# Financial statements 2023

FOR THE YEAR ENDED JUNE 30, 2023

Firmenich

for good, naturally

# Consolidated income statement

For the year ended June 30

| In millions of CHF | Notes | 2023 | 2022 |
|---|---|---|---|
| **Revenue** | 27 | **4 836.7** | **4 722.7** |
| Cost of goods sold | 20/21 | (3 166.2) | (2 876.0) |
| **Gross profit** | | **1 670.5** | **1 846.7** |
| *as % of revenue* | | *34.5%* | *39.1%* |
| Distribution expenses | 20/21 | (154.6) | (161.9) |
| Research and development expenses | 20/21 | (392.1) | (401.1) |
| Commercial and marketing expenses | 20/21 | (501.0) | (464.9) |
| Administration expenses | 20/21 | (317.3) | (322.2) |
| Other operating income | 20 | 5.4 | 11.4 |
| **Operating profit** | | **310.9** | **508.0** |
| *as % of revenue* | | *6.4%* | *10.8%* |
| Financing costs | 22 | (47.6) | (48.3) |
| Net other financial expenses | 23 | (124.8) | (13.7) |
| Remeasurement to fair value of pre-existing interest in an acquiree | 6 | - | 23.7 |
| Share of profit of jointly controlled entities and associates, net of taxes | 6 | 4.1 | 10.3 |
| **Income before taxes** | | **142.6** | **480.0** |
| Income tax expense | 24 | (53.0) | (83.7) |
| **Net income for the period** | | **89.6** | **396.3** |
| **Attributable to:** | | | |
| Non-controlling interests | 14 | 7.1 | 4.6 |
| **Equity holders of the parent** | | **82.5** | **391.7** |
| *as % of revenue* | | *1.7%* | *8.3%* |
| Basic and diluted earnings per share (in CHF) | 13 | 10.20 | 48.36 |

The notes 1 to 33 are an integral part of these consolidated financial statements.

# Consolidated statement of comprehensive income

For the year ended June 30

| In millions of CHF | Notes | 2023 | 2022 |
|---|---|---|---|
| **Net income for the period** | | **89.6** | **396.3** |
| **Items that may be reclassified subsequently to the income statement** | | | |
| Exchange differences on translating foreign operations | | (233.8) | 12.4 |
| Exchange differences on translating foreign operations in jointly controlled entities and associates | | (3.5) | (10.2) |
| **Items that will not be reclassified to the income statement** | | | |
| Remeasurement of employee benefit obligations | 15 | (35.5) | 291.2 |
| Equity investments at fair value through other comprehensive income | | (27.7) | (139.9) |
| Related tax on remeasurement of employee benefit obligations | 24 | 3.0 | (41.8) |
| Related tax on equity investments at fair value through other comprehensive income | 24 | 3.3 | 19.7 |
| **Total other comprehensive income for the period, net of tax** | | **(294.2)** | **131.4** |
| **Total comprehensive income for the period** | | **(204.6)** | **527.7** |
| **Attributable to:** | | | |
| Non-controlling interests | 14 | 2.0 | 3.9 |
| Equity holders of the parent | | (206.6) | 523.8 |

The notes 1 to 33 are an integral part of these consolidated financial statements.

# Consolidated statement of financial position

As at June 30

| In millions of CHF | Notes | 2023 | 2022 |
|---|---|---|---|
| **Assets** | | | |
| Goodwill and intangible assets | 3 | 2 697.0 | 2 900.3 |
| Property, plant and equipment | 4 | 1 549.1 | 1 688.7 |
| Financial investments and other long-term assets | 5 | 527.6 | 607.6 |
| Investments in jointly controlled entities and associates | 6 | 67.7 | 148.8 |
| Deferred tax assets | 24 | 80.5 | 83.6 |
| **Total non-current assets** | | **4 921.9** | **5 429.0** |
| Inventories | 7 | 1 041.0 | 1 133.6 |
| Trade accounts receivable | 8/25 | 941.0 | 1 020.7 |
| Other receivables and prepaid expenses | 9 | 177.4 | 212.4 |
| Derivative financial instruments assets | 10/25 | 10.4 | 13.8 |
| Current income tax assets | | 65.9 | 64.3 |
| Financial investments | 11/25 | 384.5 | 164.4 |
| Cash and cash equivalents | 25 | 194.2 | 591.7 |
| **Total current assets** | | **2 814.4** | **3 200.9** |
| **Total assets** | | **7 736.3** | **8 629.9** |
| **Equity and liabilities** | | | |
| Share capital | 12 | 40.1 | 40.5 |
| Retained earnings and other reserves | | 4 518.8 | 4 728.6 |
| Remeasurement of employee benefit obligations | | (27.9) | 4.6 |
| Translation of foreign operations | | (769.1) | (532.1) |
| **Equity attributable to equity holders of the parent** | | **3 761.9** | **4 241.6** |
| Non-controlling interests | 14 | 47.5 | 55.0 |
| **Total equity** | | **3 809.4** | **4 296.6** |
| Employee benefit obligations | 15 | 166.9 | 210.2 |
| Provisions | 16 | 62.0 | 11.9 |
| Deferred tax liabilities | 24 | 238.7 | 276.1 |
| Long-term borrowings | 17/25 | 1 694.2 | 2 250.3 |
| Redemption liabilities | 18/25 | - | 99.7 |
| Other debt | 18 | 36.2 | 35.4 |
| **Total non-current liabilities** | | **2 198.0** | **2 883.5** |
| Trade accounts payable | 25 | 362.7 | 527.1 |
| Other payables and accrued expenses | 19 | 602.6 | 674.1 |
| Derivative financial instruments liabilities | 10/25 | 3.3 | 7.0 |
| Employee benefit obligations | 15 | 31.2 | 50.5 |
| Provisions | 16 | 8.8 | 4.6 |
| Current income tax liabilities | | 91.2 | 80.8 |
| Redemption liability | 18/25 | 23.5 | - |
| Short-term borrowings | 17/25 | 605.6 | 105.7 |
| **Total current liabilities** | | **1 728.9** | **1 449.8** |
| **Total liabilities** | | **3 926.9** | **4 333.3** |
| **Total equity and liabilities** | | **7 736.3** | **8 629.9** |

The notes 1 to 33 are an integral part of these consolidated financial statements.

# Consolidated statement of changes in equity

| In millions of CHF | Share capital | Retained earnings and other reserves | Remeasure-ment of employee benefit obligations | Fair value reserve | Translation of foreign operations | Attributable to equity holders of the parent | Non-controlling interests (*) | **Total Equity** |
|---|---|---|---|---|---|---|---|---|
| **Balance as at July 1, 2021** | **40.5** | **4 616.8** | **(244.8)** | **138.7** | **(527.6)** | **4 023.6** | **44.9** | **4 068.5** |
| Net income for the period | | 391.7 | | | | 391.7 | 4.6 | **396.3** |
| Other comprehensive income for the period | | 7.4 | 249.4 | (120.2) | (4.5) | 132.1 | (0.7) | **131.4** |
| **Total comprehensive income for the period** | | **399.1** | **249.4** | **(120.2)** | **(4.5)** | **523.8** | **3.9** | **527.7** |
| Dividends | | (250.3) | | | | (250.3) | (1.3) | **(251.6)** |
| Acquisition of business | | (24.8) | | | | (24.8) | 8.4 | **(16.4)** |
| Remuneration on deeply subordinated fixed rate resettable perpetual notes (note 12) | | (30.4) | | | | (30.4) | | **(30.4)** |
| Changes in non-controlling interests | | (0.3) | | | | (0.3) | (0.9) | **(1.2)** |
| **Net change in other equity items** | | **(305.8)** | | | | **(305.8)** | **6.2** | **(299.6)** |
| **Balance as at June 30, 2022** | **40.5** | **4 710.1** | **4.6** | **18.5** | **(532.1)** | **4 241.6** | **55.0** | **4 296.6** |
| | | | | | | | | |
| **Balance as at July 1, 2022** | **40.5** | **4 710.1** | **4.6** | **18.5** | **(532.1)** | **4 241.6** | **55.0** | **4 296.6** |
| Net income for the period | | 82.5 | | | | 82.5 | 7.1 | **89.6** |
| Other comprehensive income for the period | | 4.8 | (32.5) | (24.4) | (237.0) | (289.1) | (5.1) | **(294.2)** |
| **Total comprehensive income for the period** | | **87.3** | **(32.5)** | **(24.4)** | **(237.0)** | **(206.6)** | **2.0** | **(204.6)** |
| Dividends | | (250.0) | | | | (250.0) | (5.5) | **(255.5)** |
| Change in the share capital (note 12) | (0.4) | 0.4 | | | | - | | - |
| Remuneration on deeply subordinated fixed rate resettable perpetual notes (note 12) | | (27.5) | | | | (27.5) | | **(27.5)** |
| Changes in non-controlling interests | | 4.4 | | | | 4.4 | (4.0) | **0.4** |
| **Net change in other equity items** | **(0.4)** | **(272.7)** | | | | **(273.1)** | **(9.5)** | **(282.6)** |
| **Balance as at June 30, 2023** | **40.1** | **4 524.7** | **(27.9)** | **(5.9)** | **(769.1)** | **3 761.9** | **47.5** | **3 809.4** |

(*) Refer to note 14

The notes 1 to 33 are an integral part of these consolidated financial statements.

# Consolidated statement of cash flows

For the year ended June 30

| In millions of CHF | Notes | 2023 | 2022 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Net income for the period | | 89.6 | 396.3 |
| Income tax expense | 24 | 53.0 | 83.7 |
| **Income before taxes** | | **142.6** | **480.0** |
| Depreciation of property, plant and equipment | 4/20 | 180.0 | 177.9 |
| Amortization of intangible assets | 3/20 | 101.8 | 106.9 |
| Impairment losses | 4/20 | 71.3 | 5.3 |
| Changes in provisions and employee benefits | | 51.3 | 5.3 |
| Other non cash items | 6 | 129.3 | 4.5 |
| Net interests | | 38.9 | 39.0 |
| Share of profit of jointly controlled entities and associates | 6 | (4.1) | (10.3) |
| **Adjustment for non-cash items** | | **568.5** | **328.6** |
| Changes in inventories | | (35.1) | (242.4) |
| Changes in trade and other receivables | | 34.6 | (132.9) |
| Changes in trade and other payables | | (190.2) | 330.7 |
| **Changes in working capital** | | **(190.7)** | **(44.6)** |
| **Interests paid** | | **(45.6)** | **(45.8)** |
| **Income tax paid** | | **(75.3)** | **(97.4)** |
| **Cash flows from operating activities** | | **399.5** | **620.8** |
| **Cash flows used in investing activities** | | | |
| Purchase of property, plant and equipment | 4/27 | (165.5) | (171.5) |
| Purchase of intangible assets | 3/27 | (41.8) | (37.8) |
| Disposal of intangible assets, property, plant and equipment | | (4.9) | 2.1 |
| **Net investments** | | **(212.2)** | **(207.2)** |
| Acquisition of businesses (net of cash) | 2 | - | (110.6) |
| Acquisition of jointly controlled entities and associates (net of cash) | 6 | - | (108.0) |
| (Acquisition) / Proceeds of short-term financial investments | | (215.2) | 56.8 |
| Proceeds / (acquisition) of long-term financial investments | | 7.6 | (32.4) |
| Interests received | | 4.8 | 1.9 |
| Dividends received | | 5.0 | 8.7 |
| **Cash flows used in investing activities** | | **(410.0)** | **(390.8)** |
| **Cash flows used in financing activities** | | | |
| Proceeds from borrowings | 17 | 72.3 | 195.5 |
| Repayments of borrowings | 17 | (47.6) | (69.4) |
| Payment of lease liabilities | 17 | (44.1) | (44.9) |
| Payment of redemption liabilities and other debt | | (22.1) | (0.1) |
| Remuneration on deeply subordinated fixed rate resettable perpetual notes | 12 | (27.5) | (30.4) |
| Dividend payment to equity holders of the parent | 13 | (250.0) | (250.3) |
| Acquisition of non-controlling interests | 14 | (50.0) | (4.3) |
| Dividend paid to non-controlling interests | 14 | (5.5) | (1.3) |
| **Cash flows used in financing activities** | | **(374.5)** | **(205.2)** |
| **Net (decrease) / increased in cash and cash equivalents** | | **(385.0)** | **24.8** |
| **Cash and cash equivalents** | | | |
| Cash and cash equivalents at beginning of period | | 591.7 | 571.4 |
| Net effect of currency translation on cash and cash equivalents | | (12.5) | (4.5) |
| Cash and cash equivalents at end of period | | 194.2 | 591.7 |
| **Cash and cash equivalents variation** | | **(385.0)** | **24.8** |

The notes 1 to 33 are an integral part of these consolidated financial statements.

# Notes to the consolidated financial statements

## 1. Accounting information and policies

### Firmenich Group

Firmenich International SA is incorporated and domiciled in Switzerland (7, rue de la Bergère, 1242 Satigny, Canton of Geneva). These consolidated financial statements comprise Firmenich International SA and its subsidiaries (the Group).

The Firmenich Group operates worldwide and has affiliated companies and representative offices in over 30 countries. The Group is a global supplier of fragrances and flavors.

Since May 8, 2023, the Group is owned by DSM-Firmenich AG (domiciled in Kaiseraugst, Switzerland), as a consequence of the DSM-Firmenich merger. Prior to the merger with DSM, Firmenich International SA was controlled by Sentarom SA. The parent company Sentarom SA was merged with Firmenich International SA retroactively as from November 1, 2022.

A list of main entities of the Group is disclosed in note 33.

The financial year 2023 covers the period from July 1, 2022 to June 30, 2023.

### Basis of accounting

The Group's consolidated financial statements are prepared in accordance with the accounting and reporting requirements of the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and Swiss law. The consolidated financial statements are prepared on an accrual basis and using the historical cost convention, unless otherwise stated.

The Firmenich International SA Board of Directors approved for issue these consolidated financial statements on July 31, 2023. They are subject to the approval by the Annual General Meeting on October 5, 2023.

In the following notes all amounts are shown in millions of Swiss francs (CHF) unless otherwise stated.

### Critical accounting estimates and judgments

The preparation of the consolidated financial statements requires management to make estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses, disclosure of contingent assets and liabilities at the date of the financial statements. Actual outcomes could differ from those estimates. The estimates and underlying assumptions are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Furthermore, the application of the Group's accounting policies may require management to make judgments, apart from those involving estimates that can have a significant effect on the amounts recognized in the financial statements.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying value of assets and liabilities within the next twelve months are:

#### a) Impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment, in accordance with IFRS. The recoverable amounts of cash-generating units (i.e. CGU) have been determined based on value-in-use calculations.
These calculations require the use of estimates (refer to note 3).

#### b) Pensions and other post-employment benefits

The Group operates various pensions and post-employment benefit plans. The net defined liability recognized in the statement of financial position is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method and is determined by discounting the estimated future cash outflows. The latter will depend on assumptions such as expected salary increases, pension increases, plan participants withdrawal rate and life expectancy. The actuarial assumptions (including the discount rate) used may differ materially from actual results e.g. due to changes in market and economic conditions, higher or lower withdrawal rates or longer or shorter life spans of participants and significantly impact the amount of pension costs and pension liabilities to be recognized (refer to note 15).

### c) Provisions and contingencies

The use of management judgments and estimates is applied to the recognition and measurement of provisions and contingencies and to the underlying key assumptions that are used in defining the resulting financial impacts (refer to notes 16 and 28).

## Changes in significant accounting policies

The accounting policies adopted are consistent with those of the annual financial statements for the year ended June 30, 2022, as described in the 2022 consolidated financial statements with the exception of the adoption as of July 1, 2022, of the standards and interpretations described below, which do not have a material effect on the Group's financial statements.

Amendments to IAS 16 Property, Plant and Equipment, Proceeds before intended use, prohibit the deduction of any proceeds received from selling items produced from the cost of an item of Property, Plant and Equipment while preparing the asset for its intended use. The amounts of proceeds and costs relating to items produced that are not an output resulting from ordinary activities must be disclosed separately.

Amendments to IAS 37 Onerous Contracts - Cost of Fulfilling a Contract, clarify that the direct costs of fulfilling a contract include both the incremental costs of fulfilling the contract and an allocation of other costs directly related to fulfilling contracts.

Annual Improvements to IFRS Standards 2018-2020, amend IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IFRS 16 Leases and IAS 41 Agriculture.

Amendments to IFRS 3 Business Combinations, update the references to the Conceptual Framework for Financial Reporting and add an exception for the recognition of liabilities and contingent liabilities within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets and Interpretation 21 Levies. The amendments confirm that contingent assets should not be recognised at the acquisition date.

The Group has adopted International/Tax Reform - Pillar Two Model Rules - Amendments to IAS 12 upon their release on May 23, 2023. The amendments provide a temporary mandatory exception from deferred tax accounting for the top-up tax, which is effective immediately, and require new disclosures about the Pillar Two exposure from December 31, 2023. The mandatory exception applies retrospectively. The Group operates in a number of jurisdictions and monitors income tax developments in these territories which could affect the Group's tax liabilities. The Group notes recent developments in relation to the OECD inclusive Framework on Base Erosion and Profit Shifting but does not expect it to have a material impact on the Group's tax charge.

## Standards issued but not yet effective

A number of standards are effective for annual periods beginning after July 1, 2022 and earlier application is permitted. However, the Group has not early adopted the new or amended standards in preparing these consolidated financial statements.

The Group is currently considering the implications of all other amendments and new standards on its consolidated financial statements.

## Group significant accounting policies

### Principles of consolidation

#### I. Business combinations

The Group accounts for business combinations using the acquisition method when control is transferred to the Group. The Group 'controls' an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The consideration transferred (the assets given up, shares issued or liabilities undertaken at the date of acquisition) in the acquisition is generally measured at fair value, as are the identifiable net assets acquired.

Transaction costs are recognized in the income statement, except if related to the issue of debt or equity securities. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group’s share of the identifiable net assets acquired is recorded as goodwill, which is tested annually for impairment. If the cost of acquisition is less than the fair value of the net assets of the affiliated company acquired, a bargain purchase gain is recognized directly in the income statement.

#### II. Subsidiaries

Subsidiaries are entities controlled (directly or indirectly) by the Group. The financial statements of subsidiaries are included in the consolidated financial statement from the date on which control is transferred to the Group and are no longer consolidated from the date that control ceases.

III. Non-controlling interests (NCI)

NCI are measured initially at their proportionate share of the acquiree's identifiable net assets at the date of acquisition. Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

IV. Loss of control

When the Group loses control over a subsidiary, it derecognizes the assets and liabilities of the subsidiary, and any related NCI and other components of equity. Any resulting gain or loss is recognized in the income statement. Any interest retained in the former subsidiary is measured at fair value when control is lost.

V. Interests in joint ventures and associates

Associates are those entities in which the Group has significant influence, but not control or joint control, over the financial and operating policies. A joint venture is an arrangement in which the Group has joint control, whereby the Group has rights to the net assets of the arrangement, rather than rights to its assets and obligations for the liabilities.

Interests in jointly controlled entities and associates are accounted for using the equity method. They are initially recognized at cost, which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include the Group's share of profit or loss and other comprehensive income (OCI) of jointly controlled entities and associates, until the date on which joint control or significant influence ceases. Under this method, these investments are shown in the statement of financial position at the Group's share of the net assets of the companies and the movement for the year in these investments is shown in the income statement.

VI. Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealized income and expenses arising from intra-group transactions, are eliminated. Unrealized gains arising from transactions with jointly controlled entities and associates are eliminated against the investment to the extent of the Group's interest in the investee. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

## Foreign currencies

The Group's presentation currency is Swiss francs (CHF), which is the parent company's functional currency.

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated into CHF at the exchange rates ruling at the year-end. The income statement accounts are translated into CHF at the exchange rates at the dates of the transactions. Foreign currency differences are recognized in OCI and accumulated in the translation reserve, except to the extent that the translation difference is allocated to NCI. Statement of cash flows are translated into CHF by applying to the foreign currency amount the exchange rate at the dates of the transactions. On the disposal of a foreign operation, the cumulative translation adjustments relating to that foreign operation are recognized in the income statement as part of the gain or loss on disposal.

Transactions in foreign currencies are translated into the respective functional currencies of Group companies at the exchange rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into the respective company's functional currency at the exchange rate at the reporting date. Foreign currency differences are generally recognized in income statement and presented within Net other financial expenses, including the effects of forward contracts, except for transactions qualified as net investment in a foreign operation. Exchange gains and losses arising on such transactions are recognized in other comprehensive income.

## Revenue

The Group generates revenue from contracts with customers for the sale of fragrance and flavor products. The performance obligation is satisfied when control over a good is transferred to the customer. Revenue is recognized at that point in time based on the price specified in the contract, net of the estimated volume discounts provided that it is highly probable that a significant reversal will not occur. The Group recognizes revenue when it transfers control over a good to a customer which is deemed upon shipment.

No element of financing is deemed present as the sales are made with a short-term credit term.

Other significant accounting policies are included in the relevant notes and applied throughout the consolidated financial statements.

### Hyperinflationary economies

Group companies whose functional currencies have experienced a cumulative inflation rate of more than 100% over the past three years apply the rules of IAS 29 "Financial Reporting in Hyperinflationary Economies".

The statement of financial position and income statement of group companies operating in hyperinflationary economies are restated for the changes in the general purchasing power of the local currency, using official indices at the closing date, before translation into Swiss Francs and, as a result, are stated in terms of measuring unit current at the closing date.

The impact of the restatement of the non-monetary assets and liabilities with the general price index at the beginning of the period is recorded in equity. The subsequent gains or losses on the net monetary position and non-monetary assets and liabilities are recorded in the consolidated income statement.

The hyperinflationary economies in which the Group operates are Argentina and Turkey. None of them have a significant impact on the consolidated financial statements.

## 2. Business combinations

### 2.1 Businesses acquired

#### 2.1.a Businesses acquired in 2023

There were no businesses acquired by the Group in financial year 2023.

#### 2.1.b Businesses acquired in 2022

| Business acquired | Cash generating unit | Date of acquisition |
|---|---|---|
| ArtSci | Taste & Beyond | April 30, 2022 |

The Group increased its equity stake in ArtSci Biology Technologies Co Ltd (ArtSci) from 49.99% to 90.00%, thereby taking control of the business. ArtSci is a leading taste company in China's middle market and a strategic partner to Firmenich since 2019. Headquartered in Hangzhou, ArtSci specializes in dairy and beverages as well as bakery and confectionery, and is strongly established with a broad distribution network across China where it is known for its agility in serving local big and mid-sized customers.

The Group has completed the purchase price allocation in the twelve months period from acquisition date in accordance with IFRS 3 Business combinations.

### 2.2 Assets and liabilities recognized at the date of acquisition

#### 2.2.a Assets and liabilities recognized at date of acquisition in 2023

There were no assets and liabilities that were recognized as part of business combinations in financial year 2023.

### 2.2.b Assets and liabilities recognized at date of acquisition in 2022

| In millions of CHF | ArtSci |
|---|---|
| **Non-current assets** | |
| Intangible assets | 71.6 |
| Property, plant and equipment | 10.5 |
| Financial investments and loans | 2.7 |
| Deferred tax assets | 0.1 |
| **Current assets** | |
| Cash and cash equivalents | 3.9 |
| Inventories | 2.7 |
| Trade accounts receivable | 11.1 |
| Other receivables and prepaid expenses | 2.4 |
| **Non-current liabilities** | |
| Deferred tax liabilities | (11.3) |
| Long-term borrowings | (0.1) |
| **Current liabilities** | |
| Trade accounts payable | (7.0) |
| Other payables and accrued expenses | (2.7) |
| Short-term borrowings | (0.1) |
| **Total identifiable net assets acquired at fair value** | **83.8** |
| Non-controlling interests at the proportionate share of the acquiree's net assets | (8.4) |
| **Total identifiable net assets attributable to the Group** | **75.4** |
| Fair value of pre-existing interest in ArtSci (*) | (143.0) |
| Goodwill arising on acquisition | 182.1 |
| **Consideration transferred** | **114.5** |

(*) The remeasurement to fair value of the pre-existing interest in ArtSci resulted in a gain of CHF 23.7 recorded in the income statement (refer to note 6).

## 2.4 Cash flow on acquisitions

### 2.4.a Cash flow on acquisitions in 2023

There were no cash flows on acquisitions in financial year 2023.

### 2.4.b Cash flow on acquisitions in 2022

| In millions of CHF | ArtSci |
|---|---|
| **Purchase price paid** | **(114.5)** |
| Cash and cash equivalents acquired | 3.9 |
| **Net cash outflow** | **(110.6)** |

## 3. Goodwill and intangible assets

Goodwill arising on the acquisition of businesses is measured at cost less accumulated impairment losses. Intangible assets are initially recorded at cost of purchase or development and are measured at cost less accumulated amortization and any accumulated impairment losses.

### Amortization of intangible assets

The amortization on a straight-line basis is done over the following periods:

| | |
|---|---|
| Customer base | 10 to 20 years |
| Technology and formulas | 5 to 10 years |
| Brands and trademarks | 5 to 20 years |
| Software and other | 5 to 20 years |

### Impairment

At each reporting date, the Group reviews the carrying amounts of its intangible assets to determine whether there is an indication of impairment. If any such indication exists, then the assets' recoverable amounts are estimated. Goodwill is tested annually for impairment.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs of disposal. Value in use is based on the estimated future cash-flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount. An impairment loss of CHF 14.3 was recognized on Technology and formulas in the current year as a result of the Pinova site shutdown.

### Goodwill

Goodwill is allocated to CGUs according to the geography and business segment that are expected to benefit from the synergies of the business combination.

| In millions of CHF | 2023 | 2022 |
|---|---|---|
| CASH GENERATING UNITS | | |
| Perfumery & Ingredients | 984.1 | 1 002.7 |
| Perfumery | 13.8 | 23.1 |
| Consumer fragrance | 233.4 | 250.1 |
| Taste & Beyond | 674.0 | 720.0 |
| **Total goodwill** | **1 905.3** | **1 995.9** |

Refer to note 2 for the allocation of goodwill arising from acquisitions to their respective CGUs.

The recoverable amount of CGUs is determined based on value-in-use calculations. These calculations use cash flow projections based on financial business plans and budgets approved by management covering a five-year-period, as well as a terminal value. The terminal value assumes the long-term inflation rate for growth beyond the five year period. The discount rates used are based on the Group's weighted average cost of capital adjusted for currency risks associated with the cash flow projections. A pre-tax discount rate of 8.5% (2022: 8.0%) was applied to cash-flow projections for the Perfumery & Ingredients, Perfumery and Consumer fragrance CGUs, and 7.9% (2022: 7.1%) for the Taste & Beyond CGU.

The key sensitivities for the impairment tests are the growth in revenues, the operating margin and the discount rate. Reducing the expected revenue growth rate, the operating margin or increasing the discount rate by reasonable basis points would not result in the carrying amount of a cash-generating unit exceeding its recoverable amount.

No impairment loss resulted from the impairment tests for goodwill.

## Customer base

Customer base consists of client relationships to key customers that complement the Group’s client portfolio and increase market share.

## Technology and formulas

Application technologies and formulas consist of manufacturing recipes, production and natural extraction know-how acquired via business combinations.

## Brands and trademarks

The Group acquired several brands and trademarks as part of business combinations for the Taste & Beyond and Perfumery & Ingredients divisions.

## Software and other

### Software

Costs associated with developing or maintaining internally generated computer software programs are recognized as an expense as incurred. Costs that are directly associated with the production of identifiable and unique software products controlled by the Group, and that will probably generate future economic benefits exceeding costs beyond one year, are recognized as intangible assets. Direct costs include the software development costs, comprising employees’ and consultants’ cost, and an appropriate portion of relevant overheads.

### Patents, licenses

Acquired patents, licenses and other purchased rights are initially recorded at their acquisition cost and are amortized on a straight-line basis over the lower of their estimated economic lives or legal duration, up to a maximum of 20 years. Incorporation expenses are not capitalized but recognized as an expense when incurred.

### Research and development

Research expenditure is recognized as an expense as incurred. Development costs are recognized as intangible assets only if the costs can be reliably measured, future economic benefits are probable, the product is technically feasible and the Group has the intent and the resources to complete the project. Capitalized development costs are amortized on a straight-line basis over the period of the expected benefit. In most cases development costs are expensed as incurred, as they do not meet the criteria for recognition as an asset.

## Development in progress

Development in progress consists of development expenses for the Canopy project which aims to install an intelligent and collaborative platform for the Development and Application communities across the world, for both Perfumery and Taste & Beyond CHF 10.7 (2022: CHF 6.9); a tool for mass reformula and molecules development (Amyris Inc) CHF 8.9 (2022: CHF 6.2); DRT SAP implementation CHF 12.4 (2022: CHF 4.8) and various other projects including software developments CHF 18.5 (2022: CHF 26.7).

These intangible assets not being yet available for use, they are subject to a review for impairment annually, or more frequently if events or circumstances indicate this is necessary. Any impairment is charged to the income statement as it arises.

| In millions of CHF | Goodwill | Customer base | Technology and formulas | Brands and trademarks | Software and other | Development in progress | Total |
|---|---|---|---|---|---|---|---|
| COST | | | | | | | |
| **Opening balance 2022** | **1 942.6** | **711.6** | **470.3** | **136.5** | **509.4** | **44.6** | **3 814.9** |
| Additions | - | - | - | - | 0.3 | 37.5 | **37.8** |
| Disposals | - | - | - | (0.2) | (2.0) | (0.0) | **(2.2)** |
| Transfers (*) | - | - | - | 1.3 | 35.3 | (37.1) | **(0.5)** |
| Acquisition of businesses | 182.1 | 43.0 | 16.0 | 12.5 | 0.1 | - | **253.7** |
| Currency translation | (128.8) | (27.0) | (6.4) | (5.6) | (2.0) | (0.3) | **(170.1)** |
| **Closing balance 2022** | **1 995.9** | **727.6** | **479.9** | **144.5** | **541.1** | **44.6** | **3 933.6** |
| Additions | - | - | - | - | 0.5 | 41.2 | **41.7** |
| Disposals | - | - | - | - | (0.6) | - | **(0.6)** |
| Transfers (*) | - | - | 0.6 | 5.1 | 30.1 | (35.1) | **0.7** |
| Currency translation | (90.6) | (28.9) | (13.0) | (9.4) | (3.4) | (0.2) | **(145.4)** |
| **Closing balance 2023** | **1 905.3** | **698.7** | **467.5** | **140.2** | **567.7** | **50.5** | **3 829.9** |
| ACCUMULATED AMORTIZATION | | | | | | | |
| **Opening balance 2022** | | **220.0** | **257.0** | **29.3** | **420.2** | | **926.5** |
| Charge of the year | | 40.5 | 25.1 | 11.0 | 30.3 | | **106.9** |
| Impairment losses | | - | - | - | 4.9 | | **4.9** |
| Disposals | | - | - | (0.1) | (0.4) | | **(0.5)** |
| Currency translation | | (2.2) | (1.5) | (0.5) | (0.3) | | **(4.5)** |
| **Closing balance 2022** | | **258.3** | **280.6** | **39.7** | **454.7** | | **1 033.3** |
| Charge of the year | | 30.7 | 26.4 | 12.3 | 32.3 | | **101.7** |
| Impairment losses | | - | 14.3 | - | - | | **14.3** |
| Transfers (*) | | (0.0) | (0.0) | 2.0 | (2.0) | | **-** |
| Currency translation | | (6.1) | (4.3) | (3.5) | (2.5) | | **(16.4)** |
| **Closing balance 2023** | | **282.9** | **317.0** | **50.5** | **482.5** | | **1 132.9** |
| NET BOOK VALUE | | | | | | | |
| **Closing balance 2022** | **1 995.9** | **469.3** | **199.3** | **104.8** | **86.4** | **44.6** | **2 900.3** |
| **Closing balance 2023** | **1 905.3** | **415.8** | **150.5** | **89.7** | **85.2** | **50.5** | **2 697.0** |

(*) Transfers from development in progress to other intangibles categories.

## 4. Property, plant and equipment

| In millions of CHF | Land | Buildings and infrastructure | Equipment | Construction in progress | **Total** |
|---|---|---|---|---|---|
| Acquired property, plant and equipment | 67.6 | 606.3 | 632.4 | 199.8 | **1 506.1** |
| Right-of-use of assets | 2.2 | 143.5 | 36.9 | - | **182.6** |
| **Closing balance 2022** | **69.8** | **749.8** | **669.3** | **199.8** | **1 688.7** |

| In millions of CHF | Land | Buildings and infrastructure | Equipment | Construction in progress | **Total** |
|---|---|---|---|---|---|
| Acquired property, plant and equipment | 63.0 | 545.6 | 572.0 | 212.9 | **1 393.5** |
| Right-of-use of assets | 3.6 | 121.1 | 30.9 | - | **155.6** |
| **Closing balance 2023** | **66.6** | **666.7** | **602.9** | **212.9** | **1 549.1** |

## Acquired property, plant and equipment

Property, plant and equipment are initially recorded at cost of purchase or construction and depreciated on a straight-line basis over the expected useful lives of the assets. Subsequent expenditure on an item is capitalized at cost only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

### Impairment

At each reporting date, the Group reviews the carrying amounts of its property, plant and equipment to determine whether there is an indication of impairment. If any such indication exists, then the assets' recoverable amounts are estimated.

An impairment loss is recognized if the carrying amount of an asset exceeds its recoverable amount. An impairment loss of CHF 52.6 was recognized in the current year as a result of the Pinova site shutdown.

### Depreciation

The depreciation on a straight-line basis is done over the following periods:

| | |
|---|---|
| Buildings | 25 to 50 years |
| Infrastructure | 10 to 20 years |
| Equipment | 3 to 20 years |

Land is not depreciated. The assets’ residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

Gains and losses on disposal of land, buildings, infrastructure and equipment are determined by reference to their carrying amount and are recognized in the income statement.

| In millions of CHF | Land | Buildings and infrastructure | Equipment | Construction in progress | **Total** |
|---|---|---|---|---|---|
| COST | | | | | |
| **Opening balance 2022** | **71.3** | **1 273.5** | **1 578.2** | **206.3** | **3 129.3** |
| Additions (*) | - | 3.7 | 15.4 | 155.7 | **174.8** |
| Disposals | - | (1.2) | (5.0) | (0.2) | **(6.4)** |
| Transfers (***) | (0.9) | 57.8 | 114.1 | (170.6) | **0.4** |
| Acquisition of businesses | - | 6.5 | 3.8 | - | **10.3** |
| Currency translation | (2.9) | (0.1) | (8.6) | 8.7 | **(2.9)** |
| **Closing balance 2022** | **67.5** | **1 340.2** | **1 697.9** | **199.8** | **3 305.3** |
| Additions (*) | 1.3 | 2.7 | 5.4 | 158.2 | **167.6** |
| Disposals | - | (2.0) | (14.9) | (0.1) | **(17.0)** |
| Transfers (***) | - | 27.1 | 70.6 | (98.4) | **(0.7)** |
| Currency translation | (2.1) | (65.8) | (59.6) | (35.0) | **(162.5)** |
| **Closing balance 2023** | **66.7** | **1 302.2** | **1 699.4** | **224.5** | **3 292.8** |
| ACCUMULATED DEPRECIATION | | | | | |
| **Opening balance 2022** | | **689.9** | **980.3** | | **1 670.2** |
| Charge of the year (**) | | 44.0 | 90.6 | | **134.6** |
| Impairment losses | | (0.2) | 0.6 | | **0.4** |
| Disposals | | (0.6) | (4.0) | | **(4.6)** |
| Transfers (***) | | 1.6 | (1.6) | | **-** |
| Currency translation | | (0.9) | (0.4) | | **(1.3)** |
| **Closing balance 2022** | | **733.8** | **1 065.5** | | **1 799.3** |
| Charge of the year (**) | | 44.4 | 91.1 | | **135.5** |
| Impairment losses | 3.7 | 6.4 | 30.9 | 11.6 | **52.6** |
| Disposals | | (1.7) | (14.3) | | **(16.0)** |
| Transfers (***) | | (0.1) | 0.1 | | **0.0** |
| Currency translation | | (26.2) | (45.9) | | **(72.1)** |
| **Closing balance 2023** | **3.7** | **756.6** | **1 127.4** | **11.6** | **1 899.3** |

(*) Additions of Property, plant and equipment exclude the government grants received of CHF -2.1 (2022: CHF -3.3).

(**) Depreciation charge of the year for Property, plant and equipment excludes the release of government grants of CHF -2.4 (2022: CHF -2.5).

(***) Include transfers from construction in progress to land, buildings and infrastructure and equipment.

## Right-of-use assets

The Group leases land, offices, warehouses, vehicles, machinery and IT equipment. Lease arrangements are typically made for fixed periods but may have extension options. The Group has applied judgement to determine the lease term at lease commencement date, which affects the amount of lease liabilities and right-of-use assets recognized, by assessing whether the Group is reasonably certain to exercise such options. These extension options are exercisable only by the Group and not by the lessors.

The Group recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, and subsequently at cost less any accumulated depreciation and impairment losses, and adjusted for certain remeasurements of the lease liability.

Right-of-use assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term, or the lease term will be extended.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payments made.

It is remeasured when there is a change in future lease payments arising from a change in an index or rate, a change in the estimate of the amount expected to be payable under a residual value guarantee, or as appropriate, changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

Contracts may contain both lease and non-lease components. The Group has elected not to separate lease and non-lease components for lease arrangements other than real estate and accounts for these as a single lease component. However, for leases of real estate the Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices.

Refer to note 17 for details on lease liabilities and amounts recognized in the income statement.

An impairment loss of CHF 4.4 was recognized in the current year as a result of the Pinova site shutdown.

| In millions of CHF | Land | Buildings and infrastructure | Equipment | **Total** |
|---|---|---|---|---|
| COST | | | | |
| **Opening balance 2022** | **2.6** | **182.8** | **60.3** | **245.7** |
| Additions | - | 45.5 | 23.8 | **69.3** |
| Derecognition | - | (22.5) | (11.4) | **(33.9)** |
| Acquisition of businesses | - | 0.2 | - | **0.2** |
| Currency translation | - | (5.6) | (3.7) | **(9.3)** |
| **Closing balance 2022** | **2.6** | **200.4** | **69.0** | **272.0** |
| Additions | 1.6 | 17.3 | 19.8 | **38.7** |
| Derecognition | (0.1) | (15.7) | (22.5) | **(38.3)** |
| Acquisition of businesses | - | - | - | **-** |
| Currency translation | - | (8.9) | (2.6) | **(11.5)** |
| **Closing balance 2023** | **4.1** | **193.1** | **63.7** | **260.9** |
| ACCUMULATED DEPRECIATION | | | | |
| **Opening balance 2022** | **0.3** | **44.9** | **24.5** | **69.7** |
| Charge of the year | 0.1 | 27.2 | 18.5 | **45.8** |
| Derecognition | - | (13.8) | (9.2) | **(23.0)** |
| Currency translation | - | (1.4) | (1.7) | **(3.1)** |
| **Closing balance 2022** | **0.4** | **56.9** | **32.1** | **89.4** |
| Charge of the year | 0.2 | 23.5 | 23.1 | **46.8** |
| Impairment losses | - | 4.4 | - | **4.4** |
| Derecognition | (0.1) | (9.5) | (21.0) | **(30.6)** |
| Currency translation | - | (3.3) | (1.4) | **(4.7)** |
| **Closing balance 2023** | **0.5** | **72.0** | **32.8** | **105.3** |

## 5. Financial investments and other long-term assets

| In millions of CHF | Notes | 2023 | 2022 |
|---|---|---|---|
| Equity instruments at fair value through OCI | 25 | 416.4 | 446.6 |
| Financial assets at fair value through income statement | 25 | 39.0 | 63.8 |
| Net defined benefit assets | 15 | 26.1 | 47.6 |
| Loans at amortized cost | 25 | 46.1 | 49.6 |
| Land use rights | | 13.3 | 15.7 |
| Other loans and receivables | | 24.6 | 25.1 |
| Loans to related parties | | 7.4 | 8.0 |
| Loans to personnel | | 0.8 | 0.8 |
| **Financial investments and other long-term assets** | | **527.6** | **607.6** |

For accounting policy on financial investments and loans refer to note 25.

### Equity instruments at fair value through OCI

The Group owns 21.8% of Robertet SA's share interests, representing circa 11% of voting rights. At June 30, 2023, this investment amounts to CHF 398.4 (2022: CHF 423.5).

The Group owns as well 10% of S H Kelkar and Co Ltd 's share interests, representing circa 10% of voting rights. At June 30, 2023, this investment amounts to CHF 18.0 (2022 : CHF 23.1).

These equity instruments are long-term strategic investments (not held for trading). On initial recognition, the Group irrevocably elected to present subsequent changes in these investments' fair value in other comprehensive income (also refer to note 25).

During the year, the Group received a net dividend income of CHF 3.5 (2022: CHF 2.9) from these investments.

### Financial assets at fair value through income statement

Long-term financial investments held at fair value through income statement include funds in relation with a deferred compensation scheme of CHF 30.2 (2022: CHF 48.1) that are restricted to employee benefits use only. Assets are invested mainly in various mutual funds to cover the company's obligations under deferred compensation arrangements (also refer to note 15). They mainly consist of insurance policy and deposits covering employee benefits.

### Loans at amortized cost

Loans to related parties mainly consist of a long-term financing granted to Prolitec Inc of CHF 5.8 (2022: CHF 6.2).

## 6. Associates and joint ventures

The following is a summary of the movements in the jointly controlled entities and associates. Jasmine Concrete Exports Private Ltd, InnovAroma SA and Authentic Product Industry SA are joint ventures in which the Group has a joint control. The other investments are associated companies in which the Group has a significant influence.

Due to financial performance being lower than expectations as well as declining market conditions, an impairment loss of CHF 75.1 was recognized in the income statement on the associated company Essential Labs, LLC. This amount is part of Other non-cash items of CHF 129.3 disclosed in the Consolidated statement of cash flows.

In April 2022, the Group acquired 40.01% of the outstanding shares in ArtSci Biology Technologies Co Ltd (ArtSci) in addition to the 49.99% previously held (also refer to note 2). The remeasurement to fair value of the Group's existing interest in ArtSci resulted in a gain of CHF 23.7 (CHF 143.0 fair value less the CHF 122.3 carrying amount of the associate at the date of acquisition, plus a reclassification of the translation reserve of CHF 3.0). This amount was presented separately in the income statement.

| In millions of CHF | ArtSci Biology Technologies Co Ltd. | Essential Labs, LLC | Biomass Energy Solutions VSG SAS | Jasmine Concrete Exports Private Ltd | Other (*) | Total |
|---|---|---|---|---|---|---|
| MOVEMENT IN ASSOCIATES AND JOINT VENTURES | | | | | | |
| **Opening balance 2022** | **119.7** | **-** | **14.3** | **6.8** | **5.5** | **146.3** |
| Acquisition | - | 112.7 | - | - | - | **112.7** |
| Share of profit / (loss) | 4.9 | 4.2 | 0.2 | 0.1 | 0.9 | **10.3** |
| Dividend paid | (4.7) | (0.8) | - | - | (0.2) | **(5.7)** |
| Change in control | (122.3) | - | - | - | (0.1) | **(122.4)** |
| Currency translation adjustment | 2.4 | 5.8 | (1.3) | (0.2) | 0.9 | **7.6** |
| **Closing balance 2022** | **-** | **121.9** | **13.2** | **6.7** | **7.0** | **148.8** |
| Acquisition | - | - | - | - | 0.3 | **0.3** |
| Share of profit / (loss) | - | 3.1 | 0.7 | 0.3 | (0.1) | **4.1** |
| Impairment loss | - | (75.1) | - | - | - | **(75.1)** |
| Dividend paid | - | (1.2) | - | - | (0.2) | **(1.5)** |
| Change in control | - | - | - | - | (0.7) | **(0.7)** |
| Currency translation adjustment | - | (6.9) | (0.2) | (0.7) | (0.4) | **(8.2)** |
| **Closing balance 2023** | **0.0** | **41.8** | **13.7** | **6.3** | **5.9** | **67.7** |

(*) In 2023, The Nelixia Company SA, Prolitec Inc, InnovAroma SA and Authentic Product Industry SA are included under Other. Kalsangi Pte Ltd was sold in 2023.
In 2022, The Nelixia Company SA, Prolitec Inc, InnovAroma SA and Kalsangi Pte Ltd are included under Other. The Group sold its interest in Novali A.S.

The jointly controlled entites and associates have no significant contingent liabilities to which the Group is exposed.

The Group has no outstanding capital commitments to the jointly controlled entities.

## 7. Inventories

Inventories are stated at the lower of cost and net realizable value. The cost of finished goods and work-in-progress comprises raw materials, direct labor, other direct costs and related production overheads (based on normal operating capacity), but excludes borrowing costs. Net realizable value is the estimated selling price in the ordinary course of business, less the cost of completion and selling expenses. Allowances for slow-moving and obsolete inventories have been made. Cost is determined using the weighted average cost formula.

| In millions of CHF | 2023 | 2022 |
|---|---|---|
| INVENTORY SPLIT BY CATEGORY | | |
| Raw material and supplies | 382.5 | 407.7 |
| Work in progress | 476.3 | 451.4 |
| Finished goods | 267.6 | 300.4 |
| Allowance for slow-moving and obsolete inventories | (85.4) | (25.9) |
| **Total inventories** | **1 041.0** | **1 133.6** |

| In millions of CHF | 2023 | 2022 |
|---|---|---|
| MOVEMENT IN INVENTORY ALLOWANCE | | |
| Opening balance | (25.9) | (38.6) |
| Increase in allowance (*) | (98.5) | (34.3) |
| Use and reversal of allowance | 36.3 | 46.3 |
| Currency translation adjustment | 2.7 | 0.7 |
| **Closing balance** | **(85.4)** | **(25.9)** |

(*) The increase in allowance mainly consists of CHF 51.4 relating to the Pinova site shutdown.

Total inventory losses for the year ended June 30, 2023 reached CHF 54.1 (2022: CHF 25.0).

## 8. Trade accounts receivable

Trade accounts receivable are initially measured at the transaction price and classified as financial assets at amortized cost less loss allowance. They are carried at non-discounted values as they do not contain a significant financing component.

The Group applies the IFRS 9 simplified approach to measuring expected credit losses (ECL) which uses a lifetime expected credit loss allowance for all trade receivables. ECL's are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

| In millions of CHF | 2023 | 2022 |
|---|---|---|
| Trade accounts receivable (gross) | 951.0 | 1 029.8 |
| Allowance for doubtful debts | (10.0) | (9.1) |
| **Total trade accounts receivable** | **941.0** | **1 020.7** |

The Group has several major global clients, as well as a vast number of customers internationally dispersed. As a consequence, the credit risk with respect to trade accounts receivable is limited. Their carrying amount approximates the fair value.

| In millions of CHF | 2023 | 2022 |
|---|---|---|
| AGEING OF PAST DUE BUT NOT IMPAIRED | | |
| Neither past due nor impaired | 900.0 | 987.3 |
| Less than 30 days | 35.5 | 29.2 |
| 30 to 60 days | 6.9 | 6.4 |
| 60 to 90 days | 2.9 | 4.7 |
| More than 90 days | 5.7 | 2.2 |
| Less allowance for doubtful debts | (10.0) | (9.1) |
| **Total trade accounts receivable** | **941.0** | **1 020.7** |

| In millions of CHF | 2023 | 2022 |
|---|---|---|
| MOVEMENT IN LOSS ALLOWANCE FOR IMPAIRMENT | | |
| Opening balance | (9.1) | (10.9) |
| Increase in allowance for impairment | (14.1) | (12.4) |
| Reversal of allowance for impairment | 11.7 | 13.7 |
| Use of allowance for impairment | 0.3 | 0.2 |
| Currency translation adjustment | 1.2 | 0.3 |
| **Closing balance** | **(10.0)** | **(9.1)** |

Total trade accounts receivable written-off for the year ended June 30, 2023 are CHF 0.4 (2022: CHF 0.2).

## 9. Other receivables and prepaid expenses

| In millions of CHF | 2023 | 2022 |
|---|---|---|
| VAT receivables | 64.6 | 55.6 |
| Other receivables and accrued income | 76.7 | 125.2 |
| Prepaid expenses | 36.1 | 31.6 |
| **Total other receivables and prepaid expenses** | **177.4** | **212.4** |

## 10. Derivative financial instruments

| In millions of CHF | 2023 | | 2022 | |
|---|---|---|---|---|
| Fair value | Assets | Liabilities | Assets | Liabilities |
| Forward exchange contracts | 10.4 | 3.3 | 12.6 | 4.3 |
| Currency options | 0.0 | 0.0 | 1.2 | 2.7 |
| **Total derivative financial instruments** | **10.4** | **3.3** | **13.8** | **7.0** |

The fair value of derivative financial instruments is determined based on information obtained from financial institutions.

Also refer to note 25 for the classification of Derivative financial instruments according to IFRS 9.

## 11. Financial short-term investments

| In millions of CHF | 2023 | 2022 |
|---|---|---|
| Fixed term deposits over 48 hours | 378.6 | 162.5 |
| Equity securities | 5.9 | 1.9 |
| **Financial investments** | **384.5** | **164.4** |

For accounting policy on financial investments and further details, refer to note 25.

There are no restrictions on marketable securities.

| In millions of CHF | 2023 | 2022 |
|---|---|---|
| FINANCIAL INVESTMENTS SPLIT BY CURRENCIES | | |
| CHF | 150.0 | 100.0 |
| USD | 133.1 | 22.3 |
| CNY | 10.9 | 3.4 |
| SGD | 0.0 | 27.5 |
| INR | 21.3 | 5.2 |
| EUR | 54.6 | 0.1 |
| Other | 14.6 | 5.9 |
| **Total** | **384.5** | **164.4** |

## 12. Share capital and retained earnings

| | 2023 | 2022 |
|---|---|---|
| Registered shares | | |
| Number of shares | 8 019 000 | |
| Number of A shares | | 729 000 |
| Number of B shares | | 810 000 |
| Nominal value (in CHF) | 5.0 | |
| Nominal value (in CHF) of A shares | | 50.0 |
| Nominal value (in CHF) of B shares | | 5.0 |
| | | |
| **Share capital (in millions of CHF)** | **40.1** | **40.5** |

The share capital of Firmenich International SA was restructured in financial year 2023. A and B shares of nominal value CHF 50 per A share and CHF 5 per B share were converted into 8'100'000 registered shares of nominal value CHF 5 each.
During financial year 2023, Firmenich International SA purchased 81'000 of its own B shares at nominal value of CHF 5 each for a total cost of CHF 0.4 million. These treasury shares were cancelled with a corresponding decrease of the share capital.

The ordinary share capital of Firmenich International SA has been authorized, issued and fully paid.

## Deeply subordinated fixed rate resettable perpetual notes

Firmenich International SA issued EUR 750.0 (CHF 794.5) deeply subordinated fixed rate resettable perpetual notes on June 3, 2020 with a coupon of 3.75% payable annually at the sole discretion of the issuer until the first reset date i.e. September 3, 2025. Thereafter, the interest rate is reset every 5 years. In financial year 2023 the remuneration on the deeply subordinated fixed rate resettable perpetual notes amounts to CHF 27.5 (2022: CHF 30.4).

In accordance with the provisions of IAS 32 Financial Instruments – Presentation, this instrument is accounted for in equity in the Group's consolidated financial statements.

# 13. Earnings per share

Basic earnings per share is calculated by dividing the net income attributable to shareholders by the weighted average number of ordinary shares in issue during the year.

| In millions of CHF (except for earnings per share) | 2023 | 2022 restated | 2022 |
|---|---|---|---|
| Net income attributable to Firmenich International SA | 82.5 | 391.7 | 391.7 |
| A shares part of share capital in % | | | 90.0% |
| A shares part of net income from ordinary activities | | | 352.5 |
| B shares part of share capital in % | | | 10.0% |
| B shares part of net income from ordinary activities | | | 39.2 |
| **Earnings per share (in CHF)** | **10.20** | **48.36** | |
| **Earnings per A share (in CHF)** | | | **483.57** |
| **Earnings per B share (in CHF)** | | | **48.36** |

The Group has not issued share capital related instruments that could have affected earnings per share.

## Dividend distribution

At the General meeting held in October 2022, a distribution on financial year 2022 net income of CHF 308.64 gross per A share and CHF 30.86 gross per B share was approved (October 2021: CHF 309.0 per A share and CHF 30.9 per B share).

The dividend has been split between an initial payment in October 2022 of CHF 62.5 and a final payment in January 2023 of CHF 187.5.

On July 3, 2023, the Board of Directors proposed to the extraordinary shareholders' meeting an extraordinary dividend distribution of EUR 145.9. The extraordinary shareholders' meeting held on July 3, 2023, approved the appropriation of available earnings as proposed by the Board of Directors. The extraordinary dividend was paid on July 4, 2023.

This year the Board of Directors proposes not to distribute a dividend.

## 14. Non-controlling interests

In April 2023, the Group completed the purchase of all remaining non-controlling interests in VKL Seasoning Private Ltd, reaching 100% ownership for a payout of CHF 50.0.

The following provides information on the non-controlling interests of the Group's subsidiaries.

| In millions of CHF | DRT Anthea Aroma Chemicals Pvt. Ltd | PT Firmenich Indonesia | ArtSci Biology Technologies Co Ltd | Kunming Firmenich Aromatics Co. Ltd. | Other (*) | Total |
|---|---|---|---|---|---|---|
| MOVEMENT IN NON-CONTROLLING INTERESTS | | | | | | |
| **Opening balance 2022** | **19.4** | **8.6** | **-** | **5.4** | **11.5** | **44.9** |
| Share of profit | 2.9 | 1.1 | 0.0 | 0.5 | 0.1 | **4.6** |
| Acquisition of businesses | - | - | 8.4 | - | - | **8.4** |
| Dividends | (0.4) | (0.6) | - | (0.1) | (0.2) | **(1.3)** |
| Changes in non-controlling interests | - | - | - | - | (0.9) | **(0.9)** |
| Currency translation adjustment | (0.5) | 0.1 | (0.2) | - | (0.1) | **(0.7)** |
| **Closing balance 2022** | **21.4** | **9.2** | **8.2** | **5.8** | **10.4** | **55.0** |
| Share of profit | 3.2 | 1.8 | 0.5 | 0.6 | 1.0 | **7.1** |
| Dividends | (3.5) | (0.7) | (1.1) | (0.1) | (0.1) | **(5.5)** |
| Changes in non-controlling interests | - | - | - | - | (4.0) | **(4.0)** |
| Currency translation adjustment | (2.2) | (0.7) | (1.1) | (0.8) | (0.3) | **(5.1)** |
| **Closing balance 2023** | **18.9** | **9.6** | **6.5** | **5.5** | **7.0** | **47.5** |

(*) VKL Seasoning Private Ltd, Essex Laboratories LLC, DRT Approvisionnement Biomasse SAS and Watt Burgas OOD KD are included under Other.

## 15. Employee benefit obligations

| In millions of CHF | 2023 | 2022 |
|---|---|---|
| Non-current employee benefit obligations | | |
| Pension plans and other post-employment benefit obligations | 120.6 | 129.9 |
| Other employee benefits | 46.3 | 80.3 |
| **Total non-current employee benefit obligations** | **166.9** | **210.2** |
| Current employee benefit obligations | | |
| Other employee benefits | 31.2 | 50.5 |
| **Total current employee benefit obligations** | **31.2** | **50.5** |

### 15.1 Pension plans and other post-employment benefit obligations

The Group companies operate various defined benefit and defined contribution pension plans in accordance with local conditions and practices in the countries concerned. The pension plans are generally funded by payments from employees and by the relevant Group companies, taking into account the recommendations of independent qualified actuaries.

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay the benefits relating to employee service in the current and prior periods. A defined benefit plan is a pension plan that is not a defined contribution plan.

Defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The net defined liability recognized in the statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows in respect of prior service using the yields on high-quality corporate bonds that are denominated in the currency and approximate duration of the related defined benefit pensions obligation.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to the statement of other comprehensive income in the period in which they arise. Past service costs are recognized immediately in the income statement.

Pension assets and liabilities in different defined benefits plans are not offset unless the Group has a legally enforceable right and obligation to use the surplus in one plan to settle obligations in the other plan.

Net defined benefit assets are only recognized to the extent that the Group is able to derive future economic benefits in the way of refunds from the plan or reductions of future contributions.

The Group's contributions to defined contribution pension plans are charged to the income statement in the period to which the contributions relate.

The Group distinguishes two categories of defined benefit plans i.e. pension plans and other post-employment benefits. The most significant plans are held in Switzerland, the United States of America and the United Kingdom.

### 15.1.a Defined benefit pension plans

Defined benefit pension plans are either funded or unfunded plans. The assets of funded plans are held independently of the Group's assets in separate funds.

### 15.1.b Other post-employment benefits

Other post-employment benefits are not funded and comprise healthcare benefits, jubilees, long-service leaves, other discretionary benefits as well as temporary benefits in relation to retirements of Corporate management. The entitlement to healthcare benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued to the date when further service will lead to no material amount of further benefits using the same accounting methodology as used for defined benefit pension plans.

The table below outlines defined benefit plans reflected in the financial statements.

| In millions of CHF | 2023 | 2022 |
|---|---|---|
| OBLIGATIONS | | |
| Defined benefit pensions | 66.9 | 68.0 |
| Other post-employment benefits | 53.7 | 61.9 |
| **Liability in statement of financial position** | **120.6** | **129.9** |
| INCOME STATEMENT CHARGES | | |
| Defined benefit pensions | 35.2 | 53.1 |
| Other post-employment benefits | 4.4 | 5.8 |
| **Total included in income statement** | **39.6** | **58.9** |
| REMEASUREMENT | | |
| Defined benefit pensions | 33.1 | (230.4) |
| Other post-employment benefits | 2.4 | (60.8) |
| **Total remeasurement included in other comprehensive income** | **35.5** | **(291.2)** |

For further details please refer to sections 'Main defined benefit pension plans description' and 'Other post-employment benefits description' respectively.

During the financial year, expenses related to defined contribution plans recognized in the income statement are CHF 55.2 (2022: 49.7).

## 15.1.a Defined benefit pension plans

| In millions of CHF | Funded and unfunded defined benefit obligations | Fair value of plan assets | Impact of minimum funding requirement/ asset ceiling | Net (Assets) / Liabilities recognized in the balance sheet |
|---|---|---|---|---|
| MOVEMENT IN NET (ASSETS) / LIABILITIES OVER THE YEAR | | | | |
| **Opening balance 2023** | **1 431.5** | **(1 421.4)** | **10.3** | **20.4** |
| INCLUDED IN INCOME STATEMENT | | | | |
| Current service cost | 28.6 | | | **28.6** |
| Plan administration expenses | | 5.9 | | **5.9** |
| Interest expense / (income) | 36.3 | (35.8) | 0.2 | **0.7** |
| **Total included in income statement** | **64.9** | **(29.9)** | **0.2** | **35.2** |
| INCLUDED IN OTHER COMPREHENSIVE INCOME | | | | |
| Remeasurement arising from: | | | | |
| Loss / (gain) from change in demographic assumptions | (9.1) | | | **(9.1)** |
| Loss / (gain) from change in financial assumptions (*) | 34.4 | | | **34.4** |
| Experience loss / (gain) | (12.4) | | | **(12.4)** |
| Return on plan assets excluding interest income | | 16.7 | | **16.7** |
| Asset ceiling change, excluding movement through income statement (**) | | | 3.5 | **3.5** |
| **Total included in other comprehensive income** | **12.9** | **16.7** | **3.5** | **33.1** |
| OTHER | | | | |
| Benefits paid | (102.3) | 102.3 | | **(0.0)** |
| Contributions by plan participants | 13.6 | (13.6) | | - |
| Employer contributions | | (45.7) | | **(45.7)** |
| Currency translation adjustment and other | (15.5) | 13.3 | | **(2.2)** |
| **Total other** | **(104.2)** | **56.3** | **-** | **(47.9)** |
| **Closing balance 2023** | **1 405.1** | **(1 378.3)** | **14.0** | **40.8** |
| Composed of: | | | | |
| Net defined benefit assets (note 5) | | | | **(26.1)** |
| Net defined benefit liabilities | | | | **66.9** |
| **Total** | | | | **40.8** |

The net defined benefit assets represent a recognized surplus mainly related to a Swiss pension plan, for which future economic benefits are available to the Group.

(*) The defined benefit pensions measurement is the consequence of changes in financial assumptions, in particular the lower discount rate on the Swiss pension funds (from 2.2% to 1.8%)

(**) One of the Group's Swiss pension plans has a surplus that is not recognized, on the basis that future economic benefits are not available to the Group in the form of a reduction in future contributions or a cash refund.

| In millions of CHF | Funded and unfunded defined benefit obligations | Fair value of plan assets | Impact of minimum funding requirement/ asset ceiling | Net (Assets) / Liabilities recognized in the balance sheet |
|---|---|---|---|---|
| MOVEMENT IN NET (ASSETS) / LIABILITIES OVER THE YEAR | | | | |
| **Opening balance 2022** | **1 783.9** | **(1 537.9)** | **4.3** | **250.3** |
| INCLUDED IN INCOME STATEMENT | | | | |
| Current service cost | 45.7 | - | - | **45.7** |
| Plan administration expenses | - | 6.1 | - | **6.1** |
| Interest expense / (income) | 13.1 | (11.8) | - | **1.3** |
| **Total included in income statement** | **58.8** | **(5.7)** | **-** | **53.1** |
| INCLUDED IN OTHER COMPREHENSIVE INCOME | | | | |
| Remeasurement arising from: | | | | |
| Loss / (gain) from change in demographic assumptions (*) | (4.2) | - | - | **(4.2)** |
| Loss / (gain) from change in financial assumptions (*) | (380.9) | - | - | **(380.9)** |
| Experience loss / (gain) | 28.9 | - | - | **28.9** |
| Return on plan assets excluding interest income | - | 119.8 | - | **119.8** |
| Asset ceiling change, excluding movement through income statement (**) | - | - | 6.0 | **6.0** |
| **Total included in other comprehensive income** | **(356.2)** | **119.8** | **6.0** | **(230.4)** |
| OTHER | | | | |
| Benefits paid | (64.8) | 64.8 | - | **-** |
| Contributions by plan participants | 13.6 | (13.6) | - | **-** |
| Employer contributions | - | (46.9) | - | **(46.9)** |
| Currency translation adjustment | (3.8) | (1.9) | - | **(5.7)** |
| **Total other** | **(55.0)** | **2.4** | **-** | **(52.6)** |
| **Closing balance 2022** | **1 431.5** | **(1 421.4)** | **10.3** | **20.4** |
| Net defined benefit assets (note 5) | | | | **(47.6)** |
| Net defined benefit liabilities | | | | **68.0** |
| **Total** | | | | **20.4** |

(*) The defined benefit pensions measurement is the consequence of changes in financial assumptions, in particular the higher discount rate on the Swiss pension funds (from 0.3% to 2.2%) and higher interest credit rate assumption (from 1.75% to 2%).

(**) One of the Group's Swiss pension plans has a surplus that is not recognized, on the basis that future economic benefits are not available to the Group in the form of a reduction in future contributions or a cash refund.

| In millions of CHF | 2023 | 2022 |
|---|---|---|
| PLAN ASSETS SPLIT BY CATEGORY | | |
| Equity | 322.7 | 354.4 |
| Bonds | 498.9 | 524.7 |
| Hedge funds | 115.0 | 134.3 |
| Derivatives | 0.1 | 6.9 |
| Commodities | - | 0.1 |
| Property | 202.4 | 209.5 |
| Insurance policies | 44.9 | 34.9 |
| Other | 151.0 | 117.0 |
| Cash and bank deposits | 43.3 | 39.6 |
| **Total plan assets** | **1 378.3** | **1 421.4** |

The expected contributions to post-employment benefit plans for the year ended June 30, 2024 are CHF 42.7.

Equities and bonds: all significant positions are quoted in an active market.

Property, hedge funds, commodities, insurance policies: not quoted in an active market.

The table below outlines the funding situation by geographic area:

June 30, 2023

| In millions of CHF | Switzerland | United States of America | United Kingdom | Other countries | Total |
|---|---|---|---|---|---|
| DEFINED BENEFIT PENSION PLANS | | | | | |
| Funded and unfunded defined benefit obligations | 1 145.4 | 176.8 | 43.0 | 39.9 | **1 405.1** |
| Fair value of plan assets | (1 147.9) | (183.1) | (43.1) | (4.2) | **(1 378.3)** |
| **Net excess of liabilities/(assets) over obligations** | **(2.5)** | **(6.3)** | **(0.1)** | **35.7** | **26.8** |
| Unrecognized assets due to asset ceiling (*) | 14.0 | | | | 14.0 |
| **Net excess of liabilities/(assets) over obligations recognized** | **11.5** | **(6.3)** | **(0.1)** | **35.7** | **40.8** |
| Composed of: | | | | | |
| Net defined benefit assets (note 5) | (19.2) | (6.8) | (0.1) | (0.0) | **(26.1)** |
| Net defined benefit liabilities | 30.7 | 0.5 | 0.0 | 35.7 | **66.9** |
| **Total** | **11.5** | **(6.3)** | **(0.1)** | **35.7** | **40.8** |

(*) One of the Group's Swiss pension plans has a surplus of CHF 14.0 that is not recognized.

June 30, 2022

| In millions of CHF | Switzerland | United States of America | United Kingdom | Other countries | Total |
|---|---|---|---|---|---|
| DEFINED BENEFIT PENSION PLANS | | | | | |
| Funded and unfunded defined benefit obligations | 1 130.8 | 205.6 | 53.0 | 42.1 | **1 431.5** |
| Fair value of plan assets | (1 172.5) | (189.9) | (53.5) | (5.5) | **(1 421.4)** |
| **Net excess of liabilities/(assets) over obligations** | **(41.7)** | **15.7** | **(0.5)** | **36.6** | **10.1** |
| Unrecognized assets due to asset ceiling (*) | 10.3 | | | | 10.3 |
| **Net excess of liabilities/(assets) over obligations recognized** | **(31.4)** | **15.7** | **(0.5)** | **36.6** | **20.4** |
| Composed of: | | | | | |
| Net defined benefit assets (note 5) | (47.1) | | (0.5) | | **(47.6)** |
| Net defined benefit liabilities | 15.7 | 15.7 | | 36.6 | **68.0** |
| **Total** | **(31.4)** | **15.7** | **(0.5)** | **36.6** | **20.4** |

(*) One of the Group's Swiss pension plans has a surplus of CHF 10.3 that is not recognized.

## Key actuarial assumptions

| 2023 | Switzerland | United States of America | United Kingdom | Other countries |
|---|---|---|---|---|
| Discount rate | 1.80% | 5.20% | 5.20% | 2.2% to 7.45% |
| Salary increases | 1.50% | 3.00% | 0.00% | 0 % - 8.7 % |
| Pension increases | 0.00% | 0.00% | 2.80% | 0 % - 2 % |
| Mortality assumptions | BVG 2020 G CMI LTR 1.25% | Pri-2012 Generational Mortality Table with MP 2021 | S3PA with CMI 2021, 1.25% long-term trend | |
| Life expectancy at age 65 for a male/female member currently aged 65 | 21.8/23.5 | 20.6/22.6 | 22.0/24.4 | - |

| 2022 | Switzerland | United States of America | United Kingdom | Other countries |
|---|---|---|---|---|
| Discount rate | 2.16% | 4.62% | 3.75% | 2.05 % to 7.3% |
| Salary increases | 1.50% | 3.00% | 0.00% | 0 % - 8.7 % |
| Pension increases | 0.00% | 0.00% | 3.10% | 0 % - 2 % |
| Mortality assumptions | BVG 2020 G CMI LTR 1.5% | Pri-2012 Generational Mortality Table with MP 2021 | S3PA with CMI 2021, 1.25% long-term trend | |
| Life expectancy at age 65 for a male/female member currently aged 65 | 22.0/23.7 | 20.6/22.6 | 21.9/24.3 | - |

## Sensitivity analysis

The sensitivity of the defined benefit obligation to changes in the principal actuarial assumptions is:

| In millions of CHF | Change in assumption | Increase in assumption | Decrease in assumption |
|---|---|---|---|
| Discount rate | 0.50% | (90.2) | 100.9 |
| Future salary increases | 0.50% | 16.9 | (15.6) |
| Future pension increases | 0.50% | 54.1 | (2.0) |
| Life expectancy | 1 year | 35.9 | (35.7) |

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated.

## Main defined benefit pension plans description

### Switzerland

According to the Swiss Federal Law on Occupational Retirement, Survivors and Disability (LPP/BVG), the Swiss Pension plans are managed by independent and legally autonomous entities which have the legal structure of foundation.

The Pension Boards are composed of equal numbers of employee and employer representatives. Each year, the Pension Boards decide the level of interest, if any, to apply to the retirement accounts in accordance with the pension policy.

It is also responsible for the investment of the assets and defining the investment strategy for long-term returns with an acceptable level of risk. The Pension Funds provide benefits on a defined contribution basis.

The Base Plan insures all employees of Firmenich SA. The complementary plan insures exclusively the members of the Direction Générale (DG).
The purposes of both plans are to protect the employees against the economic consequences of retirement, disability and death.

The employer and employees pay contributions to the pension plan at rates set out in the pension plans rules based on a percentage of salary.

The amount of the retirement account can be taken by the employee at retirement in the form of pension or capital.

Under IAS 19 Employee benefits, the pension plans are classified as defined benefit plans due to the promises and underlying benefits guarantees. Consequently the pension obligation is calculated by using the projected unit credit method.

The Group expects to contribute CHF 29.6 to these plans during the year ending June 30, 2024.

The weighted average duration of the defined benefit obligation is 13.7 years.

**International Pension Plan**

The purpose of the plan is to ensure that key international employees obtain a level of benefits in case of disability, death, retirement or termination of employment close to those they would have had if they were covered by the Swiss pension system applicable to the employees of Firmenich SA, taking of course into account any local coverage that these employees may have abroad. The benefit, if any, can only be paid as a lump-sum to the Participant or the Beneficiary.

This plan is intended to be an unfunded and unsecured plan maintained primarily for the purpose of providing pension benefits for key international employees.

The weighted average duration of the defined benefit obligation is 4.3 years.

### United States of America

The US pension plan is qualified under and is managed in accordance with the requirements of US federal law. In accordance with federal law the assets of the plan are legally separate from the employer and are held in a pension trust. The law requires minimum and maximum amounts that can be contributed to the trust, together with limitations on the amount of benefits that may be provided under the plan.

There are named fiduciaries that are responsible for ensuring the plan is managed in accordance with the law. The fiduciaries are responsible for defining the investment strategy for long-term returns with an acceptable level of risk as well as the oversight of the investment of plan assets.

The employees do not contribute to the plan and the employer contributes to the plan amounts which are at least equal to the minimum required by the law and not more than the maximum that would limit the tax deductibility of the contributions. The plan provides benefits on a defined benefit basis, and is closed to all new employees. The plan was also closed to the majority of current employees for future benefit accruals. The grandfathered Group of participants to the defined benefit plan continue to accrue benefits which are payable at retirement and on death in service. With exceptions for optional lump sum amounts for certain sections of the plan, the benefits are paid out as annuities. Under IAS 19 Employee benefits, the pension obligations are calculated by using the projected unit credit method.

The Group expects to contribute CHF 7.6 to these plans during the year ending June 30, 2024.

The weighted average duration of the defined benefit obligation is 9.4 years.

## United Kingdom

The occupational pension scheme Firmenich Wellingborough Employee Benefits Plan is arranged under the applicable UK Pension Schemes and Pension Acts and is managed as a legally autonomous pension trust by the Board of Trustees.

The Board of Trustees is composed of two member-nominated representatives (one of whom is a current pensioner of the Scheme) and two employer-nominated representatives. The Board of Trustees is responsible for the investment of the assets, defining the investment strategy for long-term returns with an acceptable level of risk. The Trust provides benefits on a defined benefit basis. This defined benefit Scheme is closed to new members.

The scheme is closed to accrual of further benefits. Previous active members of this scheme now receive contributions from the Company's Group Personal Pension Plan. At the last Scheme Funding Assessment for the Firmenich Wellingborough scheme a shortfall in the assets below the liabilities was identified – as a result, the employer has agreed to contribute fixed sums to the Scheme in order to address this shortfall. With exceptions for trivial amounts, transfer values, lump sum death benefits and tax free lump sums, the benefits are paid out as regular payments to Scheme members for life (and for the life of their spouse or a dependent where applicable).

Under IAS 19 Employee benefits, the defined benefit pension obligations in the Firmenich Wellingborough Employee Benefits Plan are calculated by using the projected unit credit method.

The Board of Trustees, with agreement of the Employer, purchased a bulk annuity contract on 31 March 2023 that insures all expected benefits due to be paid from the Plan. All assets of the Plan have been crystallised and transferred to the insurer to pay for the bulk annuity and the Employer made a one-off payment to meet the purchase price and secure member benefits. The Plan continues to operate as before with regard to paying member benefits but receives a matching payment from the insurance arrangement. There are no further contributions due at this time in light of the one-off payment made and a revised Schedule of Contributions has been put in place to reflect this.

The weighted average duration of the defined benefit obligation is 10 years.

## Asset - liability management and funding arrangement

Plan trustees or General Assemblies are responsible for determining the mix of asset classes and target allocations of the plans with the support of investment advisors. Periodical reviews of the assets mix are made by mandating external consultants to perform asset-liability matching analyses. Such analyses aim at comparing dynamically the fair value of assets and the liabilities in order to determine the most adequate strategic asset allocation.

The overall investment policy and strategy for the Group’s funded defined benefit plans is guided by the objective of achieving an investment return which, together with the contributions paid, is sufficient to maintain reasonable control over the various funding risks of the plans. As those risks evolve with the development of capital markets and asset management activities, the Group addresses the assessment and control process of the major investment pension risks. In order to protect the Group’s defined benefit plans funding ratio and to mitigate the financial risks, protective measures on the investment strategies are in force. To the extent possible, the risks are shared equally amongst the different stakeholders.

## Risks related to defined benefit plans

The Group is exposed to a number of risks in relation to operating defined benefit plans. The most significant risks are longevity risk as well as market and liquidity risks. In order to minimize these risks, the Group regularly reviews related assumptions. When and where feasible, measures to reduce or transfer the risks are considered.

## 15.1.b Other post-employment benefits

| In millions of CHF | 2023 | 2022 |
|---|---|---|
| MOVEMENT IN OTHER POST-EMPLOYMENT BENEFITS | | |
| **Opening balance** | **61.9** | **127.0** |
| INCLUDED IN INCOME STATEMENT | | |
| Current service cost | 3.6 | 5.2 |
| Past service cost | (0.5) | 0.0 |
| Interest cost | 1.3 | 0.6 |
| **Total included in income statement** | **4.4** | **5.8** |
| INCLUDED IN OTHER COMPREHENSIVE INCOME | | |
| Remeasurement arising from: | | |
| Loss / (gain) from change in demographic assumptions | (0.3) | (33.6) |
| Loss / (gain) from change in financial assumptions | 1.5 | (26.3) |
| Experience loss / (gain) | 1.2 | (0.9) |
| **Total included in other comprehensive income** | **2.4** | **(60.8)** |
| OTHER | | |
| Benefits paid | (14.7) | (10.0) |
| Currency translation adjustment | (0.3) | (0.1) |
| **Total other** | **(15.0)** | **(10.1)** |
| **Closing balance** | **53.7** | **61.9** |

| In millions of CHF | 2023 | 2022 |
|---|---|---|
| AMOUNTS RECOGNIZED IN INCOME STATEMENT | | |
| Contributions to medical insurance | 2.3 | 2.9 |
| Annual premium | 0.4 | 0.4 |
| Other pensions | 0.1 | 0.0 |
| Retirement compensation | 1.6 | 2.5 |
| **Total included in income statement** | **4.4** | **5.8** |
| AMOUNTS RECOGNIZED IN STATEMENT OF FINANCIAL POSITION | | |
| Contributions to medical insurance | 38.1 | 37.5 |
| Annual premium | 4.7 | 4.4 |
| Other pensions | 2.1 | 2.0 |
| Retirement compensation | 8.8 | 18.0 |
| **Total other post-employment benefits** | **53.7** | **61.9** |

## Key financial actuarial assumptions

| 2023 | Switzerland | United States of America |
|---|---|---|
| Discount rate | 1.8% | 5.20% |
| Medical cost trend rate | | 4.5% to 6.25% |

| 2022 | Switzerland | United States of America |
|---|---|---|
| Discount rate | 2.2% | 4.3% |
| Medical cost trend rate | | 4.5% to 6.75% |

## Sensitivity analysis

The sensitivity of the defined benefit obligation to changes in the principal actuarial assumptions is:

| In millions of CHF | Change in assumption | Increase in assumption | Decrease in assumption |
|---|---|---|---|
| Discount rate | 0.5% | (2.1) | 2.3 |
| Life expectancy | 1 year | 1.6 | (1.6) |
| Medical cost trend rate | 1.0% | 3.6 | (3.0) |

The table below outlines the funding situation by geographic area:

June 30, 2023

| In millions of CHF | Switzerland | United States of America | Other countries | Total |
|---|---|---|---|---|
| Present value of unfunded obligations | 46.5 | 6.0 | 1.2 | **53.7** |

June 30, 2022

| In millions of CHF | Switzerland | United States of America | Other countries | Total |
|---|---|---|---|---|
| Present value of unfunded obligations | 54.0 | 6.9 | 1.0 | **61.9** |

## Other post-employment benefits description

### Switzerland

The Swiss post-employment benefits plans are not funded and comprise healthcare benefits, jubilees, long-service leaves, other discretionary benefits as well as temporary benefits in relation to retirements of corporate management. The entitlement to these other post-employment benefits is usually conditional on the employee remaining in service up to retirement age.

The weighted average duration of the defined benefit obligation is 10.5 years.

### United States of America

The US retiree medical plan provides certain medical benefits to retirees of the US subsidiary. There are no funded plan assets for these benefits and the related unfunded liability is included in the Group's balance sheet. The defined benefit obligation associated with this plan is reappraised annually by an independent actuary. In July 2002, the plan was closed to all future employees. In January 2013, the plan was closed to all previously grandfathered employees who retire after June 30, 2014.

The weighted average duration of the defined benefit obligation is 6.3 years.

## 15.2 Other employee benefits

The plans described below qualify as employee benefits.

### Long-term incentives

The long-term incentive (LTI) plans are delayed payment schemes eligible to senior management and tied to the performance of the Group.

### Deferred compensation

Deferred compensation liability is mainly covered by assets that are primarily invested in various mutual funds to cover the Group's obligations under deferred compensation arrangements (refer to note 5).

NON-CURRENT OTHER EMPLOYEE BENEFITS

| In millions of CHF | 2023 | 2022 |
|---|---|---|
| Provision for long-term remuneration incentives | 13.8 | 28.6 |
| Deferred compensation | 32.5 | 51.7 |
| **Closing balance** | **46.3** | **80.3** |

CURRENT OTHER EMPLOYEE BENEFITS

| In millions of CHF | 2023 | 2022 |
|---|---|---|
| Provision for long-term remuneration incentives | 26.6 | 50.5 |
| Deferred compensation | 4.6 | - |
| **Closing balance** | **31.2** | **50.5** |

| In millions of CHF | Deferred compensation | Provision for long-term incentives | Total |
|---|---|---|---|
| MOVEMENT IN DEFERRED COMPENSATION AND PROVISIONS FOR LTI | | | |
| **Opening balance 2022** | **57.7** | **46.2** | **103.9** |
| Additional provisions | 4.3 | 62.7 | **67.0** |
| Unused provisions reversed | (0.5) | (13.1) | **(13.6)** |
| Used during year | (11.4) | (15.5) | **(26.9)** |
| Currency translation adjustment | 1.6 | (1.2) | **0.4** |
| **Closing balance 2022** | **51.7** | **79.1** | **130.8** |
| Additional provisions | 9.7 | 92.5 | **102.2** |
| Unused provisions reversed | (1.2) | (0.6) | **(1.8)** |
| Used during year | (19.7) | (127.9) | **(147.5)** |
| Currency translation adjustment | (3.4) | (2.7) | **(6.2)** |
| **Closing balance 2023** | **37.1** | **40.4** | **77.5** |

## 16. Provisions

Provisions are recognized when there is a present legal or constructive obligation as a result of past events, when it is probable that an outflow of resources will be required to settle the obligation, and when a reliable estimate of the amount can be made.

Judgment is required by the management in determining the various provisions. A range of possible outcomes are determined to make reliable estimates of the obligation that is sufficient for the recognition of a provision.

The underlying assumptions are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Differences between the final obligations and the estimates impact the income statement in the period in which such determination is made.

| In millions of CHF | Provision for business risk | Long service leaves | Provision for restructuring charges | Provision for litigation | Product warranty liability | Other provisions | Total |
|---|---|---|---|---|---|---|---|
| MOVEMENT IN PROVISIONS | | | | | | | |
| **Opening balance 2023** | **-** | **2.5** | **1.1** | **0.8** | **1.3** | **10.8** | **16.5** |
| Additional provisions (*) | 0.1 | 0.7 | 52.9 | - | 1.7 | 5.9 | **61.3** |
| Unused provisions reversed | - | (0.1) | (0.1) | (0.1) | - | - | **(0.3)** |
| Used during year | - | (0.5) | (2.0) | (0.4) | - | (2.5) | **(5.4)** |
| Currency translation adjustment | - | (0.1) | (1.0) | (0.1) | (0.2) | 0.1 | **(1.3)** |
| **Closing balance 2023** | **0.1** | **2.5** | **50.9** | **0.2** | **2.8** | **14.3** | **70.8** |
| | | | | | | | |
| **Total non-current provisions** | - | 2.3 | 50.4 | 0.2 | - | 9.1 | **62.0** |
| **Total current provisions** | 0.1 | 0.2 | 0.5 | - | 2.8 | 5.2 | **8.8** |

(*) Following the announcement of the Board of Directors of its intention to close the Pinova production plant, a provision of CHF 50.3 was recognized to cover expected restructuring costs, including staff restructuring costs, closure costs (such as demolition costs) and unavoidable production costs with no future economic benefits. These costs are expected to be incurred over the next 18 months.

## 17. Bonds and borrowings

| In millions of CHF | Notes | 2023 | 2022 |
|---|---|---|---|
| Long-term bonds | | 1 460.1 | 1 960.7 |
| Long-term bank borrowings | | 105.5 | 142.1 |
| Long-term lease liabilities | | 128.6 | 147.5 |
| Short-term bonds | | 475.0 | - |
| Short-term bank borrowings | | 48.4 | 66.2 |
| Short-term financing from related parties (*) | | 46.1 | - |
| Short-term lease liabilities | | 36.1 | 39.5 |
| **Total Bonds and borrowings** | 25 | **2 299.8** | **2 356.0** |

(*) The Group has entered into an in-house cash account agreement with DSM Finance B.V. The year-end 2023 net balance amounts to MCHF 46.1.

| In millions of CHF | Short-term bank borrowings, bonds and related parties financing | Long-term bank borrowings and bonds | Short-term lease liabilities | Long-term lease liabilities | Total |
|---|---|---|---|---|---|
| CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES | | | | | |
| **Opening balance 2022** | **59.8** | **2 145.0** | **38.2** | **142.5** | **2 385.5** |
| New lease contracts | - | - | 11.6 | 57.6 | **69.2** |
| Leases termination of contract | - | - | (4.3) | (7.6) | **(11.9)** |
| Proceeds from borrowings | 57.1 | 138.4 | - | - | **195.5** |
| Repayments of lease liabilities and borrowings | (59.1) | (10.3) | (44.9) | - | **(114.3)** |
| Reclassification | 7.2 | (7.2) | 40.0 | (40.0) | - |
| Currency translation adjustment | 1.2 | (163.1) | (1.1) | (5.0) | **(168.0)** |
| **Closing balance 2022** | **66.2** | **2 102.8** | **39.5** | **147.5** | **2 356.0** |
| New lease contracts | - | - | 10.5 | 28.1 | **38.6** |
| Leases termination of contract | - | - | (1.5) | (7.8) | **(9.3)** |
| Proceeds from borrowings | 70.5 | 1.8 | - | - | **72.3** |
| Repayments of lease liabilities and borrowings | (31.2) | (16.4) | (44.1) | - | **(91.7)** |
| Reclassification | 475.0 | (475.0) | 33.9 | (33.9) | - |
| Currency translation adjustment | (11.0) | (47.6) | (2.2) | (5.3) | **(66.1)** |
| **Closing balance 2023** | **569.5** | **1 565.6** | **36.1** | **128.6** | **2 299.8** |

### AMOUNTS RECOGNIZED IN INCOME STATEMENT

| In millions of CHF | 2023 | 2022 |
|---|---|---|
| Interest on lease liabilities | (4.5) | (4.1) |
| Variable lease payments not included in the measurement of lease liabilities | (15.6) | (8.9) |
| **Total expenses recognized in income statement** | **(20.1)** | **(13.0)** |

## BONDS

Bonds are initially recorded at the amount of proceeds received, net of transaction costs. They are subsequently carried at amortized cost with the difference between the proceeds, net of transaction costs, and the amount due on redemption being amortized using the effective interest rate method and charged to interest expenses over the period of the relevant bond.

| In millions of CHF | Face value 2023 | Face value 2022 | Coupon | Year of issue - maturity | Effective interest rate | Carrying amount 2023 | Carrying amount 2022 |
|---|---|---|---|---|---|---|---|
| **ISSUER/FACE VALUE** | | | | | | | |
| Firmenich Productions Participations SAS (France)/ EUR 750 | 733.7 | 747.2 | 1.375% | 2020-2026 | 1.44% | 731.7 | 744.6 |
| Firmenich Productions Participations SAS (France)/ EUR 750 | 733.7 | 747.2 | 1.750% | 2020-2030 | 1.84% | 728.4 | 741.0 |
| **Total bonds issued in EUR 1 500** | **1 467.4** | **1 494.4** | | | | **1 460.1** | **1 485.6** |
| Firmenich International SA/ CHF 425 | 425.0 | 425.0 | 1.000% | 2020-2023 | 0.99% | 425.0 | 425.0 |
| Firmenich International SA/ CHF 50 | 50.0 | 50.0 | 1.000% | 2020-2023 | 0.81% | 50.0 | 50.1 |
| **Total bonds issued in CHF 475** | **475.0** | **475.0** | | | | **475.0** | **475.1** |
| **Total bonds** | **1 942.4** | **1 969.4** | | | **1.49%** | **1 935.1** | **1 960.7** |

The total fair value of bonds issued is CHF 1'799.1 (2022: CHF 1'870.3).

# 18. Redemption liabilities and other debts

| In millions of CHF | Notes | 2023 | 2022 |
|---|---|---|---|
| Redemption liabilities | 25 | 23.5 | 99.7 |
| Government grants | | 16.0 | 18.3 |
| Other debt | | 20.2 | 17.0 |
| **Total redemption liabilities and other debt** | | **59.7** | **135.0** |

## Redemption liabilities

The Group recognized redemption liabilities in relation to the following business combinations:

- In April 2022, the Group recognized a redemption liability of CHF 24.8 on the remaining 10% interest in ArtSci. At June 30, 2023, the liability amounts to CHF 23.5 (2022: CHF 24.5). The conditions precedent to the completion are expected to be met in December 2023.

- In July 2020, a redemption liability of CHF 54.3 has been recognized for the purchase of the remaining shares in MG International (also refer to note 2). At June 30, 2023, the corresponding liability is nil (2022: CHF 23.0) as it was fully redeemed in April 2023.

- In financial year 2020, the Group entered into a put option agreement to purchase the remaining shares of VKL owned by non-controlling interests. The option was fully exercised on the remaining shares in April 2023, leading to no corresponding liability as at June 30, 2023 (2022: CHF 52.2).

## Government grants

The Group received various government grants that will be released to the income statement over the useful live of the underlying assets. These grants are included in liabilities as deferred income.

- Two grants are to indemnify for the forced relocation of production sites in China. In Kunming, the amount is to compensate the relocation costs and the related investments. In Shanghai, the amount is to compensate part of the leased land of the new location. At June 30, 2023, the remaining value of these two grants was CHF 10.1.
- Other grants are to help fund environmental projects in China and France. At June 30, 2023, the remaining value of these grants was CHF 5.9.

During the current year, CHF 2.4 (2022: CHF 2.5) have been released to the income statement.

## Other debt

Other debt includes CHF 20.1 (2022 CHF 16.9) a net put and call option liability for the acquisition of the remaining 51% shares in the

## 19. Other payables and accrued expenses

| In millions of CHF | 2023 | 2022 |
|---|---|---|
| Payables to other creditors | 278.0 | 318.9 |
| Accruals for rebates and interest payables | 168.0 | 211.1 |
| Employee-related liabilities and social security payables | 108.5 | 111.2 |
| VAT payables and other | 48.1 | 32.9 |
| **Other payables and accrued expenses** | **602.6** | **674.1** |

## 20. Expenses by nature

Significant expenses by nature consist of:

| In millions of CHF | Notes | 2023 | 2022 |
|---|---|---|---|
| COST OF GOODS SOLD AND OPERATING EXPENSES BY NATURE | | | |
| Raw material and consumables used | | 2 219.2 | 2 108.0 |
| Employee benefits | 21 | 1 215.1 | 1 117.3 |
| Supplies | | 163.2 | 144.5 |
| Services | | 553.6 | 546.2 |
| Depreciation, amortization and impairment of assets | | 353.1 | 290.1 |
| Loss on assets | | 8.1 | 0.3 |
| Operating taxes | | 18.9 | 19.7 |
| Other income | | (5.4) | (11.4) |
| **Total expenses** | | **4 525.8** | **4 214.7** |

In the current year, merger and acquisition related costs amount to CHF 95.5, of which CHF 68.1 in Employee benefits and CHF 27.4 are included in Services. They mainly consist of expenses and provisions related to the DSM-Firmenich merger.

Costs related to the Pinova site shutdown amount to CHF 189.6, of which CHF 71.2 impairment of assets, CHF 51.4 inventory loss (included in raw materials and consumables used), CHF 41.0 services, CHF 22.0 employee benefits and CHF 4.0 loss on fixed assets.

## 21. Employee benefits

| In millions of CHF | 2023 | 2022 |
|---|---|---|
| EMPLOYEE BENEFIT EXPENSES | | |
| Wages and salaries | 903.4 | 827.5 |
| Social security | 177.9 | 164.9 |
| Post-employment benefits | 70.9 | 86.2 |
| Other expenses | 62.9 | 38.7 |
| **Total employee benefit expenses** | **1 215.1** | **1 117.3** |

| In full time equivalent | 2023 | 2022 |
|---|---|---|
| NUMBER OF EMPLOYEES WITHIN THE GROUP | | |
| Fixed employees at year end | 10 332 | 10 165 |
| Temporary employees (including agencies) | 514 | 735 |
| **Total workforce at year end** | **10 846** | **10 900** |
| **Average number of employees during the year (average total workforce)** | **10 873** | **10 417** |

For the year ended June 30, 2023, the total personnel costs include departure indemnities of CHF 90.5 (2022: CHF 43.5), with related social charges of CHF 5.0 (2022: CHF 3.4).

The total personnel costs with regards to key executives (Board of Directors and corporate management) for the year ended June 30, 2023 are CHF 53.3 (2022: CHF 46.4). In these amounts are included CHF 45.7 (2022: CHF 42.7) of short-term employee benefits, CHF 4.3 (2022: CHF 7.6) of post-employment benefits and CHF 3.3 (2022: CHF -4.0) of other long-term employee benefits.

## 22. Financing costs

| In millions of CHF | 2023 | 2022 |
|---|---|---|
| FINANCING COSTS | | |
| Interest expenses | 45.6 | 46.5 |
| Interest on net defined benefit liability | 2.0 | 1.8 |
| **Total Financing costs** | **47.6** | **48.3** |

## 23. Net other financial expenses

| In millions of CHF | 2023 | 2022 |
|---|---|---|
| Interest and dividend income | 4.4 | 6.5 |
| Fair value gains / (losses) | 2.1 | (0.5) |
| (Losses) / gains on sale on financial investments | (0.7) | 0.4 |
| Losses on derivative financial instruments | (4.5) | (12.0) |
| **Results on investments held at fair value through income statement** | **1.3** | **(5.6)** |
| Other interest and dividend income | 5.2 | 2.9 |
| Other results on financial assets and investments in associates [(*)] | (75.3) | 1.2 |
| Net exchange losses | (37.5) | (23.0) |
| Net exchange gains on currency options and contracts | 7.8 | 17.3 |
| Net of cash discount received and (granted), (bank charges and other financial charges) | (26.3) | (6.5) |
| **Net other financial expenses** | **(124.8)** | **(13.7)** |

[(*)] During the year, an impairment loss of CHF 75.1 was recognized in the income statement on the associated company Essential Labs, LLC (refer to note 6).

## 24. Taxes

### Income tax expense

| In millions of CHF | 2023 | 2022 |
|---|---|---|
| INCOME TAX EXPENSE | | |
| Current income tax expense | 87.9 | 95.6 |
| Previous year tax adjustment | (1.1) | 3.0 |
| Deferred tax income | (34.2) | (14.1) |
| Previous year adjustment on deferred tax | 0.4 | (0.8) |
| **Income tax expense** | **53.0** | **83.7** |
| | | |
| **Income tax expense at the Group's average applicable tax** | **26.4** | **93.0** |
| Change in income tax rate | (2.6) | - |
| **Tax effect of:** | - | |
| Income not taxable | (30.6) | (20.4) |
| Expenses not deductible | 9.2 | 3.2 |
| Utilization of tax loss carry forward | (3.3) | (0.7) |
| Current year losses for which no deferred tax asset is recognized | 54.4 | 6.7 |
| Recognition of previously unrecognized (derecognition of previously recognized) deductible temporary differences | 0.2 | (0.3) |
| Prior year and other adjustments | (0.7) | 2.2 |
| **Income tax expense at the Group's effective tax rate** | **53.0** | **83.7** |

Since the Group operates internationally, it is subject to income taxes in many different tax jurisdictions. The Group calculates its average applicable tax rate as a weighted average of the tax rates in the tax jurisdictions in which the Group operates, including withholding tax on dividends, interest and royalties, but excluding research tax credits and substantial one-time elements.

In 2023, the Group’s effective tax rate increased to 37.2% (2022: 17.4%). This increase is mainly due to unrecognized deferred tax asset of the restructuring & transformation costs and of the impairment loss related to the Pinova site closure.

## Deferred taxes

Given the fact that temporary differences are created between local books and reporting submitted, deferred tax impacts have to be taken into account.

Deferred taxation is provided using the full liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. The principal temporary differences arise from intangible assets, property, plant and equipment, inventories, revaluation of derivative contracts, provisions for defined benefit pension plans and other post-employment benefits.

Deferred tax liabilities of CHF 15.7 (2022: CHF 16.0) for withholding tax that would be payable on the unremitted earnings has been recognized as at June 30, 2023. The amount of undistributed reserves on which no withholding tax has been provided for represents CHF 1'386.8 (2022: CHF 1'334.9)

Current and deferred tax assets and liabilities are offset when the income tax expense is levied by the same taxation authority and when there is a legally enforceable right to offset them. Determination of deferred tax expenses / income is based on present enacted tax rate or substantively enacted income tax rate.

| In millions of CHF | 2023 | 2022 |
|---|---|---|
| DEFERRED TAXES | | |
| Deferred tax assets | 80.5 | 83.6 |
| Deferred tax liabilities | (238.7) | (276.1) |
| **Net deferred tax liabilities** | **(158.2)** | **(192.5)** |

Deferred tax liabilities on intangible assets are mainly relating to customer base and extraction technology resulting from acquisitions.

Deferred tax assets on provisions are mainly relating to provision for defined benefit pension plans and other post-employment benefits in Switzerland and the USA.

The movement in deferred tax assets and liabilities during the current year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is usually charged / (credited) to the income statement. Deferred tax movements relating to employee benefit obligations and to equity investments at fair value through OCI for an amount of CHF 6.4 (2022: -22.1) are credited to other comprehensive income with no material amount of currency translation adjustments.

| In millions of CHF | 2023 | 2022 |
|---|---|---|
| Amount of tax losses available | 560.6 | 336.7 |
| Amount of tax losses considered to accrue deferred tax assets | 142.5 | 134.6 |

As at June 30, 2023, the Group had CHF 560.6 of tax losses available (2022: CHF 336.7). This increase is mainly due to the Pinova site closure incurring restructuring & transformation costs and impairment loss for which no deferred tax is recognised. Consequently, only CHF 142.5 are considered to carry forward against future taxable income (2022: CHF 134.6). The deferred tax assets relating to tax loss carried forward are recognized as at June 30, 2023 for CHF 34.4 (2022: CHF 32.4). They are recognized only to the extent that realization of the related tax benefit is probable. These tax losses do not expire.

Unused tax losses for which no deferred tax assets have been recognized amount to CHF 418.1 (2022: CHF 202.1) with a potential tax benefit of CHF 100.4 (2022: CHF 49.8). These unused tax losses are mainly located in affiliates in US and France.

June 30, 2023

| In millions of CHF | Opening balance | Acquisition of businesses | (Credited) / Debited to income statement | (Credited) / Debited to other comprehensive income | Set off tax | Currency translation adjustments | Closing balance |
|---|---|---|---|---|---|---|---|
| Intangible assets | 0.2 | - | (2.2) | - | (0.1) | 2.2 | 0.1 |
| Property, plant and equipment | 1.3 | - | (0.2) | - | (1.0) | 1.2 | 1.3 |
| Long-term assets | 2.6 | - | 158.9 | (0.3) | (9.1) | (141.1) | 11.0 |
| Inventories | 4.1 | - | (3.3) | - | (19.7) | 22.2 | 3.3 |
| Prov. for def. benefit obligations | 13.8 | - | (71.7) | 3.4 | (9.1) | 70.8 | 7.2 |
| Long-term liabilities | 7.9 | - | (23.9) | - | (4.2) | 25.3 | 5.1 |
| Tax loss carry forwards | 32.4 | - | 4.8 | - | - | (2.8) | 34.4 |
| Other assets | 5.6 | - | (29.8) | (0.3) | (2.6) | 30.2 | 3.1 |
| Other liabilities | 15.7 | - | 40.5 | - | (14.1) | (27.1) | 15.0 |
| **Deferred tax assets** | **83.6** | **-** | **73.1** | **2.8** | **(59.9)** | **(19.1)** | **80.5** |
| Intangible assets | (177.5) | - | (70.5) | - | 20.6 | 72.2 | (155.2) |
| Property, plant and equipment | (49.1) | - | (13.9) | - | 5.8 | 13.5 | (43.7) |
| Long-term assets | (8.0) | - | (0.1) | 3.7 | 0.3 | 0.4 | (3.7) |
| Inventories | (11.5) | - | (1.7) | - | 1.3 | 2.2 | (9.7) |
| Prov. for def. benefit obligations | (20.4) | - | (15.3) | (0.1) | 29.2 | (11.7) | (18.3) |
| Tax loss carry forwards | - | - | - | - | 0.9 | (0.9) | - |
| Other assets | (8.0) | - | (2.0) | - | 1.0 | 1.5 | (7.5) |
| Other liabilities | (1.6) | - | (3.4) | - | 0.8 | 3.6 | (0.6) |
| **Deferred tax liabilities** | **(276.1)** | **-** | **(106.9)** | **3.6** | **59.9** | **80.8** | **(238.7)** |

June 30, 2022

| In millions of CHF | Opening balance | Acquisition of businesses | (Credited) / Debited to income statement | (Credited) / Debited to other comprehensive income | Set off tax | Currency translation adjustments / Other | Closing balance |
|---|---|---|---|---|---|---|---|
| Intangible assets | 0.4 | - | (0.2) | - | (0.1) | 0.1 | 0.2 |
| Property, plant and equipment | 1.5 | - | 0.1 | - | (0.8) | 0.5 | 1.3 |
| Long-term assets | 3.8 | - | (2.6) | 1.2 | (1.5) | 1.7 | 2.6 |
| Inventories | 5.2 | - | (0.7) | - | (26.4) | 26.0 | 4.1 |
| Prov. for def. benefit obligations | 48.7 | - | 2.4 | (36.1) | (12.5) | 11.3 | 13.8 |
| Long-term liabilities | 9.8 | - | (1.1) | - | (4.6) | 3.8 | 7.9 |
| Tax loss carry forwards | 23.3 | - | 9.1 | - | - | - | 32.4 |
| Other assets | 8.3 | 0.1 | (2.0) | (0.3) | (3.2) | 2.7 | 5.6 |
| Other liabilities | 15.5 | - | 3.9 | - | (10.6) | 6.9 | 15.7 |
| **Deferred tax assets** | **116.5** | **0.1** | **8.9** | **(35.2)** | **(59.7)** | **53.0** | **83.6** |
| Intangible assets | (194.3) | (10.7) | 7.0 | - | 28.1 | (7.6) | (177.5) |
| Property, plant and equipment | (50.8) | (0.2) | (1.9) | - | 7.8 | (4.0) | (49.1) |
| Long-term assets | (21.3) | (0.4) | 0.2 | 16.2 | (0.2) | (2.5) | (8.0) |
| Inventories | (8.2) | - | (2.3) | - | - | (1.0) | (11.5) |
| Prov. for def. benefit obligations | (21.6) | - | (26.1) | (3.1) | 21.0 | 9.4 | (20.4) |
| Long-term liabilities | (0.3) | - | 4.9 | - | - | (4.6) | - |
| Other assets | (5.0) | - | (4.0) | - | 1.3 | (0.3) | (8.0) |
| Other liabilities | (0.3) | - | (1.6) | - | 1.7 | (1.4) | (1.6) |
| **Deferred tax liabilities** | **(301.8)** | **(11.3)** | **(23.8)** | **13.1** | **59.7** | **(12.0)** | **(276.1)** |

# 25. Financial risk management

## Financial risk factors

The Group, as a result of its financing activities, is exposed to a variety of risks, including the effects of volatility of foreign currency exchange rates and interest rates, which may adversely affect its results of operations and financial conditions. In seeking to minimize the risks and costs associated with such activities, the Group manages exposure to changes in foreign currency exchange rates, interest rates and commodity prices, when deemed appropriate, through the use of derivative financial instruments. The instruments utilized include: forward contracts, currency options, commodity options, interest rate swaps. The Group does not use financial instruments for speculative or trading purposes.

Financial risk management is carried out by a central treasury department (Group Treasury) under Group policies and principles. Group Treasury identifies, evaluates and hedges financial risks in close co-operation with the operating units. Group policies also cover areas such as (net debt) /net cash management and bank relationship management.

## Classification and measurement of financial instruments

The Group classifies and measures financial instruments as follows.

### Financial assets

IFRS 9 contains three principal classification categories for financial assets: measured at amortized cost, measured at fair value through income statement and measured at fair value through other comprehensive income.
The classification depends on the business model for managing the financial assets and the contractual terms of the cash flows. Management determines the classification of its financial assets at initial recognition.
Under IFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never separated. Instead, the hybrid financial instrument as a whole is assessed for classification.

The Group recognizes loss allowances for expected credit losses (ECLs) only on financial assets measured at amortized cost. The Group measures loss allowances at an amount equal to lifetime ECLs except for debt securities and bank balances, which are measured at 12-month ECLs in case of low credit risk or non significant evolution of the credit risk since initial recognition. Lifetime ECLs result from all possible default events over the expected life of a financial instrument. 12-month ECLs are the portion that result from default events that are possible within the 12 months after the reporting date.

#### a) Financial assets at amortized cost

The Group classifies its financial assets as at amortized cost only if both of the following criteria are met:
- the asset is held within a business model whose objective is to collect the contractual cash flows, and
- the contractual terms give rise to cash flows that are solely payments of the principal and interest.

These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses.
Financial assets at amortized cost comprise cash and cash equivalents, loans, trade accounts receivable, other receivables in the Statement of financial position. They are included in current assets, except for maturities exceeding 12 months after the end of the reporting period, which are classified as non-current assets.
Cash and cash equivalents comprise petty cash, cash on hand, bank balances and short-term deposits at 48 hours. The same definition is applied to cash and cash equivalents as disclosed in the Statement of cash flows. Bank overdrafts are included in Short-term bank borrowings in current liabilities.

#### b) Financial assets at fair value through income statement

Financial assets at fair value through income statement comprise marketable securities and derivative financial assets not designated as hedging instruments. Marketable securities are mainly composed of short-term deposits over 48 hours and equity and debt securities, which are traded in liquid markets. They are classified as current assets as they are potentially realizable within 12 months of the reporting date.

On initial recognition the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost as at fair value through income statement if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

All purchases and sales of marketable securities are recognized on the trade date, which is the date that the Group commits to purchase, or sell the asset. Marketable securities are initially recorded at fair value and subsequently measured at fair value. Fair value is determined by reference to share exchange quoted selling prices and net asset values determined and communicated by hedge fund managers at close of business on the reporting date.

Realized and unrealized gains and losses arising from changes in the fair value of financial assets at fair value through income statement are included in the income statement in the period in which they arise.

### c) Financial assets at fair value through other comprehensive income

Financial assets at fair value through other comprehensive income comprise equity securities which are not held for trading, and which have been irrevocably elected at initial recognition to be recognized in this category. This election is made on an investment-by-investment basis. These are long-term strategic investments and this classification is considered to be more relevant.

At initial recognition, financial assets at fair value through other comprehensive income are measured including transaction costs that are directly attributable to the acquisition of the financial asset.
These equity securities are subsequently measured at fair value. Dividends continue to be recognized in the income statement, unless the dividend clearly represents a recovery of part of the cost of the investment, whereas other net gains and losses are recognized in OCI and are never reclassified to the income statement.

On derecognition any related balance within the fair value through other comprehensive income reserve is reclassified to retained earnings.

## Financial liabilities

Financial liabilities are classified as measured at amortized cost or fair value through income statement. A financial liability is classified as at fair value through income statement if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in the income statement. Any gain or loss on derecognition is also recognized in the income statement.

### June 30, 2023

| In millions of CHF | Notes | At amortized cost | At fair value through income statement | At fair value through other comprehensive income | **Total** |
|---|---|---|---|---|---|
| **FINANCIAL ASSETS** | | | | | |
| Long-term financial investments and loans | 5 | 46.1 | 39.0 | 416.4 | **501.5** |
| Trade accounts receivable | 8 | 941.0 | | | **941.0** |
| Other receivables | 9 | 76.7 | | | **76.7** |
| Derivative financial instruments assets | 10 | | 10.4 | | **10.4** |
| Short-term financial investments | 11 | 378.6 | 5.9 | | **384.5** |
| Cash and cash equivalents | | 194.2 | | | **194.2** |
| **FINANCIAL LIABILITIES** | | | | | |
| Long-term borrowings | 17 | 1 694.2 | | | **1 694.2** |
| Redemption liability (*) | 18 | | 23.5 | | **23.5** |
| Short-term borrowings | 17 | 605.6 | | | **605.6** |
| Trade and other payables (**) | | 850.2 | | | **850.2** |
| Options | 18 | | 20.1 | | **20.1** |
| Derivative financial instruments liabilities | 10 | | 3.3 | | **3.3** |

(*) The movements of fair value of the redemption liabilities are recognized directly in equity.

(**) Accrued expenses that are not financial liabilities (CHF 115.1) are not included.

June 30, 2022

| In millions of CHF | Notes | At amortized cost | At fair value through income statement | At fair value through other comprehensive income | Total |
|---|---|---|---|---|---|
| FINANCIAL ASSETS | | | | | |
| Long-term financial investments and loans | 5 | 49.6 | 63.8 | 446.6 | **560.0** |
| Trade accounts receivable | 8 | 1 020.7 | | | **1 020.7** |
| Other receivables | 9 | 125.2 | | | **125.2** |
| Derivative financial instruments assets | 10 | | 13.8 | | **13.8** |
| Short-term financial investments | 11 | 162.5 | 1.9 | | **164.4** |
| Cash and cash equivalents | | 591.7 | | | **591.7** |
| FINANCIAL LIABILITIES | | | | | |
| Long-term borrowings | 17 | 2 250.3 | | | **2 250.3** |
| Redemption liabilities (*) | 18 | | 99.7 | | **99.7** |
| Short-term borrowings | 17 | 105.7 | | | **105.7** |
| Trade and other payables (**) | | 1 044.8 | | | **1 044.8** |
| Options | 18 | | 16.9 | | **16.9** |
| Derivative financial instruments liabilities | 10 | | 7.0 | | **7.0** |

(*) The movements of fair value of the redemption liabilities are recognized directly in equity.

(**) Accrued expenses that are not financial liabilities (CHF 156.4) are not included.

Except where mentioned in the relevant notes, the carrying amount of each class of financial assets and financial liabilities disclosed in the above tables approximates the fair value.

## Derivative financial instruments and hedging activities

Derivative financial instruments are classified as at fair value through income statement and initially recognized in the statement of financial position at fair value including directly attributable transaction cost and subsequently remeasured at their fair value based on quoted market prices at the reporting date.

Certain derivative transactions, while providing effective economic hedges under the Group's risk management policies, do not qualify for hedge accounting under the specific rules in IFRS 9. Changes in the fair value of derivative instruments that do not qualify for hedge accounting under IFRS 9 are recognized immediately in the income statement.

### a) Derivatives designated as hedge accounting

The Group documents at the inception of the transaction, the relationship between hedging instruments and hedged item, as well as its risk management objective and strategy for undertaking hedge transactions. The Group also documents its assessment, both at the hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in cash flows of hedged items.

To assess hedge effectiveness, the Group determines the economic relationship between the hedging instrument and the hedged item by comparing changes in the carrying amount of the financial asset that is attributable to change in market prices of the designated hedged items.

### b) Derivatives not designated as hedge accounting

Gains and losses, realized or unrealized, from forward exchange contracts and currency options used to hedge potential exchange rate exposures are included in the year's results. Interest differentials under swap arrangements used to manage interest rate exposures are recognized by adjustments to interest expenses.

## Impairment of financial assets

Loss allowances for trade receivable and other short-term financial assets are always measured at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group’s historical experience and informed credit assessment and including forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Group considers a financial asset to be in default when the borrower is unlikely to pay its credit obligations to the Group in full or the financial asset is more than 90 days past due.

The Group considers a debt security to have a low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade'. The Group considers this to be Baa3 or higher rate per Moody's or BBB- or higher per Standard & Poor's.

Lifetime ECLs result from all possible default events over the expected life of a financial instrument. 12-month ECLs are the portion that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months). ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

At each reporting date, the Group assesses whether financial assets carried at amortized cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:
- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 90 days past due;
- the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
- it is probable that the borrower will enter bankruptcy or other financial reorganization; or
- the disappearance of an active market for a security because of financial difficulties.

The gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. The Group expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

Additional information about how the Group measures the allowance for impaiment is described below under "Credit risk".

## Market risk

### a) Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures primarily with respect to US Dollar, Euro and to a lesser extent to Asian and Latin American currencies.

Therefore, exchange rate fluctuations have a significant impact in the form of both translation risk and transaction risk on the Group’s income statement and other comprehensive income statement. Transaction risk arises when future commercial transactions or recognized assets or liabilities are denominated in a currency that is different from the functional currency. Translation risk arises from the conversion of net assets of the Group’s foreign operations to the presentation currency.

The major foreign exchange transaction risk is managed centrally by Group Treasury by entering into forward contracts as well as currency options. The use of these instruments is limited to the hedging of the underlying position.

Only residual foreign exchange risk being foreign exchange exposure not covered either by Group Treasury hedging activity or by bank overdraft/credit lines representing natural hedges in terms of amount and currency is managed by local Group companies under supervision of Group Treasury.

The Group manages its currency exposures on current and forecasted transactions. Group Treasury centrally monitors the exposures on a regular basis and takes appropriate actions. The Group has set up currency limits for the current exposures.

It is the Group’s policy to enter into derivative transactions to hedge current and forecasted foreign currency transactions.

## Main balance sheet currency exposures

### June 30, 2023

| In millions of CHF | EUR / CHF | USD / CHF | SGD / CHF | USD / TRY | USD / ARS | USD / IDR |
|---|---|---|---|---|---|---|
| Currency exposure without hedge | +193.5 | +135.1 | -57.9 | -22.8 | -21.9 | +19.2 |
| Hedged amount (*) | -188.9 | -135.1 | +57.8 | +22.4 | +20.6 | -17.2 |
| **Currency exposure including hedge** | **+4.5** | **+0.0** | **-0.2** | **-0.4** | **-1.3** | **+2.0** |

+ long position; - short position

(*) Hedged amounts include foreign exchange forward contracts maturing within three to twelve months, and no currency options.

### June 30, 2022

| In millions of CHF | EUR / CHF | USD / CHF | SGD / CHF | CHF / MXN | USD / ARS | EUR / INR |
|---|---|---|---|---|---|---|
| Currency exposure without hedge | +142.3 | +81.9 | -33.5 | +18.5 | -11.0 | +7.2 |
| Hedged amount (*) | -263.7 | -137.7 | +33.5 | -18.5 | +17.2 | -4.4 |
| **Currency exposure including hedge** | **-121.4** | **-55.8** | **+0.0** | **-0.0** | **+6.2** | **+2.8** |

+ long position; - short position

(*) EUR/CHF hedged amount includes CHF -245.8 of foreign exchange forward contract and CHF -17.9 of currency options maturing within three to twelve months. USD/CHF hedged amount includes CHF -82.1 of foreign exchange forward contracts and CHF -55.6 of currency options maturing within three to twelve months. USD/ARS hedged amount includes CHF 5.7 of foreign exchange forward contracts and CHF 11.5 of currency options maturing within three to twelve months.

## Sensitivity analysis

The following table summarizes the Group's sensitivity to transactional currency exposures of the main currencies. The sensitivity is based on the net exposure after hedging at June 30 and based on assumptions, which have been deemed reasonable by the management, showing the impact on income before taxes. To determine the reasonable change, the Group uses historical volatilities of the below currency pairs.

### June 30, 2023

| In millions of CHF | EUR / CHF | USD / CHF | SGD / CHF | USD / TRY | USD / ARS | USD / IDR |
|---|---|---|---|---|---|---|
| Reasonable shift in % | 5% | 5% | 10% | 20% | 20% | 10% |
| Impact on net income if underlying currency strengthens | 0.2 | 0.0 | (0.0) | (0.1) | (0.3) | 0.2 |
| Impact on net income if underlying currency weakens | (0.2) | (0.0) | 0.0 | 0.1 | 0.3 | (0.2) |

### June 30, 2022

| In millions of CHF | EUR / CHF | USD / CHF | SGD / CHF | CHF / MXN | USD / ARS | EUR / INR |
|---|---|---|---|---|---|---|
| Reasonable shift in % | 5% | 5% | 10% | 10% | 20% | 15% |
| Impact on net income if underlying currency strengthens | (3.6) | (1.7) | 0.0 | (0.0) | 1.2 | 0.4 |
| Impact on net income if underlying currency weakens | 3.6 | 1.7 | (0.0) | 0.0 | (1.2) | (0.4) |

In the exposure calculations the intra-Group positions are included.

## b) Price risk

The Group is exposed to equity and bond securities price risk because of investments held by the Group (refer to note 11). To manage its price risk arising from investments in equity and bond securities, the Group diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Group.

### Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to equity and bond price risks at the reporting date. The equity portfolio of the Group includes a residual part of alternative investments, in liquidation. As such the sensitivity analysis cannot be based on the historical volatility as it should in normal circumstances.

If equity prices had been 5% higher/lower, the net income for the year would have increased/decreased by CHF 0.3 (2022: CHF 0.1) and the OCI would have increased/decreased by CHF 20.8 (2022: CHF 22.3).

## c) Interest rate risk

Cash flow interest rate risk arises when the Group invests or borrows funds at floating rates whereas exposure to fair value interest rate risk arises when the Group invests or borrows funds at fixed rates.

The Group mainly borrows funds at fixed interest rates but also uses credit lines and other financial facilities granted by third party financial institutions at floating interest rates to finance part of its activity.

Interest rate hedging is managed in full by Group Treasury which transacts in the name and for the account of the holding company, in which the risk is located. The use of these instruments is limited to the hedging of the underlying position and no leverage is authorized.

Group Treasury is also entitled to obtain long-term credit lines from first quality financial institutions.

### Sensitivity analysis

The analysis below shows the sensitivity of the Group to interest rate changes. The sensitivity is based on the exposure at June 30 and based on assumptions, which have been deemed reasonable by the management, showing the impact on income before taxes and equity.

| In millions of CHF | 2023 | 2022 |
|---|---|---|
| Reasonable shift in basis point (bps) | 150 bps | 150 bps |
| Impact on net income if interest rate increase | (2.1) | (3.0) |
| Impact on net income if interest rate decrease | 2.1 | 3.0 |

## Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and investments in debt securities. Credit risk is managed by affiliates and controlled on a Group basis.

The carrying amounts of financial assets and contract assets represent the maximum credit exposure.

Trade accounts receivable are subject to a policy of active risk management which focuses on the assessment of country risk, credit limits, ongoing credit evaluation and account monitoring procedures.

The Group is exposed to credit risk on cash and cash equivalents, fixed-term deposits and derivative financial instruments. The Group has minimized financial counterpart risk by concentrating core financing needs with high quality banks having significant experience and reputation in the field of the related deals.

There are no significant concentrations within trade accounts receivable of counter-party credit risk, due to the large number of customers that the Group deals with and their wide geographical spread. Country risk limits and exposures are continuously monitored.

The following table presents the Group's credit risk exposure of cash and cash equivalents and fixed-term deposits to individual financial institutions:

| In millions of CHF | 2023 | 2022 |
|---|---|---|
| AA- to AAA | 164.8 | 204.6 |
| A- to A+ | 237.8 | 291.2 |
| BBB- to BBB+ | 115.9 | 223.5 |
| BB+ and below | 11.2 | 0.7 |

Ratings shown are assigned by international credit-rating agencies.

## Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

Prudent liquidity risk management implies maintaining sufficient cash and short-term financial investments, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, Group Treasury maintains flexibility in funding by maintaining availability under committed and uncommitted credit lines. The Group has access to sufficient funding to meet its obligations within the next twelve months.

Group Treasury monitors and manages cash at Group level. Furthermore Group Treasury defines affiliates' cash level. Affiliates' short-term cash needs and long-term excesses are managed through the cash-pooling structure. Structural financing needs for affiliates are arranged either by using the in-house bank structure or, if not possible, by arranging local financing with banks selected by Group Treasury. There is no significant amount of cash and cash equivalents held by the Group that is not available for use.

The Group invests in short-term deposits with high quality banks and in bonds and other interest rate instruments issued by a high quality issuer, where the amount issued allows high liquidity when dealing. Furthermore, the Group is also invested in low liquidity assets, which are subject to delayed fund availability when sold. These low liquidity assets are limited to a proportion, which should not affect the global liquidity of the Group.

The following table analyzes the Group's remaining contractual maturity for the carrying amount of financial liabilities.

June 30, 2023

| In millions of CHF | Up to 6 months | 6 up to 12 months | 1 to 5 years | More than 5 years | **Total** |
|---|---|---|---|---|---|
| Short-term bank borrowings and bonds | 569.5 | - | | | **569.5** |
| Trade and other payables (*) | 850.2 | - | | | **850.2** |
| Gross derivative financial instruments - outflows | (1 379.8) | (0.3) | - | - | **(1 380.1)** |
| Gross derivative financial instruments - inflows | 1 374.8 | 0.3 | - | - | **1 375.1** |
| Long-term bank borrowings and bonds | | | 835.2 | 730.4 | **1 565.6** |
| Redemption liability | | 23.5 | | | **23.5** |
| Options | | | 20.1 | | **20.1** |
| **Total financial liabilities** | **1 414.7** | **23.5** | **855.3** | **730.4** | **3 023.9** |

(*) Accrued expenses that are not financial liabilities (CHF 115.1) are not included.

The undiscounted cash flows related to lease liabilities are CHF 22.5 within 6 months, CHF 20.7 within 6 to 12 months, CHF 102.5 within 1 to 5 years and CHF 42.5 thereafter.

June 30, 2022

| In millions of CHF | Up to 6 months | 6 up to 12 months | 1 to 5 years | More than 5 years | Total |
|---|---|---|---|---|---|
| Short-term bank borrowings | 66.2 | - | | | **66.2** |
| Trade and other payables (*) | 1 044.8 | - | | | **1 044.8** |
| Gross derivative financial instruments - outflows | (1 174.1) | (43.4) | (13.6) | - | **(1 231.1)** |
| Gross derivative financial instruments - inflows | 1 175.2 | 39.7 | 6.7 | - | **1 221.6** |
| Long-term bank borrowings and bonds | | | 1 358.9 | 743.9 | **2 102.8** |
| Redemption liabilities | | | 99.7 | | **99.7** |
| Options | | | 16.9 | | **16.9** |
| **Total financial liabilities** | **1 112.1** | **(3.7)** | **1 468.6** | **743.9** | **3 320.9** |

(*) Accrued expenses that are not financial liabilities (CHF 156.4) are not included.

The undiscounted cash flows related to lease liabilities are CHF 23.0 within 6 months, CHF 22.0 within 6 to 12 months, CHF 117.4 within 1 to 5 years and CHF 52.1 thereafter.

## Fair value measurements recognized in the consolidated statement of financial position

The following table presents the Group's assets and liabilities that are measured at fair value at June 30, 2023, grouped into levels 1 to 3 on the degree to which the fair value is observable:

**Level 1**: fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;

**Level 2**: fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices);

**Level 3**: fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The redemption liabilities disclosed under level 3 are based on a valuation model considering the present value of the net cash flows expected. The cash flow projections include specific estimates for the remaining four years. The expected net cash flows are discounted using a risk-adjusted discount rate.

June 30, 2023

| In millions of CHF | Notes | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|---|
| FINANCIAL ASSETS | | | | | |
| **Non-current assets** | | | | | |
| Financial investments | 5 | 448.9 | | 6.5 | **455.4** |
| **Current assets - derivatives** | | | | | |
| Forward foreign exchange contract | 10 | | 10.4 | | **10.4** |
| **Current financial investments** | | | | | |
| Equity securities | 11 | 1.4 | 4.5 | | **5.9** |
| FINANCIAL LIABILITIES | | | | | |
| **Non-current liabilities** | | | | | |
| Redemption liability | 18 | | | 23.5 | **23.5** |
| Options | 18 | | | 20.1 | **20.1** |
| **Current liabilities - derivatives** | | | | | |
| Forward foreign exchange contract | 10 | | 3.3 | | **3.3** |

June 30, 2022

| In millions of CHF | Notes | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|---|
| FINANCIAL ASSETS | | | | | |
| **Non-current assets** | | | | | |
| Financial investments | 5 | 504.7 | | 5.7 | **510.4** |
| **Current assets - derivatives** | | | | | |
| Forward foreign exchange contract and options | 10 | | 13.8 | | **13.8** |
| **Current financial investments** | | | | | |
| Equity securities | 11 | 1.9 | | | **1.9** |
| FINANCIAL LIABILITIES | | | | | |
| **Non-current liabilities** | | | | | |
| Redemption liabilities | 18 | | | 99.7 | **99.7** |
| Options | 18 | | | 16.9 | **16.9** |
| **Current liabilities - derivatives** | | | | | |
| Forward foreign exchange contract and options | 10 | | 7.0 | | **7.0** |

There has been no significant movements in the fair value hierarchy.

### Reconciliation of movements in Level 3 valuations

| | Assets | | Liabilities | |
|---|---|---|---|---|
| In millions of CHF | 2023 | 2022 | 2023 | 2022 |
| Opening balance | 5.7 | 5.2 | 116.6 | 77.4 |
| Acquisition of businesses | - | - | - | 24.8 |
| Gains and losses recognized in income statement | - | (0.1) | 3.2 | 12.0 |
| Purchases and new issues | 1.1 | 0.7 | - | 4.7 |
| Movement of redemption liabilities | - | - | (76.2) | (1.9) |
| Currency translation adjustment | (0.3) | (0.1) | - | (0.4) |
| **Closing balance** | **6.5** | **5.7** | **43.6** | **116.6** |

## Fair value estimation

The fair value of financial instruments traded in active markets is determined by reference to share exchange quoted selling prices at the close of business on the reporting date.

The fair value of financial instruments that are not traded in active markets is determined by reference to observable market transactions and on valuations provided by reputable financial institutions and hedge fund managers.

The carrying value less allowance for doubtful debts of trade accounts receivable and payable are assumed to approximate fair values, due to their short-term nature. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group.

The fair values of the financial assets and liabilities are defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Methods and assumptions used to estimate the fair values are consistent with those used in the year ended June 30, 2022.

## Capital risk management

The objective of the Group when managing capital is to maintain the ability to continue as a going concern in order to maximize shareholder value through an optimal balance of debt and equity and to optimize the cost of capital.

We define Net Debt as the sum of short term and long term financial debt less cash, cash equivalents and short-term financial investments.

| In millions of CHF | Notes | 2023 | 2022 |
|---|---|---|---|
| Short-term bank borrowing, bonds and lease liabilities | 17 | (605.6) | (105.7) |
| Long-term bank borrowings, bonds and lease liabilities | 17 | (1 694.2) | (2 250.3) |
| Cash and cash equivalents and short-term financial investments | | 578.7 | 756.1 |
| **Net debt** | | **(1 721.1)** | **(1 599.9)** |

# 26. Risk assessment

Corporate management (the "Direction Générale", abbreviated "DG") is responsible for enterprise risk management, whereas the Group's Board of directors provides oversight and discusses with Corporate management the status of corporate risks on an annual basis.

According to Board of directors request, an annual risk assessment of corporate risks is led by Enterprise Risk Management ("ERM") and involves the participation of senior management ("DG", "DG-1" and selected "DG-2" levels) for all divisions and all regions. The scope of risk is a holistic view of all corporate risks that would prevent the company from reaching its strategic objectives or that would lead to losing significant assets.

Following that assessment, mitigation strategies are defined for significant risk exposures, corporate risks analysis is integrated into the strategic plans, and the annual internal audit plan is derived from the findings of the latest risk assessment.

# 27. Operating segments

## Business segment information

For management purposes, the Group identifies two divisions as operating segments: 'Perfumery & Ingredients' and 'Taste & Beyond'. Each of these divisions is monitored based on a regular basis and allows the Executive Team to make decisions about the resources to be allocated to the division and assess its performance.

### Perfumery & Ingredients

The Perfumery & Ingredients segment develops, manufactures and sells fragrances into three global business lines: fine fragrance, consumer fragrances and ingredients.

### Taste & Beyond

The Taste & Beyond segment develops, manufactures and sells products used in the production of foods (savory and sweet) and beverages.

Group financing (including financial income and expenses) and income taxes are managed on a Group basis and are not allocated to operating segments.

Inter-segment sales are not significant.

| In millions of CHF | Perfumery & Ingredients 2023 | Perfumery & Ingredients 2022 | Taste & Beyond 2023 | Taste & Beyond 2022 | **Total** 2023 | **Total** 2022 |
|---|---|---|---|---|---|---|
| **Revenue** | 3 133.3 | 3 141.2 | 1 703.4 | 1 581.5 | 4 836.7 | 4 722.7 |
| **Adjusted EBITDA (*)** | **564.3** | **588.5** | **341.3** | **316.0** | **905.6** | **904.5** |
| Depreciation and amortization | (253.8) | (189.4) | (99.3) | (100.7) | (353.1) | (290.1) |
| Adjusted items (*) | (203.1) | (74.8) | (38.5) | (31.6) | (241.6) | (106.4) |
| **Operating profit** | **107.4** | **324.3** | **203.5** | **183.7** | **310.9** | **508.0** |
| Financing costs | | | | | (47.6) | (48.3) |
| Net other financial expenses | | | | | (124.8) | (13.7) |
| Remeasurement to fair value of pre-existing interest in an acquiree | | | | | - | 23.7 |
| Share of profit of jointly controlled entities and associates, net of taxes | | | | | 4.1 | 10.3 |
| **Income before tax** | | | | | **142.6** | **480.0** |
| Income tax expense | | | | | (53.0) | (83.7) |
| **Net income for the period** | | | | | **89.6** | **396.3** |

(*) EBITDA is defined as earnings before financial income (expense), tax, depreciation and amortization. It corresponds to operating profit before depreciation, amortization and impairment losses. Adjusted EBITDA is EBITDA adjusted to eliminate the impact of adjusted items. The latter are items of non-recurring nature and/or not directly attributable to the operating performance that may materially distort period-to-period comparisons and/or the evaluation of our on-going business performance. Further detail is provided in the Appendix to this report: Alternative Performance Measures.
Adjusted EBITDA is a measure used by our management and Board of Directors to evaluate our core operating performance.
Costs relating to the Pinova site shutdown are exclusively attributed to Perfumery & Ingredients segment.

### Capital expenditure

| | | | | | | |
|---|---|---|---|---|---|---|
| **Purchase of property, plant, equipment and intangibles** | **163.3** | **163.2** | **44.0** | **46.1** | **207.3** | **209.3** |

## Geographical information

| In millions of CHF | Revenue 2023 | Revenue 2022 | Non-current assets 2023 | Non-current assets 2022 |
|---|---|---|---|---|
| Switzerland | 74.7 | 80.0 | 529.7 | 538.2 |
| Europe | 1 597.4 | 1 603.9 | 2 105.9 | 2 188.6 |
| North America | 1 177.8 | 1 160.3 | 962.6 | 1 208.4 |
| Latin America | 490.8 | 472.1 | 98.9 | 98.1 |
| India, Middle East and Africa | 571.6 | 533.8 | 193.1 | 222.3 |
| South East Asia | 487.7 | 468.5 | 70.6 | 68.9 |
| North and East Asia | 436.7 | 404.1 | 353.1 | 413.2 |
| **Total** | **4 836.7** | **4 722.7** | **4 313.8** | **4 737.8** |

No customer exceeds 10% of revenue.

# 28. Contingent assets and liabilities

## Contingent assets

The Group has no contingent asset.

## Contingent liabilities

From time to time and in varying degrees, the Group operations and earnings continue to be affected by political, legislative, 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 risks of various kinds. The nature and frequency of these developments and events, not all of which are covered by insurance contracts, as well as their effects on future operations and earnings are not predictable.

On March 7, 2023, certain competition authorities commenced an industry-wide investigation into the fragrances sector. As part thereof, unannounced inspections were carried out at the Firmenich offices in France, Switzerland and the UK and Firmenich received a subpoena from the Antitrust Division of the United States Department of Justice. These are common preliminary steps in anti-trust investigations into suspected infringements of competition rules. Firmenich International SA is fully cooperating with the investigators. As per the date of publication of these consolidated financial statements no further update on the status of the investigations is available.

On April 15, 2023, a fire at Pinova site in Brunswick, USA, completely destroyed the terpenes resins portion of the plant and the entire plant has been shut down as a result. The Group is still in the process of conducting a thorough investigation and is working closely with state, local and federal authorities. The Board of Directors decided in June 2023 to close the Pinova site. The identification and measurement of contingencies and the assessment of the likelihood of an outflow of resources have not been finalized yet.

## 29. Commitments

As of June 30, 2023 the Group has several commitments resulting from contractual obligations as well as capital commitments.

### Commitments resulting from contractual obligations

| In millions of CHF | 2023 | 2022 |
|---|---|---|
| Commitments resulting from contractual obligations | 3.8 | 3.2 |

### Capital commitments

Capital expenditure contracted for at the end of the reporting period but not yet incurred is as follows:

| In millions of CHF | 2023 | 2022 |
|---|---|---|
| Property, plant and equipment | 15.6 | 15.2 |
| Intangible assets | 7.8 | 0.2 |
| **Total** | **23.4** | **15.4** |

## 30. Restrictions on the titles to assets

At the closing date, there is no material restriction on the title to assets, except those disclosed in note 5 (deferred compensation scheme).

## 31. Subsequent events

On July 3, 2023, the Board of Directors proposed to the extraordinary shareholders' meeting an extraordinary dividend distribution of EUR 145.9 (refer to note 13).

## 32. Exchange rates

The following major exchange rates are used to establish the consolidated financial statements:
- closing rates for the consolidated statement of financial position correspond to the exchange rates prevailing at June 30, 2023 and 2022.
- average rates for the consolidated income statement account and the statement of cash flows.

| | | 2023 | | 2022 | |
|---|---|---|---|---|---|
| ISO code | Units | Closing rate | Average rate | Closing rate | Average rate |
| USD | 1 | 0.894 | 0.944 | 0.958 | 0.927 |
| EUR | 1 | 0.978 | 0.985 | 0.996 | 1.052 |
| CNY | 1 | 0.124 | 0.136 | 0.143 | 0.144 |
| SGD | 1 | 0.661 | 0.690 | 0.688 | 0.683 |
| GBP | 1 | 1.132 | 1.133 | 1.162 | 1.241 |
| JPY | 100 | 0.620 | 0.688 | 0.704 | 0.799 |

## 33. List of main entities of the Group

The consolidated financial statements include the following main entities.

| Country | Entity name | Share in percentage | Currency | Share capital in thousands |
|---|---|---|---|---|
| Switzerland | Firmenich International SA | 100 | CHF | 40 095 |
| | Firmenich SA (*) | 100 | CHF | 30 000 |
| | Firmenich Finance SA (*) | 100 | CHF | 100 |
| | Fragar (America) SA (*) | 100 | CHF | 20 000 |
| | Fragar Trading SA (*) | 100 | CHF | 2 500 |
| | Fragar (Europe) SA (*) | 100 | CHF | 2 500 |
| | Firmenich Trading Corporation (*) | 100 | CHF | 12 500 |
| Argentina | Firmenich S.A.I.C. y F. | 100 | ARS | 5 452 |
| Australia | Firmenich Limited | 100 | AUD | 2 780 |
| Austria | Firmenich Ges.m.b.H | 100 | EUR | 37 |
| Belgium | Firmenich Belgium SA | 100 | EUR | 1 240 |
| Brazil | Firmenich & Cia Ltda. | 100 | BRL | 83 115 |
| Bulgaria | Watt Burgas OOD KD | 80 | BGN | 5 |
| Canada | Firmenich of Canada Ltd. | 100 | CAD | 1 |
| China | Kunming Firmenich Aromatics Co. Ltd. | 80 | CNY | 167 281 |
| | Firmenich Aromatics (Shanghai) Co. Ltd. | 100 | CNY | 4 139 |
| | Firmenich Aromatics (China) Co. Ltd. | 100 | CNY | 564 605 |
| | Artsci Biology Technologies Co. Ltd. | 90 | CNY | 20 000 |
| | Zhejiang Quanteng import and export trading Co. Ltd | 90 | CNY | 10 000 |
| | Firmenich Aromatics (ZhangjiaGang) Co., Ltd | 100 | CNY | 220 697 |
| Colombia | Firmenich S.A. | 100 | COP | 8 163 346 |
| Denmark | Firmenich Denmark APS | 100 | DKK | 11 625 |
| France | Firmenich & Cie SAS | 100 | EUR | 5 000 |
| | Firmenich Productions SAS | 100 | EUR | 13 600 |
| | Firmenich Grasse SAS | 100 | EUR | 25 756 |
| | Alpha Beta International SAS | 100 | EUR | 248 683 |
| | Les Dérivés Résiniques et Terpéniques | 100 | EUR | 19 961 |
| | Société Béarnaise de Synthèse SASU | 100 | EUR | 50 |
| | Resimmo SCI | 100 | EUR | 10 |
| | DRT Approvisionnement Biomasse SAS | 64 | EUR | 700 |
| | Action Pin SA | 100 | EUR | 1 372 |
| Germany | Firmenich GmbH | 100 | EUR | 6 300 |
| | Firmenich Trostberg GmbH | 100 | EUR | 25 |
| India | Firmenich Aromatics Production (India) Private Ltd | 100 | INR | 2 322 400 |
| | VKL Seasoning Private Ltd | 100 | INR | 12 750 |
| | DRT-Anthea Aroma Chemicals Private Limited | 50 | INR | 19 116 |
| Indonesia | PT Firmenich Indonesia | 85 | IDR | 5 305 000 |
| | Firmenich Aromatics Indonesia | 100 | IDR | 45 097 500 |
| Italy | Firmenich S.p.A. | 100 | EUR | 103 |
| | Firmenich Holding (Italy) SPA | 100 | EUR | 30 000 |
| | Campus S.r.l. | 100 | EUR | 501 |

(*) Direct investments of Firmenich International SA.

| Country | Entity name | Share in percentage | Currency | Share capital in thousands |
|---|---|---|---|---|
| Japan | Nihon Firmenich K.K. | 100 | JPY | 90 000 |
| Korea | Firmenich Co. Ltd. | 100 | KRW | 500 000 |
| Mexico | Firmenich de Mexico S.A. de C.V. | 100 | MXN | 104 327 |
| | Campus Italia de Mexico S. de R.L. de C.V. | 100 | MXN | 91 123 |
| Nigeria | Firmenich Western Africa Limited | 100 | NGN | 10 000 |
| Norway | Firmenich Bjørge Biomarin AS | 100 | NOK | 125 250 |
| | Campus Scandinavia AS | 100 | NOK | 100 |
| Philippines | Firmenich (Philippines) Inc. | 100 | PHP | 13 075 |
| Poland | Firmenich Sp. Z.o.o. | 100 | PLN | 2 000 |
| Russia | Firmenich LLC | 100 | RUB | 44 481 |
| Singapore | Firmenich Asia Pte Ltd. | 100 | SGD | 6 000 |
| South Africa | Firmenich (Pty) Ltd. | 100 | ZAR | 220 000 |
| Spain | Firmenich S.A. | 100 | EUR | 300 |
| Thailand | Firmenich Thailand Ltd. | 100 | THB | 100 000 |
| Turkey | Firmenich Dis Ticaret Limited Sirketi | 100 | TRY | 166 |
| | Gulcicek Kimya ve Ucan Yaglar Sanayi ve Ticaret A.S. | 100 | TRY | 30 000 |
| UAE | Firmenich FZ-LLC | 100 | USD | 400 |
| UK | Firmenich UK Ltd. | 100 | GBP | 7 000 |
| | Bergère Ltd. (*) | 100 | USD | 391 |
| USA | Firmenich Inc. | 100 | USD | 31 350 |
| | Chem-Fleur Inc. | 100 | USD | 27 641 |
| | Intercit Inc. | 100 | USD | 567 |
| | MCP Food Inc. | 100 | USD | 5 000 |
| | Essex Laboratories LLC | 75 | USD | 9 637 |
| | Agilex Holdings, Inc. | 100 | USD | 163 603 |
| | DRT America Inc. | 100 | USD | 97 474 |
| | DRT America LLC | 100 | USD | 56 232 |
| | Pinova Inc. | 100 | USD | 78 329 |
| Vietnam | Firmenich Vietnam LLC | 100 | VND | 6 308 700 |

(*) Direct investments of Firmenich International SA.

The consolidated financial statements recognize the following main associates and joint ventures.

| Country | Entity name | Share in percentage | Currency | Share capital in thousands |
|---|---|---|---|---|
| France | Biomass Energy Solutions VSG SAS | 37 | EUR | 5 718 |
| India | Jasmine Concrete Exports Private Ltd | 49 | INR | 17 382 |
| USA | Essential Labs, LLC. | 49 | USD | 170 |

The voting rights are the same as the share in percentage for all entities.

# Statutory Auditor's Report

**To the General Meeting of Firmenich International SA, Satigny**

## Report on the Audit of the Consolidated Financial Statements

### Opinion

We have audited the consolidated financial statements of Firmenich International SA and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 30 June 2023 and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements (pages 1 to 50) give a true and fair view of the consolidated financial position of the Group as at 30 June 2023, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and comply with Swiss law.

### Basis for Opinion

We conducted our audit in accordance with Swiss law, International Standards on Auditing (ISAs) and Swiss Standards on Auditing (SA-CH). Our responsibilities under those provisions and standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report. We are independent of the Group in accordance with the provisions of Swiss law, together with the requirements of the Swiss audit profession, as well as the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Key Audit Matters

**Revenue recognition**

**Carrying value of goodwill**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

## Revenue recognition

### Key Audit Matter

The Group generates revenue from contracts with customers from the sale of fragrance and flavor products. The Group has an extensive product range and a large number of customers. Additionally, revenue is one of the key performance indicators for the Group.

Revenue is recognized when control over the goods are transferred to the customer. Particular attention is required to ensure revenue is recognized in the correct accounting period. Thus, we identified timing of revenue recognition around the balance sheet dates as a key audit matter.

### Our response

We obtained an understanding of the overall process over revenue recognition and tested key internal controls over the timing of revenue recognition, including controls performed by management on the timing of goods' shipment and delivery, and over the correct approval and timely recognition of credit notes. Due to the high reliance of revenue recognition on IT, we evaluated the integrity of the general IT control environment.

We used audit technology to identify sales at risk of being recognized in the incorrect accounting period around year-end, and to corroborate management's assessment. We traced a sample of sales to related underlying documents.

We sampled credit notes and sales reversals recorded after the balance sheet date and traced the selected items to sales documents.

Furthermore, we performed a monthly trend analysis of revenue by division, corroborating our understanding of each division's performance compared to the reported results.

We also considered whether disclosures over revenue recognition in the consolidated financial statements are appropriate.

For further information on revenue recognition refer to the following:

— Note 1, Accounting information and policies – Group significant accounting policies – Revenue

— Note 27, Operating segments

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## Carrying value of goodwill

### Key Audit Matter

As at 30 June 2023, the Group has goodwill of CHF 1,905.3 million, which is required to be tested for impairment at least on annual basis. The recoverability is dependent on achieving a sufficient level of future net cash flows.

Management apply judgment in assessing the future performance and prospects of each CGU and determining the relevant valuation assumptions.

Carrying value of goodwill is a key audit matter because the valuation process is complex. It involves a high degree of management judgment and assumptions, such as cash flow forecasts, long term growth rates and discount rates of the CGUs, being used in the Group's impairment tests.

### Our response

We evaluated the accuracy of impairment tests, the reasonableness of the key assumptions used to determine the recoverable amount – including long term growth rates and discount rates based on our understanding of the related CGUs' commercial outlook – and the methodology used by management to prepare its cash flow forecasts.

We involved valuation professionals with specialized skills and knowledge who assisted in assessing the reasonableness of the discount rates and long term growth rates through testing the source information underlying their determination, and in developing a range of independent estimates and comparing those to the discount and long term growth rates applied by management.

We assessed the Group's ability to accurately prepare projections for their CGUs by comparing the projected financial performance from past period to actual figures for the same period.

We also considered the adequacy of the disclosures on impairment testing in the consolidated financial statements.

For further information on carrying value of goodwill refer to the following:

- Note 1, Accounting information and policies
  - Group significant accounting policies – Principles of consolidation
  - Critical accounting estimates and judgments – Impairment of goodwill
- Note 3, Goodwill and intangible assets

## Other Information

The Board of Directors is responsible for the other information. The other information comprises of the information in the Alternative Performance Measures, but does not include the consolidated financial statements, the stand-alone financial statements of the company, and our auditor's reports thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## Board of Directors' Responsibilities for the Consolidated Financial Statements

The Board of Directors is responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRS and the provisions of Swiss law, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

## Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law, ISAs and SA-CH will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Swiss law, ISAs and SA-CH, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

— Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

— Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

— Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made.

— Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

— Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
— Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors or its relevant committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors or its relevant committee with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Board of Directors or its relevant committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor’s report, unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

## Report on Other Legal and Regulatory Requirements

In accordance with article 728a para. 1 item 3 CO and SA-CH 890, we confirm that an internal control system exists, which has been designed for the preparation of consolidated financial statements according to the instructions of the Board of Directors.

We recommend that the consolidated financial statements submitted to you be approved.

KPMG SA

Martin Rohrbach
Licensed Audit Expert
Auditor in Charge

Carlos Alvarez
Licensed Audit Expert

Geneva, 31 July 2023

Firmenich International SA, Satigny

# Income statement

For the year ended June 30

| In millions of CHF | Notes | 2023 | 2022 |
|---|---|---|---|
| Dividend income | 1 | 316.8 | 242.2 |
| Other operating income | | 0.2 | 0.6 |
| Other financial income | 2 | 59.8 | 67.9 |
| **Total income** | | **376.8** | **310.7** |
| Financial expenses | 3 | (78.4) | (77.4) |
| Other operating expenses | 4 | (12.6) | (50.3) |
| Direct taxes | | 0.4 | (1.0) |
| **Total expenses** | | **(90.6)** | **(128.7)** |
| **Profit for the year** | | **286.2** | **182.0** |

# Balance sheet

As at June 30

| In millions of CHF | Notes | 2023 | 2022 |
|---|---|---|---|
| **Assets** | | | |
| Cash and cash equivalents | | 25.2 | 402.0 |
| Bank deposits | | 308.9 | 127.5 |
| Derivative financial instruments with an observable market price | 5 | 1.7 | 9.5 |
| Other short-term receivables from companies in which the entity holds an investment | | 1 191.8 | 752.9 |
| Prepaid expenses and accrued income | 6 | 14.7 | 8.7 |
| **Total current assets** | | **1 542.3** | **1 300.6** |
| Securities listed on a stock exchange | 7 | 390.9 | 395.2 |
| Financial assets | 7 | 5.3 | 4.1 |
| Loans granted to companies in which the entity holds an investment | | 1 164.5 | 1 330.2 |
| Investments | 8 | 362.7 | 362.7 |
| Prepaid expenses and accrued income | 6 | 3.0 | 5.1 |
| **Total non-current assets** | | **1 926.4** | **2 097.3** |
| **Total assets** | | **3 468.7** | **3 397.9** |
| **Liabilities and Shareholders' equity** | | | |
| Trade accounts payable | | 0.8 | 0.0 |
| Short-term interest-bearing liabilities | 9 | 960.9 | 352.4 |
| Derivative financial instruments with an observable market price | 5 | 1.3 | 0.0 |
| Accrued expenses | 10 | 32.1 | 69.5 |
| Short-term provisions | | 0.0 | 6.9 |
| **Total short-term liabilities** | | **995.1** | **428.8** |
| Long-term interest-bearing liabilities | 11 | 733.7 | 1 273.5 |
| Deferred unrealised exchange gains | | 89.8 | 83.5 |
| **Total long-term liabilities** | | **823.5** | **1 357.0** |
| **Total liabilities** | | **1 818.6** | **1 785.8** |
| Share capital | | | |
| Registered shares | 12 | 40.1 | 40.5 |
| Legal capital reserves | | | |
| Other capital reserves | | 2.2 | 0.0 |
| Legal retained earnings | | | |
| General legal retained earnings reserves | | 244.0 | 244.0 |
| Voluntary retained earnings reserves | | | |
| Special reserve | | 330.0 | 330.0 |
| Ordinary reserve | | 40.5 | 40.5 |
| Available earnings | | | |
| Profit brought forward | | 707.1 | 775.1 |
| Profit for the year | | 286.2 | 182.0 |
| **Total shareholders' equity** | | **1 650.1** | **1 612.1** |
| **Total liabilities and shareholders' equity** | | **3 468.7** | **3 397.9** |

# Notes to the financial statements

## Principles

### General aspects

Firmenich International SA, Satigny, Switzerland, is the holding company of the Firmenich Group. The Group is a global supplier of fragrances and flavors. Since May 8, 2023, the Group is owned by DSM-Firmenich AG as a consequence of the DSM-Firmenich merger. Prior to the merger with DSM, Firmenich International SA was controlled by Sentarom SA. The parent company Sentarom SA was merged with Firmenich International SA retroactively as from November 1, 2022.

These financial statements were prepared according to the provisions of the Swiss Law on Accounting and Financial Reporting (32nd title of the Swiss Code of Obligations). Where not prescribed by law, the significant accounting and valuation principles applied are described below.

### Foreign currencies

Transactions in foreign currencies are recorded at the rates of exchange ruling at the date of the transaction. Assets and liabilities denominated in a foreign currency are translated into CHF at year-end exchange rates. All transaction gains or losses, realised and unrealised, are taken directly to the year's results, including the effects of forward contracts, with the exception of unrealised exchange gains that are carried on the balance sheet as a liability.

Exchange gains and losses are compensated by currency and the resulting net exchange gain or net exchange loss is disclosed in the notes to the financial statements.

### Cash and cash equivalents

Cash and cash equivalents comprise bank balances and short-term deposits at 48 hours. Bank overdrafts are shown under current liabilities.

### Bank deposits

Bank deposits are composed of short-term deposits over 48 hours.

### Securities listed on a stock exchange

Securities listed on a stock exchange, which are traded in liquid markets, are initially recorded at cost and subsequently carried at fair value (quoted market price). Securities listed on a stock exchange that represent strategic investments classified as long-term are valued at historical cost.
Realised and unrealised gains and losses arising from changes in the fair value are included in the income statement in the period in which they arise. A valuation adjustment reserve has not been accounted for.

All purchases and sales of marketable securities are recognised on the trade date, which is the date of the commitment to purchase, or sell the asset.

### Derivative financial instruments with an observable market price

Derivative financial instruments are initially recognised in the balance sheet at fair value plus directly attributable transaction cost and subsequently remeasured at their fair value based on observable market prices at the balance sheet date. Gains and losses, realised or unrealised, from forward exchange contracts and currency options used to hedge potential exchange rate exposures are included in the year’s results. Interest differentials under swap arrangements used to manage interest rate exposures are recognised by adjustments to interest expenses. A valuation adjustment reserve has not been accounted for.

Derivative financial instruments with an observable market price that is positive are classified as assets whereas derivative financial instruments with an observable market price that is negative are classified as liabilities.

### Financial assets

Financial assets include securities that have no quoted market price or no other observable market price. Financial assets with no observable market price are valued at their acquisition cost adjusted for impairment losses.

### Investments

Investments in companies where the entity holds an investment are valued at acquisition cost less adjustments for impairment of value.

### Bonds

Bonds are valued at nominal value. Any bond premium, discount and transaction costs directly related to the issue of the bond are amortized over the duration of the bond.

# Notes to the financial statements

## Provisions

Provisions are recognised when there is a present legal or constructive obligation as a result of past events, when it is probable that an outflow of resources will be required to settle the obligation, and when a reliable estimate of the amount can be made.

## Foregoing a cash flow statement and additional disclosures in the notes

As Firmenich International SA has prepared its consolidated financial statements in accordance with a recognised accounting standard (IFRS), it has decided to forego presenting additional information on interest-bearing liabilities and audit fees in the notes as well as a cash flow statement in accordance with the law.

## Comparative information

Certain positions in the prior year statutory financial statements have been reclassified to conform to the current year's presentation without any impact on the income statement.

In the following notes, all amounts are shown in millions of CHF unless otherwise stated.

## 1. Dividend income

| In millions of CHF | 2023 | 2022 |
|---|---|---|
| Firmenich SA | 141.5 | 127.5 |
| Fragar (America) SA | 48.6 | 10.2 |
| Fragar Trading SA | 31.8 | 5.4 |
| Firmenich Trading Corporation | 94.9 | 99.1 |
| **Total dividend income** | **316.8** | **242.2** |

## 2. Other financial income

| In millions of CHF | 2023 | 2022 |
|---|---|---|
| Interest and other financial income from companies in which the entity holds an investment | 31.2 | 22.7 |
| Net unrealised exchange gains on derivative financial instruments | 0.0 | 11.3 |
| Net realised exchange gains on derivative financial instruments | 0.0 | 23.9 |
| Net exchange gains | 1.2 | 3.9 |
| Net realised exchange gains on currency spot transactions | 21.4 | 0.0 |
| Interest and dividend income from third parties | 6.0 | 6.1 |
| **Total other financial income** | **59.8** | **67.9** |

# Notes to the financial statements

## 3. Financial expenses

| In millions of CHF | 2023 | 2022 |
|---|---|---|
| Interest to companies in which the entity holds an investment | 8.0 | 4.0 |
| Interest expenses | 32.1 | 34.4 |
| Discounts and transaction costs on bonds | 2.0 | 2.0 |
| Net realised exchange losses on currency spot transactions | 0.0 | 15.9 |
| Unrealised exchange losses | 9.0 | 11.2 |
| Realised exchange losses | 3.8 | 7.4 |
| Net market losses on securities and other financial assets | 5.1 | 0.1 |
| Net unrealised exchange losses on derivative financial instruments | 9.0 | 0.0 |
| Net realised exchange losses on derivative financial instruments | 6.6 | 0.0 |
| Bank fees and charges | 2.8 | 2.4 |
| **Total financial expenses** | **78.4** | **77.4** |

## 4. Other operating expenses

| In millions of CHF | 2023 | 2022 |
|---|---|---|
| Employee benefits | 0.4 | 6.9 |
| Board of Directors fees and remuneration | 3.3 | 3.7 |
| Professional services | 8.4 | 39.2 |
| Service and management fees to companies in which the entity holds an investment | 0.5 | 0.5 |
| **Total other operating expenses** | **12.6** | **50.3** |

## 5. Derivative financial instruments with an observable market price

| In millions of CHF | Nominal value | Positive fair values (assets) | Negative fair values (liabilities) |
|---|---|---|---|
| **June 30, 2023** | | | |
| **Forward exchange contracts** | | | |
| Sell USD | (89.4) | 1.7 | 0.0 |
| Sell EUR | (119.4) | 0.0 | (1.0) |
| Sell Other | (17.1) | 0.0 | (0.1) |
| Buy Other | 17.1 | 0.0 | (0.2) |
| | **(208.8)** | **1.7** | **(1.3)** |
| **Total derivative financial instruments with an observable market price** | | **1.7** | **(1.3)** |

| In millions of CHF | Nominal value | Positive fair values (assets) | Negative fair values (liabilities) |
|---|---|---|---|
| **June 30, 2022** | | | |
| **Forward exchange contracts** | | | |
| Sell USD | (50.4) | 0.1 | (0.0) |
| Sell EUR | (226.2) | 9.2 | 0.0 |
| Sell Other | (5.2) | 0.2 | 0.0 |
| | **(281.7)** | **9.5** | **(0.0)** |
| **Total derivative financial instruments with an observable market price** | | **9.5** | **(0.0)** |

## Financial assets

| In millions of CHF | 2023 | 2022 |
|---|---|---|
| Derivative financial instruments with third parties | 0.0 | 9.4 |
| Derivative financial instruments with companies in which the entity holds an investment | 1.7 | 0.1 |
| **Total derivative financial instruments with an observable market price** | **1.7** | **9.5** |

# Notes to the financial statements

## Financial liabilities

| In millions of CHF | 2023 | 2022 |
|---|---|---|
| Derivative financial instruments with third parties | 1.3 | 0.0 |
| **Total derivative financial instruments with an observable market price** | **1.3** | **0.0** |

## 6. Prepaid expenses and accrued income

| In millions of CHF | 2023 | 2022 |
|---|---|---|
| Accrued interests from companies in which the entity holds an investment | 5.4 | 0.5 |
| Accrued dividend income | 4.2 | 3.4 |
| Bonds discounts and transaction costs | 2.0 | 2.0 |
| Prepaid bank fees | 0.8 | 1.5 |
| Other accrued income and prepaid expenses | 2.3 | 1.3 |
| **Total short-term prepaid expenses and accrued income** | **14.7** | **8.7** |
| Bonds discounts and transaction costs | 2.4 | 4.5 |
| Prepaid long-term bank fees | 0.6 | 0.6 |
| **Total long-term prepaid expenses and accrued income** | **3.0** | **5.1** |

## 7. Securities listed on a stock exchange and Financial assets

| In millions of CHF | 2023 | 2022 |
|---|---|---|
| Securities listed on a stock exchange | 390.9 | 395.2 |
| Investment funds | 5.3 | 4.1 |
| **Total long-term financial assets** | **396.2** | **399.3** |

In FY20, Firmenich International SA acquired 21.8% of Robertet SA's share interests, representing circa 11.4% of voting rights. This equity instrument represents a long-term strategic investment valued at historical acquisition cost, adjusted for impairment losses.

## 8. Investments

| | Share capital in millions | | | | Share in capital/voting rights in % | |
|---|---|---|---|---|---|---|
| Company | June 30, 2023 | | June 30, 2022 | | June 30, 2023 | June 30, 2022 |
| Firmenich SA | CHF | 30.0 | CHF | 30.0 | 100 | 100 |
| Fragar (America) SA | CHF | 20.0 | CHF | 20.0 | 100 | 100 |
| Fragar (Europe) SA | CHF | 2.5 | CHF | 2.5 | 100 | 100 |
| Fragar Trading SA | CHF | 2.5 | CHF | 2.5 | 100 | 100 |
| Firmenich Trading Corporation | CHF | 12.5 | CHF | 12.5 | 100 | 100 |
| Bergere Limited | CHF | 0.5 | CHF | 0.5 | 100 | 100 |
| Firmenich Finance SA | CHF | 0.1 | CHF | 0.1 | 100 | 100 |

# Notes to the financial statements

| Company | Domicile | Carrying value in millions of CHF June 30, 2023 | June 30, 2022 |
|---|---|---|---|
| Firmenich SA | Satigny, Switzerland | 325.0 | 325.0 |
| Fragar (America) SA | Satigny, Switzerland | 20.0 | 20.0 |
| Fragar (Europe) SA | Satigny, Switzerland | 2.5 | 2.5 |
| Fragar Trading SA | Satigny, Switzerland | 2.5 | 2.5 |
| Firmenich Trading Corporation | Satigny, Switzerland | 12.0 | 12.0 |
| Bergere Limited | Hamilton, Bermuda | 0.6 | 0.6 |
| Firmenich Finance SA | Satigny, Switzerland | 0.1 | 0.1 |
| **Total investments** | | **362.7** | **362.7** |

A list of main indirect Group companies held by Firmenich International SA is included in the consolidated financial statements of Firmenich International SA.

## 9. Short-term interest-bearing liabilities

| In millions of CHF | 2023 | 2022 |
|---|---|---|
| Current accounts with companies in which the entity holds an investment | 390.1 | 352.4 |
| Current portion of long-term bonds | 475.0 | 0.0 |
| Due to companies in which the entity holds an investment | 49.7 | 0.0 |
| Due to related parties | 46.1 | 0.0 |
| **Total short-term interest-bearing liabilities** | **960.9** | **352.4** |

| Current portion of long-term bonds<br>In millions of CHF | Face value | Issue price | Coupon | Year of issue/ maturity | 2023 | 2022 |
|---|---|---|---|---|---|---|
| Public bonds | CHF 425 | 100.335% | 1.00% | 2020-2023 | 425.0 | 0.0 |
| Public bonds | CHF 50 | 100.896% | 1.00% | 2020-2023 | 50.0 | 0.0 |
| **Total bonds** | | | | | **475.0** | **0.0** |

## 10. Accrued expenses

| In millions of CHF | 2023 | 2022 |
|---|---|---|
| Accrued interest | 25.9 | 26.1 |
| Accrued expenses for professional services | 2.6 | 38.0 |
| Accrued expenses for Board of Directors fees and remuneration | 0.3 | 1.2 |
| Accrued taxes | 1.3 | 2.5 |
| Other accruals | 2.0 | 1.7 |
| **Total accrued expenses and deferred income** | **32.1** | **69.5** |

## 11. Long-term interest-bearing liabilities

| In millions of CHF | 2023 | 2022 |
|---|---|---|
| Bonds | 733.7 | 1 222.2 |
| Due to companies in which the entity holds an investment | 0.0 | 51.3 |
| **Total long-term interest-bearing liabilities** | **733.7** | **1 273.5** |

# Notes to the financial statements

| BONDS<br>In millions of CHF | Face value | Issue price | Coupon | Year of issue/ maturity | 2023 | 2022 |
|---|---|---|---|---|---|---|
| Deeply Subordinated Fixed Rate Resettable Perpetual Notes* | EUR 750 | 99.429% | 3.75% | 2020 | 733.7 | 747.2 |
| Public bonds | CHF 425 | 100.335% | 1.00% | 2020-2023 | 0.0 | 425.0 |
| Public bonds | CHF 50 | 100.896% | 1.00% | 2020-2023 | 0.0 | 50.0 |
| **Total bonds** | | | | | **733.7** | **1 222.2** |

*Firmenich International SA issued EUR 750 million deeply subordinated fixed rate resettable perpetual notes on June 3, 2020 with a coupon of 3.75% payable annually at the sole discretion of the issuer until the first reset date i.e. September 3, 2025. Thereafter, the interest rate is reset every 5 years.

## 12. Share capital

Share capital in the amount of CHF 40.1 million consists of 8'019'000 registered shares at a par value of CHF 5.
The share capital of Firmenich International SA was restructured in financial year 2023. A and B shares of nominal value CHF 50 per A share and CHF 5 per B share were converted into 8'100'000 registered shares of nominal value CHF 5 each. During financial year 2023, Firmenich International SA purchased 81'000 of its own B shares at nominal value of CHF 5 each for a total cost of CHF 0.4 million. These treasury shares were cancelled with a corresponding decrease of the share capital.

## Other information

### Full-time equivalents

The annual average number of full-time employees for financial year 2023, as well as the previous year, does not exceed 250.

### Guarantees

Guarantees and comfort letters issued in favor of affiliated companies amount to CHF 390.7 (2022: CHF 438.8).

Bonds issuance guaranteed by Firmenich International SA:

| In millions | Face value | Coupon | Year of issue/ maturity | Face value 2023 | Face value 2022 |
|---|---|---|---|---|---|
| ISSUER | | | | | |
| Firmenich Productions Participations SAS (France) | EUR 750 | 1.375% | 2020-2026 | CHF 733.7 | CHF 747.2 |
| Firmenich Productions Participations SAS (France) | EUR 750 | 1.750% | 2020-2030 | CHF 733.7 | CHF 747.2 |
| | **EUR 1 500** | | | **CHF 1 467.4** | **CHF 1 494.5** |

### Significant events after the balance sheet date

On July 3, 2023, the Board of Directors proposed to the extraordinary shareholders' meeting an extraordinary dividend distribution of EUR 145.9 (CHF 143.0). The extraordinary shareholders' meeting held on July 3, 2023, approved the appropriation of available earnings as proposed by the Board of Directors. The extraordinary dividend was paid on July 4, 2023.

### Contingent liabilities

On March 7, 2023, certain competition authorities commenced an industry-wide investigation into the fragrances sector. As part thereof, unannounced inspections were carried out at the Firmenich offices in France, Switzerland and the UK and Firmenich received a subpoena from the Antitrust Division of the United States Department of Justice. These are common preliminary steps in anti-trust investigations into suspected infringements of competition rules. Firmenich International SA is fully cooperating with the investigators. As per the date of publication of these statutory financial statements no further update on the status of the investigations is available.

# Appropriation of available earnings

## Proposal of the Board of Directors to the General Meeting of Shareholders

As at June 30, 2023

| Available earnings as at June 30, 2023 | CHF |
|---|---|
| Profit brought forward | 707 073 837 |
| Profit for the year | 286 266 419 |
| **Total available earnings** | **993 340 256** |

On July 3, 2023, the Board of Directors proposed to the extraordinary shareholders' meeting an extraordinary dividend distribution of EUR 145.9 million (CHF 143.0 million). The extraordinary shareholders' meeting held on July 3, 2023, approved the appropriation of available earnings as proposed by the Board of Directors. The extraordinary dividend was paid on July 4, 2023.

| Available earnings after extraordinary dividend distribution | CHF |
|---|---|
| Total available earnings | 993 340 256 |
| Distribution of an extraordinary dividend | 143 017 759 |
| **Total available earnings after extraordinary dividend distribution** | **850 322 497** |

The Board of Directors proposes to the next General Meeting of Shareholders the following appropriation of available earnings:

| Available earnings | CHF |
|---|---|
| Total available earnings | 850 322 497 |
| Distribution of an ordinary dividend | 0 |
| Total appropriation of available earnings | 0 |
| **Balance to be carried forward** | **850 322 497** |

The general legal retained earnings reserves exceed 20% of the share capital. As such, the first attribution is not required.

# Statutory Auditor's Report

**To the General Meeting of Firmenich International SA, Satigny**

## Report on the Audit of the Financial Statements

### Opinion

We have audited the financial statements of Firmenich International SA (the Company), which comprise the balance sheet as at 30 June 2023 and the income statement for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements (pages 56 to 64) comply with Swiss law and the Company's articles of incorporation.

### Basis for Opinion

We conducted our audit in accordance with Swiss law and Swiss Standards on Auditing (SA-CH). Our responsibilities under those provisions and standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report. We are independent of the Company in accordance with the provisions of Swiss law, together with the requirements of the Swiss audit profession and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. We have determined that there are no key audit matters to communicate in our report.

### Other Information

The Board of Directors is responsible for the other information. The other information comprises of the information in the Alternative Performance Measures, but does not include the consolidated financial statements, the standalone financial statements of the Company and our auditor's reports thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

**Board of Directors' Responsibilities for the Financial Statements**

The Board of Directors is responsible for the preparation of the financial statements in accordance with the provisions of Swiss law and the Company's articles of incorporation, and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

**Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law and SA-CH will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Swiss law and SA-CH, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

We communicate with the Board of Directors or its relevant committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors or its relevant committee with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Board of Directors or its relevant committee, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report, unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

## Report on Other Legal and Regulatory Requirements

In accordance with article 728a para. 1 item 3 CO and SA-CH 890, we confirm that an internal control system exists, which has been designed for the preparation of financial statements according to the instructions of the Board of Directors.

We further confirm that the proposed appropriation of available earnings complies with Swiss law and the Company's articles of incorporation. We recommend that the financial statements submitted to you be approved.

KPMG SA

| | |
|---|---|
| Martin Rohrbach | Carlos Alvarez |
| Licensed Audit Expert | Licensed Audit Expert |
| Auditor in Charge | |

Geneva, 31 July 2023

# Appendix: Alternative Performance Measures
## (unaudited)

### For the period ended 30 June 2023

The management and Board of Directors of Firmenich International SA use a number of Alternative Performance Measures (APM) to monitor the performance of the business, in addition to the International Financial Reporting Standard (IFRS) measures.

An alternative performance measure is a financial measure of historical financial performance, financial position or cash flows other than a financial measure defined or specified in the applicable recognised accounting standards (i.e. IFRS).

In order to provide users with a comprehensive understanding of our performance, our Alternative Performance Measures are listed and defined below. They should be considered in addition to, not as a substitute for operating profit, net income, operating cash flow and other measures of financial performance and liquidity reported in accordance with IFRS.

## Growth at Constant Currency (CCY)

Growth at Constant Currency is used by our management and Board of Directors to evaluate operating performance. We believe that the elimination of the effect of foreign currency variations can provide useful period-to-period comparisons of our operating performance and enable a better understanding of the underlying factors contributing to such performance.

Growth at Constant Currency is computed by comparing current period results converted at prior period foreign exchange rates to prior period results at prior period foreign exchange rates.

## Growth on an Organic Basis (Organic)

Growth on an Organic Basis is used by our management and Board of Directors to evaluate operating performance. We believe that the elimination of the impact of business acquisitions and disposals can provide useful period-to-period comparisons of our operating performance and enable a better understanding of the underlying factors contributing to such performance.

Growth on an Organic Basis is calculated by excluding the impact of business acquisitions and disposals for a period of 12 months following or preceding the date of such business acquisition or disposal, respectively.

## Revenue Growth on an Organic Basis at Constant Currency (OCCY)

Revenue Growth on an Organic Basis at Constant Currency is used by our management and Board of Directors to evaluate operating performance. We believe that the elimination of the impact of business acquisitions, disposals and foreign currency variations from Revenue can provide useful like-for-like period-to-period comparisons of our sales performance and enable a better understanding of the underlying factors contributing to such performance.

Revenue Growth on an Organic Basis at Constant Currency is calculated as described above in the respective sections “Growth at Constant Currency” and “Growth on an Organic Basis”.

The table below provides the reconciliation of OCCY to Revenue growth is as follows:

| For the period ended, in millions of CHF | June 30, 2023 | June 30, 2022 | Year-over-year | Year-over-year in % |
|---|---|---|---|---|
| **Revenue** | **4'836.7** | **4'722.7** | | |
| **Revenue growth** | | | **114.1** | **2.4%** |
| Effect of foreign exchange rates | | | -179.6 | -3.8% |
| **Growth at Constant Currency (CCY)** | | | **293.7** | **6.2%** |
| Effect of business acquisitions and disposals | | | 39.0 | 0.8% |
| **Revenue Growth on an Organic Basis at Constant Currency (OCCY)** | | | **254.7** | **5.4%** |

## EBITDA

EBITDA is defined as earnings before financial income (expense), tax, depreciation and amortization. It corresponds to operating profit before depreciation, amortization and impairment losses.

| For the period ended, in millions of CHF | June 30, 2023 | June 30, 2022 |
|---|---|---|
| **Operating profit** | **310.9** | **508.0** |
| Depreciation of property, plant and equipment | 180.0 | 177.9 |
| Amortization of intangible assets | 101.8 | 106.9 |
| Impairment losses | 71.3 | 5.3 |
| **EBITDA** | **664.0** | **798.1** |

## Adjusted EBITDA

Adjusted EBITDA is a measure used by our management and Board of Directors to evaluate our core operating performance.

We define Adjusted EBITDA as EBITDA adjusted to eliminate the impact of identified items of non-recurring nature and/or not directly attributable to the operating performance that may materially distort period-to-period comparisons and/or the evaluation of our on-going business performance.

The defined list of adjusted items comprises restructuring and transformation costs, merger and acquisition related costs, gain and loss on disposals of intangible assets and property, plant and equipment, and other items of a one-time and/or non-operating nature, which may include elements such as legal claims and settlements, plan amendments or curtailments of defined benefit pension plans.

The table below discloses the adjusted items included in the EBITDA:

| For the period ended, in millions of CHF | June 30, 2023 | June 30, 2022 |
|---|---|---|
| **EBITDA** | **664.0** | **798.1** |
| Restructuring and transformation costs (*) | 134.2 | 4.8 |
| Merger and acquisition related costs (*) | 95.5 | 99.9 |
| Loss on disposal of intangible assets and property, plant and equipment (*) | 4.0 | 1.7 |
| Other items of a one-time and/or non-operating nature | 7.9 | - |
| **Adjusted EBITDA** | **905.6** | **904.5** |

* These mainly consist of expenses and provisions related to the DSM-Firmenich merger and the Pinova site closure. See notes 20 and 28 of the Consolidated Financial Statements of Firmenich.

## Free Cash Flow (FCF)

Free Cash Flow is a measure used by our management and Board of Directors to evaluate our ability to generate cash to return capital to shareholders, repay debt and fund potential acquisitions.

We define Free Cash Flow as Cash flows from operating activities less purchase of intangible assets and property plant and equipment net of disposals.

Reconciliation of Cash flows from operating activities to Free cash flow is as follows:

| For the period ended, in millions of CHF | June 30, 2023 | June 30, 2022 |
|---|---|---|
| **Cash flows from operating activities** | **399.5** | **620.8** |
| Purchase of property, plant and equipment | (165.5) | (171.5) |
| Purchase of intangible assets | (41.8) | (37.8) |
| Disposal of intangible assets, property, plant and equipment | (4.9) | 2.1 |
| **Free Cash Flow (*)** | **187.3** | **413.6** |

* In current year, the Free Cash Flow excluding DSM-Firmenich merger related cash-outflows is CHF 355.2 (2022: CHF 413.6).

## Net Debt

Net Debt is a measure used by our management and Board of Directors to assess our financial position.

We define Net Debt as the sum of short term and long term financial debt less cash, cash equivalents and short-term financial investments. See note 25 of the Consolidated Financial Statements of Firmenich International SA. Net Debt comprises:

| In millions of CHF | June 30, 2023 | June 30, 2022 |
| --- | --- | --- |
| Short-term bank borrowings, bonds and lease liabilities | (605.6) | (105.7) |
| Long-term bank borrowings, bonds and lease liabilities | (1'694.2) | (2'250.3) |
| Cash, cash equivalents and financial investments | 578.7 | 756.1 |
| **Net Debt** | **(1'721.1)** | **(1'599.9)** |

Firmenich
for good, naturally

## DISCLAIMER

This document and the related results contain forward-looking statements related to Firmenich International SA (the "Company") and its future business and financial performance and future events or developments, including statements regarding: trends; exchange rates; plans, strategies and objectives of management; anticipated production; capital costs and scheduling; operating costs and supply chain issues; provisions and contingent liabilities; tax and regulatory developments.

Forward-looking statements can be identified by the use of terminology such as 'intend', 'aim', 'project', 'anticipate', 'estimate', 'plan', 'believe', 'expect', 'may', 'should', 'will', 'continue', 'annualised' or similar words. These statements discuss future expectations concerning the results of operations or financial condition, or provide other forward-looking statements. These forward-looking statements are not guarantees, or predictions of future performance, and involve known and unknown risks, uncertainties and other factors, many of which are beyond the Company's control, and which may cause actual results to differ materially from those expressed in the statements contained in this presentation. Readers are cautioned not to put undue reliance on forward-looking statements. Other than in accordance with its legal or regulatory obligations, the Company does not undertake to update or revise any forward-looking statement to reflect any changes in events, conditions or circumstances on which any such statement is based.

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