitments under operating leases disclosed at 31 December 2018 of CHF 377 million, is mainly due to the lease contract of the Zurich Innovation Centre (ZIC) which was made available for use in the first quarter of 2019. In addition, differences also arise due to the effect of discounting lease liabilities, the exemption for short-term and low-value assets, as well as the differences between the contractual non-cancellable period and the intended duration of the use of the assets.

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

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

Amendments to IFRS 9: Prepayment Features with Negative Compensation address the concerns about how IFRS 9 Financial Instruments classifies particular prepayable financial assets. These amendments have no impact as the Group does not enter in such particular instruments.

Annual Improvements to IFRS Standards Cycle 2015 - 2017 set out amendments across four different standards, related basis for conclusions and guidance, namely amendments to IFRS 3 Business Combinations and IFRS 11 Joint Arrangements, IAS 12 Income Tax and IAS 23 Borrowing Costs. These amendments are not relevant for the Group, and the adoption therefore has no impact.

Plan Amendment, Curtailment or Settlement: Amendments to IAS 19 state that if a plan amendment, curtailment or settlement occurs, it is now mandatory that the current service cost and the net interest for the period after the remeasurement are determined using the assumptions used for the remeasurement. It also clarifies the effect of a plan amendment, curtailment or settlement on the requirements regarding the asset ceiling. The adoption of the amendments confirms the current practice of the Group.

4. Financial risk management

Interest rate risk
In January 2019 the Group entered into a forward starting interest rate swap to fix the interest rate in relation to highly probable future Swiss franc debt issuance. The swap, in the amount of CHF 25 million, will commence in April 2020 with a fixed rate of 0.0225% and a 5 year maturity. The interest rate swapped is assigned to an underlying straight bond debt of CHF 150 million, issued in April 2018 and with a maturity in April 2020.

During the first half of 2019 the Group entered into several forward starting interest rate swaps, in the total amount of EUR 400 million, to fix the interest rates in relation to highly probable future Euro debt issuance. A swap of EUR 50 million which will commence in December 2024 with a 7 year maturity and a fixed rate of 1.6790% is assigned to the EUR 200 million private placement (Schuldschein) which was issued in 2017 with a 7 year maturity. Swaps, in the total amount of EUR 200 million, which will commence in September 2025 with a 7 year maturity and an average fixed rate of 1.5024% are assigned to the EUR 500 million straight bond which was issued in 2018 with a 7 year maturity. Swaps, in the total amount of EUR 150 million, which will commence in September 2030 with a 10 year maturity and an average fixed rate of 1.7120% are assigned to the EUR 800 million straight bond which was issued in September 2018 with a 12 year maturity.

Fair value measurements recognised in the statement of financial position
Financial assets consisting of equity and debt securities of CHF 3 million (31 December 2018: CHF 2 million) were measured with Level 1 inputs whereas CHF 31 million (31 December 2018: CHF 32 million) were measured with Level 2 inputs. Corporate owned life insurance of CHF 33 million (31 December 2018: CHF 31 million) were measured with Level 2 inputs.

Derivative assets of CHF 8 million (31 December 2018: CHF 13 million) and derivative liabilities of CHF 110 million (31 December 2018: CHF 55 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. The Group did not carry out any transactions on Level 3 inputs during the period presented in these interim financial statements.

5. Acquisitions

AMSilk
On 25 April 2019 Givaudan acquired the cosmetics business of AMSilk GmbH for a purchase price of CHF 7 million. AMSilk is the world's first industrial supplier of vegan silk biopolymers and has its headquarters near Munich, Germany. AMSilk offers a range of high-performance biosourced polypeptides with unique functional properties in the field of cosmetics. These vegan biopolymers offer a broad range of applications across categories such as hair care and skin care with benefits like silk touch, anti-pollution, or colour protection of the hair. Over the last 9 years, they have filed 10 patents for the use of biopolymers in cosmetic applications. From 25 April 2019, the acquisition has not contributed any sales to the Group's consolidated results.

The identifiable assets and liabilities of the cosmetics business of AMSilk acquired are recorded at fair value at the date of acquisition and no goodwill has been recognised. 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.

Albert Vieille
On 3 May 2019 Givaudan acquired 100% of the share capital of Albert Vieille and its affiliates for a purchase price of CHF 54 million. Albert Vieille has unique know-how in the realm of aromatic plants and specialises in 100% pure essential oils and speciality natural ingredients. The natural ingredients are used for the formulation of perfumes and aromatherapy products. With its origins dating back to 1920, and with more than 60 employees, Albert Vieille is based close to Grasse, in France, and has a manufacturing facility in Spain, with its products sold globally through a network of distributors. They source their raw materials across the world, where fragrant crops are harvested and have developed over many years strong capabilities in natural ingredients sourcing and processing. From 3 May 2019, the acquisition contributed CHF 5 million of sales to the Group's consolidated results.

The goodwill of CHF 27 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 Albert Vieille 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.

6. Segment information

Business segments

	Fragrances		Flavours		Group	
For the six months ended 30 June, in millions of Swiss francs	**2019**	2018	**2019**	2018	**2019**	2018
Segment sales	1,361	1,223	1,737	1,457	3,098	2,680
Less inter segment sales [a]	–	–	(4)	(6)	(4)	(6)
Segment sales to third parties	**1,361**	**1,223**	**1,733**	**1,451**	**3,094**	**2,674**
EBITDA	**270**	**250**	**390**	**351**	**660**	**601**
as % of sales	19.8%	20.4%	22.5%	24.2%	21.3%	22.5%
Depreciation	(34)	(25)	(54)	(33)	(88)	(58)
Amortisation	(23)	(21)	(57)	(31)	(80)	(52)
Impairment of long-lived assets	–	(1)	(1)	(1)	(1)	(2)
Additions to Property, plant and equipment	61	27	211	55	272	82
Acquisitions of Property, plant and equipment	6	26		2	6	28
Additions to Intangible assets	17	13	10	13	27	26
Acquisitions of Intangible assets (excluding goodwill)	20	46		14	20	60
Total gross investments	**104**	**112**	**221**	**84**	**325**	**196**

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	**2019**	2018	**2019**	2018	**2019**	2018
EBITDA	**270**	**250**	**390**	**351**	**660**	**601**
Depreciation	(34)	(25)	(54)	(33)	(88)	(58)
Amortisation	(23)	(21)	(57)	(31)	(80)	(52)
Impairment of long-lived assets	–	(1)	(1)	(1)	(1)	(2)
Operating income	**213**	**203**	**278**	**286**	**491**	**489**
as % of sales	15.7%	16.6%	16.0%	19.7%	15.9%	18.3%
Financing costs					(36)	(23)
Other financial income (expense), net					(18)	(35)
Income before taxes					**437**	**431**
as % of sales					14.1%	16.1%

Classification of amortisation expenses is as follows:

	Fragrances		Flavours		Group	
For the six months ended 30 June, in millions of Swiss francs	**2019**	2018	**2019**	2018	**2019**	2018
Cost of sales	3	2	5	5	8	7
Selling, marketing and distribution expenses	9	8	13	12	22	20
Research and product development expenses	6	7	29	10	35	17
Administration expenses	2	2	7	2	9	4
Other operating expenses	3	2	3	2	6	4
Total	**23**	**21**	**57**	**31**	**80**	**52**

7. Other operating income

For the six months ended 30 June, in millions of Swiss francs	**2019**	2018
Gains on disposal of fixed assets	–	–
Other income	11	9
Total other operating income	**11**	**9**

8. Other operating expense

For the six months ended 30 June, in millions of Swiss francs	**2019**	2018
Project related expenses [a]	21	25
Amortisation of intangible assets	6	5
Impairment of long-lived assets	1	2
Losses on disposal of fixed assets	1	3
Environmental provisions	–	–
Business taxes	10	6
Acquisition and integration related expenses	9	1
Other expenses	8	5
Total other operating expense	**56**	**47**

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

9. Financing costs

For the six months ended 30 June, in millions of Swiss francs	2019	2018
Interest expense	31	17
Net interest related to defined benefit pension plans	4	5
Amortisation of debt discounts	1	1
Total financing costs	**36**	**23**

10. Other financial (income) expense, net

For the six months ended 30 June, in millions of Swiss francs	2019	2018
Fair value and realised (gains) losses from derivatives instruments, net (at fair value through income statement)	32	4
Exchange (gains) losses, net	(18)	21
Unrealised (gains) losses from financial instruments measured at fair value through income statement	(5)	–
Interest (income) expense	(2)	(1)
Capital taxes and other non business taxes	4	7
Other (income) expense, net	7	4
Total other financial (income) expense, net	**18**	**35**

11. Income taxes

The Group has assessed the impact of the Swiss Tax Reform on its deferred tax balances and deemed the impact to be not material.

12. 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	2019	2018
Income attributable to equity holder of the parent (in millions of Swiss francs)	**380**	**371**
Weighted average number of shares outstanding		
Ordinary shares	9,233,586	9,233,586
Treasury shares	(19,197)	(18,397)
Net weighted average number of shares outstanding	**9,214,389**	**9,215,189**
Basic earnings per share (CHF)	**41.24**	**40.26**

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	2019	2018
Income attributable to equity holder of the parent (in millions of Swiss francs)	**380**	**371**
Weighted average number of shares outstanding for diluted earnings per share of 67,443 (2018: 96,640)	**9,281,832**	**9,311,829**
Diluted earnings per share (CHF)	**40.94**	**39.84**

13. Property, Plant and Equipment

In 2018 the Group sold and leased back its Zurich Innovation Centre (ZIC) for an amount of CHF 173 million. CHF 100 million had been received in 2018 and an additional CHF 60 million has been received in the first semester of 2019. The remainder will be received in the second half of 2019.

14. Debt

	Floating rate debt					Fixed rate debt					
2019 in millions of Swiss francs	Bank borrowings	Bank facility	Bank overdrafts	Straight bonds	Private placements	Bank borrowings	Straight bonds	Private placements	Total short-term and long-term debt	Total capitalised lease liabilities	Total debt
Balance as at 1 January		**169**	**3**	**151**	**112**	**11**	**2,354**	**470**	**3,270**	**253**	**3,523**
Cash flows	472	(169)	2			10			315	(19)	296
Non-cash changes											
- Amortisation of debt discount				–	–		1	–	1		1
- Acquisition / Divestment			1			4			5	3	8
- Currency effects	(17)	–			(1)		(22)	(7)	(47)	(2)	(49)
- Lease liabilities										170	170
Balance as at 30 June	**455**		**6**	**151**	**111**	**25**	**2,333**	**463**	**3,544**	**405**	**3,949**
Within 1 year	449		6	151		14		38	658	38	696
Within 1 to 3 years	5					5	249		259	73	332
Within 3 to 5 years	1				111	5	250	146	513	56	569
Thereafter						1	1,834	279	2,114	238	2,352
Balance as at 30 June	**455**		**6**	**151**	**111**	**25**	**2,333**	**463**	**3,544**	**405**	**3,949**

	Floating rate debt					Fixed rate debt			
2018 in millions of Swiss francs	Bank borrowings	Bank facility	Bank overdrafts	Straight bonds	Private placements	Bank borrowings	Straight bonds	Private placements	Total short-term and long-term debt
Balance as at 1 January	**1**		**7**		**117**	**9**	**998**	**476**	**1,608**
Cash flows	30	169	(5)	151		(259)	1,352		1,438
Non-cash changes									
- Amortisation of debt discount				–	–	2	1	–	3
- Acquisition / Divestment			1			259			260
- Currency effects	(31)	–			(5)		3	(6)	(39)
- Interest									
Balance as at 31 December		**169**	**3**	**151**	**112**	**11**	**2,354**	**470**	**3,270**
Within 1 year			3			1			4
Within 1 to 3 years				151		5	249	39	444
Within 3 to 5 years		169			112	4	100	147	532
Thereafter						1	2,005	284	2,290
Balance as at 31 December		**169**	**3**	**151**	**112**	**11**	**2,354**	**470**	**3,270**

In January 2019 Givaudan SA repaid borrowings of EUR 150 million (CHF 169 million) under the Group bank credit facility.

During the first six months of 2019, Givaudan entered into short-term loans for a total net amount of CHF 482 million, which are planned to be repaid by the end of 2019. The proceeds were used for general corporate purposes.

A weighted average incremental borrowing rate of 3% was applied to calculate the lease liability at 1 January 2019, the date of implementation of IFRS 16.

15. Equity

At the Annual General Meeting held on 28 March 2019 the distribution of an ordinary dividend of CHF 60.00 per share (2018: ordinary dividend of CHF 58.00 per share) was approved. The dividend payment has been paid out of available retained earnings. At 30 June 2019, 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.

16. 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 2019, the Group held 15,541 own shares (2018: 5,906), as well as derivatives on own shares equating to a total long position of 44,000 (2018: 59,000).

17. 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 and raw chemical supply companies. The plaintiffs alleged that they sustained pulmonary injuries due to diacetyl -containing butter flavours manufactured by one or more of the flavour and raw chemical supply company defendants. The majority of the cases filed against Givaudan Flavors Corporation have been settled. The Group has already recovered or will recover amounts it is entitled to under the terms of its insurance policies.

18. Other Information

As part of its 2020 strategy to strengthen its naturals capabilities and its presence in the high growth markets of Asia Pacific, Givaudan announced that it has reached an agreement to acquire Golden Frog, a Vietnamese flavour company. Golden Frog manufactures natural flavours, extracts and essential oils for the food and beverage industry. It offers a wide range of natural ingredients including herbs, spices, fruit and vegetable extracts and essential oils from the great biodiversity of Vietnam. With headquarters and manufacturing facilities in the Ho Chi Minh area, Golden Frog employs 156 people and caters to the needs of the ASEAN markets. The closing of the acquisition is expected to take place in the second half of 2019.

Alternative Performance Measures Appendix to the 2019 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 2019 Half Year Results Media Release and on pages 6-9 of the 2019 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, and (b) excluding sales of businesses acquired from the acquisition date until the period end date, up to 12 months from the acquisition date.

Reconciliation tables of the LFL sales to the reported sales in accordance with IFRS have been included in the 2019 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	2019	2018
Income for the period	**380**	**371**
Interest and other financial (income) expense, net	54	58
Income taxes	57	60
Operating income	**491**	**489**
Depreciation	88	58
Amortisation	80	52
Impairment	1	2
EBITDA*	**660**	**601**

* The adoption of IFRS 16 Leases resulted in an increase in EBITDA of CHF 11 million, or 0.4% in 2019. The Group has not restated the comparable 2018 EBITDA figures, as permitted by IFRS 16.

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 2019 Half Year Results Media Release. In that reconciliation table, all significant one-off items have been explained.

Free Cash Flow (FCF)

FCF refers to operating cash flow after net investments, interest paid and lease payments.

For the six months ended 30 June, in millions of Swiss francs	2019	2018
Cash flows from (for) operating activities	**271**	**269**
Acquisition of property, plant and equipment	(138)	(129)
Proceeds from the disposal of property, plant and equipment	61	7
Acquisition of intangible assets	(17)	(21)
Proceeds from the disposal of intangible assets		
Interest paid	(10)	(13)
Lease payments*	(19)	
Free cash flow (FCF)	**148**	**113**
Sales	3,094	2,674
Free cash flow (FCF) as a % of sales	**4.8%**	**4.2%**

* Lease payments became part of the reconciliation in 2019, as a consequence of the adoption of IFRS 16. This was not applicable in 2018 as lease payments were included in Cash Flows from (for) operating activities.

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 2019	31 December 2018
Short-term debt	696	4
Long-term debt	3,253	3,266
Less: cash and cash equivalents	(239)	(423)
Net debt*	**3,710**	**2,847**
Total equity attributable to equity holders of the parent	3,346	3,710
Remeasurement of post-employment benefit obligations	519	431
Equity (as defined for leverage ratio)	**3,865**	**4,141**
Net debt and equity (as defined for leverage ratio)	**7,575**	**6,988**
Leverage ratio*	**49%**	**41%**

* As a consequence of the adoption of IFRS 16 the net debt increased by CHF 405 million. Without this increase the leverage ratio would have been 46%.

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