Givaudan

Media Release

Geneva, 18 July 2019

2019 Half year results

Excellent sales growth - on track to deliver 2020 guidance

- Sales of CHF 3,094 million, up 6.3% on a like-for-like[1] basis and 15.7% in Swiss francs
- Project pipeline and win rates sustained at a high level
- Strategic focus areas and acquired businesses strongly contributing to growth
- EBITDA of CHF 660 million in 2019, an increase of 9.9% compared to 2018
- EBITDA margin of 21.3%, with solid underlying business performance
- Net income of CHF 380 million, up by 2.3% year-on-year
- Free cash flow of 4.8% of sales, compared to 4.2% in 2018
- Naturex integration project progressing well
- Givaudan Business Solutions well advanced and delivering planned benefits

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.

"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," said CEO Gilles Andrier. "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."

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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)[2]
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.

in millions of Swiss francs	2019			2018		
	Group	Fragrance	Flavour	Group	Fragrance	Flavour
EBITDA as published[a]	**660**	**270**	**390**	**601**	**250**	**351**
EBITDA as published in %	**21.3**	**19.8**	**22.5**	**22.5**	**20.4**	**24.2**
Givaudan Business Solutions (GBS) costs	-19	-19		-25	-25	
Acquisition and restructuring expenses[b]	-11		-11			
Comparable EBITDA[3]	**690**	**289**	**401**	**626**	**275**	**351**
Comparable EBITDA in %	**22.3**	**21.3**	**23.1**	**23.4**	**22.4**	**24.2**

a. The adoption of IFRS 16 Leases resulted in an increase in EBITDA of CHF 11 million, or 0.4% in 2019[4]. The Group has not restated the comparable 2018 EBITDA figures, as permitted by IFRS 16.
b. Acquisition and restructuring expenses incurred of CHF 11 million are largely related to the acquisition of Naturex.

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.

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.

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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 (ZIC) 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[5] 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[4], as well as the payment of the annual dividend of CHF 552 million in the first quarter of 2019. The leverage ratio[6] 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.

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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.

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Key Figures

For the six months ended 30 June in millions of Swiss francs except for earnings per share data	**2019**	**2018**
Group sales	**3,094**	**2,674**
- Fragrance sales	1,361	1,223
- Flavour sales	1,733	1,451
Gross profit	**1,274**	**1,182**
- as % of sales	41.2%	44.2%
EBITDA[2]	**660**	**601**
- as % of sales	21.3%	22.5%
Operating income	**491**	**489**
- as % of sales	15.9%	18.3%
Income attributable to equity holders of the parent	**380**	**371**
- as % of sales	12.3%	13.9%
Earnings per share – basic (CHF)	**41.24**	**40.26**
Earnings per share – diluted (CHF)	**40.94**	**39.84**
Operating cash flow	**271**	**269**
- as % of sales	8.8%	10.1%
Free cash flow[5]	**148**	**113**
- as % of sales	4.8%	4.2%

in millions of Swiss francs, except for employee data	**30 June 2019**	**31 December 2018**
- Current assets	3,209	3,121
- Non-current assets	6,555	6,147
Total assets	**9,764**	**9,268**
- Current liabilities	2,090	1,350
- Non-current liabilities	4,315	4,195
- Equity	3,359	3,723
Total liabilities and equity	**9,764**	**9,268**
Number of employees	**13,886**	**13,598**

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Sales Performance – January to June

in millions of Swiss francs	2018 Sales as reported	Like-for-like development [1]	2019 Sales like-for-like [1]	Change % on like-for-like basis [1]	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[a]	-17	1,361	11.3%
- Flavour	1,451	64	1,515	4.4%	234	-16	1,733	19.4%

a. 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 [1]	2019 Sales like-for-like [1]	Change % on like-for-like basis [1]	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%

Fragrance Division

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.

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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 customers. 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.

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Flavour Division

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 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.

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 of local and regional customers. From a segment perspective good growth in Savoury and Sweet Goods was offset by weaker performance in Dairy.

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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 Beverages, Snacks and Dairy.

The 2019 Half Year Report can be downloaded on www.givaudan.com. A conference call will be broadcast on www.givaudan.com on Thursday 18 July 2019 at 15:00 CET.

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Notes

1. 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.
2. 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.
3. 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.
4. The impact of the adoption of IFRS 16 Leases on the key figures of the Group is as follows:

	2019			
in millions of Swiss francs	**EBITDA**	**Net debt**	**Leverage ratio**	**FCF**
As reported at 30 June 2019	**660**	**3,710**	**49%**	**148**
As a % of sales	**21.3%**			**4.8%**
Impact of adoption of IFRS 16:				
- Increase in EBITDA	0.4%			
- Increase in net debt / leverage ratio		405	3%	
As reported pre-IFRS 16 adoption	**20.9%**	**3,305**	**46%**	**4.8%**

5. Free Cash Flow (FCF) refers to operating cash flow after net investments, interest paid and lease payments.
6. Leverage ratio is defined as net debt divided by the sum of net debt and equity (as defined for leverage ratio).

Further information and reconciliations of the Group's Alternative Performance Measures can be found in Appendix **Alternative Performance Measures**