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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 Investor News and Media Release, 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.

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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 for 2018.

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).

At period ended 30 June, in millions of Swiss francs	2019	2018
Short-term debt	696	970
Long-term debt	3,253	1,655
Less: cash and cash equivalents	(239)	(231)
Net debt*	**3,710**	**2,394**
Total equity attributable to equity holders of the parent	3,346	3,439
Remeasurement of post-employment benefit obligations	519	456
Equity (as defined for leverage ratio)	**3,865**	**3,895**
Net debt and equity (as defined for leverage ratio)	**7,575**	**6,289**
Leverage ratio*	**49%**	**38%**

* 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%.