HALF YEAR 2021 RESULTS

6 months ended 31 December 2020

CONTENTS

Family owned, founded in Geneva, 1895

MANAGEMENT COMMENTARY

Firmenich reports solid half year results, delivering sustained revenue and free cash flow growth, while demonstrating resilient profitability. Integrating largest-ever acquisition.

Revenue by division
(CHF millions)

TOTAL GROUP REVENUE

1'997M +2.3% Organic* +14.0% Incl. acquisitions*

HY 2020: 1,904m

PERFUMERY & INGREDIENTS

1'342M +1.6% Organic* +19.9% Incl. acquisitions*

HY 2020: 1,218m

TASTE & BEYOND

655M +3.6% Organic* +3.6% Incl. acquisitions*

HY 2020: 686m

Profitability and free cash flow
(CHF millions)

ADJUSTED EBITDA[1]

367M +1.6% Organic* +4.7% Incl. acquisitions*

HY 2020: 419m

FREE CASH FLOW[2]

182M +20.7%

HY 2020: 151m

* At constant currency

Financial Highlights

- Total revenue reached CHF 1,997 million, up +2.3% year-over-year on an organic basis at constant currency[3]. Including acquisitions, total revenue increased +14.0% year-over-year at constant currency. On a reported basis, total revenue increased +4.9% year-over-year
- Adjusted EBITDA reached CHF 367 million, up +1.6% year-over-year on an organic basis at constant currency, and down -12.4% on a reported basis
- Adjusted EBITDA margin of +18.4%. On an organic basis and at constant currency, Adj. EBITDA margin remained stable year-over-year. On a reported basis, Adj. EBITDA margin decreased by 360 basis points, due to the negative impact of foreign exchange and the impact of the pandemic on our acquisitions
- Net Income of CHF 163 million, down -26.7% on a reported basis, due to the impact of foreign exchange and the impact of the pandemic on our acquisitions, partly offset by a reduction in other financial expenses and income tax expense
- Free Cash Flow of CHF 182 million, up +20.7% year-over-year
- EBITDA to Free Cash Flow conversion ratio of 50%, an increase of 13 percentage points from 37% in HY 2020

Operating Highlights

- Demonstrated sustained organic revenue growth across Taste & Beyond and Perfumery & Ingredients divisions, despite the global Covid-19 pandemic
- Delivered double-digit revenue growth in key geographies: China (+15.1%), North America (+12.8%) and India (+11.4%)
- Integrating DRT, our largest ever acquisition, to build the leading innovation platform for renewable, biodegradable and sustainable ingredients. We are in the process of integrating DRT. The pandemic had a material impact on revenue and profit during the first half of the year
- Strengthened leadership team with new senior appointments and a new Perfumery leadership organization
- Cultivated responsible business leadership, obtaining a CDP AAA rating for the 3rd year running, and an industry-leading Sustainalytics ESG risk rating of 8.6

HY2021 Performance

As our industry and the world continue to deal with the impact of the Covid-19 crisis, we have continued to deliver sustained organic revenue growth and improve our cash generation, while demonstrating resilient profitability.

Total revenue reached CHF 1,997 million, up +2.3% year-over-year on an organic basis at constant currency, and up +14.0% including acquisitions, at constant currency. On a reported basis, total revenue increased +4.9% year-over-year. Foreign exchange, in comparison to prior year rates, had an unfavorable impact of CHF -174 million on total revenue.

We achieved growth in both of our Divisions. Taste & Beyond revenue increased by +3.6% year-over-year, and Perfumery & Ingredients revenue increased by +1.6% year-over-year, on an organic basis at constant currency. The table on the following page provides the breakdown of our revenue by Division.

Our geographic diversification is one of our strengths and we have seen rapid and strong rebounds in geographies where lockdowns have eased. On an organic basis at constant currency, in North America, we have grown revenue by +12.8% year-over-year; in North & East Asia, we achieved +11.2% growth, driven by China (+15.1%); we grew +8.6% in Latin America, driven by +36.1% growth in Brazil; in India, another one of our key markets, we grew by +11.4%, and in the broader region of India, Middle East and Africa, we achieved +4.2% growth year-over-year.

The pandemic continues to impact regions with varying degrees of intensity, leading

[1] EBITDA, defined as Earnings Before Interest, Tax, Depreciation and Amortization, corresponds to operating profit before depreciation, amortization, impairment losses and release of government grants. Adjusted EBITDA is the reported EBITDA, as adjusted for significant items that have an impact on the understanding of the underlying normal operating activities. Adjusted items comprise restructuring costs, gain and loss on non-current assets, acquisition-related costs and impact of curtailment.

[2] Free cash flow equals cash flows from operating activities less net investments. It represents the cash generating capability of the Group to pay dividends, repay providers of capital, or carry out acquisitions, if any.

[3] Organic growth at constant currency reflects the real internal growth of the business after removing the impact of acquisitions completed during the previous 12 months, and exchange rate movements. This provides a "like-for-like" comparison with the previous year in constant scope and constant invoicing currency, enabling deeper understanding of the business dynamics which contributed to the evolution of revenue, gross profit and Adjusted EBITDA, from one year to another.

in some places to new lockdowns and travel restrictions. As a result, during this Half Year, Europe and South East Asia saw a contraction in revenue, on an organic basis at constant currency. Performance in Europe was primarily impacted by Fine Fragrance.

The table (right) provides the breakdown of our revenue by Region.

DRT Integration

Last fiscal year, we completed the transformational acquisition of DRT, a leader in naturally-derived renewable ingredients. This acquisition enables Firmenich to build the world's leading innovation platform for renewable, biodegradable and sustainable ingredients for Fragrances, Flavors and Nutrition. While we are in the process of integrating DRT, revenue and profit were materially impacted by the pandemic in the first half of the year, as a result of lower volume and demand in the DRT industrial end markets as well as in the fine fragrance market. Despite this soft start, we remain entirely confident in the strategic fit of the acquisition, as well as in the quality of the assets and the team. Feedback from our customers on the value of our unique and proprietary access to renewable ingredients confirms our confidence that DRT provides us a long-term competitive advantage.

Gross Profit and Adjusted EBITDA

Gross Profit reached CHF 812 million, up +3.4% on an organic basis at constant currency. Including acquisitions, Gross Profit increased +5.5% year-over-year at constant currency. On a reported basis, Gross Profit decreased -5.2% year-over-year. In comparison to prior year rates, foreign exchange had an unfavorable impact of CHF -100 million.

Gross Margin as a percentage of revenue increased by 50 basis points, on an organic basis at constant currency. On a reported basis, Gross Margin decreased by 430 basis points versus prior year. Acquisitions accounted for 340 basis points of this contraction. This effect was compounded by the negative impact of the pandemic on the DRT acquisition. Foreign exchange had a negative impact of 140 basis points.

Adjusted EBITDA reached CHF 367 million, up +1.6% year-over-year on an organic basis at constant currency. Including acquisitions, Adjusted EBITDA increased +4.7% at constant currency. On a reported basis, Adjusted EBITDA decreased -12.4% year-over-year. Foreign exchange, in comparison to prior year rates, had an unfavorable impact of CHF -72 million on the Adjusted EBITDA.

Revenue by Division (CHF millions)

	HY 2021	HY 2020	Change % as reported	Change % at constant currency	Change % on an organic basis at constant currency
Taste & Beyond	655	686	-4.6%	+3.6%	+3.6%
Perfumery & Ingredients	1,342	1,218	+10.2%	+19.9%	+1.6%

Revenue by Region (CHF millions)

	HY 2021	HY 2020	Change % as reported	Change % at constant currency	Change % on an organic basis at constant currency
Europe	654	594	+10.2%	+14.8%	-10.0%
North America	521	466	+11.9%	+20.6%	+12.8%
Latin America	218	249	-12.4%	+10.7%	+8.6%
India, Middle East and Africa	216	210	+2.8%	+13.7%	+4.2%
South East Asia	210	226	-7.3%	+0.3%	-2.1%
North & East Asia	177	159	+11.3%	+17.1%	+11.2%

Adjusted EBITDA margin was 18.4%, a decrease of 3.6 percentage points in comparison to 22.0% in the prior year. Half of this decrease is explained by foreign exchange and the remaining half is due to the impact of acquisitions. On an organic basis at constant currency, Adjusted EBITDA margin stayed constant in comparison to the prior year.

Operating Profit decreased -8.1% year-over-year at constant currency, reaching CHF 226 million. This was the result of additional Depreciation linked to our recent acquisitions.

Financing Costs and Other Financial Expenses

Financing costs increased to CHF 24.8 million compared to CHF 17.1 million in the prior year, as a result of the interest payments on our bonds. Other financial expenses reached CHF 12.2 million compared to CHF 24.6 million in the prior year. The decrease was primarily due to lower costs linked to foreign exchange and hedging operations.

Tax

The Group's tax rate reached 14.7%, in line with the Group expected tax rate, and reflects the geographic mix of our business activities.

In the same period in the prior year, the Group tax rate was 17.2%. The reduction was primarily driven by the financing costs and the integration of our acquisitions.

Net Income

Net Income reached CHF 163 million, compared to CHF 222 million in the prior year. The decrease is due to the reduction in Operating Profit, partly offset by lower other financial expenses and lower income tax expenses.

Cash Flow

Free Cash Flow increased 20.7% year-over-year to CHF 182 million, as a result of tight working capital management, underscoring our prudent execution during the crisis. As a result, our conversion ratio of EBITDA to Free Cash Flow reached 50%, an increase of 13 percentage points in comparison to the prior year.

Financial Position

The Group's financial position remained strong with an equity ratio of 44%, stable vs. June 2020. The Group's net debt position stood at CHF 1,756 million, up from CHF 1,572 million in June 2020, the increase being linked to our acquisitions. Total assets reached CHF 7,779 million, compared to CHF 7,945 million in June 2020. Non-current assets reached CHF 5,219 million, and current assets stood at CHF 2,560 million.

Responsible Business

We have continued to strengthen our leading position in Environmental, Social and Governance questions. Running our business responsibly and sustainably is a core pillar of our company culture. We are very proud of our ESG credentials and awards that recognize our commitment to both climate change and social causes. Among other achievements, we would like to highlight that we are one of only two companies worldwide to have been awarded, for the third year in a row, the CDP AAA rating for climate change, water security and forests.

Additionally, we are proud to have achieved an ESG risk rating of 8.6 from Sustainalytics, placing us in the lead in our industry and in the top 1% of companies rated worldwide.

PERFUMERY & INGREDIENTS

The past six months mark the start of a transformational journey for Perfumery & Ingredients. We are redefining the future of fragrance, in collaboration with our customers and partners. Based on deep consumer insights and world-class scientific research, we are leading the industry with pioneering innovation, enhanced capabilities, strengthened product claims, performance-driven creation and recognized sustainability leadership.

We are reinventing our Perfumery organization, reinforcing our close relationships with global customers, expanding our regional and local business, and leveraging opportunities with mid-to-small sized ventures.

At the same time, we are integrating DRT, the largest acquisition in the history of Firmenich. With this acquisition, we have become a leader in renewable and naturally-derived ingredients, while reinforcing our leadership in perfumery, and bringing new capabilities in health and nutrition, as well as new industrial markets.

HY2021 Performance

Despite the ongoing challenges due to the Covid-19 pandemic, we have maintained resilient financial performance in the first half of FY2021. Revenue at constant currency increased by +19.9% year-over-year, reaching CHF 1,342 million. On an organic basis at constant currency, revenue grew by +1.6% year-over-year. Growth was driven by Consumer Fragrance and Ingredients, which more than offset the continued negative impact of the pandemic on Fine Fragrances. Foreign exchange, in comparison to prior year rates, had an unfavorable impact of CHF -118 million on revenue.

Adjusted EBITDA at constant currency increased by +13.0% year-over-year to CHF 251 million. Organic growth amounted to CHF 19 million, and acquisitions contributed CHF 16 million to Adjusted EBITDA. Foreign exchange had a negative impact of CHF -54 million. On an organic basis at constant currency, Adjusted EBITDA margin increased by 130 basis points in comparison to prior year. On a reported basis, Adjusted EBITDA margin was 18.7%, a decrease of 340 basis points, resulting from the negative impact of foreign exchange and the impact of acquisitions.

Fine Fragrance

While Fine Fragrance continues to be impacted by retail closures and travel restrictions, we continue to see progress with reinvented retail, digital opportunities and increased consumer need for comfort and reassurance. We have seen an encouraging sequential revenue improvement in the second quarter of the fiscal year.

In July 2020, Firmenich Fine Fragrance built new momentum with customers through its RE|GENERATION strategy, which examines the future of fine fragrance by engaging with the fragrance community, customers, consumers, artists and influencers.

In addition, Firmenich continues to create iconic fragrances for customers, and was recognized with seven awards, including three Consumer Choice Awards at the Fragrance Foundation Awards in the US.

Consumer Fragrance

Our performance in Consumer Fragrances was fueled by continued growth with global customers and established cleaning and hygiene brands. We also performed strongly with regional and local customers, and achieved solid growth in emerging markets, particularly in health and hygiene solutions.

Our mid-market operations achieved strong double-digit revenue growth in China, North America, and with our MG acquisition in Turkey.

Ingredients

Our Ingredients business saw robust organic growth, driven by both natural and synthetic ingredients, as we leveraged our industry-leading innovation capabilities, strong backward-integration in natural ingredients and feedstock, expertise in natural extraction techniques and proactive commercial approach. While we are in the process of integrating DRT, revenue and profit were materially impacted by the pandemic in the first half of the year, as a result of lower volume and demand in the DRT industrial end markets as well as in the fine fragrance market. Despite this soft start, we remain entirely confident in the strategic fit of the acquisition, as well as in the quality of the assets and the team.

Creation & Innovation

Firmenich continued to share breakthrough consumer insights and innovation, as consumers are recalibrating health & hygiene, living in the all-purpose home and redefining the search for comforting emotion, through digital marketing, newsletters and online events. We are helping our customers understand and navigate the New Normal.

In November, we launched the industry's first laundry care fragrances that fuse Artificial Intelligence (AI) with human creativity. AI is systematically empowering our perfumers to achieve their best creations, by identifying potential solutions across a complex combination of parameters, including olfaction, format, dosage, safety and sustainability.

TASTE & BEYOND

During the past six months, Taste & Beyond has used its deep consumer insights to adapt its innovation initiatives to the changing consumer needs under Covid-19, and seize new opportunities with our customers across all regions. We have ensured business continuity, avoided disruption of our supply chain, maintaining manufacturing and laboratory capabilities to continue to deliver to our customers consistently, while continuing to keep our colleagues safe.

HY2021 Performance

Taste & Beyond demonstrated strong resilience in the first half of FY21, maintaining growth and resilient profitability despite the challenging environment of the pandemic. Revenue at constant currency increased by +3.6% year-over-year, reaching CHF 655 million. Growth was driven by strong performance in Beverages and Sweet Goods, more than offsetting the impact of the pandemic on Foodservice. Foreign exchange, in comparison to prior year rates, had an unfavorable impact of CHF -56 million on revenue. The second quarter saw an acceleration of growth, with steady momentum on the Sugar Reduction portfolio and sustained demand from China and North America.

Adjusted EBITDA at constant currency decreased by -10.3% year-over-year to CHF 116 million. This is explained by exceptional costs incurred to ensure business continuity and avoid supply chain disruption to serve customers during the crisis, as well as the negative impact on mix of a significant market price drop in vanilla, and a temporary change in consumption patterns during the pandemic.

On a reported basis, Adjusted EBITDA margin was 17.8%. Foreign exchange had a negative impact of 110 basis points year-over-year.

Performance Highlights

In Beverages, we grew with sustained demand in energy drinks and new adoptions with key customers in North America, Northeast Asia and Latin America. In Sweet Goods, double digit growth in North America compensated for lower revenue in some other regions.

Sugar reduction technology was a strong driver of our performance across Beverages and Sweet Goods, as healthier food options are increasingly important to consumers. Our sugar reduction portfolio, driven by plant-based sweeteners, continued to progress with successful adoptions by new key players in a high-demand market.

Foodservice but also Savory continue to be impacted negatively by lockdown closures and restrictions in many key markets. However, customer surveys confirm the long-term consumer shift to healthier meat alternatives and flexitarian diets. Demand for our Savory portfolio and pipeline remain strong, with new opportunities arising due to consumers cooking more. Demand for prepared meals and snacks remains strong, with strong resilience of our recent VKL acquisition in India this first half.

CONSOLIDATED INCOME STATEMENT

For the six months ended

In millions of CHF	Notes	December 31, 2020	December 31, 2019
Revenue	9	**1 996.9**	**1 904.3**
Cost of goods sold	5	(1 185.8)	(1 049.1)
Gross profit		**811.1**	**855.2**
as % of revenue		*40.6%*	*44.9%*
Distribution expenses	5	(56.0)	(43.2)
Research and development expenses	5	(188.2)	(184.5)
Commercial and marketing expenses	5	(214.6)	(192.6)
Administration expenses	5	(127.0)	(129.6)
Other operating income	5	0.6	9.9
Operating profit		**225.9**	**315.2**
as % of revenue		*11.3%*	*16.6%*
Financing costs	6	(24.8)	(17.1)
Net other financial expenses	7	(12.2)	(24.6)
Share of profit/(loss) of jointly controlled entities and associates, net of taxes		2.3	(5.0)
Income before taxes		**191.2**	**268.5**
Income tax expense		(28.2)	(46.2)
Net income for the period		**163.0**	**222.3**
Attributable to:			
Non-controlling interests		1.3	0.2
Equity holders of the parent		**161.7**	**222.1**
as % of revenue		*8.1%*	*11.7%*
Basic and diluted earnings per A share (in CHF)	3	199.68	274.19
Basic and diluted earnings per B share (in CHF)	3	19.97	27.42

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 10, 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, 2020	December 31, 2019
Net income for the period		**163.0**	**222.3**
Items that may be reclassified subsequently to the income statement			
Exchange differences on translating foreign operations		(133.9)	(31.1)
Exchange differences on translating foreign operations in jointly controlled entities and associates		(0.4)	(1.6)
Items that will not be reclassified to the income statement			
Remeasurement of post-employment benefit obligations		32.8	(7.1)
Equity investments at fair value through other comprehensive income		79.3	15.6
Related tax on remeasurement of post-employment benefit obligations		(7.0)	2.0
Related tax on remeasurement on fair value through other comprehensive income		(11.1)	(2.1)
Total other comprehensive income for the period, net of tax		**(40.3)**	**(24.3)**
Total comprehensive income for the period		**122.7**	**198.0**
Attributable to:			
Non-controlling interests		(0.5)	(0.2)
Equity holders of the parent		123.2	198.2

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At period ended

In millions of CHF	Notes	December 31, 2020	June 30, 2020
Assets			
Goodwill and intangible assets		2 865.8	2 805.7
Property, plant and equipment		1 566.5	1 555.3
Financial investments and loans		585.6	577.5
Investments in jointly controlled entities and associates		73.5	71.6
Deferred tax assets		127.9	122.3
Total non-current assets		**5 219.3**	**5 132.4**
Inventories		875.5	857.8
Trade accounts receivable		800.0	878.4
Other receivables and prepaid expenses		135.4	160.5
Derivative financial instruments assets	8	4.8	9.4
Current income tax assets		75.9	78.9
Financial investments	8	180.1	123.3
Cash and cash equivalents		488.4	704.7
Total current assets		**2 560.1**	**2 813.0**
Total assets		**7 779.4**	**7 945.4**
Equity and liabilities			
Share capital	3	40.5	40.5
Retained earnings and other reserves	3	4 413.3	4 384.3
Remeasurement of post-employment benefit obligations		(426.8)	(461.4)
Translation of foreign operations		(615.0)	(486.0)
Equity attributable to equity holders of the parent		**3 412.0**	**3 477.4**
Non-controlling interests		41.3	45.0
Total equity		**3 453.3**	**3 522.4**
Employee benefit obligations		659.1	706.5
Provisions		18.9	19.0
Deferred tax liabilities		292.9	268.3
Long-term borrowings	4	2 256.1	2 249.0
Redemption liability	8	71.8	50.0
Other long-term liabilities		22.4	18.9
Total non-current liabilities		**3 321.2**	**3 311.7**
Trade accounts payable		297.9	309.5
Other payables and accrued expenses		399.8	488.8
Derivative financial instruments liabilities	8	7.0	75.7
Employee benefit obligations		12.2	6.7
Provisions		5.9	5.8
Current income tax liabilities		84.5	73.7
Redemption liability	8	29.2	-
Short-term borrowings	4	168.4	151.1
Total current liabilities		**1 004.9**	**1 111.3**
Total liabilities		**4 326.1**	**4 423.0**
Total equity and liabilities		**7 779.4**	**7 945.4**

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, 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**
Balance as at July 1, 2020	**40.5**	**4 377.8**	**(461.4)**	**6.5**	**(486.0)**	**3 477.4**	**45.0**	**3 522.4**
Net income for the period		161.7				161.7	1.3	**163.0**
Other comprehensive income for the period		(12.3)	34.6	68.2	(129.0)	(38.5)	(1.8)	**(40.3)**
Total comprehensive income for the period		**149.4**	**34.6**	**68.2**	**(129.0)**	**123.2**	**(0.5)**	**122.7**
Dividends		(180.2)				(180.2)	(1.2)	**(181.4)**
Remuneration on deeply subordinated fixed rate resettable perpetual notes (note 3)		(7.6)				(7.6)		**(7.6)**
Non-controlling interests		(0.8)				(0.8)	(2.0)	**(2.8)**
Net change in other equity items		**(188.6)**				**(188.6)**	**(3.2)**	**(191.8)**
Balance as at December 31, 2020	**40.5**	**4 338.6**	**(426.8)**	**74.7**	**(615.0)**	**3 412.0**	**41.3**	**3 453.3**

CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended

In millions of CHF	Notes	December 31, 2020	December 31, 2019
Cash flows from operating activities			
Net income for the period		163.0	222.3
Income tax expense		28.2	46.2
Income before taxes		**191.2**	**268.5**
Depreciation of property, plant and equipment	5	85.7	64.9
Amortization of intangible assets	5	50.3	32.3
Impairment losses on property, plant and equipment	5	-	0.4
Release of government grants	5	(1.3)	(1.1)
Changes in provisions and employee benefits		16.2	(15.4)
Unrealized net gain on investment at fair value through income statement		0.1	1.2
Share of (profit)/loss of jointly controlled entities and associates		(2.3)	5.0
Foreign exchange differences and other non cash items		11.9	1.4
Net interests		21.4	15.1
Adjustment for non-cash items		**182.0**	**103.8**
Changes in inventories		(33.4)	(93.5)
Changes in trade and other receivables		99.4	71.9
Changes in trade and other payables		(112.7)	(66.0)
Changes in working capital		**(46.7)**	**(87.6)**
Interests paid		**(17.6)**	**(16.2)**
Income tax paid		**(29.3)**	**(50.6)**
Cash flows from operating activities		**279.6**	**217.9**
Cash flows used in investing activities			
Purchase of property, plant and equipment		(83.9)	(60.2)
Purchase of intangible assets		(14.8)	(8.8)
Disposal of intangible assets, property, plant and equipment		0.2	1.4
Government grants received		0.5	0.4
Net investments		**(98.0)**	**(67.2)**
Acquisition of businesses (net of cash)	2	(123.8)	(64.3)
Acquisition of short-term financial investments		(61.9)	(3.5)
Proceeds/(acquisition) of long-term financial investments		0.4	(386.2)
Interests received		3.6	2.0
Cash flows used in investing activities		**(279.7)**	**(519.2)**
Cash flows (used in)/from financing activities			
Long-term borrowings increase		7.3	8.6
Long-term borrowings decrease		(3.3)	-
Short-term borrowings increase		45.1	456.1
Short-term borrowings decrease		(53.1)	(98.7)
Payment of lease liabilities		(23.2)	(17.4)
Other long-term debt		3.7	(0.8)
Remuneration on deeply subordinated fixed rate resettable perpetual notes	3	(7.6)	-
Dividend payment to equity holders of the parent		(180.2)	(210.6)
Dividend payment to non-controlling interests		(1.2)	(0.8)
Cash flows (used in)/from financing activities		**(212.5)**	**136.4**
Net decrease in cash and cash equivalents		**(212.6)**	**(164.9)**
Cash and cash equivalents			
Cash and cash equivalents at beginning of period		704.7	376.4
Net effect of currency translation on cash and cash equivalents		(3.7)	(1.8)
Cash and cash equivalents at end of period		488.4	209.7
Cash and cash equivalents variation		**(212.6)**	**(164.9)**

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 2021 covers the period from July 1, 2020 to June 30, 2021.

Basis of accounting

These financial statements are the interim consolidated financial statements of the Group for the six months period ended December 31, 2020. 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, 2020 ('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.

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 9, 2021.

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

Critical accounting estimates and judgments

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.

Changes in significant accounting policies

The accounting policies adopted are consistent with those of the annual financial statements for the year ended June 30, 2020.

A number of new standards are effective from July 1, 2020 but they do not have a material effect on the Group's financial statements.

Standards issued but not yet effective

A number of standards are effective for annual periods beginning after July 1, 2020 and earlier application is permitted. However, the Group has not early adopted the new or amended standards in preparing these interim consolidated financial statements.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2. Business combinations

On July 1, 2020, the Group acquired 69% of Gülçiçek Kimya ve Uçan Yaglar Sanayive Ticaret A.S. (MG International) for a purchase price of CHF 125.3. MG International is a leading middle-market Fragrance company based in Turkey with an extensive reach across its broader region. The Group also entered into a forward agreement to acquire the remaining interests in MG International of 18% in March 2021 and of 13% in January 2023 respectively. A redemption liability of CHF 54.3 has been recognized for the purchase of the remaining shares. The contract is accounted for as an anticipated acquisition of the underlying non-controlling interests (NCI). Therefore, the redemption liability is included in the purchase consideration and consequently no NCI is recognized. Since completion date, the acquisition contributed CHF 29.5 to revenue and CHF 4.5 to net income. The identifiable assets and liabilities are recorded at fair value at the date of acquisition. The resulting goodwill of CHF 53.8 is attributable to the revenue growth and synergies expected to be achieved by developing the Group's presence in the Middle East. Transaction costs of CHF 3.1 have been expensed (included in Operating expenses) and are part of the Cash flows from operating activities.

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 the date of acquisition

In millions of CHF	MG International
Non-current assets	
Intangible assets	86.2
Property, plant and equipment	35.7
Current assets	
Cash and cash equivalents	1.5
Inventories	15.5
Trade accounts receivable	21.9
Other receivables and prepaid expenses	3.0
Non-current liabilities	
Deferred tax liabilities	(19.5)
Long-term borrowings	(0.5)
Current liabilities	
Trade accounts payable	(5.1)
Other payables and accrued expenses	(1.0)
Short-term borrowings	(11.9)
Total identifiable net assets attributable to the Group	**125.8**
Goodwill arising on acquisition	53.8
Purchase consideration	**179.6**
Less redemption liability	(54.3)
Consideration transferred	**125.3**

2.2 Cash flow on acquisition

In millions of CHF	
Cash consideration	**(125.3)**
Cash and cash equivalents acquired	1.5
Net cash outflow	**(123.8)**

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

3. Share capital, retained earnings and earnings per share

	December 31, 2020	June 30, 2020
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**

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.

Deeply subordinated fixed rate resettable perpetual notes

Firmenich International SA issued EUR 750.0 (CHF 793.0) deeply subordinated fixed rate resettable perpetual notes on June 3, 2020 with a coupon of 3.75% payable annually at the sole discretion of the issuer until the first reset date i.e. September 3, 2025. Thereafter, the interest rate is reset every 5 years. As of December 31, 2020 the remuneration on the deeply subordinated fixed rate resettable perpetual notes amounts to CHF 7.6.

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, 2020	December 31, 2019
Net income attributable to Firmenich International SA	161.7	222.1
A shares part of share capital in %	90.0%	90.0%
A shares part of net income from ordinary activities	145.6	199.9
B shares part of share capital in %	10.0%	10.0%
B shares part of net income from ordinary activities	16.2	22.2
Earnings per A share (in CHF)	**199.68**	**274.19**
Earnings per B share (in CHF)	**19.97**	**27.42**

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 2020, a distribution on financial year 2020 net income of CHF 222.5 gross per A share and CHF 22.25 gross per B share was approved.

The dividend has been paid in October 2020.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

4. Bonds and borrowings

In millions of CHF	December 31, 2020	June 30, 2020
Bonds	(2 084.3)	(2 060.7)
Long-term bank borrowings	(52.2)	(60.8)
Short-term bank borrowings	(127.9)	(115.6)
Long-term lease liabilities	(119.6)	(127.5)
Short-term lease liabilities	(40.5)	(35.5)
Bonds and borrowings	**(2 424.5)**	**(2 400.1)**

5. Expenses by nature

Significant expense items by nature within operating expenses include:

For the six months ended, in millions of CHF	December 31, 2020	December 31, 2019
COST OF GOODS SOLD AND OPERATING EXPENSES BY NATURE		
Raw material and consumables used	838.0	789.0
Employee benefits	530.5	465.0
Supplies	59.7	49.7
Services	196.2	188.0
Depreciation, amortization and impairment of assets	134.7	96.5
Loss on sale of property, plant and equipment	2.0	2.5
Operating taxes	10.5	8.3
Other operating income	(0.6)	(9.9)
Total expenses	**1 771.0**	**1 589.0**

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

6. Financing costs

For the six months ended, in millions of CHF	December 31, 2020	December 31, 2019
FINANCING COSTS		
Interest expenses	23.0	14.6
Interest on net defined benefit liability	1.8	2.5
Financing costs	**24.8**	**17.1**

7. Net other financial expenses

For the six months ended, in millions of CHF	December 31, 2020	December 31, 2019
Interest and dividend income	2.0	0.2
Fair value gains	1.2	0.4
Gains on sale on financial investments	0.5	-
Losses on commodity options	-	(1.2)
Results on investments held at fair value through income statement	**3.7**	**(0.6)**
Other interest and dividend income	1.6	1.9
Net exchange losses	(11.5)	(10.6)
Net exchange losses on currency options and contracts	(4.6)	(9.6)
Net of cash discount received and (granted), (bank charges and other financial charges)	(1.4)	(5.7)
Net other financial expenses	**(12.2)**	**(24.6)**

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

8. 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.

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 December 31, 2020, 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).

December 31, 2020

In millions of CHF	Notes	Level 1	Level 2	Level 3	**Total**
FINANCIAL ASSETS					
Non-current assets					
Financial investments		535.0	0.3	17.0	**552.3**
Current assets - derivatives					
Forward foreign exchange contract and options		-	4.8	-	**4.8**
Current financial investments					
Fixed term deposits		148.6	29.6	-	**178.2**
Equity securities		1.9	-	-	**1.9**
FINANCIAL LIABILITIES					
Non-current liabilities					
Redemption liability		-	-	71.8	**71.8**
Current liabilities - derivatives					
Redemption liability			-	29.2	**29.2**
Forward foreign exchange contract and options		-	7.0	-	**7.0**

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

June 30, 2020

In millions of CHF	Level 1	Level 2	Level 3	Total
FINANCIAL ASSETS				
Non-current assets				
Financial investments	536.3	0.3	7.3	**543.9**
Current assets - derivatives				
Forward foreign exchange contract and options	-	9.4	-	**9.4**
Current financial investments				
Fixed term deposits	76.2	41.9	-	**118.1**
Hedge funds			0.2	**0.2**
Equity securities	2.8	-	-	**2.8**
Bonds and debentures	2.2	-	-	**2.2**
FINANCIAL LIABILITIES				
Non-current liabilities				
Redemption liability	-	-	50.0	**50.0**
Current liabilities - derivatives				
Forward foreign exchange contract and options	-	75.7	-	**75.7**

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, 2020.

9. Operating segments

Business segment information

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

Perfumery & Ingredients

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

Taste & Beyond

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

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

Inter-segment sales are not significant.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

	Perfumery & Ingredients		Taste & Beyond		Total	
For the six months ended, in millions of CHF	December 31, 2020	December 31, 2019	December 31, 2020	December 31, 2019	December 31, 2020	December 31, 2019
Revenue	1 342.1	1 218.3	654.8	686.0	1 996.9	1 904.3
EBITDA	**246.7**	**265.4**	**113.9**	**146.3**	**360.6**	**411.7**
Depreciation and amortization	(88.7)	(51.0)	(46.0)	(45.5)	(134.7)	(96.5)
Operating profit	**158.0**	**214.4**	**67.9**	**100.8**	**225.9**	**315.2**
Financing costs					(24.8)	(17.1)
Net other financial expenses					(12.2)	(24.6)
Share of profit/(loss) of jointly controlled entities and associates, net of taxes					2.3	(5.0)
Income before tax					**191.2**	**268.5**
Income tax expense					(28.2)	(46.2)
Net income for the period					**163.0**	**222.3**

Capital expenditure

Purchase of property, plant, equipment and intangibles	**78.9**	**39.2**	**19.9**	**29.8**	**98.8**	**69.0**

Geographical information

	Revenue	
For the six months ended, in millions of CHF	December 31, 2020	December 31, 2019
Switzerland	25.5	25.6
Europe	628.7	567.8
North America	521.1	465.7
Latin America	218.5	249.3
India, Middle East and Africa	216.0	210.2
South East Asia	209.7	226.3
North and East Asia	177.4	159.4
Total	**1 996.9**	**1 904.3**

10. Subsequent events

On January 28, 2021, the Group signed an agreement to increase the share ownership in ArtSci Biology Technologies Co. Ltd. (ArtSci) from 24.99% to 49.99%, against a price of approximately CHF 65 for the tranche. ArtSci will remain an associate.

The sale of the site located in La Jonction was completed and transfer of ownership to the buyer occurred on February 1st, 2021. Of the total proceeds of CHF 70, cash inflows for the year will amount to CHF 42, as CHF 7 were already received in December 2016 and CHF 21 will be deferred. The transaction is expected to result in a capital gain of approximately CHF 47.

for good, naturally

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owned,
founded
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1895