

Alternative performance measures

Appendix to the 2021 Full 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 statements according to the recognised accounting standard. Significant reconciliation items must be explained.

Givaudan's Alternative Performance Measures

In the 2021 Full Year Results Media Release and on pages 40 to 47 of the 2021 Integrated Annual Report, the Group uses a number of Alternative Performance Measures that are listed and defined below.

Like-for-Like (LFL)

LFL is defined as: (a) sales calculated using the invoicing exchange rates of the prior year, (b) excluding sales of businesses acquired from the acquisition date until the period end date, up to 12 months from the acquisition date, and (c) excluding sales of the businesses disposed of from the disposal date until the period end date of the comparable prior period.

Reconciliation tables of the LFL sales to the reported sales in accordance with IFRS have been included in the 2021 Full 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.

In millions of Swiss francs	2021	2020
Income for the period	821	743
Interest and other financial (income) expense, net	124	120
Income taxes	144	133
Operating income	1,089	996
Depreciation	204	201
Amortisation	186	187
Impairment	3	13
EBITDA	1,482	1,397

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 2021 Full Year Results Media Release. In that reconciliation table, all significant one-off items have been explained.

Alternative performance measures

Free Cash Flow (FCF)

FCF refers to operating cash flow after net investments, interest paid, lease payments and purchase and sale of own equity instruments.

In millions of Swiss francs	2021	2020
Cash flows from (for) operating activities	1,288	1,189
Acquisition of property, plant and equipment	(186)	(188)
Proceeds from the disposal of property, plant and equipment	9	8
Acquisition of intangible assets	(70)	(39)
Proceeds from the disposal of intangible assets		2
Interest paid	(72)	(53)
Lease payments	(57)	(52)
Purchase and sale of own equity instruments, net ^a	(69)	(56)
Free cash flow (FCF)	843	811
Sales	6,684	6,322
Free cash flow (FCF) as a % of sales	12.6%	12.8%

a) After careful consideration with the Group auditors, the Group has determined that purchase and sale of own equity instruments relates to financing activities and has been reclassified from cash flows from (for) operating activities into cash flows from (for) financing activities. The Group has updated its definition of FCF to reflect this change.

Leverage Ratio

Leverage ratio is defined as net debt divided by the sum of net debt and equity (as defined for leverage ratio in the table below).

In millions of Swiss francs	31 December 2021	31 December 2020
Short-term debt	428	206
Long-term debt	4,239	4,245
Less: cash and cash equivalents	(273)	(411)
Net debt	4,394	4,040
Total equity attributable to equity holders of the parent	3,929	3,490
Remeasurement of post-employment benefit obligations	302	484
Equity (as defined for leverage ratio)	4,231	3,974
Net debt and equity (as defined for leverage ratio)	8,625	8,014
Leverage ratio	51%	50%

Net debt to EBITDA Ratio

The Net debt to EBITDA ratio is calculated as follows:

In millions of Swiss francs	31 December 2021	31 December 2020
Short-term debt	428	206
Long-term debt	4,239	4,245
Less: cash and cash equivalents	(273)	(411)
Net debt	4,394	4,040
EBITDA	1,482	1,397
Net debt to EBITDA ratio	2.97	2.89
Comparable EBITDA	1,504	1,442
Net debt to Comparable EBITDA ratio	2.92	2.80