2015 Half Year Report

Givaudan

engage your senses

Introduction

Givaudan captures the essence of fragrances and flavours and offers an endless source of surprising experiences.

As the industry leader, with approximately 25% share of the fragrance and flavour market, we constantly challenge ourselves to build partnerships worldwide and to offer exceptional service to our customers with innovative products and distinctive concepts.

We create the pleasures of taste and scent in millions of ways, touching billions of lives. From fine fragrances to laundry care, from your favourite beverage to your daily meal, Givaudan is delighted to engage your senses, every day, everywhere.

In this section:

Key figures
First half of 2015

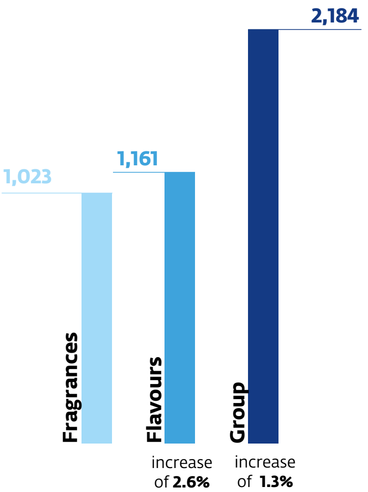
For the six months ended 30 June, in millions of Swiss francs, except per share data	**2015**	2014
Group sales	**2,184**	**2,191**
Fragrance sales	1,023	1,034
Flavour sales	1,161	1,157
Gross profit	**1,016**	**1,020**
as % of sales	46.5%	46.6%
EBITDA[1]	**566**	**562**
as % of sales	25.9%	25.6%
Operating income	**428**	**422**
as % of sales	19.6%	19.2%
Income attributable to equity holders of the parent	**339**	**305**
as % of sales	15.5%	13.9%
Earnings per share – basic (CHF)	**36.82**	**33.13**
Earnings per share – diluted (CHF)	**36.37**	**32.71**
Operating cash flow	**341**	**218**
as % of sales	15.6%	9.9%
Free cash flow	**248**	**178**
as % of sales	11.4%	8.1%

in millions of Suisse francs, except employee data	**30 June 2015**	31 December 2014
Current assets	2,140	2,357
Non-current assets	3,780	4,115
Total Assets	**5,920**	**6,472**
Current liabilities	869	921
Non-current liabilities	2,028	2,138
Equity	3,023	3,413
Total liabilities and equity	**5,920**	**6,472**
Number of employees	**9,750**	**9,704**

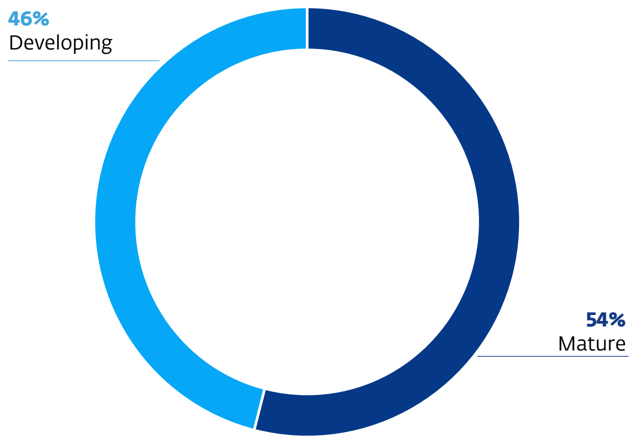
[1] EBITDA: Earnings Before Interest (and other financial income (expense), net), Tax, Depreciation and Amortisation. This corresponds to operating income before depreciation, amortisation and impairment of long-lived assets.

At a glance
Key financial indicators

Half year sales
in millions of Swiss francs and percentage LFL[1]



Sales by market



[1] LFL = Like-for-like excludes the impact of currency, acquisitions and disposals.

CHF 566 million
EBITDA

25.9%
EBITDA margin

CHF 248 million
Free cash flow

CHF 1,016 million
Gross profit

46.5%
Gross margin

CHF 339 million
Net income, up 11.2% year-on-year

Givaudan share price evolution 2010-2015

Business performance
Strongly improved free cash flow, on track to achieve 2015 targets

Givaudan Group sales for the first six months of the year were CHF 2,184 million, an increase of 1.3% on a like-for-like[1] basis and a decline of 0.3% in Swiss francs.

Fragrance Division sales were CHF 1,023 million, flat on a like-for-like basis and a decline of 1.1% in Swiss francs.

Flavour Division sales were CHF 1,161 million, an increase of 2.6% on a like-for-like basis and 0.4% in Swiss francs.

Gross margin

The gross margin was 46.5% in 2015 compared to 46.6% in 2014. Savings from the transfer of products to the new flavours manufacturing facility in Makó, Hungary from Kemptthal, Switzerland more than offset general increases in operational expenses. However, the gross margin was distorted by the impact of currency movements following the appreciation of the Swiss franc.

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

The EBITDA increased by 0.6% to CHF 566 million from CHF 562 million for the same period in 2014. A continued focus on internal costs was the main enabler of the improvement. In the first six months of 2015 the Group recognised a net one-off non-cash gain of CHF 20 million, mainly following a change in pension plans. As a reminder, in the first six months of 2014 the Group recognised a one-off gain of CHF 38 million in the Flavour Division on the disposal of land at its Dübendorf location in Switzerland. When measured in local currency terms, the EBITDA increased by 6.4%. The EBITDA margin increased to 25.9% in 2015 from 25.6% in 2014.

Operating income

The operating income increased by 1.6% to CHF 428 million from CHF 422 million for the same period in 2014. When measured in local currency terms, the operating income increased by 8.8%. The operating margin increased to 19.6% in 2015 from 19.2% in 2014.

Financial performance

Financing costs were CHF 31 million in the first half of 2015, versus CHF 32 million for the same period in 2014. The decrease was as a result of the lower net debt in the Group. Other financial expense, net of income, was CHF 16 million in 2015 versus CHF 14 million in 2014.

The interim period income tax expense as a percentage of income before taxes was 11%, considerably lower than in 2014 following changes in Swiss Accounting Law and the Group's operating structure. Excluding these items, the income tax expense as a percentage of income before taxes was 19%.

Net income

The net income for the first six months of 2015 was CHF 339 million compared to CHF 305 million in 2014, an increase of 11.2%. This results in a net profit margin of 15.5% versus 13.9% in 2014. Basic earnings per share were CHF 36.82 versus CHF 33.13 for the same period in 2014.

Cash flow

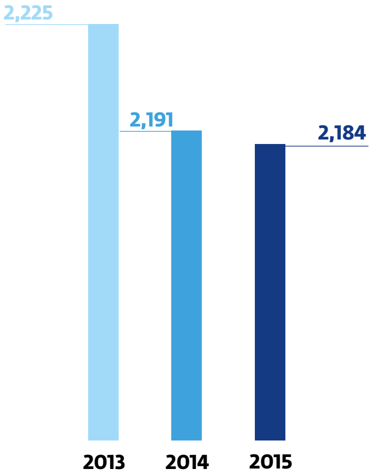
Givaudan delivered an operating cash flow of CHF 341 million for the first six months of 2015 compared to CHF 218 million in 2014, driven by a sustained EBITDA and an improvement in working capital. Working capital as a percentage of sales slightly decreased in 2015 when compared to the same period in 2014.

CHF 248 million

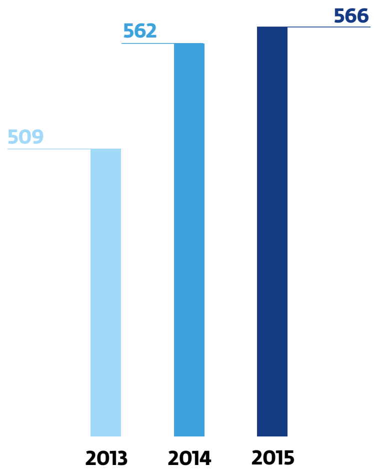
Free cash flow

[1] Like-for-like excludes the impact of currency, acquisitions and disposals.

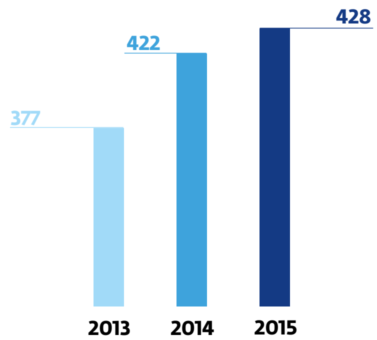
Sales
in millions of Swiss francs



EBITDA[a]
in millions of Swiss francs



Operating income
in millions of Swiss francs



Total investments in property, plant and equipment were CHF 57 million, compared to CHF 46 million incurred in 2014. The Group completed the investment in Nantong, China and progressed as planned with the investment in Singapore. Intangible asset additions were CHF 17 million in 2015, compared to CHF 21 million in 2014. As a reminder, in 2014 the Group received cash of CHF 56 million as a result of the sale of land at its Dübendorf location in Switzerland. Total net investments in tangible and intangible assets were 3.4% of sales, compared to 0.5% in 2014.

Operating cash flow after net investments was CHF 267 million, versus the CHF 207 million recorded in 2014. Free cash flow, defined as operating cash flow after investments and interest paid, was CHF 248 million in the first half of 2015, versus CHF 178 million for the comparable period in 2014. As a percentage of sales, free cash flow in the first six months of 2015 was 11.4%, compared to 8.1% in 2014.

Financial position

Givaudan's financial position remained strong at the end of June 2015. Net debt at June 2015 was CHF 1,050 million, up from CHF 795 million at December 2014. The leverage ratio was 23% compared to 17% at the end of 2014. The main reason for the increase in the leverage ratio was the payment of the CHF 461 million dividend in the first quarter of 2015.

Mid-term guidance

Mid-term, the overall objective is to grow organically between 4.5% and 5.5% per annum, assuming a market growth of 2-3%, and to continue on the path of market share gains. By delivering on the Company's five-pillar growth strategy – developing markets, Health and Wellness, market share gains with targeted customers and segments, research and sustainable sourcing – Givaudan expects to outgrow the underlying market and to continue to achieve its industry-leading EBITDA margin while targeting an annual free cash flow of between 14% and 16% of sales by the end of 2015. Givaudan confirms its intention to return above 60% of the Company's free cash flow to shareholders while maintaining a medium term leverage ratio target below 25%.

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

Fragrance Division

Fragrance Division sales were CHF 1,023 million, flat on a like-for-like basis and a decline of 1.1% in Swiss francs. Including Soliance, the growth was 1.4% in local currency.

Total sales for Fragrance compounds (Fine Fragrances and Consumer Products combined) increased by 1.0% on a like-for-like basis. In Swiss francs, sales of compounds declined to CHF 892 million from CHF 905 million.

CHF 1,023 million

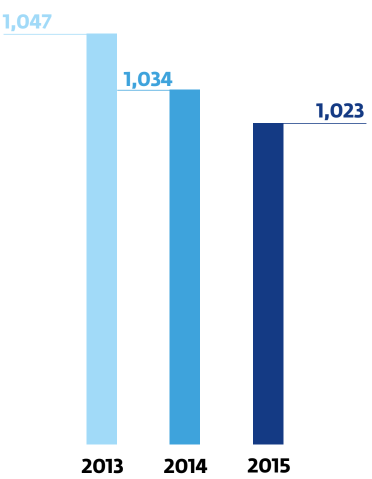
Fragrance Division sales

Fine Fragrance sales grew 0.8% on a like-for-like basis driven both by mature and developing markets.

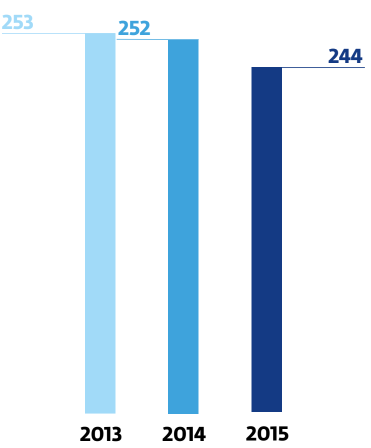
Sales for the Consumer Products business increased by 1.0% on a like-for-like basis, as a result of the good performance in developing markets.

Sales of Fragrance and Cosmetic Ingredients decreased by 7.9% on a like-for-like basis, mainly affected by lower commodity sales. The sales of Soliance, which was acquired on 2 June 2014, were CHF 17 million for the first six months of 2015, growing double-digit in local currency when compared to the same period of last year. Including Soliance, the growth of Fragrance and Cosmetic Ingredients was 4.0% in local currency.

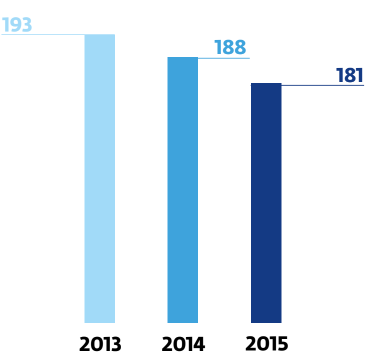
Sales
in millions of Swiss francs



EBITDA[a]
in millions of Swiss francs



Operating income
in millions of Swiss francs



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

The EBITDA declined to CHF 244 million in 2015 compared to CHF 252 million for the first six months of 2014. The EBITDA margin declined to 23.8% in 2015 from 24.3% in 2014. The Division incurred one-off non-cash charges of CHF 12 million in the first six months of 2015.

The operating income decreased by 3.5% to CHF 181 million in 2015, versus CHF 188 million for the same period in 2014. The operating margin decreased to 17.7% in 2015 from 18.1% in 2014.

Fine Fragrances

Fine Fragrance sales grew 0.8% on a like-for-like basis in the first half of the year with sales improving in the second quarter.

On a regional basis the business delivered growth in both mature and developing markets. In the developing markets, a combination of new business and volume growth in Asia and the Middle East more than compensated for lower sales in Latin America, which were impacted by a weak market in Brazil. In the mature markets, sales growth in Western Europe was favourably impacted by a strong inflow of new business. This growth more than offset lower sales in North America where new business was not able to offset erosion.

At the major industry award ceremonies in Europe and the USA, a number of Givaudan fragrances received recognition including: A Thousand Wishes by Bath and Body Works, Tom Ford's Velvet Orchid and Mandarino Di Amalfi, Intoxicated by Kilian, Bottega Veneta Pour Homme Eau Extreme, Bottega Veneta Knot, Christian Dior Miss Dior Blooming Bouquet, Narciso by Narciso Rodriguez. In addition, J'Adore received a Hall of Fame award at the ceremonies in the USA.

Consumer Products

The Consumer Product Business Unit sales grew by 1.0% on a like-for-like basis with good growth in developing markets more than offsetting lower sales growth in mature markets. Local and regional customers showed good growth across all regions.

On a product segment basis, the sales growth was sustained by the strong increase on the fabric care segment, followed by oral care. The home care and personal care segments contributed as well to the growth in developing markets.

Fragrance and Cosmetic Ingredients

Sales of Fragrance and Cosmetic Ingredients decreased by 7.9% on a like-for-like basis, mainly affected by lower commodity sales. The sales of Soliance, which was acquired on 2 June 2014, were CHF 17 million for the first six months of 2015, growing double-digit in local currency when compared to the same period of last year. Including Soliance, the growth of Fragrance and Cosmetic Ingredients was 4.0% in local currency. All product categories in Fragrance Ingredients declined, however, the specialities business was the least impacted. The earlier announced product transfers to the production site in Mexico and the joint venture partner in China are on schedule and will continue to ensure that the Group remains competitive in the fragrance ingredients market.

Flavour Division

Flavour Division sales were 1,161 million during the first six months of 2015, an increase of 2.6% on a like-for-like basis and 0.4% in Swiss francs.

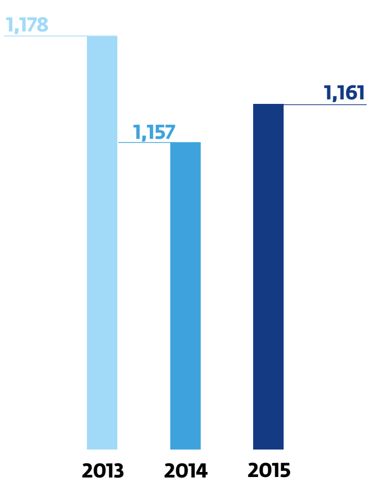
Sales growth during the second quarter was influenced by strong growth in the mature markets as well as the emerging markets of Asia Pacific and Latin America. New wins and existing business growth contributed to the increase. Difficult economic conditions continue to impact growth in Eastern Europe, Africa and the Middle East. Segment growth in Beverage, Dairy and Snacks was achieved as a result of new wins and existing business increases.

The EBITDA increased by 3.9% to CHF 322 million in 2015 from CHF 310 million for the first six months of 2014. The EBITDA margin was 27.8% in 2015, up from 26.8% in 2014. In the first six months of 2015 the Division recognised a one-off non-cash gain of CHF 32 million following a change in pension plans. As a reminder, in the first six months of 2014 the Division recognised a one-off gain of CHF 38 million in the Flavour Division on the disposal of land at its Dübendorf facility in Switzerland.

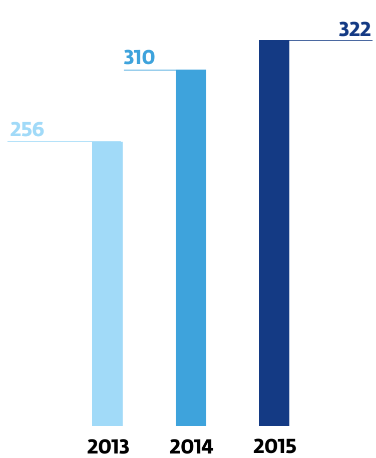
CHF **1,161** million
Flavour Division sales

The operating income increased by 5.7% to CHF 247 million in 2015 from CHF 234 million for the same period in 2014. The operating margin increased to 21.3% in 2015 from 20.2% in 2014.

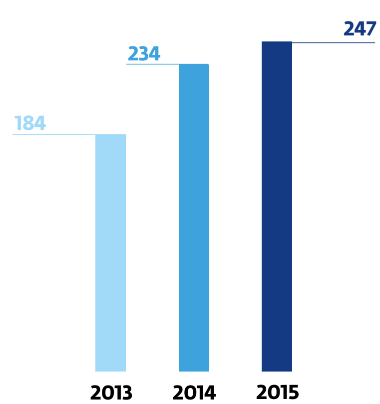
Sales
in millions of Swiss francs



EBITDA[a]
in millions of Swiss francs



Operating income
in millions of Swiss francs



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

Asia Pacific

Sales in Asia Pacific increased 1.5% on a like-for-like basis. New wins and existing business expansion in the developing markets of China and India contributed to the growth. The mature and developing markets showed an improved momentum in the second quarter. Dairy and Snacks strengthened with solid growth from new wins.

Europe, Africa and Middle East

Sales increased 0.2% on a like-for-like basis, driven by solid growth in the mature markets of Western Europe, notably France, Germany, Spain and the UK. Challenging economic conditions continue to negatively impact sales in the emerging markets of Eastern Europe, Africa and the Middle East. Dairy, Savoury and Snacks increased as a result of new wins and existing business growth.

Latin America

Growth in Latin America was 6.9% on a like-for-like basis with strong growth in Argentina and Brazil. New wins and existing business growth in Beverage, Dairy, Savoury and Sweet Goods led the way.

North America

Sales increased 6.1% on a like-for like basis. The strong performance carried forward from the first quarter as double-digit growth was achieved in the segments of Beverage and Dairy with moderate growth coming from Snacks. Growth from existing business as well as new wins contributed to the increase.

Half year financial report

In this section:

Interim condensed consolidated financial statements (unaudited)

Condensed consolidated income statement

For the six months ended 30 June

in millions of Swiss francs, except for per share data	Note	**2015**	2014
Sales		2,184	2,191
Cost of sales		(1,168)	(1,171)
Gross profit		**1,016**	**1,020**
as % of sales		46.5%	46.6%
Marketing and distribution expenses		(294)	(308)
Research and product development expenses		(183)	(198)
Administration expenses		(79)	(83)
Share of (loss)/profit of jointly controlled entities		(1)	(1)
Other operating income	6	36	42
Other operating expense	7	(67)	(50)
Operating income		**428**	**422**
as % of sales		19.6%	19.2%
Financing costs	8	(31)	(32)
Other financial income (expense), net	9	(16)	(14)
Income before taxes		**381**	**376**
Income taxes	10	(42)	(71)
Income for the period		**339**	**305**
Attribution			
Income attributable to equity holders of the parent		339	305
as % of sales		15.5%	13.9%
Earnings per share – basic (CHF)	11	**36.82**	**33.13**
Earnings per share – diluted (CHF)	11	**36.37**	**32.71**

The notes on pages 19-24 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	Note	**2015**	2014
Income for the period		**339**	**305**
Items that may be reclassified to the income statement			
Available-for-sale financial assets			
Movement in fair value, net		2	3
(Gains) losses removed from equity and recognised in the consolidated income statement		-	(2)
Movement on income tax	10	-	
Cash flow hedges			
Movement in fair value, net		(4)	(22)
(Gains) losses removed from equity and recognised in the consolidated income statement		6	6
Movement on income tax	10	-	1
Exchange differences arising on translation of foreign operations			
Change in currency translation		(282)	11
Movement on income tax	10	4	1
Items that will not be reclassified to the income statement			
Defined benefit pension plans			
Remeasurement gains (losses)		49	(104)
Income tax relating to items that will not be reclassified to the income statement	10	(17)	28
Other comprehensive income for the period		**(242)**	**(78)**
Total comprehensive income for the period		**97**	**227**
Attribution			
Total comprehensive income attributable to equity holders of the parent		97	227

The notes on pages 19-24 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 2015**	31 December 2014
Cash and cash equivalents		216	412
Derivative financial instruments		30	21
Derivatives on own equity instruments		6	10
Available-for-sale financial assets		71	64
Accounts receivable – trade		897	911
Inventories		732	771
Current tax assets		23	22
Other current assets		165	146
Current assets		**2,140**	**2,357**
Derivative financial instruments		1	
Property, plant and equipment		1,327	1,430
Intangible assets		2,102	2,293
Deferred tax assets		218	258
Post-employment benefits plan assets		11	7
Financial assets at fair value through income statement		34	35
Jointly controlled entities		17	17
Other long-term assets		70	75
Non-current assets		**3,780**	**4,115**
Total assets		**5,920**	**6,472**
Short-term debt	12	112	57
Derivative financial instruments		8	19
Accounts payable – trade and others		392	423
Accrued payroll and payroll taxes		88	119
Current tax liabilities		58	82
Financial liability: own equity instruments		80	54
Provisions		8	12
Other current liabilities		123	155
Current liabilities		**869**	**921**
Derivative financial instruments		54	50
Long-term debt	12	1,154	1,150
Provisions		46	36
Post-employment benefits plan liabilities		625	735
Deferred tax liabilities		85	88
Other non-current liabilities		64	79
Non-current liabilities		**2,028**	**2,138**
Total liabilities		**2,897**	**3,059**
Share capital	14	92	92
Retained earnings and reserves	14	5,065	5,187
Own equity instruments	15	(104)	(78)
Other components of equity		(2,030)	(1,788)
Equity attributable to equity holders of the parent		**3,023**	**3,413**
Total equity		**3,023**	**3,413**
Total liabilities and equity		**5,920**	**6,472**

The notes on pages 19-24 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

2015 in millions of Swiss francs	Note	Share Capital	Retained earnings and reserves	Own equity instruments	Cash flow hedges	Available-for-sale financial assets	Currency translation differences	Defined benefit pension plans remeasure-ment	Total equity
Balance as at 1 January		**92**	**5,187**	**(78)**	**(67)**	**22**	**(1,195)**	**(548)**	**3,413**
Income for the period			339						339
Other comprehensive income for the period					2	2	(278)	32	(242)
Total comprehensive income for the period			**339**		**2**	**2**	**(278)**	**32**	**97**
Dividends paid	14		(461)						(461)
Movement on own equity instruments, net	15			(26)					(26)
Net change in other equity items			**(461)**	**(26)**					**(487)**
Balance as at 30 June		**92**	**5,065**	**(104)**	**(65)**	**24**	**(1,473)**	**(516)**	**3,023**

2014 in millions of Swiss francs	Note	Share Capital	Retained earnings and reserves	Own equity instruments	Cash flow hedges	Available-for-sale financial assets	Currency translation differences	Defined benefit pension plans remeasure-ment	Total equity
Balance as at 1 January		**92**	**5,057**	**(70)**	**(34)**	**20**	**(1,353)**	**(289)**	**3,423**
Income for the period			305						305
Other comprehensive income for the period					(15)	1	12	(76)	(78)
Total comprehensive income for the period			**305**		**(15)**	**1**	**12**	**(76)**	**227**
Dividends paid	14		(433)						(433)
Movement on own equity instruments, net	15			(28)					(28)
Net change in other equity items			**(433)**	**(28)**					**(461)**
Balance as at 30 June		**92**	**4,929**	**(98)**	**(49)**	**21**	**(1,341)**	**(365)**	**3,189**

The notes on pages 19-24 form an integral part of these interim condensed financial statements (unaudited).

Condensed consolidated cash flow statement

For the six months ended 30 June

in millions of Swiss francs	Note	**2015**	2014
Income for the period		339	305
Income tax expense		42	71
Interest expense		23	26
Non-operating income and expense		24	20
Operating income		**428**	**422**
Depreciation of property, plant and equipment		54	54
Amortisation of intangible assets		80	86
Impairment of long-lived assets		4	-
Other non-cash items			
- share-based payments		16	18
- pension expense		(10)	20
- additional and unused provisions, net		16	12
- other non-cash items		22	(37)
Adjustments for non-cash items		**182**	**153**
(Increase) decrease in inventories		(20)	(53)
(Increase) decrease in accounts receivable		(87)	(72)
(Increase) decrease in other current assets		(36)	(90)
Increase (decrease) in accounts payable		6	(16)
Increase (decrease) in other current liabilities		(41)	(16)
(Increase) decrease in working capital		**(178)**	**(247)**
Income taxes paid		**(51)**	**(49)**
Pension contributions paid		(27)	(32)
Provisions used		(6)	(8)
Purchase and sale of own equity instruments, net		(12)	(9)
Impact of financial transactions on operating, net		5	(12)
Cash flows from (for) operating activities		**341**	**218**
Increase in long-term debt	12	200	450
(Decrease) in long-term debt	12	(127)	
Increase in short-term debt	12	306	119
(Decrease) in short-term debt	12	(300)	(482)
Interest paid		(19)	(29)
Distribution to the shareholders paid	14	(461)	(433)
Purchase and sale of derivative financial instruments financing, net		(6)	(18)
Others, net		(3)	(2)
Cash flows from (for) financing activities		**(410)**	**(395)**
Acquisition of property, plant and equipment		(57)	(46)
Acquisition of intangible assets		(17)	(21)
Increase in share capital of jointly controlled entities		(3)	(1)
Acquisition of subsidiary, net of cash acquired			(33)
Proceeds from the disposal of property, plant and equipment		-	56
Interest received		1	1
Purchase and sale of available-for-sale financial assets, net		(5)	5
Others, net		4	(1)
Cash flows from (for) investing activities		**(77)**	**(40)**
Net increase (decrease) in cash and cash equivalents		**(146)**	**(217)**
Net effect of currency translation on cash and cash equivalents		(50)	(3)
Cash and cash equivalents at the beginning of the period		412	513
Cash and cash equivalents at the end of the period		**216**	**293**

The notes on pages 19-24 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 9,750 people.

The Group is listed on the SIX Swiss Exchange (GIVN).

2. Basis of preparation 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 month period ended 30 June 2015 (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 2014 consolidated financial statements as they provide an update of the most recent financial information available.

Income tax expense is recognised based on management's best estimate of the weighted average annual income tax rate expected for the full financial year.

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 2014 statement of financial position has been derived from the audited 2014 consolidated financial statements. Givaudan SA's Board of Directors approved these interim financial statements on 15 July 2015.

3. Accounting policies

The accounting policies adopted are consistent with those of the annual financial statements for the year ended 31 December 2014, as described in the 2014 consolidated financial statements for the year ended 31 December 2014, with the exception of the adoption as of 1 January 2015 of the standards and interpretations described below:

- Amendments to IAS 19 Employee benefits: Defined Benefit Plans: Employee Contributions
- Annual Improvements to IFRSs 2010-2012 Cycle (except for the amendment to IFRS 3 Business combinations)
- Annual Improvements to IFRSs 2011-2013 Cycle

The Group assessed that the adoption of the above standards does not affect the information already disclosed by the Group.

4. Fair value measurements recognised in the statement of financial position

Available-for-sale financial assets, corporate owned life insurance, and derivative assets and liabilities are the only items measured at fair value subsequent to their initial recognition.

Available-for-sale financial assets of CHF 71 million (31 December 2014: CHF 64 million) were measured with Level 1 inputs whereas CHF 39 million (31 December 2014: CHF 41 million) were measured with Level 2 inputs. Corporate owned life insurance of CHF 34 million (31 December 2014: CHF 35 million) were measured with Level 2 inputs.

Derivative assets of CHF 31 million (31 December 2014: CHF 21 million) and derivative liabilities of CHF 62 million (31 December 2014: CHF 69 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 and at the period presented in these interim financial statements.

5. Segment information

Business segments

For the six months ended 30 June, in millions of Swiss francs	Fragrances 2015	Fragrances 2014	Flavours 2015	Flavours 2014	Group 2015	Group 2014
Segment sales	1,023	1,034	1,167	1,162	2,190	2,196
Less inter segment sales [a]	-	-	(6)	(5)	(6)	(5)
Segment sales to third parties	**1,023**	**1,034**	**1,161**	**1,157**	**2,184**	**2,191**
EBITDA	**244**	**252**	**322**	**310**	**566**	**562**
as % of sales	23.8%	24.3%	27.8%	26.8%	25.9%	25.6%
Depreciation	(25)	(26)	(29)	(28)	(54)	(54)
Amortisation	(37)	(38)	(43)	(48)	(80)	(86)
Impairment of long-lived assets	(1)	-	(3)		(4)	-
Acquisition of property, plant and equipment	32	19	25	27	57	46
Acquisition of intangibles	8	10	9	11	17	21
Capital expenditures	**40**	**29**	**34**	**38**	**74**	**67**

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

Reconciliation table to Group's operating income

For the six months ended 30 June, in millions of Swiss francs	Fragrances 2015	Fragrances 2014	Flavours 2015	Flavours 2014	Group 2015	Group 2014
EBITDA	**244**	**252**	**322**	**310**	**566**	**562**
Depreciation	(25)	(26)	(29)	(28)	(54)	(54)
Amortisation	(37)	(38)	(43)	(48)	(80)	(86)
Impairment of long-lived assets	(1)	-	(3)		(4)	-
Operating income	**181**	**188**	**247**	**234**	**428**	**422**
as % of sales	17.7%	18.1%	21.3%	20.2%	19.6%	19.2%
Financing costs					(31)	(32)
Other financial income (expense), net					(16)	(14)
Income before taxes					**381**	**376**
as % of sales					17.4%	17.1%

Classification of amortisation expense is as follows:

	Fragrances		Flavours		Group	
For the six months ended 30 June, in millions of Swiss francs	**2015**	2014	**2015**	2014	**2015**	2014
Cost of sales	4	1	1	1	5	2
Marketing and distribution expenses	8	7	8	8	16	15
Research and product development expenses	6	12	14	20	20	32
Other operating expense	19	18	20	19	39	37
Total	**37**	**38**	**43**	**48**	**80**	**86**

6. Other operating income

For the six months ended 30 June, in millions of Swiss francs	**2015**	2014
Gains on fixed asset disposals	-	38
Other income	36	4
Total other operating income	**36**	**42**

In the first six months of 2015 the Group recognised a one-off non-cash gain of CHF 32 million following a change in the pension plans.

7. Other operating expense

For the six months ended 30 June, in millions of Swiss francs	Note	**2015**	2014
Amortisation of intangible assets	5	39	37
Impairment of long-lived assets		4	
Losses on fixed asset disposals		1	2
Acquisition related costs		-	1
Other expenses	13	23	10
Total other operating expense		**67**	**50**

8. Financing costs

For the six months ended 30 June, in millions of Swiss francs	**2015**	2014
Interest expense	23	26
Net interest related to defined benefits pension plan	8	6
Derivative interest (gains) losses	(1)	(1)
Amortisation of debt discounts	1	1
Total financing costs	**31**	**32**

9. Other financial (income) expense, net

For the six months ended 30 June, in millions of Swiss francs	**2015**	2014
Fair value and realised (gains) losses from derivatives instruments, net (at fair value through income statement)	(53)	(2)
Exchange (gains) losses, net	65	18
Gains from available-for-sale financial assets	-	(3)
Realised gains from available-for-sale financial assets removed from equity	-	(2)
Unrealised (gains) losses from fair value through income statement financial instruments	(1)	(1)
Interest income	(1)	(1)
Capital taxes and other non business taxes	5	4
Other (income) expense, net	1	1
Total other financial (income) expense, net	**16**	**14**

10. Income taxes

The interim period income tax expense as a percentage of income before taxes was 11%, considerably lower than in 2014 following changes in Swiss Accounting Law and the Group's operating structure. Excluding these items, the income taxes as a percentage of income before taxes was 19%.

11. Earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing the net income attributable to shareholders by the weighted average number of shares outstanding:

	2015	2014
Income attributable to equity holder of the parent (CHF million)	**339**	**305**
Weighted average number of shares outstanding		
Ordinary shares	9,233,586	9,233,586
Treasury shares	(26,986)	(28,213)
Net weighted average number of shares outstanding	**9,206,600**	**9,205,373**
Basic earnings per share (CHF)	**36.82**	**33.13**

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:

	2015	2014
Income attributable to equity holder of the parent (CHF million)	**339**	**305**
Weighted average number of shares outstanding for diluted earnings per share of 114,548 (2014: 120,070)	**9,321,148**	**9,325,443**
Diluted earnings per share (CHF)	**36.37**	**32.71**

12. Debt

2015 in millions of Swiss francs	Within 1 to 3 years	Within 3 to 5 years	Thereafter	Total long-term	Short-term within 1 year	Total
Floating rate debt						
Bank facility		75		75		75
Bank overdrafts					5	5
Total floating rate debt		**75**		**75**	**5**	**80**
Fixed rate debt						
Bank borrowings					56	56
Straight bonds	448		398	846		846
Private placements		37	196	233	51	284
Total fixed rate debt	**448**	**37**	**594**	**1,079**	**107**	**1,186**
Balance as at 30 June	**448**	**112**	**594**	**1,154**	**112**	**1,266**

2014 in millions of Swiss francs	Within 1 to 3 years	Within 3 to 5 years	Thereafter	Total long-term	Short-term within 1 year	Total
Floating rate debt						
Bank facility						
Bank overdrafts					3	3
Total floating rate debt					**3**	**3**
Fixed rate debt						
Bank borrowings	2	1		3	4	7
Straight bonds	149	298	398	845		845
Private placements	55		247	302	50	352
Total fixed rate debt	**206**	**299**	**645**	**1,150**	**54**	**1,204**
Balance as at 31 December	**206**	**299**	**645**	**1,150**	**57**	**1,207**

In March 2015, Givaudan SA issued a tranche of CHF 200 million of the multilateral facility (maturity July 2018), of which CHF 75 million was reimbursed in April 2015 and CHF 50 million in June 2015.

On 28 May 2015, Givaudan United States, Inc. reimbursed a USD 50 million (CHF 47 million) private placement made on 28 May 2003, with an annual interest rate of 5.00%.

13. Provisions

Givaudan's affiliate, Givaudan Fragrances Corporation, is one of more than 100 companies identified by the US Environmental Protection Agency ("EPA") as "Potentially Responsible Parties" for alleged contamination within the lower 17-mile stretch of the Passaic River. EPA released a Focused Feasibility Study ("FFS") covering only the lower eight miles of the river in 2014, which contains several potential options for future remediation of that portion of the river. The Cooperating Parties Group, of which Givaudan is a member, has issued a draft Remedial Investigation/Feasibility Study which proposes a Sustainable Remedy for the entire lower 17 miles of the river. To date, the EPA has not selected the remedy for the river.

At this time, there are many uncertainties associated with the final remediation plan and the Company's share of the costs, if any. However, in accordance with accounting guidance, the Company has recorded a reserve which it believes can reasonably be expected to cover the Company's obligation, if any, given the information currently available.

14. Equity

At the Annual General Meeting held on 19 March 2015 the distribution of an ordinary dividend of CHF 50.00 per share (2014: ordinary dividend of CHF 47.00 per share) was approved. The dividend payment has been made out of the additional paid in capital reserve.

At 30 June 2015, 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 and share option plans. At 30 June 2015, the Group held 21,706 own shares (2014: 27,872), as well as derivatives on own shares equating to a long position of 65,288 (2014: 21,735).

16. Contingent liabilities

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.

Givaudan SA

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Investor Calendar

Givaudan will announce its 2020 strategy on 27 August 2015 at 07:00 CET

Half year conference, Zurich: Thursday, 27 August 2015

Nine month sales results: Friday, 9 October 2015

Full year results: Tuesday, 2 February 2016

Annual General Meeting: Thursday, 17 March 2016

Dates may be subject to change, please consult the calendar
on the Givaudan website:
www.givaudan.com/investors/shareholder-information/investor-calendar

The Givaudan 2015 Half year report is published on www.givaudan.com in English, German and French.

The Givaudan 2015 Half year financial Report is published on www.givaudan.com in English.