Firmenich International SA, Geneva

Statutory Auditor's Report
on the Audit of the Consolidated Financial Statements
to the General Meeting

Consolidated Financial Statements FY2018

KPMG SA

Geneva, 4 September 2018

Ref. HB/JBC/lte

KPMG SA
Audit Western Switzerland
111 Rue de Lyon
CH-1203 Geneva

P.O. Box 347
CH-1211 Geneva 13

Telephone +41 58 249 25 15
Fax +41 58 249 25 13
Internet www.kpmg.ch

Statutory Auditor's Report to the General Meeting of

Firmenich International SA, Geneva

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 2018 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 30 June 2018, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 30 June 2018, and its consolidated financial performance and its consolidated cash flows for the year then ended 30 June 2018 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 Auditing Standards. 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 and the requirements of the Swiss audit profession, as well as the IESBA Code of Ethics for Professional Accountants, 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.

Other information in the Annual Report

The Board of Directors is responsible for the other information in the annual report. The other information comprises all information included in the annual report, 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 in the annual report 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 in the annual report 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.

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EXPERTsuisse Certified Company

Responsibility of the Board of Directors 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 Swiss Auditing Standards 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 Swiss Auditing Standards, 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.

Report on Other Legal and Regulatory Requirements

In accordance with article 728a para. 1 item 3 CO and Swiss Auditing Standard 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

Hélène Béguin *Licensed Audit Expert* *Auditor in Charge*	Jean-Baptiste Choulay *Licensed Audit Expert*

Geneva, 4 September 2018

Enclosure:
- Consolidated financial statements, which comprise the consolidated statement of financial position, consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows and notes to the consolidated financial statements

Consolidated income statement

For the years ended June 30

In millions of CHF	Notes	2018	2017
Revenue		**3 658.5**	**3 337.6**
Cost of goods sold	20/21	(1 956.9)	(1 743.6)
Gross profit		**1 701.6**	**1 594.0**
as % of revenue		*46.5%*	*47.8%*
Distribution expenses	20/21	(85.8)	(76.8)
Research and development expenses	20/21	(354.0)	(338.6)
Commercial and marketing expenses	20/21	(339.0)	(298.3)
Administration expenses	20/21	(261.7)	(237.6)
Other operating income	20	11.2	3.0
Operating profit		**672.3**	**645.7**
as % of revenue		*18.4%*	*19.3%*
Financing costs	22	(24.4)	(10.5)
Net other financial income/(expense)	23	8.2	(63.3)
Share of profit of jointly controlled entities and associates, net of taxes	6	0.9	0.9
Income before taxes		**657.0**	**572.8**
Income tax expense	24	(75.3)	(110.0)
Net income for the period		**581.7**	**462.8**
Attribution			
Net income attributable to non-controlling interests	15	1.3	1.4
Net income attributable to equity holders of the parent		**580.4**	**461.4**
as % of revenue		*15.9%*	*13.8%*
Basic and diluted earnings per A share (in CHF)	14	716.52	569.65
Basic and diluted earnings per B share (in CHF)	14	71.65	56.97

References in the income statement, analysis of operating profit, statement of comprehensive income, statement of financial position, statement of changes in equity and statement of cash flows relate to notes 2 to 34, which form an integral part of the financial statements.

Analysis of operating profit

In millions of CHF	Notes	2018	2017
Operating profit excluding non-recurring items		**701.7**	**667.9**
as % of revenue		*19.2%*	*20.0%*
Restructuring charges	21	(14.8)	(4.7)
Past service cost	16	2.8	(7.1)
Post-employment benefit obligations and other employee benefits		(0.5)	-
Impairment of PPE and intangible assets	3/4	(4.0)	(2.5)
Acquisition costs		(11.1)	(1.5)
Dismantlement costs		(1.4)	(3.8)
Strategic consultant fees		-	(1.7)
Loss on sales of property, plant and equipment		(0.4)	(0.9)
Operating profit		**672.3**	**645.7**

For financial years 2018 and 2017, the non-recurring charges had no significant impact on the cost of goods sold.

Operating profit excluding non-recurring items is not a defined performance measure in IFRS. The Group's definition of operating profit excluding non-recurring items may not be comparable with similarly titled performance measures and disclosures by other entities.

Consolidated statement of comprehensive income

For the years ended June 30

In millions of CHF	Notes	2018	2017
Net income for the period		**581.7**	**462.8**
Items that may be reclassified subsequently to the income statement			
Exchange differences on translating foreign operations		34.4	(28.2)
Exchange differences on translating foreign operations in jointly controlled entities and associates		0.8	1.0
Items that will not be reclassified to the income statement			
Remeasurement of post-employment benefit obligations	16	(0.1)	99.1
Deferred income taxes on remeasurement of post-employment benefit obligations	7	(1.2)	(12.9)
Total other comprehensive income for the period		**33.9**	**59.0**
Total comprehensive income for the period		**615.6**	**521.8**
Attribution			
Net comprehensive income attributable to non-controlling interests	15	1.3	1.2
Net comprehensive income attributable to equity holders of the parent		614.3	520.6

Consolidated statement of financial position

As at June 30

In millions of CHF	Notes	2018	2017
Assets			
Goodwill and intangible assets	3	1 042.5	493.1
Property, plant and equipment	4	944.5	826.9
Financial investments and loans	5/25	88.5	78.6
Investments in jointly controlled entities and associates	6	27.9	17.6
Deferred income tax assets	7	103.7	97.1
Total non-current assets		**2 207.1**	**1 513.3**
Inventories	8	679.5	633.1
Trade accounts receivable	9/25	845.5	720.4
Other receivables and prepaid expenses	10	156.2	130.6
Derivative financial instruments assets	11/25	31.0	13.6
Current income tax assets		86.1	52.4
Financial investments	12/25	173.4	167.7
Cash and cash equivalents	25	443.6	290.1
Total current assets		**2 415.3**	**2 007.9**
Total assets		**4 622.4**	**3 521.2**
Equity and liabilities			
Share capital	13	40.5	40.5
Retained earnings and other reserves		3 075.1	2 705.4
Remeasurement of post-employment benefit obligations		(377.8)	(376.4)
Translation of foreign operations		(323.2)	(358.6)
Equity attributable to equity holders of the parent		**2 414.6**	**2 010.9**
Non-controlling interests	15	18.4	15.3
Total equity		**2 433.0**	**2 026.2**
Post-employment benefit liabilities	16	545.7	532.5
Provisions	17	90.3	74.0
Deferred income tax liabilities	7	119.3	66.6
Long-term bank borrowings	18	25.9	1.9
Other long-term liabilities	18	24.9	23.0
Total non-current liabilities		**806.1**	**698.0**
Trade accounts payable	25	247.9	198.4
Other payables and accrued expenses	19	462.0	418.7
Derivative financial instruments liabilities	11/25	5.7	3.1
Provisions	17	35.2	37.7
Current income tax liabilities		54.5	46.3
Short-term bank borrowings	18/25	578.0	92.8
Total current liabilities		**1 383.3**	**797.0**
Total liabilities		**2 189.4**	**1 495.0**
Total equity and liabilities		**4 622.4**	**3 521.2**

Consolidated statement of changes in equity

In millions of CHF	Share capital and participation capital	Retained earnings and other reserves	Remeasure-ment of post-employment benefit obligations	Translation of foreign operations	Attributable to equity holders of the parent	Non-controlling interests *	**Total Equity**
Balance as at July 1, 2016	**41.3**	**2 457.9**	**(462.6)**	**(334.9)**	**1 701.7**	**11.9**	**1 713.6**
Net income for the period		461.4			461.4	1.4	462.8
Other comprehensive income for the period		(3.3)	86.2	(23.7)	59.2	(0.2)	59.0
Total comprehensive income for the period		**458.1**	**86.2**	**(23.7)**	**520.6**	**1.2**	**521.8**
Dividends		(210.6)			(210.6)	(0.9)	(211.5)
Reduction of participation capital	(0.8)				(0.8)		(0.8)
Acquisition of non-controlling interest *						3.1	3.1
Net change in other equity items	**(0.8)**	**(210.6)**			**(211.4)**	**2.3**	**(209.2)**
Balance as at June 30, 2017	**40.5**	**2 705.4**	**(376.4)**	**(358.6)**	**2 010.9**	**15.3**	**2 026.2**
Net income for the period		580.4			580.4	1.3	581.7
Other comprehensive income for the period		(0.2)	(1.4)	35.4	33.9	(0.0)	33.9
Total comprehensive income for the period		**580.2**	**(1.4)**	**35.4**	**614.3**	**1.3**	**615.6**
Dividends		(210.6)			(210.6)	(1.0)	(211.6)
Acquisition of non-controlling interest *						2.9	2.9
Net change in other equity items		**(210.6)**			**(210.6)**	**1.9**	**(208.7)**
Balance as at June 30, 2018	**40.5**	**3 075.1**	**(377.8)**	**(323.2)**	**2 414.6**	**18.4**	**2 433.0**

(*) Refer to note 2 and 15

Consolidated statement of cash flows

For the years ended June 30

In millions of CHF	Notes	2018	2017
Cash flows from operating activities			
Net income for the period		581.7	462.8
Income tax expense	24	75.3	110.0
Income before taxes		**657.0**	**572.8**
Depreciation of property, plant and equipment	4/20	78.9	75.2
Amortization of intangible assets	3/20	47.1	38.4
Impairment losses	3/4/20	4.1	2.5
Release of government grants	18/20	(2.3)	(2.2)
Changes in provisions		25.3	(12.8)
Unrealized net (gain)/loss on investment at fair value through income statement		(21.3)	11.9
Share of profit of jointly controlled entities and associates	6	(0.9)	(0.9)
Foreign exchange differences and other non cash items		11.2	8.5
Net interests		19.6	6.7
Adjustment for non cash items		**161.7**	**127.3**
Changes in inventories		(30.0)	(68.6)
Changes in trade and other receivables		(144.6)	(70.5)
Changes in trade and other payables		78.0	87.9
Changes in working capital		**(96.6)**	**(51.2)**
Interests paid		**(23.7)**	**(10.7)**
Income tax paid		**(125.7)**	**(132.9)**
Cash flows from operating activities		**572.7**	**505.3**
Cash flows used in investing activities			
Purchase of property, plant and equipment	4	(171.7)	(133.7)
Purchase of intangible assets	3	(37.4)	(25.2)
Disposal of intangible assets, property, plant and equipment		0.3	0.5
Government grants received	18/31	3.0	-
Net investments		**(205.8)**	**(158.4)**
Acquisition of subsidiaries (net of cash)	2	(493.5)	(17.4)
Acquisition of jointly controlled entities and associates (net of cash)	6	(9.0)	-
Sale of short-term financial investments		(0.2)	15.8
Interest received		4.7	3.8
Cash flows used in investing activities		**(703.8)**	**(156.2)**
Cash flows from / (used in) financing activities			
(Increase)/decrease of long-term loans & financial assets		3.6	(36.6)
Other long-term debt		(10.6)	(6.4)
Long-term bank borrowings increase	18	28.5	1.9
Long-term bank borrowings decrease	18	-	(0.1)
Short-term bank borrowings increase	18	3 324.7	513.9
Short-term bank borrowings decrease	18	(2 852.2)	(592.2)
Reduction of participation capital	13	-	(0.8)
Dividend payment to equity holders of the parent		(210.6)	(210.6)
Dividend paid to non-controlling interests		(1.0)	(0.9)
Cash flows from / (used in) financing activities		**282.4**	**(331.8)**
Net increase in cash and cash equivalents		**151.3**	**17.3**
Cash and cash equivalents			
Cash and cash equivalents at beginning of period		290.1	274.5
Net effect of currency translation on cash and cash equivalents		2.2	(1.7)
Cash and cash equivalents at end of period		443.6	290.1
Cash and cash equivalents variation		**151.3**	**17.3**

Notes to the consolidated financial statements

1. Accounting information and policies

The accounting policies adopted are the same as those which were applied for the previous financial year, except as set out below under the heading International Financial Reporting Standards – Revised standards.

Firmenich Group

FIRMENICH INTERNATIONAL SA, Geneva, incorporated in Switzerland (1, rte des Jeunes, 1208 Geneva) is the ultimate holding company of the Firmenich Group involved in the research, creation, manufacture and selling of natural and synthetic perfumes and flavors.

The Firmenich Group with its parent company FIRMENICH INTERNATIONAL SA whose headquarters are in Geneva, Switzerland, operates worldwide and has affiliated companies and representative offices in over 30 countries.

A list of the main entities is disclosed in note 34.

The financial year 2018 covers the period from July 1, 2017 to June 30, 2018.

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). These accounting policies have been consistently applied to all the years presented, unless otherwise stated. The consolidated financial statements are prepared on an accrual basis and using the historical cost convention, as modified by the revaluation of financial assets and financial liabilities (including derivative instruments) at fair value through income statement.

The FIRMENICH INTERNATIONAL SA Board of Directors approved for issue these financial statements on September 4, 2018 that are subject to the approval by the Annual General Meeting on October 9, 2018.

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 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 pension schemes and post-employment benefit programs. The calculations of the recognized assets and liabilities from such plans are based upon statistical and actuarial calculations and are impacted by assumptions on discount rates used to arrive at the present value of future pension liabilities, expected returns that will be made on existing pension assets, future salary increases as well as future pension increases and statistical based assumptions covering future withdrawals of participants from the plan and estimates of life expectancy. The actuarial assumptions used may differ materially from actual results 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 16).

Notes to the consolidated financial statements

International Financial Reporting Standards – Revised standards

The Group adopted the following standards, amendments and interpretations that are mandatory for financial year 2018.

Amendments to IAS 7 Statement of Cash flows - Disclosure Initiative;
Amendments to IAS 12 Recognition of Deferred Tax Assets for Unrealised Losses;
Annual Improvements to IFRSs 2014 - 2016 Cycle (Amendments to IFRS12).

Amendments to IAS 7 Disclosure Initiative require disclosures that enable to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes (refer to note 18).

Amendments to IAS 12 Recognition of Deferred Tax Assets for Unrealised Losses clarifies that deferred tax assets can be recognised on unrealised losses if unrealised losses are not tax deductible. A deductible temporary difference results from the difference between the lower carrying amount of an asset and its higher tax base. The adoption of these amendments does not result in a significant impact in the consolidated financial statements.

The impact of other above mentioned standards, amendments and interpretations are not relevant to the Group's operations.

Changes in accounting policies and IFRS

The new and revised standards, issued but not yet effective, are currently being reviewed in order to identify the nature of the future change in accounting policies and to estimate the effect of any necessary changes in the consolidated income statement and the consolidated statement of financial position upon their adoption.

The new and revised international financial reporting standards are:

Effective for financial year 2019:
IFRS 15 Revenue from contracts with customers;
IFRS 9 Financial instruments;
Amendments to IFRS 2 Share-based payment transactions;
Annual Improvements to IFRSs 2014 - 2016 Cycle (Amendments to IFRS1 and IAS 28);
Amendments to IAS 40 Investment property;
IFRIC 22 Foreign currency transactions and advance consideration.

Effective for financial year 2020 and later periods:
IFRS 16 Leases;
Amendments to IFRS 4 Insurance contracts;
IFRS 17 Insurance contracts;
Amendments to IFRS 9 Prepayment features with negative compensation;
Amendments to IAS 28 Long-term interests in associates and joint ventures;
IFRIC 23 Uncertainty over Income tax treatments;
Annual Improvements to IFRSs 2015 - 2017 Cycle (Amendments to IAS 12, IAS 23 and IAS 28);
IAS 19 Plan Amendment, Curtailment or Settlement .

IFRS 9 Financial Instruments addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets. The Group has assessed that the adoption of this standard will not have a significant impact on its consolidated financial statements.

IFRS 15 Revenue from contracts with customers defines a five-step model to recognise revenue from customer contracts and is based on the principle that revenue is recognised when a customer obtains control of the goods. The Group assessed that the adoption of this standard will not have a significant impact on its consolidated financial statements.

IFRS 16 Leases introduces a single lease accounting model and requires the recognition of assets and liabilities for all leases. The Group has completed an initial assessment of the potential impact on its consolidated financial statements and is working on a detailed assessment. The most significant impact identified is that the Group will recognise new assets and liabilities for its operating leases of buildings and warehouses.

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

Notes to the consolidated financial statements

Group significant accounting policies

Principles of consolidation

The consolidated financial statements include the accounts of the parent company (FIRMENICH INTERNATIONAL SA) and the affiliated companies as at June 30, 2018 and 2017.

The affiliated companies that are consolidated, when the Group obtains control, comprise investments in companies where the Group's interest in the equity capital exceeds 50 per cent of the voting rights and/or has power to govern the financial and operating policies, is exposed or has rights to variability in returns and has the ability to use its power to affect its returns.

Affiliated companies controlled directly or indirectly by the Group are consolidated from the date on which control is transferred to the Group and are no longer consolidated from the date that control ceases. The acquisition method of accounting is used to account for the acquisition of affiliated companies. The cost of an acquisition is measured as the fair value of the assets given up, shares issued or liabilities undertaken at the date of acquisition. The costs directly attributable to the acquisition are recognized in the income statement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their 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. If the cost of acquisition is less than the fair value of the net assets of the affiliated company acquired, the difference is recognized directly in the income statement.

Inter-company balances, transactions and profits are eliminated.

The Group's interests in jointly controlled entities and associates are accounted for using the equity method. 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.

Foreign currencies

The Group's presentation currency is Swiss francs (CHF). Each affiliated company's local currency is its functional currency.

The statement of financial position of foreign affiliated companies are translated into CHF at the exchange rates ruling at the year-end. The income statement accounts are translated at monthly exchange rates with the resulting translation adjustment taken to other comprehensive income, as are the exchange differences arising on the translation of opening shareholders' equity of foreign affiliated companies. Statement of cash flows are translated into CHF by applying to the foreign currency amount the monthly average exchange rate. On the divestment of a foreign entity, the cumulative translation adjustments relating to that foreign entity are recognized in the income statement as part of the gain or loss on divestment. Transactions in foreign currencies arising in affiliated companies are recorded at the exchange rates ruling at the date of the transaction. At the year-end, any unsettled balance is converted into the respective company's functional currency at the year-end exchange rate. All transaction gains or losses, realized and unrealized, are taken directly to the year's results, 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

Revenue is recognized when risks and rewards of ownership are transferred to the buyer, which is deemed upon shipment. Net sales represent the invoiced value of goods sold to third parties after deduction of trade discounts, volume rebates and excluding sales and value added taxes and other related expenses. Provisions for rebates to customers are recognized in the same period that the related sales are recorded based on the contract terms and historical experience.

Non-recurring items

As per Group policy, the operating performance is analyzed excluding non-recurring items as additional financial information. Severance costs incurred in connection with approved restructuring plans, impairment losses and other losses on assets, gains and losses on divestments, curtailments and restructuring of pension funds, consulting fees related to acquisitions, dismantlement costs, changes in accounting estimates with non-recurring impacts are defined as non-recurring items.

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

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

2. Business combinations

2.1 Businesses acquired

2.1.a Businesses acquired in 2018

The following table summarises the businesses acquired in 2018:

Businesses acquired	Division	Date of acquisition
Agilex Fragrances *	Perfumery & Ingredient	10 July 2017
Natural Flavors **	Flavor	1 February 2018
Flavourome ***	Flavor	2 February 2018

* Agilex Holdings, Inc, a leading fragrance company in North America is recognized for its track record in designing creative fragrances, as well as its industry-leading supply chain with best-in-class speed-to-market. Agilex is particularly strong in Air Care, with applications such as candles, scented wax and reed diffusers, a fast growing category.
Firmenich acquired 100% of the shares and voting interests.

** Firmenich acquired the business of Natural Flavors Inc. a US manufacturer of natural and organic flavors, located in Newark, New Jersey, this business is dedicated to producing the highest quality flavors.

*** Flavourome (Pty) Ltd is a South African Company serving the local flavor market. It supplies sweet flavours for both liquid and powder. Firmenich acquired 90% of the shares and voting interests.

2.1.b Business acquired in 2017

The following table summarises the business acquired in 2017:

Business acquired	Division	Date of acquisition
Essex Laboratories	Perfumery & Ingredient	1 July 2016

Essex Laboratories LLC offers a range of natural peppermint and spearmint essential oils, extracts, and dried botanical leaves to customers in the food, confectionery, beverage, health, cosmetic and fragrance industries.
Firmenich acquired 75% of the shares and voting interests.

2.2 Assets and liabilities recognised at the date of acquisition

2.2.a Assets and liabilities recognised at date of acquisition in 2018

In millions of CHF	Agilex	Flavourome	Natural Flavors	**Total**
Current assets				
Cash and cash equivalents	4.1	0.5	-	**4.6**
Inventories	6.4	2.9	2.7	**11.9**
Trade accounts receivable	6.3	3.0	2.3	**11.6**
Other receivables and prepaid expenses	0.7	-	-	**0.7**
Current income tax assets	10.8	-	-	**10.8**
Non-current assets				
Goodwill and intangible assets	206.3	8.9	40.8	**256.1**
Property, plant and equipment	16.9	1.1	-	**18.1**
Long-term financial investments	-	-	-	**-**
Current liabilities				
Trade accounts payable	(3.3)	(3.2)	-	**(6.5)**
Other payables and accrued expenses	(12.4)	(0.1)	(0.1)	**(12.5)**
Non-current liabilities				
Deferred income tax liabilities	(71.9)	(2.5)	-	**(74.4)**
Deferred compensation and other provisions	(0.3)	-	-	**(0.3)**
Long-term bank and other borrowings	0.4	-	-	**0.4**
Total identifiable net assets acquired at fair value	**164.1**	**10.6**	**45.7**	**220.4**
Non-controlling interest at the proportionate share of the acquiree's net assets	-	(2.9)	-	**(2.9)**
Net assets aquired	**164.1**	**7.7**	**45.7**	**217.5**
Goodwill arising on acquisition	200.7	18.4	61.5	**280.7**
Purchase consideration	**364.8**	**26.1**	**107.2**	**498.1**

The goodwill reflects the expected revenue growth and synergies.

The goodwills are not deductible for tax purposes except for Natural Flavors.

Transactions costs of CHF 6.0 have been expensed (included in operating expenses) and are part of the operating cash flows in the consolidated statement of cash flows.

From the date of acquisition, Agilex contributed CHF 68.4 to revenue and CHF 33.1 to profit of the Group's results.
For the five months ended 30 June 2018, Natural Flavors and Flavourome contributed revenue of CHF 15.6 and profit of CHF 4.4 to the Group's results. If the acquisitions had occurred on 1 July 2017, management estimates that consolidated revenue would have been CHF 3'680.3, and consolidated profit for the year would have been CHF 586.6.

If new information obtained within one year of the date of acquisition about facts and circumstances that existed at the date of acquisition identifies adjustment to the above amounts, or any additional provisions that existed at the date of acquisition, then the accounting for the acquisition will be revised.

2.2.b Assets and liabilities recognised at date of acquisition in 2017

In millions of CHF	Essex Laboratories	Total
Current assets		
Cash and cash equivalents	2.7	**2.7**
Inventories	15.2	**15.2**
Trade accounts receivable	3.4	**3.4**
Other receivables and prepaid expenses	0.1	**0.1**
Current income tax assets	-	**-**
Non-current assets		
Goodwill and intangible assets	5.6	**5.6**
Property, plant and equipment	0.8	**0.8**
Long-term financial investments	0.0	**0.0**
Current liabilities		
Trade accounts payable	(0.7)	**(0.7)**
Other payables and accrued expenses	(2.8)	**(2.8)**
Non-current liabilities		
Deferred income tax liabilities	-	**-**
Deferred compensation and other provisions	(2.0)	**(2.0)**
Long-term bank and other borrowings	(9.8)	**(9.8)**
Total identifiable net assets acquired at fair value	**12.5**	**12.5**
Non-controlling interest at the proportionate share of the acquiree's net assets	(3.1)	**(3.1)**
Net assets aquired	**9.4**	**9.4**
Goodwill arising on acquisition	10.7	**10.7**
Purchase consideration	**20.1**	**20.1**

The goodwill reflects the expected revenue growth and synergies. The goodwill is deductible for tax purposes.

Transactions costs of CHF 0.5 have been expensed (included in operating expenses) and are part of the operating cash flows in the consolidated statement of cash flows.

From the date of acquisition, the aggregate contribution of the acquired business was CHF 20.6 to sales and CHF 1.0 to operating profit.

2.3 Cash flow on acquistions

2.3.a Cash flow on acquisitions in 2018

The cash flow made on the acquisitions is summarised below :

In millions of CHF	Agilex	Flavourome	Natural Flavors	Total
Cash consideration	(364.8)	(26.1)	(107.2)	**(498.1)**
Cash and cash equivalents acquired	4.1	0.5	-	**4.6**
Net cash outflow	**(360.7)**	**(25.6)**	**(107.2)**	**(493.5)**

2.3.b Cash flow on acquisitions in 2017

The cash flow made on the acquisitions is summarised below :

In millions of CHF	Essex Laboratories	Total
Cash consideration	(20.1)	**(20.1)**
Cash and cash equivalents acquired	2.7	**2.7**
Net cash outflow	**(17.4)**	**(17.4)**

3. Goodwill and intangible assets

Amortization

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

Customer base	15 to 20 years
Technology and formulas	5 to 10 years
Software and other	5 years

Impairment

Where an indication of impairment exists, the carrying amount of any intangible asset and goodwill is assessed and written down immediately to its recoverable amount.

Impairment test for goodwill

The acquisition method of accounting is used to account for the acquisition of subsidiaries. Goodwill on consolidation represents the excess of the cost of an acquisition over the underlying fair value of the net identifiable assets of the acquired companies at the date of acquisition. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. When events or changes in circumstances indicate the value may not be fully recoverable, the Group estimates its value in use based on the future cash flows expected to result from the use of the asset and its eventual disposition. If the carrying amount of the asset is more than the higher of its value in use to the Group or its anticipated net selling price, an impairment loss for the difference is recognized. Considerable management judgment is necessary to estimate discounted future cash flows, accordingly, actual outcomes could vary significantly from such estimates. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold. Goodwill is allocated to cash-generating units for the purpose of impairment testing. Each of those cash-generating units represents the Group's investment in each country of operation by business division or business segment.

Impairment test for goodwill

Goodwill is allocated to the Group's cash-generating units (CGUs) identified according to country of operation and business segment. 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 four-year-period. The discount rates used are based on the Group's weighted average cost of capital adjusted for specific country and currency risks associated with the cash flow projections. The cash flows take into account tax expenses and therefore a post-tax discount rate is used. The application of the post-tax discount rate approximates the results of using a pre-tax rate applied to pre-tax cash-flows. The key assumptions used for value-in-use calculations are perpetual growth rates of 0.5% and post-tax discount rates of 8.0% (2017: 8.0%).

The key sensitivity for the impairment test are the growth in revenues and the operating margin. Reducing the expected annual revenue growth rate for the first four years of the plan by 150 basis points would not result in the carrying amount exceeding the recoverable amount. Reducing the operating margin to sales ratio by 300 basis points for the first four years of the plan would not result in the carrying amount exceeding the 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 combination.

Brand, software and other

Software

Costs associated with developing or maintaining 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 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, brands and trademarks

Acquired patents, licenses, brands, trademarks 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.

Construction in progress

Construction in progress consists of development expenses with external partners for molecules development (Senomyx Inc) CHF 10.0 (2017: CHF 0.0) and Amyris Inc CHF 3.9 (2017: CHF 4.1), the implementation of a knowledge reservation integration system platform (KRISP) CHF 1.6 (2017: CHF 1.9), FACE project CHF 4.0 (2017: CHF 1.4) and various software developments CHF 14.0 (2017: CHF 20.3).

Intangible assets not yet available for use

Intangible assets not yet available for use 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	Brand, software and other	Construction in progress	Total
COST						
Opening balance 2017	**315.5**	**173.1**	**219.3**	**369.3**	**37.0**	**1 114.2**
Additions	-	-	-	0.1	25.1	25.2
Disposals	-	-	-	(1.4)	-	(1.4)
Transfers *	-	-	24.4	11.4	(34.4)	1.4
Acquisition of businesses	10.8	-	5.4	0.1	-	16.3
Currency translation adjustment	(3.3)	-	(0.1)	(0.7)	-	(4.1)
Closing balance 2017	**323.0**	**173.1**	**249.0**	**378.8**	**27.7**	**1 151.6**
Additions	0.4	-	-	0.1	36.9	37.4
Transfers *	-	-	14.9	15.8	(31.1)	(0.4)
Acquisition of businesses	280.6	184.2	24.3	47.6	-	536.7
Currency translation adjustment	14.6	5.8	1.0	2.7	-	24.1
Closing balance 2018	**618.6**	**363.1**	**289.2**	**445.0**	**33.5**	**1 749.4**
ACCUMULATED AMORTIZATION						
Opening balance 2017		**103.8**	**189.9**	**328.4**		**622.1**
Charge of the year		11.5	7.1	19.8		38.4
Disposals		-	-	(1.4)		(1.4)
Currency translation adjustment		0.1	(0.1)	(0.6)		(0.6)
Closing balance 2017		**115.4**	**196.9**	**346.2**		**658.5**
Charge of the year		19.1	7.4	20.6		47.1
Impairment losses		-	-	1.0		1.0
Transfers		0.6	-	(1.6)		(1.0)
Currency translation adjustment		0.1	0.2	1.0		1.3
Closing balance 2018		**135.2**	**204.5**	**367.2**		**706.9**
NET BOOK VALUE						
Closing balance 2017	**323.0**	**57.7**	**52.1**	**32.6**	**27.7**	**493.1**
Closing balance 2018	**618.6**	**227.9**	**84.7**	**77.8**	**33.5**	**1 042.5**

* These lines include transfers from construction in progress to other intangibles, as well as property, plant and equipment (refer to note 4).

4. 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

Where an indication of impairment exists, the carrying amount of any property, plant and equipment is assessed and written down immediately to its recoverable amount.

Depreciation and amortization

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 buildings, infrastructure and equipment are determined by reference to their carrying amount and are taken into the income statement.

In millions of CHF	Land	Buildings and infrastructure	Equipment	Construction in progress	**Total**
COST					
Opening balance 2017	**56.8**	**1 060.4**	**1 174.9**	**70.7**	**2 362.8**
Additions	-	10.4	5.5	117.8	133.7
Disposals	-	(7.6)	(17.8)	-	(25.4)
Transfers *	-	36.7	62.1	(100.2)	(1.4)
Acquisition of subsidiaries	-	-	0.8	-	0.8
Currency translation adjustment	(0.8)	(11.6)	(12.3)	(1.7)	(26.4)
Closing balance 2017	**56.0**	**1 088.3**	**1 213.2**	**86.6**	**2 444.1**
Additions	-	3.8	5.1	162.8	171.7
Disposals	-	(0.9)	(3.4)	-	(4.3)
Transfers *	-	21.8	45.0	(73.7)	(6.9)
Acquisition of subsidiaries	0.9	3.0	14.2	-	18.1
Currency translation adjustment	0.5	14.7	16.9	2.0	34.1
Closing balance 2018	**57.4**	**1 130.7**	**1 291.0**	**177.7**	**2 656.8**
ACCUMULATED DEPRECIATION					
Opening balance 2017		**683.8**	**894.5**		**1 578.3**
Charge of the year		30.5	44.7		75.2
Impairment losses		2.2	0.3		2.5
Disposals		(6.2)	(17.7)		(23.9)
Currency translation adjustment		(6.2)	(8.7)		(14.9)
Closing balance 2017		**704.1**	**913.1**		**1 617.2**
Charge of the year		30.8	48.1		78.9
Impairment losses		3.0	(0.0)		3.0
Disposals		(0.5)	(3.3)		(3.8)
Transfers *		-	(6.3)		(6.3)
Currency translation adjustment		9.8	13.5		23.3
Closing balance 2018		**747.2**	**965.1**		**1 712.3**
NET BOOK VALUE					
Closing balance 2017	**56.0**	**384.2**	**300.1**	**86.6**	**826.9**
Closing balance 2018	**57.4**	**383.5**	**325.9**	**177.7**	**944.5**

* These lines include transfers from construction in progress to land, building and infrastructure and equipment, as well as intangible assets (refer to Note 3).

In prior year, a preferential purchase right on the site La Jonction has been granted to a third party. An instalment of CHF 7.0 has been received in 2017. The ownership of the assets will be transferred in 2020. Total agreed sale proceeds are CHF 70.0.

Impairment loss

Current year impairment loss is related to the relocation of our office in Mumbai which will take place in 2019.

In prior year, there was no significant impairment loss.

Property, plant and equipment under finance leases

In millions of CHF	Notes	2018	2017
Net book value of property, plant and equipment under finance leases	18	1.2	1.6

Guarantee

No property, plant and equipment are used to secure bank borrowings.

5. Financial investments and loans

In millions of CHF	Notes	2018	2017
Land use rights		14.3	14.0
Other net long-term loans and receivables		16.4	14.5
Loans to related parties		5.5	5.3
Loans to personnel		2.8	4.9
Sub-total long-term loans		**39.0**	**38.7**
Long-term financial investments	25	49.5	39.9
Total investments and long-term loans		**88.5**	**78.6**

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

Other net long-term loans and receivables mainly consist of insurance policy and deposits covering employee benefits and a loan from Firinc to one of its core customers.

Loans to related parties mainly consist of :
- A long-term financing granted to Prolitec Inc of CHF 5.5 (2017 : CHF 5.3).
- A loan granted to Negev Aroma Ltd CHF 19.3 (2017 : 18.1). This loan is fully impaired and booked in the category loans to related parties.

For the year ended June 30, 2018, long-term financial investments consist of investments held at fair value through income statement. They include funds of a deferred compensation scheme of CHF 44.0 (2017: CHF 35.1) 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 17).

6. Associates and joint ventures

Joint ventures are undertakings in which the Group has an interest and which are jointly controlled by the Group and one or more other parties.

Associates are undertakings where the Group has an investment in which it does not have control or joint control but can exercise significant influence.

In May 2017, decision has been taken to wind up voluntarily Negev Aroma (Ramat Hovav) Ltd.

June 30, 2018

In millions of CHF	Fider SA	Jasmine Concrete Exports Private Ltd	Prolitec Inc (*)	The Nelixia Company SA (*)	Other (**)	Total
Opening balance 2018	8.1	5.7	2.6	-	1.2	17.6
Acquisition	-	-	-	9.0	-	9.0
Share of (loss) / profit	0.5	0.4	(0.2)	-	0.2	0.9
Other movement	(0.0)	0.0	(0.0)	-	(0.0)	(0.0)
Currency translation adjustment	0.5	(0.2)	0.1	0.0	0.0	0.4
Closing balance 2018	**9.1**	**5.9**	**2.5**	**9.0**	**1.4**	**27.9**

(*) Prolitec Inc and The Nelixia Company SA are associated companies

(**) Oher includes Negev Aroma Ltd and InnovAroma SA

June 30, 2017

In millions of CHF	Fider SA	Jasmine Concrete Exports Private Ltd	Prolitec Inc (*)		Other (**)	Total
Opening balance 2017	7.4	4.6	12.2		1.0	25.2
Share of (loss) / profit	0.6	0.6	(0.5)		0.2	0.9
Goodwill impairment	-	-	(8.5)		-	(8.5)
Other movement	-	0.4	(0.7)		(0.1)	(0.4)
Currency translation adjustment	0.1	0.1	0.2		(0.0)	0.4
Closing balance 2017	**8.1**	**5.7**	**2.6**		**1.2**	**17.6**

(*) Prolitec Inc is an associated company

(**) Oher includes Negev Aroma Ltd and InnovAroma SA

The Group acquired a new associated entity in Panama, The Nelixia Company SA on April 30, 2018. This company was founded in Guatemala a decade ago and is renowned for producing the highest quality Cardamom, Peru Balsam and Styrax essential oils, that are also 100% carbon neutral and traceable.

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. Deferred income taxes

The Group takes advantage of local fiscal possibilities to make appropriations to untaxed reserves in the individual affiliated companies' financial statements prepared for fiscal purposes. Given the fact that timing differences are created between local books and reporting submitted, deferred income 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 income tax assets are recognized to the extent that it is probable that future taxable income will be available against which the temporary difference can be utilized.

Current and deferred income 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 income tax expenses / income is based on present enacted tax rate or substantively enacted income tax rate.

In millions of CHF	2018	2017
DEFERRED INCOME TAXES		
Deferred income tax assets	103.7	97.1
Deferred income tax liabilities	(119.3)	(66.6)
Net deferred income tax (liabilities)/assets	**(15.6)**	**30.5**

In millions of CHF	Deferred income tax assets 2018	2017	Deferred income tax liabilities 2018	2017	Net deferred income tax 2018	2017
ASSOCIATED WITH:						
Intangible assets	0.3	0.3	(84.6)	(56.5)	(84.3)	(56.2)
Property, plant and equipment	1.9	1.9	(16.1)	(18.5)	(14.2)	(16.6)
Long-term assets	0.2	0.4	(1.2)	(1.0)	(1.0)	(0.6)
Inventories	33.7	39.6	(9.9)	(7.9)	23.8	31.7
Provisions	85.3	93.4	(21.7)	(28.5)	63.6	64.9
Tax loss carry forwards	0.8	0.6	-	-	0.8	0.6
Other assets	0.5	0.5	(14.1)	(6.7)	(13.6)	(6.2)
Other liabilities	9.6	13.2	(0.2)	(0.3)	9.4	12.9
Deferred income tax assets/(liabilities)	**132.3**	**149.9**	**(147.9)**	**(119.4)**	**(15.6)**	**30.5**
Set off tax	(28.6)	(52.8)	28.6	52.8	-	-
Net deferred income tax assets/(liabilities)	**103.7**	**97.1**	**(119.3)**	**(66.6)**	**(15.6)**	**30.5**

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

Deferred income tax assets on provisions are mainly relating to provision for defined benefit pension plans and other post-employment benefits in Switzerland and United States of America.

The movement in deferred income tax assets and liabilities during the current year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is charged / (credited) to the income statement (refer to note 24), except for deferred income tax assets relating to post-employment benefit obligations for which an amount of CHF -1.2 (2017: -12.9) of deferred income taxes is credited to other comprehensive income with no material amount of currency translation adjustments.

In millions of CHF	2018	2017
Amount of tax losses available	3.9	2.8
Amount of tax losses considered to accrue deferred income tax assets	3.9	2.8

8. 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	2018	2017
INVENTORY SPLIT BY CATEGORY		
Raw material and supplies	248.2	219.5
Work in progress	287.2	283.7
Finished goods	167.4	150.4
Allowance for slow moving and obsolete inventories	(23.3)	(20.5)
Total inventories	**679.5**	**633.1**

In millions of CHF	2018	2017
MOVEMENT OF INVENTORY ALLOWANCE		
Opening balance	(20.5)	(22.2)
Increase in allowance	(27.9)	(25.2)
Acquisition of subsidiaries	(0.3)	-
Use and reversal of allowance	25.4	26.7
Currency translation adjustment	-	0.2
Closing balance	**(23.3)**	**(20.5)**

During the current year, obsolete products were destroyed, partially using the allowance. Total inventory losses (physical losses and movement in inventory allowances) for the year ended June 30, 2018 reached CHF 33.0 (2017: CHF 40.4) and are included in the cost of goods sold.

9. Trade accounts receivable

Trade accounts receivable

Trade accounts receivable are carried at original invoice amount less an allowance for doubtful receivables. An allowance is made based on the following criteria:

- 50% of trade accounts receivable amounts for trade accounts receivable overdue > 6 months and < 12 months
- 100% of trade accounts receivable amounts for trade accounts receivable overdue > 12 months

An additional allowance is made irrespective of the above policy when there is an objective evidence that the Group will not be able to collect all amounts due. Bad debts are written off during the year in which they are identified.

In millions of CHF	2018	2017
Trade accounts receivable (gross)	852.4	725.8
Allowance for doubtful debts	(6.9)	(5.4)
Total trade accounts receivable	**845.5**	**720.4**

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	2018	2017
AGEING OF PAST DUE BUT NOT IMPAIRED		
Neither past due nor impaired	827.8	694.0
Less than 30 days	18.5	20.2
30 to 60 days	2.3	4.5
60 to 90 days	1.4	1.9
More than 90 days	2.4	5.2
Less allowance for doubtful debts	(6.9)	(5.4)
Total trade accounts receivable	**845.5**	**720.4**

In millions of CHF	2018	2017
MOVEMENT IN ALLOWANCE FOR DOUBTFUL DEBTS		
Opening balance	(5.4)	(5.8)
Increase of allowance for doubtful trade accounts receivable	(15.8)	(18.9)
Acquisition of subsidiaries	(0.1)	-
Unused reversed allowance for doubtful trade accounts receivable	14.4	18.9
Usage of allowance for doubtful trade accounts receivable	-	0.2
Currency translation adjustment	(0.0)	0.2
Closing balance	**(6.9)**	**(5.4)**

Total trade accounts receivable written-off for the year ended June 30, 2018 are nil (2017 : CHF 1.2).

10. Other receivables and prepaid expenses

In millions of CHF	2018	2017
VAT receivables	71.0	55.1
Other receivables	45.8	32.2
Prepaid expenses	38.7	42.6
Accrued income	0.7	0.7
Total other receivables and prepaid expenses	**156.2**	**130.6**

11. Financial instruments

Derivative financial instruments

In millions of CHF	2018		2017	
Fair value	**Assets**	**Liabilities**	**Assets**	**Liabilities**
Forward exchange contracts	3.6	3.1	1.5	1.7
Currency options	0.8	2.6	3.0	1.4
Commodity options	26.6	-	8.8	-
Futures	-	-	0.3	-
Total current portion of derivative financial instruments	**31.0**	**5.7**	**13.6**	**3.1**

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

12. Financial investments

In millions of CHF	2018	2017
Fixed term deposits over 48 hours	72.1	61.1
Bonds and debentures	81.3	88.8
Equity securities	17.6	15.6
Hedge funds	2.4	2.2
Financial investments	**173.4**	**167.7**

For accounting policy on financial investments and further details, refer to note 25 section Financial instruments category.

For the year ended June 30, 2018, and 2017 no restrictions on marketable securities exist, except CHF 3.4 (2017: CHF 3.4) owned by the Fondation de prévoyance, an employer's fund, where investments are restricted to employee benefits use only.

In millions of CHF	2018	2017
SHORT-TERM FINANCIAL INVESTMENTS SPLIT BY CURRENCIES		
CHF	40.5	30.5
USD	47.7	36.9
CNY	24.5	43.7
EUR	16.9	15.6
Other	43.8	41.0
Total	**173.4**	**167.7**

13. Share capital

	2018	2017
SHARE CAPITAL - ORDINARY SHARES		
Registered A shares		
Number	729 000	729 000
Nominal value (in CHF)	50.0	50.0
Total A shares (in millions of CHF)	**36.45**	**36.45**
Registered B shares		
Number	810 000	810 000
Nominal value (in CHF)	5.0	5.0
Total B shares (in millions of CHF)	**4.05**	**4.05**
Share capital (in millions of CHF)	**40.5**	**40.5**

Ordinary share

Each share carries the right to one vote. When a dividend on ordinary share is declared, holders of A shares are entitled to a preferential dividend equivalent to 10% of the nominal share value in priority to other dividend payments.

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

14. 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)	2018	2017
Net income attributable to Firmenich International SA	580.4	461.4
A shares part of share capital in %	90.0%	90.0%
A shares part of net income from ordinary activities	522.3	415.3
B shares part of share capital in %	10.0%	10.0%
B shares part of net income from ordinary activities	58.0	46.1
Earnings per A share (in CHF)	**716.52**	**569.65**
Earnings per B share (in CHF)	**71.65**	**56.97**

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 2017, a distribution on financial year 2017 net income of CHF 260.0 gross per A share and CHF 26.0 gross per B share was approved (October 2016: CHF 260.0 per A share and CHF 26.0 per B share).

This year the Board proposes a dividend of CHF 260.0 gross per A share, which includes the 10% preferential dividend, and CHF 26.0 gross per B share.

15. Non-controlling interests

Information relating to each of the Group's subsidiaries that has non-controlling interests is as follows :

June 30, 2018

In millions of CHF	Essex Laboratories LLC	Firmenich Aromatics Co. Ltd.	PT Firmenich Indonesia	Flavourome	Total
Opening balance 2018	3.2	5.1	7.0	-	15.3
Share of (loss) / profit	0.6	0.1	0.5	(0.0)	1.3
Acquisition	-	-	-	2.9	2.9
Dividends	(0.2)	(0.3)	(0.5)	-	(1.0)
Currency translation adjustment	0.1	0.3	(0.2)	(0.2)	(0.1)
Closing balance 2018	**3.8**	**5.2**	**6.8**	**2.7**	**18.4**

June 30, 2017

In millions of CHF	Essex Laboratories LLC	Firmenich Aromatics Co. Ltd.	PT Firmenich Indonesia		Total
Opening balance 2017	-	4.9	7.0		11.9
Share of profit	0.2	0.4	0.8		1.4
Acquisition	3.1	-	-		3.1
Dividends	(0.1)	(0.1)	(0.7)		(0.9)
Currency translation adjustment	(0.0)	(0.1)	(0.0)		(0.1)
Closing balance 2017	**3.2**	**5.1**	**7.0**		**15.3**

16. Pension plans and other post-employment benefit obligations

The Group companies operate various defined benefit and defined contribution pension schemes 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 account of 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 all employees 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 liability recognised 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 using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension 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 recognised immediately in the income statement.

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

Pension 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.

Other post-employment benefits and similar obligations also comprise healthcare benefits, jubilees, long-service leaves and similar obligations whenever requested by local laws or circumstances. 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 over the period of employment using the same accounting methodology as used for defined benefit pension plans. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise.

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, United States of America and United Kingdom.

PENSION PLANS

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

OTHER POST-EMPLOYMENT BENEFITS

Other post-employment benefits are not funded and comprise monthly contributions to medical insurance, annual premiums and monthly pensions to a limited number of beneficiaries. Other post-employment benefits also cover compensations in relation to state pensions for early retirements and other compensations in relation to retirements of corporate management.

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

In millions of CHF	2018	2017
OBLIGATIONS		
Defined pension benefits	434.7	437.7
Other post-employment benefits	111.0	94.8
Liability in statement of financial position	**545.7**	**532.5**
INCOME STATEMENT CHARGES		
Defined pension benefits	53.5	60.0
Other post-employment benefits	6.2	7.0
Total included in income statement	**59.7**	**67.0**
REMEASUREMENT		
Defined pension benefits	(14.1)	(98.4)
Other post-employment benefits	14.2	(0.7)
Total remeasurement included in other comprehensive income	**0.1**	**(99.1)**
Following non-recurring items (refer to analysis of operating profit) were incurred:		
Past service cost	(2.8)	7.1

For further details please refer to section main defined benefit pension plans description.

Defined contribution plans

During the financial year, expenses related to defined contribution plans recognised in the income statement are CHF 40.4 (2017: 38.5).

Defined benefit pension plans

In millions of CHF	Defined funded and unfunded benefit obligations	Fair value of plan assets	(Assets) / Liabilities recognized in the balance sheet
MOVEMENT OF NET (ASSETS) / LIABILITIES OVER THE YEAR			
Opening balance 2018	**1 653.6**	**(1 215.9)**	**437.7**
INCLUDED IN INCOME STATEMENT			
Current service cost	43.0		**43.0**
Plan administration expenses		5.5	**5.5**
Past service cost	0.2		**0.2**
Interest expense / (income)	19.4	(14.6)	**4.8**
Loss / (gain) on settlements	-		-
Total included in income statement	**62.6**	**(9.1)**	**53.5**
INCLUDED IN OTHER COMPREHENSIVE INCOME			
Remeasurements losses / (gains)			
Actuarial loss / (gain) arising from:			
Loss / (gain) from change in demographic assumptions (*)	15.9		**15.9**
Loss / (gain) from change in financial assumptions (*)	(32.9)		**(32.9)**
Experience loss / (gain)	21.8		**21.8**
Return on plan assets excluding movement through income statement		(18.9)	**(18.9)**
Total included in other comprehensive income	**4.8**	**(18.9)**	**(14.1)**
OTHER			
Benefits paid	(56.0)	56.0	**0.0**
Contributions by plan participants	12.6	(12.6)	**(0.0)**
Employer contributions		(46.6)	**(46.6)**
Settlements	-	-	-
Currency translation adjustment	14.2	(10.0)	**4.2**
Total other	**(29.2)**	**(13.2)**	**(42.4)**
Closing balance 2018	**1 691.8**	**(1 257.1)**	**434.7**

(*) The defined pension benefits measurement is the consequence of changes in the capital option allocation, offset by changes in financial assumptions, in particular, the higher discount rate on the Swiss pension funds (from 0.6% to 0.8%)

In millions of CHF	Defined funded and unfunded benefit obligations	Fair value of plan assets	(Assets) / Liabilities recognized in the balance sheet
MOVEMENT OF NET (ASSETS) / LIABILITIES OVER THE YEAR			
Opening balance 2017	**1 664.0**	**(1 155.3)**	**508.7**
INCLUDED IN INCOME STATEMENT			
Current service cost	43.4		**43.4**
Plan administration expenses		5.5	**5.5**
Past service cost	7.1		**7.1**
Interest expense / (income)	14.4	(10.4)	**4.0**
Total included in income statement	**64.9**	**(4.9)**	**60.0**
INCLUDED IN OTHER COMPREHENSIVE INCOME			
Remeasurements losses / (gains)			
Actuarial loss / (gain) arising from:			
Loss / (gain) from change in demographic assumptions (*)	(4.2)		**(4.2)**
Loss / (gain) from change in financial assumptions (*)	(56.8)		**(56.8)**
Experience loss / (gain)	23.2		**23.2**
Return on plan assets excluding movement through income statement		(60.6)	**(60.6)**
Total included in other comprehensive income	**(37.8)**	**(60.6)**	**(98.4)**
OTHER			
Benefits paid	(42.8)	42.4	**(0.4)**
Contributions by plan participants	12.4	(12.4)	0.0
Employer contributions		(32.6)	**(32.6)**
Currency translation adjustment	(7.1)	7.5	**0.4**
Total other	**(37.5)**	**4.9**	**(32.6)**
Closing balance 2017	**1 653.6**	**(1 215.9)**	**437.7**

(*) The defined pension benefits remeasurement is mostly the consequence of changes in financial assumptions, in particular, the higher discount rate on the Swiss pension funds (from 0.2% to 0.6%)

In millions of CHF	2018	2017
PLAN ASSETS SPLIT BY CATEGORY		
Equity	387.2	383.2
Debt	439.2	428.0
Hedge funds	127.3	106.7
Derivatives	6.3	-
Commodities	0.1	-
Property	160.4	166.3
Insurance policies	44.0	43.7
Other	51.4	45.7
Cash and bank deposits	41.2	42.3
Total plan assets	**1 257.1**	**1 215.9**

The expected contributions to post-employment benefit plans for the year ended June 30, 2019 are CHF 35.3.

Equities and debts: almost all of them are quoted in an active market.

Real Estate, hedge funds, commodities, insurance policies: almost all of them are not quoted in an active market.

The table below outlines the funding situation by geographic area:

June 30, 2018

In millions of CHF	Switzerland	United States of America	United Kingdom	Other countries	Total
DEFINED BENEFIT PENSION PLANS					
Defined funded and unfunded benefit obligations	1 349.4	229.6	78.4	34.4	**1 691.8**
Fair value of plan assets	(991.1)	(186.9)	(76.2)	(2.9)	**(1 257.1)**
Net excess of liabilities/(assets) over obligations	**358.3**	**42.7**	**2.2**	**31.5**	**434.7**

June 30, 2017

In millions of CHF	Switzerland	United States of America	United Kingdom	Other countries	Total
DEFINED BENEFIT PENSION PLANS					
Defined funded and unfunded benefit obligations	1 326.3	213.9	79.6	33.8	**1 653.6**
Fair value of plan assets	(981.5)	(158.0)	(74.1)	(2.3)	**(1 215.9)**
Net excess of liabilities/(assets) over obligations	**344.8**	**55.9**	**5.5**	**31.5**	**437.7**

Key financial actuarial assumptions

2018	Switzerland	United States of America	United Kingdom	Other countries
Discount rate	0.77%	4.00%	2.45%	1.5 % - 7.9 %
Future salary increases	2.00%	4.00%	0.00%	2 % - 11 %
Future pension increases	0.00%	0.00%	3.25%	0 % - 1.8 %
Mortality assumptions	BVG 2015 G	RP2014 Generational Mortality Table with MP 2017	S2PA with CMI 2017, 1.25% long-term trend	

2017	Switzerland	United States of America	United Kingdom	Other countries
Discount rate	0.58%	4.20%	2.50%	1.3 % - 7.7 %
Future salary increases	2.00%	3.50%	0.00%	2 % - 11 %
Future pension increases	0.00%	0.00%	2.35%	0 % - 1.8 %
Mortality assumptions	BVG 2015 G	RP2014 Generational Mortality Table with MP 2016	S2NA with CMI 2015, 1.50% long-term trend	

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%	(102.5)	115.5
Future salary increases	0.50%	11.0	(10.9)
Future pension increases	0.50%	83.9	(4.4)
Life expectancy	1 year	43.9	(43.6)

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.

A floor of 0% was applied to the discount rate for the purpose of this sensitivity analysis.

Main defined benefit pension plans description

Switzerland

According 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).

In FY17, the pension rules of the complementary plan were reviewed and early retirement financing measures were introduced that led to the recognition of past service cost of CHF 7.1.

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 IAS19 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 24.0 to these plans during the year ended June 30, 2019.

The weighted average duration of the defined benefit obligation is 16.5 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 7.8 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 8.7 to these plans during the year ended June 30, 2019.

The weighted average duration of the defined benefit obligation is 12.0 years.

United Kingdom

The occupational pension scheme Firmenich Wellingborough Employee Benefits Plan is arranged under the applicable UK Pension Schemes and Pensions Acts and is managed as 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.
During the year ended June 30, 2016, the pension obligations in respect of the Firmenich Pension Scheme were settled and any surplus used to cover the cost of winding up the scheme. The wind up of this scheme was finalised in 2018.

The Employer is obliged to support the Scheme under UK law. If the Employer is solvent, it cannot walk away from its obligations to the Scheme without first paying off the cost of buying out the Scheme's liabilities with an Insurer. If the Trustees and Company intend for the Firmenich Wellingborough Employee Benefits Plan to be run on an ongoing basis, they must comply with the certain principles on which the liabilities must be met – this is known as the 'Scheme Specific Funding' regime. This regime is centered around the Statutory Funding Objective, which requires each scheme to have "sufficient and appropriate assets to meet its technical provisions" (i.e. its liabilities). As key features of this process, the Trustees and the Company must:
• consider the strength of the support the Employer can offer to the Scheme (the Company's "covenant") both now and in the future, and
• in the light of this, the Trustees and Employer must discuss the actuarial assumptions and agree a funding plan for the Scheme.
The principles of the valuation regime are explained in "Code of Practice 03 Funding Defined Benefits" issued by the Pensions Regulator.

The Group expects to contribute CHF 0.4 to this plan during the year ended June 30, 2019. All figures shown exclude the Scheme's administrative expenses.

The weighted average duration of the defined benefit obligation is 13 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 life expectancy 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.

Other post-employment benefits

Other post-employment benefits comprise monthly contributions to medical insurance, annual premiums and monthly pensions to a limited number of beneficiaries. Other post-employment benefits also cover compensations in relation to state pensions for early retirements and other compensations in relation to retirements of corporate management.

Other post-retirement benefits are not funded.

MOVEMENT OVER THE YEAR

In millions of CHF	2018	2017
PROVISION FOR OTHER POST-EMPLOYMENT BENEFITS		
Opening balance	**94.8**	**93.6**
INCLUDED IN INCOME STATEMENT		
Current service cost	8.3	6.3
Past service cost	(2.9)	-
Interest cost	0.8	0.7
Total charges / (income) included in income statement	**6.2**	**7.0**
INCLUDED IN OTHER COMPREHENSIVE INCOME		
Actuarial losses / (gains)		
Loss / (gain) from change in demographic assumptions	(0.1)	(0.7)
Loss / (gain) from change in financial assumptions	(2.7)	(2.3)
Experience loss / (gain)	17.0	2.3
Total included in other comprehensive income	**14.2**	**(0.7)**
OTHER		
Benefits paid	(4.6)	(4.9)
Currency translation adjustment	0.4	(0.2)
Total Other	**(4.2)**	**(5.1)**
Closing balance	**111.0**	**94.8**

In millions of CHF	2018	2017
AMOUNTS RECOGNIZED IN INCOME STATEMENT		
Contributions to medical insurance	2.9	2.8
Annual premium	0.4	0.4
Retirement compensation	2.9	3.8
Total charge included in income statement	**6.2**	**7.0**
AMOUNTS RECOGNIZED IN STATEMENT OF FINANCIAL POSITION		
Contributions to medical insurance	77.5	63.3
Annual premium	9.6	9.4
Other pensions	2.6	2.8
Retirement compensation	21.3	19.3
Total other post-employment benefits	**111.0**	**94.8**

Key financial actuarial assumptions

2018	Switzerland	United States of America
Discount rate	0.8%	3.7%
Medical cost trend rate		8.0%

2017	Switzerland	United States of America
Discount rate	0.5%	3.6%
Medical cost trend rate		6.8%

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%	(7.7)	8.4
Life expectancy	1 year	2.8	(2.8)
Medical cost trend rate	1.0%	13.2	(8.1)

A floor of 0% was applied to the discount rate for the purpose of this sensitivity analysis.

The table below outlines the funding situation by geographic area.

As at June 30, 2018

In millions of CHF	Switzerland	United States of America	Other countries	Total
Present value of unfunded obligations	100.8	10.0	0.2	111.0

As at June 30, 2017

In millions of CHF	Switzerland	United States of America	Other countries	Total
Present value of unfunded obligations	82.8	11.9	0.1	94.8

Other postemployment benefits - description

Switzerland

Other post-employment benefits comprise healthcare benefits, long-service leaves, compensations in relation to state pensions for early retirements and other compensations in relation to retirement of corporate management, as well as monthly pensions provided to a limited number of beneficiaries. 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 17.3 years.

United States of America

The US retiree medical plan provides certain medical benefits to retirees of the Company. There are no funded plan assets for these benefits and the related unfunded liability is included in the Company’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 7.8 years.

17. 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.

Significant 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 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. Differences between the final obligations and the estimates impact the income statement in the period in which such determination is made.

Comparative figures have been adjusted for CHF 31.9 to reflect change in classification of the accrual for holiday pay from “provisions” to “other payables and accrued expenses" (note 19).

PROVISIONS - NON CURRENT

In millions of CHF	2018	2017
Provision for long-term incentives	31.1	26.4
Provision for LTI for perfumers & flavorists	3.7	1.6
Provision for long service leave	3.0	3.0
Provision for retirement benefits	2.8	2.7
Deferred compensation and other provisions	49.1	39.9
Provision for litigation	0.4	0.4
Provision for restructuring charges	0.2	-
Total provisions	**90.3**	**74.0**

PROVISIONS - CURRENT

In millions of CHF	2018	2017
Provision for long-term incentives	22.9	20.5
Provision for LTI for perfumers & flavorists	-	0.2
Provision for long service leave	0.2	0.1
Deferred compensation and other provisions	1.1	5.7
Provision for litigation	0.4	0.5
Product warranty liability	2.7	6.8
Provision for restructuring charges	7.7	3.9
Provision for business risks	0.2	-
Total provisions	**35.2**	**37.7**

MOVEMENT ON PROVISIONS FOR LONG-TERM INCENTIVES

In millions of CHF	Provision for LTI	Provision for SOP	Provision for pension buy backs	Total long-term incentives
Opening balance 2017	**84.5**	**34.1**	**1.5**	**120.2**
Additional provisions	14.2	-	-	14.2
Unused provisions reversed	(6.1)	-	(1.5)	(7.6)
Used during year	(43.4)	(34.1)	-	(77.6)
Currency translation adjustment	(0.5)	-	-	(0.5)
Closing balance 2017	**48.7**	**-**	**-**	**48.7**
Additional provisions	29.7	-	-	29.7
Unused provisions reversed	(2.4)	-	-	(2.4)
Used during year	(19.1)	-	-	(19.1)
Transfer from other payable	0.1	-	-	0.1
Currency translation adjustment	0.6	-	-	0.6
Closing balance 2018	**57.7**	**-**	**-**	**57.7**

The long-term incentive (LTI) plans are delayed payment schemes eligible to senior management and ties to the performance of the Group. The first plan (Fit to Lead) has been closed in June 2016. The remaining balance will be paid in October 2018. A new LTI plan was launched in financial year 2017 that aimed at rewarding selective members of the senior leadership team. Rewards will depend on the achievement of the financial goals of the Grow 125 strategy. This plan will be based on several cycles of payments. Cycle 1 started in 2017 and accruals for cycle 2 in 2018. The net additional charges recorded for both plans in financial year 2018 are respectively CHF 18.8 and CHF 9.1.
In parallel to these plans, an additionnal LTI plan for perfumers and flavorists recorded an additional charge of CHF 1.8 in financial year 2018.

In millions of CHF	Long service leaves	Retirement benefits	Total
MOVEMENT OF POST-EMPLOYMENT BENEFITS AND SIMILAR OBLIGATIONS			
Opening balance 2017	**3.0**	**3.2**	**6.2**
Additional provisions	0.7	-	0.7
Unused provisions reversed	-	(0.4)	(0.4)
Used during year	(0.6)	(0.1)	(0.7)
Currency translation adjustment	-	(0.0)	-
Closing balance 2017	**3.1**	**2.7**	**5.8**
Additional provisions	1.6	0.1	1.6
Used during year	(1.5)	-	(1.5)
Currency translation adjustment	-	(0.0)	0.1
Closing balance 2018	**3.2**	**2.8**	**6.0**

In millions of CHF	Deferred compensation and other provisions	Provision for litigation	Product warranty liability	Provision for restructuring charges	Total
MOVEMENT OF DEFERRED COMPENSATION AND OTHER PROVISIONS					
Opening balance 2017	**43.0**	**1.0**	**2.8**	**0.5**	**47.3**
Additional provisions	31.0	0.1	3.6	4.0	38.7
Unused provisions reversed	(2.7)	(0.2)	(1.0)	-	(3.9)
Used during year	(4.6)	-	(0.3)	(0.6)	(5.5)
Transfer*	(19.8)	-	1.7	-	(18.1)
Currency translation adjustment	(1.2)	-	(0.0)	0.0	(1.2)
Closing balance 2017	**45.7**	**0.9**	**6.8**	**3.9**	**57.3**
Additional provisions	11.4	(0.1)	0.5	8.2	20.0
Acquisition of subsidiaries	0.3	-	-	-	0.3
Unused provisions reversed	(3.4)	-	(0.7)	(0.2)	(4.3)
Used during year	(4.1)	(0.1)	(4.0)	(4.1)	(12.3)
Transfer	(0.3)	-	-	-	(0.3)
Currency translation adjustment	0.8	0.1	0.1	0.1	1.1
Closing balance 2018	**50.5**	**0.8**	**2.7**	**7.9**	**61.9**

* A provision for a bank guarantee granted in favor of a related party has been recognized in prior year and reversed upon cancellation of the guarantee. To allow redemption of the related debt, a loan was granted to the related party (Negev Aroma Ltd). This loan was fully impaired (refer to note 5).

Deferred compensation

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

Product warranty liability

The Group recognizes estimated costs related to current claims on products sold.

Provision for litigation

Provision for litigation mainly relates to butter flavor and labour cases in various jurisdictions (refer to note 28).

18. Bank borrowings and other long-term liabilities

In millions of CHF	Notes	2018	2017
BANK BORROWINGS AND OTHER LONG-TERM LIABILITIES BY CATEGORY			
Long-term bank borrowings	25	25.9	1.9
Short-term bank borrowings	25	578.0	92.8
Lease liabilities	4/25/29	1.3	1.4
Deferred income	31	23.5	21.6
Bank borrowings and other long-term liabilities		**628.7**	**117.7**

Deferred income represents the balance of three government grants that will be released to the income statement over the useful live of the underlying assets (refer to note 31).

The first grant of CHF 30.1 is to indemnify for the forced relocation of our chemical production site in Kunming to another location. This amount is to compensate the relocation costs and the related investments. The second grant of CHF 0.9 is to indemnify a ventilation and odor control system made by Firmenich Aromatics (China) Co. Ltd in its flavor manufacture. The third grant of CHF 3.0, received during the current fiscal year, is to indemnify for the forced relocation of our flavor production site in Shanghai to another location. The amount is to compensate part of the lease land of the new location. During the current year, CHF -2.3 (2017: CHF -2.2) have been released to the income statement.

In millions of CHF	Long-term bank borrowings	Short-term bank borrowings	Total
BORROWINGS MOVEMENTS			
Opening balance 2017	-	**176.5**	**176.5**
Cash flows	1.9	(78.3)	(76.4)
Currency translation adjustment	-	(5.4)	(5.4)
Closing balance 2017	**1.9**	**92.8**	**94.7**
Cash flows	28.5	472.4	500.9
Currency translation adjustment	(4.5)	12.8	8.3
Closing balance 2018	**25.9**	**578.0**	**603.9**

19. Other payables and accrued expenses

In millions of CHF	2018	2017
Other creditors	218.4	211.1
Accruals (*)	120.2	93.4
Variable remuneration payables	91.6	71.8
VAT payables	11.5	8.7
Social security payables	10.2	12.7
Interest payables	1.1	0.6
Other payables	9.0	20.4
Other payables and accrued expenses	**462.0**	**418.7**

(*) Comparative figure has been adjusted for CHF 31.9 to reflect change in classification of the accrual for holiday pay from “provisions” to “other payables and accrued expenses" (note 17).

20. Expenses by nature

Significant expense items by nature within operating expenses include:

In millions of CHF	2018	2017
COST OF GOODS SOLD AND OPERATING EXPENSES BY NATURE		
Inventory consumption	1 467.9	1 292.2
Employee benefits	894.0	811.2
Supplies	87.0	87.2
Services	401.8	372.8
Depreciation, amortization and impairment of assets	127.8	113.9
Loss on operating assets	1.2	1.3
Operating taxes	17.8	16.3
Other operating income	(11.3)	(3.0)
Total expenses	**2 986.2**	**2 691.9**

For the year ended June 30, 2018, other operating income mainly consists in indemnities for coverage of property and business interruption in relation with the damage occured in financial year 2018 due to unprecedented industrial fire from BASF.

For the year ended June 30, 2017, other operating income mainly consists in subsidies received from Bill & Melinda Gates Foundation. The Group has formed a collaborative partnership with this foundation to bring performing and affordable toilet malodor counteracting solutions. The last payment was received during last year.

21. Employee benefits

In millions of CHF	2018	2017
EMPLOYEE BENEFIT EXPENSES		
Wages and salaries	654.9	583.3
Social security	118.5	101.9
Post employment benefits (refer to supplementary information in note 16)	75.1	81.6
Other expenses	45.5	44.4
Total employee benefit expenses	**894.0**	**811.2**

In full time equivalent	2018	2017
NUMBER OF EMPLOYEES WITHIN THE GROUP		
Fixed employees at year end	6 627	6 549
Temporary employees (including agencies)	413	434
Total workforce at year end	**7 040**	**6 983**
Average number of employees during the year (average total workforce)	**7 012**	**6 897**

For the year ended June 30, 2018, the total personnel costs include CHF 14.8 (2017: CHF 4.7) of restructuring charges of which CHF 13.7 (2017: CHF 4.6) are departure indemnities costs, with related social charges of CHF 1.1 (2017: CHF 0.1).

The total personnel costs with regard to key executives (Board of directors and corporate management) for the year ended June 30, 2018 are CHF 45.4 (2017: CHF 34.7). In these amounts are included CHF 25.7 of short-term employee benefits (2017: CHF 21.2) and CHF 6.3 (2017 : CHF 6.4) of other long-term retirement benefits. Due to the evolution of Group results, provision for long-term incentives accrued in prior years have increased by CHF 13.4 (2017: CHF 7.1).

22. Financing costs

In millions of CHF	2018	2017
FINANCING COSTS		
Interest expenses	18.7	5.8
Interest on net defined benefit liability	5.7	4.7
Financing costs	**24.4**	**10.5**

23. Net other financial income / (expenses)

In millions of CHF	2018	2017
Interest and dividend income	0.9	0.9
Fair value gains / (losses)	1.8	(1.6)
Gains / (losses) on sale on financial investments	0.8	1.5
Gains / (losses) on derivative financial instruments	(0.4)	0.6
Gains / (losses) on commodity options	24.3	(13.3)
Results on investments held at fair value through income statement	**27.4**	**(11.9)**
Other interest and dividend income	4.2	3.2
Other results on financial assets	1.8	(29.9)
Net exchange gains / (losses)	(8.4)	(2.8)
Net exchange gains / (losses) on currency options and contracts	(5.1)	(13.4)
Net of cash discount received and (granted), (bank charges and other financial charges)	(11.7)	(8.5)
Net other financial expenses	**8.2**	**(63.3)**

24. Income tax expense

In millions of CHF	2018	2017
INCOME TAX EXPENSE		
Current income tax expense	105.4	114.2
Deferred income tax expense / (income)	(30.8)	(1.8)
Adjustment on previous year taxation	0.7	(2.4)
Income tax expense	**75.3**	**110.0**
Income tax at the applicable domestic tax rate	113.6	110.8
Loss on withholding tax	6.0	7.8
Income not taxable	(12.4)	(11.0)
Expenses not deductible	6.7	5.0
Change in income tax rate	(39.4)	(0.2)
Prior year and other adjustments	0.7	(2.4)
Income tax expense	**75.3**	**110.0**

As at June 30, 2018, the effective income tax rate on income before taxes is 11.5% (2017: 19.2%). This decrease results essentially from the combination of the change of tax rate in the US and the lower taxable income in low tax rate jurisdictions.

As at June 30, 2018, the Group had CHF 3.9 of tax losses available to carry forward against future taxable income (2017: CHF 2.8) (refer to note 7). Deferred income tax assets of CHF 0.8 have been recognized as at June 30, 2018 in loss making entities (2017: CHF 0.6). Deferred income tax assets are recognized for deferred income tax loss carry forwards only to the extent that realization of the related tax benefit is probable. These income tax losses do not expire.

A provision is made for withholding tax, which could arise on the remittance of retained earnings related to affiliated companies where the current intention is to remit such earnings.

On December 22, 2017, the United States of America enacted comprehensive tax reform with an effective date of 1 January 2018. The new law contains a permanent reduction in the Corporate Income Tax rate from 35% to 21%. The revised rate has been applied to the temporary differences recognized in the FY18 statement of financial position of the Group's United Stated subsidiaries.

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 as described in Treasury manual. 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.

Financial instruments category

Cash and cash equivalents

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.

Financial assets

The Group classifies its financial assets in the following categories: Loans and receivables, held-to-maturity investments, financial assets at fair value through income statement and derivatives. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset is impaired. A financial asset is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that have an impact on the estimated future cash flows of the financial asset that can be reliably estimated.

If impaired, financial assets are written down to their estimated recoverable amount. Impairment losses on financial assets are recognised in the income statement. When a later event causes the impairment losses to decrease, the reduction in impairment loss is also recognised in the income statement.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period, which are classified as non-current assets. The Group’s loans and receivables comprise loans, trade accounts receivable, other receivables and cash and cash equivalents in the statement of financial position.

Financial assets at fair value through income statement

Marketable securities are classified into the category at fair value through income statement. 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 twelve months of the reporting date.

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 cost and subsequently carried 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.

At each reporting date a review for possible impairment is performed. An impairment loss is recorded where there is objective evidence that marketable securities are impaired.

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.

The accounting policies for financial instruments have been applied to the line items below:

June 30, 2018

In millions of CHF	Loans and receivables	Held to maturity	Financial assets at fair value through income statement	Derivatives at fair value through income statement	Liabilities at amortized cost	**Total**
ASSETS						
Long-term financial investments and loans (note 5)	24.7	14.3	49.5			**88.5**
Trade accounts receivable (note 9)	845.5					**845.5**
Other receivables (note 10)	116.8					**116.8**
Derivative financial instruments (note 11)				31.0		**31.0**
Short-term financial investments (note 12)		72.1	101.3	-		**173.4**
Cash and cash equivalents	443.6					**443.6**
LIABILITIES						
Long-term bank and other borrowings (note 18)					27.2	**27.2**
Short-term bank borrowings (note 18)					578.0	**578.0**
Trade and other payables (*)					614.6	**614.6**
Derivative financial instruments (note 11)				5.7	-	**5.7**

(*) Accrued expenses that are not financial liabilities (CHF 95.3) are not included.

June 30, 2017

In millions of CHF	Loans and receivables	Held to maturity	Financial assets at fair value through income statement	Derivatives at fair value through income statement	Liabilities at amortized cost	**Total**
ASSETS						
Long-term financial investments and loans (note 5)	24.6	14.0	40.0			**78.6**
Trade accounts receivable (note 9)	720.4					**720.4**
Other receivables (note 10)	87.3					**87.3**
Derivative financial instruments (note 11)				13.6		**13.6**
Short-term financial investments (note 12)		61.1	106.6	-		**167.7**
Cash and cash equivalents	290.1					**290.1**
LIABILITIES						
Long-term bank and other borrowings (note 18)					3.3	**3.3**
Short-term bank borrowings (note 18)					92.8	**92.8**
Trade and other payables (*)					548.5	**548.5**
Derivative financial instruments (note 11)				3.1	-	**3.1**

(*) Accrued expenses that are not financial liabilities (CHF 68.6) are not included.

Comparative figure has been adjusted for CHF 31.9 to reflect change in classification of the accrual for holiday pay from “provisions” to “other payables and accrued expenses" (note 19).

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.

Market risk

a) Foreign exchange risk

Derivative financial instruments and hedging activities

The Group, as a result of its financing activities, is exposed to changes in interest rates that 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 and interest rate swaps. The Group does not use financial instruments for speculative or trading purposes.

Derivative financial instruments are classified as held for trading and initially recognized in the statement of financial position at fair value plus directly attributable transaction cost and subsequently remeasured at their fair value based on quoted market prices at the reporting date. On the date a derivative contract is entered into, the Group designates certain derivatives (Interest Rate Swaps) as cash flow hedges.

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 IAS 39. Changes in the fair value of derivative instruments that do not qualify for hedge accounting under IAS 39 are recognized immediately in the income statement.

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.

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. While these are hedges related to underlying business transactions, the Group applies hedge accounting on selected transactions.

Currency exposures are mainly hedged via one to three months forward contracts, with the exception of USD/CHF and EUR/CHF exposures that are partly hedged via option hedging strategy (risk reversal strategy) that leads to limit gains and losses up to 3% of the principal.

Currency exposure

June 30, 2018

In millions of CHF	EUR / CHF	USD / CHF	INR/CHF	IDR/CHF	CHF/MXN	USD / IDR
Currency exposure without hedge	+55.5	+142.8	+17.9	+21.1	+35.8	-20.6
Hedged amount (*)	-8.4	-127.5	-18.0	-20.4	-35.8	+9.0
Currency exposure including hedge	**+47.1**	**+15.3**	**-0.1**	**+0.7**	**0.0**	**-11.6**

+ long position; - short position

(*) EUR/CHF hedged amount includes CHF 11.3 of foreign exchange forward contract and CHF 19.7 of currency options maturing within three to twelve months. USD/CHF hedged amount includes CHF -53.4 of foreign exchange forward contracts and CHF 74.1 of currency options maturing within three to twelve months.

June 30, 2017

In millions of CHF	EUR / CHF	USD / CHF	INR/CHF	IDR/CHF	CHF/MXN	USD / IDR
Currency exposure without hedge	+70.9	+123.2	+27.6	+21.9	-4.0	-10.5
Hedged amount (*)	-89.7	-227.0	-23.4	-22.3	+4.0	+6.5
Currency exposure including hedge	**-18.8**	**-103.8**	**+4.2**	**-0.4**	**0.0**	**-4.0**

+ long position; - short position

(*) EUR/CHF hedged amount includes CHF 7.7 of foreign exchange forward contract and CHF 82.0 of currency options maturing within three to twelve months. USD/CHF hedged amount includes CHF 39.2 of foreign exchange forward contracts and CHF 187.8 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, 2018

In millions of CHF	EUR / CHF	USD / CHF	INR/CHF	IDR/CHF	CHF/MXN	USD / IDR
Reasonable shift in %	5%	5%	10%	15%	15%	15%
Impact on net income if underlying currency strengthens	2.9	3.0	(0.0)	0.1	-	(1.7)
Impact on net income if underlying currency weakens	(2.9)	(3.0)	0.0	(0.1)	-	1.7

June 30, 2017

In millions of CHF	EUR / CHF	USD / CHF	INR/CHF	IDR/CHF	CHF/MXN	USD / IDR
Reasonable shift in %	5%	5%	10%	15%	10%	15%
Impact on net income if underlying currency strengthens	(0.6)	(3.1)	0.4	(0.1)	-	(0.6)
Impact on net income if underlying currency weakens	0.6	3.1	(0.4)	0.1	-	0.6

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 12). 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.

The Group is indirectly impacted by oil price evolution, as it influences the cost of certain chemical products used as raw materials.

In prior year, the Group decided to enter into a hedge on oil. This commodity has been identified as the exposure having potentially a more significant impact on the future cost of our raw materials. Therefore, the Group entered into call option contracts maturing between 2017 and 2020 (refer to note 11). This hedge on oil does not qualify for hedge accounting under the specific rules in IAS 39.

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 alternative investments. The sensitivity analysis is based on the historical volatility.

If equity prices had been 5% higher / lower, the current net income for the year would have increased / decreased by CHF 0.9 (2017: CHF 0.8) as a result of gains / losses on equity securities classified as at fair value through income statement.

The hedge fund portfolio of the Group includes USD funds. The benchmark for the reasonable change in the index (LIBOR USD 3 months + 3%) is a historical volatility of 5%.

If hedge fund price had been 5% higher / lower, the total value for the year ended June 30, 2018, would have respectively increased / decreased by CHF 0.1 (2017: CHF 0.1).

If the hedge on oil had been 5% higher / lower, the current net income for the year would have increased / decreased by CHF 0.7 as a result of gains / losses on commodity options (2017: CHF 1.0).

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 uses credit lines and other financial facilities granted by third party financial institutions to finance part of its activity. Most of these borrowings are short-term credit lines and therefore subject to fluctuations on interest rates when rolled-over.

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	2018	2017
Reasonable shift	150 basis points	
Impact on net income if interest rate increase	(8.6)	(1.4)
Impact on net income if interest rate decrease	8.6	1.4

Credit risk

Credit risk is managed by affiliates and controlled on a Group basis. Credit risk arises from the possibility that the counter-party to a transaction may be unable or unwilling to meet their obligations, causing a financial loss to the Group.

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 to individual financial institutions:

	2018	2017
UBS	A-	A-
BNP	A	A
CITI	BBB+	BBB+
BCV	AA	AA
ZKB	AAA	AAA
Credit Suisse	BBB+	BBB+

Ratings shown are assigned by international credit-rating agencies

Liquidity risk

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.

Group Treasury monitors and manages cash at Group level and defines the maximum cash level at affiliate level. If necessary, inter-company loans within the Group provide for short-term cash needs; excess local cash is repatriated in the most appropriate manner.

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 (namely Hedge Funds and unquoted Bonds), which are subject to delayed fund availability when sold. These "illiquid 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 financial assets and financial liabilities and derivative financial instruments. The amounts disclosed in the table are the contractual undiscounted cash flows.

There is no significant amount of cash and cash equivalents held by the Group that is not available for use.

June 30, 2018

In millions of CHF	Up to 6 months	6 up to 12 months	1 up to 2 years	More than 2 years
Financial investments	171.1	2.4	-	-
Cash and cash equivalents	443.6			
Total current assets	**614.7**	**2.4**	-	**-**
Short-term debt	578.0	-		
Accounts payable - trade and other (*)	614.6	-	-	-
Gross derivative financial instruments - outflows	(1 030.1)	(56.5)	-	-
Gross derivative financial instruments - inflows	1 019.5	53.7	-	-
Total current liabilities	**1 182.2**	**(2.7)**	-	-
Long-term bank borrowings			18.8	7.1
Total long-term liabilities			18.8	7.1
Net liquidity	**(567.5)**	**5.1**	(18.8)	**(7.1)**

(*) Accrued expenses that are not financial liabilities (CHF 95.3) are not included.

June 30, 2017

In millions of CHF	Up to 6 months	6 up to 12 months	1 up to 2 years	More than 2 years
Financial investments	165.5	2.2	-	-
Cash and cash equivalents	290.1			
Total current assets	**455.6**	**2.2**	-	**-**
Short-term debt	92.8	-		
Accounts payable - trade and other (*)	548.5	-	-	-
Gross derivative financial instruments - outflows	(809.0)	(83.5)	-	-
Gross derivative financial instruments - inflows	803.9	80.0	-	-
Total current liabilities	**636.2**	**(3.5)**	-	-
Long-term bank borrowings			1.9	-
Total long-term liabilities			1.9	-
Net liquidity	**(180.6)**	**5.7**	(1.9)	**-**

(*) Accrued expenses that are not financial liabilities (CHF 68.6) are not included.

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, 2018, 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).

June 30, 2018

In millions of CHF	Notes	Level 1	Level 2	Level 3	Total
FINANCIAL ASSETS					
Non-current assets	5				
Financial investments		45.6	0.5	3.4	49.5
Current assets - derivatives	11				
Forward foreign exchange contract and options			31.0		31.0
Current financial investments	12				
Fixed term deposits		50.2	21.9	-	72.1
Hedge funds				2.4	2.4
Equity securities		17.6	-		17.6
Bonds and debentures		81.3	-	-	81.3
FINANCIAL LIABILITIES					
Current liabilities - derivatives	11				
Forward foreign exchange contract and options			5.7		5.7

June 30, 2017

In millions of CHF	Notes	Level 1	Level 2	Level 3	Total
FINANCIAL ASSETS					
Non-current assets	5				
Financial investments		36.1	0.5	3.3	39.9
Current assets - derivatives	11				
Forward foreign exchange contract and options			13.6		13.6
Current financial investments	12				
Fixed term deposits		40.1	21.0	-	61.1
Hedge funds				2.2	2.2
Equity securities		15.6	-		15.6
Bonds and debentures		88.8	-	-	88.8
FINANCIAL LIABILITIES					
Current liabilities - derivatives	11				
Forward foreign exchange contract and options			3.1		3.1

Reconciliation of movements in Level 3 valuations

In millions of CHF	2018	2017
Opening balance	5.5	38.0
Gains and losses recognised in income statement	0.3	(0.5)
Purchases and new issues	0.1	-
Sales and settlements	(0.1)	(32.0)
Closing balance	**5.8**	**5.5**

There is no financial asset movement with counterpart in other comprehensive income.

There is no material assets using level 3 techniques at the end of the current year. In the prior year, the individually material assets valued using Level 3 techniques are two specific unlisted debentures with a carrying amount of CHF 31.0.

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, 2018.

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. The objective is to ensure a lasting A-credit rating (as defined by Standard & Poor's).

In millions of CHF	Notes	2018	2017
Short-term bank borrowings		(578.0)	(92.8)
Long-term bank borrowings	18	(25.9)	(1.9)
Cash and cash equivalents and short-term financial investments		617.0	457.8
Net cash		**13.1**	**363.1**

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, a bi-annual assessment of corporate risks is led by Corporate audit and risk management 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 an holistic view of all corporate risks that would prevent the company to reach 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

As a private company, the Group is not subject to IFRS 8; operating segments reporting is therefore not included in the notes to the financial statements.

28. Contingent assets and liabilities

Assets

The Group has no contingent asset.

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 which are covered by insurance contracts, as well as their effects on future operations and earnings are not predictable.

Our US company continues to be named as a defendant in some butter flavor lawsuits brought against flavor houses in the United States. There are 40 remaining cases, involving 53 plaintiffs.

29. Commitments

As of June 30, 2018 the Group has several commitments resulting from contractual obligations, finance and operating lease commitments as well as capital commitments.

Commitments resulting from contractual obligations

In millions of CHF	2018	2017
Commitments resulting from contractual obligations	5.7	5.6

Contractual commitment include an agreement to finance sustainable agriculture projects with Livelihoods Fund For Family Farming.

Operating lease commitments

Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalized at the inception of the lease at the lower of the fair value of the leased asset or the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are recorded as liability. The interest element of the finance cost is charged to the income statement over the lease period. Leased property, plant and equipment are depreciated on a straight-line basis over the expected useful lives of the assets.

Leases of property, plant and equipment where a significant portion of risks and rewards of ownership are retained by the lessor are classified as operating leases. Lease rental payments made under operating leases are charged to the income statement over the period of the lease.

In millions of CHF	2018	2017
FUTURE MINIMUM PAYMENTS SPLIT (NON-CANCELLABLE LEASES)		
Within 1 year	32.9	24.9
Between 1 and 5 years	92.8	78.1
Over 5 years	59.9	17.6
Future minimum payments under non-cancellable leases	**185.6**	**120.6**
Total annual expenses for all operating leases	**41.0**	**36.1**

Operating leases are mainly relating to lease and renting of buildings and equipment. The most significant building leases are located in Paris and New-York.

Capital commitments

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

In millions of CHF	2018	2017
Property, plant and equipment	74.4	38.0
Intangible assets	7.6	8.3
Total	**82.0**	**46.3**

In 2018, capital commitments are mainly related to the new office in Geneva.

In 2017, capital commitments are mainly related to the new flavor plant in Shanghai.

Finance lease commitments

In millions of CHF	Notes	2018	2017
PRESENT VALUE SPLIT			
Within 1 year		0.7	0.6
Between 1 and 5 years		0.3	0.6
Over 5 years		0.3	0.2
Present value of finance leases	4/18	**1.3**	**1.4**

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) and note 12 (Fondation de prévoyance).

31. Government grants

Government grants relating to the purchase of fixed assets are included in liabilities as deferred income and are credited to the income statement on a straight-line basis over the expected lives of the related assets (refer to note 18).

32. Subsequent events

Agilex signed an agreement with Horn Company to acquire Fragrance West. The transaction was closed in July 2018, after customary closing conditions and regulatory approvals. The purchase consideration amounts to CHF 7.0. Fragrance West is a leading mid-sized body and home care perfumery company on the West Coast of the United States.

Firmenich signed an agreement on August 2, 2018 with White Bridge Investments and Giampaolo Cagnin, to acquire Campus. The transaction closed on August 9. The purchase consideration amounts approximately to CHF 230.0. Campus is an innovator in the application of natural functional ingredients for protein applications, specializing in clean label, meat, dairy, sauces and plant-based food. This acquisition broadens Firmenich's capabilities in naturals and protein solutions, cutting across animal and vegan food products.

33. 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, 2018 and 2017.
- average rates for the consolidated income statement account and the statement of cash flows.

		2018		2017	
ISO code	Units	Closing rate	Average rate	Closing rate	Average rate
USD	1	0.993	0.969	0.958	0.991
EUR	1	1.156	1.155	1.093	1.080
CNY	1	0.150	0.149	0.141	0.146
SGD	1	0.728	0.722	0.696	0.713
GBP	1	1.305	1.306	1.242	1.262
JPY	100	0.897	0.879	0.854	0.913

34. 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 SA	100	CHF	30 000
	Firmenich Finance SA	100	CHF	100
	Fondation de Prévoyance	100	CHF	-
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
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	108 336
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
Germany	Firmenich GmbH	100	EUR	6 300
India	Firmenich Aromatics Production (India) Private Limited	100	INR	2 277 400
	Firmenich Aromatics (India) Pvt Ltd.	100	INR	45 000
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
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	103 827
	Firmenich Servicios de Mexico S.A .de C.V.	100	MXN	500
Nigeria	Firmenich Western Africa Limited	100	NGN	10 000
Norway	Firmenich Bjørge Biomarin AS	100	NOK	125 250
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 Aromatics Pte Ltd.	100	SGD	500
	Firmenich Asia Pte Ltd.	100	SGD	6 000
South Africa	Firmenich (Pty) Ltd.	100	ZAR	113 500
	Flavourome (Pty) Ltd.	90	ZAR	370 000
Spain	Firmenich S.A.	100	EUR	300
Sweden	Firmenich Sweden AB	100	SEK	15 000
Thailand	Firmenich Thailand Ltd.	100	THB	100 000
Turkey	Firmenich Dis Ticaret Limited Sirketi	100	TRY	166
UAE	Firmenich FZ-LLC	100	USD	400
UK	Firmenich UK Ltd.	100	GBP	7 000
USA	Firmenich Inc.	100	USD	31 350
	Chem-Fleur Inc.	100	USD	27 641
	Intercit Inc.	100	USD	567
	MCP Food Inc. MN	100	USD	-
	MCP Food Inc. CA	100	USD	5 000
	Essex Laboratories LLC	75	USD	9 637
	Agilex Holdings, Inc.	100	USD	163 603
Vietnam	Firmenich Vietnam LLC	100	VND	6 308 700

The consolidated financial statements recognize the following jointly controlled entities and associates using the equity method.

Country	Entity name	Share in percentage	Currency	Share capital in thousands
France	Fider SA	50	EUR	2 500
Switzerland	InnovAroma SA	50	CHF	100
Israel	Negev Aroma (Ramat Hovav) Ltd.	50	NIS	35 000
India	Jasmine Concrete Exports Private Limited	40	INR	17 382
USA	Prolitec Inc	26	USD	26 679
Panama	The Nelixia Company SA	36	USD	17

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

Firmenich International SA, Geneva

Statutory Auditor's Report
on the Audit of the Consolidated Financial Statements
to the General Meeting

Consolidated Financial Statements FY2019

KPMG SA
Geneva, 03 September 2019
Ref. MR/JBC/lte

KPMG SA
Audit Western Switzerland
Esplanade de Pont-Rouge 6
CH-1211 Geneva
P.O. Box 1571
CH-1211 Geneva 13
Telephone +41 58 249 25 15
Fax +41 58 249 25 13
Internet www.kpmg.ch

Statutory Auditor's Report to the General Meeting of

Firmenich International SA, Geneva

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 2019 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 accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 30 June 2019, 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 Auditing Standards. 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 and the requirements of the Swiss audit profession, as well as the IESBA Code of Ethics for Professional Accountants, 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.

Other information in the Annual Report
The Board of Directors is responsible for the other information in the annual report. The other information comprises all information included in the annual report, 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 in the annual report 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 in the annual report 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.

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EXPERTsuisse Certified Company

Responsibility of the Board of Directors 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 Swiss Auditing Standards 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 Swiss Auditing Standards, 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.

Report on Other Legal and Regulatory Requirements

In accordance with article 728a para. 1 item 3 CO and Swiss Auditing Standard 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	Jean-Baptiste Choulay
Licensed Audit Expert	*Licensed Audit Expert*
Auditor in Charge	

Geneva, 03 September 2019

Enclosure:
- Consolidated financial statements, which comprise the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of financial position, consolidated statement of changes in equity, consolidated statement of cash flows and notes to the consolidated financial statements

Consolidated income statement

For the years ended June 30

In millions of CHF	Notes	2019	2018
Revenue		**3 873.8**	**3 658.5**
Cost of goods sold	19/20	(2 180.5)	(1 956.9)
Gross profit		**1 693.3**	**1 701.6**
as % of revenue		*43.7%*	*46.5%*
Distribution expenses	19/20	(88.0)	(85.8)
Research and development expenses	19/20	(360.4)	(354.0)
Commercial and marketing expenses	19/20	(365.0)	(339.0)
Administration expenses	19/20	(212.0)	(261.7)
Other operating income	19	38.6	11.2
Operating profit		**706.5**	**672.3**
as % of revenue		*18.2%*	*18.4%*
Financing costs	21	(32.2)	(24.4)
Net other financial (expense) / income	22	(44.5)	8.2
Share of profit of jointly controlled entities and associates, net of taxes	6	1.3	0.9
Income before taxes		**631.1**	**657.0**
Income tax expense	23	(102.0)	(75.3)
Net income for the period		**529.1**	**581.7**
Attribution			
Net income attributable to non-controlling interests	14	2.4	1.3
Net income attributable to equity holders of the parent		**526.7**	**580.4**
as % of revenue		*13.6%*	*15.9%*
Basic and diluted earnings per A share (in CHF)	13	650.24	716.52
Basic and diluted earnings per B share (in CHF)	13	65.02	71.65

References in the income statement, analysis of operating profit, statement of comprehensive income, statement of financial position, statement of changes in equity and statement of cash flows relate to notes 2 to 33, which form an integral part of the financial statements.

Analysis of operating profit

In millions of CHF	Notes	2019	2018
Operating profit excluding non-recurring items		**692.6**	**701.7**
as % of revenue		*17.9%*	*19.2%*
Restructuring charges	20	(8.9)	(14.8)
Past service cost	15	28.4	2.8
Employee benefits		(2.3)	(0.5)
Impairment of property, plant, equipment and intangible assets		(1.0)	(4.0)
Acquisition-related costs		(10.8)	(11.1)
Professional services		(1.6)	(1.4)
Gain / (loss) on sales of property, plant and equipment		10.1	(0.4)
Operating profit		**706.5**	**672.3**

For financial years 2019 and 2018, the non-recurring charges had no significant impact on the cost of goods sold.

Operating profit excluding non-recurring items is not a defined performance measure in IFRS. The Group's definition of operating profit excluding non-recurring items may not be comparable with similarly titled performance measures and disclosures by other entities.

Consolidated statement of comprehensive income

For the years ended June 30

In millions of CHF	Notes	2019	2018
Net income for the period		**529.1**	**581.7**
Items that may be reclassified subsequently to the income statement			
Exchange differences on translating foreign operations		(44.3)	34.4
Exchange differences on translating foreign operations in jointly controlled entities and associates		(1.9)	0.8
Items that will not be reclassified to the income statement			
Remeasurement of post-employment benefit obligations	15	6.5	(0.1)
Deferred income taxes on remeasurement of post-employment benefit obligations	23	(4.6)	(1.2)
Total other comprehensive income for the period		**(44.3)**	**33.9**
Total comprehensive income for the period		**484.8**	**615.6**
Attribution			
Net comprehensive income attributable to non-controlling interests	14	1.9	1.3
Net comprehensive income attributable to equity holders of the parent		482.9	614.3

Consolidated statement of financial position

As at June 30

In millions of CHF	Notes	2019	2018
Assets			
Goodwill and intangible assets	3	1 276.9	1 042.5
Property, plant and equipment	4	1 023.6	944.5
Financial investments and loans	5/24	91.2	88.5
Investments in jointly controlled entities and associates	6	79.2	27.9
Deferred tax assets	23	115.4	103.7
Total non-current assets		**2 586.3**	**2 207.1**
Inventories	7	669.1	679.5
Trade accounts receivable	8/24	841.0	845.5
Other receivables and prepaid expenses	9	185.0	156.2
Derivative financial instruments assets	10/24	13.7	31.0
Current income tax assets		82.2	86.1
Financial investments	11/24	72.6	173.4
Cash and cash equivalents	24	376.4	443.6
Total current assets		**2 240.0**	**2 415.3**
Total assets		**4 826.3**	**4 622.4**
Equity and liabilities			
Share capital	12	40.5	40.5
Retained earnings and other reserves		3 389.4	3 075.1
Remeasurement of post-employment benefit obligations		(375.9)	(377.8)
Translation of foreign operations		(367.1)	(323.2)
Equity attributable to equity holders of the parent		**2 686.9**	**2 414.6**
Non-controlling interests	14	19.5	18.4
Total equity		**2 706.4**	**2 433.0**
Employee benefit obligations	15	606.9	627.3
Provisions	16	14.9	8.7
Deferred tax liabilities	23	123.6	119.3
Long-term bank borrowings	17	36.4	25.9
Other long-term liabilities	17	21.7	24.9
Total non-current liabilities		**803.5**	**806.1**
Trade accounts payable	24	227.9	247.9
Other payables and accrued expenses	18	458.5	462.0
Derivative financial instruments liabilities	10/24	3.1	5.7
Employee benefit obligations	15	26.6	22.9
Provisions	16	6.3	12.3
Current income tax liabilities		70.8	54.5
Short-term bank borrowings	17/24	523.2	578.0
Total current liabilities		**1 316.4**	**1 383.3**
Total liabilities		**2 119.9**	**2 189.4**
Total equity and liabilities		**4 826.3**	**4 622.4**

Consolidated statement of changes in equity

In millions of CHF	Share capital	Retained earnings and other reserves	Remeasure-ment of post-employment benefit obligations	Translation of foreign operations	Attributable to equity holders of the parent	Non-controlling interests *	Total Equity
Balance as at July 1, 2017	**40.5**	**2 705.4**	**(376.4)**	**(358.6)**	2 010.9	15.3	2 026.2
Net income for the period		580.4			580.4	1.3	581.7
Other comprehensive income for the period		(0.2)	(1.4)	35.4	33.9	(0.0)	33.9
Total comprehensive income for the period		**580.2**	**(1.4)**	**35.4**	**614.3**	**1.3**	**615.6**
Dividends		(210.6)			(210.6)	(1.0)	(211.6)
Acquisition of non-controlling interest *						2.9	2.9
Net change in other equity items		**(210.6)**			**(210.6)**	**1.9**	**(208.7)**
Balance as at June 30, 2018	**40.5**	**3 075.1**	**(377.8)**	**(323.2)**	**2 414.6**	**18.4**	**2 433.0**
Net income for the period		526.7			526.7	2.4	529.1
Other comprehensive income for the period		(1.8)	1.9	(43.9)	(43.8)	(0.5)	(44.3)
Total comprehensive income for the period		**524.9**	**1.9**	**(43.9)**	**482.9**	**1.9**	**484.8**
Dividends		(210.6)			(210.6)	(0.8)	(211.4)
Net change in other equity items		**(210.6)**			**(210.6)**	**(0.8)**	**(211.4)**
Balance as at June 30, 2019	**40.5**	**3 389.4**	**(375.9)**	**(367.1)**	**2 686.9**	**19.5**	**2 706.4**

(*) Refer to note 2 and 14

Consolidated statement of cash flows

For the years ended June 30

In millions of CHF	Notes	2019	2018
Cash flows from operating activities			
Net income for the period		529.1	581.7
Income tax expense	23	102.0	75.3
Income before taxes		**631.1**	**657.0**
Depreciation of property, plant and equipment	4/19	85.4	78.9
Amortization of intangible assets	3/19	57.2	47.1
Impairment losses	3/4/19	0.8	4.1
Release of government grants	17/19	(2.3)	(2.3)
Changes in provisions and employee benefits		(8.3)	25.3
Unrealized net (gain)/loss on investment at fair value through income statement		10.1	(21.3)
Share of profit of jointly controlled entities and associates	6	(1.3)	(0.9)
Foreign exchange differences and other non cash items		(1.1)	11.2
Net interests		28.5	19.6
Adjustment for non cash items		**169.0**	**161.7**
Changes in inventories		11.6	(30.0)
Changes in trade and other receivables		(28.2)	(144.6)
Changes in trade and other payables		(40.7)	78.0
Changes in working capital		**(57.3)**	**(96.6)**
Interests paid		**(29.7)**	**(23.7)**
Income tax paid		**(94.3)**	**(125.7)**
Cash flows from operating activities		**618.8**	**572.7**
Cash flows used in investing activities			
Purchase of property, plant and equipment	4	(188.2)	(171.7)
Purchase of intangible assets	3	(32.7)	(37.4)
Disposal of intangible assets, property, plant and equipment		22.9	0.3
Government grants received	17/30	0.5	3.0
Net investments		**(197.5)**	**(205.8)**
Acquisition of subsidiaries (net of cash)	2	(295.6)	(493.5)
Acquisition of jointly controlled entities and associates (net of cash)		(2.5)	(9.0)
Sale of short-term financial investments		94.3	(0.2)
Interest received		3.8	4.7
Cash flows used in investing activities		**(397.5)**	**(703.8)**
Cash flows (used in) / from financing activities			
(Increase)/decrease of long-term loans & financial assets		(2.1)	3.6
Other long-term debt		(0.2)	(10.6)
Long-term bank borrowings increase	17	18.2	28.5
Long-term bank borrowings decrease	17	(2.0)	-
Short-term bank borrowings increase	17	67.6	3 324.7
Short-term bank borrowings decrease	17	(155.3)	(2 852.2)
Dividend payment to equity holders of the parent		(210.6)	(210.6)
Dividend paid to non-controlling interests		(0.8)	(1.0)
Cash flows (used in) / from financing activities		**(285.2)**	**282.4**
Net (decrease) / increase in cash and cash equivalents		**(63.9)**	**151.3**
Cash and cash equivalents			
Cash and cash equivalents at beginning of period		443.6	290.1
Net effect of currency translation on cash and cash equivalents		(3.3)	2.2
Cash and cash equivalents at end of period		376.4	443.6
Cash and cash equivalents variation		**(63.9)**	**151.3**

Notes to the consolidated financial statements

1. Accounting information and policies

The accounting policies adopted are the same as those which were applied for the previous financial year, except as set out below under the heading Changes in significant accounting policies.

Firmenich Group

FIRMENICH INTERNATIONAL SA, Geneva, is incorporated and domiciled in Switzerland (1, rte des Jeunes, 1208 Geneva). These consolidated financial statements comprise FIRMENICH INTERNATIONAL SA and its subsidiaries (the Group).

The Firmenich Group with its parent company FIRMENICH INTERNATIONAL SA whose headquarters are in Geneva, Switzerland, operates worldwide and has affiliated companies and representative offices in over 30 countries. The Group is a global supplier of fragrances and flavors.

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

The financial year 2019 covers the period from July 1, 2018 to June 30, 2019.

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 September 3, 2019 that are subject to the approval by the Annual General Meeting on October 8, 2019.

This is the first set of the Group's consolidated financial statements in which IFRS 15 Revenue from Contracts with Customers and IFRS 9 Financial Instruments have been applied. Changes to significant accounting policies are described below; the impacts related to the implementation of IFRS 15 are described in the section "Group significant accounting policies" and of IFRS 9 in Note 24.

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 pension schemes and post-employment benefit programs. The calculations of the recognized assets and liabilities from such plans are based upon statistical and actuarial calculations and are impacted by assumptions on discount rates used to arrive at the present value of future pension liabilities, expected returns that will be made on existing pension assets, future salary increases as well as future pension increases and statistical based assumptions covering future withdrawals of participants from the plan and estimates of life expectancy. The actuarial assumptions used may differ materially from actual results 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).

Changes in significant accounting policies

The Group has initially applied IFRS 15 and IFRS 9 from July 1, 2018. A number of other new standards are also effective from July 1, 2018 but their effect on the Group's financial statements are inconsequential. Due to the transition methods chosen by the Group in applying these standards, comparative information throughout these financial statements has not been restated to reflect the requirements of the new standards.

IFRS 15 Revenue from contracts with customers defines a five-step model to recognise revenue from customer contracts and is based on the principle that revenue is recognised when a customer obtains control of the goods. It replaced IAS 18 Revenue, IAS 11 Construction Contracts and related interpretations.

The Group has adopted IFRS 15 using the cumulative effect method (without practical expedients), with the effect of initially applying this standard recognised at the date of initial application (i.e. July 1, 2018). Accordingly, the information presented for the year ended June 30, 2018 has not been restated i.e. it is presented under the previous guidance. Additionally, the disclosure requirements in IFRS 15 have not generally been applied to comparative information. The adoption of this standard had no impact on retained earnings as of July 1, 2018.

IFRS 9 Financial Instruments addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets. This standard replaced IAS 39 Financial Instruments: Recognition and Measurement. The adoption of this standard had no significant impact on the consolidated financial statements, and did not require a restatement of comparative information. Refer to note 24 for the accounting policy and details related to classification and measurement impacts. The new impairment model applies to long-term investments and loans (see note 5), other receivables (see note 9) and trade account receivable (see note 8), which are financial assets measured at amortised cost. The Group has adopted consequential amendments to IFRS 7 Financial Instruments: Disclosures that are applied to disclosures about financial year 2019 but have not been generally applied to comparative information.

Standards issued but not yet effective

A number of standards are effective for annual periods beginning after July 1, 2018 and earlier application is permitted: however, the Group has not early adopted the new or amended standards in preparing these consolidated financial statements.
Of those standards that are not yet effective, IFRS 16 Leases is expected to have a material impact on the Group's financial statements in the period of initial application. (i.e. July 1,2019).

IFRS 16 Leases will replace IAS 17 Leases and will set out the principles for the recognition, measurement, presentation and disclosures of leases. IFRS 16 introduces a single lease accounting model and requires the recognition of assets and liabilities for all leases. The Group is not a lessor and is impacted by the standard only for the lessee accounting. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. At the date of the initial application the lease liability is measured at the present value of the remaining lease payments, discounted by using the implicit borrowing rate and if not available the incremental borrowing rate, which is defined as the interest rate that the Group would have to pay to borrow, over a similar term and with a similar security, the funds necessary to obtain an asset in a similar econonomic environment. Right-of-use assets will be measured at the amount of the lease liability on transition.
The Group has non-cancellable operating lease commitments of CHF 143.2 as at June 30, 2019.
As at July 1, 2019, the effects identified on the Group's financial positions are as follows:
Increase of total Property, plant and equipment of CHF 184.7 ;
Increase of total financial debt of CHF 184.7 ;
The Group will apply IFRS 16 initially on July 1, 2019, using the modified retropective approach with no restatement of comparative information.

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

The consolidated financial statements include the accounts of the parent company (FIRMENICH INTERNATIONAL SA) and the affiliated companies as at June 30, 2019 and 2018.

I. Business combination

The Group accounts for business combination 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 Group measures goodwill at the acquisition date as the fair value of the consideration transferred (the assets given up, shares issued or liabilities undertaken at the date of acquisition).
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 derecognises the assets and liabilities of the subsidiary, and any related NCI and other components of equity. Any resulting gain or loss is recognized in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

V. Interests in jointly controlled entities 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 recognised at cost, which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include the Group's share of profit or loss and 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 unrealised income and expenses arising from intra-group transactions, are eliminated. Unrealised 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. Unrealised losses are eliminated in the same way as unrealised 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 company's functional currency.

The statement of financial position of foreign affiliated companies are translated into CHF at the exchange rates ruling at the year-end. The income statement accounts are translated at monthly exchange rates with the resulting translation adjustment taken to other comprehensive income, as are the exchange differences arising on the translation of opening shareholders' equity of foreign affiliated companies. Statement of cash flows are translated into CHF by applying to the foreign currency amount the monthly average exchange rate. On the divestment of a foreign entity, the cumulative translation adjustments relating to that foreign entity are recognized in the income statement as part of the gain or loss on divestment.

Revenue

The Group has initially applied IFRS 15 from July 1, 2018. The effect of applying IFRS 15 is described above.
The Group generates revenue from contracts with customers for the sale of fragrance and flavour 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.
No element of financing is deemed present as the sales are made with a short-term credit term.
In financial year 2019, 63.5 % (2018: 64.3%) of sales were generated for fragrances and 36.5 % (2018: 35.7%) for flavor.

Non-recurring items

As per Group policy, the operating performance is analyzed excluding non-recurring items as additional financial information. Severance costs incurred in connection with approved restructuring plans, impairment losses and other losses on assets, gains and losses on divestments, curtailments and restructuring of pension funds, consulting fees related to acquisitions, dismantlement costs, changes in accounting estimates with non-recurring impacts are defined as non-recurring items.

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

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

2. Business combinations

2.1 Businesses acquired

The following tables summarise the businesses acquired :

2.1.a Businesses acquired in 2019

Businesses acquired	Division	Date of acquisition
Fragrance West *	Perfumery & Ingredient	23 July 2018
Campus **	Flavor	9 August 2018
Senomyx ***	Flavor	2 November 2018

* Fragrance West is a leading mid-sized body and home care perfumery group on the West Coast of the United States. Offering a full service approach, the Group provides superior creative scent and best-in-class speed-to-market
supported by a manufacturing facility in Los Angeles. Firmenich acquired 100% of the shares and voting interests. From the date of acquisition, Fragrance West contributed CHF 7.4 to revenue.

** Campus S.r.l is an Italian producer of natural functional specialty ingredients for cooked and raw processed cured meats, sauces, savory and dairy as well as vegan products. Campus S.r.l was founded in 2005 in Parma, Italy.
Firmenich acquired 100% of the shares and voting interests. From the date of acquisition, Campus Group contributed CHF 62.0 to revenue.
The goodwill is not deductible for tax purpose.

*** Senomyx, Inc. is an American biotechnology company. Senomyx develops additives to amplify certain flavors and smells in foods. Senomyx, Inc. was founded in 1999. Firmenich acquired 100% of the shares and voting interests. From 2 November 2018, the acquisition contributed CHF 3.6 to revenue.
The goodwill is not deductible for tax purpose.
The goodwill reflects the expected revenue growth and synergies.

Transactions costs of CHF 4.0 have been expensed (included in operating expenses) and are part of the operating cash flows in the consolidated statement of cash flows.

If new information obtained within one year of the date of acquisition about facts and circumstances that existed at the date of acquisition identifies adjustment to the above amounts, or any additional provisions that existed at the date of acquisition, then the accounting for the acquisition will be revised.

2.1.b Businesses acquired in 2018

Businesses acquired	Division	Date of acquisition
Agilex Fragrances *	Perfumery & Ingredient	10 July 2017
Natural Flavors **	Flavor	1 February 2018
Flavourome ***	Flavor	2 February 2018

* Agilex Holdings, Inc, a leading fragrance company in North America is recognized for its track record in designing creative fragrances, as well as its industry-leading supply chain with best-in-class speed-to-market. Agilex is particularly strong in Air Care, with applications such as candles, scented wax and reed diffusers, a fast growing category.
Firmenich acquired 100% of the shares and voting interests.

** Firmenich acquired the business of Natural Flavors Inc. a US manufacturer of natural and organic flavors, located in Newark, New Jersey, this business is dedicated to producing the highest quality flavors.

*** Flavourome (Pty) Ltd is a South African Company serving the local flavor market. It supplies sweet flavours for both liquid and powder. Firmenich acquired 90% of the shares and voting interests.

2.2 Assets and liabilities recognised at the date of acquisition

2.2.a Assets and liabilities recognised at date of acquisition in 2019

In millions of CHF	Campus	Senomyx	Fragrance West	Total
Current assets				
Cash and cash equivalents	5.0	10.2	-	**15.2**
Inventories	9.2	1.5	1.2	**11.9**
Trade accounts receivable	20.9	2.1	-	**23.0**
Other receivables and prepaid expenses	1.0	1.7	0.4	**3.1**
Current income tax assets	0.5	-	-	**0.5**
Non-current assets				
Intangible assets	51.8	43.7	2.4	**97.9**
Property, plant and equipment	10.9	2.2	0.1	**13.1**
Investments and long-term loans	0.1	-	-	**0.1**
Deferred tax assets	0.8	14.2	-	**15.0**
Current liabilities				
Trade accounts payable	(19.7)	(4.3)	-	**(23.9)**
Other payables and accrued expenses	(5.6)	(6.3)	-	**(11.9)**
Non-current liabilities				
Provisions	(1.3)	(0.2)	-	**(1.5)**
Deferred tax liabilities	(14.4)	-	-	**(14.4)**
Total identifiable net assets acquired at fair value	**59.2**	**64.8**	**4.1**	**128.2**
Net assets aquired	**59.2**	**64.8**	**4.1**	**128.2**
Goodwill arising on acquisition	170.3	9.4	3.0	**182.7**
Consideration transferred	**229.5**	**74.2**	**7.1**	**310.8**

2.2.b Assets and liabilities recognised at date of acquisition in 2018

In millions of CHF	Agilex	Flavourome	Natural Flavors	Total
Current assets				
Cash and cash equivalents	4.1	0.5	-	**4.6**
Inventories	6.4	2.9	2.7	**11.9**
Trade accounts receivable	6.3	3.0	2.3	**11.6**
Other receivables and prepaid expenses	0.7	-	-	**0.7**
Current income tax assets	10.8	-	-	**10.8**
Non-current assets				
Intangible assets	206.3	8.9	40.8	**256.1**
Property, plant and equipment	16.9	1.1	-	**18.1**
Current liabilities				
Trade accounts payable	(3.3)	(3.2)	-	**(6.5)**
Other payables and accrued expenses	(12.4)	(0.1)	(0.1)	**(12.5)**
Non-current liabilities				
Deferred tax liabilities	(71.9)	(2.5)	-	**(74.4)**
Deferred compensation and other provisions	(0.3)	-	-	**(0.3)**
Long-term bank and other borrowings	0.4	-	-	**0.4**
Total identifiable net assets acquired at fair value	**164.1**	**10.6**	**45.7**	**220.4**
Non-controlling interest at the proportionate share of the acquiree's net assets	-	(2.9)	-	**(2.9)**
Net assets aquired	**164.1**	**7.7**	**45.7**	**217.5**
Goodwill arising on acquisition	200.7	18.4	61.5	**280.7**
Consideration transferred	**364.8**	**26.1**	**107.2**	**498.1**

2.3 Cash flow on acquistions

The cash flow made on the acquisitions is summarized below :

2.3.a Cash flow on acquisitions in 2019

In millions of CHF	Campus	Senomyx	Fragrance West	Total
Cash consideration	(229.5)	(74.2)	(7.1)	**(310.8)**
Cash and cash equivalents acquired	5.0	10.2	-	**15.2**
Net cash outflow	**(224.5)**	**(64.0)**	**(7.1)**	**(295.6)**

2.3.b Cash flow on acquisitions in 2018

In millions of CHF	Agilex	Flavourome	Natural Flavors	Total
Cash consideration	(364.8)	(26.1)	(107.2)	**(498.1)**
Cash and cash equivalents acquired	4.1	0.5	-	**4.6**
Net cash outflow	**(360.7)**	**(25.6)**	**(107.2)**	**(493.5)**

3. Goodwill and intangible assets

Goodwill and intangible assets are initially recorded at cost of purchase or construction. Intangible assets are amortized on a straight-line basis over the expected useful lives of the assets.

Amortization of intangible assets

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

Customer base	15 to 20 years
Technology and formulas	5 to 10 years
Brands and trademarks	10 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 (including goodwill) to determine whether there is an indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.
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. Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.
The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell.
An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount.

Goodwill

Goodwill is allocated to the Group's cash-generating units (CGUs) identified according to country of operation and business segment. 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. The discount rates used are based on the Group's weighted average cost of capital adjusted for specific country and currency risks associated with the cash flow projections. The cash flows take into account tax expenses and therefore a post-tax discount rate is used. The application of the post-tax discount rate approximates the results of using a pre-tax rate applied to pre-tax cash-flows. The key assumptions used for value-in-use calculations are perpetual growth rates of 0.5% and post-tax discount rates of 8.0 % (2018: 8.0%).

The key sensitivity for the impairment test are the growth in revenues and the operating margin. Reducing the expected annual revenue growth rate for the first four years of the plan by 150 basis points would not result in the carrying amount exceeding the recoverable amount. Reducing the operating margin to sales ratio by 300 basis points for the first five years of the plan would not result in the carrying amount exceeding the 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 combination.

Brands and trademarks

The Group acquired brands and trademarks in both fragrances and flavor.

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.

Construction in progress

Construction in progress consists of a new creation workstation for Perfumery & Flavors (FACE project) CHF 9.9 (2018: CHF 4.0); development expenses with external partners for molecules development (Amyris Inc) CHF 9.0 (2018: CHF 3.9); automation of plants at the Firjiang plant (MES system : Manufacturing Execution System) CHF 2.0 the implementation of a knowledge reservation integration system platform (KRISP) CHF 1.0 (2018: CHF 1.6), freight management costs in SAP CHF 1.0, and various software developments CHF 20.0 (2018: CHF 14.0).

Intangible assets not yet available for use

Intangible assets not yet available for use 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	Construction in progress	Total
COST							
Opening balance 2018	**323.0**	**173.1**	**249.0**	**7.0**	**371.8**	**27.7**	**1 151.6**
Additions	0.4	-	-	-	0.1	36.9	37.4
Transfers *	-	-	14.9	-	15.8	(31.1)	(0.4)
Acquisition of businesses	280.6	184.2	24.3	47.6	(0.0)	-	536.7
Currency translation adjustment	14.6	5.8	1.0	-	2.7	-	24.1
Closing balance 2018	**618.6**	**363.1**	**289.2**	**54.6**	**390.4**	**33.5**	**1 749.4**
Additions	0.0	-	-	-	1.7	31.0	32.7
Transfers/reclassification *	-	-	-	0.0	23.3	(22.6)	0.7
Acquisition of businesses	182.7	13.4	65.4	13.8	4.4	0.9	280.6
Currency translation adjustment	(15.4)	(4.0)	(2.2)	(2.1)	(0.4)	0.1	(23.9)
Closing balance 2019	**785.9**	**372.5**	**352.4**	**66.3**	**419.4**	**42.9**	**2 039.5**
ACCUMULATED AMORTIZATION							
Opening balance 2018		**115.4**	**196.9**	**3.7**	**342.5**		**658.5**
Charge of the year		19.1	7.4	4.0	16.6		47.1
Impairment losses		-	-	-	1.0		1.0
Transfers *		0.6	-	-	(1.6)		(1.0)
Currency translation adjustment		0.1	0.2	-	1.0		1.3
Closing balance 2018		**135.2**	**204.5**	**-**	**367.2**		**706.9**
Charge of the year		20.3	13.4	5.0	18.4		57.2
Transfers/reclassification *		1.9	-	(0.0)	(1.9)		0.0
Currency translation adjustment		(0.5)	(0.1)	(0.3)	(0.7)		(1.6)
Closing balance 2019		**157.0**	**217.8**	**12.4**	**375.4**		**762.5**
NET BOOK VALUE							
Closing balance 2018	**618.6**	**227.9**	**84.7**	**54.6**	**23.2**	**33.5**	**1 042.5**
Closing balance 2019	**785.9**	**215.5**	**134.6**	**53.9**	**44.1**	**42.9**	**1 276.9**

* These lines include transfers from construction in progress to other intangibles, as well as property, plant and equipment (refer to note 4).

4. 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 tangible assets to determine whether there is an indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.
An impairment loss is recognised if the carrying amount of an asset exceeds its recoverable amount.

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 buildings, infrastructure and equipment are determined by reference to their carrying amount and are taken into the income statement.

In millions of CHF	Land	Buildings and infrastructure	Equipment	Construction in progress	**Total**
COST					
Opening balance 2018	**56.0**	**1 088.3**	**1 213.2**	**86.6**	**2 444.1**
Additions	-	3.8	5.1	162.8	171.7
Disposals	-	(0.9)	(3.4)	-	(4.3)
Transfers *	-	21.8	45.0	(73.7)	(6.9)
Acquisition of businesses	0.9	3.0	14.2	-	18.1
Currency translation adjustment	0.5	14.7	16.9	2.0	34.1
Closing balance 2018	**57.4**	**1 130.7**	**1 291.0**	**177.7**	**2 656.8**
Additions	-	2.9	8.0	177.3	188.2
Disposals	(3.5)	(26.3)	(29.9)	-	(59.7)
Transfers *	-	107.0	99.2	(192.0)	14.2
Acquisition of businesses	1.4	6.9	2.5	2.3	13.1
Currency translation adjustment	(0.7)	(19.9)	(20.7)	(2.5)	(43.8)
Closing balance 2019	**54.6**	**1 201.3**	**1 350.1**	**162.8**	**2 768.8**
ACCUMULATED DEPRECIATION					
Opening balance 2018		**704.1**	**913.1**		**1 617.2**
Charge of the year		30.8	48.1		78.9
Impairment losses		3.0	(0.0)		3.0
Disposals		(0.5)	(3.3)		(3.8)
Transfers *		-	(6.3)		(6.3)
Currency translation adjustment		9.8	13.5		23.3
Closing balance 2018		**747.2**	**965.1**		**1 712.3**
Charge of the year		32.6	52.8		85.4
Impairment losses		0.9	(0.1)		0.8
Disposals		(17.9)	(29.1)		(47.0)
Transfers *		0.3	14.7		15.0
Currency translation adjustment		(8.5)	(12.8)		(21.3)
Closing balance 2019		**754.6**	**990.6**		**1 745.2**
NET BOOK VALUE					
Closing balance 2018	**57.4**	**383.5**	**325.9**	**177.7**	**944.5**
Closing balance 2019	**54.6**	**446.7**	**359.5**	**162.8**	**1 023.6**

* These lines include transfers from construction in progress to land, building and infrastructure and equipment, as well as intangible assets (refer to Note 3).

Impairment loss

In 2018, impairment losses were related to the relocation of the office in Mumbai.

Property, plant and equipment under finance leases

In millions of CHF	Notes	2019	2018
Net book value of property, plant and equipment under finance leases	17	0.6	1.2

Guarantee

No property, plant and equipment are used to secure bank borrowings.

5. Financial investments and loans

In millions of CHF	Notes	2019	2018
Land use rights		13.3	14.3
Other loans and receivables		15.7	16.4
Loans to related parties		5.4	5.5
Loans to personnel		1.9	2.8
Sub-total loans at amortised cost		**36.3**	**39.0**
Financial assets at fair value through income statement	24	54.9	49.5
Financial investments and loans		**91.2**	**88.5**

For accounting policy on financial investments and loans refer to note 24 section financial instruments category.

Other loans and receivables mainly consist of insurance policy and deposits covering employee benefits and a loan of Firinc to one of its core customers.

Loans to related parties mainly consist of a long-term financing granted to Prolitec Inc of CHF 5.4 (2018 : CHF 5.5).

For the year ended June 30, 2019, long-term financial investments consist of investments held at fair value through income statement. They include funds of a deferred compensation scheme of CHF 47.0 (2018: CHF 44.0) 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 16).

6. Associates and joint ventures

Joint ventures are undertakings in which the Group has an interest and which are jointly controlled by the Group and one or more other parties.

On August 9, 2018, the Group acquired 50% of Novali A.S. The entity is located in Czech Republic. Novali A.S. is part of the Campus Group acquisition, please refer to note 2.

In July 2018, Firmenich increased its ownership in Jasmine Concrete from 40% to 49%.

On June 19, 2019, the Group acquired 24.99% of ArtSci Biology Technologies CO Ltd. Founded in 2005 and headquartered in Hangzhou, Zhejiang Province, ArtSci is a Chinese flavor company specialized in dairy and beverages, as well as bakery and confectionary. It serves China's middle market with a broad distribution network across Central and Western China.

June 30, 2019

In millions of CHF	Fider SA	Jasmine Concrete Exports Private Ltd	Prolitec Inc (*)	The Nelixia Company SA (*)	ArtSci Biology Technologies CO Ltd. (*)	Other (**)	Total
Opening balance 2019	9.1	5.9	2.5	9.0	-	1.4	27.9
Acquisition	-	2.1	-	0.3	49.6	0.1	52.1
Share of (loss) / profit	0.9	0.5	(0.1)	(0.2)	-	0.2	1.3
Dividend paid	-	-	-	-	-	(0.5)	(0.5)
Currency translation adjustment	(0.4)	(0.2)	(0.1)	(0.2)	(0.7)	(0.0)	(1.6)
Closing balance 2019	**9.6**	**8.3**	**2.3**	**8.9**	**48.9**	**1.2**	**79.2**

(*) Prolitec Inc, The Nelixia Company SA and ArtSci are associated companies

(**) Oher includes Negev Aroma Ltd, InnovAroma SA and Novali A.S.

June 30, 2018

In millions of CHF	Fider SA	Jasmine Concrete Exports Private Ltd	Prolitec Inc (*)	The Nelixia Company SA (*)		Other (**)	Total
Opening balance 2018	8.1	5.7	2.6	-		1.2	17.6
Investments increase	-	-	-	9.0		-	9.0
Share of (loss) / profit	0.5	0.4	(0.2)	-		0.2	0.9
Currency translation adjustment	0.5	(0.2)	0.1	0.0		0.0	0.5
Closing balance 2018	**9.1**	**5.9**	**2.5**	**9.0**		**1.4**	**27.9**

(*) Prolitec Inc and the Nelixia Company SA are associated companies

(**) Oher includes Negev Aroma Ltd, InnovAroma SA.

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	2019	2018
INVENTORY SPLIT BY CATEGORY		
Raw material and supplies	257.9	248.2
Work in progress	290.4	287.2
Finished goods	141.5	167.4
Allowance for slow moving and obsolete inventories	(20.7)	(23.3)
Total inventories	**669.1**	**679.5**

In millions of CHF	2019	2018
MOVEMENT OF INVENTORY ALLOWANCE		
Opening balance	(23.3)	(20.5)
Increase in allowance	(19.8)	(27.9)
Acquisition of subsidiaries	-	(0.3)
Use and reversal of allowance	22.0	25.4
Currency translation adjustment	0.4	-
Closing balance	**(20.7)**	**(23.3)**

During the current and prior year, obsolete products were destroyed, partially using the allowance. Total inventory losses (physical losses and movement in inventory allowances) for the year ended June 30, 2019 reached CHF 38.7 (2018: CHF 33.0) and are included in the cost of goods sold.

8. Trade accounts receivable

Trade accounts receivable

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

Starting July 1, 2018 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. The practice previously applied for measuring the loss allowance was not materially affected by the new expected credit loss model.

In millions of CHF	2019	2018
Trade accounts receivable (gross)	849.0	852.4
Allowance for doubtful debts	(8.0)	(6.9)
Total trade accounts receivable	**841.0**	**845.5**

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	2019	2018
AGEING OF PAST DUE BUT NOT IMPAIRED		
Neither past due nor impaired	809.8	827.8
Less than 30 days	27.6	18.5
30 to 60 days	4.5	2.3
60 to 90 days	2.9	1.4
More than 90 days	4.2	2.4
Less allowance for doubtful debts	(8.0)	(6.9)
Total trade accounts receivable	**841.0**	**845.5**

In millions of CHF	2019	2018
MOVEMENT IN LOSS ALLOWANCE FOR IMPAIRMENT		
Opening balance	(6.9)	(5.4)
Additional impairment on trade accounts receivable	(40.8)	(15.8)
Acquisition of subsidiaries	-	(0.1)
Reversal of impairment on trade accounts receivable	39.5	14.4
Currency translation adjustment	0.2	(0.0)
Closing balance	**(8.0)**	**(6.9)**

Total trade accounts receivable written-off for the year ended June 30, 2019 are CHF 0.7 (2018 : CHF 0.0).

9. Other receivables and prepaid expenses

In millions of CHF	2019	2018
VAT receivables	72.6	71.0
Other receivables	79.8	45.8
Prepaid expenses	32.4	38.7
Accrued income	0.2	0.7
Total other receivables and prepaid expenses	**185.0**	**156.2**

10. Financial instruments

Derivative financial instruments

In millions of CHF	2019		2018	
Fair value	Assets	Liabilities	Assets	Liabilities
Forward exchange contracts	7.4	2.0	3.6	3.1
Currency options	0.7	1.1	0.8	2.6
Commodity options	5.6	-	26.6	-
Total derivative financial instruments	**13.7**	**3.1**	**31.0**	**5.7**

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

11. Financial investments

In millions of CHF	2019	2018
Fixed term deposits over 48 hours	57.6	72.1
Bonds and debentures	12.0	81.3
Equity securities	2.7	17.6
Hedge funds	0.3	2.4
Financial investments	**72.6**	**173.4**

For accounting policy on financial investments and further details, refer to note 24 section Financial instruments category.

For the years ended June 30, 2019 and 2018 financial investments consist of financial assets at fair value through income statement. No restrictions on marketable securities exist, except CHF 3.6 (2018: CHF 3.4) owned by the Fondation de prévoyance, an employer's fund, where investments are restricted to employee benefits use only.

In millions of CHF	2019	2018
FINANCIAL INVESTMENTS SPLIT BY CURRENCIES		
CHF	3.6	40.5
USD	1.7	47.7
CNY	17.7	24.5
EUR	0.0	16.9
Other	0.6	29.2
Total	**72.6**	**173.4**

12. Share capital

	2019	2018
SHARE CAPITAL - ORDINARY SHARES		
Registered A shares		
Number	729 000	729 000
Nominal value (in CHF)	50.0	50.0
Total A shares (in millions of CHF)	**36.45**	**36.45**
Registered B shares		
Number	810 000	810 000
Nominal value (in CHF)	5.0	5.0
Total B shares (in millions of CHF)	**4.05**	**4.05**
Share capital (in millions of CHF)	**40.5**	**40.5**

Ordinary share

Each share carries the right to one vote. When a dividend on ordinary share is declared, holders of A shares are entitled to a preferential dividend equivalent to 10% of the nominal share value in priority to other dividend payments.

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

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)	2019	2018
Net income attributable to Firmenich International SA	526.7	580.4
A shares part of share capital in %	90.0%	90.0%
A shares part of net income from ordinary activities	474.0	522.3
B shares part of share capital in %	10.0%	10.0%
B shares part of net income from ordinary activities	52.7	58.0
Earnings per A share (in CHF)	**650.24**	**716.52**
Earnings per B share (in CHF)	**65.02**	**71.65**

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 2018, a distribution on financial year 2018 net income of CHF 260.0 gross per A share and CHF 26.0 gross per B share was approved (October 2017: CHF 260.0 per A share and CHF 26.0 per B share).
This year the Board proposes a dividend of CHF 260.0 gross per A share, which includes the 10% preferential dividend, and CHF 26.0 gross per B share.

14. Non-controlling interests

Information relating to each of the Group's subsidiaries that has non-controlling interests is as follows :

June 30, 2019

In millions of CHF	Essex Laboratories LLC	Kunming Firmenich Aromatics Co. Ltd.	PT Firmenich Indonesia	Flavourome (Pty) Ltd.	Total
Opening balance 2019	3.8	5.2	6.8	2.7	18.4
Share of profit	0.6	0.3	1.3	0.2	2.4
Dividends	(0.1)	(0.1)	(0.6)	-	(0.8)
Currency translation adjustment	(0.1)	(0.2)	(0.1)	(0.2)	(0.5)
Closing balance 2019	**4.3**	**5.2**	**7.4**	**2.7**	**19.5**

June 30, 2018

In millions of CHF	Essex Laboratories LLC	Kunming Firmenich Aromatics Co. Ltd.	PT Firmenich Indonesia	Flavourome (Pty) Ltd.	Total
Opening balance 2018	3.2	5.1	7.0	-	15.3
Share of profit	0.6	0.1	0.5	(0.0)	1.3
Acquisition	-	-	-	2.9	2.9
Dividends	(0.2)	(0.3)	(0.5)	-	(1.0)
Currency translation adjustment	0.1	0.3	(0.2)	(0.2)	(0.1)
Closing balance 2018	**3.8**	**5.2**	**6.8**	**2.7**	**18.4**

15. Employee benefit obligations

In millions of CHF	2019	2018
Non-current employee benefit obligations		
Pension plans and other post-employment benefit obligations	530.8	545.7
Other employee benefits	76.1	81.6
Total non-current employee benefit obligations	**606.9**	**627.3**
Current employee benefit obligations		
Other employee benefits	26.6	22.9
Total current employee benefit obligations	**26.6**	**22.9**

A) Pension plans and other post-employment benefit obligations

The Group companies operate various defined benefit and defined contribution pension schemes 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 account of 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 all employees 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 recognised 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 interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension 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 recognised immediately in the income statement.

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

Pension 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.

Other post-employment benefits and similar obligations also comprise healthcare benefits, jubilees, long-service leaves and similar obligations whenever requested by local laws or circumstances. 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 over the period of employment using the same accounting methodology as used for defined benefit pension plans. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise.

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, United States of America and United Kingdom.

PENSION PLANS

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

OTHER POST-EMPLOYMENT BENEFITS

Other post-employment benefits are not funded and comprise monthly contributions to medical insurance, annual premiums and monthly pensions to a limited number of beneficiaries. Other post-employment benefits also cover compensations in relation to state pensions for early retirements and other compensations in relation to retirements of corporate management.

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

In millions of CHF	2019	2018
OBLIGATIONS		
Defined pension benefits	407.6	434.7
Other post-employment benefits	123.2	111.0
Liability in statement of financial position	**530.8**	**545.7**
INCOME STATEMENT CHARGES		
Defined pension benefits	25.5	53.5
Other post-employment benefits	9.4	6.2
Total included in income statement	**34.9**	**59.7**
REMEASUREMENT		
Defined pension benefits	(14.9)	(14.1)
Other post-employment benefits	8.4	14.2
Total remeasurement included in other comprehensive income	**(6.5)**	**0.1**
Following non-recurring items (refer to analysis of operating profit) were incurred:		
Past service cost	(28.4)	(2.8)
Loss on settlement	1.7	0.0

For further details please refer to section main defined benefit pension plans description.

Defined contribution plans

During the financial year, expenses related to defined contribution plans recognised in the income statement are CHF 43.7 (2018: 40.4).

Defined benefit pension plans

In millions of CHF	Defined funded and unfunded benefit obligations	Fair value of plan assets	Net (Assets) / Liabilities recognized in the balance sheet
MOVEMENT OF NET (ASSETS) / LIABILITIES OVER THE YEAR			
Opening balance 2019	**1 691.8**	**(1 257.1)**	**434.7**
INCLUDED IN INCOME STATEMENT			
Current service cost	41.0		**41.0**
Plan administration expenses		6.3	**6.3**
Past service cost	(28.4)		**(28.4)**
Interest expense / (income)	21.9	(17.0)	**4.9**
Loss / (gain) on settlements	1.7		**1.7**
Total included in income statement	**36.2**	**(10.7)**	**25.5**
INCLUDED IN OTHER COMPREHENSIVE INCOME			
Remeasurements losses / (gains)			
Actuarial loss / (gain) arising from:			
Loss / (gain) from change in demographic assumptions	(2.7)		**(2.7)**
Loss / (gain) from change in financial assumptions (*)	32.6		**32.6**
Experience loss / (gain)	(3.7)		**(3.7)**
Return on plan assets excluding movement through income statement		(41.1)	**(41.1)**
Total included in other comprehensive income	**26.2**	**(41.1)**	**(14.9)**
OTHER			
Benefits paid	(68.7)	68.7	**(0.0)**
Contributions by plan participants	12.4	(12.4)	**-**
Employer contributions		(34.6)	**(34.6)**
Settlements	(22.9)	22.9	**-**
Currency translation adjustment	(8.7)	5.6	**(3.1)**
Total other	**(87.9)**	**50.2**	**(37.7)**
Closing balance 2019	**1 666.3**	**(1 258.7)**	**407.6**

(*) The defined pension benefits measurement is the consequence of changes in financial assumptions, in particular, the lower discount rate on the Swiss pension funds (from 0.8% to 0.65%)

In millions of CHF	Defined funded and unfunded benefit obligations	Fair value of plan assets	Net (Assets) / Liabilities recognized in the balance sheet
MOVEMENT OF NET (ASSETS) / LIABILITIES OVER THE YEAR			
Opening balance 2018	**1 653.6**	**(1 215.9)**	**437.7**
INCLUDED IN INCOME STATEMENT			
Current service cost	43.0		**43.0**
Plan administration expenses		5.5	**5.5**
Past service cost	0.2		**0.2**
Interest expense / (income)	19.4	(14.6)	**4.8**
Total included in income statement	**62.6**	**(9.1)**	**53.5**
INCLUDED IN OTHER COMPREHENSIVE INCOME			
Remeasurements losses / (gains)			
Actuarial loss / (gain) arising from:			
Loss / (gain) from change in demographic assumptions (*)	15.9		**15.9**
Loss / (gain) from change in financial assumptions (*)	(32.9)		**(32.9)**
Experience loss / (gain)	21.8		**21.8**
Return on plan assets excluding movement through income statement		(18.9)	**(18.9)**
Total included in other comprehensive income	**4.8**	**(18.9)**	**(14.1)**
OTHER			
Benefits paid	(56.0)	56.0	**0.0**
Contributions by plan participants	12.6	(12.6)	**(0.0)**
Employer contributions		(46.6)	**(46.6)**
Currency translation adjustment	14.2	(10.0)	**4.2**
Total other	**(29.2)**	**(13.2)**	**(42.4)**
Closing balance 2018	**1 691.8**	**(1 257.1)**	**434.7**

(*) The defined pension benefits remeasurement is the consequence of changes in the capital option allocation, offset by changes in financial assumptions, in particular, the higher discount rate on the Swiss pension funds (from 0.6% to 0.8%)

In millions of CHF	2019	2018
PLAN ASSETS SPLIT BY CATEGORY		
Equity	407.5	387.2
Debt	435.4	439.2
Hedge funds	108.7	127.3
Derivatives	5.9	6.3
Commodities	0.1	0.1
Property	164.0	160.4
Insurance policies	45.5	44.0
Other	63.1	51.4
Cash and bank deposits	28.5	41.2
Total plan assets	**1 258.7**	**1 257.1**

The expected contributions to post-employment benefit plans for the year ended June 30, 2020 are CHF 35.7.

Equities and debts: almost all of them are quoted in an active market.

Real Estate, hedge funds, commodities, insurance policies: almost all of them are not quoted in an active market.

The table below outlines the funding situation by geographic area:

June 30, 2019

In millions of CHF	Switzerland	United States of America	United Kingdom	Other countries	Total
DEFINED BENEFIT PENSION PLANS					
Defined funded and unfunded benefit obligations	1 350.2	206.9	73.1	36.1	**1 666.3**
Fair value of plan assets	(1 016.0)	(168.9)	(71.2)	(2.6)	**(1 258.7)**
Net excess of liabilities/(assets) over obligations	**334.2**	**38.0**	**1.9**	**33.5**	**407.6**

June 30, 2018

In millions of CHF	Switzerland	United States of America	United Kingdom	Other countries	Total
DEFINED BENEFIT PENSION PLANS					
Defined funded and unfunded benefit obligations	1 349.4	229.6	78.4	34.4	**1 691.8**
Fair value of plan assets	(991.1)	(186.9)	(76.2)	(2.9)	**(1 257.1)**
Net excess of liabilities/(assets) over obligations	**358.3**	**42.7**	**2.2**	**31.5**	**434.7**

Key financial actuarial assumptions

2019	Switzerland	United States of America	United Kingdom	Other countries
Discount rate	0.62%	3.93%	2.25%	1 % to 7.8 %
Future salary increases	2.00%	4.00%	0.00%	2 % - 11 %
Future pension increases	0.00%	0.00%	2.35%	0 % - 1.8 %
Mortality assumptions	BVG 2015 G	RP2014 Generational Mortality Table with MP 2018	S2PA with CMI 2018, 1.25% long-term trend	

2018	Switzerland	United States of America	United Kingdom	Other countries
Discount rate	0.77%	4.00%	2.45%	1.5 % - 7.9 %
Future salary increases	2.00%	4.00%	0.00%	2 % - 11 %
Future pension increases	0.00%	0.00%	3.25%	0 % - 1.8 %
Mortality assumptions	BVG 2015 G	RP2014 Generational Mortality Table with MP 2017	S2PA with CMI 2017, 1.25% long-term trend	

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%	(101.6)	113.9
Future salary increases	0.50%	10.5	(10.0)
Future pension increases	0.50%	83.4	(3.2)
Life expectancy	1 year	43.2	(42.8)

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.

A floor of 0% was applied to the discount rate for the purpose of this sensitivity analysis.

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).

In FY19, the pension rules of the main pension plan were reviewed that led to the recognition of negative past service cost of CHF 28.9.

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 IAS19 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 23.9 to these plans during the year ending June 30, 2020.

The weighted average duration of the defined benefit obligation is 17.9 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 7.7 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.

In FY19 a one-time lump sum window was offered to 613 terminated vested participants. A total of 284 participants selected to receive a lump sum payment with total benefits paid of CHF 22.9.

The Group expects to contribute CHF 8.3 to these plans during the year ending June 30, 2020.

The weighted average duration of the defined benefit obligation is 11.7 years.

United Kingdom

The occupational pension scheme Firmenich Wellingborough Employee Benefits Plan is arranged under the applicable UK Pension Schemes and Pensions Acts and is managed as 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.

During the year ended June 30, 2016, the pension obligations in respect of the Firmenich Pension Scheme were settled and any surplus used to cover the cost of winding up the scheme. The wind up of this scheme was finalised in 2018.

The Employer is obliged to support the Scheme under UK law. If the Employer is solvent, it cannot walk away from its obligations to the Scheme without first paying off the cost of buying out the Scheme's liabilities with an Insurer. If the Trustees and Company intend for the Firmenich Wellingborough Employee Benefits Plan to be run on an ongoing basis, they must comply with the certain principles on which the liabilities must be met – this is known as the 'Scheme Specific Funding' regime. This regime is centered around the Statutory Funding Objective, which requires each scheme to have "sufficient and appropriate assets to meet its technical provisions" (i.e. its liabilities). As key features of this process, the Trustees and the Company must:

• consider the strength of the support the Employer can offer to the Scheme (the Company's "covenant") both now and in the future, and
• in the light of this, the Trustees and Employer must discuss the actuarial assumptions and agree a funding plan for the Scheme.

The principles of the valuation regime are explained in "Code of Practice 03 Funding Defined Benefits" issued by the Pensions Regulator.

The Group expects to contribute CHF 0.6 to this plan during the year ending June 30, 2020. All figures shown exclude the Scheme's administrative expenses.

The weighted average duration of the defined benefit obligation is 13 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 life expectancy 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.

Other post-employment benefits

Other post-employment benefits comprise monthly contributions to medical insurance, annual premiums and monthly pensions to a limited number of beneficiaries. Other post-employment benefits also cover compensations in relation to state pensions for early retirements and other compensations in relation to retirements of corporate management.

Other post-retirement benefits are not funded.

MOVEMENT OVER THE YEAR

In millions of CHF	2019	2018
PROVISION FOR OTHER POST-EMPLOYMENT BENEFITS		
Opening balance	**111.0**	**94.8**
INCLUDED IN INCOME STATEMENT		
Current service cost	8.3	8.3
Past service cost	0.0	(2.9)
Interest cost	1.1	0.8
Total charges / (income) included in income statement	**9.4**	**6.2**
INCLUDED IN OTHER COMPREHENSIVE INCOME		
Actuarial losses / (gains)		
Loss / (gain) from change in demographic assumptions	(0.0)	(0.1)
Loss / (gain) from change in financial assumptions	2.7	(2.7)
Experience loss / (gain)	5.7	17.0
Total included in other comprehensive income	**8.4**	**14.2**
OTHER		
Benefits paid	(5.2)	(4.6)
Currency translation adjustment	(0.4)	0.4
Total Other	**(5.6)**	**(4.2)**
Closing balance	**123.2**	**111.0**

In millions of CHF	2019	2018
AMOUNTS RECOGNIZED IN INCOME STATEMENT		
Contributions to medical insurance	3.3	2.9
Annual premium	0.4	0.4
Retirement compensation	5.7	2.9
Total charge included in income statement	**9.4**	**6.2**
AMOUNTS RECOGNIZED IN STATEMENT OF FINANCIAL POSITION		
Contributions to medical insurance	86.0	77.5
Annual premium	11.5	9.6
Other pensions	2.5	2.6
Retirement compensation	23.2	21.3
Total other post-employment benefits	**123.2**	**111.0**

Key financial actuarial assumptions

2019	Switzerland	United States of America
Discount rate	0.7%	3.5%
Medical cost trend rate		7.5%

2018	Switzerland	United States of America
Discount rate	0.8%	3.7%
Medical cost trend rate		8.0%

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%	(8.7)	10.0
Life expectancy	1 year	2.9	(2.9)
Medical cost trend rate	1.0%	11.7	(9.5)

A floor of 0% was applied to the discount rate for the purpose of this sensitivity analysis.

The table below outlines the funding situation by geographic area.

As at June 30, 2019

In millions of CHF	Switzerland	United States of America	Other countries	Total
Present value of unfunded obligations	113.7	9.2	0.3	123.2

As at June 30, 2018

In millions of CHF	Switzerland	United States of America	Other countries	Total
Present value of unfunded obligations	100.8	10.0	0.2	111.0

Other postemployment benefits - description

Switzerland

Other post-employment benefits comprise healthcare benefits, long-service leaves, compensations in relation to state pensions for early retirements and other compensations in relation to retirement of corporate management, as well as monthly pensions provided to a limited number of beneficiaries. 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 17.9 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 7.3 years.

B) Other employee benefits

During FY19, management reassessed the nature of the two plans described below that qualifies as employee benefit. The prior year balance has therefore been presented from provisions to other employee benefits (refer to note 16).

Long-term incentives

The long-term incentive (LTI) plans are delayed payment schemes eligible to senior management and ties to the performance of the Group. A new LTI plan was launched in financial year 2017 that aimed at rewarding selective members of the senior leadership team. Rewards will depend on the achievement of the financial goals of the Grow 125 strategy. This plan will be based on several cycles of payments. The net additional charges recorded in financial year 2019 is CHF 11.8.

In parallel to this plan, an additionnal LTI plan for perfumers and flavorists recorded an additional charge of CHF 1.5 in financial year 2019.

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

In millions of CHF	2019	2018
Provision for long-term incentives (LTI)	20.0	31.1
Provision for long-term incentives (LTI) for perfumers & flavorists	5.2	3.7
Deferred compensation	50.8	46.8
Closing balance	**76.1**	**81.6**

CURRENT

In millions of CHF	2019	2018
Provision for long-term incentives (LTI)	26.6	22.9
Closing balance	**26.6**	**22.9**

In millions of CHF	Deferred compensation	Provision for LTI	Provision for LTI Perfumers and Flavorists	Total
MOVEMENT ON DEFERRED COMPENSATION AND PROVISIONS FOR LONG-TERM INCENTIVES				
Opening balance 2018	**46.7**	**47.0**	**1.7**	**95.4**
Additional provisions	0.1	27.4	2.3	29.8
Unused provisions reversed	(0.0)	(2.0)	(0.4)	(2.5)
Used during year	-	(19.1)	(0.0)	(19.1)
Transfer	0.0	0.1	0.1	0.2
Currency translation adjustment	(0.0)	0.6	(0.0)	0.7
Closing balance 2018	**46.8**	**54.0**	**3.7**	**104.5**
Additional provisions	0.2	22.5	1.6	24.3
Acquisition of subsidiaries	1.0	-	-	1.0
Unused provisions reversed	(0.2)	(4.7)	-	(4.9)
Used during year	(0.0)	(24.5)	-	(24.5)
Transfer	4.5	(0.0)	-	4.5
Currency translation adjustment	(1.5)	(0.7)	0.0	(2.2)
Closing balance 2019	**50.8**	**46.6**	**5.3**	**102.7**

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.

PROVISIONS - NON CURRENT

In millions of CHF	2019	2018
Provision for long service leave	3.2	3.0
Deferred compensation and other provisions	6.3	5.1
Provision for litigation	0.4	0.4
Provision for restructuring charges	1.2	0.2
Provision for business risks	3.9	-
Total provisions	**14.9**	**8.7**

PROVISIONS - CURRENT

In millions of CHF	2019	2018
Provision for long service leave	0.2	0.2
Deferred compensation and other provisions	0.6	1.1
Provision for litigation	0.2	0.4
Product warranty liability	2.3	2.7
Provision for restructuring charges	2.7	7.7
Provision for business risks	0.3	0.2
Total provisions	**6.3**	**12.3**

MOVEMENT OF DEFERRED COMPENSATION AND OTHER PROVISIONS

In millions of CHF	Provision for business risk	Long service leaves	Deferred compensation and other provisions	Provision for litigation	Product warranty liability	Provision for restructuring charges	Total
Opening balance 2018	**0.0**	**3.1**	**1.7**	**0.9**	**6.8**	**3.9**	**16.4**
Additional provisions	0.2	1.6	11.4	(0.0)	0.5	8.2	21.8
Acquisition of subsidiaries	-	-	0.3	-	-	-	0.3
Unused provisions reversed	-	(0.0)	(3.5)	-	(0.7)	(0.2)	(4.4)
Used during year	-	(1.5)	(4.2)	(0.1)	(4.0)	(4.1)	(13.9)
Transfer	-	-	(0.3)	-	-	-	(0.3)
Currency translation adjustment	0.0	0.0	0.8	0.1	0.1	0.1	1.1
Closing balance 2018	**0.2**	**3.2**	**6.2**	**0.8**	**2.7**	**7.9**	**21.0**
Additional provisions	4.2	0.8	8.2	0.0	0.0	3.9	17.1
Acquisition of subsidiaries	-	0.2	0.3	-	-	-	0.5
Unused provisions reversed	-	(0.0)	(0.4)	0.0	(0.4)	(0.9)	(1.6)
Used during year	(0.1)	(0.8)	(3.6)	(0.2)	-	(6.9)	(11.6)
Transfer	-	-	(4.5)	-	-	-	(4.5)
Currency translation adjustment	(0.1)	(0.0)	0.5	(0.1)	-	(0.1)	0.2
Closing balance 2019	**4.2**	**3.4**	**6.9**	**0.5**	**2.3**	**3.9**	**21.2**

Provision for litigation

Provision for litigation mainly relates to butter flavor and labour cases in various jurisdictions (refer to note 27).

Product warranty liability

The Group recognizes estimated costs related to current claims on products sold.

17. Bank borrowings and other long-term liabilities

In millions of CHF	Notes	2019	2018
BANK BORROWINGS AND OTHER LONG-TERM LIABILITIES BY CATEGORY			
Long-term bank borrowings	24	36.4	25.9
Short-term bank borrowings	24	523.2	578.0
Lease liabilities	24/28	1.0	1.3
Deferred income	30	20.7	23.5
Bank borrowings and other long-term liabilities		**581.3**	**628.7**

Deferred income represents the balance of four government grants that will be released to the income statement over the useful live of the underlying assets (refer to note 30).

Two grants totaling CHF 33.1 are to indemnify for the forced relocation of production sites. In Kunming, the amount is to compensate the relocation costs and the related investments. In Shanghai, the amount is to compensate part of the lease land of the new location.

Three other grants totaling CHF 1.4 are to help fund environmental projects in China and France.

During the current year, CHF -2.3 (2018: CHF -2.3) have been released to the income statement.

In millions of CHF	Long-term bank borrowings	Short-term bank borrowings	Total
BORROWINGS MOVEMENTS			
Opening balance 2018	**1.9**	**92.8**	**94.7**
Cash flows	28.5	472.4	500.9
Currency translation adjustment	(4.5)	12.8	8.3
Closing balance 2018	**25.9**	**578.0**	**603.9**
Cash flows	16.2	(87.7)	(71.5)
Reclassification	(0.7)	0.7	-
Currency translation adjustment	(5.0)	32.2	27.2
Closing balance 2019	**36.4**	**523.2**	**559.6**

18. Other payables and accrued expenses

In millions of CHF	2019	2018
Other creditors	227.5	218.4
Accruals	123.5	120.2
Variable remuneration payables	69.8	91.6
VAT payables	12.0	11.5
Social security payables	9.3	10.2
Interest payables	3.4	1.1
Other payables	13.0	9.0
Other payables and accrued expenses	**458.5**	**462.0**

19. Expenses by nature

Significant expense items by nature within operating expenses include:

In millions of CHF	2019	2018
COST OF GOODS SOLD AND OPERATING EXPENSES BY NATURE		
Inventory consumption	1 674.4	1 467.9
Employee benefits	872.6	894.0
Supplies	96.9	87.0
Services	412.0	401.8
Depreciation, amortization and impairment of assets	141.2	127.8
(Gain) / loss on operating assets	(8.3)	1.2
Operating taxes	17.2	17.8
Other operating income	(38.6)	(11.3)
Total expenses	**3 167.4**	**2 986.2**

Other operating income mainly consists in indemnities for coverage of property and business interruption in relation with the damage occured in financial year 2018 due to unprecedented industrial fire from BASF and DRT.

20. Employee benefits

In millions of CHF	2019	2018
EMPLOYEE BENEFIT EXPENSES		
Wages and salaries	658.1	654.9
Social security	119.3	118.5
Post employment benefits (refer to supplementary information in note 15)	53.8	75.1
Other expenses	41.4	45.5
Total employee benefit expenses	**872.6**	**894.0**

In full time equivalent	2019	2018
NUMBER OF EMPLOYEES WITHIN THE GROUP		
Fixed employees at year end	6 918	6 627
Temporary employees (including agencies)	430	413
Total workforce at year end	**7 348**	**7 040**
Average number of employees during the year (average total workforce)	**7 194**	**7 012**

For the year ended June 30, 2019, the total personnel costs include CHF 8.9 (2018: CHF 14.8) of restructuring charges of which CHF 9.3 (2018: CHF 13.7) are departure indemnities costs, with related social charges of CHF -0.4 (2018: CHF 1.1).

The total personnel costs with regard to key executives (Board of directors and corporate management) for the year ended June 30, 2019 are CHF 31.1 (2018: CHF 45.4). In these amounts are included CHF 18.3 of short-term employee benefits (2018: CHF 25.7) and CHF 7.8 (2018 : CHF 6.3) of other long-term retirement benefits. Due to the evolution of Group results, provision for long-term incentives accrued in prior years have increased by CHF 5.0 (2018: CHF 13.4).

21. Financing costs

In millions of CHF	2019	2018
FINANCING COSTS		
Interest expenses	26.2	18.7
Interest on net defined benefit liability	6.0	5.7
Financing costs	**32.2**	**24.4**

22. Net other financial income / (expenses)

In millions of CHF	2019	2018
Interest and dividend income	0.2	0.9
Fair value gains / (losses)	(6.2)	1.8
Gains / (losses) on sale on financial investments	6.6	0.8
Gains / (losses) on derivative financial instruments	(0.1)	(0.4)
Gains / (losses) on commodity options	(10.6)	24.3
Results on investments held at fair value through income statement	**(10.1)**	**27.4**
Other interest and dividend income	4.0	4.2
Other results on financial assets	-	1.8
Net exchange gains / (losses)	(16.1)	(8.4)
Net exchange gains / (losses) on currency options and contracts	(8.8)	(5.1)
Net of cash discount received and (granted), (bank charges and other financial charges)	(13.5)	(11.7)
Net other financial (expenses) / income	**(44.5)**	**8.2**

23. Taxes

Income tax expense

In millions of CHF	2019	2018
INCOME TAX EXPENSE		
Current income tax expense	98.0	105.4
Deferred income tax expense / (income)	3.1	(30.8)
Adjustment on previous year taxation	0.8	0.7
Income tax expense	**102.0**	**75.3**
Income tax at the applicable domestic tax rate	110.9	113.6
Loss on withholding tax	(5.3)	6.0
Income not taxable	(13.0)	(12.4)
Expenses not deductible	5.1	6.7
Change in income tax rate	3.4	(39.4)
Prior year and other adjustments	0.8	0.7
Income tax expense	**102.0**	**75.3**

As at June 30, 2019, the Group's effective tax rate on consolidated income before taxes is 16.2% (2018: 11.5%). This rate is lower than the Group's applicable one, thanks to the changes in the composition of the Group's profitability and to an exceptional reduction of CHF 13.4 of withholding tax on the retained earnings in USA.

Despite these favorable elements, comparing to prior year, the Group's effective tax rate increased by 4.7 ppt, entirely due to the base effect whereas in prior year, the United States of America enacted a permanent reduction in the Corporate Income Tax rate from 35% to 21%. The revised rate has been applied to the temporary differences recognized in the prior statement of financial position of the Group's United Stated subsidiaries.

As mentioned above, as at June 30, 2019, Firmenich Incorporated (New Jersey) released CHF 13.4 of witholding tax provision on distributable reserves. Deferred income tax is not recognized since the size of recent investments requires significant equity base that cannot be distributed back to shareholders.

As at June 30, 2019, the Group had CHF 57.4 of tax losses available to carry forward against future taxable income (2018: CHF 3.9). Deferred income tax assets of CHF 12.9 have been recognized as at June 30, 2019 in loss making entities (2018: CHF 0.8). Deferred income tax assets are recognized for deferred income tax loss carry forwards only to the extent that realization of the related tax benefit is probable. These income tax losses do not expire.

Deferred taxes

The Group takes advantage of local fiscal possibilities to make appropriations to untaxed reserves in the individual affiliated companies' financial statements prepared for fiscal purposes. 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 assets are recognized to the extent that it is probable that future taxable income will be available against which the temporary difference can be utilized.

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 income tax expenses / income is based on present enacted tax rate or substantively enacted income tax rate.

In millions of CHF	2019	2018
DEFERRED TAXES		
Deferred tax assets	115.4	103.7
Deferred tax liabilities	(123.6)	(119.3)
Net deferred tax (liabilities)/assets	**(8.2)**	**(15.6)**

	Deferred tax assets		Deferred tax liabilities		Net deferred tax	
In millions of CHF	2019	2018	2019	2018	2019	2018
ASSOCIATED WITH:						
Intangible assets	0.3	0.3	(99.0)	(84.6)	(98.7)	(84.3)
Property, plant and equipment	2.1	1.9	(20.3)	(16.1)	(18.2)	(14.2)
Long-term assets	0.1	0.2	(1.0)	(1.2)	(0.9)	(1.0)
Inventories	31.1	33.7	(16.5)	(10.0)	14.6	23.7
Provisions	83.6	85.3	(9.6)	(21.7)	74.0	63.6
Tax loss carry forwards	12.9	0.8	-	-	12.9	0.8
Other assets	2.4	0.5	(4.9)	(14.1)	(2.5)	(13.6)
Other liabilities	11.8	9.6	(1.0)	(0.2)	10.8	9.4
Deferred tax assets/(liabilities)	**144.2**	**132.3**	**(152.4)**	**(147.8)**	**(8.2)**	**(15.6)**
Set off tax	(28.8)	(28.6)	28.8	28.6	-	-
Net deferred tax assets/(liabilities)	**115.4**	**103.7**	**(123.6)**	**(119.3)**	**(8.2)**	**(15.6)**

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 United States of America.

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 charged / (credited) to the income statement (refer to note 24), except for deferred tax assets relating to post-employment benefit obligations for which an amount of CHF -4.6 (2018: -1.2) of deferred taxes is credited to other comprehensive income with no material amount of currency translation adjustments.

In millions of CHF	2019	2018
Amount of tax losses available	57.4	3.9
Amount of tax losses considered to accrue deferred tax assets	57.4	3.9

24. 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 as described in Treasury manual. 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.

Financial instruments

Classification and measurement of financial assets and liabilities

IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, measured at fair value through other comprehensive income (FVOCI) and measured at fair value through profit and losses (FVTPL). The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. IFRS 9 eliminates the previous IAS 39 categories of held to maturity, loans and receivables and available for sale. 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. IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities. The adoption of IFRS 9 has not had a significant effect on the Group's accounting policies related to financial liabilities and derivative financial instruments.

See below for an explanation of how the Group classifies and measures financial instruments.

Cash and cash equivalents

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.

Financial assets

Until June 30, 2018, the Group classified its financial assets in the following measurement categories:
- financial assets at fair value through income statement,
- loans and receivables, and
- held-to-maturity investments.

The classification depended on the purpose for which the financial assets were acquired.
From July 1, 2018, the Group classifies its financial assets in the following measurement categories:
- those to be measured subsequently at fair value, and
- those to be measured at amortised cost.

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.

Until June 30, 2018, the Group assessed at the end of each reporting period whether there was an objective evidence that any financial asset was impaired as a result of one or more events that had an impact on the estimated future cash flows that could be reliably estimated.
From July 1, 2018, the Group recognises loss allowances for expected credit losses (ECLs) only on financial assets measured at amortised 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. Loss allowances for trade receivable are always measured at an amount equal to lifetime ECLs. 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.

Financial assets at amortised cost

The Group classifies its financial assets as at amortised 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.

Financial assets at amortised cost comprise loans, trade account receivable, other receivable 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.

Financial assets at fair value through income statement

All financial assets not classified as measured at amortised cost are measured at fair value through income statement. On initial recognition the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost as at fair value through income statement if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

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 twelve months of the reporting date.

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 cost and subsequently carried 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.

Financial liabilities

Financial liabilities are classified as measured at amortised 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 amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in the income statement. Any gain or loss on derecognition is also recognised in the income statement.

The accounting policies for financial instruments have been applied to the line items below:

June 30, 2018	New IFRS 9 classification	**At amortised cost**			**At fair value through income statement**		
In millions of CHF	Former IAS 39 classification	Loans and receivables	Held to maturity	Liabilities at amortized cost	Financial assets at fair value through income statement	Derivatives at fair value through income statement	**Total**
ASSETS							
Financial long-term investments and loans	Note 5	24.7	14.3		49.5		**88.5**
Trade accounts receivable	Note 8	845.5					**845.5**
Other receivables	Note 9	116.8					**116.8**
Derivative financial instruments	Note 10					31.0	**31.0**
Short-term financial investments	Note 11		72.1		101.3		**173.4**
Cash and cash equivalents		443.6					**443.6**
Total assets according to IFRS 9 classification		**1 517.1**			**181.8**		**1 698.9**
LIABILITIES							
Long-term bank and other borrowings				27.2			**27.2**
Short-term bank borrowings	Note 17			578.0			**578.0**
Trade and other payables (*)	Note 17			614.6			**614.6**
Derivative financial instruments						5.7	**5.7**
Total liabilities according to IFRS 9 classification	Note 10	**1 219.8**			**5.7**		**1 225.6**

(*) Accrued expenses that are not financial liabilities (CHF 95.3) are not included.

June 30, 2019

In millions of CHF	At amortised cost	At fair value through income statement	Liabilities at amortised cost	**Total**
ASSETS				
Long-term financial investments and loans (note 5)	36.3	54.9		**91.2**
Trade accounts receivable (note 8)	841.0			**841.0**
Other receivables (note 9)	152.4			**152.4**
Derivative financial instruments (note 10)		13.7		**13.7**
Short-term financial investments (note 11)	57.6	15.0		**72.6**
Cash and cash equivalents	376.4			**376.4**
LIABILITIES				
Long-term bank and other borrowings (note 17)			37.4	**37.4**
Short-term bank borrowings (note 17)			523.2	**523.2**
Trade and other payables (*)			590.7	**590.7**
Derivative financial instruments (note 10)		3.1		**3.1**

(*) Accrued expenses that are not financial liabilities (CHF 95.7) are not included.

June 30, 2018

In millions of CHF	At amortised cost	At fair value through income statement	Liabilities at amortised cost	**Total**
ASSETS				
Long-term financial investments and loans (note 5)	39.0	49.5		**88.5**
Trade accounts receivable (note 8)	845.5			**845.5**
Other receivables (note 9)	116.8			**116.8**
Derivative financial instruments (note 10)		31.0		**31.0**
Short-term financial investments (note 11)	72.1	101.3		**173.4**
Cash and cash equivalents	443.6			**443.6**
LIABILITIES				
Long-term bank and other borrowings (note 17)			27.2	**27.2**
Short-term bank borrowings (note 17)			578.0	**578.0**
Trade and other payables (*)			614.6	**614.6**
Derivative financial instruments (note 10)		5.7		**5.7**

(*) Accrued expenses that are not financial liabilities (CHF 95.3) are not included.

Comparative figure has been adjusted for CHF 31.9 to reflect change in classification of the accrual for holiday pay from “provisions” to “other payables and accrued expenses" (note 18).

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.

Impairment of financial assets

IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' (ECL) model. The new impairment model applies to financial assets measured at amortised cost, contract assets and debt investments at FVOCI, but not to investments in equity instruments. Under IFRS 9, credit losses are recognised earlier than under IAS 39.

Until June 30, 2018, the Group assessed at the end of each reporting period whether there was an objective evidence that any financial asset was impaired as a result of one or more events that had an impact on the estimated future cash flows that could be reliably estimated.
From July 1, 2018, the Group recognises loss allowances for expected credit losses (ECLs) only on financial assets measured at amortised 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.

Loss allowances for trade receivable and other short-term financial assets are always measured at an amount equal to lifetime ECLs.
The result of the calculation of the impairment of financial assets on the date of initial application of IFRS 9 is not materially different than the prior calculation as per IAS 39.
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.

Credit impaired financial assets
At each reporting date, the Group assesses whether financial assets carried at amortised 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 reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

Write-off
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

Derivative financial instruments and hedging activities

The Group, as a result of its financing activities, is exposed to changes in interest rates that 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 and interest rate swaps. The Group does not use financial instruments for speculative or trading purposes.

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. On the date a derivative contract is entered into, the Group designates certain derivatives as cash flow hedges.

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.

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.

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.

Currency exposure

June 30, 2019

In millions of CHF	EUR / CHF	USD / CHF	SGD/CHF	IDR/CHF	CHF/MXN	USD / IDR
Currency exposure without hedge	+180.9	+151.8	-54.8	+19.8	+26.7	-10.5
Hedged amount (*)	-160.0	-175.1	+54.1	-20.5	-35.5	+17.4
Currency exposure including hedge	**+20.9**	**-23.3**	**-0.7**	**-0.7**	**-8.8**	**+6.8**

+ long position; - short position

(*) EUR/CHF hedged amount includes CHF -138.4 of foreign exchange forward contract and CHF -21.6 of currency options maturing within three to twelve months. USD/CHF hedged amount includes CHF -117.5 of foreign exchange forward contracts and CHF -57.6 of currency options maturing within three to twelve months.

June 30, 2018

In millions of CHF	EUR / CHF	USD / CHF	INR/CHF	IDR/CHF	CHF/MXN	USD / IDR
Currency exposure without hedge	+55.5	+142.8	+17.9	+21.1	+35.8	-20.6
Hedged amount (*)	-8.4	-127.5	-18.0	-20.4	-35.8	+9.0
Currency exposure including hedge	**+47.1**	**+15.3**	**-0.1**	**+0.7**	**0.0**	**-11.6**

+ long position; - short position

(*) EUR/CHF hedged amount includes CHF 11.3 of foreign exchange forward contract and CHF -19.7 of currency options maturing within three to twelve months. USD/CHF hedged amount includes CHF -53.4 of foreign exchange forward contracts and CHF -74.1 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, 2019

In millions of CHF	EUR / CHF	USD / CHF	SGD/CHF	IDR/CHF	CHF/MXN	USD / IDR
Reasonable shift in %	5%	5%	10%	15%	15%	15%
Impact on net income if underlying currency strengthens	1.7	(0.7)	(0.1)	(0.1)	(1.3)	1.0
Impact on net income if underlying currency weakens	(1.7)	0.7	0.1	0.1	1.3	(1.0)

June 30, 2018

In millions of CHF	EUR / CHF	USD / CHF	INR/CHF	IDR/CHF	CHF/MXN	USD / IDR
Reasonable shift in %	5%	5%	10%	15%	15%	15%
Impact on net income if underlying currency strengthens	2.9	3.0	(0.0)	0.1	-	(1.7)
Impact on net income if underlying currency weakens	(2.9)	(3.0)	0.0	(0.1)	-	1.7

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.

The Group is indirectly impacted by oil price evolution, as it influences the cost of certain chemical products used as raw materials.

In prior year, the Group decided to enter into a hedge on oil. This commodity has been identified as the exposure having potentially a more significant impact on the future cost of our raw materials. Therefore, the Group entered into call option contracts maturing between 2017 and 2020 (refer to note 10). This hedge on oil does not qualify for hedge accounting.

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 alternative investments. The sensitivity analysis is based on the historical volatility.

If equity prices had been 5% higher / lower, the current net income for the year would have increased / decreased by CHF 0.1 (2018: CHF 0.9) as a result of gains / losses on equity securities classified as at fair value through income statement.

The hedge fund portfolio of the Group includes USD funds. The benchmark for the reasonable change in the index (LIBOR USD 3 months + 3%) is a historical volatility of 5%.

If hedge fund price had been 5% higher / lower, the total value for the year ended June 30, 2019, would have respectively increased / decreased by CHF 0.0 (2018: CHF 0.1).

If the hedge on oil had been 5% higher / lower, the current net income for the year would have increased / decreased by CHF 0.4 as a result of gains / losses on commodity options (2018: CHF 0.7).

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 uses credit lines and other financial facilities granted by third party financial institutions to finance part of its activity. Most of these borrowings are short-term credit lines and therefore subject to fluctuations on interest rates when rolled-over.

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	2019	2018
Reasonable shift	150 basis points	
Impact on net income if interest rate increase	(7.6)	(8.6)
Impact on net income if interest rate decrease	7.6	8.6

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 to individual financial institutions:

	2019	2018
UBS	A-	A-
BNP	A+	A
CITI	BBB+	BBB+
BCV	AA	AA
ZKB	AAA	AAA
Credit Suisse	BBB+	BBB+

Ratings shown are assigned by international credit-rating agencies

Liquidity risk

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.

Group Treasury monitors and manages cash at Group level and defines the maximum cash level at affiliate level. If necessary, inter-company loans within the Group provide for short-term cash needs; excess local cash is repatriated in the most appropriate manner.

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 (namely Hedge Funds), which are subject to delayed fund availability when sold. These "illiquid 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 financial assets and financial liabilities and derivative financial instruments. The amounts disclosed in the table are the contractual undiscounted cash flows.

There is no significant amount of cash and cash equivalents held by the Group that is not available for use.

June 30, 2019

In millions of CHF	Up to 6 months	6 up to 12 months	1 up to 2 years	More than 2 years
Financial investments	72.3	0.3	-	-
Cash and cash equivalents	376.4	-	-	-
Total current assets	**448.7**	**0.3**	-	**-**
Short-term debt	523.2	-	-	-
Accounts payable - trade and other (*)	590.7	-	-	-
Gross derivative financial instruments - outflows	(1 535.8)	(37.5)	(8.5)	-
Gross derivative financial instruments - inflows	1 356.1	37.5	4.9	-
Total current liabilities	**934.2**	**0.0**	**(3.6)**	**-**
Long-term bank borrowings	-	-	13.8	22.6
Total long-term liabilities	**0.0**	**0.0**	**13.8**	**22.6**
Net liquidity	**(485.5)**	**0.3**	**(10.2)**	**(22.6)**

(*) Accrued expenses that are not financial liabilities (CHF 95.7) are not included.

June 30, 2018

In millions of CHF	Up to 6 months	6 up to 12 months	1 up to 2 years	More than 2 years
Financial investments	171.1	2.4	-	-
Cash and cash equivalents	443.6	-	-	-
Total current assets	**614.7**	**2.4**	**-**	**-**
Short-term debt	578.0	-	-	-
Accounts payable - trade and other (*)	614.6	-	-	-
Gross derivative financial instruments - outflows	(1 030.1)	(56.5)	-	-
Gross derivative financial instruments - inflows	1 019.5	53.7	-	-
Total current liabilities	**1 182.2**	**(2.7)**	**-**	**-**
Long-term bank borrowings	-	-	18.8	7.1
Total long-term liabilities	**0.0**	**0.0**	**18.8**	**7.1**
Net liquidity	**(567.5)**	**5.1**	**(18.8)**	**(7.1)**

(*) Accrued expenses that are not financial liabilities (CHF 95.3) are not included.

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, 2019, 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).

June 30, 2019

In millions of CHF	Notes	Level 1	Level 2	Level 3	Total
FINANCIAL ASSETS					
Non-current assets	5				
Financial investments		48.6	0.3	6.0	54.9
Current assets - derivatives	10				
Forward foreign exchange contract and options			13.7		13.7
Current financial investments	11				
Fixed term deposits		13.8	43.8	-	57.6
Hedge funds				0.3	0.3
Equity securities		2.7	-		2.7
Bonds and debentures		12.0	-	-	12.0
FINANCIAL LIABILITIES					
Current liabilities - derivatives	10				
Forward foreign exchange contract and options			3.1		3.1

June 30, 2018

In millions of CHF	Notes	Level 1	Level 2	Level 3	Total
FINANCIAL ASSETS					
Non-current assets	5				
Financial investments		45.6	0.5	3.4	49.5
Current assets - derivatives	10				
Forward foreign exchange contract and options			31.0		31.0
Current financial investments	11				
Fixed term deposits		50.2	21.9	-	72.1
Hedge funds				2.4	2.4
Equity securities		17.6	-		17.6
Bonds and debentures		81.3	-	-	81.3
FINANCIAL LIABILITIES					
Current liabilities - derivatives	10				
Forward foreign exchange contract and options			5.7		5.7

Reconciliation of movements in Level 3 valuations

In millions of CHF	2019	2018
Opening balance	5.8	5.5
Gains and losses recognised in income statement	(0.7)	0.3
Purchases and new issues	2.6	0.1
Sales and settlements	(1.4)	(0.1)
Closing balance	**6.3**	**5.8**

There is no financial asset movement with counterpart in other comprehensive income.

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, 2018.

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. The objective is to ensure a lasting A-credit rating (as defined by Standard & Poor's).

In millions of CHF	Notes	2019	2018
Short-term bank borrowings		(523.2)	(578.0)
Long-term bank borrowings	17	(36.4)	(25.9)
Cash and cash equivalents and short-term financial investments		449.0	617.0
Net cash		**(110.6)**	**13.1**

25. 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, a bi-annual assessment of corporate risks is led by Corporate audit and risk management 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 an holistic view of all corporate risks that would prevent the company to reach 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.

26. Operating segments

As a private company, the Group is not subject to IFRS 8; operating segments reporting is therefore not included in the notes to the financial statements.

27. Contingent assets and liabilities

Assets

The Group has no contingent asset.

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 which are covered by insurance contracts, as well as their effects on future operations and earnings are not predictable.

Our US company continues to be named as a defendant in some butter flavor lawsuits brought against flavor houses in the United States. There are 64 remaining cases, involving 79 plaintiffs.

28. Commitments

As of June 30, 2019 the Group has several commitments resulting from contractual obligations, finance and operating lease commitments as well as capital commitments.

Commitments resulting from contractual obligations

In millions of CHF	2019	2018
Commitments resulting from contractual obligations	6.3	5.7

Contractual commitment include an agreement to finance sustainable agriculture projects with Livelihoods Fund For Family Farming.

Operating lease commitments

Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalized at the inception of the lease at the lower of the fair value of the leased asset or the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are recorded as liability. The interest element of the finance cost is charged to the income statement over the lease period. Leased property, plant and equipment are depreciated on a straight-line basis over the expected useful lives of the assets.

Leases of property, plant and equipment where a significant portion of risks and rewards of ownership are retained by the lessor are classified as operating leases. Lease rental payments made under operating leases are charged to the income statement over the period of the lease.

In millions of CHF	2019	2018
FUTURE MINIMUM PAYMENTS SPLIT (NON-CANCELLABLE LEASES)		
Within 1 year	36.9	32.9
Between 1 and 5 years	81.6	92.8
Over 5 years	24.7	59.9
Future minimum payments under non-cancellable leases	**143.2**	**185.6**
Total annual expenses for all operating leases	**45.9**	**41.0**

Operating leases are mainly relating to lease and renting of buildings and equipment. The most significant building leases are located in Paris, France and New-York, USA.

Capital commitments

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

In millions of CHF	2019	2018
Property, plant and equipment	42.8	74.4
Intangible assets	3.4	7.6
Total	**46.2**	**82.0**

Capital commitments are mainly related to the new office in Geneva, Switzerland.

Finance lease commitments

In millions of CHF	Notes	2019	2018
PRESENT VALUE SPLIT			
Within 1 year		0.5	0.7
Between 1 and 5 years		0.3	0.3
Over 5 years		0.2	0.3
Present value of finance leases	17	**1.0**	**1.3**

29. 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) and note 11 (Fondation de prévoyance).

30. Government grants

Government grants relating to the purchase of fixed assets are included in liabilities as deferred income and are credited to the income statement on a straight-line basis over the expected lives of the related assets (refer to note 17).

31. Subsequent events

On July 31, 2019 Firmenich acquired 60% of the share capital of VKL Seasoning Private Limited, an Indian based producer of seasonings and flavors for a purchase price of CHF 66. VKL is an Indian savory and QSR (Quick Service Restaurant) solutions platform making spices, flavors and other food ingredients for the Indian market. This acquisition has no impact on the 2019 consolidated financial statements.

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, 2019 and 2018.
- average rates for the consolidated income statement account and the statement of cash flows.

		2019		2018	
ISO code	Units	Closing rate	Average rate	Closing rate	Average rate
USD	1	0.975	0.994	0.993	0.969
EUR	1	1.110	1.136	1.156	1.155
CNY	1	0.142	0.146	0.150	0.149
SGD	1	0.721	0.728	0.728	0.722
GBP	1	1.239	1.289	1.305	1.306
JPY	100	0.905	0.894	0.897	0.879

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	40 500
	Firmenich SA	100	CHF	30 000
	Firmenich Finance SA	100	CHF	100
	Fondation de Prévoyance	100	CHF	-
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
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	108 336
	Firmenich Aromatics(ZhangjiaGang) Co., Ltd	100	CNY	160 060
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
Germany	Firmenich GmbH	100	EUR	6 300
India	Firmenich Aromatics Production (India) Private Limited	100	INR	2 277 400
	Firmenich Aromatics (India) Pvt Ltd.	100	INR	45 000
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
Japan	Nihon Firmenich K.K.	100	JPY	90 000

Country	Entity name	Share in percentage	Currency	Share capital in thousands
Korea	Firmenich Co. Ltd.	100	KRW	500 000
Mexico	Firmenich de Mexico S.A. de C.V.	100	MXN	103 827
	Firmenich Servicios de Mexico S.A .de C.V.	100	MXN	500
	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 Aromatics Pte Ltd.	100	SGD	500
	Firmenich Asia Pte Ltd.	100	SGD	6 000
	Food Ingredients Technology Pte, Ltd	100	SGD	41
South Africa	Firmenich (Pty) Ltd.	100	ZAR	113 500
	Flavourome (Pty) Ltd.	90	ZAR	370 000
Spain	Firmenich S.A.	100	EUR	300
Thailand	Firmenich Thailand Ltd.	100	THB	100 000
Turkey	Firmenich Dis Ticaret Limited Sirketi	100	TRY	166
UAE	Firmenich FZ-LLC	100	USD	400
UK	Firmenich UK Ltd.	100	GBP	7 000
USA	Firmenich Inc.	100	USD	31 350
	Chem-Fleur Inc.	100	USD	27 641
	Intercit Inc.	100	USD	567
	MCP Food Inc. MN	100	USD	-
	MCP Food Inc. CA	100	USD	5 000
	Essex Laboratories LLC	75	USD	9 637
	Agilex Holdings, Inc.	100	USD	163 603
Vietnam	Firmenich Vietnam LLC	100	VND	6 308 700

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

Country	Entity name	Share in percentage	Currency	Share capital in thousands
France	Fider SA	50	EUR	2 500
Switzerland	InnovAroma SA	50	CHF	100
Czech Republic	Novali A.S.	50	CZK	2 000
Israel	Negev Aroma (Ramat Hovav) Ltd.	50	NIS	35 000
India	Jasmine Concrete Exports Private Limited	49	INR	17 382
China	Artsci Biology Technologies Co Ltd	25	CNY	20 000
USA	Prolitec Inc	26	USD	26 679
Panama	The Nelixia Company SA	36	USD	17

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

Firmenich International SA, Satigny

Independent Auditor's Report on the Review of Consolidated Interim Financial Information

Consolidated Interim Financial Information as at 31 December 2019

Independent Auditor's Report on the Review of Consolidated Interim Financial Information

To the Board of Directors of Firmenich International SA, Satigny

Introduction

We have been engaged to review the accompanying consolidated statement of financial position of Firmenich International SA as at 31 December 2019 and the related consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the six-month period then ended, and selected explanatory notes (the consolidated interim financial information). The Board of Directors is responsible for the preparation and presentation of this consolidated interim financial information in accordance with International Accounting Standard 34 *Interim Financial Reporting*. Our responsibility is to express a conclusion on this consolidated interim financial information based on our review.

Scope of Review

We conducted our review in accordance with the International Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity.* A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying consolidated interim financial information as at 31 December 2019 is not prepared, in all material respects, in accordance with International Accounting Standard 34 *Interim Financial Reporting*.

KPMG SA

Martin Rohrbach Licensed Audit Expert	Jean-Baptiste Choulay Licensed Audit Expert

Geneva, 12 February 2020

Enclosure:
- Consolidated interim financial information (consolidated statement of financial position and related consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows and selected explanatory notes)

KPMG AG is a subsidiary of KPMG Holding AG, which is a member of the KPMG network of independent firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss legal entity. All rights reserved.

Consolidated income statement

For the six months ended

In millions of CHF	Notes	December 31, 2019	December 31, 2018
Revenue	10	**1 904.3**	**1 884.6**
Cost of goods sold	6	(1 049.1)	(1 050.6)
Gross profit		**855.2**	**834.0**
as % of revenue		*44.9%*	*44.3%*
Distribution expenses	6	(43.2)	(43.4)
Research and development expenses	6	(184.5)	(169.2)
Commercial and marketing expenses	6	(192.6)	(177.8)
Administration expenses	6	(129.6)	(114.7)
Other operating income	6	9.9	15.7
Operating profit		**315.2**	**344.6**
as % of revenue		*16.6%*	*18.3%*
Financing costs	7	(17.1)	(15.3)
Net other financial expenses	8	(24.6)	(36.3)
Share of (loss)/profit of jointly controlled entities and associates, net of taxes		(5.0)	0.3
Income before taxes		**268.5**	**293.3**
Income tax expense		(46.2)	(53.8)
Net income for the period		**222.3**	**239.5**
Attributable to:			
Non-controlling interests		0.2	0.4
Equity holders of the parent		**222.1**	**239.1**
as % of revenue		*11.7%*	*12.7%*
Basic and diluted earnings per A share (in CHF)	4	274.19	295.22
Basic and diluted earnings per B share (in CHF)	4	27.42	29.52

References in the income statement, statement of comprehensive income, statement of financial position, statement of changes in equity and statement of cash flows relate to notes 2 to 11, which form an integral part of the interim consolidated financial statements.

Consolidated statement of comprehensive income

For the six months ended

In millions of CHF	Notes	December 31, 2019	December 31, 2018
Net income for the period		**222.3**	**239.5**
Items that may be reclassified subsequently to the income statement			
Exchange differences on translating foreign operations		(31.1)	(30.3)
Exchange differences on translating foreign operations in jointly controlled entities and associates		(1.6)	(0.7)
Items that will not be reclassified to the income statement			
Remeasurement of post-employment benefit obligations		(7.1)	(1.5)
Equity investments at fair value through other comprehensive income	9	15.6	-
Deferred income taxes on remeasurement of post-employment benefit obligations		2.0	0.3
Deferred income taxes on remeasurement on fair value through other comprehensive income		(2.1)	-
Total other comprehensive income for the period, net of tax		**(24.3)**	**(32.2)**
Total comprehensive income for the period		**198.0**	**207.3**
Attributable to:			
Non-controlling interests		(0.2)	(0.1)
Equity holders of the parent		198.2	207.4

Consolidated statement of financial position

At period ended

In millions of CHF	Notes	December 31, 2019	June 30, 2019
Assets			
Goodwill and intangible assets	2	1 319.1	1 276.9
Property, plant and equipment	3	1 201.8	1 023.6
Financial investments and loans	9	572.0	91.2
Investments in jointly controlled entities and associates		72.4	79.2
Deferred tax assets		114.9	115.4
Total non-current assets		**3 280.2**	**2 586.3**
Inventories		754.5	669.1
Trade accounts receivable		804.5	841.0
Other receivables and prepaid expenses		139.1	185.0
Derivative financial instruments assets	9	11.3	13.7
Current income tax assets		81.2	82.2
Financial investments	9	74.3	72.6
Cash and cash equivalents		209.7	376.4
Total current assets		**2 074.6**	**2 240.0**
Total assets		**5 354.8**	**4 826.3**
Equity and liabilities			
Share capital	4	40.5	40.5
Retained earnings and other reserves		3 359.2	3 389.4
Remeasurement of post-employment benefit obligations		(381.0)	(375.9)
Translation of foreign operations		(401.5)	(367.1)
Equity attributable to equity holders of the parent		**2 617.2**	**2 686.9**
Non-controlling interests		27.0	19.5
Total equity		**2 644.2**	**2 706.4**
Employee benefit obligations		605.4	606.9
Provisions		12.5	14.9
Deferred tax liabilities		135.2	123.6
Long-term borrowings	5	182.8	36.4
Other long-term liabilities	2/5/9	76.9	21.7
Total non-current liabilities		**1 012.8**	**803.5**
Trade accounts payable		261.6	227.9
Other payables and accrued expenses		358.9	458.5
Derivative financial instruments liabilities	9	77.3	3.1
Employee benefit obligations		19.6	26.6
Provisions		6.0	6.3
Current income tax liabilities		66.1	70.8
Short-term borrowings	5	908.3	523.2
Total current liabilities		**1 697.8**	**1 316.4**
Total liabilities		**2 710.6**	**2 119.9**
Total equity and liabilities		**5 354.8**	**4 826.3**

Consolidated statement of changes in equity

For the six months ended

In millions of CHF	Share capital	Retained earnings and other reserves	Remeasure-ment of post-employment 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, 2018	**40.5**	**3 075.1**	**(377.8)**		**(323.2)**	**2 414.6**	**18.4**	**2 433.0**
Net income for the period		239.1				239.1	0.4	239.5
Other comprehensive income for the period		0.5	(1.2)		(31.0)	(31.7)	(0.5)	(32.2)
Total comprehensive income for the period		**239.6**	**(1.2)**		**(31.0)**	**207.4**	**(0.1)**	**207.3**
Dividends		(210.6)				(210.6)	(0.7)	(211.3)
Net change in other equity items		**(210.6)**				**(210.6)**	**(0.7)**	**(211.3)**
Balance as at December 31, 2018	**40.5**	**3 104.1**	**(379.0)**		**(354.2)**	**2 411.4**	**17.6**	**2 429.0**
Balance as at July 1, 2019	**40.5**	**3 389.4**	**(375.9)**	-	**(367.1)**	**2 686.9**	**19.5**	**2 706.4**
Net income for the period		222.1				222.1	0.2	222.3
Other comprehensive income for the period		2.1	(5.1)	13.5	(34.4)	(23.9)	(0.4)	(24.3)
Total comprehensive income for the period		**224.2**	**(5.1)**	**13.5**	**(34.4)**	**198.2**	**(0.2)**	**198.0**
Dividends		(210.6)				(210.6)	(0.8)	(211.4)
Acquisition of subsidiary with non-controlling interests *		(57.3)				(57.3)	8.5	(48.8)
Net change in other equity items		**(267.9)**				**(267.9)**	**7.7**	**(260.2)**
Balance as at December 31, 2019	**40.5**	**3 345.7**	**(381.0)**	**13.5**	**(401.5)**	**2 617.2**	**27.0**	**2 644.2**

(*) Refer to note 2, (**) refer to note 9

Consolidated statement of cash flows

For the six months ended

In millions of CHF	Notes	December 31, 2019	December 31, 2018
Cash flows from operating activities			
Net income for the period		222.3	239.5
Income tax expense		46.2	53.8
Income before taxes		**268.5**	**293.3**
Depreciation of property, plant and equipment	6	64.9	40.5
Amortization of intangible assets	6	32.3	26.9
Impairment losses on property, plant and equipment	6	0.4	-
Release of government grants	6	(1.1)	(1.1)
Changes in provisions and employee benefits		(15.4)	(0.4)
Unrealized net gain on investment at fair value through income statement		1.2	20.9
Share of loss/(profit) of jointly controlled entities and associates		5.0	(0.3)
Foreign exchange differences and other non cash items		1.4	7.6
Net interests		15.1	13.3
Adjustment for non-cash items		**103.8**	**107.4**
Changes in inventories		(93.5)	(61.7)
Changes in trade and other receivables		71.9	7.7
Changes in trade and other payables		(66.0)	(71.1)
Changes in working capital		**(87.6)**	**(125.1)**
Interests paid		**(16.2)**	**(14.4)**
Income tax paid		**(50.6)**	**(41.3)**
Cash flows from operating activities		**217.9**	**219.9**
Cash flows used in investing activities			
Purchase of property, plant and equipment		(60.2)	(69.7)
Purchase of intangible assets		(8.8)	(13.4)
Disposal of intangible assets, property, plant and equipment		1.4	7.8
Government grants received		0.4	0.4
Net investments		**(67.2)**	**(74.9)**
Acquisition of subsidiaries (net of cash)	2	(64.3)	(304.0)
Acquisition of jointly controlled entities and associates (net of cash)		-	(2.3)
(Acquisition)/proceeds of short-term financial investments		(3.5)	120.1
Acquisition of long term financial investments		(386.2)	(1.5)
Interests received		2.0	2.1
Cash flows used in investing activities		**(519.2)**	**(260.5)**
Cash flows from / (used in) financing activities			
Long-term borrowings increase	5	8.6	7.3
Long-term borrowings decrease	5	(11.9)	(2.0)
Short-term borrowings increase	5	456.1	14.9
Short-term borrowings decrease	5	(104.2)	(51.4)
Other long-term debt		(0.8)	(0.2)
Dividend payment to equity holders of the parent		(210.6)	(210.6)
Dividend paid to non-controlling interests		(0.8)	(0.7)
Cash flows from / (used in) financing activities		**136.4**	**(242.7)**
Net decrease in cash and cash equivalents		**(164.9)**	**(283.3)**
Cash and cash equivalents			
Cash and cash equivalents at beginning of period		376.4	443.6
Net effect of currency translation on cash and cash equivalents		(1.8)	(1.3)
Cash and cash equivalents at end of period		209.7	159.0
Cash and cash equivalents variation		**(164.9)**	**(283.3)**

Notes to the interim 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 interim 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.

FIRMENICH INTERNATIONAL SA is controlled by Sentarom SA. The ultimate controlling party is the Firmenich family.

The financial year 2020 covers the period from July 1, 2019 to June 30, 2020.

Basis of accounting

These financial statements are the interim consolidated financial statements of the Group for the six months period ended December 31, 2019. They have been prepared in accordance with IAS 34 Interim Financial Reporting and should be read in conjunction with the Group's last annual consolidated financial statements as at and for the year ended June 30, 2019 ('last annual financial statements'). They do not include all of the information required for a complete set of IFRS financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance since the last annual financial statements.

This is the first set of the Group's financial statements in which IFRS 16 has been applied. Changes to significant accounting policies are described in the notes below.

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

The FIRMENICH INTERNATIONAL SA Board of Directors approved these interim consolidated financial statements on February 12, 2020.

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

Critical accounting estimates and judgements

In preparing these interim financial statements, management has made judgements and estimates that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those described in the last annual financial statements, except for the new significant judgements related to lessee accounting under IFRS 16, which are described below.

Changes in significant accounting policies

The accounting policies adopted are consistent with those of the annual financial statements for the year ended June 30, 2019, as described in the 2019 consolidated financial statements with the exception of the adoption as of July 1, 2019, of the standards and interpretations described below.

The Group has initially adopted IFRS 16 Leases from July 1, 2019. A number of other new standards are effective from July 1, 2019 but they do not have a material effect on the Group's financial statements.

IFRS 16 introduced a single, on-balance sheet accounting model for lessees. As a result, the Group, as a lessee, has recognized right-of-use assets representing its rights to use the underlying assets and lease liabilities representing its obligation to make lease payments.

The Group has applied IFRS 16 on July 1, 2019, using the modified retrospective approach with no restatement of comparative information.

On transition to IFRS 16, the Group elected to apply the practical expedient to grandfather the assessment of which transactions are leases. It applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed. Therefore, the definition of a lease under IFRS 16 has been applied only to contracts entered into or changed on or after July 1, 2019.

Right-of-use assets are disclosed in the line Property, plant and equipment. The lease liability is disclosed in the lines Short-term borrowings and Long-term borrowings and interest expenses are included in the line Financing costs.

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.

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.

The Group has applied judgement to determine the lease term for some lease contracts in which it is a lessee that include renewal options. The assessment of whether the Group is reasonably certain to exercise such options impacts the lease term, which significantly affects the amount of lease liabilities and right-of-use assets recognized.

At transition, for leases classified as operating leases under IAS 17, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Group's incremental borrowing rate as at July 1, 2019. Right-of-use assets are measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments – the Group applied this approach to all other leases.

The following table reconciles the operating lease disclosures for the year ended June 30, 2019 and the lease liabilities recognized at July 1, 2019.

	July 1, 2019
Operating lease commitment at June 30, 2019 as disclosed in the Group's consolidated financial statements	143.2
Discounted using the incremental borrowing rate at July 1, 2019	129.8
Finance lease liabilities recognized at June 30, 2019	1.0
Extension and termination options reasonably certain to be exercised	55.2
Lease liabilities recognized at July 1, 2019	**186.0**

When measuring lease liabilities for leases that were classified as operating leases, the Group discounted lease payments using its incremental borrowing rate at July 1, 2019. The weighted average rate applied is 2%.

2. Business combinations

On July 31, 2019, Firmenich acquired 60% of the shares and voting interests of VKL Seasoning Private Limited (VKL) for a purchase price of CHF 65.8. Founded in 1996, VKL is recognized for its strong understanding of taste and its leading reputation in India. From July 31, 2019, the acquisition contributed CHF 17.2 to revenue. The identifiable assets and liabilities of VKL are recorded at fair value at the date of acquisition. The resulting goodwill of CHF 52.9 is attributable to the revenue growth and synergies expected to be achieved by developing the Group's presence on the Indian market. Firmenich entered into a put option agreement to purchase the remaining shares owned by non-controlling interests. This agreement is expected to be exercised within 5 years from completion. A redemption liability of CHF 57.3 was recognized accordingly under Other long-term liabilities.

If new information obtained within one year of the date of acquisition about facts and circumstances that existed at the date of acquisition identifies adjustments to the above amounts, or any additional provisions that existed at the date of acquisition, then the accounting for this acquisition will be revised.

2.1 Assets and liabilities recognized at date of acquisition

	VKL	Other	Total
Non-current assets			
Intangible assets	28.3	-	**28.3**
Property, plant and equipment	11.9	3.2	**15.1**
Financial investments and loans	4.0	1.0	**5.0**
Current assets			
Cash and cash equivalents	1.0	1.3	**2.3**
Inventories	5.9	1.0	**6.9**
Trade accounts receivable	5.8	-	**5.8**
Other receivables and prepaid expenses	1.7	-	**1.7**
Non-current liabilities			
Provisions	(0.4)	(5.0)	**(5.4)**
Deferred tax liabilities	(10.0)	(0.6)	**(10.6)**
Long-term borrowings	(4.8)	-	**(4.8)**
Current liabilities			
Trade accounts payable	(5.5)	-	**(5.5)**
Other payables and accrued expenses	(4.9)	(0.3)	**(5.2)**
Short-term borrowings	(11.6)	-	**(11.6)**
Total identifiable net assets acquired at fair value	**21.4**	**0.6**	**22.0**
Non-controlling interests at the proportionate share of the acquiree's net assets	(8.5)	-	**(8.5)**
Goodwill arising on acquisition	52.9	0.2	**53.1**
Consideration transferred	**65.8**	**0.8**	**66.6**

2.2 Cash flow on acquisitions

	VKL	Other	Total
Cash consideration	65.8	0.8	66.6
Cash and cash equivalents acquired	1.0	1.3	2.3
Net cash outflow	**64.8**	**(0.5)**	**64.3**

3. Property, plant and equipment

With the first adoption of IFRS 16, the carrying values of right-of-use assets amount to CHF 186.0 at July 1, 2019 and CHF 172.1 at December 31, 2019.

4. Share capital and earnings per share

At period ended	December 31, 2019	June 30, 2019
SHARE CAPITAL - ORDINARY SHARES		
Registered A shares		
Number	729 000	729 000
Nominal value (in CHF)	50.0	50.0
Total A shares (in millions of CHF)	**36.45**	**36.45**
Registered B shares		
Number	810 000	810 000
Nominal value (in CHF)	5.0	5.0
Total B shares (in millions of CHF)	**4.05**	**4.05**
Share capital (in millions of CHF)	**40.5**	**40.5**

Ordinary share

Each share carries the right to one vote. When a dividend on ordinary share is declared, holders of A shares are entitled to a preferential dividend equivalent to 10% of the nominal share value in priority to other dividend payments.

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

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.

For the six months ended, in millions of CHF (except for earnings per share)	December 31, 2019	December 31, 2018
Net income attributable to Firmenich International SA	222.1	239.1
A shares part of share capital in %	90.0%	90.0%
A shares part of net income from ordinary activities	199.9	215.2
B shares part of share capital in %	10.0%	10.0%
B shares part of net income from ordinary activities	22.2	23.9
Earnings per A share (in CHF)	**274.19**	**295.22**
Earnings per B share (in CHF)	**27.42**	**29.52**

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 2019, a distribution on financial year 2019 net income of CHF 260.0 gross per A share and CHF 26.0 gross per B share was approved.
The dividend has been paid in October 2019.

5. Borrowings and other long-term liabilities

At period ended		December 31, 2019	June 30, 2019
BORROWINGS AND OTHER LONG-TERM LIABILITIES BY CATEGORY			
Long-term bank borrowings		43.6	36.4
Short-term bank borrowings		874.2	523.2
Long-term lease liabilities		139.2	-
Short-term lease liabilities		34.1	-
Other long-term liabilities		76.9	21.7
Borrowings and other long-term liabilities		**1 168.0**	**581.3**

In millions of CHF	Long-term borrowings	Short-term borrowings	Total
BORROWINGS MOVEMENTS			
Opening balance July 1, 2019	**36.4**	**523.2**	**559.6**
Acquisition	4.8	11.6	16.4
Lease liabilities recognized at July 1	150.1	35.9	186.0
Cash flows	(3.3)	351.9	348.6
Reclassification	(0.7)	0.7	-
Currency translation adjustment	(4.5)	(15.0)	(19.5)
Closing balance December 31, 2019	**182.8**	**908.3**	**1 091.1**

6. Expenses by nature

Significant expense items by nature within operating expenses include:

For the six months ended, in millions of CHF	December 31, 2019	December 31, 2018
COST OF GOODS SOLD AND OPERATING EXPENSES BY NATURE		
Raw material and consumables used	789.0	802.9
Employee benefits	465.0	435.9
Supplies	49.7	45.7
Services	188.0	200.2
Depreciation, amortization and impairment of assets	96.5	66.3
Loss / (gain) on property, plant and equipment	2.5	(4.1)
Operating taxes	8.3	8.8
Other operating income	(9.9)	(15.7)
Total expenses	**1 589.1**	**1 540.0**

Other operating income mainly consists in indemnities related to business interruption.

7. Financing costs

For the six months ended, in millions of CHF	December 31, 2019	December 31, 2018
FINANCING COSTS		
Interest expenses	14.6	12.4
Interest on net defined benefit liability	2.5	2.9
Financing costs	**17.1**	**15.3**

8. Net other financial expenses

For the six months ended, in millions of CHF	December 31, 2019	December 31, 2018
Interest and dividend income	0.2	0.1
Fair value gains / (losses)	0.4	(6.3)
Gains on sale on financial investments	-	5.8
Losses on derivative financial instruments	-	(0.1)
Losses on commodity options	(1.2)	(16.5)
Results on investments held at fair value through income statement	(0.6)	(17.0)
Other interest and dividend income	1.9	2.0
Net exchange losses	(10.6)	(12.4)
Net exchange losses on currency options and contracts	(9.6)	(2.6)
Net of cash discount received and (granted), (bank charges and other financial charges)	(5.7)	(6.3)
Net other financial expenses	**(24.6)**	**(36.3)**

9. 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 as described in Treasury manual. Group Treasury identifies, evaluates and hedges financial risks in close cooperation with the operating units. Group policies also cover areas such as (net debt) /net cash management and bank relationship management.

Financial instruments

The Group introduced a new classification category for financial assets in financial year 2020: Financial assets at fair value through other comprehensive income.

In the first half of the financial year, Firmenich acquired 21.61% of Robertet SA's share interests, representing 11.26% of voting rights for a total price of CHF 389.0 (EUR 357.1). This equity instrument is a long-term strategic investment (not held for trading). On initial recognition, the Group irrevocably elected to present subsequent changes in the investment's fair value in other comprehensive income.

Fair value measurements recognized in the consolidated statement of financial position

The following table presents the carrying amounts and fair values of financial assets and financial liabilities, including their fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value. Trade and other receivables and trade and other payables as well as short-term borrowings are not included in the table below. Their carrying amount is a reasonable approximation of fair value.

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).

December 31, 2019

In millions of CHF	Level 1	Level 2	Level 3	Total
FINANCIAL ASSETS				
Non-current assets				
Financial investments	530.2	0.3	5.9	536.4
Current assets - derivatives				
Forward foreign exchange contract and options	-	11.3	-	11.3
Current financial investments				
Fixed term deposits	29.3	39.5	-	68.8
Hedge funds			0.3	0.3
Equity securities	3.0	-	-	3.0
Bonds and debentures	2.2	-	-	2.2
FINANCIAL LIABILITIES				
Non-current liabilities				
Redemption liability	-	-	57.3	57.3
Current liabilities - derivatives				
Forward foreign exchange contract and options	-	77.3	-	77.3

June 30, 2019

In millions of CHF	Level 1	Level 2	Level 3	Total
FINANCIAL ASSETS				
Non-current assets				
Financial investments	48.6	0.3	6.0	54.9
Current assets - derivatives				
Forward foreign exchange contract and options	-	13.7	-	13.7
Current financial investments				
Fixed term deposits	13.8	43.8	-	57.6
Hedge funds	-	-	0.3	0.3
Equity securities	2.7	-	-	2.7
Bonds and debentures	12.0	-	-	12.0
FINANCIAL LIABILITIES				
Current liabilities - derivatives				
Forward foreign exchange contract and options	-	3.1	-	3.1

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 valuation model for other financial liabilities considers the present value of expected payments, discounted using a risk-adjusted discount rate.

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, 2019.

10. Operating segments

Business segment information

For management purposes, the Group is organized into divisions based on products and has two reportable segments as follows :

Perfumery & Ingredients

The perfumery and ingredients segment manufactures and sells fragrances into three global business units: fine fragrance, functional perfumery and ingredients.

Flavor

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

The Corporate management monitors operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment.

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.

For the six months ended, in millions of CHF	Perfumery & Ingredients December 31, 2019	Perfumery & Ingredients December 31, 2018	Flavor December 31, 2019	Flavor December 31, 2018	Total December 31, 2019	Total December 31, 2018
Revenue	**1 218.3**	**1 199.2**	**686.0**	**685.4**	**1 904.3**	**1 884.6**
EBITDA	**265.4**	**257.5**	**146.3**	**153.4**	**411.7**	**410.9**
Depreciation and amortization	(51.0)	(37.2)	(45.5)	(29.1)	(96.5)	(66.3)
Operating profit	**214.4**	**220.3**	**100.8**	**124.3**	**315.2**	**344.6**
Financing costs					(17.1)	(15.3)
Net other financial expenses					(24.6)	(36.3)
Share of (loss)/profit of jointly controlled entities and associates, net of taxes					(5.0)	0.3
Income before taxes					**268.5**	**293.3**
Income tax expense					(46.2)	(53.8)
Net income for the period					**222.3**	**239.5**

Capital expenditure

Purchase of property, plant, equipment and intangibles	**39.2**	**44.7**	**29.8**	**38.4**	**69.0**	**83.1**

Geographical information

For the six months ended December 31, 2019	Europe	North America	Latin America	India, Middle East and Africa	South East Asia	North and East Asia	Total
Revenue	**593.4**	**465.7**	**249.3**	**210.2**	**226.3**	**159.4**	**1 904.3**

For the six months ended December 31, 2018	Europe	North America	Latin America	India, Middle East and Africa	South East Asia	North and East Asia	Total
Revenue	**602.6**	**486.0**	**245.3**	**194.0**	**202.4**	**154.3**	**1 884.6**

11. Subsequent events

Firmenich entered into a deal with the Gülçiçek family to acquire Gülçiçek Kimya ve Uçan Yaglar Sanayi ve Ticaret A.S. (MG International Fragrance Company). MG International is a family-owned leading middle-market Fragrance company based in Turkey with an extensive reach across its broader region. The total purchase consideration is expected to amount to CHF 192.0, including an earn-out of CHF 9.0. The deal is structured in three phases, the first of which expected to close in the third quarter of the financial year. This acquisition has no impact on these interim consolidated financial statements.