2017 Half Year Report

Sustained good performance

Our profile

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

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

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

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Key figures
First half of 2017

- Sales of CHF 2,483 million, up 2.3% LFL* and 6.4% in Swiss francs
- Project pipeline and win rates sustained at a high level
- EBITDA of CHF 597 million in 2017
- EBITDA margin declined to 24.0% from 27.3% in 2016
- Net income of CHF 384 million, up 4.5% year-on-year
- Free cash flow of 5.3% of sales, compared to 7.4% in 2016
- Givaudan Business Solutions entering implementation phase

For the six months ended 30 June, in millions of Swiss francs, except for earnings per share data	**2017**	2016	Percentage change
Group Sales	**2,483**	**2,334**	**6.4%**
Fragrance sales	1,137	1,132	0.4%
Flavour sales	1,346	1,202	12.0%
Like-for-like sales growth	**2.3%**	**6.2%**	
Gross profit	**1,132**	**1,093**	**3.6%**
as % of sales	45.6%	46.8%	
EBITDA [a]	**597**	**638**	**(6.5%)**
as % of sales	24.0%	27.3%	
Operating income	**489**	**500**	**(2.3%)**
as % of sales	19.7%	21.4%	
Income attributable to equity holders of the parent	**384**	**368**	**4.5%**
as % of sales	15.5%	15.7%	
Operating cash flow	**269**	**237**	**13.5%**
as % of sales	10.8%	10.2%	
Free cash flow	**132**	**174**	**(24.1%)**
as % of sales	5.3%	7.4%	
Earnings per share – basic (CHF)	**41.70**	**40.00**	

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

in millions of Swiss francs, except for employee data	**30 June 2017**	31 December 2016
Current assets	2,428	2,343
Non-current assets	4,189	4,171
Total assets	**6,617**	**6,514**
Current liabilities	1,641	959
Non-current liabilities	1,916	2,262
Equity	3,060	3,293
Total liabilities and equity	**6,617**	**6,514**
Number of employees	**10,701**	**10,476**

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

At a glance
Key indicators

CHF 2.5 billion
Group sales

24.0%
EBITDA margin

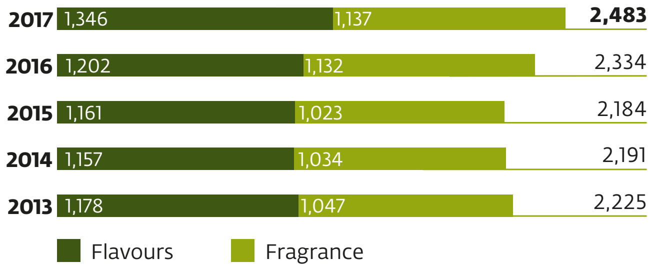
6.4%
Organic sales growth

CHF 384 million
Net Income

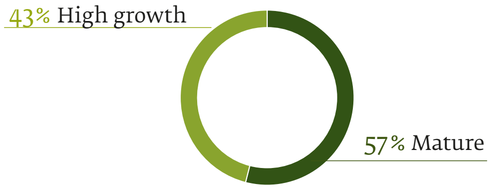
CHF 132 million
Free cash flow

5.3%
Free cash flow as % of sales

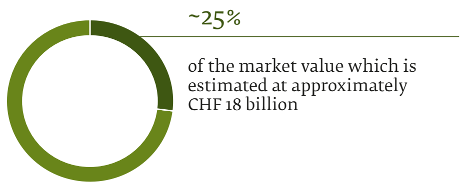
Half year Group sales
in millions of Swiss francs



Givaudan sales
high growth vs mature markets



Givaudan market share



98
Locations worldwide

39
Production sites

68
Creation & application centres

10,701
Employees as of 30 June 2017

508
Employees working in science and technology

Business performance
Sustained good performance

Sales
Givaudan Group sales for the first six months of the year were CHF 2,483 million, an increase of 2.3% on a like-for-like basis and 6.4% in Swiss francs.

Fragrance Division sales were CHF 1,137 million, an increase of 0.1% on a like-for-like basis and 0.4% in Swiss francs.

Flavour Division sales were CHF 1,346 million, an increase of 4.4% on a like-for-like basis and 12.0% in Swiss francs.

Givaudan continued the year with good business momentum and with the project pipeline and win rates being sustained at a high level. This good growth was achieved against strong prior year comparables for the same period in 2016, particularly in the Fragrance Division.

The Company continues to implement price increases in collaboration with its customers to compensate the increases in input costs.

Gross profit
The gross profit increased by 3.6% from CHF 1,093 million in 2016 to CHF 1,132 million in 2017. A continued strong cost discipline partially offset the impact of the Spicetec business, acquired in July 2016. The gross margin decreased to 45.6% in 2017 from 46.8% in 2016.

Earnings before Interest, Tax, Depreciation and Amortisation (EBITDA)
The EBITDA decreased by 6.5% to CHF 597 million from CHF 638 million for the same period in 2016. The Group continued to exercise strong discipline over operating expenses. In 2017, the Group incurred costs of CHF 24 million linked to the implementation of the Givaudan Business Solutions programme. As a reminder, in the first six months of 2016, the Group recognised a one-off non-cash gain of CHF 55 million related to changes in pension plans. When measured in local currency terms, the EBITDA decreased by 5.3%. The EBITDA margin decreased to 24.0% in 2017 from 27.3% in 2016.

Operating income
The operating income decreased by 2.3% to CHF 489 million from CHF 500 million for the same period in 2016. When measured in local currency terms, the operating income decreased by 0.9%. The operating margin decreased to 19.7% in 2017 from 21.4% in 2016.

Financial performance
Financing costs were CHF 21 million in the first half of 2017, versus CHF 27 million for the same period in 2016, with lower interest rates compensating for the increase in net debt in the Group. Other financial expense, net of income, was CHF 17 million in 2017 versus CHF 18 million in 2016.

The interim period income tax expense as a percentage of income before taxes was 15% in 2017, compared with 19% in 2016 for the same period.

Net income
The net income for the first six months of 2017 was CHF 384 million compared to CHF 368 million in 2016, an increase of 4.5%. This results in a net profit margin of 15.5% versus 15.7% in 2016. Basic earnings per share were CHF 41.70 versus CHF 40.00 for the same period in 2016.

Cash flow
Givaudan delivered an operating cash flow of CHF 269 million for the first six months of 2017 compared to CHF 237 million in 2016. Working capital was relatively stable at 27.4% of sales compared to 26.9% in 2016.

Total net investments in property, plant and equipment were CHF 96 million, compared to CHF 33 million incurred in 2016, largely driven by the timing of expenditure on two large capital projects in Switzerland and in India. Intangible asset additions were CHF 27 million in 2017, compared to CHF 12 million in 2016. Total net investments in tangible and intangible assets were 5.0% of sales, compared to 1.9% in 2016.

Operating cash flow after net investments was CHF 146 million, versus the CHF 192 million recorded in 2016. Free cash flow, defined as operating cash flow after investments and interest paid, was CHF 132 million in the first half of 2017, versus CHF 174 million for the comparable period in 2016. As a percentage of sales, free cash flow in the first six months of 2017 was 5.3%, compared to 7.4% in 2016.

Financial position

Givaudan's financial position remained strong at the end of June 2017. Net debt at June 2017 was CHF 1,429 million, up from CHF 930 million at December 2016. The leverage ratio was 28% compared to 19% at the end of 2016. The main reasons for the increase in the leverage ratio are associated with the recent acquisitions which have been made by the Group, the timing of capital expenditure on major investment projects and the payment of the CHF 515 million dividend in the first quarter of 2017.

During the first six months of 2017 the Group refinanced the Group revolving credit facility for an amount of CHF 750 million, one year in advance of the maturity date of the previous facility.

Givaudan Business Solutions

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

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

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

Sales: for the Group
in millions of Swiss francs

EBITDA: for the Group
in millions of Swiss francs

Operating income: for the Group
in millions of Swiss francs

2020 guidance: Responsible growth. Shared success

The Company's 2020 ambition is to create further value through profitable, responsible growth. Capitalising on the success of the 2011-2015 strategy, Givaudan's 2020 ambition is built on the three strategic pillars of 'growing with our customers', 'delivering with excellence', and 'partnering for shared success'.

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

Flavour Division

Flavour sales

Flavour Division sales were CHF 1,346 million during the first six months of 2017, an increase of 4.4% on a like-for-like basis and an increase of 12.0% in Swiss francs compared to 2016. Including Spicetec, acquired in July 2016 and Activ International, acquired in January 2017, the growth was 13.6% in local currency.

The sales performance was driven by new wins and existing business expansion in North America, Europe, Middle East and Africa, as well as in Asia.

From a segment perspective, Dairy, Savoury and Beverages all contributed to the positive sales performance.

The EBITDA increased to CHF 321 million in 2017 from CHF 287 million for the first six months of 2016. The EBITDA margin was 23.9% in 2017, at the same level as the comparable period in 2016, with strong cost discipline offsetting the margin dilution impact from the acquired businesses. The operating income increased to CHF 258 million in 2017 from CHF 213 million for the same period in 2016. The operating margin increased to 19.2% in 2017 compared to 17.7% in 2016.

Asia Pacific

Sales in Asia Pacific increased 1.9% on a like-for-like basis driven by the high growth markets of India, Thailand and the Philippines, offsetting the slower sales momentum in China. The mature markets of Japan, Australia and Singapore all delivered good results. From a segment perspective there was good growth in Dairy, Sweet Goods and Beverages mainly as a result of new wins.

Europe, Africa and Middle East

Sales increased 4.7% on a like-for-like basis, with double-digit growth in Turkey, Egypt, South Africa and Nigeria and single-digit growth in the markets of Central and Eastern Europe contributing to the regional performance. The mature markets of Western Europe grew moderately led by the UK and Italy. Within the segment performance there was good growth in Savoury and Beverages which both contributed to the positive growth.

Latin America

Sales decreased 1.6% in Latin America on a like-for-like basis, against a strong comparable of 16.7% in 2016. Good sales momentum in Argentina and Mexico was offset by the negative growth in Brazil, which had a strong first half in 2016.

Sales: Flavour Division
in millions of Swiss francs

North America

Sales across North America increased 8.9% on a like-for-like basis, against a weaker comparable period in 2016. The strong growth was led by new wins and growth of existing business in Dairy, Beverages and Savoury.

Fragrance Division

Fragrance sales

Fragrance Division sales were CHF 1,137 million, an increase of 0.1% on a like-for-like basis and an increase of 0.4% in Swiss francs, compared with an increase of 9.7% and 10.7% respectively for the same period in 2016.

Sales: Fragrance Division
in millions of Swiss francs

Total sales for Fragrance compounds (Fine Fragrances and Consumer Products combined) increased by 0.6% on a like-for-like basis, compared with 10.4% in 2016. In Swiss francs, sales of compounds increased to CHF 987 million from CHF 977 million.

Fine Fragrance sales decreased by 0.4% on a like-for-like basis against a strong prior year comparable of 11.1%.

Consumer Products sales increased by 0.8% on a like-for-like basis against a high prior year comparable of 10.2%.

Sales of Fragrance Ingredients and Active Beauty decreased by 2.7% on a like-for-like basis with Active Beauty showing good sales growth and Fragrance Ingredients showing a lower level of sales than prior year.

The EBITDA decreased to CHF 276 million in 2017 compared to CHF 351 million for the first six months of 2016. In the first six months of 2017 the division incurred costs associated with the GBS project of CHF 24 million, whilst as a reminder, the division recognised a one-off non-cash gain of CHF 55 million in the first six months of 2016, following a change in pension plans. The EBITDA margin decreased to 24.2% in 2017 from 31.0% in 2016.

The operating income decreased by 19.7% to CHF 231 million in 2017, versus CHF 287 million for the same period in 2016. The operating margin decreased to 20.3% in 2016 from 25.4% in 2016.

Fine Fragrances

Fine Fragrance sales decreased 0.4% on a like for like basis against strong comparable with double-digit growth recorded last year for the same time period. Solid new business gains were offset by higher erosion in key markets.

On a regional basis, growth delivered in mature markets was offset by lower sales in high growth markets. In the mature markets, sales growth in Western Europe was favourably impacted by a strong inflow of new business and established volume gains. This growth more than offset lower sales in North America due to the particularly high comparable. In the high growth markets, a combination of new business and volume growth in Asia and the Middle East was not sufficient to compensate the lower sales in Latin America, which were negatively impacted by the economic market conditions.

At the major award ceremonies in the USA and Europe a number of Givaudan fragrances were recognised including: Tom Ford Soleil Blanc, Tom Ford Vert D'Encens, Tom Ford Vert des Bois, John Varvatos Artisan Blu and Comme Des Garcons Black Pepper. In addition, Narciso Rodriguez For Her was elected best feminine fragrance of the last 25 years at the award ceremony in France.

Consumer Products

Consumer Products sales increased by 0.8% on a like-for-like basis against high prior year comparables, especially in high growth markets. All customer groups and all product segments in mature markets contributed to the growth as well as international customers in high growth markets.

Latin America increased against last year double-digit sales growth driven by strong performance of local and regional customers in all sub-regions. Sales in Asia decreased versus a double-digit prior year comparable, a decline driven by North and South East Asia, whilst the sub-region of South Asia reported double-digit growth. In Europe, Africa and Middle East, the sales increase was spread across all customer groups and main product segments. North America delivered a solid growth through all customer groups and major product segments.

On a product segment basis, sales growth was driven by strong increase in home care followed by oral care.

Fragrance Ingredients and Active Beauty

Sales of Fragrance Ingredients and Active Beauty decreased by 2.7% on a like-for-like basis. Active Beauty showed good sales growth driven by local and regional customers across the main regions however this was not sufficient to offset the sales decrease in Fragrance ingredients.

2017 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	**2017**	2016
Sales		2,483	2,334
Cost of sales		(1,351)	(1,241)
Gross profit		**1,132**	**1,093**
as % of sales		45.6%	46.8%
Selling, marketing and distribution expenses		(320)	(311)
Research and product development expenses		(206)	(197)
Administration expenses		(81)	(89)
Share of (loss) profit of jointly controlled entities		–	–
Other operating income	7	10	60
Other operating expense	8	(46)	(56)
Operating income		**489**	**500**
as % of sales		19.7%	21.4%
Financing costs	9	(21)	(27)
Other financial income (expense), net	10	(17)	(18)
Income before taxes		**451**	**455**
Income taxes		(67)	(87)
Income for the period		**384**	**368**
Attribution			
Income attributable to equity holders of the parent		384	368
as % of sales		15.5%	15.7%
Earnings per share – basic (CHF)	**12**	**41.70**	**40.00**
Earnings per share – diluted (CHF)	**12**	**41.37**	**39.62**

The notes on pages 15 to 21 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	2017	2016
Income for the period	**384**	**368**
Items that may be reclassified to the income statement		
Cash flow hedges		
Movement in fair value, net	4	(42)
Gains (losses) removed from equity and recognised in the consolidated income statement	2	6
Movement on income tax	–	2
Exchange differences arising on translation of foreign operations		
Change in currency translation	(69)	(112)
Movement on income tax	–	(1)
Items that will not be reclassified to the income statement		
Defined benefit pension plans		
Remeasurement gains (losses) of post employment benefit obligations	37	(233)
Movement on income tax	(8)	61
Other comprehensive income for the period	**(34)**	**(319)**
Total comprehensive income for the period	**350**	**49**
Attribution		
Total comprehensive income attributable to equity holders of the parent	350	49

The notes on pages 15 to 21 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 2017	31 December 2016
Cash and cash equivalents		220	328
Derivative financial instruments		26	9
Derivatives on own equity instruments			3
Accounts receivable - trade		1,081	996
Inventories		886	788
Current tax assets		30	26
Other current assets		185	193
Current assets		**2,428**	**2,343**
Property, plant and equipment		1,431	1,442
Intangible assets		2,334	2,311
Deferred tax assets		251	259
Post-employment benefit plan assets		14	12
Financial assets at fair value through income statement		59	59
Jointly controlled entities		33	35
Investment property	11	15	
Other long-term assets		52	53
Non-current assets		**4,189**	**4,171**
Total assets		**6,617**	**6,514**
Short-term debt	13	711	7
Derivative financial instruments		8	32
Accounts payable - trade and others		493	494
Accrued payroll & payroll taxes		112	143
Current tax liabilities		37	46
Financial liability: own equity instruments		105	57
Provisions		7	6
Other current liabilities		168	174
Current liabilities		**1,641**	**959**
Derivative financial instruments		59	62
Long-term debt	13	938	1,251
Provisions		59	59
Post-employment benefit plan liabilities		668	722
Deferred tax liabilities		123	93
Other non-current liabilities		69	75
Non-current liabilities		**1,916**	**2,262**
Total liabilities		**3,557**	**3,221**
Share capital	14	92	92
Retained earnings and reserves	14	5,346	5,477
Own equity instruments	15	(177)	(109)
Other components of equity		(2,201)	(2,167)
Equity attributable to equity holders of the parent		**3,060**	**3,293**
Total equity		**3,060**	**3,293**
Total liabilities and equity		**6,617**	**6,514**

The notes on pages 15 to 21 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

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

2016 in millions of Swiss francs	Share Capital	Retained earnings and reserves	Own equity instruments	Cash flow hedges	Currency translation differences	Remeasurement of post employment benefit obligations	Total equity
Balance as at 1 January	**92**	**5,373**	**(79)**	**(70)**	**(1,396)**	**(505)**	**3,415**
Income for the period		368					368
Other comprehensive income for the period				(34)	(113)	(172)	(319)
Total comprehensive income for the period		**368**		**(34)**	**(113)**	**(172)**	**49**
Dividends paid		(495)					(495)
Movement on own equity instruments, net			(35)				(35)
Net change in other equity items		**(495)**	**(35)**				**(530)**
Balance as at 30 June	**92**	**5,246**	**(114)**	**(104)**	**(1,509)**	**(677)**	**2,934**

The notes on pages 15 to 21 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	2017	2016
Income for the period		384	368
Income tax expense		67	87
Interest expense		15	22
Non-operating income and expense		23	23
Operating income		**489**	**500**
Depreciation of property, plant and equipment		56	57
Amortisation of intangible assets	6	52	81
Other non-cash items			
- share-based payments		15	18
- pension expense		16	(35)
- additional and unused provisions, net		5	3
- other non-cash items		(31)	(18)
Adjustments for non-cash items		**113**	**106**
(Increase) decrease in inventories		(114)	(52)
(Increase) decrease in accounts receivable		(103)	(131)
(Increase) decrease in other current assets		1	(51)
Increase (decrease) in accounts payable		43	9
Increase (decrease) in other current liabilities		(37)	(17)
(Increase) decrease in working capital		**(210)**	**(242)**
Income taxes paid		**(55)**	**(65)**
Pension contributions paid		(32)	(22)
Provisions used		(3)	(5)
Purchase and sale of own equity instruments, net		(33)	(24)
Impact of financial transactions on operating, net			(11)
Cash flows from (for) operating activities		**269**	**237**
Increase in long-term debt	13	–	–
(Decrease) in long-term debt	13	(10)	
Increase in short-term debt	13	544	214
(Decrease) in short-term debt	13	(149)	(116)
Cash flows from debt, net		**385**	**98**
Interest paid		(14)	(18)
Purchase and sale of derivative financial instruments, net		–	6
Others, net		(2)	2
Cash flows from financial liabilities		**369**	**88**
Distribution to the shareholders paid	14	(515)	(495)
Cash flows from (for) financing activities		**(146)**	**(407)**
Acquisition of property, plant and equipment		(97)	(33)
Acquisition of intangible assets		(27)	(12)
Acquisition of subsidiary, net of cash acquired		(111)	
Proceeds from the disposal of property, plant and equipment		1	–
Others, net		5	(3)
Cash flows from (for) investing activities		**(229)**	**(48)**
Net increase (decrease) in cash and cash equivalents		**(106)**	**(218)**
Net effect of currency translation on cash and cash equivalents		(2)	–
Cash and cash equivalents at the beginning of the period		328	478
Cash and cash equivalents at the end of the period		**220**	**260**

The notes on pages 15 to 21 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 10,701 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 2017 (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 2016 consolidated financial statements as they provide an update of the most recent financial information available.

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

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

These interim financial statements are not audited. The 31 December 2016 statement of financial position has been derived from the audited 2016 consolidated financial statements. Givaudan SA's Board of Directors approved these interim financial statements on 17 July 2017.

3. Accounting policies

The accounting policies adopted are consistent with those of the annual financial statements for the year ended 31 December 2016, as described in the 2016 consolidated financial statements for the year ended 31 December 2016, with the exception of the adoption as of 1 January 2017 of the standards and interpretations below and of the application of IAS 40 Investment Property (see Note 11):

- Amendments to IAS 7: Disclosure Initiative
- Amendments to IAS 12: Recognition of Deferred Tax Assets for Unrealised Losses
- Annual Improvements to IFRS Standards 2014-2016 Cycle

The Group assessed that the adoption of the above standards does not affect the information already disclosed by the Group, with the exception of the amendments to IAS 7. The adoption of the amendments to IAS 7 resulted in a modification of the information disclosed on debt with a reconciliation of the carrying amount of the debt at the beginning and end of the period (see Note 13).

Givaudan has adopted the cost model in compliance with IAS 40 Investment property.

4. Financial risk management

Interest rate risk
In January 2017, the Group entered into forward starting interest rate swaps, in the amount of CHF 25 million, to fix the interest rates on highly probable future debt issuance, commencing in 2031 with a 10 year maturity and an average rate of 0.99%.

Fair value measurements recognised in the statement of financial position
Financial assets consisting of equity and debt securities of CHF 1 million (31 December 2016: CHF 1 million) were measured with Level 1 inputs whereas CHF 30 million (31 December 2016: CHF 30 million) were measured with Level 2 inputs. Corporate owned life insurance of CHF 29 million (31 December 2016: CHF 29 million) were measured with Level 2 inputs.

Derivative assets of CHF 27 million (31 December 2016: CHF 9 million) and derivative liabilities of CHF 67 million (31 December 2016: CHF 94 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 Level 1 and Level 2 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. Acquisition

On 16 January 2017, Givaudan acquired 100% of the share capital of Activ International and its affiliates for a purchase price of CHF 114 million. Activ International offers a range of natural and organic flavours, marine extracts, seafood and vegetable based culinary solutions to customers. With headquarters in Bienne (Switzerland), Activ operates from locations in Somerset (New Jersey, USA), Melaka (Malaysia), Mitry-Mory (Paris, France) and Arequipa (Peru), employing globally 165 employees.
The Group has already started the integration of Activ International.
From 16 January 2017, the acquisition contributed CHF 20 million of sales to the Group's consolidated results.

The goodwill of CHF 75 million 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 Activ International acquired are recorded at fair value at the date of acquisition. Total net assets acquired of CHF 39 million consist of cash (CHF 3 million), working capital (CHF 8 million), fixed assets (CHF 16 million), intangible assets which are made up of process knowledge, research expertise, client relationships, name and product brands (CHF 32 million), deferred tax liabilities (CHF 8 million) and other liabilities (CHF 12 million). The total purchase price of CHF 114 million was settled in cash, resulting in a goodwill of CHF 75 million.

In compliance with IFRS 3, these values determined are provisional and the Group has twelve months from the date of acquisition to finalise the allocation of the acquisition price.

6. Segment information

Business segments

	Fragrances		Flavours		Group	
For the six months ended 30 June, in millions of Swiss francs	**2017**	2016	**2017**	2016	**2017**	2016
Segment sales	1,137	1,132	1,351	1,210	2,488	2,342
Less inter segment sales [a]	–	–	(5)	(8)	(5)	(8)
Segment sales to third parties	**1,137**	**1,132**	**1,346**	**1,202**	**2,483**	**2,334**
EBITDA	**276**	**351**	**321**	**287**	**597**	**638**
as % of sales	24.2%	31.0%	23.9%	23.9%	24.0%	27.3%
Depreciation	(24)	(26)	(32)	(31)	(56)	(57)
Amortisation	(21)	(38)	(31)	(43)	(52)	(81)
Addition to Property, plant and equipment	25	16	40	29	65	45
Acquisition of Property, plant and equipment			16		16	
Addition to Intangible assets	12	14	10	13	22	27
Acquisition of Intangible assets			32		32	
Total Gross Investments	**37**	**30**	**98**	**42**	**135**	**72**

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	**2017**	2016	**2017**	2016	**2017**	2016
EBITDA	**276**	**351**	**321**	**287**	**597**	**638**
Depreciation	(24)	(26)	(32)	(31)	(56)	(57)
Amortisation	(21)	(38)	(31)	(43)	(52)	(81)
Operating income	**231**	**287**	**258**	**213**	**489**	**500**
as % of sales	20.3%	25.4%	19.2%	17.7%	19.7%	21.4%
Financing costs					(21)	(27)
Other financial income (expense), net					(17)	(18)
Income before taxes					**451**	**455**
as % of sales					18.2%	19.5%

Classification of amortisation expenses is as follows:

	Fragrances		Flavours		Group	
For the six months ended 30 June, in millions of Swiss francs	**2017**	2016	**2017**	2016	**2017**	2016
Cost of sales	5	5	4	2	9	7
Selling, marketing and distribution expenses	7	9	11	9	18	18
Research and product development expenses	4	4	11	10	15	14
Administration expenses	2	1	1	1	3	2
Other operating expenses	3	19	4	21	7	40
Total	**21**	**38**	**31**	**43**	**52**	**81**

7. Other operating income

For the six months ended 30 June, in millions of Swiss francs	2017	2016
Gains on disposal of fixed assets	1	–
Other income	9	60
Total other operating income	**10**	**60**

In the first six months of 2016, the Group recognised a one-off non-cash gain of CHF 55 million following a change in the pension plans.

8. Other operating expense

For the six months ended 30 June, in millions of Swiss francs	2017	2016
Project related expenses	24	1
Amortisation of intangible assets	7	40
Losses on disposal of fixed assets	1	1
Acquisition and integration related expenses	–	–
Other expenses	14	14
Total other operating expense	**46**	**56**

9. Financing costs

For the six months ended 30 June, in millions of Swiss francs	2017	2016
Interest expense	15	22
Net interest related to defined benefit pension plans	6	7
Derivative interest (gains) losses	–	(3)
Amortisation of debt discounts	–	1
Total financing costs	**21**	**27**

10. Other financial (income) expense, net

For the six months ended 30 June, in millions of Swiss francs	2017	2016
Fair value and realised (gains) losses from derivatives instruments, net (at fair value through income statement)	(37)	44
Exchange (gains) losses, net	49	(29)
Unrealised (gains) losses from financial instruments measured at fair value through income statement	(4)	(1)
Interest (income) expense	(1)	(1)
Capital taxes and other non business taxes	5	5
Other (income) expense, net	5	–
Total other financial (income) expense, net	**17**	**18**

11. Investment property

During the first six months of 2017 the Group entered into an agreement to develop real estate at its facility in Kemptthal with a third party. As the agreement meets the criteria of IAS 40, the value of land and buildings has been transferred to Investment property. No additional costs were incurred to date.

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	2017	2016
Income attributable to equity holder of the parent (in millions of Swiss francs)	**384**	**368**
Weighted average number of shares outstanding		
Ordinary shares	9,233,586	9,233,586
Treasury shares	(25,098)	(33,052)
Net weighted average number of shares outstanding	**9,208,488**	**9,200,534**
Basic earnings per share (CHF)	**41.70**	**40.00**

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	2017	2016
Income attributable to equity holder of the parent (in millions of Swiss francs)	**384**	**368**
Weighted average number of shares outstanding for diluted earnings per share of 74,015 (2016: 87,154)	**9,282,503**	**9,287,688**
Diluted earnings per share (CHF)	**41.37**	**39.62**

13. Debt

2017 in millions of Swiss francs	Floating rate debt Bank borrowings	 Bank overdrafts	 Total	Fixed rate debt Straight bonds	 Private placements	 Total	Total short-term and long-term debt
Balance as at 1 January		**7**	**7**	**997**	**254**	**1,251**	**1,258**
Cash flows	391	(6)	385				385
Non-cash changes							
- Amortisation of debt discount				–		–	–
- Acquisition / Divestment	12		12				12
- Currency translation effects	9		9		(15)	(15)	(6)
Balance as at 30 June	**412**	**1**	**413**	**997**	**239**	**1,236**	**1,649**
Within 1 year	411	1	412	299		299	711
Within 1 to 3 years	1		1		38	38	39
Within 3 to 5 years				248		248	248
Thereafter				450	201	651	651
Balance as at 30 June	**412**	**1**	**413**	**997**	**239**	**1,236**	**1,649**

2016 in millions of Swiss francs	Floating rate debt Bank borrowings	 Bank overdrafts	 Total	Fixed rate debt Straight bonds	 Private placements	 Total	Total short-term and long-term debt
Balance as at 1 January		**3**	**3**	**847**	**305**	**1,152**	**1,155**
Cash flows		4	4	149	(54)	95	99
Non-cash changes							
- Amortisation of debt discount				1		1	1
- Acquisition / Divestment							
- Currency translation effects					3	3	3
Balance as at 31 December		**7**	**7**	**997**	**254**	**1,251**	**1,258**
Within 1 year		7	7				7
Within 1 to 3 years				299		299	299
Within 3 to 5 years				248	41	289	289
Thereafter				450	213	663	663
Balance as at 31 December		**7**	**7**	**997**	**254**	**1,251**	**1,258**

During the first six months of 2017, Givaudan entered into short-term loans for a total net amount of CHF 402 million, which are planned to be repaid by the end of 2017.

14. Equity

At the Annual General Meeting held on 23 March 2017 the distribution of an ordinary dividend of CHF 56.00 per share (2016: ordinary dividend of CHF 54.00 per share) was approved. The dividend payment has been paid out of available retained earnings. At 30 June 2017, 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.

15. 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. At 30 June 2017, the Group held 17,588 own shares (2016: 14,887), as well as derivatives on own shares equating to a long position of 56,562 (2016: 45,296).

16. Contingent liabilities

From time to time and in varying degrees, Group operations and earnings continue to be affected by political, fiscal and regulatory developments, including those relating to environmental protection, in the countries in which it operates.

The activities in which the Group is engaged are also subject to physical risks of various kinds. The nature and frequency of these developments and events, not all of which are covered by insurance, as well as their effect on the future operations and earnings are not predictable.

Givaudan Group companies are involved in various legal and regulatory proceedings of a nature considered typical of its business, including contractual disputes and employment litigation.

One of the Group's US affiliates, Givaudan Flavors Corporation was named as a defendant in several lawsuits brought against it and other flavour companies and raw diacetyl suppliers. The plaintiffs alleged that they sustained pulmonary injuries due to diacetyl containing butter flavours manufactured by one or more of the flavour company defendants. The majority of the cases filed against Givaudan Flavors Corporation have been settled. The Group has already recovered or will recover amounts it is entitled to under the terms of its insurance policies.

17. Subsequent event

On 11 July 2017, as part of its 2020 strategy to strengthen capabilities in integrated natural dairy solutions, Givaudan announced that it is acquiring Vika B.V.
Vika B.V. offers a range of natural dairy ingredients, fonds and stocks, as well as meat and plant based extracts to customers in the food and beverage industry. With headquarters in the Netherlands, Vika also has facilities in Belgium, the UK and New Zealand, employing globally over 200 employees.
As closing has not been completed, the proposed acquisition has no impact on the financial results as of June 2017.

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