IMPORTANT: You must read the following disclaimer before continuing. The following disclaimer applies to the attached document and you are advised to read this disclaimer carefully before reading, accessing or making any other use of the attached document. In accessing the attached document you agree to be bound by the following terms and conditions, including any modifications to them from time to time, each time you receive any information from the Issuer, the Guarantor or the Joint Lead Managers named in the attached document as a result of such access. The attached document is intended for the addressee only.

THE ATTACHED DOCUMENT MAY NOT BE FORWARDED OR DISTRIBUTED TO ANY OTHER PERSON AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER. ANY FORWARDING, REDISTRIBUTION OR REPRODUCTION OF THE ATTACHED DOCUMENT IN WHOLE OR IN PART IS UNAUTHORISED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE US SECURITIES ACT OF 1933 (THE "SECURITIES ACT") OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS.

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF BONDS (AS DEFINED IN THE ATTACHED DOCUMENT) FOR SALE IN THE UNITED STATES OR ANY OTHER JURISDICTION WHERE IT IS UNLAWFUL TO DO SO. THE BONDS AND THE GUARANTEE (AS DEFINED IN THE ATTACHED DOCUMENT) HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE SECURITIES ACT, OR THE SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES, AND THE BONDS AND THE GUARANTEE MAY NOT BE OFFERED, SOLD OR DELIVERED EXCEPT IN AN OFFSHORE TRANSACTION TO PERSONS OTHER THAN U.S. PERSONS IN ACCORDANCE WITH RULE 903 OR RULE 904 OF REGULATION S UNDER THE SECURITIES ACT, IN EACH CASE IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND APPLICABLE STATE OR LOCAL SECURITIES LAWS.

Confirmation of your Representation: In order to be eligible to view the attached document or make an investment decision with respect to the Bonds, investors must comply with the following provisions. You have been sent the following document on the basis that you have confirmed to the Issuer, the Guarantor and the Joint Lead Managers named in the attached document, being the senders of the attached document, that you are a person that is (i) outside the United States (within the meaning of Regulation S under the Securities Act) and (ii) not a U.S. person (within the meaning of Regulation S under the Securities Act) and that you are (a) a relevant person (as defined below) if in the United Kingdom or are (b) outside the United Kingdom (and the electronic mail address that you gave us and to which this e-mail has been delivered is not located in such jurisdictions). By accepting this e-mail and accessing the attached document, you shall be deemed to have made the above representation and to have consented to delivery of such document by electronic transmission.

In addition, in the United Kingdom, the attached document is being distributed only to and is directed only at: (a) persons who have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the "**Order**"); (b) high net worth entities falling within Article 49 of the Order; and (c) other persons to whom it may otherwise lawfully be communicated under the Order (all such persons together referred to as "**relevant persons**"). Any investment or investment activity to which the document relates is available only in the United Kingdom to relevant persons and will be engaged in only with such persons.

The attached document has been delivered to you on the basis that you are a person into whose possession the attached document may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located.

MiFID II PRODUCT GOVERNANCE / PROFESSIONAL INVESTORS AND ECPs ONLY TARGET MARKET – Solely for the purposes of each manufacturer's product approval process, the target market assessment in respect of the Bonds has led to the conclusion that: (i) the target market for the Bonds is eligible counterparties and professional clients only, each as defined in Directive 2014/65/EU of the European Parliament and of the Council on markets in financial instruments, as amended ("**MiFID II**"); and (ii) all channels for distribution of the Bonds to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Bonds (a "**distributor**") should take into consideration the manufacturers' target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Bonds (by either adopting or refining the manufacturers' target market assessment) and determining appropriate distribution channels.

PROHIBITION OF SALES TO EEA AND UK RETAIL INVESTORS – The Bonds are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area ("**EEA**") or in the United Kingdom (the "**UK**"). For these purposes, a retail investor means a person who is one (or both) of: (i) a retail client as defined in point (11) of MiFID II; and (ii) a customer within the meaning of Directive (EU) 2016/97 (the "**Insurance Distribution Directive**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently, no key information document required by Regulation (EU) No 1286/2014 (the "**PRIIPs Regulation**") for offering or selling the Bonds or otherwise making them available to retail investors in the EEA or in the UK has been prepared and therefore offering or selling the Bonds or otherwise making them available to any retail investor in the EEA or in the UK may be unlawful under the PRIIPs Regulation.

Neither this electronic transmission nor the attached document constitutes or contains any offer to sell or invitation to subscribe or make commitments for or in respect of any securities in any jurisdiction where such an offer or invitation would be unlawful.

The attached document has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently none of the Issuer, the Guarantor, the Joint Lead Managers, the Agents, nor any person who controls any of them, nor any director, officer, employee or agent of any of them, nor any affiliate of any such person, accepts any liability or responsibility whatsoever in respect of any difference between the attached document distributed to you in electronic format and the hard copy version available to you on request from the Joint Lead Managers.

No representation or warranty, expressed or implied, is made or given by or on behalf of the Joint Lead Managers, the Agents, nor any person who controls any of them, nor any director, officer, employee or agent of any of them, nor any affiliate of any such person, as to the accuracy, completeness or fairness of the information or opinions contained in the attached document and such persons do not accept responsibility or liability for any such information or opinions.

Offering Circular dated 27 April 2020

Firmenich Productions Participations SAS

(incorporated in France with limited liability)

€750,000,000 1.375 per cent. Guaranteed Bonds due 2026

and

€750,000,000 1.750 per cent. Guaranteed Bonds due 2030

guaranteed by

Firmenich International SA

(incorporated in Switzerland with limited liability)

Issue Price of Series A Bonds: 99.860 per cent.

Issue Price of Series B Bonds: 99.356 per cent.

The €750,000,000 1.375 per cent. Guaranteed Bonds due 2026 (the "**Series A Bonds**") and the €750,000,000 1.750 per cent. Guaranteed Bonds due 2030 (the "**Series B Bonds**" and, together with the Series A Bonds, the "**Bonds**" and each a "**Series**") will be issued by Firmenich Productions Participations SAS (the "**Issuer**") and guaranteed by Firmenich International SA (the "**Guarantor**"). Interest on the Series A Bonds will be payable annually in arrear on 30 October in each year, save that the first payment of interest on the Series A Bonds shall be payable on 30 October 2020 in respect of the period from (and including) 30 April 2020 to (but excluding) 30 October 2020. Interest on the Series B Bonds will be payable annually in arrear on 30 April in each year, commencing on 30 April 2021. Payments on the Bonds will be made without deduction for or on account of taxes of France or Switzerland to the extent described under "*Terms and Conditions of the Series A Bonds — Taxation*" and "*Terms and Conditions of the Series B Bonds — Taxation*".

The Series A Bonds will mature on 30 October 2026 (the "**Series A Maturity Date**") and the Series B Bonds will mature on 30 April 2030 (the "**Series B Maturity Date**" and each a "**Maturity Date**"). The Bonds of each Series will be subject to redemption in whole, but not in part at their principal amount, together with accrued interest, at the option of the Issuer (a) during the period between 90 days prior to the Maturity Date of the relevant Series (the "**Early Call Date**") and the corresponding Maturity Date; (b) at any time if 80 per cent. or more in principal amount of the Bonds originally issued have been redeemed (other than where 80 per cent. or more in principal amount of the Bonds originally issued have been redeemed pursuant to the Issuer Make Whole Call Option as described in Condition 6(c)) or purchased; and (c) at any time in the event of certain changes affecting taxation in France or Switzerland. The Bonds will also be subject to redemption in whole or in part at the higher of (a) their principal amount or (b) the sum of the then present values of the remaining scheduled payments of principal and interest discounted to the Make Whole Optional Redemption Date (as defined herein) on an annual basis and assuming, for this purpose, that the Bonds are to be redeemed on the date falling 90 days prior to the relevant Maturity Date, in each case together with accrued interest, at the option of the Issuer at any time. Furthermore, upon the occurrence of an Acquisition Event (as defined herein) the Issuer may redeem the Bonds of each Series at 101% of their principal amount, together with accrued interest. In addition, upon the occurrence of a Change of Control Event (as defined herein), the Bonds may be redeemed at the option of the relevant holder at their principal amount together with accrued interest. See "*Terms and Conditions of the Series A Bonds — Redemption and Purchase*" and "*Terms and Conditions of the Series B Bonds — Redemption and Purchase*".

Application has been made to the Irish Stock Exchange plc trading as Euronext Dublin ("**Euronext Dublin**") for the approval of this Offering Circular as listing particulars. Application has been made for the Bonds of each Series to be admitted to the official list of Euronext Dublin (the "**Official List**") and to trading on the Global Exchange Market which is the exchange regulated market of Euronext Dublin. The Global Exchange Market is not a regulated market for the purpose of Directive 2014/65/EU ("**MiFID II**"). No assurance can be given that such application will be granted, or if such listing obtained, will be maintained. This Offering Circular is provided only for the purpose of obtaining approval of admission of the Bonds to the Official List of Euronext Dublin and admission to trading on the Global Exchange Market and shall not be used or distributed for any other purposes. This Offering Circular does not constitute an offer to sell, or a solicitation of an offer to buy, any of the Bonds. This Offering Circular does not constitutes a "prospectus" for the purposes of Regulation (EU) 2017/1129.

References in this Offering Circular to Bonds being "listed" (and all related references) shall mean that such Bonds have been admitted to trading on the Global Exchange Market and have been admitted to the Official List.

The Bonds are not intended to be offered, sold or otherwise made available to, and should not be offered, sold or otherwise made available to, retail clients, as defined in MiFID II.

The Bonds will be issued in minimum denominations of €100,000 and higher integral multiples of €1,000.

Each Series of Bonds will initially be represented by a global certificate (a "**Global Certificate**"), which will be deposited with, and registered in the name of a nominee for, a common safekeeper (the "**Common Safekeeper**") on behalf of Euroclear Bank SA/NV ("**Euroclear**") and Clearstream Banking S.A. ("**Clearstream, Luxembourg**") on or prior to 30 April 2020. Each Global Certificate will be exchangeable for individual certificates in registered form ("**Certificates**") in the limited circumstances set out in it. See "*Summary of Provisions relating to the Bonds while in Global Form*".

The Bonds and the Guarantee have not been, and will not be, registered under the United States Securities Act 1933, as amended (the "**Securities Act**"). The Bonds are being offered outside the United States by the Joint Lead Managers (as defined in *"Subscription and Sale"* below) in accordance with Regulation S under the Securities Act ("**Regulation S**"), and may not be offered or sold or delivered within the United States or to, or for the account or benefit of, U.S. persons except pursuant to an exemption from the registration requirements of the Securities Act.

The Bonds and the Guarantee have neither been, nor will be, prepared, approved, filed or published in accordance with the FinSA (as defined herein).

The Bonds are expected to be rated BBB (stable) by S&P Global Ratings Europe Limited. S&P Global Ratings Europe Limited is established in the European Union and is registered under the EU Regulation on credit rating agencies (Regulation (EC) No.1060/2009), as amended. A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction, revision or withdrawal at any time by the assigning rating agency.

Prospective investors should have regard to the factors described under the section headed "*Risk Factors*" in this Offering Circular.

Joint Lead Managers

Citigroup **UBS Investment Bank**

IMPORTANT NOTICES

The Issuer and the Guarantor (the "**Responsible Persons**") accept responsibility for the information contained in this Offering Circular. To the best of the knowledge of each of the Issuer and the Guarantor, the information contained in this Offering Circular is in accordance with the facts and does not omit anything likely to affect the import of such information.

To the fullest extent permitted by law, Citibank, N.A., London Branch (the "**Fiscal Agent**"), Citigroup Global Markets Europe AG (the "**Registrar**" and the "**Transfer Agent**", and together with the Fiscal Agent, the "**Agents**") and the Joint Lead Managers (as defined in "*Subscription and Sale*" below), accept no responsibility whatsoever for the contents of this Offering Circular or for any other statement, made or purported to be made by a Joint Lead Manager or any Agent or on its behalf in connection with the Issuer, the Guarantor or the issue and offering of the Bonds. Each Joint Lead Manager and each Agent accordingly disclaims all and any liability whether arising in tort or contract or otherwise (save as referred to above) which it might otherwise have in respect of this Offering Circular or any such statement.

No person is authorised to give any information or to make any representation not contained in this Offering Circular and any information or representation not so contained must not be relied upon as having been authorised by or on behalf of the Issuer, the Guarantor, the Joint Lead Managers or the Agents. Neither the delivery of this Offering Circular nor any sale made in connection herewith shall, under any circumstances, create any implication that there has been no change in the affairs of the Issuer or the Guarantor since the date hereof or the date upon which this Offering Circular has been most recently amended or supplemented or that there has been no adverse change in the financial position of the Issuer or the Guarantor since the date hereof or the date upon which this Offering Circular has been most recently amended or supplemented or that the information contained in it or any other information supplied in connection with the Bonds is correct as of any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same.

The Bonds may not be a suitable investment for all investors. Each potential investor in the Bonds must determine the suitability of the investment in light of its own circumstances. In particular, each potential investor should (a) have sufficient knowledge and experience to make a meaningful evaluation of the Bonds, the merits and risks of investing in the Bonds and the information contained in this Offering Circular or any applicable supplement; (b) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Bonds and the impact such investment will have on its overall investment portfolio; (c) have sufficient financial resources and liquidity to bear all of the risks of an investment in the Bonds, including where the currency for principal or interest payments is different from the potential investor's currency; (d) understand thoroughly the terms of the Bonds and be familiar with the behaviour of any relevant indices and financial markets; and (e) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

OFFER RESTRICTIONS

This Offering Circular does not constitute an offer of, or an invitation by or on behalf of the Issuer, the Guarantor or the Joint Lead Managers to subscribe or purchase, any of the Bonds. The distribution of this Offering Circular and the offering of the Bonds in certain jurisdictions may be restricted by law. Persons into whose possession this Offering Circular comes are required by the Issuer, the Guarantor and the Joint Lead Managers to inform themselves about and to observe any such restrictions.

For a description of further restrictions on offers and sales of Bonds and distribution of this Offering Circular, see "*Subscription and Sale*" below.

MiFID II PRODUCT GOVERNANCE/PROFESSIONAL INVESTORS AND ECPs ONLY TARGET MARKET – Solely for the purposes of each manufacturer's product approval process, the target market assessment in respect of the Bonds has led to the conclusion that: (i) the target market for the Bonds is eligible counterparties and professional clients only, each as defined in MiFID II; and (ii) all channels for distribution of the Bonds to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Bonds (a "**distributor**") should take into consideration the manufacturers' target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Bonds (by either adopting or refining the manufacturers' target market assessment) and determining appropriate distribution channels.

PROHIBITION OF SALES TO EEA AND UK RETAIL INVESTORS – The Bonds are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area ("**EEA**") or the United Kingdom (the "**UK**"). For these purposes, a retail investor means a person who is one (or both) of: (i) a retail client as defined in point (11) of MiFID II; and (ii) a customer within the meaning of Directive (EU) 2016/97 (the "**Insurance Distribution Directive**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently, no key information document required by Regulation (EU) No 1286/2014 (the "**PRIIPs Regulation**") for offering or selling the Bonds or otherwise making them available to retail investors in the EEA or the UK has been prepared and therefore offering or selling the Bonds or otherwise making them available to any retail investor in the EEA or the UK may be unlawful under the PRIIPs Regulation.

NOTICE TO INVESTORS IN SWITZERLAND – The Bonds will not be listed on the SIX Swiss Exchange or any other exchange or regulated trading venue in Switzerland. Neither this Offering Circular nor any other offering or marketing material relating to the Bonds constitutes a prospectus pursuant to the Swiss Financial Services Act ("**FinSA**"), and neither this Offering Circular nor any other offering or marketing material relating to the Bonds may be publicly distributed or otherwise made publicly available in Switzerland.

STABILISATION

In connection with the issue of the Bonds, UBS Europe SE (the "**Stabilisation Manager**") (or any person acting on behalf of the Stabilisation Manager) may over-allot Bonds or effect transactions with a view to supporting the market price of the Bonds at a level higher than that which might otherwise prevail. However, stablisation may not necessarily occur. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the Bonds is made and, if begun, may cease at any time, but it must end no later than the earlier of 30 days after the issue date of the Bonds and 60 days after the date of the allotment of the Bonds. Any stabilisation action or over-allotment must be conducted by the Stabilisation Manager (or any person acting on behalf of the Stabilisation Manager) in accordance with all applicable laws and rules.

GENERAL

Unless otherwise specified or the context requires, references to "**Swiss Francs**" and "**CHF**" are to the lawful currency of Switzerland and references to "**euro**", "**EUR**" and "**€**" are to the currency introduced at the start of the third stage of the European economic and monetary union pursuant to the Treaty establishing the European Community.

Unless otherwise specified or the context requires, references herein to "**Firmenich**", the "**Group**" and the "**Firmenich Group**" are to the Guarantor and its subsidiaries; references to "**DRT**" are to Les Dérivés

Résiniques et Terpéniques SAS, references to "**Management**" are to the management of the Group and references to the "**Acquisition**" are references to the acquisition of DRT by Firmenich.

The language of this Offering Circular is English. Certain legislative references and technical terms have been cited in their original language in order that the correct technical meaning may be ascribed to them under applicable law.

Performance Metrics

The following performance metrics of the Group are referred to in this Offering Circular and have the following meanings:

"**Adjusted EBITDA**" is defined as net income adjusted for income tax expense, financing costs, net other financial expense or income, depreciation of property, plant and equipment ("**PPE**"), amortisation of intangible assets, impairment losses, Share of (profit)/loss of jointly controlled entities and associates, net of taxes, release of government grants, certain non-recurring items, including restructuring charges, past service cost, employee benefits, acquisition-related costs, professional services and dismantlement costs, strategic consultant fees and gains or losses on sales of PPE.

"**Adjusted EBITDA Margin**" is defined as Adjusted EBITDA divided by Revenue. Management uses Adjusted EBITDA and Adjusted EBITDA Margin to assess operational efficiency. The following table presents the reconciliation of net income to Adjusted EBITDA for the respective periods.

		Year ended 30 June			**6 Months ended 31 December**	
	In millions of CHF	**2017**	**2018**	**2019**	**2018**	**2019**
A	**Net Income**	**462.8**	**581.7**	**529.1**	**239.5**	**222.3**
	Income Tax Expense	110.0	75.3	102.0	53.8	46.2
B	**Net Income Before Taxes**	**572.8**	**657.0**	**631.1**	**293.3**	**268.5**
	Financing Costs	10.5	24.4	32.2	15.3	17.1
	Net Other Financial Expense / (Income)	63.3	(8.2)	44.5	36.3	24.6
	Share of (profit)/loss of jointly controlled entities and associates, net of taxes	(0.9)	(0.9)	(1.3)	(0.3)	5.0
C	**Operating Profit**	**645.7**	**672.3**	**706.5**	**344.6**	**315.2**
	Depreciation of PPE	75.2	78.9	85.4	40.5	64.9
	Amortization of Intangible Assets	38.4	47.1	57.2	26.9	32.3
	Impairment Losses	2.5	4.1	0.8	-	0.4
	Release of Government Grants	(2.2)	(2.3)	(2.3)	(1.1)	(1.1)
	Restructuring Charges	4.7	14.8	8.9	0.8	1.0
	Past Service Cost	7.1	(2.8)	(28.4)	-	-
	Employee Benefits	-	0.5	2.3	-	-
	Acquisition-related Costs	1.5	11.1	10.8	5.9	6.6
	Professional Services / Dismantlement Costs	3.8	1.4	1.6	-	-
	Strategic Consultant Fees	1.7	-	-	-	-
	(Gain)/Loss on Sales of PPE	0.9	0.4	(10.1)	(4.6)	-
D	**Adjusted EBITDA**	**779.3**	**825.5**	**832.7**	**413.0**	**419.3**
E	**Revenue**	**3,337.6**	**3,658.5**	**3,873.8**	**1,884.6**	**1,904.3**
F	**Adjusted EBITDA Margin**	**23.3%**	**22.6%**	**21.5%**	**21.9%**	**22.0%**
G	**Capital Expenditure**	**(158.9)**	**(209.1)**	**(220.9)**	**(83.1)**	**(69.0)**
H	**Operating Cash Flow**	**505.3**	**572.7**	**618.8**	**219.9**	**217.9**
	Free Cash Flow (= OCF - Capex)	*346.4*	*363.6*	*397.9*	*136.8*	*148.9*
	*Cash Conversion (= FCF / Adj. EBITDA)**	*44.5%*	*44.0%*	*47.8%*	*33.1%*	*35.5%*

*Average Cash Conversion for the years ended 30 June 2017, 2018 and 2019 was 45.4%.

"**Cash conversion**" is defined as free cash flow divided by Adjusted EBITDA. Management uses this to assess the portion of the Group's profits that are converted into available cash.

"**Free cash flow**" is defined as cash flows from operating activities ("**Operating Cash Flow**" or "**OCF**") minus capital expenditure ("**Capex**"), which comprises the purchase of property, plant and equipment and intangible assets. Management uses this in the calculation of cash conversion.

"**Revenue compounded average growth rate**" or "**Revenue CAGR**" is defined as the geometric mean of the annual revenue growth rates in the respective period. Management uses this to assess the revenue growth of the Group over time.

Sources of Information

Except where market or market share data are otherwise attributed to another source, all market and market share data included in this Offering Circular are Firmenich's own estimates. These estimates are based upon Firmenich's experience in the flavor and fragrance industry.

Euromonitor Disclaimer

Information in this Offering Circular on flavor and fragrance markets are, where so indicated, from independent market research carried out by Euromonitor International Limited in the 2019 calendar year, but should not be relied upon in making, or refraining from making, any investment decision. Further, these estimates were prepared based upon data, forecasts, and information obtained prior to the COVID-19 pandemic and do not take into account, nor make any revisions, to assess the impact that this event may have on the current or future sales of these product categories and any assumptions about the future outlook in this environment are made at the reader's own risk.

This information has been accurately reproduced and that as far as the Issuer and the Guarantor are aware and are able to ascertain from information published by Euromonitor International Limited, no facts have been omitted which would render the reproduced information inaccurate or misleading.

FORWARD-LOOKING STATEMENTS

This Offering Circular includes statements that are, or may be deemed to be, "forward-looking statements". These forward-looking statements may be identified by the use of forward-looking terminology, including the terms "believes", "estimates", "plans", "projects", "anticipates", "expects", "intends", "may", "will" or "should" or, in each case, their negative or other variations or comparable terminology, or by discussions of strategy, plans, objectives, goals, future events or intentions. These forward-looking statements include all matters that are not historical facts. They appear in a number of places throughout this Offering Circular and include, but are not limited to, statements regarding the intentions of the Issuer and/or the Guarantor, beliefs or current expectations concerning, among other things, the business, results of operations, financial position and/or prospects of the Issuer and/or the Guarantor.

By their nature, forward-looking statements involve risk and uncertainty because they relate to future events and circumstances. Forward-looking statements are not guarantees of future performance and the financial position and results of operations of the Group, and the development of the markets and the industries in which members of the Group operate, may differ materially from those described in, or suggested by, the forward-looking statements contained in this Offering Circular. In addition, even if the Group's results of operations and financial position, and the development of the markets and the industries in which the Group operates, are consistent with the forward-looking statements contained in this Offering Circular, those results or developments may not be indicative of results or developments in subsequent periods. A number of risks, uncertainties and other factors could cause results and developments to differ materially from those expressed or implied by the forward-looking statements. See "*Risk Factors*" below.

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RISK FACTORS

The following is a description of risk factors which are specific to the Issuer, the Guarantor, the Bonds and/or the Guarantee and which are material in respect of the Bonds and the financial situation of the Issuer and the Guarantor.

Each of the Issuer and the Guarantor believes that the following factors may have a significant impact on its financial situation and/or future prospects and may therefore affect the Issuer's or the Guarantor's ability to fulfil its obligations under the Bonds or the Guarantee. In addition, any of these factors may significantly affect the price of the Bonds, as well as the rights of the prospective investors. As a result, prospective investors assume the risk that the Issuer and/or the Guarantor may become insolvent or otherwise are at risk of losing all or part of the invested amount and/or not receiving all payments due in respect of the Bonds and the Guarantee. Most of these factors are contingencies which may or may not occur and neither the Issuer nor the Guarantor is in a position to express a view on the likelihood of any such contingency occurring.

In addition, factors which are material for the purpose of assessing the market risks associated with the Bonds are also described below.

Each of the Issuer and the Guarantor believes that the factors described below represent the principal risks inherent in investing in the Bonds, but the inability of the Issuer and/or the Guarantor to pay interest, principal or other amounts on or in respect of the Bonds and the Guarantee may occur for other reasons and neither the Issuer nor the Guarantor represents that the statements below regarding the risks of holding the Bonds are exhaustive. Prospective investors should also read the detailed information set out elsewhere in this Offering Circular, conduct an independent risk assessment and consult their respective financial, legal, tax and other advisors prior to making any investment decision.

Investment decisions should not be made solely based on the risk presentations contained in this Offering Circular, as this information cannot replace individual advice and information tailored to the needs, objectives, experiences, circumstances and knowledge of a prospective investor.

Prospective investors should only decide to buy the Bonds if they are aware of the risks involved and are able to bear any losses due to their financial circumstances and opportunities.

1 RISKS RELATED TO THE GUARANTOR'S BUSINESS AND ITS MARKET

Set out below are risks associated with the Guarantor and Firmenich Group which may have a material impact on its business operations and/or the level and volatility of its profitability, and therefore its ability to perform its obligations under the Bonds, including:

STRATEGIC AND COMMERCIAL RISKS

Customer and Consumer Preference Risk

Customer Preference Risk

Firmenich's primary customers are leading companies in the food and beverage industries, as well as leading manufacturers of fine fragrance, personal, body and home care products who use products from Firmenich to produce consumer goods. Therefore, Firmenich's commercial success depends to a large extent on the success of the brands of its customers for which it supplies flavors, fragrances or ingredients. Firmenich's customers' success, and therefore Firmenich's success, depends on a number of factors which are outside both the customers' and Firmenich's control, including consumers' discretionary disposable income and change in consumer preferences and priorities. This continually changing market environment places considerable demands on Firmenich and its customers.

Failure by Firmenich to analyse market trends, and adapt to the needs of consumers, and therefore its customers, could have a material adverse impact on Firmenich and/or the Group's business, operating results and financial condition.

Key Global Customer Risk

Key global customers contribute significantly to Firmenich's revenues. To the extent these customers fail to anticipate and respond to trends or otherwise suffer a decline in performance, this may have a particular impact on their business with Firmenich (see "*Customer Preference Risk*" above). Additionally, cost-containment efforts by and pricing pressures from such key global customers, and changes in the terms of rebate programs (which are common in the flavor and fragrance industry) with such customers, could have a material adverse effect on Firmenich's operations. If key global customers fail to maintain their competitive positions, or if Firmenich is unable to maintain profitable pricing, rebate and other arrangements with such customers, there could be a material adverse impact on Firmenich and/or the Group's business, operating results and financial condition.

Consumer Preference Risk

Firmenich's growth and performance largely depends on its ability to anticipate market trends, to develop and introduce new products (which can be dependent on collaboration with third parties), and to enhance and improve existing products, to appeal to both existing customers and target consumers in growth markets where Firmenich is increasing its market presence. Firmenich's growth in growth markets presents new challenges in relation to the creation of flavors and fragrances that appeal to the fragrance and taste profiles inherent to the different locations of potential consumers. Firmenich must therefore continually anticipate and react to changes in consumer preferences and demands. Failure to anticipate changes in consumer preferences, whether or not due to factors in the control of Firmenich, could have a material adverse impact on Firmenich and/or the Group's business, operating results and financial condition.

Research and Development Risk

Firmenich is committed to meeting challenges in relation to changes in consumer preference, and in the financial year ended 30 June 2019 expended 9.3% of its net revenue on research and development ("**R&D**"). However, even with substantial annual R&D investment, (1) Firmenich cannot guarantee that R&D investment will generate new products and/or revenue for the Group, (2) there may be significant lag times from the time the R&D costs are incurred to an increase in revenue as a result of the R&D investment. Firmenich's ability to generate revenues as a direct result of R&D investment is also affected by factors outside of Firmenich's control, including delays by its customers in the launch of a new product, poor performance by third-party vendors, non-realisation of anticipated sales, and changes in market preferences or demands. The occurrence of any such factors and any failure of R&D investment to generate new products and/or revenue for the Group could have a material adverse impact on Firmenich and/or the Group's business, operating results and financial condition.

Global Economic Conditions

The success of the flavor and fragrance industry has a strong correlation to general economic conditions around the world, particularly as a result of the industry's dependence on discretionary consumer spending.

The flavor and fragrance industry was affected by the global economic downturn in mid-2008 and has continued to be affected by recessionary pressures in the interceding years, as wage stagnation, increased unemployment rates, the reduction of dual income households, and increased inflation have continued to have an impact on

consumers' disposable income, particularly in regards to discretionary items, in particular fine fragrance products.

In the event that the current global economic conditions and volatility continue or worsen, demand for consumer products may decrease in both developed and growth markets resulting in reduced demand for Firmenich's flavors and fragrances, order cancellations, increased pressure on Firmenich to reduce prices, and a fall in manufacturing capacity utilisation rates, all of which could have an adverse impact on Firmenich's business, operating results and financial condition. See also "*Infectious Disease and Any Other Serious Public Health Concerns*" below.

Volatility in the Financial and Credit Markets

Capital and credit markets are subject to fluctuations that may result in periodic tightening of the credit markets, including lending by financial institutions which is a source of credit for Firmenich, as well as affecting its customers' and suppliers' borrowing and liquidity. This tightening of the credit markets could increase the cost of capital and reduce the availability of credit. In such an environment, it may be more difficult and costly for Firmenich to refinance its maturing financial liabilities. In addition, if the financial condition of Firmenich's customers or suppliers is negatively affected by illiquidity, this could in turn have a negative impact on Firmenich and the Group. These factors could therefore have an adverse impact on Firmenich's business, operating results and financial condition.

Competition Risk and Market Developments

The global market for flavor and fragrance is extremely competitive, and Firmenich faces competition from local players and larger groups (as well as new entrants to the market such as consumer product companies) developing their own flavors and fragrances. Within the ingredients business line, there is a significant risk of competition from market entrants in developing regions such as India and China, in particular when key patents and other IP rights of the Group expire (see "*Intellectual Property Risk*").

Additionally, as products have limited life-span, there are no long-term supply contracts in the industry. To compete successfully, Firmenich must maintain a high level of innovation and make considerable investments in product development and research in order to anticipate the customers' needs. These investments and expenses will not necessarily result in higher income or improved market position. Failure to manage this risk could have a material adverse effect on Firmenich's business, operating results and financial condition.

ENVIRONMENTAL AND/OR SUSTAINABILITY RISKS

Risk of Climate Change and Other Environmental Risks

The primary drivers for external environmental risk are physical changes in climate and natural resources, changes in regulations, taxes and resource prices. Physical risks from climate change include changes in weather conditions, such as an increase in changes in precipitation and extreme weather events, any of which could disrupt the Group's operations. Such changes may have the effect of reducing demand for existing products of the Group, or rendering the components of key ingredients used by the Group more difficult or impossible to obtain, or to obtain on a cost-effective basis. Failure by Firmenich to adapt its supply chains, product lines and business in general to mitigate the effects of climate change and other environmental risks could have a material adverse impact on Firmenich and/or the Group's business, operating results and financial condition.

Changes in Environmental Laws and Regulations

Like most flavor and fragrance companies, the Group affects the environment in its production processes, through the use of natural resources, and the generation of emissions and waste, in the distribution of, as well as in the use and final disposal of its products. Compliance with environmental requirements is a significant factor in its operations, and substantial resources are required to maintain compliance with applicable environmental laws and regulations and to manage environmental risks. The Group is subject to a variety of environmental laws and regulations, in particular in relation to air emissions, waste management and the protection of natural resources. These laws and regulations, the violation of which can lead to substantial fines, injunctions or criminal penalties, have generally become stricter in recent years and may in the future become more stringent and the cost of complying with future changes may be substantial. In addition, the Group could also become subject to liabilities and claims relating to personal injury (including exposure to substances used in its production processes), property damage or damage to natural resources.

The Group may become subject to further legislation and regulation regarding climate change, and compliance with any new rules could be difficult or costly to comply with. Concerned parties, such as legislators and regulators, shareholders and non-governmental organisations, as well as companies in many business sectors, are considering ways to reduce greenhouse gas emissions, including increasing energy and fuel taxes. Various governmental and local regulatory and legislative bodies have proposed legislative and regulatory measures relating to climate change, regulating greenhouse gas emissions and energy policies. If such legislation is enacted, the Group could incur increased energy, environmental and other costs and capital expenditures to comply with the limitations imposed by any enacted legislation and/or regulatory measures. Furthermore, the Group could face increased costs related to defending and resolving legal claims and other litigation related to climate change and the alleged impact of its operations on climate change.

Although the Group believes that it is in material compliance with applicable environmental laws, substantial environmental costs and liabilities are inherent in manufacturing operations and there can be no assurances that substantial costs and liabilities will not be incurred in the future or that the adoption of increasingly strict environmental laws, regulations and enforcement policies will not result in increased costs and liabilities in the future. Any such costs and/or liabilities could have a material adverse effect on the business, operations, financial condition or prospects of Firmenich or the Group, which in turn could have a material adverse effect on the amount of principal and/or interest investors will receive in respect of the Bonds.

OPERATIONAL RISK

Disruption or Breakdown of Operations

A breakdown of the Group’s operations as a result of industrial accidents, environmental events, strikes and other labour disputes, disruptions in supply chain or information systems, loss or impairment of key manufacturing sites, product quality control, safety, licensing requirements and other regulatory issues, as well as natural disasters, may threaten Firmenich’s ability to produce and deliver quality products and services at competitive prices on a timely basis. Additionally, whilst Firmenich has manufacturing facilities in several locations across the globe, some of its facilities are the sole source of a specific ingredient or product. If the manufacture of these ingredients or products is disrupted, the cost of relocating or replacing their production could have an adverse effect on Firmenich’s operating results and cash flows.

Whilst Firmenich addresses this risk through business continuity planning, there can be no guarantee that all costs and risks regarding disruption and breakdown can be identified. Any such disruption or breakdown could have a material adverse impact on the Group’s business, operating results and financial condition.

Price Volatility and/or Disruption of Supply Chains or Suppliers

Raw materials

Firmenich uses many different raw materials in the production of its products, including essential oils, extracts and concentrates derived from fruits, vegetables, flowers, woods and other botanicals, animal products, organic chemicals and petroleum-based chemicals, as well as other plant substances and organic materials. The costs of these raw materials represent a significant proportion of Firmenich's production costs. The availability and pricing of raw materials is affected by crop size and quality, weather, alternative land use, and the political situations in certain countries. The above factors mean that the pricing of raw materials can be volatile and difficult to predict. In the event of an increase in the cost of raw materials, if Firmenich is unable to increase the prices paid by its customers or achieve cost savings to offset such cost increases, this could adversely affect Firmenich's operating results and profitability.

Energy and transportation costs

Firmenich is reliant on commodities and energy to manufacture and distribute its products, both of which are subject to significant volatility caused by market fluctuations. Firmenich may not be able to pass on increases in energy prices or transportation prices to its customers, which may materially adversely affect its business, operating results and financial condition.

Disruption of supply chains or suppliers

Firmenich relies on a limited number of suppliers for certain raw materials and may not have readily available alternatives in the event of a disruption to the supply of such raw materials. If Firmenich is unable to maintain supplier arrangements and relationships, or if any of its key suppliers becomes insolvent or suffers an industrial accident or fire or are otherwise unable to deliver raw materials to the Group, Firmenich could experience disruptions in production and its financial results could be adversely affected, which could in turn adversely affect its business, operating results and financial condition.

Effective Cost Management and Working Capital Risks

Firmenich manages its inventory balances based on anticipated demand (as derived from forecasted customer order activity), expected sourcing levels and product shelf life. Firmenich aims to meet its customers' product needs, without allowing inventory levels to increase to such an extent that the costs associated with storing and holding inventory adversely impact its financial results.

Therefore, Firmenich risks both the cost of storage and/or destruction of obsolete inventory in the event inventory storage exceeds customer demand (particularly in relation to products with a short shelf-life), and the sale of inventory at a reduced cost as it is approaching the end of its shelf-life in the event of excess production of inventory. Failure by Firmenich to efficiently manage its inventory could have a material adverse impact on Firmenich and/or the Group's business, operating results and financial condition.

Economic, Political and Social Development Risks Owing to International Operations

Firmenich operates on a global basis, with manufacturing and sales facilities in Europe, North America, Latin America, India, Middle East and Africa, and Asia. During the financial year ended 30 June 2019, 68% of Firmenich's revenues came from outside the EU. Firmenich's business is therefore exposed to risks inherent in international operations, and in particular, political, economic and social developments in the countries in which the Group operates. These risks, which can vary substantially by market, include the following:

- increased distribution costs, disruptions in shipping or reduced availability of freight transportation;
- the unexpected imposition of tariffs, quotas, trade barriers, other trade protection measures and import or export licensing requirements, which could adversely affect Firmenich's cost or ability to import raw materials or export flavors or fragrances to surrounding markets;
- uncertainty regarding, or different levels of, protection of the Group's intellectual property; and
- risks and costs arising from language and cultural differences, and Firmenich's ability to anticipate and adapt its flavors and fragrances to local preferences.

The occurrence of any one or more of the above factors or other risks inherent to international operations on a global basis could increase Firmenich's costs and adversely affect its operating results.

Infectious Disease and Any Other Serious Public Health Concerns

The outbreak of an infectious disease or other serious public health concern, around the world could have a negative impact on economies, financial markets and business activities worldwide and which in turn could have a material adverse effect on Firmenich's business, financial condition and results of operations. For example, since December 2019 and as of the date of this Offering Circular, there is an ongoing outbreak of the 2019 novel coronavirus (COVID-19) which was initially primarily concentrated in China, but has subsequently affected countries globally. Multiple governments around the world have implemented measures to stop normal trading activities which has affected Firmenich's clients, suppliers, distributors and transport partners. While Firmenich has been deemed an essential component of the food supply chain and as a producer of hydroalcoholic and other hygiene products, there have been brief facility closures (though these have not been extended and Firmenich continues to operate its facilities in all of the markets where it operates), and Firmenich remains exposed to local government regulations and closure orders in the countries in which it operates. There is also a risk that having a significant number of individuals working from home for a long period of time will cause inefficiencies and that certain categories of sales, such as luxury fragrance items are likely to be less popular and suffer significant sales erosion. To date the production and supply interruptions have been temporary and manageable. However, it is not guaranteed that this will be the case if the crisis continues for a long period of time or there is an increase in intensity of the lockdown measures. As of the date of this Offering Circular, the situation remains fluid and it is too early to quantify the full impact on business and end-market demand. Management believes that the Group will be able to continue producing though there is a risk of interruptions to production, sales erosion in certain product segments (primarily luxury) as well as disruptions due to transport and raw material sourcing complexities. Firmenich has a comprehensive crisis management plan which includes broad employee protection measures, and business continuity and contingency plans across all of its operations globally.

Firmenich can give no assurance that this or a future outbreak of an infectious disease among humans or animals or any other serious public health concern will not have a material adverse effect on Firmenich's business, financial condition and results of operations. See also "*Description of Firmenich and the Group – Recent Developments – COVID-19 Developments*".

Cybercrime or Information Technology Failures

Firmenich uses information technology systems to support its business processes, including product development, consumer sales analysis, order processing and customer engagement. However, digitalisation also presents a number of potential risks, including information technology system failures, disruptions or breaches of Firmenich's network security, and outages due to fire, floods, power loss and/or other telecommunications failures. Systems and proprietary data stored electronically may be vulnerable to computer viruses, cybercrime, computer hacking and similar disruptions from unauthorised access to Firmenich's information technology

system. In light of the above risks, Firmenich continuously adapts its information and network systems, and provides employee training on the potential risks. However, there can be no assurance that a future information security breach or other unforeseen event relating to information technology risk will not have a material adverse effect on the Group's business, financial condition and operating results.

Qualified Personnel Risk

Attracting, developing and retaining talented perfumers and flavorists, together with other specialised employees, is a key challenge for Firmenich, and is essential for the successful delivery of its products and overall success in the market. Competition for employees with the skill-set required to perform these specialist functions can be intense. The ability to attract and retain talented employees is critical in the development of new products and technologies. Furthermore, Firmenich's continued success depends to a large extent on its Board of Directors and senior management team, many of whom have been with the Group for many years.

Additionally, Firmenich expects its employees, and members of the Board of Directors and the Executive Committee to behave in a way that is conducive to the success of the business. Should this not be the case, and any of the above display or tolerate behaviour that is illegal or unethical, this could lead to reputational as well as financial damage to Firmenich and the Group. Any failure by Firmenich to recruit and retain personnel, or personnel not to perform to the required standard, could have a material adverse effect on the Group's reputation, business, financial condition and operating results.

Risks relating to defined benefit pension plans

The Group is exposed to a number of risks in relation to operating defined benefit plans, which it operates in Switzerland, the United Kingdom and the United States. 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. However, any inadequacies in such measures and/or changes or inaccuracies in the assumptions relating to the liabilities in respect of the Group's defined benefit plans could have a significant impact on the Group's present and future liabilities to, and costs associated with, the Group's defined benefit plans.

LEGAL AND REGULATORY COMPLIANCE RISKS

Product Safety Compliance

Firmenich is subject to various regulatory requirements in each of the countries in which its products are developed, manufactured, and sold, to ensure that the products are safe for use by consumers. These jurisdictional regulations are in addition to product safety compliance requirements established by the industry or similar oversight bodies. The regulations that apply to Firmenich's products, given that the products are either applied to consumers skin, or consumed as food, are particularly stringent. Firmenich faces the risk that (1) its products may fail to comply (either at the present time, or in the future) with an operating country's product safety regulations (and therefore, may not be able to be sold without modification, or at all), and (2) gaps in Firmenich's operational processes could result in product defects which consequently result in a regulatory non-compliance event.

The process of obtaining approvals to market a chemical ingredient under the US Environmental Protection Agency, EU REACH and similar legislation can be costly and time consuming, and approvals might not be granted for future ingredients or for increases in tonnage bands for current ingredients, on a timely basis, if at all. Delays in the receipt of, or failure to obtain such approvals could result in delayed realization of product revenues, reduction in revenues and substantial additional costs. In addition, Firmenich cannot guarantee that

it will remain compliant with applicable regulatory requirements once approval has been obtained for a product. These requirements include, among other things, regulations regarding manufacturing practices, product labelling and advertising and post-marketing reporting, including adverse event reports.

In the event that an operational process results in a defect to Firmenich's products (and in particular, an undetected defect), this could lead to a reduction in sales, customer claims and/or litigation, product recalls, adverse publicity and reputational damage to Firmenich, any of which could have a material adverse effect on Firmenich's business, operating results, business prospects and market position.

Anti-Bribery and Corruption Compliance

Firmenich is subject to various regulatory requirements in each of the countries in which it operates to prevent bribery, corruption, money laundering and other unethical business practices. Breach of the applicable regulations could result in significant fines, penalties or other sanctions, which could adversely affect Firmenich's operating results, financial condition, and reputation.

Intellectual Property Risk

Firmenich relies on a combination of patents, trade secrets, trademarks and copyright to protect its intellectual property rights; patents in relation to molecules, technologies and some processes, and trade secrets in relation to the formulas used to create its flavors and fragrances and to certain process information. The formulas are highly confidential proprietary business information, accessible to very few people within Firmenich's business. The loss of confidentiality with respect to proprietary formulas or infringement of its intellectual property rights could have a material adverse impact on Firmenich's business, operating results and financial condition.

Additionally, legal challenges to Firmenich's intellectual property rights could result in the incurrence of significant costs by Firmenich in connection with legal actions to assert its intellectual property rights or to defend itself from assertions of invalidity, infringement or misappropriation. In relation to intellectual property rights protected by way of trade secrets, costs in relation to defending such claims would be significantly higher owing to the non-perfection of the intellectual property rights, and could result in the potential loss of the intellectual property rights as Firmenich would have no perfected rights with which to preclude others from making, using or selling its products or processes.

Furthermore, there can be no assurance that all patents for which Firmenich has applied or expects to apply will be issued. Additionally, Firmenich cannot be certain that intellectual property rights granted by way of patent will not later be opposed, invalidated, or circumvented.

The extent to which intellectual property rights can be protected varies significantly depending on the country in which the perfection of such rights are being sought. As Firmenich has a global presence, the possibility exists that intellectual property rights cannot be protected to the same extent across all of its operating locations.

Insufficient protection, or actual infringement of third-party intellectual property could limit Firmenich's ability to profitably utilise technology advantages gained through expensive research and development. This could materially affect the Group's business, operating results, business prospects and market position.

FINANCIAL RISKS

Foreign Exchange Risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures primarily with respect to the US Dollar, the 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 recognised 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 Group's presentation currency (CHF).

The Issuer actively monitors its foreign currency exposures in all major markets in which it operates and employs a variety of techniques to mitigate the impact of exchange rate fluctuations. The major foreign exchange transaction risk is managed centrally by Group Treasury by entering into forward contracts as well as currency options. However, hedging through derivative financial instruments may not fully offset adverse currency fluctuations, and such fluctuations, therefore, may have a material adverse effect on the operating results and financial condition of the Group.

Price Risk

The Group is exposed to equity and bond securities price risk in relation to investments held by the Group. The Group is also indirectly impacted by fluctuation in the commodities which comprise the chemical products used as raw materials. The Group has in the past entered into hedging agreements to mitigate its exposure to fluctuation in prices of key commodities. However, there can be no assurance that any such hedges will be sufficient to protect the Group from further fluctuations in such prices or that the Group will enter into such hedges in the future, or that future fluctuations in equity, bond or commodities prices will not have a material adverse effect on the Group's business, financial condition and operating results.

Interest Rate Risk

The Group is exposed to cash flow interest rate risk 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 prices. 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. The Group's management of interest rate risk may not fully offset adverse interest rate fluctuations, and such fluctuations, therefore, may have a material adverse effect on the operating results and financial condition of the Group.

Credit Risk

Credit risk is the risk of financial loss to the Group if a customer (in particular, any key global 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. The Group is exposed to credit risk on cash and cash equivalents, fixed-term deposits and derivative financial instruments. The Group has attempted to minimise financial counterpart risk by concentrating core financing needs with high quality banks having significant experience and reputation in the field of the related deals, and country risk limits and exposures are continuously monitored. However, there can be no assurance that these measures will be sufficient, or that counterparty default will not have a material adverse effect on the Group's business, financial condition and operating results.

Liquidity Risk

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 has policies which attempt to maintain flexibility in funding by maintaining availability under committed and uncommitted credit

lines. However, there can be no assurance that these policies are sufficient or that a lack of sufficient liquidity will not have a material adverse effect on the Group's business, financial condition and operating results.

RISKS RELATED TO THE ACQUISITION

Integration of DRT into the Combined Group may prove difficult or costly

There can be no assurance that the integration of DRT's operations, management and culture into those of the Group (following its acquisition of DRT, the "**Combined Group**") will be timely or effectively accomplished. In addition, the ability of the Combined Group to realise any synergies are subject to significant business, economic and competitive uncertainties and contingencies, many of which are beyond its control, such as changes to government regulation governing or otherwise impacting its industry, changes in the prevailing political environment in France or the United States, operating difficulties, customer preferences, changes in competition and general economic or industry conditions. Failure to realise the expected synergies could have a material adverse effect on the Combined Group's business, results of operations and financial condition.

If there are material and unforeseen difficulties integrating the business of DRT, the business of the Combined Group could be adversely affected

There may be difficulties in integrating DRT's business and operations into the Group's business and operations, and the restructuring of the organisations could present a structural operational risk as well as a risk of loss of efficiency and deflect attention from the management of current business. The difficulties of combining the operations of the two groups may include, among others:

- managing a larger group;
- coordinating geographically separate organisations;
- potential diversion of management focus and resources from other strategic opportunities and from operational matters;
- retaining existing customers and attracting new customers;
- maintaining employee morale and retaining key management and other employees;
- integrating two unique business cultures, which may prove to be incompatible;
- the possibility of faulty assumptions underlying expectations regarding the integration and the acquisition process;
- issues in achieving anticipated operating efficiencies, business opportunities and growth prospects;
- consolidating corporate and administrative infrastructures and eliminating duplicative operations;
- issues in integrating internal control, information technology, communications and other systems;
- changes in applicable laws and regulations;
- issues in completing planned investments and addressing concerns identified in the due diligence; and
- managing tax costs or inefficiencies associated with integrating the Combined Group's operations.

Many of these factors will be outside of the Combined Group's control and any one of them could result in increased costs, decreased revenue and diversion of management's time and energy, which could have a material adverse effect on the Combined Group's business, operating results and financial condition.

Completion of the Acquisition could result in the termination of directorship positions of DRT and the consequential payment of indemnities

DRT may eliminate directorship positions or terminate the employment contracts of directors on DRT's own initiative or that of the Combined Group as a result of the Acquisition. If members of the DRT board of directors depart, the Combined Group may not be able to find effective replacements in a timely manner, or at all, and its business may be disrupted. Such departures could give rise to the payment of indemnities, severance payments and to claims which could have a material adverse effect on the Combined Group's business, operating results and financial condition.

The Combined Group might not be able to implement or adapt its post-Acquisition business strategy effectively

The Group has based its strategy, and in particular its decision to acquire DRT, on its vision of the market, notably one in which competitors have turned to consolidation to achieve the necessary scale to remain competitive in their segment. As a larger and more diversified entity with a stronger capital structure, the Group believes that the Combined Group will be better positioned to respond proactively to the repercussions of the market changes in their respective activities. The Combined Group, however, operates in a market that is affected by economic, competitive and regulatory instability, and the Combined Group must regularly adapt its economic model in order to account for market changes, such as by developing pricing policies, adapting its cost structures, rationalising its operational organisation and adapting its commercial strategy. If the measures the Combined Group implements do not in fact match actual consumer demands, expectations or habits, this would have an adverse effect on the returns on investments made, financial targets, market share and revenue. Consequently, any development of the Combined Group's business strategy which is not sufficiently adapted to actual trends and consumer demands, expectations and habits in the retail markets in which it operates could have a material adverse effect on the Combined Group's business, operating results and financial condition.

The Acquisition may result in significant charges or other liabilities that could adversely affect the final results of the combined company

The financial results of the combined company, following the acquisition of DRT, may be adversely affected by cash expenses and non-cash accounting charges incurred in connection with Firmenich's integration of the business and operations of DRT. Furthermore, as a result of the transaction Firmenich will record a significant amount of goodwill and other intangible assets on Firmenich's consolidated financial statements, which could be subject to impairment based upon future adverse changes in Firmenich's business or prospects including Firmenich's inability to recognise the benefits anticipated by the transaction.

In addition, upon the acquisition of DRT Firmenich will assume all its liabilities, including unknown and contingent liabilities that DRT assumed that Firmenich failed or was unable to identify in the course of performing due diligence. Firmenich's ability to accurately identify and assess the magnitude of the liabilities assumed by DRT may be limited by, among other things, the information available to Firmenich and the limited operating experience that it has with these acquired entities. If Firmenich is not able to completely assess the scope of these liabilities or if these liabilities are neither probable nor estimable at this time, Firmenich's future financial results could be adversely affected by unanticipated reserves or charges, unexpected litigation or regulatory exposure, unfavourable accounting charges, unexpected increases in taxes due, a loss of anticipated tax benefits, health and safety, product liability, environmental or other adverse effects on Firmenich's business, operating results or financial condition.

The Acquisition may result in additional tax and social contribution risks that could adversely affect the final results of the combined Group

DRT is present in several jurisdictions where it might be exposed, as the Group might be, including as a result of the Acquisition, to (i) risks of challenges with respect to its tax and social contribution position (see "*The Group is exposed to risks of challenges with respect to its tax and social contribution position and could have to bear the costs and obligations related to current or future tax and social contribution inspections, which could result in substantial additional payments*."), and (ii) new tax and social contribution laws, treaties or regulations, or changes in existing tax and social contribution laws, treaties or regulations (see "*New tax and social contribution laws, treaties or regulations, or changes in existing tax and social contribution laws, treaties or regulations could increase the Group tax and social contribution burden and could have a material adverse effect on its business, results of operations and financial condition*.").

The Combined Group may be materially adversely affected by the 2019 novel coronavirus

The impact of the 2019 novel coronavirus (see "*Infectious Disease and Any Other Serious Public Health Concerns*" above and "*Description of Firmenich and the Group – Recent Developments – COVID-19 Developments*" below) may have similar impacts on the business and operations of DRT as on the Group. It may also prevent the Combined Group from successfully implementing its post-Acquisition business strategy (see "*The Combined Group might not be able to implement or adapt its post-Acquisition business strategy effectively*"), or may make such strategy more costly, difficult and time-consuming to execute. It may also make the integration of DRT into the Combined Group (see "*If there are material and unforeseen difficulties integrating the businesses of the Group and of DRT, the business of the Combined Group could be adversely affected*" above) a more costly, difficult and time-consuming process. To the extent that the Combined Group is not able to adequately prepare for and address such risks, many of which are outside of its control, there could be a material adverse effect on the Combined Group's business, operating results and financial condition.

2 OTHER RISKS RELATING TO THE ISSUER OR THE GUARANTOR

The Guarantor is a holding company and depends on members of the Group.

The Guarantor's results of operations and financial condition are dependent on the trading performance of members of the Group and upon the level of distributions, interest payments and loan repayments (if any) received from the Group's operating subsidiaries and associated undertakings, any amounts received from asset disposals and the level of cash balances. Certain of the Group's operating subsidiaries and associated undertakings are or may, from time to time, be subject to restrictions on their ability to make distributions and loans including as a result of foreign exchange and other regulatory restrictions and agreements with the other shareholders of such subsidiaries or associated undertakings and, from time to time, restrictive covenants in loan agreements, which may negatively impact the liquidity position of the Group.

The Issuer's and Guarantor's financial performance and other factors could adversely impact the Issuer's and the Guarantor's ability to make payments on the Bonds or perform under the Guarantee, as applicable.

The Issuer's ability to make scheduled payments with respect to the Bonds, and the Guarantor's ability to perform its obligations under the Guarantee, depends on the Issuer's and the Guarantor's financial and operating performance, which, in turn, are subject to prevailing economic conditions and to financial, business and other factors beyond the Issuer's and Guarantor's control.

The Bonds do not restrict the Issuer's or the Guarantor's ability to incur additional debt or prohibit the Issuer or the Guarantor from taking other action that could negatively impact the holders of the Bonds.

Neither the Issuer nor the Guarantor is restricted under the terms and conditions of the Bonds from incurring additional indebtedness, and there is no guarantee that the Issuer or the Guarantor will not create, incur, assume or guarantee additional indebtedness and that such debt may not rank ahead of the Bonds, either by virtue of security granted by the Issuer or the Guarantor or by way of structural subordination of the Bonds. In addition, the Bonds do not require the Issuer or the Guarantor to achieve or maintain any minimum financial results relating to their respective financial positions or results of operations. The Issuer's and/or the Guarantor's ability to recapitalise, incur additional debt, secure existing or future debt, or take a number of other actions that are not limited by the terms of the Bonds, including repurchasing indebtedness or common shares or preferred shares, if any, or paying dividends, could have the effect of diminishing the Issuer's and/or the Guarantor's ability to make payments on the Bonds when due.

The right to receive payments under the Guarantee of the Guarantor may be adversely affected by Swiss bankruptcy laws.

The Guarantor is incorporated under the laws of Switzerland. Accordingly, bankruptcy proceedings with respect to the Guarantor are likely to proceed under, and to be governed primarily by, Swiss bankruptcy law. These provisions afford debtors and unsecured creditors only limited protection from the claims of secured creditors and it may not be possible for other unsecured creditors to prevent or delay the secured creditors from enforcing their security to repay the debts due to them under the terms that such security was granted.

Enforcement claims or court judgments against the Guarantor must be converted into Swiss francs.

Enforcement claims, including for court judgments, against the Guarantor under Swiss debt collection or bankruptcy proceedings may only be made in Swiss francs and any foreign currency amounts must accordingly be converted into Swiss francs. With respect to enforcing creditors, any such foreign currency amounts will be converted at the exchange rate prevailing on (i) the date of instituting the enforcement proceedings (*Betreibungsbegehren*), (ii) the date of the filing for the continuation of the bankruptcy procedure (*Fortsetzungsbegehren*) or (iii) the date on which any amounts claimed first became due and payable (*Fälligkeit*), whichever date is more favourable for the creditors. With respect to non-enforcing creditors, foreign currency amounts will be converted at the exchange rate prevailing at the time of the adjudication of bankruptcy (*Konkurseröffnung*).

Temporary measures under French law in response to the Covid-19 outbreak may impact the enforceability of certain contractual obligations, which could negatively impact the Bondholders.

Due to the Covid-19 outbreak, certain temporary measures have recently been enacted by the French Government pursuant to the Ordinance n° 2020-306 dated 25 March 2020 relating to the extension of deadlines, which among other things temporarily prohibit the application of clauses such as penalty payment clauses, forfeiture clauses, termination clauses and acceleration clauses resulting from the non performance of obligations due within the period from 12 March 2020 to the expiry of one month from the end of the health state of emergency. At the present time, the health state of emergency is expected to run until 24 May 2020, but it may be extended by a further French decree. In this context, if the Issuer were to default in respect of one of its obligations under the Bonds, the Bondholders would during such forbearance period not be able to request the early redemption of the Bonds despite the occurrence of the relevant event of default. This potential

postponement in the exercise of their rights by the Bondholders might have an impact on their ability to recover the full redemption proceeds from the Issuer in a timely manner.

The Group is exposed to risks of challenges with respect to its tax and social contribution position and could have to bear the costs and obligations related to current or future tax and social contribution inspections, which could result in substantial additional payments.

The Group often relies on generally available interpretations of applicable tax and social contribution laws, treaties and regulations. The Group cannot be certain that the relevant tax and social contributions authorities are in agreement with its interpretation of these laws. If the Group's tax and social contribution positions are challenged by relevant tax and social contributions authorities, the imposition of additional taxes and social contributions could require it to pay taxes that it currently does not collect or pay or increase the costs of its services to track and collect such taxes and social contribution, which could increase its costs of operations or its effective tax rate and have a material adverse effect on the Group's business, results of operations and financial condition.

Additional taxes and social contributions could notably be identified as a result of tax and social contributions audits or other review actions of the relevant financial or tax authorities. Any additional taxes could lead to an increase in the Group's tax obligations that could exceed the amount of the existing provisions, either as a result of the relevant tax payment being levied directly on it or as result of it becoming liable for tax as a secondary obligor due to a primary obligor's (such as, for example, an employee's) failure to pay.

The occurrence of any of the foregoing tax risks could have a material adverse effect on the Group's business, results of operations and financial condition.

New tax and social contribution laws, treaties or regulations, or changes in existing tax and social contribution laws, treaties or regulations could increase the Group tax and social contribution burden and could have a material adverse effect on its business, results of operations and financial condition.

The Group is subject to complex tax and social contribution laws, treaties and regulations. New tax and social contribution laws, treaties and regulations or changes in existing tax and social contribution laws, treaties and regulations could adversely affect its tax position, including its effective tax rate or the amount of its tax payments (prospectively or retrospectively).

For example, in the context of the Covid-19 crisis, it cannot be excluded that new measures will be introduced in the French tax legislation, in order to finance the set of exceptional measures implemented by the French Government to support distressed companies.

Furthermore, in May 2019, the OECD published a "Programme of Work," divided into two pillars, which is designed to address the tax challenges created by an increasing digitalized economy. Pillar One addresses the broader challenge of a digitalized economy and focuses on the allocation of group profits among taxing jurisdictions based on a market-based concept rather than historical "permanent establishment" concepts. Pillar Two addresses the remaining BEPS risk of profit shifting to entities in low tax jurisdictions by introducing a global minimum tax and a proposed tax on base eroding payments, which would operate through a denial of a deduction or imposition of source-based taxation (including withholding tax) on certain payments. The OECD expects to reach agreement on key policy issues by July 2020, with a final proposal to be agreed to by the participating members by the end of 2020 and incorporated into local jurisdiction tax laws and treaties sometime shortly thereafter. To date, the proposal has been written broadly enough to potentially apply to the Group's activities, and the impact to its tax burden cannot be determined at this time.

As a last example, value-added Tax ("**VAT**") rates could also increase in the future in the countries in which the Group operates. If it does not increase the prices of its products to match the increase in VAT, the Group's

profitability margins will be negatively impacted. If it passes the increase in VAT on to its customers by raising the prices of its products, the demand for the Group's products may decline, which could have a material adverse effect on the Group's business, results of operations and financial condition.

The occurrence of any of the foregoing changes could have a material adverse effect on the Group's business, results of operations and financial condition.

Some of the French Group's subsidiaries qualified for the French research and development tax credit (the "R&D Tax credit"). However, such benefit may be materially adversely affected by changes in the law or in the application of related accounting rules.

In particular, the French Finance Bill for 2020 provided for a decrease of the percentage (from 50% to 43%) of staff expenses taken into account as qualifying expenses to assess the lump-sum running costs referred to in Article 244 quarter B, II, c of the French Tax Code.

Also, the French Finance Bill for 2020 introduced specific measures in order to prevent the abuse of subcontracting schemes which allowed some taxpayers to benefit, several times, from the R&D tax credit.

These two measures apply to expenses incurred during fiscal years starting on or after January 1, 2020.

French tax legislation may restrict the Issuer and its French subsidiaries' ability to use French tax loss carry-forwards.

The Issuer and its French subsidiaries may record deferred tax assets on their balance sheet, reflecting future tax savings resulting from discrepancies between the tax and accounting valuation of the assets and liabilities or in respect of tax loss carry-forwards. The actual realization of these assets in future years depends on tax laws and regulations, the outcome of potential tax audits and the future results of the relevant entities. In particular, pursuant to Article 209, I, paragraph 3 of the French Tax Code, the fraction of French tax loss carry-forwards that may be used to offset the taxable profit with respect to a given fiscal year is limited to €1 million plus 50% of the portion of taxable profit exceeding €1 million. Any reduction in the Issuer and its French subsidiaries' ability to use these assets due to changes in laws and regulations, potential tax reassessment or lower than expected results could have a material adverse effect on the Issuer and its French subsidiaries' business, results of operations and financial condition.

French tax legislation may restrict the deductibility, for French tax purposes, of indebtedness incurred in France, thus reducing the cash flow available to service the Group's indebtedness.

The French Finance Bills for 2019 and for 2020 introduced into French tax legislation the provisions of Council Directive 2016/1164 (the "**ATAD 1**"), as amended by the provisions of Council Directive 2017/952 (the "**ATAD 2**"), regarding interest deductibility limitations in respect of fiscal years opened as from (i) January 1, 2019 for general interest deduction limitations, (ii) January 1, 2020 for hybrid mismatch provisions (except for reverse hybrid provisions), and (iii) January 1, 2022 for reverse hybrid provisions

In relation to such introduction, the provisions of Articles 212 *bis* and 223 B *bis* of the French Tax Code (i.e., the former 25% general limitation of deductibility of financial expenses (the "*rabot fiscal*" limitation)), Article 209-IX of the French Tax Code (the "*Amendement Carrez*" limitation), and Article 212, I-b, 212, II and 212, III of the French Tax Code have been repealed.

The other rules limiting interest deductibility remained unchanged, in particular the rules relating to the maximum rate for interest paid to direct minority shareholders or to related parties (Articles 39,1-3° and 212,I-a of the French Tax Code).

Under Article 39,1-3° of the French Tax Code, the deduction of interest paid by a French company to lenders who are direct shareholders of such company but are not related parties to such company within the meaning of Article 39,12 of the French Tax Code, is subject to the conditions that (i) the share capital of the borrowing company is fully paid-in and (ii) the interest rate on the corresponding loans does not exceed a rate equal to the annual average rate of floating rate loans granted by financial establishments for a minimum term of two years (1.29% for 12-month financial years ended from March 31, to April 29, 2020). Non-deductible interest pursuant to such limitation will be treated as deemed dividend under French tax law and may in particular be subject to withholding tax, subject to applicable tax treaties. By exception, Article 212, I-a of the French Tax Code provides that, in respect of a given tax year, interest incurred on loans granted by a related party within the meaning of Article 39, 12 of the French Tax Code is deductible up to the rate referred to in Article 39,1-3° of the French Tax Code or, if higher, up to the rate that the borrowing entity could have obtained from independent financial credit institutions in similar circumstances.

From January 1, 2019, under Article 212 *bis* of the French Tax Code, net interest expenses are deductible from the taxable income of a company only to the extent that they do not exceed the higher of the two following thresholds: (i) €3 million or (ii) 30% of the adjusted taxable income of the company (i.e., taxable income before the offset of tax losses and without taking into consideration net financial expenses and – to some extent – depreciation, provisions and capital gains/losses).

75% of the net financial expenses exceeding the higher of the abovementioned thresholds would still be tax deductible provided that the equity-to-asset ratio of the company is at least equal to or is not lower by more than 2% than the equity-to-asset ratio of the consolidated group to which it belongs. Further to the French Finance Bill for 2020, this safeguard clause also applies for "autonomous" companies (i.e. companies that are not part of a consolidated group (as defined in 2° of VI of article 212 *bis* of the French Tax Code) and that do not have a permanent establishment outside of France or an associated company (as defined in paragraph (4) of article 2 of the ATAD 1)).

Should the company be thinly capitalized and exceed a specific 1.5x debt-to-equity ratio, this provision would not apply and the net interest expenses related to debt towards related entities exceeding 1.5 times the equity would only be tax deductible to the extent that they do not exceed the higher of the two following thresholds: (i) €1 million or (ii) 10% of the abovementioned adjusted taxable income, multiplied, in both cases, by a ratio equal to (A) the average amount of sums borrowed from or made available by related parties within the meaning of Article 39,12 of the French Tax Code exceeding 1.5x the company's equity (assessed either at the beginning or at the closing date of the fiscal year) by (B) the average amount of all sums borrowed by or made available to the company during said fiscal year (collectively, the "**Revised Thresholds**").

Interest expenses that would be excluded from the deductible expenses of a given fiscal year could be carried forward indefinitely subject to the abovementioned limitations. If the company is thinly capitalized, interest subject to the Revised Thresholds can be carried forward only up to 1/3 of its amount.

When, for a given fiscal year, a company does not fully use its deduction capacity (i.e., the amount of net interest expense is lower than the abovementioned thresholds), the unused portion of deduction capacity (i.e., amounting to the positive difference between the applicable thresholds and the net interest expenses) can be carried forward for the five following fiscal years. However, this deduction capacity carry-forward cannot be used to deduct non-deductible interest expenses that have been carried forward.

These new limitation rules also apply at the level of French tax consolidation groups, subject to certain conditions (codified under Article 223 B *bis* of the French Tax Code).

The French Finance Bill for 2020 provided amendments to some of the rules regarding the deductibility of expenditures (including particularly financial expenses), in order to transpose the ATAD 2 directive as regards hybrid mismatches with third-countries. In that respect, three new articles were introduced in the French Tax

Code: (i) new Article 205 B of the French Tax Code, which mainly deals with hybrid mismatches (i.e., a deduction in one country without corresponding inclusion in the other; or a deduction in both countries), (ii) new Article 205 C of the French Tax Code, which covers reverse hybrid mismatches (i.e. situations where one or more associated non-resident entities holding in aggregate a direct or indirect interest in 50% or more of the voting rights, capital interests or rights to a share of profit in a hybrid entity that is incorporated or established in a EU member State are located in a jurisdiction or jurisdictions that regard the hybrid entity as a taxable person), and (iii) new Article 205 D of the French Tax Code, about Tax residency mismatches (i.e. situations where deduction for payment, expenses or losses of a taxpayer who is resident for tax purposes in France and in another jurisdiction, that is deductible from the tax base in both jurisdictions).

Depending on the nature of the hybrid arrangement, the new law either (i) denies what is considered as an excess deduction (e.g., financial expenses) or (ii) includes a payment in taxable profit (e.g., dividend distribution).

Neutralization rules for hybrid mismatches shall only apply if a mismatch outcome arises:(i) between associated enterprises (as defined for the purpose of this rule), a taxpayer and an associated enterprise, the head office and an establishment of a same entity, or two or more establishments of the same entity; or (ii) under a structured arrangement (i.e., an arrangement involving a hybrid mismatch where (a) the mismatch outcome is priced into the terms of the arrangement or an arrangement that has been designed to produce a hybrid mismatch outcome, and (b) the taxpayer cannot demonstrate that he or an associated enterprise was not aware of the hybrid mismatch and did not share in the value of the tax benefit resulting from the hybrid mismatch).

These tax rules may limit the Group's ability to deduct interest accrued on its indebtedness incurred in France and, as a consequence, may increase its tax burden and reduce the cash flow available to service its indebtedness, which could have a material adverse effect on the Group's business, results of operations and reduce the cash flow available to service our indebtedness.

There are specific rules of French insolvency law applicable to debt securities which may affect holders of the Bonds

Below is a summary of the key specific rules of French insolvency law applicable to the holders of debt securities. This is not meant to be a summary of French insolvency rules in general.

Under French insolvency law, notwithstanding any clause to the contrary, holders of debt securities are automatically grouped into a single assembly of holders (the "**Assembly**") in order to defend their common interests if a safeguard procedure (*procédure de sauvegarde*), an accelerated safeguard procedure (*procédure de sauvegarde accélérée*), an accelerated financial safeguard procedure (*procédure de sauvegarde financière accélérée*) or a judicial reorganisation procedure (*procédure de redressement judiciaire*) is opened in France with respect to the Issuer.

The Assembly comprises holders of all debt securities issued by the Issuer (including the Bonds), regardless of their governing law.

The Assembly deliberates on the proposed safeguard plan (*projet de plan de sauvegarde, projet de plan de sauvegarde accélérée* or *projet de plan de sauvegarde financière accélérée*) or judicial reorganisation plan (*projet de plan de redressement*) applicable to the Issuer and may further agree to:

- increase the liabilities (*charges*) of holders of debt securities (including the Bondholders) by rescheduling and/or writing-off debts;
- establish an unequal treatment between holders of debt securities (including the Bondholders) as appropriate under the circumstances; and/or

- decide to convert debt securities (including the Bonds) into shares.

Decisions of the Assembly will be taken by a two-third majority (calculated as a proportion of the debt securities cast by the holders attending such Assembly or represented thereat). No quorum is required to convoke the Assembly.

Additionally, Directive (EU) 2019/1023 of the European Parliament and of the Council "on preventive restructuring frameworks, on discharge of debt and disqualifications, and on measures to increase the efficiency of procedures concerning restructuring, insolvency and discharge of debt, and amending Directive (EU) 2017/1132" has been adopted on 20 June 2019. Once being transposed into French law (which should happen by 17 July 2021 at the latest), such directive should have a material impact on French insolvency law, especially with regard to the process of adoption of restructuring plans under insolvency proceedings. According to this directive, "affected parties" (*i.e.*, creditors, including the Bondholders, and, where applicable under national law, equity holders whose claims or interests are affected under a restructuring plan) shall be treated in separate classes which reflect certain class formation criteria for the purpose of adopting a restructuring plan. Classes shall be formed in such a way that each class comprises claims or interests with rights that are sufficiently similar to justify considering the members of the class a homogenous group with commonality of interest. As a minimum, secured and unsecured claims shall be treated in separate classes for the purpose of adopting a restructuring plan. A restructuring plan shall be deemed to be adopted by affected parties, provided that a majority in the amount of their claims or interests is obtained in each and every class (the required majorities shall be laid down by Member States at not higher than 75% in the amount of claims or interests in each class). If the restructuring plan is not approved by each and every class of affected parties, the plan may however be confirmed by a judicial or administrative authority by applying a cross-class cram-down (the imposition of a bankruptcy reorganisation plan despite objections from some creditors), provided that:

- the plan has been notified to all known creditors likely to be affected by it;
- the plan complies with the best interest of creditors test (*i.e.*, no dissenting creditor would be worse off under the restructuring plan than they would be in the event of liquidation, whether piecemeal or sale as a going concern);
- any new financing is necessary to implement the restructuring plan and does not unfairly prejudice the interest of creditors;
- the plan has been approved by a majority of the voting classes of affected parties, provided that at least one of those classes is a secured creditors class or is senior to the ordinary unsecured creditors class; or, failing that, by at least one of the voting classes of affected parties or where so provided under national law, impaired parties, other than an equity-holders class or any other class which, upon a valuation of the debtor as a going-concern, would not receive any payment or keep any interest, or, where so provided under national law, which could be reasonably presumed not to receive any payment or keep any interest, if the normal ranking of liquidation priorities were applied under national law;
- the plan complies with the relative priority rule (*i.e.* dissenting classes of affected creditors are treated at least as favorably as any other class of the same rank and more favorably than any junior class). By way of derogation, Member States may instead provide that the plan shall comply with the absolute priority rule (*i.e.*, a dissenting class of creditors must be satisfied in full before a more junior class may receive any distribution or keep any interest under the restructuring plan); and
- no class of affected parties can, under the restructuring plan receive or keep more than the full amount of its claims or interests.

Therefore, when such directive will be transposed into French law, it is likely that the Bondholders will no longer deliberate on the proposed restructuring plan in a separate assembly, meaning that they will no longer

benefit from a specific veto power on this plan. Instead, as any other affected parties, the Bondholders will be grouped into one or several classes (with potentially other types of creditors) and their dissenting vote may possibly be overridden by a cross-class cram down. The procedures, as described above or as they may be amended, could have an adverse impact on Bondholders seeking repayment in the event that the Issuer was to become insolvent.

3 FACTORS WHICH ARE MATERIAL FOR THE PURPOSE OF ASSESSING THE MARKET RISKS ASSOCIATED WITH THE BONDS

Set out below is a brief description of certain risks relating to the Bonds, of the principal market risks (including liquidity risk and exchange rate risk) and of certain tax risks relating to the Bonds:

Risks associated with redemption of the Bonds.

The Bonds contain optional redemption features. An optional redemption feature is likely to limit the market value of the Bonds. During any period when the Issuer may elect to redeem Bonds, the market value of those Bonds generally will not rise substantially above the price at which they can be redeemed. This may also be true prior to any redemption period. The Issuer may be expected to redeem Bonds when its cost of borrowing is lower than the interest rate on the Bonds. At those times, an investor generally would not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest on the Bonds being redeemed and may only be able to do so at a significantly lower rate. Potential investors should consider reinvestment risk in light of other investments available at that time.

The Bonds are subject to a fixed rate of interest.

The Bonds are subject to a fixed rate of interest. An investment in the Bonds involves the risk that if market interest rates subsequently increase above the rate paid on the Bonds, this will adversely affect the value of the Bonds.

Modification, waivers and substitution.

The terms and conditions of the Bonds contain provisions for calling meetings of Bondholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Bondholders including Bondholders who did not attend and vote at the relevant meeting and Bondholders who voted in a manner contrary to the majority.

Changes in law.

The terms and conditions of the Bonds are governed by, and construed in accordance with, English law. No assurance can be given as to the impact of any possible judicial decision or change to English law or administrative practice after the date of this Offering Circular and any such change could materially adversely affect the value of any Bonds affected by it.

Payments of additional amounts are subject to exceptions and may not be enforceable.

Although the terms and conditions of the Bonds provide, in certain circumstances, for the payment of additional amounts by the Issuer or the Guarantor, as the case may be, if either of them becomes obligated by law to make any withholding or tax deduction in respect of any interest payable by it in respect of the Bonds or the Guarantee, as applicable, the obligation to pay such additional amounts is subject to certain exceptions. Further, under Swiss law, an agreement to pay additional amounts for the deduction of Swiss withholding tax may not be valid and, thus, may prejudice the validity and/or enforceability of anything to the contrary contained in the Bonds, the Guarantee or any other document or agreement.

There is no active trading for the Bonds.

The Bonds are new securities which may not be widely distributed and for which there is currently no active trading market. If the Bonds are traded after their initial issuance, they may trade at a discount to their initial offering price, depending upon factors such as the prevailing interest rates, the market for similar securities, the time remaining to the maturity of the Bonds, the outstanding amount of the Bonds, the redemption features of the Bonds, general economic conditions and the financial condition of the Issuer. Although application has been made for the Bonds to be admitted to trading on the Market and to be listed on the Official List, there is no assurance that such application will be accepted or that an active trading market will develop. Accordingly, there is no assurance as to the development or liquidity of any trading market for the Bonds.

Such factors will also affect the market value of the Bonds. Investors may not be able to sell Bonds readily or at prices that will enable investors to realise their anticipated yield. No investor should purchase Bonds unless the investor understands and is able to bear the risk that the Bonds may not be readily sellable, that the value of Bonds will fluctuate over time and that such fluctuations might be significant.

The market prices of the Bonds may be volatile.

The market prices of the Bonds will depend on many factors that may vary over time and some of which are beyond the Issuer's control, including the Issuer's and Guarantor's financial performance, the amount of indebtedness the Guarantor and its subsidiaries on a consolidated basis have outstanding, market interest rates, the market for similar securities, competition and general economic conditions. As a result of these factors, investors may only be able to sell their Bonds at prices below those investors believe to be appropriate, including prices below the price the investors have paid for them.

Exchange rate risks and exchange controls.

The Issuer will pay principal and interest on the Bonds and the Guarantor will make any payments under the Guarantee in euro. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the "**Investor's Currency**") other than euro. These include the risk that exchange rates may significantly change (including changes due to devaluation of the euro or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to the euro would decrease (i) the Investor's Currency-equivalent yield on the Bonds, (ii) the Investor's Currency-equivalent value of the principal payable on the Bonds and (iii) the Investor's Currency-equivalent market value of the Bonds.

Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate or the ability of the Issuer or the Guarantor to make payments in respect of the Bonds. As a result, investors may receive less interest or principal than expected, or no interest or principal. Any of the foregoing events could adversely affect the value of the Bonds.

Limited tax gross-up protection for eligible investors.

Potential investors should be aware that if the Issuer, the Guarantor, any Agent or any other person is required to make any withholding or deduction for, or on account of, any present or future taxes, duties or charges of whatever nature in respect of any payment in respect of the Bonds, then the Issuer, Guarantor, any Agent or that other person shall make such payment after such withholding or deduction has been made and will account to the relevant authorities for the amount so required to be withheld or deducted.

The Issuer, or as the case may be, the Guarantor, will pay such additional amounts as may be necessary in order that the net payment received by each holder of the Bonds, after withholding for any taxes imposed by tax authorities in France or Switzerland upon payments made by or on behalf of the Issuer in respect of the Bonds or the Guarantor in respect of the Guarantee (as applicable), will equal the amount which would have been

received in the absence of any such withholding taxes, except that no such additional amounts shall be payable in respect of any Bonds in the circumstances described in Conditions 8(a) to (e) (inclusive).

EU financial transactions tax ("FTT") proposals may give rise to tax liabilities.

On 14 February 2013, the European Commission published a proposal (the "**Commission's Proposal**") for a Directive for a common FTT in the Kingdom of Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia, although Estonia has since stated that it will not participate (the "**FTT Participating Member States**"). The Commission's Proposal has a very broad scope and could, if introduced, apply to certain dealings in the Bonds (including secondary market transactions) in certain circumstances.

Under the Commission's Proposal, the FTT could apply in certain circumstances to persons both within and outside of the FTT Participating Member States. Generally, it would apply to certain dealings in the Bonds where at least one party is a financial institution, and at least one party is established in a FTT Participating Member State. A financial institution may be, or be deemed to be, "established" in a FTT Participating Member State in a broad range of circumstances, including: (a) by transacting with a person established in a FTT Participating Member State; or (b) where the financial instrument which is subject to the dealings is issued in a FTT Participating Member State.

The FTT proposal remains subject to negotiation between the FTT Participating Member States and the scope of any such tax is uncertain. Additional EU member states may decide to participate. Prospective holders of the Bonds are advised to seek their own professional advice in relation to the FTT.

The tax treatment of the Bonds with respect to Swiss withholding tax.

The Swiss withholding taxation laws impose a 35 per cent. withholding tax on interest payments (including if covered by a guarantee in respect thereof) on bonds issued (i) by an issuer resident in Switzerland for Swiss withholding taxation purposes, or (ii) by a non-Swiss member of a group with the parental guarantee of a Swiss member of the group if the aggregate amount of proceeds from the issuance of all outstanding debt instruments issued by a non-Swiss member of the group with the parental guarantee of a Swiss member of the group that is being applied by any member of the group in Switzerland exceeds the amount that is permissible under the Swiss withholding taxation laws.

So long as any Bonds are outstanding, the Group will ensure that (i) the Issuer will have its domicile and place of effective management outside Switzerland, and (ii) the aggregate amount of proceeds from the issuance of all outstanding relevant debt instruments issued by a non-Swiss member of the Group with the parental guarantee of a Swiss member of the Group (including the Bonds) that is being applied by any member of the Group in Switzerland does not exceed the amount that is permissible under the taxation laws in effect at such time in Switzerland without subjecting interest payments due under the Bonds (or any payments under the Guarantee in respect thereof) to Swiss federal withholding tax. On the basis of practice guidelines published on 5 February 2019, the Swiss Federal Tax Administration has confirmed the principles of determining the amount permissible. The holders of Bonds should be aware that the amount permissible is determined by reference to values (that are not fixed but subject to change, and the referenced values include, for example, the relevant net equity of the direct and indirect non-Swiss subsidiaries of the Group).

The holders of Bonds should be aware that, although the terms of the Bonds provide that, in the event of any withholding or deduction on account of Swiss tax being required by Swiss law, the Issuer or the Guarantor, as the case may be, shall, subject to certain exceptions, pay additional amounts so that the net amount received by the holders of the Bonds shall equal the amount which would have been received by such holder in the absence of such withholding or deduction, such obligation may contravene Swiss legislation and be null and void and not enforceable in Switzerland. (See also above under "*Payments of additional amounts are subject to exceptions and may not be enforceable*").

The tax treatment of the Bonds with respect to Swiss withholding tax may change due to potential new Swiss withholding tax legislation.

On 26 June 2019, the Swiss Federal Council announced that it will resume the reform of the withholding tax regime, which had previously been suspended. A main aspect of the reform will be the exemption of Swiss domiciled legal entities and foreign investors from withholding tax on Swiss domestic interest-based investments. In a meeting and a subsequent press release on 27 September 2019, the Federal Council further defined the scope and content of the planned reform. In essence, the reform is expected, among other things, to replace the current debtor-based regime applicable to interest payments with a paying agent-based regime for Swiss withholding tax. Broadly, this paying agent-based regime is expected to (i) subject all interest payments made through paying agents in Switzerland to individuals resident in Switzerland to Swiss withholding tax and (ii) exempt from Swiss withholding tax interest payments to all other persons, including to Swiss domiciled legal entities and foreign investors (other than for indirect interest payments via foreign and domestic collective investments vehicles). If such a new paying agent-based regime were to be enacted and were to result in the deduction or withholding of Swiss withholding tax on any interest payments in respect of the Bonds, the Bondholders would not be entitled to receive any additional amounts as a result of such deduction or withholding under the terms of the Bonds.

The tax treatment of the Bonds with respect to French withholding tax may change due to potential new French withholding tax legislation.

The tax treatment of the Bonds with respect to French withholding tax may change due to potential new French withholding tax legislation and could result in additional withholding tax costs.

OVERVIEW

The overview below describes the principal terms of the Bonds and is qualified in its entirety by the more detailed information contained elsewhere in this Offering Circular. Capitalised terms used herein and not otherwise defined have the respective meanings given to them in the "*Terms and Conditions of the Bonds*" (the "**Conditions**").

Issuer	Firmenich Productions Participations SAS
Legal Entity Identifier of the Issuer	635400DX7HXMEAP36T24
Guarantor	Firmenich International SA
Legal Entity Identifier of the Guarantor	5493004Q6ZQIC4MCNJ08
Website of the Guarantor	http://www.firmenich.com/
Fiscal Agent	Citibank, N.A., London Branch
Registrar	Citigroup Global Markets Europe AG
Transfer Agent	Citigroup Global Markets Europe AG
Joint Lead Managers	Citigroup Global Markets Limited UBS Europe SE
Bonds	€750,000,000 1.375 per cent. Guaranteed Bonds due 30 October 2026 ("**Series A Bonds**") €750,000,000 1.750 per cent. Guaranteed Bonds due 30 April 2030 ("**Series B Bonds**")
Maturity Date of the Series A Bonds	30 October 2026
Maturity Date of the Series B Bonds	30 April 2030
Issue Price of the Series A Bonds	99.860 per cent.
Issue Price of the Series B Bonds	99.356 per cent.
Interest on the Series A Bonds	1.375 per cent. per annum
Interest on the Series B Bonds	1.750 per cent. per annum
Securities Identifiers	*Series A Bonds* ISIN: XS2166619663 Common Code: 216661966 *Series B Bonds* ISIN: XS2166619820 Common Code: 216661982 FISN: See the website of the Association of National Numbering Agencies (ANNA) or alternatively sourced from the responsible National Numbering Agency that assigned the ISIN CFI Code: See the website of the Association of National Numbering Agencies (ANNA) or alternatively sourced from the responsible National Numbering Agency that assigned the ISIN

Issue Date	30 April 2020
Form and Denomination	The Bonds will be issued in registered form in denominations of €100,000 and higher integral multiples of €1,000.
Status of the Bonds	The Bonds of each Series will constitute (subject to Condition 4) direct, unconditional and unsecured obligations of the Issuer and shall at all times rank *pari passu* and without any preference among themselves and (subject to Condition 4) at least equally with all other present and future unsecured and unsubordinated obligations of the Issuer, as further described in Condition 3
Status of the Guarantee	The payment obligations of the Guarantor under the Guarantee will constitute (subject to Condition 4) unconditional and irrevocable obligations of the Guarantor and shall at all times rank (subject to Condition 4) at least equally with all other present and future unsecured and unsubordinated obligations of the Guarantor, as further described in Condition 3
Interest Payment Dates	Interest in respect of the Series A Bonds will be payable annually in arrear on 30 October in each year, save that the first payment of interest on the Series A Bonds shall be payable on 30 October 2020 in respect of the period from (and including) 30 April 2020 to (but excluding) 30 October 2020, and ending on the Maturity Date (unless the Bonds are previously redeemed or purchased and cancelled) Interest in respect of the Series B Bonds will be payable annually in arrear on 30 April in each year, commencing on 30 April 2021 and ending on the Maturity Date (unless the Bonds are previously redeemed or purchased and cancelled)
Redemption	Unless previously redeemed, or purchased and cancelled, the Bonds will be redeemed at their principal amount on the Maturity Date
Issuer Call Option for Taxation Reasons	The Issuer may, at its option, redeem all, but not some only, of the Bonds at any time at their principal amount, together with interest accrued to (but excluding) the date fixed for redemption, in the event of certain tax changes, as further described in Condition 6(b)
Issuer Par Call Options	The Issuer may, at its option, redeem all, but not some only, of the Bonds at their principal amount, together with interest accrued to (but excluding) the date fixed for redemption (a) at any time during the period between 90 days prior to the Maturity Date and the Maturity Date (inclusive) or (b) at any time if 80 per cent. or more in principal amount of the Bonds originally issued have been redeemed (other than where 80 per cent. or more in principal amount of the Bonds originally issued have been redeemed pursuant to the Issuer Make Whole Call Option as described in Condition 6(c)) or purchased, in each

	case, at their principal amount together with accrued interest, as further described in Conditions 6(d) and (e)
Issuer Make Whole Call Option	The Issuer may, at its option, redeem all or some only of the Bonds outstanding at any time prior to 90 days prior to the Maturity Date at their Make Whole Redemption Price (as defined in the Conditions), as further described in Condition 6(c)
Issuer Acquisition Event Call Option	Upon the occurrence of an Acquisition Event (as defined in the Conditions), the Issuer may, at its option, redeem all, but not some only, of the Bonds at any time at 101% of their principal amount, together with interest accrued to (but excluding) the date fixed for redemption
Change of Control Put Option	Upon the occurrence of a Change of Control Event (as defined in the Conditions), each Bondholder shall have the option to require the Issuer to redeem all or some only of the Bonds of such holder at their principal amount together with interest accrued to (but excluding) the Change of Control Put Date (as defined in the Conditions), as further described in Condition 6(g)
Events of Default	The Bonds will be subject to certain events of default including (among others) non-payment of principal or interest for a specified period, failure to perform or comply with any of the other obligations in respect of the Bonds, cross-default and certain events relating to bankruptcy and insolvency of the Issuer or the Guarantor, as further described in Condition 9
Negative Pledge	The Conditions include a negative pledge, as further described in Condition 4
Taxation	All payments of principal and interest by or on behalf of the Issuer or the Guarantor in respect of the Bonds or under the Guarantee shall be made without withholding or deduction for, or on account of, any taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by France or Switzerland or any authority therein or thereof having power to tax, unless such withholding or deduction is required by law. In that event, the Issuer or, as the case may be, the Guarantor shall pay such additional amounts as will result in receipt by the Bondholders of such amounts as would have been received by them had no such withholding or deduction been required, subject to certain exceptions, as further described in Condition 8
Governing Law	The Bonds and any non-contractual obligations arising out of or in connection with them, will be governed by, and construed in accordance with, English law
Clearing and Settlement	Euroclear Bank SA/NV ("**Euroclear**") and Clearstream Banking S.A. ("**Clearstream, Luxembourg**")

	Each Series of Bonds will initially be represented by a Global Certificate, which will be deposited with, and registered in the name of a nominee for, the Common Safekeeper on behalf of Euroclear and Clearstream, Luxembourg on or prior to the Issue Date. The Global Certificate will be exchangeable for Certificates representing Bonds in the limited circumstances set out in it
Listing and Admission to Trading	Application has been made for the Bonds to be admitted to the Official List and to trading on the Global Exchange Market
Ratings	The Bonds are expected to be rated BBB (stable) by S&P Global Ratings Europe Limited. A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction, revision or withdrawal at any time by the assigning rating agency
Use and Estimated Net Amount of Proceeds	The net proceeds of the Bonds will be used for general corporate purposes of the Issuer and/or its subsidiaries from time to time including DRT, which may include refinancing existing indebtedness and/or acquisition finance
Selling Restrictions	There are restrictions on offers of the Bonds to EEA and UK retail investors and into, or to persons resident in, the United States, the United Kingdom, France, Switzerland and elsewhere. See "*Subscription and Sale*" Category 2 selling restrictions will apply to the Bonds for the purposes of Regulation S under the Securities Act
Risk Factors	For a discussion of certain risk factors relating to the Issuer, the Guarantor and the Bonds that prospective investors should carefully consider prior to making an investment in the Bonds, see "*Risk Factors*"

DESCRIPTION OF THE ISSUER

General

The Issuer, Firmenich Productions Participation S.A.S., is a simplified joint-stock company (*société par actions simplifiée*) ("**SAS**"), incorporated under the laws of France. It has been registered since 22 January 2008 in the *Registre du Commerce et des Sociétés* of Dax (company number 498 664 226 R.C.S. Dax). The current registered office of the Issuer is at 766, route Roger Firmenich, 40260 Castets, France. The sole shareholder of the Issuer is Fragar (Europe) SA, a subsidiary of Firmenich and a *Société Anonyme* incorporated in Switzerland whose registered office is at 7, rue de la Bergère, 1242 Satigny, Switzerland and which is registered under registration number CHE-101.7756.888.

Constituting Documents

The Issuer's current articles of association (the "**Issuer's Articles**") as at the date of this Offering Circular are dated as of 24 April 2013. In accordance with article 2 (*Objet*) of the Issuer's Articles, the corporate purposes of the Issuer are:

- the acquisition or the control of all companies, associations, groups or businesses by way of purchase or subscription of shares or members' shares or in any other manner;
- the acquisition of any activity or business (*fonds de commerce*) related to the above object, the acquisition of equity by any means, in particular through the creation of new companies, contribution, merger, acquisition, rental, lease-management of all businesses (*fonds de commerce*), in all French or foreign enterprises or companies whose activity relates to the above object;
- the provision of administrative, commercial, financial and accounting services and generally the provision of all services useful to businesses; and
- more generally, all operations of whatever kind, of a financial, commercial, industrial, movable property and real estate nature, directly or indirectly related to this object or likely to promote its extension or development in any form whatsoever.

Business of the Issuer

The business of the Issuer largely comprises the holding of the Group's investments and assets in France. It will be the acquirer of the DRT business. It has not issued any bonds previously.

Capital structure

In accordance with article 7 (*Capital Social*) of the Issuer's Articles, the Issuer has an issued share capital of €113,130,410 divided into 11,313, 041 shares (the "**Issuer's Shares**"). The Issuer's Shares have a nominal value of EUR 10, all of the same class.

Management of the Issuer - The President

As is usual for an SAS in France there is no board of directors and the person responsible for management and supervision of the Issuer is the President (the "Issuer's President"). The Issuer's President as of the date of this Offering Circular is M. Remi Forgeot. The business address of the President is the Issuer's registered office at 766, route Roger Firmenich, 40260 Castets, France.

Auditors and Financial Statements

The Issuer's auditors (the "**Issuer's Auditors**") are appointed by decision of the sole shareholder or, as the case may be, by the general meeting of the shareholders of the Issuer. See "*Description of the Guarantor - Acquisition of Les Dérivés Résiniques et Terpéniques SAS*".

The Issuer's Auditors are KPMG S.A. whose registered office is at 2 Avenue Gambetta, Tour Eqho, 92066 Paris, France.

The Issuer's financial year runs to 30 June in each year. No financial information for the Issuer is presented in this Offering Circular. The financial information presented in this Offering Circular is the historical audited consolidated financial information of the Group.

No Material Legal Proceedings

At the date of this Offering Circular, there are no current, pending or threatened legal, arbitral, administrative regulatory or tax proceedings that are material to the Issuer's business, operations, assets and liabilities or profits and losses.

DESCRIPTION OF THE GUARANTOR

Introduction

Firmenich International SA ("**Firmenich**" or the "**Guarantor**") is a Swiss private limited company (*Société Anonyme*), in accordance with art. 620 et seq. of the Swiss Code of Obligations. Firmenich is registered with the commercial register of the Canton of Geneva, Switzerland, under the number CHE-103.938.104. Its registered head office and administrative headquarters is 7, rue de la Bergère, 1242 Satigny, Switzerland.

Firmenich was founded in 1895 in Geneva, Switzerland, and has been a private, family-owned company for 125 years. Firmenich is a business-to-business company operating primarily in the flavor and fragrance ("**F&F**") industry, and is involved in the research, creation, manufacture and sale of perfumes, flavors and ingredients. Firmenich's products are used across a broad range of end markets. Its perfumery products are used primarily in the Fine Fragrance and the Personal, Body and Home Care segments, including laundry care, body wash and shampoo, air care, household cleaning products and oral care applications, among others. Firmenich's flavors products are used across a broad range of beverage, sweet goods and savory applications, including soft drinks, juice and juice drinks, dairy products, confectionary products, dried foods such as instant noodles and plant-based foods, among others. Firmenich's flavors products include a broad range of organic certified, natural and synthetic flavors as well as functional ingredients that enable its clients to produce "clean label" food and beverage products. Firmenich also offers a broad portfolio of ingredients including proprietary synthetic aroma chemicals, proprietary biotech and biodegradable ingredients as well as natural extracts for perfumery and flavor applications. Firmenich ingredients are sold both to consumer goods companies as well as to other business-to-business companies.

Firmenich is the third largest flavor and fragrance house in the world and is a co-leader in Perfumery & Ingredients (in each case, by revenue for the 2019 financial year[1]). Firmenich aims to offer its clients product formulations that are preferred by consumers. This is achieved through the differentiated creativity of Firmenich perfumers and flavorists who leverage superior creativity in formulation, a broad and high-quality palette of ingredients and proprietary technologies including in biotechnology, encapsulation, olfactory science and taste modulation, as well as leading sensory and consumer insight capabilities.

Overview of Industry Sector

Flavor and fragrance is a business-to-business sector that provides high value materials to consumer-facing companies. Flavors and perfumes deliver differentiating sensory attributes in final consumer end products that play a significant role in a consumer's purchasing decisions while typically representing a relatively small portion of the end cost of the products in which they are used.

The F&F sector includes both global and local companies that serve a diverse customer base with a large variety of products. Customers include: multi-national consumer goods manufacturers, regional and local consumer goods manufacturers, retailers, foodservice operators and, increasingly, consumer goods-oriented start-ups. F&F ingredients are used in both branded and private label products. The industry has historically generated above-GDP growth in the markets in which it operates. Long term customer relationships are necessary to secure invitations to tender to provide proprietary formulations for new products. Global reach and capacity to continually reinvest in innovations, product development, consumer insights and supply chain optimisation are required to ensure sustainable profitability. In addition, many larger customers operate with core supplier lists that are typically established for multi-year periods. Notwithstanding core supplier list agreements, individual supply contracts are determined on product launch by product launch basis and customers select their providers on the basis of a multitude of factors. It is important to have the ability to adapt product to local preferences, to

[1] Pro-forma adjusted to reflect the full-year impact of announced acquisitions.

meet the customer's service requirements and to deliver a high quality product. The F&F industry involves supply chain complexity, requires sophisticated regulatory capabilities as well as access to differentiating raw materials.

Trends affecting this industry include:

- increased spending power of a growing population (in particular the growing middle class and urban population);
- increasing demand for convenience food;
- urbanisation and economic expansion in growing markets;
- digital platforms allowing increasing choice and digital channels lowering barriers to entry (shifting power away from retail);
- fragmentation of markets with a proliferation of products and brands with shorter life cycles;
- global sanitation awareness;
- a demand shift toward the authentic, sustainable, natural, organic certified as well as health and nutritional consciousness in food and beverage; and
- increased environmental focus and demand for a broad range of products containing sustainable and natural or naturally-derived ingredients.

Across the industry, there has been a marked shift in customer demand in recent years towards naturally-derived and renewable materials. The acquisition of DRT (see "*Acquisition of Les Dérivés Résiniques Et Terpéniques SAS*") is intended to help the Group fully capitalise on this industry trend.

The flavor and fragrance industry is estimated globally to be USD 26 billion and projected to have a 5% revenue compound annual growth rate ("**CAGR**") until 2023 by Euromonitor. Flavor and fragrance products are sold into a variety of consumer end markets. The table below demonstrates historic and projected growth rate of the global retail volumes of the respective end markets in which flavor and fragrance products are sold.

	CAGR for calendar years 2015-2018	Projections of CAGR for calendar years 2018-2021	Projected increase in CAGR (in basis points)
Body Care (%)	4.6	5.9	124
Home Care (%)	4.0	5.3	127
Fine Fragrance (%)	4.2	5.6	141
Sweet Goods (%)	3.7	4.8	109
Savory Goods (%)	5.0	5.8	80
Beverages (%)	5.0	6.1	116

Source: Euromonitor. Body Care, Home Care, Fragrances and Beverage 2019 edition, Sweet & Savory Goods 2020 edition. Retail selling price, fixed exchange rates (2018), current prices. Beverages consists of Hot Drinks (Off-trade) and Soft and Alcoholic Drinks (On-trade and Off-trade). CAGR based on the growth rate of the global retail value in the respective end markets. CAGRs for Sweet Goods refer to sweet snacks market and Savory Goods refer to savory snacks.

There are four large global players operating in both the flavor and fragrance markets, each of whom have significant presence across both flavor and fragrance. There are also several important smaller F&F market

participants who typically have stronger presence in specific geographies or market sub-segments. In addition, companies operating in the flavors market also compete with companies offering formulation expertise and access to key raw materials in specific food or beverage sub-segments. For example, in the beverage category there are multiple companies operating solely in citrus, or coffee and tea or in dairy-based drinks and which compete with the larger F&F players. This dynamic of sub-segment expertise also exists in many food segments.

Group Strengths

Market leader with critical scale and competitive advantages

Firmenich is a global co-leader in Perfumery & Ingredients by revenue and holds the top position globally in Flavor and Fragrance Ingredients by revenue in each case for the 2019 financial year[2] with a portfolio of differentiated, high value aroma chemical, biotech and biodegradable ingredients and natural extracts. Firmenich is also the third-largest company globally in Flavors by revenue for the 2019 financial year[3]. The acquisition of DRT is intended to broaden Firmenich's ingredients portfolio through the addition of a leading portfolio of renewable ingredients (see "*Acquisition of Les Dérivés Résiniques Et Terpéniques SAS*").

Firmenich's business has global scale, with a footprint of 39 manufacturing facilities across 19 countries, 6 research and development hubs and global commercial presence in more than 100 markets (with well-balanced exposure between mature developed markets and growth markets). Firmenich has meaningful sales presence across all F&F segments including in Fine Fragrance, Personal, Body and Home Care, F&F Ingredients and Flavors. Firmenich's global operations have a mature health, safety and quality program consistently surpassing industry and competitors at leading indicators.

As an industry leader, Firmenich benefits from dynamics referred to in the "*Overview of Industry*" section above, including core supplier lists, valuable intellectual property, an extensive and well-invested supply chain, sophisticated regulatory capabilities and access to key differentiating raw materials.

Proven track record of organic growth and successful acquisitions, with exposure to attractive consumer end markets benefitting from global growth and consumption trends

Firmenich has achieved high and consistent organic growth since at least 1989, supplemented more recently by successful operational excellence initiatives and selected strategic acquisitions.

The Group benefits from its exposure to attractive and resilient consumer end-markets, supported by global mega trends, including increasing demand for processed food and convenience food, growing middle class and urban population and rising environmental awareness. These macro-economic developments support growth in excess of GDP in the markets in which the Group operates, as set out in the "*Overview of Industry*" section above.

Firmenich has delivered 5.0% revenue CAGR since its financial year ended 30 June 2013 to the financial year ended 30 June 2019 through the successful execution across two corporate strategies ("Fit to Lead" and "Grow^{125}" - see "*Group Strategy*" section below). These corporate strategies have included a range of initiatives to support organic growth and delivery of best-in-class profitability. Growth delivery in the Grow^{125} corporate strategy has been supplemented by targeted "String of Pearls" acquisitions, which seek to achieve at least one of two objectives: (i) add access to new market segments or geographies, and / or (ii) offer new capabilities which can be leveraged internationally (see "*Group Strategy - Strategic Acquisitions and Investments*" section below). Inorganic growth initiatives continue to be focussed on acquiring complementary platforms in segments

[2] Pro-forma adjusted to reflect the full-year impact of announced acquisitions.

[3] Pro-forma adjusted to reflect the full-year impact of announced acquisitions.

with structural growth. Firmenich has a robust assessment framework for acquisitions and their respective economic parameters.

Innovative product portfolio built through long-standing commitment to R&D and passion for creativity

Firmenich continues to build on industry-leading R&D investments by expending 9.7% of annual revenues on average since 2015. Management believes that this level of R&D surpasses the investment percentages of all of Firmenich's key competitors.

Firmenich's strong defensive characteristics are further enhanced by a strong intellectual property catalogue of more than 3,900 patents worldwide, with a proprietary creation and formulation system which includes tens of thousands of unique formulations. The Group employs a team of more than 450 scientists with leading expertise in green chemistry, biotech, encapsulation technologies, olfactory science and taste modulation, among other areas. Also see "*Principal Activities - Research and Development*" section below.

Firmenich's innovations are typically marketed to clients as part of a broader formulation. Firmenich has a diverse portfolio of technologies that offer differentiated features including, for example, long-lasting freshness (PopScent®), long-lasting continuous fragrance experience (HaloScent®), malodour control, TastePRINT™ taste modulations solutions or VivaVeg® functional ingredients that provide "clean label" solutions for meat and dairy products. Firmenich has also launched multiple landmark aroma chemical products for the perfumery industry, including Hedione®, Helvetolide® and Dynascone®. These products were introduced to the market 20 or more years ago and remain significant products today. More recently, Firmenich was first to market with a biotech ingredient for perfumery, the Clearwood® ingredient that is reminiscent of patchouli and provides a more sustainable profile than natural patchouli essence.

Firmenich's management aims to develop a "future-proof" product portfolio by investing in demand pockets that are anchored in key secular trends, for example plant-based meat and food, sugar reduction, natural and clean-label food and beverage solutions, as well as renewable / biodegradable perfumery ingredients.

Established long-term customer relationships, and balanced and diversified product portfolio

Firmenich enjoys long-standing client relationships with both multi-national clients and leading local food and beverage companies around the world. Firmenich has many customer relationships which date back more than half a century, demonstrating the deep and broad embedment within the customer's value proposition. Furthermore, the Group has a high and increasing exposure to the attractive customer category of local and regional manufacturers, which benefit from the trend towards customisation and locally-adapted products.

The Group's management believes that the Group has earned a strong reputation among its customers, as a trusted partner committed to long-term relationships. Firmenich established its first sales presence in the United States in the 1910s and it established a manufacturing presence in the United States in 1936. Firmenich started to establish manufacturing presence outside of Europe and the United States starting in the late 1940s. Firmenich's global commercial and manufacturing reach have enabled Firmenich to develop close relationships with leading multi-national and local customers around the world.

Firmenich caters to a well-balanced portfolio of customer categories (multi-nationals, local "dynamos" and others) and operates with a diversified business mix (with regards for example to geographies, end-markets, products), which Firmenich's management believes to be ideally exposed to both developed as well as growth markets (including a significant and long-standing presence in China and India) with Group revenues deriving approximately 55% from markets management identifies as developed markets and 45% from markets management identifies as growth markets. The Group's business model is designed to deliver on-trend consumer products for both multi-national clients as well as regional/local clients around the world that are well-adapted to local consumer preferences.

Private company operating at public company standards with high quality governance standards and a culture guided by clear values

In 2020, Firmenich will celebrate the 125th anniversary of its founding. The Group is 100% family-owned and its shareholders are focused to ensure Firmenich's long-term existence and profitability, with the family owners being party to a long-standing shareholder agreement, enabling decision-making with a long-term view.

Firmenich operates what management believes to be Swiss public company quality, internal governance, financial systems and processes, including working capital and liquidity management.

Firmenich also benefits from an experienced and highly-professional management team with deep experience in the consumer and ingredients sectors. Management oversight is provided by a professional corporate board of seasoned senior executives with broad industry insights, a majority of whom are independent.

Management believes that Firmenich has strong company values centred on its customers, its people, creativity, sustainability and legacy, which enable the Group to attract and retain industry-leading talent. Firmenich enjoys a diverse talent pool with employees from 95 different countries.

Firmenich is a globally-recognised responsible business leader, recognised by its customers and industry groups for its commitment to tackling climate change, advancing social impact and operating with the highest standards of ethics (see "*Sustainability*" section below).

Best-in-class profitability supporting strong and resilient cash flow generation

Firmenich's management believes that the Group has a strong financial profile, characterised by steady, above-GDP growth in the markets in which the Group operates, margin resilience from strategic backward integration into critical raw materials, and high cash conversion. Over the past three years, Firmenich achieved a stable cash conversion of 45.4% on average. The Group operates with, what management believe to be, a best-in-class level of profitability, and was able to maintain a stable Adjusted EBITDA Margin over the last two years during a period of increased raw material prices across the F&F industry.

In order to ensure continued consistent cash flow and profitability, the Group has undertaken strategic backward integration to secure access to raw materials, decreasing the vulnerability to supply shortages and price swings in the industry (including the anticipated acquisition of DRT, strategic partnership with Nelixia and Layn, and a joint venture with Essex Laboratories). See "*Group Strategy - Strategic Acquisitions and Investments*" and "*Acquisition of Les Dérivés Résiniques Et Terpéniques SAS*" sections below.

Group Strategy

The flavor and fragrance industry is subject to global macro trends which are re-shaping strategic opportunities and focus areas for all industry players. Continued population growth with a concurrent rise of the middle class, technology-driven increases in choice, stronger environmental consciousness and increasingly empowered customers are just a few of the factors, which are driving shifts across the industry. In addition, consumer habits, from demands for increased labelling/transparency, to customer requirements for more renewable and biodegradable ingredients, are also evolving quickly and industry players need to remain adaptive, flexible and innovation oriented. Firmenich is an important and highly relevant player in the global flavor and fragrance industry. The Group's strategy is informed by these macro trends and given its innovation focus, management believes that Firmenich is well-positioned to build on these trends and grow at pace with or better than the market. The Group has achieved a revenue CAGR of 7% from the financial year ended 30 June 1989 to the financial year ended 30 June 2019, the vast majority of which has been achieved through organic growth.

Firmenich closes its current strategic plan (Grow^{125}) as of the financial year ending 30 June 2020 and is preparing to launch its new strategic plan, Transform 2023. The plan focusses on three strategic pillars:

1. "*Deliver Enhanced Customer Experience*" – aimed at deploying increased flexibility in the supply chain, while delivering breakthrough innovation and consolidating Firmenich's leadership in ingredients.

2. "*Gain Value Share*" – aimed at further broadening the Group's commercial reach, while intensifying its pursuit of high growth segments.

3. "*Become More Nimble*" – aimed at driving end-to-end business model simplification and enhanced alignment with consumer's evolving needs, while leveraging digital technologies to enhance efficiency and service.

Firmenich plans to further build on the Group's co-leadership positions in the Perfumery & Ingredients ("**P&I**") segment. The Group aims to maintain Firmenich's strong position in Fine Fragrance by offering its clients consumer-led innovations driven by olfactory creativity, by increasing the content of renewable ingredients in its formulations and by expanding its market reach, particularly in growth markets. In Personal, Body and Home Care, the Group aims to grow by continuing to serve as a strategic partner for leading multi-national and local customer and by developing breakthrough innovations to enable Firmenich to offer superior products to its customers and by offering products designed to appeal to conscious consumers. In January 2020, the Group launched CreateForGood, a five-step program aimed at conscious consumers who are focused on naturalness and sustainability in fragrances, using consumer research and Firmenich's palette of 1,700 ingredients to assist clients in eco-fragrance creation. Firmenich aims to be a leader in sustainable and renewable ingredients and aims to grow its broader F&F ingredients business through new product launches.

Within Flavors, the Group will build on its flavor foundations, which are sweet, savory and beverage. Growth in the flavor foundations is underpinned by a continued focus on winning with both multi-national and local customers, increased penetration of growth markets, extending Firmenich's natural ingredients portfolio and an acceleration of launches of innovative new ingredients and solutions. Flavors is also focussed on expanding in selected "Beyond Flavors" domains: natural and clean-label solutions, sugar reduction as well as plant-based protein and texture, including plant-based protein in dairy and meat.

Firmenich executed its "Grow[125]" strategic plan starting in July 1, 2016. This plan focussed on enhancing Firmenich's presence with regional and local "dynamo" customers (key local and regional customers of the Group), with the aim of expanding commercial reach and capabilities and increasing operational efficiency. It also included Firmenich's "String of Pearls" acquisition plan which focussed on acquiring entities which either (i) added access to new market segments or geographies, and / or (ii) brought new capabilities which could be leveraged internationally. Management believes that success in this plan has led to enhanced profit margin resilience, steady revenue growth and improved backward integration.

For the period of the financial year ended 30 June 2014 to the financial year ended 30 June 2016, Firmenich executed the "Fit to Lead" strategic plan, which focused on delivery and execution, efficiency and simplicity, with the result of achieving what management considered to be best-in-class profitability for the Group.

Strategic Acquisitions and Investments

Over the last several years, Firmenich has actively pursued and executed a strategy of acquisitions of complementary platforms within segments of structural growth, completing the following acquisitions and investments between 30 June 2016 and the date of this Offering Circular.

Businesses	% Acquired	Month & year of completion
Essex Laboratories (USA)	75%	July 2016
Agilex Fragrances (USA)	100%	July 2017

Natural Flavors (USA)	100%	February 2018
Flavourome (South Africa)	100%	February 2018
Nelixia (Guatemala)	36%	May 2018
Fragrance West (USA)	100%	June 2018
Campus (Italy)	100%	August 2018
Senomyx (USA)	100%	November 2018
ArtSci Biology (China)	25%	June 2019
VKL Seasoning (India)	65%	July 2019
CO2 Extraction Unit from Evonik (Germany)	100%	November 2019

Firmenich announced the acquisition of MG International Fragrance Company (Turkey) on 4 November 2019. This acquisition is pending Turkish regulatory approval.

The Group will continue to identify and pursue strategic acquisitions and investments, whenever it considers that they are in the best interests of the Group, funding such acquisitions either by debt or retained earnings.

Financial policies

Firmenich aims to maintain a conservative capital structure commensurate with strong investment grade credit rating, with a target leverage of below 2.5 times last-twelve-months adjusted EBITDA. Firmenich's liquidity policy aims to have a minimum of approximately CHF 750 million in funds on hand, or readily available to draw at all times.

Recent Developments

In September 2019, Firmenich reached an agreement with First Eagle Investment Management, to acquire the stake held by its advisory clients in Robertet SA, a publicly-listed French flavor and fragrance company. Firmenich subsequently acquired shares in Robertet from other investors and currently holds approximately 21.8% of the share capital in Robertet.

In December 2019, Firmenich became the first flavor and fragrance company to sign the United Nations (UN) Global Compact Action Platform for Decent Work in Global Supply Chains.

In January 2020, Firmenich entered into a joint participation with sustainable investment firm Quadia in green packaging pioneer LOOP's Series A equity round.

In February 2020, it was announced that Armand de Villoutreys would be retiring from his role as President of the Perfumery & Ingredients division effective 30 June 2020 and that Ilaria Resta had been hired as President of Perfumery effective 1 July 2020 (taking a seat on the Executive Committee on 2 March 2020).

On 12 February 2020, an additional 5% of the share capital of VKL Seasoning was acquired by the Group pursuant to the exercise of a put option by the seller, taking the Group's holding of VKL Seasoning from 60% to 65% in line with the relevant business plan.

See also "*Acquisition of Les Dérivés Résiniques Et Terpéniques SAS*".

COVID-19 Developments

The outbreak in late 2019 of the novel coronavirus pandemic (COVID-19) has had and is having an unanticipated and profound impact on the global economy as a whole. The assessment of this global impact and likely resulting recession is ongoing as an increasing number of economies are affected and attempt to take both protective health care steps and unprecedented monetary and macroeconomic decisions to safeguard their economies.

Firmenich has experienced slowdowns due to transport complexities and sourcing of raw materials due to the COVID-19 outbreak. To date Firmenich has not experienced material supply chain disruptions and there has not been a material adverse impact on its global operations due to the COVID-19 outbreak.

Management acknowledges however that it is difficult to gauge the full ramifications and consequences of the pandemic on the global economy or on the operations and results of Firmenich. However, for the period from 1 January 2020 to 31 March 2020, the Group has generated positive year-on-year revenue growth in local currency terms, including during March when lockdowns went into effect in most markets around the world. The Company's profitability has been better than the profitability experienced during the equivalent period in 2019.

The Group has experienced strong sales growth since the start of the COVID-19 outbreak in functional perfumery categories such as household cleaning and laundry, as well as in savory products (in particular for shelf-stable food products). Correspondingly there has been a decline in sales of fine fragrance (as this is a discretionary item and is driven heavily by retail store and duty free sales, both of which have been heavily impacted by the COVID-19 crisis).

Management is also aware that certain sales categories which have to date experienced increases since the start of the COVID-19 outbreak may be temporary due to exceptional consumer stockpiling behaviour witnessed globally at the onset of the crisis, and which may not continue for a prolonged period.

The value of the Swiss Franc has also markedly increased since the onset of the crisis in the macroeconomic flight to safe currencies and assets. This has a translation effect on the Group's consolidated results which are reported in Swiss Francs whilst revenues are largely generated in US dollars and Euros.

As of the date of this Offering Circular, management expects consolidated revenues to be flat or only marginally higher (on a constant currency basis) for the full financial year ending 30 June 2020 compared to the year ended 30 June 2019. When currency fluctuations are taken into account, the Group expects consolidated reported audited revenues for the year ended 30 June 2020 to be lower than the same revenues for the year ended 30 June 2019.

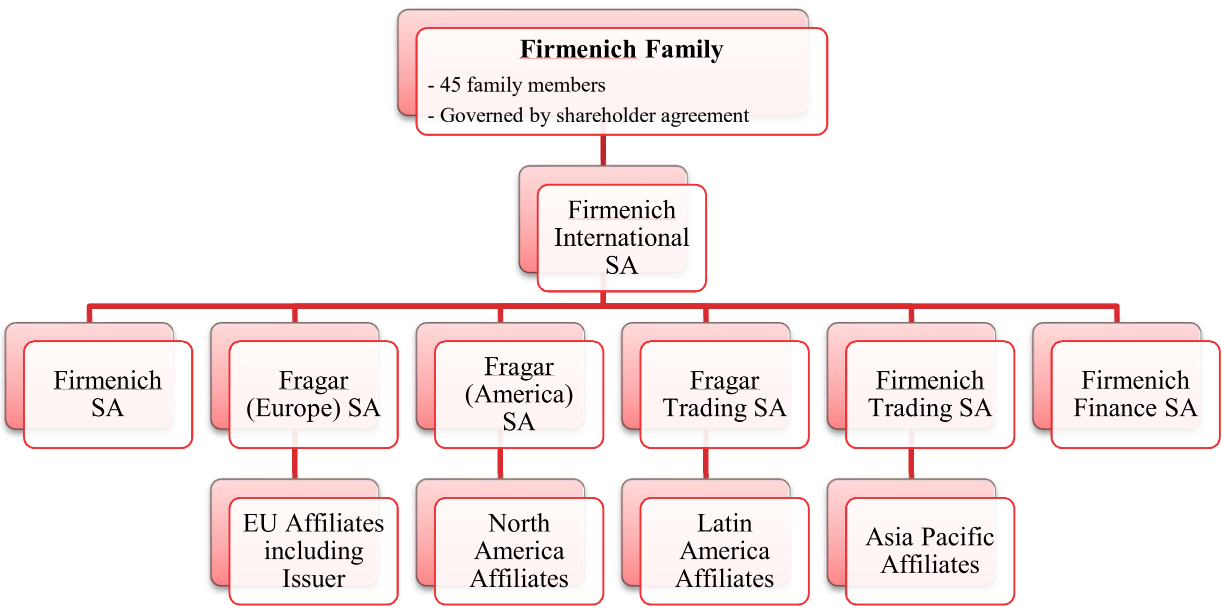
Management expects the Group's EBITDA margin for the financial year ended 30 June 2020 to be comparable to its EBITDA margin for the same period in 2019.

To date DRT's operations and financial performance have not been materially adversely impacted by the COVID-19 outbreak. DRT's operations in France and the U.S. continue to operate, although its facilities in India have experienced some disruption. DRT is experiencing strong demand for products aimed at the fragrance and adhesives end markets, partially offset by softer demand in the automotive and construction sectors.

See also "*Risk Factors - Infectious Disease and Any Other Serious Public Health Concerns*".

Group structure

Firmenich is the parent company of the Group. The following is an abbreviated Group structure diagram (all entities shown being 100% owned by the entity above):



Principal Activities

Firmenich's business is split into two principal divisions (Perfumery & Ingredients and Flavors) with their own sub-divisions, plus a research and development team complementing both businesses. Revenues attributable to each division (and sub-division) in the years ended 30 June 2019 and 30 June 2018 are set out below under "*Summary Financial Performance*".

Perfumery & Ingredients

The Perfumery & Ingredients division consists of the following sub-divisions:

- Fine Fragrance
- Personal, Body and Home Care
- Ingredients

Management estimates that its Perfumery & Ingredients business is tied for largest by revenue for the 2019 financial year amongst the entities it identifies as its key competitors[4]. The Group's growth strategy for the Perfumery & Ingredients division is primarily focused on increasing the agility and the efficiency across the organisation in response to the accelerating pace of new product launches in the perfumery industry. The Group is also focused on driving above-GDP growth by supporting clients in their efforts to grow in faster growing segments in developed markets, launching successful new products in growth markets as well as to launch products with unique and differentiating features, supported by Firmenich's portfolio of technologies, as well as aroma chemical, biotech and biodegradable ingredients. Management believes it has a leading position in each sub-division, ranking as a co-leader in Fine Fragrance, first in Ingredients and second in Personal, Body

[4] Pro-forma adjusted to reflect the full-year impact of announced acquisitions.

and Home Care among its competitors by revenues globally in each case[5]. Within Ingredients, management intends to expand the ingredients offering and lead the market in sustainable and renewable ingredients.

Flavors

The Flavors division consists of the following sub-divisions:

- Sweet Goods
- Beverage
- Savory

Management estimates that its Flavors business is the third largest by revenue for the 2019 financial year amongst the entities it identifies as its key competitors[6]. Within the Flavors division, management intends to continue to win business with regional and local clients while driving growth in growth markets, accelerating invocation and driving growth in natural and organic-certified products. The Group is also pursuing a strategy of being a leader in sugar reduction and deploying globally its expertise in plant-based foods acquired with the Campus transaction.

Research and Development

The Group has had a history of pioneering research and development. In 1939, the Group's head of Research and Development, Leopold Ruzicka, was awarded the Nobel Prize in Chemistry for his work on polymethylenes and higher terpenes. Investment in R&D in the financial year ended 30 June 2019 resulted in expenses of 9.3% of its turnover which, in the view of management, surpasses the R&D investment percentages of its main competitors.

The Research and Development function is sub-divided into the following divisions:

- Analytical Innovation
- Cellular Biology
- Organic Chemistry
- Sensory and Cognitive Science
- Knowledge Management
- Delivery Technologies
- Biotechnology

The Group currently employs more than 450 scientists worldwide and has more than 3,900 patents currently in force. The research and development teams are concentrated in six research and development centres around the globe (Geneva, New York, Princeton, San Diego, Shanghai, Gujarat).

Intellectual Property

Firmenich's has a large intellectual property portfolio due to its strong and pioneering Research and Development Team.

The Group has a portfolio of IP rights including trade secrets, patents, designs and trademarks. It protects and maintain its IP rights in alignment with the Group's innovation strategy and business interests. Specific

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[5] Source: Management estimates.

[6] Pro-forma adjusted to reflect the full-year impact of announced acquisitions.

measures are in place to ensure the confidentiality and protection of trade secrets, including legal frameworks with employees, suppliers, and customers and protected systems. The Group patent portfolios cover a variety of ingredients, technologies and processes. The Group considers its IP assets as critical element of its innovation strategy.

In many of the jurisdictions in which the Group seeks patents, provisional protection is obtained upon publication of the patent application and definitive protection is defined by the scope of granted claims in respective jurisdiction where protection is sought. The Group's issued patents are maintained in force for varying periods, up to a maximum of 20 years in the jurisdictions in which the Group has or is likely to in the future seek to have patent rights.

The Group also has processes in place to continually monitor compliance with third party patent rights.

Product safety compliance

Firmenich undertakes measures to ensure that it is compliant with the applicable regulations in each of its operating countries, and in particular, Firmenich ensures that each of the ingredients and its products are safe for human use or consumption. Whilst product safety regulations in the markets in which Firmenich operates may change and evolve, in management's view Firmenich should be able to adapt to face these new challenges.

Summary Financial Performance

Firmenich's revenue in the year ended 30 June 2019 was CHF 3.9 billion (up from CHF 3.7 billion in the year ended 30 June 2018). Management believes its Adjusted EBITDA Margin is market-leading, achieving margins of 23.3%, 22.6% and 21.5% in the financial years ended 30 June 2017, 30 June 2018 and 30 June 2019, respectively.

Firmenich achieved a revenue CAGR of 5.0% between the financial year ended 30 June 2013 to the financial year ended 30 June 2019.

The following tables provide a breakdown of revenue by product segment and region for the time periods indicated.

*Revenue by division (CHF millions)**

	Financial year ended 30 June 2019	Six months ended 31 December 2019	Six months ended 31 December 2018
Flavor	1,415.3	686.0	685.4
Perfumery & Ingredients	2,458.5	1,218.3	1,199.2
Total	3,873.8	1,904.3	1,884.6

* The Group began reporting revenues by operating segments in accordance with IFRS 8 for the first time in its six-month interim financial statements for the period ending 31 December 2019.

*Revenue by region (CHF millions)**

	Financial year ended 30 June 2019	Six months ended 31 December 2019	Six months ended 31 December 2018
North America	988.7	465.7	486.0
Europe[7]	1,252.0	593.4	602.6
Latin America[8]	505.6	249.3	245.3
India, Middle East and Africa	392.4	210.2	194.0
South East Asia	415.5	226.3	202.4
North and East Asia	319.6	159.4	154.3
Total	3,873.8	1,904.3	1,884.6

* The Group began reporting revenues by region in accordance with IFRS 8 for the first time in its six-month interim financial statements for the period ending 31 December 2019.

In the financial year ended 30 June 2019, the Group generated approximately 30% of its revenue in Europe (excluding Turkey), 8% in the Middle East and Africa (including Turkey and excluding India), 13% in Latin America (as reported), 26% in North America (as reported) and 23% in Asia (including India).

[7] includes Turkey.

[8] includes Mexico.

The Group aims to balance its exposure to growth markets (including India and China) with exposure to stable, mature developed markets. Currently, Group revenues derive approximately 55% from developed markets and 45% from growth markets.

Firmenich's management believes it can realise above-GDP growth in many developed markets by investing in product development and innovation in higher growth segments, such as plant-based foods and sugar reduction.

In the calendar year ended 30 June 2019, approximately 48% of the Group's revenues came from clients designated by the Group as regional and local clients, 48% from clients designated by the Group as key global customers (a specific set of customers identified by Firmenich, all of whom are multi-nationals) and 5% from other clients.

Employees

As of February 2020, Firmenich employed 7,645 employees (from 95 different countries). In financial year ended 30 June 2018, Firmenich employed 7,040 employees.

Firmenich was the seventh company globally to be certified by Economic Dividends for Gender Equality (EDGE) for gender parity in the workplace. Firmenich received this certification in December 2018 after a rigorous third-party evaluation including gender balance, equal pay, effectiveness of policies and practices and the inclusiveness of the Company's culture. Management believes in employee diversity as a key component of delivering superior results.

Additionally, in the financial year ended 30 June 2019, Firmenich launched a new Global Rewards and Well-Being Policy which is designed to attract, motivate, and retain the most talented people. It transparently discloses the wide range of benefits offered to Firmenich's employees and provides information about the availability of these benefits. Firmenich is also taking steps to encourage entry to the industry by providing internship and apprenticeship opportunities as part of the Global Alliance for YOUth initiative.

Material litigation

Firmenich is not or has not been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which Firmenich is aware) which may have, or have had in the recent past, significant effects on the financial position or profitability of Firmenich.

Information on Firmenich's most recent business performance

Subject to the items set out above at "*Recent Developments*", there have been no significant changes in the performance of Firmenich's business since 31 December 2019.

Material changes since the most recent annual financial statements

There has been no material adverse change in the financial condition or operations of Firmenich since 30 June 2019, which would materially affect its ability to carry out its obligations under the Bonds.

Sustainability

Firmenich was one of the first companies in its industry to measure and report sustainability as a critical business value and metric with its first external environmental reporting in 2006. Firmenich's "Performance and Sustainability Report" is produced annually and published on Firmenich's website. All facts in the report are validated through an independent assessor, SGS SA to ensure the report is reliable and meets the highest standards. Firmenich has since then been committed to fighting the climate crisis and minimising its environmental impact. Its Global Environmental Policy, updated every year, outlines its approach to reducing its impact.

One of only 36 UN Global Compact LEAD companies, Firmenich has been an active member of the business coalition for over a decade, placing the Sustainable Development Goals (SDGs) at the core of its growth strategy. It is also one of 87 visionary companies leading the "Business Ambition for 1.5C: Our Only Future" coalition, committed to a net-zero carbon future by no later than 2050.

In 2020, Firmenich was one of only six companies in the world to achieve CDP triple 'A' status for its actions to tackle climate change, water security and deforestation. CDP is an international non-profit, voted number one climate research provider by investors, that drives companies and governments to reduce their greenhouse gas emissions, safeguard water resources and protect forests. Firmenich is the only company in the Flavor and Fragrance industry to have achieved this top ranking. Firmenich has now reached this triple "A" status, and ranked on the CDP's Supplier Leaderboard for the second year in a row.

Firmenich joined the Science Based Targets initiative and set emission reduction goals aligned with limiting global temperature rise to 1.5°C. The company aims to reduce absolute Scope 1 and 2 CO_2 emissions by 55% and Scope 3 emissions from raw materials by 20% by 2030 vs. 2017. To support these targets, Firmenich became the first company in the Flavor and Fragrance industry powered by 100% renewable electricity in February 2020.

Firmenich is a member of the Supplier Ethical Data Exchange (Sedex) and EcoVadis, both global platforms for empowering ethical supply chains and reducing corporate footprints. Firmenich's 2019 EcoVadis "Platinum Score" was 83/100 (up from 82/100 in 2018), in the top 1% of the 60,000 global suppliers assessed by EcoVadis.

Firmenich's 2015–2020 sustainability strategy, called "Pathways to Positive", focuses on responsible growth and cuts across Perfumery, Ingredients and Flavors. Pathways to Positive is organised around three pillars: Governance, Growth and Green. Firmenich's 2020 goals reflect the three pillars and cover all business functions. Some of Firmenich's 2020 Goals in the Pathways to Positive programme and results to date include:

- Develop sustainability projects with 50 customers globally: over 100 already developed;
- Build 40 responsible sourcing projects with smallholder farming communities: over 30 projects implemented;
- Reduce absolute Scope 1 and 2 CO_2 emissions by 20%: 30.2% since 2015;
- Obtain 100% of electricity for Level 1 sites from renewable sources or offsets: achieved as of February 2020;
- Reduce the rate of water use in stressed areas by 25%: 9.7% reduction since 2015;
- Improve waste efficiency rate by 15%: 14.2% since 2015;
- Ensure all of manufacturing sites can claim zero waste to landfill: 56.3% reduction in waste to landfill in since 2015.

As of the date of this Offering Circular, Firmenich considers itself on track to meeting or exceeding all but one of the 2020 environmental goals (the reduction in rate of water used in stressed areas will likely be achieved over a slightly longer time period than originally anticipated).

CAPITALISATION

The following table sets forth the capitalisation and indebtedness of the Group as at the dates indicated:

	Year ended 30 June	
	2019	**2018**
	CHF millions	
Cash and cash equivalents	**376.4**	**443.6**
Borrowings:		
Long-term bank borrowings	36.4	25.9
Short-term bank borrowings	523.2	578.0
Total Debt	**559.6**	**603.9**
Equity:		
729,000 Class A shares of CHF 50 each	36.45	36.45
810,000 Class B shares of CHF 5 each	4.05	4.05
Total share capital	40.5	40.5
Retained earnings and other reserves	3,389.4	3,075.1
Remeasurement of postemployment 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	19.5	18.4
Total Equity	**2,706.4**	**2,433.0**
Total Capitalisation	**3,266.0**	**3,036.9**

MANAGEMENT

The management of Firmenich is directed by the Board of Directors and executed by the Executive Committee.

The business address of the members of the Board of Directors and the Executive Committee is Firmenich International SA, 7, rue de la Bergère, 1242 Satigny, Switzerland.

The Board meets at least six times per year, normally once per quarter; on the occasion of the AGM, and once in November for an extended seminar.

To the knowledge of Firmenich, there are no potential conflicts of interests between any duties to Firmenich of the members of the Board of Directors or the Executive Committee of Firmenich listed below and their private interests and/or other duties. Except as described in the section "*Director and Executive Committee Biographies*" below, no member of the Board of Directors or the Executive Committee of Firmenich holds any material permanent management or consultancy functions for significant domestic or foreign interest groups nor any significant official functions or political posts.

Board of Directors

Name (year of birth)	Current position on Board of Directors	Initially Appointed	Committee memberships	Status
Patrick Firmenich (1962)……….…	Chairman	2002	Nomination Committee (Chairman)	Family Member
Barbara Kux (1954)………………	Vice-Chairman	2008-2011 (Re-joined 2013)	Nomination Committee, Finance, Audit & Risk Committee	Independent
André Pometta (1965)…………..	Board Member	2003	Finance, Audit & Risk Committee	Family Member
Pierre Bouchut (1955)…………..	Board Member	2016	Finance, Audit & Risk Committee (Chairman)	Independent
Dr. Ajai Puri (1953)……………	Board Member	2014	Nomination Committee	Independent
Karen Jones Easton (1956)…….	Board Member	2011	Governance & Compensation Committee (Chairman)	Independent
Antoine Firmenich (1965)…….	Board Member	2009	Governance & Compensation Committee, Finance, Audit & Risk Committee	Family Member
Richard Ridinger (1958)……...	Board Member	2016	Governance & Compensation Committee	Independent
Michel Firmenich (1953)………..	Board Member	2013	Nomination Committee, Governance & Compensation Committee	Family Member

Director Biographies

Patrick Firmenich

Patrick Firmenich is the Chairman of the Board of Firmenich. He has been serving in this capacity since October 2016, after first joining the Board in 2002 when he became CEO of Firmenich. He previously served as Vice Chairman of the Board from 2014 to 2016. He also serves as Chairman of the Nomination Committee. Patrick first joined Firmenich in 1990 and spent a decade leading the strategic development of Firmenich's International Fine Fragrance business in New York and Paris before being appointed to the Executive Committee in 1999.

Barbara Kux

Barbara served on the Firmenich Board from May 2008 to October 2011. She re-joined the Board in 2013 and was appointed Vice-Chairman in 2016. Barbara is also a member of the Nomination and Finance, Audit & Risk Committees. Barbara has over 30 years of experience in management positions with leading international industrial and consumer goods companies. She started her career as a management consultant with McKinsey. In 2008, she was appointed the first woman to the managing board of Siemens AG where she increased results from supply chain management and green technologies, as she had done in her previous role at Royal Philips, where she was a member of the group management committee from 2003 to 2008. Barbara is currently a member of the supervisory board of Henkel AG & Co. KGaA, Grosvenor Group and Pargesa Holding, which holds stakes in Adidas, SGS, Pernod Ricard and other companies. She holds a master's degree in business administration with distinction from INSEAD in Fontainebleau.

André Pometta

André Pometta joined the Firmenich Board in 2003. André is also a member of the Finance, Audit & Risk Committee. Since 2013, André works exclusively on innovative projects with inventors, successful entrepreneurs and executives. Prior to his current role, he worked at Firmenich in a number of leadership roles and was a member of the Flavor Executive Team from 2009 to 2013. In 1997, André joined Firmenich as an Assistant Fragrance Development Manager for Personal, Body and Home Care first in Geneva, and then in Australia. In 2000, he became Senior Account Manager in Firmenich's Asia Pacific region in Singapore until 2003 when he returned to Geneva to serve as Regional Manager of North African and the Middle East. He was then appointed General Manager Firmenich Vienna & Perfumery Division Manager CEE, until he became President of Firmenich Aromatics Co in Shanghai, China in 2008. In 2011, he relocated to Belgium where he was in charge of managing Firmenich's Beverage Base & Seafood extract businesses globally, as well as Savory in Europe. André started his career in 1997 with the Zuellig Group in the Philippines where he held various positions in marketing, operations and sales. Currently, Andre is a board member of Smixin SA (a cleantech company) and Cluster1 SA (an Animal Health company). André holds a BS in economics from HEC Lausanne, Switzerland.

Pierre Bouchut

Pierre Bouchut joined the Board of Firmenich in 2016. He is also Chairman of the Finance, Audit and Risk Committee, having held the position since 2016. Pierre was the chief operating officer for Europe and Indonesia and a member of the management board of Ahold Delhaize until January 2018. Prior to the merger of Ahold and Delhaize, Pierre was the executive vice president and chief financial officer of Delhaize Group having joined them in 2012. Before joining Delhaize Group, Pierre was chief financial officer and then executive director of growth markets at Carrefour, overseeing operations in Latin America, Turkey, India, Indonesia and Malaysia. He also oversaw Carrefour Personal Financial Services operations worldwide and was in charge of IT and Real Estate globally. Pierre also worked at the Schneider Group as chief financial officer, developing numerous initiatives in structured finance, risk management and external growth; was CEO of Casino group;

worked at McKinsey & Company as a consultant in the corporate finance and integrated logistics practices; and prior to that, was with Citibank in Paris. Today, he is a board member of Hammerson Plc (a retail property investment company), Geopost SA (a subsidiary of the French Post Office) and Albioma SA (a company specialized in the production of "green" electricity) and GVC Holding PVC (a sport betting and gaming group). A graduate of HEC Paris, he holds a master's degree in applied economics from the University of Paris Dauphine.

Dr. Ajai Puri

Dr. Ajai Puri joined the Board of Firmenich in 2014. He is also a member of the Nomination Committee. From 2003 to 2007, Ajai served as executive board member and president - research, development and product integrity at Royal Numico, a specialized nutrition company. At Royal Numico, now part of Groupe Danone, he was responsible for developing and implementing a science-driven, consumer-led R&D strategy in the areas of early life and medical nutrition. He also served as principal crisis management officer during his tenure. Prior to Royal Numico, Dr. Puri had a long career at The Minute Maid Company / The Coca-Cola Company in the US. During this 22 year period, he held a variety of positions of global scope including senior vice president technical (science and technology). Ajai currently holds non-executive directorships at Tate and Lyle PLC, a global provider of high quality ingredients to the food, beverage and other industries, and at Britannia Industries Ltd, one of India's largest independent food groups. His previous board mandates include non-executive directorships with Nutreco NV and Barry Callebaut AG. He holds a Ph.D. in food science from the University of Maryland, College Park, United States and an MBA from the Crummer School, Rollins College, Orlando, United States.

Karen Jones Easton

Karen Jones Easton joined the Board of Firmenich in 2011. She is Chairman of the Governance & Compensation Committee. Founder and chairman of Food and Fuel Ltd., a UK hospitality company specializing in gastro pub restaurants, Karen has 30 years of experience in creating, developing, and leading restaurant and pub businesses across the U.K. She was previously CEO of Spirit Group Ltd., and she helped launch the Pelican Group Plc., the owner of several successful restaurant chains. Today, Karen is chairman of the board of the Under Dog Group, the London-based food and drink operator, Executive Chairman of Prezzo, a United Kingdom Italian restaurant chain, and Chairman of Mowgli Street Food, (an Indian food concept in the UK). She holds an honours degree from the University of East Anglia in the UK.

Antoine Firmenich

Antoine Firmenich joined the Board of Firmenich in 2009. He is a member of the Governance & Compensation Committee, and the Finance, Audit & Risk Committee. Since 2008 Antoine is the CEO & managing director of Aquilus Pte Ltd in Singapore. He is a founding partner of Alatus Capital, a value investment management firm which has worked over the past decade and a half with a number of global foundations, pension funds, endowments, and discerning long-term investors. Prior to his current role, Antoine worked at Firmenich in a number of leadership roles. From 1996 until 2000 he was Director of Flavor Raw Materials at Firmenich Inc. in the US and also Product Manager for Natural Chemicals and Citrus Raw Materials. From 2000 to 2002, he served as the Vice President of Encapsulated Flavors. From 2002 to 2005 he was in charge of the Flavors Sweet Goods Global Business Unit, and from 2005 looked after the Savory Global Business Unit. He has served on a number of corporate boards, including SIX-listed Nobel Biocare, the world's largest dental implant and digital dentistry company (since taken over by Danaher in the US). He holds a BS in life sciences from the Massachusetts Institute of Technology (MIT), a PhD in Biochemistry from Stanford University School of Medicine, and an MBA from the Stanford University Graduate School of Business.

Richard Ridinger

Richard Ridinger joined the Board of Firmenich in October 2016. He is a member of the Governance and Compensation Committee. Richard was until March 2019 the CEO of Lonza, a global leader in life sciences, with experience in science-driven organisations, having held global roles in groups such as Cognis and Henkel. Prior to becoming CEO at Lonza, he was responsible for Care Chemicals, the largest group at Cognis, a former division of Henkel, with approximately 3,000 employees. A trained chemical engineer, his experience spans process development, production management, product and marketing management of different product areas, leading global business units and responsibility for leading a worldwide specialty chemicals group. As of April 2020, Richard is an advisory group member of Novo Holdings A/S and a Board member of wcgclinical (a clinical trial service company). He holds a BS in chemical engineering from the University of Karlsruhe in Germany.

Michel Firmenich

Michel Firmenich joined the Board of Firmenich in 2013. He is also a member of the Nomination and Governance & Compensation Committees. Prior to joining the Firmenich Board, Michel worked at Firmenich for 27 years, holding a broad scope of executive management roles within Firmenich's Information Systems (I.S.) division. He served as Vice President, Head of IS from 2005 until his retirement in 2008. Michel is a Board member of La Découvrete School in Geneva, Switzerland. He holds a BS in IT management, from the University of Geneva's Faculty of Social and Economic Sciences.

Executive Committee

Name (year of birth)	Current position with Firmenich	Initially Appointed
Gilbert Ghostine (1960)……………	Chief Executive Officer	2014
Eric Nicolas (1960)……..……..……	Chief Financial Officer and Chief Operating Officer	2010
Jane Sinclair (1962) ……………….…	General Counsel & Secretary to the Board	2015
Mieke Van de Capelle (1974)…………	Chief HR Officer	2016
Armand de Villoutreys (1960)…………	Perfumery & Ingredients, President*	1998
Boet Brinkgreve (1970)…..…………	Chief Supply Chain Officer	2006
Emmanuel Butstraen (1968)……….	Flavors, President	2018
Geneviève Berger (1955)…….………	Chief Research Officer	2015
Ilaria Resta (1973)…………………….	Perfumery, President**	2020

*Retiring effective 30 June 2020

** Committee member from 2 March 2020, Perfumery President from 1 July 2020

Gilbert Ghostine

Gilbert joined Firmenich in October 2014 as the Group's first non-family member CEO. Gilbert acts as co-chair of the WBCSD Sustainable Lifestyles Cluster. Gilbert spent more than two decades with Diageo, leading its businesses and living across four continents, most recently as the head of the APAC region. He is a director of Malia Group in Lebanon. He holds a Masters Degree in Business Administration from Saint Joseph University, Lebanon.

Eric Nicolas

Eric oversees Corporate Strategy, Finance, Digitalization and Information Services, Business Process Excellence, Global Workplace Solutions, Indirect Purchasing and Risk Management. He is a Board Member of the Livelihoods Funds, rated as "*Best Corporate Offsetting Program*" by the Voluntary Carbon Markets Rankings in 2016. Prior to joining Firmenich, Eric served as Senior Vice President, Corporate Controller and Group Strategy of the Renault / Nissan Group in Paris, France. He holds a doctorate in Economics and Organization Science from Paris Dauphine University, a Masters Degree in Finance from HEC Paris and a Masters Degree in Econometrics from Sorbonne Université.

Jane Sinclair

Jane leads the Legal and Compliance functions across Firmenich's worldwide operations with direct oversight for Commercial Legal and Intellectual Property (CL&IP); Quality, Health, Safety and Environment (QHSE); Global Regulatory Services (GRS); and Business Ethics and Trade Compliance (BE&TC). Prior to joining Firmenich, Jane worked in the pharmaceutical industry for 9 years with legal roles for Pacific, Asia and Africa (Australia) and Europe (France) and finally as Head of International Legal and Global Privacy, at Abbott and then AbbVie Biopharmaceuticals. She spent the first 17 years of her career at The Coca-Cola Company across multiple Asia Pacific, US and Australian locations. Jane holds a Masters Degree in Business Administration from Deakin University in Victoria, Australia as well as a Bachelor of Laws and Bachelor of Asian Studies degree from the Australian National University.

Mieke van de Capelle

Mieke is responsible for leading HR and Communications and Sustainability. Prior to Firmenich, her previous positions include Chief HR officer at Perfetti Van Melle, a global confectionary leader, as well as leading the EMEA HR organisation for Electrolux Corporation. She also spent 11 years with Sara Lee Corporation, culminating with the role of Vice President Human Resources. Mieke holds a Masters Degree in Philology from Ghent University in Belgium and a Masters Degree in Communication from Université de Bourgogne in France.

Armand de Villoutreys

Armand oversees the Perfumery & Ingredients division, covering Fine Fragrance, Personal, Body and Home Care and Ingredients. Armand started his career in consumer goods marketing at General Foods, prior to joining Firmenich, he was a Director at Accor and held numerous positions at Steelcase Strafor in Paris and Madrid, including the posts of General Manager, Marketing Director and International Account Director. Armand will be retiring effective 30 June 2020. Armand holds a Masters Degree in Business Administration from INSEAD and a bachelor's degree from ESCP Business School.

Boet Brinkgreve

Boet is Firmenich's Chief Supply Chain Officer. Before this role, he was Head of the Ingredients Division, and drove growth in China for several years. Prior to joining Firmenich, and after having run two start-ups, Boet worked for DuPont in several business development roles. He holds a bachelor's degree in mechanical engineering at the Technical University of Eindhoven & HTS den Bosch in the Netherlands.

Emmanuel Butstraen

Emmanuel oversees the Flavors division, covering Beverage, Sweet Goods, and Savory. Prior to joining Firmenich, he was President of Solvay's Novecare global business unit, a leader in specialty technologies for broad consumer applications. He also spent 17 years with BASF, where he served as Senior Vice President Strategy for the group's agricultural products division. Emmanuel holds a Masters Degree in Business Administration and a Bachelor's degree in agricultural engineering from the University of Lille.

Geneviève Berger

Geneviève is Firmenich's Chief Research Officer. Prior to Firmenich her experience spans Chief Research & Development Officer at Unilever, leading the CNRS (26,000 employees) as well as being a Medical Doctor and Professor at the Hôpital de la Pitié-Salpêtrière in France. She holds three doctorates in physics, human biology and medicine, and currently sits, as a non-executive director, on the boards of Astra-Zeneca and Air Liquide.

Ilaria Resta

From 1 July 2020, Ilaria will oversee the Perfumery division, covering Fine Fragrance and Personal, Body and Home Care. Prior to Firmenich she was President of Proctor & Gamble's ("**P&G**") Hair Care division for the North America market, a position she held since July 2017. An Italian and Swiss citizen, Resta joined P&G after receiving a bachelor's degree in marketing and economics from the University of Naples. She also earned a Master's Degree in financial mathematics. Ilaria has held leadership roles across P&G's Beauty, Fabric and Home Care businesses in Europe, North America and globally.

SHAREHOLDERS AND DIVIDEND POLICY

Ordinary Share Capital

As at 30 June 2019, Firmenich's ordinary share capital amounted to CHF 40,500,000 fully paid in and divided into 729,000 Registered A shares with a par value of CHF 50.00, and 810,000 Registered B shares with a par value of CHF 5.00 each.

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

Shareholders

Firmenich is 100% family-owned with no individual shareholder holding more than 25% in aggregate of the total ordinary share capital. The shareholders have each signed up to a long-standing shareholders' agreement.

Dividend Policy

Firmenich's dividend policy is set by its Board of Directors and validated by the shareholders. It has historically operated a conservative dividend payout, with no exceptional dividend ever being financed by debt, with retained earnings instead being mostly re-invested to maintain the Group's leading research platform and grow the Group's asset base. Firmenich believes its dividend payout ratio has historically been comparable to its publicly traded peers.

SUMMARY SELECTED CONSOLIDATED FINANCIAL DATA OF FIRMENICH

The following tables present selected historical consolidated financial data for Firmenich as at the dates and for the periods indicated. The historical selected consolidated income statement for Firmenich for the fiscal years ended 30 June 2019, 2018 and 2017 and the historical selected consolidated statement of financial position as at 30 June 2019, 2018 and 2017 have been obtained from Firmenich's audited consolidated financial statements as at and for the periods ended 30 June 2019 and 2018 which are included within this Offering Circular. The historical selected consolidated income statement for Firmenich for the six-month periods ended 31 December 2019 and 2018 and the historical selected consolidated six-month statement of financial position as at 31 December 2019 have been obtained from Firmenich's unaudited consolidated interim financial information as at and for the period ended 31 December 2019 prepared by Firmenich which is included within this Offering Circular.

Selected Consolidated Income Statement

Firmenich International SA

	Year ended 30 June		
In millions of CHF	2019	2018	2017
Revenue	3,873.8	3,658.5	3,337.6
Cost of goods sold	(2,180.5)	(1,956.9)	(1,743.6)
Gross Profit	**1,693.3**	**1,701.6**	**1,594.0**
as % of revenue	*43.7%*	*46.5%*	*47.8%*
Distribution expenses	(88.0)	(85.8)	(76.8)
Research and development expenses	(360.4)	(354.0)	(338.6)
Commercial and marketing expenses	(365.0)	(339.0)	(298.3)
Administration expenses	(212.0)	(261.7)	(237.6)
Other operating income	38.6	11.2	3.0
Operating profit	**706.5**	**672.3**	**645.7**
as % of revenue	*18.2%*	*18.4%*	*19.3%*
Financing costs	(32.2)	(24.4)	(10.5)
Net other financial (expense)/income	(44.5)	8.2	(63.3)
Share of profit of jointly controlled entities and associates, net of taxes	1.3	0.9	0.9
Income before taxes	**631.1**	**657.0**	**572.8**
Income tax expense	(102.0)	(75.3)	(110.0)
Net income for the period	**529.1**	**581.7**	**462.8**
Attribution			
Net income attributable to non-controlling interests	2.4	1.3	1.4
Net income attributable to equity holders of the parent	**526.7**	**580.4**	**461.4**
as % of revenue	*13.6%*	*15.9%*	*13.8%*
Basic and diluted earnings per A share (in CHF)	650.24	716.52	569.65
Basic and diluted earnings per B share (in CHF)	65.02	71.65	56.97

Selected Consolidated Statement of Financial Position

Firmenich International SA

In millions of CHF	Year ended 30 June 2019	2018	2017
Total assets	**4,826.3**	**4,622.4**	**3,521.2**
Total equity	**2,706.4**	**2,433.0**	**2,026.2**
Employee benefit obligations[(1)]	606.9	627.3	532.5
Provisions[(1)]	14.9	8.7	74.0
Deferred tax liabilities	123.6	119.3	66.6
Long-term bank borrowings	36.4	25.9	1.9
Other long-term liabilities	21.7	24.9	23.0
Total non-current liabilities	**803.5**	**806.1**	**698.0**
Total current liabilities	**1,316.4**	**1,383.3**	**797.0**
Total liabilities	**2,119.9**	**2,189.4**	**1,495.0**
Total equity and liabilities	**4,826.3**	**4,622.4**	**3,521.2**

Notes:

(1): Deferred compensation items that were classified in provisions in 2017 were classified as employee benefit obligations from 2019 (including comparative period in 2018).

Selected Consolidated Six Month Income Statement

Firmenich International SA

	Six months ended 31 December	
In millions of CHF	2019	2018
Revenue	**1,904.3**	**1,884.6**
Cost of goods sold	(1,049.1)	(1,050.6)
Gross Profit	**855.2**	**834.0**
as % of revenue	*44.9%*	*44.3%*
Distribution expenses	(43.2)	(43.4)
Research and development expenses	(184.5)	(169.2)
Commercial and marketing expenses	(192.6)	(177.8)
Administration expenses	(129.6)	(114.7)
Other operating income	9.9	15.7
Operating profit	**315.2**	**344.6**
as % of revenue	*16.6%*	*18.3%*
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**
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)	274.19	295.22
Basic and diluted earnings per B share (in CHF)	27.42	29.52

Selected Consolidated Six Month Statement of Financial Position

Firmenich International SA

In millions of CHF	At period ended 31 December 2019	At period ended 30 June 2019
Assets		
Goodwill and intangible assets	1,319.1	1,276.9
Property, plant and equipment	1,201.8	1,023.6
Financial investments and loans	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	11.3	13.7
Current income tax assets	81.2	82.2
Financial investments	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	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	182.8	36.4
Other long-term liabilities	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	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	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**

ACQUISITION OF LES DÉRIVÉS RÉSINIQUES ET TERPÉNIQUES SAS

Introduction

On March 6, 2020, Firmenich announced that it had entered into exclusivity with Ardian, Tikehau Capital and family shareholders to acquire 100% of the shares of Les Dérivés Résiniques et Terpéniques SAS ("**DRT**"), a company incorporated in France. The transaction consideration consists of approximately EUR 1.0 billion and the assumption of DRT's financial liabilities.

The Acquisition, including the refinancing of DRT's financial liabilities, is debt financed in whole by the proceeds of the Bonds.

Management's strategic rationale for the acquisition is to strengthen Firmenich's ingredients portfolio by broadening Firmenich's offering into renewable and sustainable ingredients. This acquisition is intended to assist Firmenich in achieving its goals of leading in renewable ingredients, including access to sustainable raw materials, best-in-class extraction and distillation capabilities and advanced innovation processes.

DRT is a leader in providing green ingredients to Perfumery and management expects it will bring new capabilities to Firmenich in a variety of end markets including: health & nutrition, cosmetics, adhesives, coatings and agriculture. DRT offers sustainable or "green" alternatives to existing ingredients in each of these end markets.

The put option agreement relating to the acquisition of DRT was signed on 4 March 2020, and exercised by Ardian on 30 March 2020, leading to the execution of a share purchase agreement between Firmenich, Ardian, Tikehau Capital and the other minority vendors on 7 April 2020. The transaction remains subject to customary approvals by anti-trust authorities, with approval by the US Federal Trade Commission having been granted on 9 April 2020. Management expects transaction closing by the end of June 2020.

History and Ownership of DRT

DRT is a global leader in processing turpentine from pine trees. It was founded in 1932 by seven woodland owners to create pine turpentine products. In 1988, DRT established a fine chemistry site at Castets which enabled it to produce ingredients for the fragrance sector. In 2016, DRT made steps into the USA with a U.S.$ 140 million acquisition of Pinova Inc. from Symrise and the construction of a complementary new greenfield plant.

A majority stake in November 2017 was acquired by private equity sponsor Ardian from Tikehau and other family shareholders valuing the company at approximately €1 billion. Prior to the acquisition by Firmenich, shares were held 78% by Ardian, 11% by Tikehau, 8% by several other families and 3% by management. Following the acquisition, 100% of the shares in DRT will be held by the Group.

Operations of DRT

DRT's turpentine processing business is run from nine production plants (four in France, two in the US, two in India and one in China, including a joint venture plant with Firmenich in France). DRT has a portfolio of approximately 300 naturally derived ingredients and molecules.

For the financial year ended 31 December 2019 DRT reported revenues of approximately €544.7 million and reported net EBITDA of approximately €98.6 million. Revenues were geographically split in the financial year ended 31 December 2018 with approximately 22% France, 42% Rest of Europe, 18% Americas, 17% Asia and 1% for the Rest of the World, with such figures being 19% France, 41% Rest of Europe, 23% Americas, 15%

Asia and 2% for the Rest of the World for the financial year ended 31 December 2019. DRT had revenue growth of approximately 5% per year from 2014 to 2019.

DRT has a historical and continuing commitment to environmental protection and sustainability, having signed the Responsible Care World Charter in 1991. It launched a 100% bio-sourced product line in 2011 and installed a biomass power generator at its manufacturing plant in Vielle-Saint-Girons in 2015.

Headquarters & Employees

DRT is headquartered in Dax in France and employs approximately 1,500 people worldwide.

Financial Statements of DRT

The audited consolidated financial statements of Alpha-Beta International which consolidates DRT and its subsidiaries (including the notes thereto) as at, and for the year ended 31 December 2019 and related Auditor's Reports, are attached to this Offering Circular (see "*Financial Statements*").

USE AND ESTIMATED NET AMOUNT OF PROCEEDS

The estimated net proceeds of the issue of the Bonds, after deduction of commissions, fees, and estimated expenses, will be €1,489,807,500. The net proceeds will be used for general corporate purposes of the Issuer and/or its subsidiaries from time to time including DRT, which may include refinancing existing indebtedness and/or acquisition finance.

TERMS AND CONDITIONS OF THE SERIES A BONDS

The following subject to modification and except for provisions in italics are the terms and conditions substantially in the form which will apply to the Bonds:

The issue of the €750,000,000 1.375 per cent. Guaranteed Bonds due 2026 (the "**Bonds**") was authorised by a resolution of the President of Firmenich Productions Participations SAS (such entity or such substitute issuer as is appointed in accordance with Condition 12(d), being the "**Issuer**") passed on 27 April 2020 and the giving of the guarantee of the Bonds by Firmenich International SA (the "**Guarantor**") pursuant to the deed of guarantee dated 30 April 2020 (the "**Deed of Guarantee**") was authorised by resolutions of the Board of Directors of the Guarantor passed on 12 February 2020. The Issuer has executed a deed of covenant (the "**Deed of Covenant**") dated 30 April 2020 in relation to the Bonds. Copies of the Deed of Guarantee, the Deed of Covenant and the Fiscal Agency Agreement (the "**Fiscal Agency Agreement**") dated 30 April 2020 (the "**Issue Date**") relating to the Bonds between the Issuer, the Guarantor, the registrar (the "**Registrar**"), any transfer agents (each a "**Transfer Agent**"), the initial fiscal agent and any other agents named in it, are available for inspection during usual business hours at the specified offices of the fiscal agent for the time being (the "**Fiscal Agent**"), the Registrar and any Transfer Agents. "**Agents**" means the Fiscal Agent, the Registrar, the Transfer Agents and any other agent or agents appointed from time to time with respect to the Bonds. The Bondholders are deemed to have notice of those applicable to them of the Fiscal Agency Agreement.

1 Form, Denomination and Title

The Bonds are issued in the specified denomination of €100,000 and higher integral multiples of €1,000.

The Bonds are represented by registered certificates ("**Certificates**") and, save as provided in Condition 2(a), each Certificate shall represent the entire holding of Bonds by the same holder.

Title to the Bonds shall pass by registration in the register that the Issuer shall procure to be kept by the Registrar in accordance with the provisions of the Fiscal Agency Agreement (the "**Register**"). Except as ordered by a court of competent jurisdiction or as required by law, the holder (as defined below) of any Bond shall be deemed to be and may be treated as its absolute owner for all purposes whether or not it is overdue and regardless of any notice of ownership, trust or an interest in it, any writing on the Certificate representing it or the theft or loss of such Certificate and no person shall be liable for so treating the holder.

In these Conditions, "**Bondholder**" and "**holder**" means the person in whose name a Bond is registered.

2 Transfers of Bonds

(a) **Transfer:** A holding of Bonds may, subject to Condition 2(e), be transferred in whole or in part upon the surrender (at the specified office of the Registrar or any Transfer Agent) of the Certificate(s) representing such Bonds to be transferred, together with the form of transfer endorsed on such Certificate(s) (or another form of transfer substantially in the same form and containing the same representations and certifications (if any), unless otherwise agreed by the Issuer), duly completed and executed, and any other evidence as the Registrar or Transfer Agent may reasonably require. In the case of a transfer of part only of a holding of Bonds represented by one Certificate, a new Certificate shall be issued to the transferee in respect of the part transferred and a further new Certificate in respect of the balance of the holding not transferred shall be issued to the transferor. In the case of a transfer of Bonds to a person who is already a holder of Bonds, a new Certificate representing the enlarged holding shall only be issued against surrender of the Certificate representing the existing holding. All transfers of Bonds and entries on the Register will be made in accordance with the detailed regulations concerning transfers of Bonds scheduled to the Fiscal Agency Agreement. The regulations may be changed by the

Issuer, with the prior written approval of the Registrar. A copy of the current regulations will be made available by the Registrar to any Bondholder upon request.

(b) **Exercise of Options or Partial Redemption in respect of Bonds:** In the case of an exercise of an Issuer's or Bondholders' option in respect of, or a partial redemption of, a holding of Bonds represented by a single Certificate, a new Certificate shall be issued to the holder to reflect the exercise of such option or in respect of the balance of the holding not redeemed. New Certificates shall only be issued against surrender of the existing Certificates to the Registrar or any Transfer Agent.

(c) **Delivery of New Certificates:** Each new Certificate to be issued pursuant to Condition 2(a) or 2(b) shall be available for delivery within three business days of receipt of a duly completed form of transfer and surrender of the existing Certificate(s). Delivery of the new Certificate(s) shall be made at the specified office of the Transfer Agent or of the Registrar (as the case may be) to whom delivery or surrender of such form of transfer or Certificate shall have been made or, at the option of the holder making such delivery or surrender as aforesaid and as specified in the relevant form of transfer or otherwise in writing, be mailed by uninsured post at the risk of the holder entitled to the new Certificate to such address as may be so specified, unless such holder requests otherwise and pays in advance to the relevant Transfer Agent or the Registrar (as the case may be) the costs of such other method of delivery and/or such insurance as it may specify. In this Condition 2(c), "**business day**" means a day, other than a Saturday or Sunday, on which banks are open for business in the place of the specified office of the relevant Transfer Agent or the Registrar (as the case may be).

(d) **Transfer or Exercise Free of Charge:** Certificates, on transfer, exercise of an option or partial redemption, shall be issued and registered without charge by or on behalf of the Issuer, the Registrar or any Transfer Agent, but upon payment of any tax or other governmental charges that may be imposed in relation to it (or the giving of such indemnity as the Registrar or the relevant Transfer Agent may require).

(e) **Closed Periods:** No Bondholder may require the transfer of a Bond to be registered (i) during the period of 15 days ending on (and including) the due date for redemption of that Bond, (ii) during the period of 15 days prior to (and including) any date on which Bonds may be called for redemption by the Issuer at its option pursuant to Condition 6, (iii) after any such Bond has been called for redemption or purchased by the Issuer at its option pursuant to Condition 6(h), (iv) after a Change of Control Put Exercise Notice has been delivered in respect of such Bond or (v) during the period of seven days ending on (and including) any Record Date (as defined in Condition 7(a)(ii)).

3 Guarantee and Status

(a) **Guarantee**: The Guarantor has in the Deed of Guarantee unconditionally and irrevocably guaranteed the due payment of all sums expressed to be payable by the Issuer under the Bonds. The obligations of the Guarantor under the Deed of Guarantee shall, save for such exceptions as may be provided by applicable legislation and by provisions of law that are mandatory and of general application, and subject to Condition 4, at all times rank at least equally with all its other present and future unsecured and unsubordinated obligations.

(b) **Status**: The Bonds constitute (subject to Condition 4) direct, unconditional and unsecured obligations of the Issuer and shall at all times rank *pari passu* and without any preference among themselves. The payment obligations of the Issuer under the Bonds shall, save for such exceptions as may be provided by applicable legislation and by provisions of law that are mandatory and of general application, and subject to Condition 4, at all times rank at least equally with all its other present and future unsecured and unsubordinated obligations.

4 Negative Pledge

So long as any Bond remains outstanding (as defined in the Fiscal Agency Agreement), neither the Issuer nor the Guarantor will create or permit to exist any Security Interest (other than a Permitted Security Interest) upon, or with respect to, the whole or any part of its present or future business, undertaking, property, assets or revenues to secure any Relevant Indebtedness or to secure any guarantee of or indemnity in respect of any Relevant Indebtedness, unless in the case of the creation of a Security Interest, before or at the same time and, in any other case, any and all action necessary shall promptly have been taken to ensure that:

(a) all amounts payable by the Issuer or the Guarantor in respect of the Bonds are secured by the Security Interest equally and rateably with the Relevant Indebtedness or guarantee or, indemnity, as the case may be; or

(b) such other Security Interest or guarantee or, indemnity or other arrangement (whether or not it includes the giving of a Security Interest) is provided in respect of all amounts payable by the Issuer or the Guarantor under the Bonds in favour of the Bondholders as shall be approved by an Extraordinary Resolution of the Bondholders.

In these Conditions:

"**Extraordinary Resolution**" has the meaning given to it in the Fiscal Agency Agreement (being at the date hereof a resolution duly passed by a majority of not less than three-fourths of the votes cast thereon).

"**Material Subsidiary**" means at any time a Subsidiary:

(a) whose gross revenues or total assets (in each case consolidated in the case of a Subsidiary which itself has Subsidiaries) represent 15% or more of the consolidated gross revenues or, as the case may be, consolidated total assets of the Guarantor all as calculated by reference to the then latest audited accounts (consolidated or, as the case may be, unconsolidated) of such Subsidiary and the then latest consolidated audited accounts of the Guarantor, provided that:

   (i) in the case of a Subsidiary acquired or an entity which becomes a Subsidiary after the end of the financial period to which the then latest audited consolidated accounts of the Guarantor relate, the reference to the then latest audited consolidated accounts of the Guarantor for the purposes of the calculation of the above shall until the consolidated audited accounts of the Guarantor are published for the financial period in which the acquisition is made or, as the case may be, in which such entity becomes a Subsidiary, be deemed to be a reference to the then latest consolidated accounts of the Guarantor adjusted in such manner as may be appropriate to consolidate the latest audited accounts (consolidated or, as the case may be, unconsolidated) of such Subsidiary in such accounts;

   (ii) if, in the case of any Subsidiary, no audited accounts (consolidated or, as the case may be, unconsolidated) are prepared, then the determination of whether or not such Subsidiary is a Material Subsidiary shall be determined by reference to its unaudited accounts (consolidated or, as the case may be, unconsolidated) (if any) or on the basis of *pro forma* accounts (consolidated or, as the case may be, unconsolidated);

   (iii) if, in the case of a Subsidiary which itself has Subsidiaries, no consolidated accounts are prepared, then the consolidated gross revenues or total assets of such Subsidiary shall be determined on the basis of *pro forma* consolidated accounts of the relevant Subsidiary;

(iv) if the accounts of any Subsidiary (not being a Subsidiary referred to in (A) above) are not consolidated with those of the Guarantor, then the determination of whether or not such Subsidiary is a Material Subsidiary shall be based on a *pro forma* consolidation of its accounts (consolidated, if appropriate) with the consolidated accounts of the Guarantor; and

(v) if the latest accounts of any Subsidiary are not prepared on the basis of the same accounting principles, policies and practices of the latest consolidated audited accounts of the Guarantor, then the determination of whether or not such Subsidiary is a Material Subsidiary shall be based on *pro forma* accounts or, as the case may be, consolidated accounts of such Subsidiary prepared on the same accounting principles, policies and practices as adopted in the latest consolidated audited accounts of the Guarantor, or an appropriate restatement or adjustment to the relevant accounts of such Subsidiary; or

(b) to which is transferred the whole or substantially the whole of the assets and undertaking of a Subsidiary which immediately prior to such transfer was a Material Subsidiary, provided that the Subsidiary which so transfers its assets and undertaking shall forthwith upon such transfer cease to be a Material Subsidiary and the Subsidiary to which the assets and undertaking are so transferred shall become a Material Subsidiary on the date on which the first published audited consolidated accounts of the Guarantor prepared as of a date later than such transfer are issued, unless such transferor Subsidiary would continue to be a Material Subsidiary on the basis of such accounts by virtue of the provisions of paragraph (a) above.

"**Permitted Security Interest**" means:

(a) any Security Interest which exists on any undertaking or asset which secures any Relevant Indebtedness of the Issuer or the Guarantor or any Subsidiary which asset or undertaking is acquired after 27 April 2020, provided that such Security Interest existed at the date of such acquisition, was not granted in contemplation of the acquisition and the amount thereby secured has not been increased in contemplation of, or since the date of, the acquisition and any Security Interest over the same undertaking or asset which is given for the purpose of, and to the extent of, the refinancing of any such Relevant Indebtedness;

(b) any Security Interest existing on 30 April 2020;

(c) any Security Interest granted to secure any Relevant Indebtedness incurred in connection with a Securitisation; and

(d) any Security Interest as shall have been previously approved by an Extraordinary Resolution of the Bondholders.

"**Relevant Indebtedness**" means:

(a) any loan or other indebtedness present or future which is in the form of or represented by any notes, bonds, debentures, debenture stock, loan stock or other securities which are for the time being quoted, listed or ordinarily dealt in, on any stock exchange or other recognised securities market, and

(b) any guarantee or indemnity in respect of any such loan or other indebtedness referred to in paragraph (a).

"**Securitisation**" means any securitisation of existing or future assets and/or revenues, provided that:

(a) any Security Interest given by the Issuer or the Guarantor in connection therewith is limited solely to the assets and/or revenues which are the subject of the securitisation;

(b) each person participating in such securitisation expressly agrees to limit its recourse to the assets and/or revenues securitised as the principal source of repayment for the moneys advanced or payment of any other liability; and

(c) there is no other recourse to the Issuer or then Guarantor in respect of any default by any person under the securitisation.

"**Security Interest**" means any mortgage, charge, lien, pledge or other security interest.

"**Subsidiary**" means an entity of which the Guarantor has direct or indirect control or owns directly or indirectly more than 50 per cent. of the voting capital or similar right of ownership and "**control**" for this purpose means the power to direct the management and the policies of the entity whether through the ownership of voting capital, by contract or otherwise.

5 Interest

The Bonds bear interest on their outstanding principal amount from and including the Issue Date at the rate of 1.375 per cent. per annum (the "**Rate of Interest**"), payable annually in arrear on 30 October in each year (each an "**Interest Payment Date**"), save that the first payment of interest on the Bonds will be payable on 30 October 2020 in respect of the period from (and including) the Issue Date to (but excluding) 30 October 2020. Each Bond will cease to bear interest from (and including) the due date for redemption unless, upon surrender of the Certificate representing such Bond, payment of principal is improperly withheld or refused. In such event the outstanding principal amount shall continue to bear interest at such rate (both before and after judgment) until (but excluding) whichever is the earlier of (a) the day on which all sums due in respect of such Bond up to that day are received by or on behalf of the relevant holder, and (b) the day seven days after the Fiscal Agent has notified Bondholders of receipt of all sums due in respect of all the Bonds up to that seventh day (except to the extent that there is failure in the subsequent payment to the relevant holders under these Conditions).

If interest is to be calculated in respect of a period which is equal to or shorter than an Interest Period (as defined below), the day-count fraction used will be the number of days in the relevant period, from and including the date from which interest begins to accrue to but excluding the date on which it falls due, divided by the number of days in the Interest Period in which the relevant period falls (including the first such day but excluding the last day of such period).

In these Conditions, the period beginning on and including the Issue Date and ending on but excluding the first Interest Payment Date and each successive period beginning on and including an Interest Payment Date and ending on but excluding the next succeeding Interest Payment Date is called an "**Interest Period**".

Interest in respect of any Bond shall be calculated per €1,000 in principal amount of the Bonds (the "**Calculation Amount**"). The amount of interest payable per Calculation Amount for any period shall be equal to the product of the Rate of Interest, the Calculation Amount and the day-count fraction for the relevant period, rounding the resulting figure to the nearest cent (half a cent being rounded upwards).

6 Redemption and Purchase

(a) **Final Redemption:**

Unless previously redeemed, or purchased and cancelled, the Bonds will be redeemed at their principal amount on 30 October 2026 (the "**Maturity Date**"). The Bonds may not be redeemed at the option of the Issuer other than in accordance with this Condition 6.

(b) **Redemption for Taxation and other Reasons:**

The Bonds may be redeemed at the option of the Issuer in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days' notice to the Bondholders in accordance with Condition 14 (which notice shall be irrevocable and shall specify the date fixed for redemption) at their principal amount (together with interest accrued to (but excluding) the date fixed for redemption), if:

(i) an opinion of a recognised independent tax counsel has been delivered to the Issuer or the Guarantor on or after the Issue Date confirming that it (or, if the Guarantee was called, the Guarantor) has or will become obliged to pay additional amounts as provided or referred to in Condition 8 as a result of any change in, or amendment to, the laws, treaties, protocols, rulings or regulations of (including a holding, judgment or order by a court of competent jurisdiction or a change in published practice) France (in the case of a payment by or on behalf of the Issuer) or Switzerland (in the case of a payment by or on behalf of the Guarantor) or, in each case, any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws, treaties, protocols, rulings or regulations (including a holding, judgment or order by a court of competent jurisdiction or a change in published practice), which change or amendment is announced, is enacted or becomes effective on or after 27 April 2020; and

(ii) such obligation cannot be avoided by the Issuer (or the Guarantor, as the case may be) taking commercially reasonable measures available to it acting in good faith and in its sole discretion,

provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer (or the Guarantor, as the case may be) would be obliged to pay such additional amounts were a payment in respect of the Bonds (or the Guarantee, as the case may be) then due.

Prior to the publication of any notice of redemption pursuant to this Condition 6(b), the Issuer shall deliver to the Agent a certificate signed by two directors of the Issuer (or the Guarantor, as the case may be) stating that the Issuer entitled to effect the redemption and setting out a statement of facts showing that the conditions precedent to the Issuer's right so to redeem have been satisfied, which shall be conclusive and binding on the Bondholders.

(c) **Redemption at the Option of the Issuer (Make Whole Redemption):** The Issuer may, at any time prior to 90 days prior to the Maturity Date, on giving not less than 30 nor more than 60 days' notice to the Bondholders in accordance with Condition 14 (which notice shall be irrevocable and shall specify the Make Whole Optional Redemption Date), redeem all or some only of the Bonds at the Make Whole Redemption Price together with interest accrued to, but excluding, the Make Whole Optional Redemption Date.

Any notice of redemption given under Condition 6(b) will override any notice of redemption given (whether previously, on the same date or subsequently) under this Condition 6(c).

In this Condition:

"**Determination Agent**" means a reputable financial adviser or a reputable bank or financial institution, appointed by the Issuer or the Guarantor for the purpose of determining the Make Whole Redemption Price;

"**Make Whole Optional Redemption Date**" means the date specified for redemption in accordance with this Condition 6(c) and which shall fall prior to the date falling 90 days prior to the Maturity Date;

"**Make Whole Redemption Price**" means, in respect of each Bond, (a) the principal amount of such Bond or, if higher, (b) the sum of the then present values of the remaining scheduled payments of principal and interest in respect of such Bond discounted to the Make Whole Optional Redemption Date on an annual basis (based on the actual number of days elapsed divided by 365 or (in the case of a leap year) by 366 and assuming, for this purpose, that the Bonds are to be redeemed at their principal amount on the date falling 90 days prior to the Maturity Date) at the Reference Dealer Rate (as defined below) plus 0.30 per cent., in each case as determined by the Determination Agent;

"**Reference Bond**" means (a) the German government bond bearing interest at a rate of 0.00 per cent. per annum and maturing in August 2026 with (as at the Issue Date) ISIN DE0001102408 or, (b) if, at 11:00 a.m. Central European time on the third Business Day (as defined in Condition 7(d)) preceding the Make Whole Optional Redemption Date, the Reference Bond referred to in (a) is no longer outstanding, such other central bank or government security that, in the opinion of the Determination Agent: (i) has a maturity as near as possible to the date falling 90 days prior to the Maturity Date; and (ii) would be utilised, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of comparable maturity to the remaining term of the Bonds (assuming, for this purpose, that such term ends on the date falling 90 days prior to the Maturity Date);

"**Reference Dealer Rate**" means, with respect to the Reference Dealers and the Make Whole Optional Redemption Date, the average of the four quotations of the mid-market annual yield to maturity of the Reference Bond at 11:00 a.m. Central European time on the third Business Day preceding the Make Whole Optional Redemption Date quoted in writing to the Determination Agent by the Reference Dealers; and

"**Reference Dealers**" means four credit institutions or financial services institutions that regularly deal in bonds and other debt securities as selected by the Determination Agent after consultation with the Guarantor.

(d) **Redemption at the Option of the Issuer (Pre-Maturity Call):** The Issuer may, at any time on or after the date falling 90 days prior to the Maturity Date, on giving not less than 30 nor more than 60 days' notice to the Bondholders in accordance with Condition 14 (which notice shall be irrevocable and shall specify the date fixed for redemption (the "**Pre-Maturity Optional Redemption Date**")), redeem all, but not some only, of the Bonds at their principal amount together with interest accrued to but excluding the Pre-Maturity Optional Redemption Date.

Any Bonds which are the subject of Change of Control Put Exercise Notices which have been validly delivered pursuant to Condition 6(g) before the date on which notice is provided by the Issuer as referred to in the preceding paragraph shall be redeemed as provided in Condition 6(g) and not as provided in this Condition 6(d).

Any notice of redemption given under this Condition 6(d) will override any notice of redemption given (whether previously, on the same date or subsequently) under Condition 6(b) or Condition 6(c).

(e) **Redemption at the Option of Issuer (Clean Up Par Call):** The Issuer may, at any time when 80 per cent. or more in principal amount of the Bonds originally issued have been redeemed (other than where

80 per cent. or more in principal amount of the Bonds originally issued have been redeemed pursuant to Condition 6(c)) or purchased, on giving not less than 30 nor more than 60 days' notice to the Bondholders (which notice shall be irrevocable and shall specify the date fixed for redemption), redeem, at its option, all but not some only of the remaining outstanding Bonds at their principal amount, together with interest accrued to (but excluding) the date fixed for such redemption or purchase.

(f) **Redemption at the Option of the Issuer (Acquisition Event Call)**: If an Acquisition Event occurs, the Issuer may, on giving not less than 30 nor more than 60 days' notice to the Bondholders (which notice shall be irrevocable and shall specify the date fixed for redemption and must be given by no later than the Acquisition Event Deadline), redeem, at its option, all but not some only of the remaining outstanding Bonds at 101 per cent. of their principal amount, together with interest accrued to (but excluding) the date fixed for such redemption.

An "**Acquisition Event**" shall have occurred if (i) the Guarantor or any Subsidiary of the Guarantor has not completed and closed the acquisition of DRT, which was announced on 6 March 2020 (the "**Acquisition**"), by the Acquisition Event Deadline, and/or (ii) the Guarantor has publicly announced that it no longer intends to complete and close the Acquisition by the Acquisition Event Deadline.

"**Acquisition Event Deadline**" means 30 April 2021.

"**DRT**" means Les Dérivés Résiniques et Terpéniques SAS.

(g) **Redemption at the Option of the Bondholders following a Change of Control**:

If a Change of Control Event (as defined below) occurs, the holder of each Bond will have the option (a "**Change of Control Put Option**") (unless prior to the giving of the relevant Change of Control Put Event Notice (as defined below) the Issuer has given notice of redemption under Condition 6(b), 6(c), 6(d), 6(e) or (6)(f) above) to require the Issuer to redeem or, at the Issuer's option, purchase (or procure the purchase of) that Bond on the Change of Control Put Date (as defined below) at the principal amount of that Bond together with interest accrued to (but excluding) the Change of Control Put Date.

Promptly upon the Issuer or the Guarantor becoming aware that a Change of Control Event has occurred, and in any event not later than 21 days after the occurrence of the Change of Control Event, the Issuer shall give notice (a "**Change of Control Put Event Notice**") to the Bondholders in accordance with Condition 14 and to the Agents specifying the nature of the Change of Control Event and the procedure for exercising the Change of Control Put Option and the Change of Control Put Date.

To exercise the Change of Control Put Option, the holder of a Bond must deliver the certificate in respect of such Bond to the specified office of any Agent at any time during normal business hours of such Agent falling within the period (the "**Change of Control Put Period**") of 30 days after the relevant Change of Control Put Event Notice is given, accompanied by a duly signed and completed notice of exercise in the form (for the time being current) obtainable from the specified office of any Agent (a "**Change of Control Put Exercise Notice**").

Payment in respect of any Bond so delivered will be made on the date which is the fifth TARGET Business Day (as defined in Condition 7(d)) after the expiration of the Change of Control Put Period (the "**Change of Control Put Date**").

A Change of Control Put Exercise Notice, once given, shall be irrevocable.

The Issuer shall redeem or purchase (or procure the purchase of) the relevant Bonds on the Change of Control Put Date unless previously redeemed (or purchased) and cancelled.

In this Condition 6:

A "**Change of Control Event**" will be deemed to occur if:

(i) a person or persons (other than any shareholder(s) holding shares on 30 April 2020 or their direct lineal descendants) acting directly, indirectly or in concert (as defined in the Swiss Federal Act on Stock Exchanges and Securities Dealers), acquires (directly or indirectly) (a) shares in the capital of the Guarantor representing, together with the shares already held by such person or persons, more than 50 per cent. of the voting rights irrespective of whether they are exercisable at a general meeting of the Guarantor or (b) more than 50 per cent. of the issued or allotted ordinary share capital of the Guarantor (such event being a "**Change of Control**"); and

(ii) on the date (the "**Relevant Announcement Date**") that is the earlier of (1) the date of the first public announcement of the relevant Change of Control and (2) the date of the earliest Relevant Potential Change of Control Announcement (as defined below) (if any), the Bonds carry from any Rating Agency (as defined below):

(A) an investment grade credit rating (Baa3/BBB-, or equivalent, or higher) (an "**Investment Grade Rating**"), and such rating from any Rating Agency is, within the Change of Control Period, either downgraded to a non-investment grade credit rating (Ba1/BB+, or equivalent, or lower) (a "**Non-Investment Grade Rating**") or withdrawn and is not, within the Change of Control Period, subsequently (in the case of a downgrade) upgraded or (in the case of a withdrawal) reinstated to an Investment Grade Rating by such Rating Agency; or

(B) a Non-Investment Grade Rating and such rating from any Rating Agency is, within the Change of Control Period, either downgraded by one or more notches (by way of example, Baa1 to Baa2 being one notch) or withdrawn and is not, within the Change of Control Period, subsequently (in the case of a downgrade) upgraded or (in the case of a withdrawal) reinstated to its earlier credit rating or higher by such Rating Agency; or

(C) no credit rating and a Ratings Procurement Failure (as defined below) also occurs within the Change of Control Period,

provided that if at the time of the occurrence of the Change of Control the Bonds carry a credit rating from more than one Rating Agency, at least one of which is an Investment Grade Rating, then sub-paragraph (ii)(A) above will apply; and

(iii) in making any decision to downgrade or withdraw a credit rating pursuant to sub-paragraphs (ii)(A) and (ii)(B) above of this definition or not to award a credit rating of at least investment grade as described in sub-paragraph (ii) of the definition of Ratings Procurement Failure, the relevant Rating Agency announces publicly or confirms in writing to the Guarantor that such decision(s) resulted, in whole or in part, from the occurrence of the Change of Control or the Relevant Potential Change of Control Announcement.

"**Rating Agency**" means S&P Global Ratings Europe Limited, or its successor or Fitch Ratings Ltd, Moody's Investors Services Ltd or their respective successors or any rating agency substituted for any of them by the Issuer from time to time and approved by an Extraordinary Resolution of the Bondholders;

"**Change of Control Period**" means the period commencing on the Relevant Announcement Date and ending 180 days after the Change of Control (or such longer period for which the Bonds are under consideration (such consideration having been announced publicly within the period ending 180 days after the Change of Control) for rating review or, as the case may be, rating by a Rating Agency, such period not to exceed 60 days after the public announcement of such consideration);

a "**Ratings Procurement Failure**" shall be deemed to have occurred if at such time as there is no rating assigned to the Bonds by a Rating Agency (i) the Guarantor does not, either prior to, or not later than 21 days after, the occurrence of the Change of Control seek, and thereafter throughout the Change of Control Period use all reasonable endeavours to obtain, a rating of the Bonds, or any other unsecured and unsubordinated debt of the Guarantor or (ii) if the Guarantor does so seek and use such endeavours, it is unable to obtain an Investment Grade Rating by the end of the Change of Control Period; and

"**Relevant Potential Change of Control Announcement**" means any public announcement or statement by the Guarantor, any actual or potential bidder or any adviser acting on behalf of any actual or potential bidder relating to any potential Change of Control where within 180 days following the date of such announcement or statement, a Change of Control occurs.

(h) **Purchase:** the Issuer, the Guarantor and any of their respective Subsidiaries may at any time purchase Bonds in the open market or otherwise at any price. The Bonds so purchased, while held by or on behalf of the Issuer, the Guarantor or any such Subsidiary, shall not entitle the holder to vote at any meetings of the Bondholders and shall not be deemed to be outstanding for the purposes of calculating quorums at meetings of the Bondholders or for the purposes of Condition 12(a).

(i) **Cancellation:** All Bonds redeemed pursuant to this Condition 6 will be cancelled and may not be re-issued or resold. Any Bond purchased under Condition 6(h) may be cancelled (in which case it may not be reissued), held or, to the extent permitted by law, resold.

7 Payments

(a) **Method of Payment:**

(i) Payments of principal (including any Make Whole Redemption Price) shall be made (subject to surrender of the relevant Certificates at the specified office of any Transfer Agent or of the Registrar if no further payment falls to be made in respect of the Bonds represented by such Certificates) in the manner provided in paragraph (ii) below.

(ii) Interest on each Bond shall be paid to the person shown on the Register at the close of business on the business day before the due date for payment thereof (the "**Record Date**"). Payments of interest on each Bond shall be made in euro by transfer to an account in euro maintained by the payee with a bank in a city in which banks have access to the TARGET System.

(iii) If the amount of principal being paid upon surrender of the relevant Certificate is less than the outstanding principal amount of such Certificate, the Registrar will annotate the Register with the amount of principal so paid and will (if so requested by the Issuer or a Bondholder) issue a new Certificate with a principal amount equal to the remaining unpaid outstanding principal amount. If the amount of interest being paid is less than the amount then due, the Registrar will annotate the Register with the amount of interest so paid.

(b) **Payments subject to Laws:** All payments are subject in all cases to any applicable fiscal or other laws, regulations and directives in the place of payment, but without prejudice to the provisions of Condition 8. No commission or expenses shall be charged to the Bondholders in respect of such payments.

(c) **Appointment of Agents:** The Fiscal Agent, the Registrar, and the Transfer Agents initially appointed by the Issuer and their respective specified offices are listed below. Each of the Fiscal Agent, the Registrar, and the Transfer Agents acts solely as an agent of the Issuer and does not assume any obligation or relationship of agency or trust for or with any Bondholder. The Issuer reserves the right at any time to vary or terminate the appointment of any Agent and to appoint additional or other agents, provided that

the Issuer shall at all times maintain (i) a Fiscal Agent, (ii) a Registrar, (iii) a Transfer Agent and (iv) and such other agents as may be required by any other stock exchange on which the Bonds may be listed in each case.

Notice of any such change or any change of any specified office shall promptly be given to the Bondholders.

(d) **Non-Business Days:** If any date for payment in respect of any Bond is not a Business Day, the holder shall not be entitled to payment until the next following Business Day nor to any interest or other sum in respect of such postponed payment. For the purpose of calculating the interest amount payable under the Bonds, the Interest Payment Date shall not be adjusted.

In these Conditions:

"**Business Day**" means a day (other than a Saturday or a Sunday) on which the specified office of the Registrar is located and which is a TARGET Business Day;

"**TARGET Business Day**" means a day on which the TARGET System is open for the settlement of payments in euro; and

"**TARGET System**" means the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET2) system or any successor thereto.

8 Taxation

All payments of principal (including any Make Whole Redemption Price (if applicable)) and interest by or on behalf of the Issuer or the Guarantor in respect of the Bonds or Guarantee (as applicable) shall be made without withholding or deduction for, or on account of, any taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by France or Switzerland or any authority therein or thereof having power to tax (the "**Relevant Jurisdiction**"), unless such withholding or deduction is required by law. In that event the Issuer or, as the case may be, the Guarantor shall pay such additional amounts as will result in receipt by the Bondholders of such amounts as would have been received by them had no such withholding or deduction been required, except that no such additional amounts shall be payable in respect of any Bond or under the Guarantee (as applicable):

(a) where such Bond is held by or on behalf of a holder (a beneficial owner, fiduciary, settlor, beneficiary, partner, member or shareholder of, or possessor of power over the relevant Holder or beneficial owner, if the relevant holder or beneficial owner is an estate, nominee, trust, partnership, company or corporation) who is liable to such taxes, duties, assessments or governmental charges in respect of such Bond by reason of his having some present or former connection with the Relevant Jurisdiction, including, without limitation, such Bondholder or beneficial owner being or having been a citizen, domiciliary, national or resident thereof, or being or having been present or engaged in a trade or business therein or having had a permanent establishment, dependent agent or physical presence therein, other than merely by being a holder of the Bond; or

(b) on account of any withholding imposed on any payments pursuant to FATCA; or

(c) to, or to a third party on behalf of, a Bondholder who could lawfully avoid (but has not so avoided) such deduction or withholding by (i) complying or procuring that any third party complies with all reasonable written requests by the Issuer to provide information or documentation concerning the nationality, residence or identity of such Bondholder or beneficial owner or (ii) making any declaration or similar claim or satisfied any certification, information or reporting requirement, which in the case of (i) or (ii), is required or imposed by a statute, treaty, regulation or administrative practice of France, Switzerland

or any authority therein or thereof having power to tax, as a precondition to exemption from, or reduction in the rate of withholding or deduction of, all or part of such Taxes; or

(d) in respect of which the Certificate representing it is presented for payment more than 30 days after the Relevant Date except to the extent that the holder of it would have been entitled to such additional amounts on surrendering the Certificate representing such Bond for payment on the last day of such period of 30 days; or

(e) in relation to any estate, inheritance, gift, value, use, sales, excise, transfer, personal property or similar Tax; or

(f) in relation to any Taxes which are payable other than by withholding or deduction from payments made under or with respect to the Bonds; or

(g) in relation to any Taxes imposed on or with respect to the note presented for payment by or on behalf of a Bondholder or beneficial owner who would have been able to avoid such withholding or deduction by presenting the relevant payment to another paying agent; or

(h) in relation to any Taxes imposed on or with respect to any payment made under or with respect to such note for payment to any Bondholder who is a fiduciary or partnership (or entity treated as a partnership for applicable tax purposes) or any person other than the sole beneficial owner of such payment, to the extent that a beneficiary or settlor with respect to such fiduciary, a member of such a partnership or entity treated as a partnership for applicable tax purposes or the beneficial owner of such payment would not have been entitled to the additional amounts had such beneficiary, settlor, member or beneficial owner been the sole beneficial owner of such payment; or

(i) in relation to any withholding or deduction for French taxes required to be made by reason of a payment being (x) paid to a bank account opened in a financial institution established in, or (y) paid or accrued to a person established or domiciled in, a non-cooperative State or territory (*Etat ou territoire non-coopératif*) as defined in Article 238-0 A of the French Tax Code; or

(j) in relation to any withholding or deduction for French taxes required to be made by reason of the Bondholder or the beneficial owner of the payments concurrently being a shareholder or a related party of the Issuer or the Guarantor; or

(k) where such taxes, duties, assessments or other governmental charges are imposed on a payment in respect of the Bonds required to be made pursuant to laws enacted by Switzerland providing for the taxation of payments according to principles similar to those laid down in the draft legislation of the Swiss Federal Council of 3 April 2020 altering the debtor-based Swiss federal withholding tax system to a paying-agent system where a person other than the Issuer or the Guarantor has to withhold tax on any interest payments or securing of interest payments; or

(l) by reason of any combination of (a) to (k) above.

Any reference in these Conditions to principal and/or interest shall be deemed to include any additional amounts which may be payable under this Condition 8.

As used in these Conditions:

"**FATCA**" means:

(i) Sections 1471 to 1474 of the U.S. Internal Revenue Code of 1986 or any associated regulations;

(ii) any treaty, law, regulation of any other jurisdiction, or relating to an intergovernmental agreement between the U.S. and any other jurisdiction, which (in either case) facilitates the implementation of any law or regulation referred to in paragraph (i) above; and

(iii) any agreement pursuant to the implementation of any treaty, law or regulation referred to in paragraphs (i) or (ii) above with the US Internal Revenue Service, the U.S. government or any governmental or taxation authority in any other jurisdiction.

9 Events of Default

If any one or more of the below events (each an "**Event of Default**") shall occur and be continuing, then any Bond may, by notice in writing to the Fiscal Agent at its specified office by any Bondholder in respect of such Bond, be declared, and it shall accordingly forthwith become, immediately due and repayable at its principal amount, together with accrued interest:

(a) default is made in the payment of any principal, premium or interest due in respect of the Bonds or any of them or under the Guarantee and the default continues for a period of seven days in the case of principal or premium or 14 days in the case of interest; or

(b) the Issuer or the Guarantor does not perform or comply with any one or more of its material obligations under these Conditions or the Fiscal Agency Agreement and the failure continues for the period of 45 days following the service on the Issuer of notice requiring the same to be remedied; or

(c) (i) any other Indebtedness for Borrowed Money of the Issuer or the Guarantor or any Material Subsidiary becomes due and repayable prematurely by reason of an event of default (however described); (ii) the Issuer or the Guarantor or any Material Subsidiary fails to make any payment in respect of any Indebtedness for Borrowed Money on the due date for payment as extended by any originally applicable grace period; (iii) any guarantee and/or indemnity of any Indebtedness for Borrowed Money given by the Issuer or the Guarantor or any Material Subsidiary shall not be paid when due and called upon or at the expiry of any originally applicable grace period, unless, in relation to (i), (ii) or (iii) above, the Issuer or the Guarantor or the relevant Material Subsidiary, as the case may be, is contesting any such event in good faith in appropriate proceedings or where there is otherwise a bona fide dispute as to whether payment or repayment is due; provided that no event described in this Condition 9(c) shall constitute an Event of Default unless the relevant amount of Indebtedness for Borrowed Money in respect of which default is made, either alone or when aggregated (without duplication) with other amounts of Indebtedness for Borrowed Money in respect of which default specified in (i) to (iii) above is made and is continuing, amounts to at least €50,000,000 (or its equivalent in any other currency); or

(d) any order is made by any competent court or resolution is passed for the winding up or dissolution of the Issuer or the Guarantor or any Material Subsidiary, or an administration order is made in relation to the Issuer or the Guarantor or any Material Subsidiary, save for the purposes of a Permitted Reorganisation; or

(e) the Guarantor ceases to carry on the whole or substantially the whole of its business, save for the purposes of a Permitted Reorganisation; or

(f) the Guarantor has been declared as bankrupt by a Swiss court within the meaning of Article 171 of the Swiss Federal Debt Enforcement and Bankruptcy Act or the Issuer is declared insolvent or bankrupt or unable to pay its debts as and when they fall due by a court of competent jurisdiction; or

(g) (i) proceedings are initiated against the Issuer, the Guarantor or any Material Subsidiary under any applicable liquidation, insolvency, composition, reorganisation or other similar laws or an application is

made (or documents filed with a court) for the appointment of an administrative or other receiver, manager, administrator or other similar official, or an administrative or other receiver, manager, administrator or other similar official is appointed, in relation to the Issuer or the Guarantor or any Material Subsidiary or, as the case may be, in relation to the whole or any material part of the undertaking or assets of any of them or an encumbrancer takes possession of the whole or any material part of the undertaking or assets of any of them, or a distress, execution, attachment, sequestration or other process is levied, enforced upon, sued out or put in force against the whole or any material part of the undertaking or assets of any of them, and (ii) in any such case (other than the appointment of an administrator or an administrative receiver appointed following presentation of a petition for an administration order) is not discharged within 90 days; or

(h) the Issuer or the Guarantor (or its directors or shareholders) initiates or consents to judicial proceedings relating to itself under any applicable liquidation, insolvency, composition, reorganisation (other than a solvent reorganisation or restructuring or a merger, consolidation or amalgamation where the surviving entity assumes all or substantially all of the assets and liabilities of the Issuer or the Guarantor, including the obligations of the Issuer and the Guarantor under the Bonds and the Guarantee, as the case may be) or other similar laws (including the obtaining of a moratorium) or makes a conveyance or assignment for the benefit of, or enters into any composition or other arrangement with, its creditors generally (or any class of its creditors) except in any such case for the purposes of a Permitted Reorganisation; or

(i) the Guarantee is not in full force and effect or is claimed by the Guarantor not to be in full force and effect.

"**Permitted Reorganisation**" means:

(a) any solvent winding up or dissolution of the Issuer or any Material Subsidiary where the remaining assets of the Issuer or such Material Subsidiary are distributed to the Guarantor or any direct or indirect wholly-owned Subsidiary of the Guarantor;

(b) any disposal by any Material Subsidiary of the Guarantor of the whole or substantially all of its business, undertaking or assets to the Guarantor or any direct or indirect wholly-owned Subsidiary of the Guarantor; or

(c) any amalgamation, consolidation or merger of the Issuer or a Material Subsidiary with:

   i. the Guarantor (provided that the Guarantor is the surviving entity of such amalgamation, consolidation or merger); or

   ii. any other direct or indirect wholly-owned Subsidiary of the Guarantor; or

   iii. any amalgamation, consolidation, restructuring, merger or reorganisation on terms approved by an Extraordinary Resolution of Bondholders.

10 Prescription

Claims against the Issuer and the Guarantor for payment in respect of the Bonds or under the Guarantee shall be prescribed and become void unless made within 10 years (in the case of principal) or five years (in the case of interest) after their due date.

11 Replacement of Certificates

If any Certificate is lost, stolen, mutilated, defaced or destroyed, it may be replaced, subject to applicable laws, regulations or other relevant regulatory authority regulations, at the specified office of the Registrar or such

other Transfer Agent as may from time to time be designated by the Issuer for that purpose and notice of whose designation is given to Bondholders, in each case on payment by the claimant of the fees and costs incurred in connection therewith and on such terms as to evidence, security, indemnity and otherwise as the Issuer may require (provided that the requirement is reasonable in light of prevailing market practice). Mutilated or defaced Certificates must be surrendered before replacements will be issued.

12 Meetings of Bondholders, Modification and Substitution

(a) **Meetings of Bondholders:** The Fiscal Agency Agreement contains provisions for convening meetings of Bondholders to consider matters affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of any of these Conditions or any provisions of the Fiscal Agency Agreement, the Deed of Guarantee or the Deed of Covenant. Such a meeting may be convened by Bondholders holding not less than 10 per cent in principal amount of the Bonds for the time being outstanding. The quorum for any meeting convened to consider an Extraordinary Resolution will be two or more persons holding or representing a clear majority in principal amount of the Bonds for the time being outstanding, or at any adjourned meeting two or more persons being or representing Bondholders whatever the principal amount of the Bonds held or represented, unless the business of such meeting includes consideration of proposals, *inter alia*, (i) to modify the maturity of the Bonds or the dates on which interest is payable in respect of the Bonds, (ii) to reduce or cancel the principal amount of, any premium payable on redemption of, or interest on, the Bonds, (iii) to change the currency of payment of the Bonds, (iv) to modify the provisions concerning the quorum required at any meeting of Bondholders or the majority required to pass an Extraordinary Resolution, or (v) to modify or cancel the Guarantee, in which case the necessary quorum will be two or more persons holding or representing not less than 75 per cent., or at any adjourned meeting not less than 25 per cent., in principal amount of the Bonds for the time being outstanding. Any Extraordinary Resolution duly passed shall be binding on Bondholders (whether or not they were present at the meeting at which such resolution was passed).

The Fiscal Agency Agreement provides that a resolution in writing signed by or on behalf of the holders of not less than 75 per cent. in principal amount of the Bonds outstanding shall for all purposes be as valid and effective as an Extraordinary Resolution passed at a meeting of Bondholders duly convened and held. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Bondholders. Any resolution in writing duly passed shall be binding on all Bondholders (whether or not they participated in such resolution).

(b) **Modification of Fiscal Agency Agreement**

The Issuer and the Guarantor shall only permit any modification, waiver or authorisation of any breach or proposed breach or any failure to comply with the Fiscal Agency Agreement if to do so could, in the opinion of the Issuer and the Guarantor, not reasonably be expected to be prejudicial to the interests of the Bondholders.

(c) **Notification to the Bondholders**

Any modification, waiver or authorisation in accordance with this Condition 12 shall be binding on the Bondholders and shall be notified by the Issuer or the Guarantor to the Bondholders as soon as practicable thereafter in accordance with Condition 14.

(d) **Substitution**: The Issuer may, without the consent of the Bondholders, substitute itself as the principal debtor in respect of the Bonds and the Fiscal Agency Agreement for (i) a successor in business to the Issuer, (ii) a holding company of the Issuer or (iii) any Subsidiary of the Guarantor, subject to:

(x) a deed poll and such other documents (if any) being executed by the new Issuer and, to the extent necessary, the other parties to the Fiscal Agency Agreement, as may be necessary to give full effect to the substitution and pursuant to which the new Issuer shall undertake in favour of each Bondholder to be bound by these Conditions and the Fiscal Agency Agreement as principal debtor in respect of the Bonds;

(y) all payment of principal, premium and interest in respect of the Bonds by or on behalf of the new Issuer shall be made free and clear of and without withholding or deduction for or on account of any taxes, duties, assessments or governmental charges of whatsoever nature imposed, levied, collected, withheld or assessed by or on behalf of the tax jurisdiction to which it is subject or any political subdivision thereof or any authority thereof or therein having power to tax; and

(z) two officers of the new Issuer shall have certified to the Agent that the new Issuer is solvent at the time at which the substitution or appointment is proposed to be effected.

13 Further Issues

The Issuer may from time to time without the consent of the Bondholders create and issue further securities either having the same terms and conditions as the Bonds in all respects (or in all respects except for the original issue date, the first payment of interest on them, if any, and the issue price) and so that such further issue shall be consolidated and form a single series with the outstanding securities of any series (including the Bonds) or upon such terms as the Issuer may determine at the time of their issue. References in these Conditions to the Bonds include (unless the context requires otherwise) any other securities issued pursuant to this Condition and forming a single series with the Bonds.

14 Notices

Notices required to be given to the holders of Bonds pursuant to the Conditions shall be mailed to them at their respective addresses in the Register and deemed to have been given on the fourth weekday (being a day other than a Saturday or a Sunday) after the date of mailing.

Notices required to be given to the holders of Bonds pursuant to the Conditions shall also be published (if such publication is required) in a manner which complies with the rules and regulations of the stock exchange or other relevant authorities on which the Bonds are for the time being listed and/or admitted to trading. Any such notice shall be deemed to have been given on the date of such publication or, if published more than once, on the first date on which publication is made. If publication as provided above is not practicable, notice will be given by publication in a newspaper of general circulation in London (which is expected to be the *Financial Times*) or in such other manner, and shall be deemed to be given on such date, as the Issuer or the Guarantor may determine.

15 Contracts (Rights of Third Parties) Act 1999

No person shall have any right to enforce any term or condition of the Bonds under the Contracts (Rights of Third Parties) Act 1999.

16 Governing Law and Jurisdiction

(a) **Governing Law:** The Fiscal Agency Agreement, the Deed of Guarantee, the Deed of Covenant and the Bonds and any non-contractual obligations arising out of or in connection with them are governed by, and shall be construed in accordance with, English law.

(b) **Jurisdiction:** The courts of England are to have jurisdiction to settle any disputes that may arise out of or in connection with the Bonds or the Guarantee and any non-contractual obligations arising out of or in connection with them and accordingly any legal action or proceedings arising out of or in connection with any Bonds or the Guarantee or any such non-contractual obligations ("**Proceedings**") may be brought in such courts.

(c) **Agent for Service of Process:** Each of the Issuer and the Guarantor has irrevocably appointed Firmenich UK Ltd at 4 Hayes Road, Southall, Middlesex UB2 5L2, United Kingdom as its agent for service of process in England in respect of any Proceedings and has undertaken that in the event of such agent ceasing so to act it will appoint another person as its agent for that purpose.

TERMS AND CONDITIONS OF THE SERIES B BONDS

The following subject to modification and except for provisions in italics are the terms and conditions substantially in the form which will apply to the Bonds:

The issue of the €750,000,000 1.750 per cent. Guaranteed Bonds due 2030 (the "**Bonds**") was authorised by a resolution of the President of Firmenich Productions Participations SAS (such entity or such substitute issuer as is appointed in accordance with Condition 12(d), being the "**Issuer**") passed on 27 April 2020 and the giving of the guarantee of the Bonds by Firmenich International SA (the "**Guarantor**") pursuant to the deed of guarantee dated 30 April 2020 (the "**Deed of Guarantee**") was authorised by resolutions of the Board of Directors of the Guarantor passed on 12 February 2020. The Issuer has executed a deed of covenant (the "**Deed of Covenant**") dated 30 April 2020 in relation to the Bonds. Copies of the Deed of Guarantee, the Deed of Covenant and the Fiscal Agency Agreement (the "**Fiscal Agency Agreement**") dated 30 April 2020 (the "**Issue Date**") relating to the Bonds between the Issuer, the Guarantor, the registrar (the "**Registrar**"), any transfer agents (each a "**Transfer Agent**"), the initial fiscal agent and any other agents named in it, are available for inspection during usual business hours at the specified offices of the fiscal agent for the time being (the "**Fiscal Agent**"), the Registrar and any Transfer Agents. "**Agents**" means the Fiscal Agent, the Registrar, the Transfer Agents and any other agent or agents appointed from time to time with respect to the Bonds. The Bondholders are deemed to have notice of those applicable to them of the Fiscal Agency Agreement.

1 Form, Denomination and Title

The Bonds are issued in the specified denomination of €100,000 and higher integral multiples of €1,000.

The Bonds are represented by registered certificates ("**Certificates**") and, save as provided in Condition 2(a), each Certificate shall represent the entire holding of Bonds by the same holder.

Title to the Bonds shall pass by registration in the register that the Issuer shall procure to be kept by the Registrar in accordance with the provisions of the Fiscal Agency Agreement (the "**Register**"). Except as ordered by a court of competent jurisdiction or as required by law, the holder (as defined below) of any Bond shall be deemed to be and may be treated as its absolute owner for all purposes whether or not it is overdue and regardless of any notice of ownership, trust or an interest in it, any writing on the Certificate representing it or the theft or loss of such Certificate and no person shall be liable for so treating the holder.

In these Conditions, "**Bondholder**" and "**holder**" means the person in whose name a Bond is registered.

2 Transfers of Bonds

(a) **Transfer:** A holding of Bonds may, subject to Condition 2(e), be transferred in whole or in part upon the surrender (at the specified office of the Registrar or any Transfer Agent) of the Certificate(s) representing such Bonds to be transferred, together with the form of transfer endorsed on such Certificate(s) (or another form of transfer substantially in the same form and containing the same representations and certifications (if any), unless otherwise agreed by the Issuer), duly completed and executed, and any other evidence as the Registrar or Transfer Agent may reasonably require. In the case of a transfer of part only of a holding of Bonds represented by one Certificate, a new Certificate shall be issued to the transferee in respect of the part transferred and a further new Certificate in respect of the balance of the holding not transferred shall be issued to the transferor. In the case of a transfer of Bonds to a person who is already a holder of Bonds, a new Certificate representing the enlarged holding shall only be issued against surrender of the Certificate representing the existing holding. All transfers of Bonds and entries on the Register will be made in accordance with the detailed regulations concerning transfers of Bonds scheduled to the Fiscal Agency Agreement. The regulations may be changed by the

Issuer, with the prior written approval of the Registrar. A copy of the current regulations will be made available by the Registrar to any Bondholder upon request.

(b) **Exercise of Options or Partial Redemption in respect of Bonds:** In the case of an exercise of an Issuer's or Bondholders' option in respect of, or a partial redemption of, a holding of Bonds represented by a single Certificate, a new Certificate shall be issued to the holder to reflect the exercise of such option or in respect of the balance of the holding not redeemed. New Certificates shall only be issued against surrender of the existing Certificates to the Registrar or any Transfer Agent.

(c) **Delivery of New Certificates:** Each new Certificate to be issued pursuant to Condition 2(a) or 2(b) shall be available for delivery within three business days of receipt of a duly completed form of transfer and surrender of the existing Certificate(s). Delivery of the new Certificate(s) shall be made at the specified office of the Transfer Agent or of the Registrar (as the case may be) to whom delivery or surrender of such form of transfer or Certificate shall have been made or, at the option of the holder making such delivery or surrender as aforesaid and as specified in the relevant form of transfer or otherwise in writing, be mailed by uninsured post at the risk of the holder entitled to the new Certificate to such address as may be so specified, unless such holder requests otherwise and pays in advance to the relevant Transfer Agent or the Registrar (as the case may be) the costs of such other method of delivery and/or such insurance as it may specify. In this Condition 2(c), "**business day**" means a day, other than a Saturday or Sunday, on which banks are open for business in the place of the specified office of the relevant Transfer Agent or the Registrar (as the case may be).

(d) **Transfer or Exercise Free of Charge:** Certificates, on transfer, exercise of an option or partial redemption, shall be issued and registered without charge by or on behalf of the Issuer, the Registrar or any Transfer Agent, but upon payment of any tax or other governmental charges that may be imposed in relation to it (or the giving of such indemnity as the Registrar or the relevant Transfer Agent may require).

(e) **Closed Periods:** No Bondholder may require the transfer of a Bond to be registered (i) during the period of 15 days ending on (and including) the due date for redemption of that Bond, (ii) during the period of 15 days prior to (and including) any date on which Bonds may be called for redemption by the Issuer at its option pursuant to Condition 6, (iii) after any such Bond has been called for redemption or purchased by the Issuer at its option pursuant to Condition 6(h), (iv) after a Change of Control Put Exercise Notice has been delivered in respect of such Bond or (v) during the period of seven days ending on (and including) any Record Date (as defined in Condition 7(a)(ii)).

3 Guarantee and Status

(a) **Guarantee**: The Guarantor has in the Deed of Guarantee unconditionally and irrevocably guaranteed the due payment of all sums expressed to be payable by the Issuer under the Bonds. The obligations of the Guarantor under the Deed of Guarantee shall, save for such exceptions as may be provided by applicable legislation and by provisions of law that are mandatory and of general application, and subject to Condition 4, at all times rank at least equally with all its other present and future unsecured and unsubordinated obligations.

(b) **Status**: The Bonds constitute (subject to Condition 4) direct, unconditional and unsecured obligations of the Issuer and shall at all times rank *pari passu* and without any preference among themselves. The payment obligations of the Issuer under the Bonds shall, save for such exceptions as may be provided by applicable legislation and by provisions of law that are mandatory and of general application, and subject to Condition 4, at all times rank at least equally with all its other present and future unsecured and unsubordinated obligations.

4 Negative Pledge

So long as any Bond remains outstanding (as defined in the Fiscal Agency Agreement), neither the Issuer nor the Guarantor will create or permit to exist any Security Interest (other than a Permitted Security Interest) upon, or with respect to, the whole or any part of its present or future business, undertaking, property, assets or revenues to secure any Relevant Indebtedness or to secure any guarantee of or indemnity in respect of any Relevant Indebtedness, unless in the case of the creation of a Security Interest, before or at the same time and, in any other case, any and all action necessary shall promptly have been taken to ensure that:

(a) all amounts payable by the Issuer or the Guarantor in respect of the Bonds are secured by the Security Interest equally and rateably with the Relevant Indebtedness or guarantee or, indemnity, as the case may be; or

(b) such other Security Interest or guarantee or, indemnity or other arrangement (whether or not it includes the giving of a Security Interest) is provided in respect of all amounts payable by the Issuer or the Guarantor under the Bonds in favour of the Bondholders as shall be approved by an Extraordinary Resolution of the Bondholders.

In these Conditions:

"**Extraordinary Resolution**" has the meaning given to it in the Fiscal Agency Agreement (being at the date hereof a resolution duly passed by a majority of not less than three-fourths of the votes cast thereon).

"**Material Subsidiary**" means at any time a Subsidiary:

(a) whose gross revenues or total assets (in each case consolidated in the case of a Subsidiary which itself has Subsidiaries) represent 15% or more of the consolidated gross revenues or, as the case may be, consolidated total assets of the Guarantor all as calculated by reference to the then latest audited accounts (consolidated or, as the case may be, unconsolidated) of such Subsidiary and the then latest consolidated audited accounts of the Guarantor, provided that:

    (i) in the case of a Subsidiary acquired or an entity which becomes a Subsidiary after the end of the financial period to which the then latest audited consolidated accounts of the Guarantor relate, the reference to the then latest audited consolidated accounts of the Guarantor for the purposes of the calculation of the above shall until the consolidated audited accounts of the Guarantor are published for the financial period in which the acquisition is made or, as the case may be, in which such entity becomes a Subsidiary, be deemed to be a reference to the then latest consolidated accounts of the Guarantor adjusted in such manner as may be appropriate to consolidate the latest audited accounts (consolidated or, as the case may be, unconsolidated) of such Subsidiary in such accounts;

    (ii) if, in the case of any Subsidiary, no audited accounts (consolidated or, as the case may be, unconsolidated) are prepared, then the determination of whether or not such Subsidiary is a Material Subsidiary shall be determined by reference to its unaudited accounts (consolidated or, as the case may be, unconsolidated) (if any) or on the basis of *pro forma* accounts (consolidated or, as the case may be, unconsolidated);

    (iii) if, in the case of a Subsidiary which itself has Subsidiaries, no consolidated accounts are prepared, then the consolidated gross revenues or total assets of such Subsidiary shall be determined on the basis of *pro forma* consolidated accounts of the relevant Subsidiary;

(iv) if the accounts of any Subsidiary (not being a Subsidiary referred to in (A) above) are not consolidated with those of the Guarantor, then the determination of whether or not such Subsidiary is a Material Subsidiary shall be based on a *pro forma* consolidation of its accounts (consolidated, if appropriate) with the consolidated accounts of the Guarantor; and

(v) if the latest accounts of any Subsidiary are not prepared on the basis of the same accounting principles, policies and practices of the latest consolidated audited accounts of the Guarantor, then the determination of whether or not such Subsidiary is a Material Subsidiary shall be based on *pro forma* accounts or, as the case may be, consolidated accounts of such Subsidiary prepared on the same accounting principles, policies and practices as adopted in the latest consolidated audited accounts of the Guarantor, or an appropriate restatement or adjustment to the relevant accounts of such Subsidiary; or

(b) to which is transferred the whole or substantially the whole of the assets and undertaking of a Subsidiary which immediately prior to such transfer was a Material Subsidiary, provided that the Subsidiary which so transfers its assets and undertaking shall forthwith upon such transfer cease to be a Material Subsidiary and the Subsidiary to which the assets and undertaking are so transferred shall become a Material Subsidiary on the date on which the first published audited consolidated accounts of the Guarantor prepared as of a date later than such transfer are issued, unless such transferor Subsidiary would continue to be a Material Subsidiary on the basis of such accounts by virtue of the provisions of paragraph (a) above.

"**Permitted Security Interest**" means:

(a) any Security Interest which exists on any undertaking or asset which secures any Relevant Indebtedness of the Issuer or the Guarantor or any Subsidiary which asset or undertaking is acquired after 27 April 2020, provided that such Security Interest existed at the date of such acquisition, was not granted in contemplation of the acquisition and the amount thereby secured has not been increased in contemplation of, or since the date of, the acquisition and any Security Interest over the same undertaking or asset which is given for the purpose of, and to the extent of, the refinancing of any such Relevant Indebtedness;

(b) any Security Interest existing on 30 April 2020;

(c) any Security Interest granted to secure any Relevant Indebtedness incurred in connection with a Securitisation; and

(d) any Security Interest as shall have been previously approved by an Extraordinary Resolution of the Bondholders.

"**Relevant Indebtedness**" means:

(a) any loan or other indebtedness present or future which is in the form of or represented by any notes, bonds, debentures, debenture stock, loan stock or other securities which are for the time being quoted, listed or ordinarily dealt in, on any stock exchange or other recognised securities market, and

(b) any guarantee or indemnity in respect of any such loan or other indebtedness referred to in paragraph (a).

"**Securitisation**" means any securitisation of existing or future assets and/or revenues, provided that:

(a) any Security Interest given by the Issuer or the Guarantor in connection therewith is limited solely to the assets and/or revenues which are the subject of the securitisation;

(b) each person participating in such securitisation expressly agrees to limit its recourse to the assets and/or revenues securitised as the principal source of repayment for the moneys advanced or payment of any other liability; and

(c) there is no other recourse to the Issuer or then Guarantor in respect of any default by any person under the securitisation.

"**Security Interest**" means any mortgage, charge, lien, pledge or other security interest.

"**Subsidiary**" means an entity of which the Guarantor has direct or indirect control or owns directly or indirectly more than 50 per cent. of the voting capital or similar right of ownership and "**control**" for this purpose means the power to direct the management and the policies of the entity whether through the ownership of voting capital, by contract or otherwise.

5 Interest

The Bonds bear interest on their outstanding principal amount from and including the Issue Date at the rate of 1.750 per cent. per annum (the "**Rate of Interest**"), payable annually in arrear on 30 April in each year (each an "**Interest Payment Date**") with the first Interest Payment Date being 30 April 2021. Each Bond will cease to bear interest from (and including) the due date for redemption unless, upon surrender of the Certificate representing such Bond, payment of principal is improperly withheld or refused. In such event the outstanding principal amount shall continue to bear interest at such rate (both before and after judgment) until (but excluding) whichever is the earlier of (a) the day on which all sums due in respect of such Bond up to that day are received by or on behalf of the relevant holder, and (b) the day seven days after the Fiscal Agent has notified Bondholders of receipt of all sums due in respect of all the Bonds up to that seventh day (except to the extent that there is failure in the subsequent payment to the relevant holders under these Conditions).

If interest is to be calculated in respect of a period which is equal to or shorter than an Interest Period (as defined below), the day-count fraction used will be the number of days in the relevant period, from and including the date from which interest begins to accrue to but excluding the date on which it falls due, divided by the number of days in the Interest Period in which the relevant period falls (including the first such day but excluding the last day of such period).

In these Conditions, the period beginning on and including the Issue Date and ending on but excluding the first Interest Payment Date and each successive period beginning on and including an Interest Payment Date and ending on but excluding the next succeeding Interest Payment Date is called an "**Interest Period**".

Interest in respect of any Bond shall be calculated per €1,000 in principal amount of the Bonds (the "**Calculation Amount**"). The amount of interest payable per Calculation Amount for any period shall be equal to the product of the Rate of Interest, the Calculation Amount and the day-count fraction for the relevant period, rounding the resulting figure to the nearest cent (half a cent being rounded upwards).

6 Redemption and Purchase

(a) **Final Redemption:**

Unless previously redeemed, or purchased and cancelled, the Bonds will be redeemed at their principal amount on 30 April 2030 (the "**Maturity Date**"). The Bonds may not be redeemed at the option of the Issuer other than in accordance with this Condition 6.

(b) **Redemption for Taxation and other Reasons:**

The Bonds may be redeemed at the option of the Issuer in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days' notice to the Bondholders in accordance with Condition 14 (which notice shall be irrevocable and shall specify the date fixed for redemption) at their principal amount (together with interest accrued to (but excluding) the date fixed for redemption), if:

(i) an opinion of a recognised independent tax counsel has been delivered to the Issuer or the Guarantor on or after the Issue Date confirming that it (or, if the Guarantee was called, the Guarantor) has or will become obliged to pay additional amounts as provided or referred to in Condition 8 as a result of any change in, or amendment to, the laws, treaties, protocols, rulings or regulations of (including a holding, judgment or order by a court of competent jurisdiction or a change in published practice) France (in the case of a payment by or on behalf of the Issuer) or Switzerland (in the case of a payment by or on behalf of the Guarantor) or, in each case, any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws, treaties, protocols, rulings or regulations (including a holding, judgment or order by a court of competent jurisdiction or a change in published practice), which change or amendment is announced, is enacted or becomes effective on or after 27 April 2020; and

(ii) such obligation cannot be avoided by the Issuer (or the Guarantor, as the case may be) taking commercially reasonable measures available to it acting in good faith and in its sole discretion,

provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer (or the Guarantor, as the case may be) would be obliged to pay such additional amounts were a payment in respect of the Bonds (or the Guarantee, as the case may be) then due.

Prior to the publication of any notice of redemption pursuant to this Condition 6(b), the Issuer shall deliver to the Agent a certificate signed by two directors of the Issuer (or the Guarantor, as the case may be) stating that the Issuer entitled to effect the redemption and setting out a statement of facts showing that the conditions precedent to the Issuer's right so to redeem have been satisfied, which shall be conclusive and binding on the Bondholders.

(c) **Redemption at the Option of the Issuer (Make Whole Redemption):** The Issuer may, at any time prior to 90 days prior to the Maturity Date, on giving not less than 30 nor more than 60 days' notice to the Bondholders in accordance with Condition 14 (which notice shall be irrevocable and shall specify the Make Whole Optional Redemption Date), redeem all or some only of the Bonds at the Make Whole Redemption Price together with interest accrued to, but excluding, the Make Whole Optional Redemption Date.

Any notice of redemption given under Condition 6(b) will override any notice of redemption given (whether previously, on the same date or subsequently) under this Condition 6(c).

In this Condition:

"**Determination Agent**" means a reputable financial adviser or a reputable bank or financial institution, appointed by the Issuer or the Guarantor for the purpose of determining the Make Whole Redemption Price;

"**Make Whole Optional Redemption Date**" means the date specified for redemption in accordance with this Condition 6(c) and which shall fall prior to the date falling 90 days prior to the Maturity Date;

"**Make Whole Redemption Price**" means, in respect of each Bond, (a) the principal amount of such Bond or, if higher, (b) the sum of the then present values of the remaining scheduled payments of principal and interest in respect of such Bond discounted to the Make Whole Optional Redemption Date on an annual basis (based on the actual number of days elapsed divided by 365 or (in the case of a leap year) by 366 and assuming, for this purpose, that the Bonds are to be redeemed at their principal amount on the date falling 90 days prior to the Maturity Date) at the Reference Dealer Rate (as defined below) plus 0.35 per cent., in each case as determined by the Determination Agent;

"**Reference Bond**" means (a) the German government bond bearing interest at a rate of 0.00 per cent. per annum and maturing in February 2030 with (as at the Issue Date) ISIN DE0001102499 or, (b) if, at 11:00 a.m. Central European time on the third Business Day (as defined in Condition 7(d)) preceding the Make Whole Optional Redemption Date, the Reference Bond referred to in (a) is no longer outstanding, such other central bank or government security that, in the opinion of the Determination Agent: (i) has a maturity as near as possible to the date falling 90 days prior to the Maturity Date; and (ii) would be utilised, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of comparable maturity to the remaining term of the Bonds (assuming, for this purpose, that such term ends on the date falling 90 days prior to the Maturity Date);

"**Reference Dealer Rate**" means, with respect to the Reference Dealers and the Make Whole Optional Redemption Date, the average of the four quotations of the mid-market annual yield to maturity of the Reference Bond at 11:00 a.m. Central European time on the third Business Day preceding the Make Whole Optional Redemption Date quoted in writing to the Determination Agent by the Reference Dealers; and

"**Reference Dealers**" means four credit institutions or financial services institutions that regularly deal in bonds and other debt securities as selected by the Determination Agent after consultation with the Guarantor.

(d) **Redemption at the Option of the Issuer (Pre-Maturity Call):** The Issuer may, at any time on or after the date falling 90 days prior to the Maturity Date, on giving not less than 30 nor more than 60 days' notice to the Bondholders in accordance with Condition 14 (which notice shall be irrevocable and shall specify the date fixed for redemption (the "**Pre-Maturity Optional Redemption Date**")), redeem all, but not some only, of the Bonds at their principal amount together with interest accrued to but excluding the Pre-Maturity Optional Redemption Date.

Any Bonds which are the subject of Change of Control Put Exercise Notices which have been validly delivered pursuant to Condition 6(g) before the date on which notice is provided by the Issuer as referred to in the preceding paragraph shall be redeemed as provided in Condition 6(g) and not as provided in this Condition 6(d).

Any notice of redemption given under this Condition 6(d) will override any notice of redemption given (whether previously, on the same date or subsequently) under Condition 6(b) or Condition 6(c).

(e) **Redemption at the Option of Issuer (Clean Up Par Call):** The Issuer may, at any time when 80 per cent. or more in principal amount of the Bonds originally issued have been redeemed (other than where

80 per cent. or more in principal amount of the Bonds originally issued have been redeemed pursuant to Condition 6(c)) or purchased, on giving not less than 30 nor more than 60 days' notice to the Bondholders (which notice shall be irrevocable and shall specify the date fixed for redemption), redeem, at its option, all but not some only of the remaining outstanding Bonds at their principal amount, together with interest accrued to (but excluding) the date fixed for such redemption or purchase.

(f) **Redemption at the Option of the Issuer (Acquisition Event Call)**: If an Acquisition Event occurs, the Issuer may, on giving not less than 30 nor more than 60 days' notice to the Bondholders (which notice shall be irrevocable and shall specify the date fixed for redemption and must be given by no later than the Acquisition Event Deadline), redeem, at its option, all but not some only of the remaining outstanding Bonds at 101 per cent. of their principal amount, together with interest accrued to (but excluding) the date fixed for such redemption.

An "**Acquisition Event**" shall have occurred if (i) the Guarantor or any Subsidiary of the Guarantor has not completed and closed the acquisition of DRT, which was announced on 6 March 2020 (the "**Acquisition**"), by the Acquisition Event Deadline, and/or (ii) the Guarantor has publicly announced that it no longer intends to complete and close the Acquisition by the Acquisition Event Deadline.

"**Acquisition Event Deadline**" means 30 April 2021.

"**DRT**" means Les Dérivés Résiniques et Terpéniques SAS.

(g) **Redemption at the Option of the Bondholders following a Change of Control**:

If a Change of Control Event (as defined below) occurs, the holder of each Bond will have the option (a "**Change of Control Put Option**") (unless prior to the giving of the relevant Change of Control Put Event Notice (as defined below) the Issuer has given notice of redemption under Condition 6(b), 6(c), 6(d), 6(e) or (6)(f) above) to require the Issuer to redeem or, at the Issuer's option, purchase (or procure the purchase of) that Bond on the Change of Control Put Date (as defined below) at the principal amount of that Bond together with interest accrued to (but excluding) the Change of Control Put Date.

Promptly upon the Issuer or the Guarantor becoming aware that a Change of Control Event has occurred, and in any event not later than 21 days after the occurrence of the Change of Control Event, the Issuer shall give notice (a "**Change of Control Put Event Notice**") to the Bondholders in accordance with Condition 14 and to the Agents specifying the nature of the Change of Control Event and the procedure for exercising the Change of Control Put Option and the Change of Control Put Date.

To exercise the Change of Control Put Option, the holder of a Bond must deliver the certificate in respect of such Bond to the specified office of any Agent at any time during normal business hours of such Agent falling within the period (the "**Change of Control Put Period**") of 30 days after the relevant Change of Control Put Event Notice is given, accompanied by a duly signed and completed notice of exercise in the form (for the time being current) obtainable from the specified office of any Agent (a "**Change of Control Put Exercise Notice**").

Payment in respect of any Bond so delivered will be made on the date which is the fifth TARGET Business Day (as defined in Condition 7(d)) after the expiration of the Change of Control Put Period (the "**Change of Control Put Date**").

A Change of Control Put Exercise Notice, once given, shall be irrevocable.

The Issuer shall redeem or purchase (or procure the purchase of) the relevant Bonds on the Change of Control Put Date unless previously redeemed (or purchased) and cancelled.

In this Condition 6:

A "**Change of Control Event**" will be deemed to occur if:

(i) a person or persons (other than any shareholder(s) holding shares on 30 April 2020 or their direct lineal descendants) acting directly, indirectly or in concert (as defined in the Swiss Federal Act on Stock Exchanges and Securities Dealers), acquires (directly or indirectly) (a) shares in the capital of the Guarantor representing, together with the shares already held by such person or persons, more than 50 per cent. of the voting rights irrespective of whether they are exercisable at a general meeting of the Guarantor or (b) more than 50 per cent. of the issued or allotted ordinary share capital of the Guarantor (such event being a "**Change of Control**"); and

(ii) on the date (the "**Relevant Announcement Date**") that is the earlier of (1) the date of the first public announcement of the relevant Change of Control and (2) the date of the earliest Relevant Potential Change of Control Announcement (as defined below) (if any), the Bonds carry from any Rating Agency (as defined below):

(A) an investment grade credit rating (Baa3/BBB-, or equivalent, or higher) (an "**Investment Grade Rating**"), and such rating from any Rating Agency is, within the Change of Control Period, either downgraded to a non-investment grade credit rating (Ba1/BB+, or equivalent, or lower) (a "**Non-Investment Grade Rating**") or withdrawn and is not, within the Change of Control Period, subsequently (in the case of a downgrade) upgraded or (in the case of a withdrawal) reinstated to an Investment Grade Rating by such Rating Agency; or

(B) a Non-Investment Grade Rating and such rating from any Rating Agency is, within the Change of Control Period, either downgraded by one or more notches (by way of example, Baa1 to Baa2 being one notch) or withdrawn and is not, within the Change of Control Period, subsequently (in the case of a downgrade) upgraded or (in the case of a withdrawal) reinstated to its earlier credit rating or higher by such Rating Agency; or

(C) no credit rating and a Ratings Procurement Failure (as defined below) also occurs within the Change of Control Period,

provided that if at the time of the occurrence of the Change of Control the Bonds carry a credit rating from more than one Rating Agency, at least one of which is an Investment Grade Rating, then sub-paragraph (ii)(A) above will apply; and

(iii) in making any decision to downgrade or withdraw a credit rating pursuant to sub-paragraphs (ii)(A) and (ii)(B) above of this definition or not to award a credit rating of at least investment grade as described in sub-paragraph (ii) of the definition of Ratings Procurement Failure, the relevant Rating Agency announces publicly or confirms in writing to the Guarantor that such decision(s) resulted, in whole or in part, from the occurrence of the Change of Control or the Relevant Potential Change of Control Announcement.

"**Rating Agency**" means S&P Global Ratings Europe Limited, or its successor or Fitch Ratings Ltd, Moody's Investors Services Ltd or their respective successors or any rating agency substituted for any of them by the Issuer from time to time and approved by an Extraordinary Resolution of the Bondholders;

"**Change of Control Period**" means the period commencing on the Relevant Announcement Date and ending 180 days after the Change of Control (or such longer period for which the Bonds are under consideration (such consideration having been announced publicly within the period ending 180 days after the Change of Control) for rating review or, as the case may be, rating by a Rating Agency, such period not to exceed 60 days after the public announcement of such consideration);

a "**Ratings Procurement Failure**" shall be deemed to have occurred if at such time as there is no rating assigned to the Bonds by a Rating Agency (i) the Guarantor does not, either prior to, or not later than 21 days after, the occurrence of the Change of Control seek, and thereafter throughout the Change of Control Period use all reasonable endeavours to obtain, a rating of the Bonds, or any other unsecured and unsubordinated debt of the Guarantor or (ii) if the Guarantor does so seek and use such endeavours, it is unable to obtain an Investment Grade Rating by the end of the Change of Control Period; and

"**Relevant Potential Change of Control Announcement**" means any public announcement or statement by the Guarantor, any actual or potential bidder or any adviser acting on behalf of any actual or potential bidder relating to any potential Change of Control where within 180 days following the date of such announcement or statement, a Change of Control occurs.

(h) **Purchase:** the Issuer, the Guarantor and any of their respective Subsidiaries may at any time purchase Bonds in the open market or otherwise at any price. The Bonds so purchased, while held by or on behalf of the Issuer, the Guarantor or any such Subsidiary, shall not entitle the holder to vote at any meetings of the Bondholders and shall not be deemed to be outstanding for the purposes of calculating quorums at meetings of the Bondholders or for the purposes of Condition 12(a).

(i) **Cancellation:** All Bonds redeemed pursuant to this Condition 6 will be cancelled and may not be re-issued or resold. Any Bond purchased under Condition 6(h) may be cancelled (in which case it may not be reissued), held or, to the extent permitted by law, resold.

7 Payments

(a) **Method of Payment:**

(i) Payments of principal (including any Make Whole Redemption Price) shall be made (subject to surrender of the relevant Certificates at the specified office of any Transfer Agent or of the Registrar if no further payment falls to be made in respect of the Bonds represented by such Certificates) in the manner provided in paragraph (ii) below.

(ii) Interest on each Bond shall be paid to the person shown on the Register at the close of business on the business day before the due date for payment thereof (the "**Record Date**"). Payments of interest on each Bond shall be made in euro by transfer to an account in euro maintained by the payee with a bank in a city in which banks have access to the TARGET System.

(iii) If the amount of principal being paid upon surrender of the relevant Certificate is less than the outstanding principal amount of such Certificate, the Registrar will annotate the Register with the amount of principal so paid and will (if so requested by the Issuer or a Bondholder) issue a new Certificate with a principal amount equal to the remaining unpaid outstanding principal amount. If the amount of interest being paid is less than the amount then due, the Registrar will annotate the Register with the amount of interest so paid.

(b) **Payments subject to Laws:** All payments are subject in all cases to any applicable fiscal or other laws, regulations and directives in the place of payment, but without prejudice to the provisions of Condition 8. No commission or expenses shall be charged to the Bondholders in respect of such payments.

(c) **Appointment of Agents:** The Fiscal Agent, the Registrar, and the Transfer Agents initially appointed by the Issuer and their respective specified offices are listed below. Each of the Fiscal Agent, the Registrar, and the Transfer Agents acts solely as an agent of the Issuer and does not assume any obligation or relationship of agency or trust for or with any Bondholder. The Issuer reserves the right at any time to vary or terminate the appointment of any Agent and to appoint additional or other agents, provided that

the Issuer shall at all times maintain (i) a Fiscal Agent, (ii) a Registrar, (iii) a Transfer Agent and (iv) and such other agents as may be required by any other stock exchange on which the Bonds may be listed in each case.

Notice of any such change or any change of any specified office shall promptly be given to the Bondholders.

(d) **Non-Business Days:** If any date for payment in respect of any Bond is not a Business Day, the holder shall not be entitled to payment until the next following Business Day nor to any interest or other sum in respect of such postponed payment. For the purpose of calculating the interest amount payable under the Bonds, the Interest Payment Date shall not be adjusted.

In these Conditions:

"**Business Day**" means a day (other than a Saturday or a Sunday) on which the specified office of the Registrar is located and which is a TARGET Business Day;

"**TARGET Business Day**" means a day on which the TARGET System is open for the settlement of payments in euro; and

"**TARGET System**" means the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET2) system or any successor thereto.

8 Taxation

All payments of principal (including any Make Whole Redemption Price (if applicable)) and interest by or on behalf of the Issuer or the Guarantor in respect of the Bonds or Guarantee (as applicable) shall be made without withholding or deduction for, or on account of, any taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by France or Switzerland or any authority therein or thereof having power to tax (the "**Relevant Jurisdiction**"), unless such withholding or deduction is required by law. In that event the Issuer or, as the case may be, the Guarantor shall pay such additional amounts as will result in receipt by the Bondholders of such amounts as would have been received by them had no such withholding or deduction been required, except that no such additional amounts shall be payable in respect of any Bond or under the Guarantee (as applicable):

(a) where such Bond is held by or on behalf of a holder (a beneficial owner, fiduciary, settlor, beneficiary, partner, member or shareholder of, or possessor of power over the relevant Holder or beneficial owner, if the relevant holder or beneficial owner is an estate, nominee, trust, partnership, company or corporation) who is liable to such taxes, duties, assessments or governmental charges in respect of such Bond by reason of his having some present or former connection with the Relevant Jurisdiction, including, without limitation, such Bondholder or beneficial owner being or having been a citizen, domiciliary, national or resident thereof, or being or having been present or engaged in a trade or business therein or having had a permanent establishment, dependent agent or physical presence therein, other than merely by being a holder of the Bond; or

(b) on account of any withholding imposed on any payments pursuant to FATCA; or

(c) to, or to a third party on behalf of, a Bondholder who could lawfully avoid (but has not so avoided) such deduction or withholding by (i) complying or procuring that any third party complies with all reasonable written requests by the Issuer to provide information or documentation concerning the nationality, residence or identity of such Bondholder or beneficial owner or (ii) making any declaration or similar claim or satisfied any certification, information or reporting requirement, which in the case of (i) or (ii), is required or imposed by a statute, treaty, regulation or administrative practice of France, Switzerland

or any authority therein or thereof having power to tax, as a precondition to exemption from, or reduction in the rate of withholding or deduction of, all or part of such Taxes; or

(d) in respect of which the Certificate representing it is presented for payment more than 30 days after the Relevant Date except to the extent that the holder of it would have been entitled to such additional amounts on surrendering the Certificate representing such Bond for payment on the last day of such period of 30 days; or

(e) in relation to any estate, inheritance, gift, value, use, sales, excise, transfer, personal property or similar Tax; or

(f) in relation to any Taxes which are payable other than by withholding or deduction from payments made under or with respect to the Bonds; or

(g) in relation to any Taxes imposed on or with respect to the note presented for payment by or on behalf of a Bondholder or beneficial owner who would have been able to avoid such withholding or deduction by presenting the relevant payment to another paying agent; or

(h) in relation to any Taxes imposed on or with respect to any payment made under or with respect to such note for payment to any Bondholder who is a fiduciary or partnership (or entity treated as a partnership for applicable tax purposes) or any person other than the sole beneficial owner of such payment, to the extent that a beneficiary or settlor with respect to such fiduciary, a member of such a partnership or entity treated as a partnership for applicable tax purposes or the beneficial owner of such payment would not have been entitled to the additional amounts had such beneficiary, settlor, member or beneficial owner been the sole beneficial owner of such payment; or

(i) in relation to any withholding or deduction for French taxes required to be made by reason of a payment being (x) paid to a bank account opened in a financial institution established in, or (y) paid or accrued to a person established or domiciled in, a non-cooperative State or territory (*Etat ou territoire non-coopératif*) as defined in Article 238-0 A of the French Tax Code; or

(j) in relation to any withholding or deduction for French taxes required to be made by reason of the Bondholder or the beneficial owner of the payments concurrently being a shareholder or a related party of the Issuer or the Guarantor; or

(k) where such taxes, duties, assessments or other governmental charges are imposed on a payment in respect of the Bonds required to be made pursuant to laws enacted by Switzerland providing for the taxation of payments according to principles similar to those laid down in the draft legislation of the Swiss Federal Council of 3 April 2020 altering the debtor-based Swiss federal withholding tax system to a paying-agent system where a person other than the Issuer or the Guarantor has to withhold tax on any interest payments or securing of interest payments; or

(l) by reason of any combination of (a) to (k) above.

Any reference in these Conditions to principal and/or interest shall be deemed to include any additional amounts which may be payable under this Condition 8.

As used in these Conditions:

"**FATCA**" means:

(i) Sections 1471 to 1474 of the U.S. Internal Revenue Code of 1986 or any associated regulations;

(ii) any treaty, law, regulation of any other jurisdiction, or relating to an intergovernmental agreement between the U.S. and any other jurisdiction, which (in either case) facilitates the implementation of any law or regulation referred to in paragraph (i) above; and

(iii) any agreement pursuant to the implementation of any treaty, law or regulation referred to in paragraphs (i) or (ii) above with the US Internal Revenue Service, the U.S. government or any governmental or taxation authority in any other jurisdiction.

9 Events of Default

If any one or more of the below events (each an "**Event of Default**") shall occur and be continuing, then any Bond may, by notice in writing to the Fiscal Agent at its specified office by any Bondholder in respect of such Bond, be declared, and it shall accordingly forthwith become, immediately due and repayable at its principal amount, together with accrued interest:

(a) default is made in the payment of any principal, premium or interest due in respect of the Bonds or any of them or under the Guarantee and the default continues for a period of seven days in the case of principal or premium or 14 days in the case of interest; or

(b) the Issuer or the Guarantor does not perform or comply with any one or more of its material obligations under these Conditions or the Fiscal Agency Agreement and the failure continues for the period of 45 days following the service on the Issuer of notice requiring the same to be remedied; or

(c) (i) any other Indebtedness for Borrowed Money of the Issuer or the Guarantor or any Material Subsidiary becomes due and repayable prematurely by reason of an event of default (however described); (ii) the Issuer or the Guarantor or any Material Subsidiary fails to make any payment in respect of any Indebtedness for Borrowed Money on the due date for payment as extended by any originally applicable grace period; (iii) any guarantee and/or indemnity of any Indebtedness for Borrowed Money given by the Issuer or the Guarantor or any Material Subsidiary shall not be paid when due and called upon or at the expiry of any originally applicable grace period, unless, in relation to (i), (ii) or (iii) above, the Issuer or the Guarantor or the relevant Material Subsidiary, as the case may be, is contesting any such event in good faith in appropriate proceedings or where there is otherwise a bona fide dispute as to whether payment or repayment is due; provided that no event described in this Condition 9(c) shall constitute an Event of Default unless the relevant amount of Indebtedness for Borrowed Money in respect of which default is made, either alone or when aggregated (without duplication) with other amounts of Indebtedness for Borrowed Money in respect of which default specified in (i) to (iii) above is made and is continuing, amounts to at least €50,000,000 (or its equivalent in any other currency); or

(d) any order is made by any competent court or resolution is passed for the winding up or dissolution of the Issuer or the Guarantor or any Material Subsidiary, or an administration order is made in relation to the Issuer or the Guarantor or any Material Subsidiary, save for the purposes of a Permitted Reorganisation; or

(e) the Guarantor ceases to carry on the whole or substantially the whole of its business, save for the purposes of a Permitted Reorganisation; or

(f) the Guarantor has been declared as bankrupt by a Swiss court within the meaning of Article 171 of the Swiss Federal Debt Enforcement and Bankruptcy Act or the Issuer is declared insolvent or bankrupt or unable to pay its debts as and when they fall due by a court of competent jurisdiction; or

(g) (i) proceedings are initiated against the Issuer, the Guarantor or any Material Subsidiary under any applicable liquidation, insolvency, composition, reorganisation or other similar laws or an application is

made (or documents filed with a court) for the appointment of an administrative or other receiver, manager, administrator or other similar official, or an administrative or other receiver, manager, administrator or other similar official is appointed, in relation to the Issuer or the Guarantor or any Material Subsidiary or, as the case may be, in relation to the whole or any material part of the undertaking or assets of any of them or an encumbrancer takes possession of the whole or any material part of the undertaking or assets of any of them, or a distress, execution, attachment, sequestration or other process is levied, enforced upon, sued out or put in force against the whole or any material part of the undertaking or assets of any of them, and (ii) in any such case (other than the appointment of an administrator or an administrative receiver appointed following presentation of a petition for an administration order) is not discharged within 90 days; or

(h) the Issuer or the Guarantor (or its directors or shareholders) initiates or consents to judicial proceedings relating to itself under any applicable liquidation, insolvency, composition, reorganisation (other than a solvent reorganisation or restructuring or a merger, consolidation or amalgamation where the surviving entity assumes all or substantially all of the assets and liabilities of the Issuer or the Guarantor, including the obligations of the Issuer and the Guarantor under the Bonds and the Guarantee, as the case may be) or other similar laws (including the obtaining of a moratorium) or makes a conveyance or assignment for the benefit of, or enters into any composition or other arrangement with, its creditors generally (or any class of its creditors) except in any such case for the purposes of a Permitted Reorganisation; or

(i) the Guarantee is not in full force and effect or is claimed by the Guarantor not to be in full force and effect.

"**Permitted Reorganisation**" means:

(a) any solvent winding up or dissolution of the Issuer or any Material Subsidiary where the remaining assets of the Issuer or such Material Subsidiary are distributed to the Guarantor or any direct or indirect wholly-owned Subsidiary of the Guarantor;

(b) any disposal by any Material Subsidiary of the Guarantor of the whole or substantially all of its business, undertaking or assets to the Guarantor or any direct or indirect wholly-owned Subsidiary of the Guarantor; or

(c) any amalgamation, consolidation or merger of the Issuer or a Material Subsidiary with:

    i. the Guarantor (provided that the Guarantor is the surviving entity of such amalgamation, consolidation or merger); or

    ii. any other direct or indirect wholly-owned Subsidiary of the Guarantor; or

    iii. any amalgamation, consolidation, restructuring, merger or reorganisation on terms approved by an Extraordinary Resolution of Bondholders.

10 Prescription

Claims against the Issuer and the Guarantor for payment in respect of the Bonds or under the Guarantee shall be prescribed and become void unless made within 10 years (in the case of principal) or five years (in the case of interest) after their due date.

11 Replacement of Certificates

If any Certificate is lost, stolen, mutilated, defaced or destroyed, it may be replaced, subject to applicable laws, regulations or other relevant regulatory authority regulations, at the specified office of the Registrar or such

other Transfer Agent as may from time to time be designated by the Issuer for that purpose and notice of whose designation is given to Bondholders, in each case on payment by the claimant of the fees and costs incurred in connection therewith and on such terms as to evidence, security, indemnity and otherwise as the Issuer may require (provided that the requirement is reasonable in light of prevailing market practice). Mutilated or defaced Certificates must be surrendered before replacements will be issued.

12 Meetings of Bondholders, Modification and Substitution

(a) **Meetings of Bondholders:** The Fiscal Agency Agreement contains provisions for convening meetings of Bondholders to consider matters affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of any of these Conditions or any provisions of the Fiscal Agency Agreement, the Deed of Guarantee or the Deed of Covenant. Such a meeting may be convened by Bondholders holding not less than 10 per cent in principal amount of the Bonds for the time being outstanding. The quorum for any meeting convened to consider an Extraordinary Resolution will be two or more persons holding or representing a clear majority in principal amount of the Bonds for the time being outstanding, or at any adjourned meeting two or more persons being or representing Bondholders whatever the principal amount of the Bonds held or represented, unless the business of such meeting includes consideration of proposals, *inter alia*, (i) to modify the maturity of the Bonds or the dates on which interest is payable in respect of the Bonds, (ii) to reduce or cancel the principal amount of, any premium payable on redemption of, or interest on, the Bonds, (iii) to change the currency of payment of the Bonds, (iv) to modify the provisions concerning the quorum required at any meeting of Bondholders or the majority required to pass an Extraordinary Resolution, or (v) to modify or cancel the Guarantee, in which case the necessary quorum will be two or more persons holding or representing not less than 75 per cent., or at any adjourned meeting not less than 25 per cent., in principal amount of the Bonds for the time being outstanding. Any Extraordinary Resolution duly passed shall be binding on Bondholders (whether or not they were present at the meeting at which such resolution was passed).

The Fiscal Agency Agreement provides that a resolution in writing signed by or on behalf of the holders of not less than 75 per cent. in principal amount of the Bonds outstanding shall for all purposes be as valid and effective as an Extraordinary Resolution passed at a meeting of Bondholders duly convened and held. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Bondholders. Any resolution in writing duly passed shall be binding on all Bondholders (whether or not they participated in such resolution).

(b) **Modification of Fiscal Agency Agreement**

The Issuer and the Guarantor shall only permit any modification, waiver or authorisation of any breach or proposed breach or any failure to comply with the Fiscal Agency Agreement if to do so could, in the opinion of the Issuer and the Guarantor, not reasonably be expected to be prejudicial to the interests of the Bondholders.

(c) **Notification to the Bondholders**

Any modification, waiver or authorisation in accordance with this Condition 12 shall be binding on the Bondholders and shall be notified by the Issuer or the Guarantor to the Bondholders as soon as practicable thereafter in accordance with Condition 14.

(d) **Substitution**: The Issuer may, without the consent of the Bondholders, substitute itself as the principal debtor in respect of the Bonds and the Fiscal Agency Agreement for (i) a successor in business to the Issuer, (ii) a holding company of the Issuer or (iii) any Subsidiary of the Guarantor, subject to:

(x) a deed poll and such other documents (if any) being executed by the new Issuer and, to the extent necessary, the other parties to the Fiscal Agency Agreement, as may be necessary to give full effect to the substitution and pursuant to which the new Issuer shall undertake in favour of each Bondholder to be bound by these Conditions and the Fiscal Agency Agreement as principal debtor in respect of the Bonds;

(y) all payment of principal, premium and interest in respect of the Bonds by or on behalf of the new Issuer shall be made free and clear of and without withholding or deduction for or on account of any taxes, duties, assessments or governmental charges of whatsoever nature imposed, levied, collected, withheld or assessed by or on behalf of the tax jurisdiction to which it is subject or any political subdivision thereof or any authority thereof or therein having power to tax; and

(z) two officers of the new Issuer shall have certified to the Agent that the new Issuer is solvent at the time at which the substitution or appointment is proposed to be effected.

13 Further Issues

The Issuer may from time to time without the consent of the Bondholders create and issue further securities either having the same terms and conditions as the Bonds in all respects (or in all respects except for the original issue date, the first payment of interest on them, if any, and the issue price) and so that such further issue shall be consolidated and form a single series with the outstanding securities of any series (including the Bonds) or upon such terms as the Issuer may determine at the time of their issue. References in these Conditions to the Bonds include (unless the context requires otherwise) any other securities issued pursuant to this Condition and forming a single series with the Bonds.

14 Notices

Notices required to be given to the holders of Bonds pursuant to the Conditions shall be mailed to them at their respective addresses in the Register and deemed to have been given on the fourth weekday (being a day other than a Saturday or a Sunday) after the date of mailing.

Notices required to be given to the holders of Bonds pursuant to the Conditions shall also be published (if such publication is required) in a manner which complies with the rules and regulations of the stock exchange or other relevant authorities on which the Bonds are for the time being listed and/or admitted to trading. Any such notice shall be deemed to have been given on the date of such publication or, if published more than once, on the first date on which publication is made. If publication as provided above is not practicable, notice will be given by publication in a newspaper of general circulation in London (which is expected to be the *Financial Times*) or in such other manner, and shall be deemed to be given on such date, as the Issuer or the Guarantor may determine.

15 Contracts (Rights of Third Parties) Act 1999

No person shall have any right to enforce any term or condition of the Bonds under the Contracts (Rights of Third Parties) Act 1999.

16 Governing Law and Jurisdiction

(a) **Governing Law:** The Fiscal Agency Agreement, the Deed of Guarantee, the Deed of Covenant and the Bonds and any non-contractual obligations arising out of or in connection with them are governed by, and shall be construed in accordance with, English law.

(b) **Jurisdiction:** The courts of England are to have jurisdiction to settle any disputes that may arise out of or in connection with the Bonds or the Guarantee and any non-contractual obligations arising out of or in connection with them and accordingly any legal action or proceedings arising out of or in connection with any Bonds or the Guarantee or any such non-contractual obligations ("**Proceedings**") may be brought in such courts.

(c) **Agent for Service of Process:** Each of the Issuer and the Guarantor has irrevocably appointed Firmenich UK Ltd at 4 Hayes Road, Southall, Middlesex UB2 5L2, United Kingdom as its agent for service of process in England in respect of any Proceedings and has undertaken that in the event of such agent ceasing so to act it will appoint another person as its agent for that purpose.

SUMMARY OF PROVISIONS RELATING TO THE BONDS WHILE IN GLOBAL FORM

The following summary applies equally to each Series of Bonds.

1 Initial Issue of Certificates

The Bonds will be issued in the New Safekeeping Structure ("**NSS**") form. On 22 October 2018, the European Central Bank (the "**ECB**") announced that that international debt securities in global registered form issued after 30 September 2010 would only be eligible as collateral for Eurosystem credit operations when the NSS form is used.

The Bonds are intended to be held in a manner which would allow Eurosystem eligibility that is, in a manner which would allow the Bonds to be recognised as eligible collateral for Eurosystem monetary policy and intraday credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon the ECB being satisfied that Eurosystem eligibility criteria have been met.

The Global Certificate will be registered in the name of a nominee (the "**Registered Holder**") for a common safekeeper for Euroclear and Clearstream, Luxembourg (the "**Common Safekeeper**") and may be delivered on or prior to the original issue date of the Bonds. Depositing the Global Certificate with the Common Safekeeper does not necessarily mean that the Bonds will be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem either upon issue, or at any or all times during their life. Such recognition will depend upon satisfaction of the Eurosystem eligibility criteria.

Upon the registration of the Global Certificate in the name of any nominee for Euroclear and Clearstream, Luxembourg and delivery of the Global Certificate to the Common Safekeeper, Euroclear or Clearstream, Luxembourg will credit each subscriber with a nominal amount of Bonds equal to the nominal amount thereof for which it has subscribed and paid.

2 Relationship of Accountholders with Clearing Systems

Each of the persons shown in the records of Euroclear, Clearstream, Luxembourg or any other clearing system ("**Alternative Clearing System**") as the holder of a Bond represented by a Global Certificate must look solely to Euroclear, Clearstream, Luxembourg or any such Alternative Clearing System (as the case may be) for his share of each payment made by the Issuer or the Guarantor to the holder of the Global Certificate and in relation to all other rights arising under the Global Certificate, subject to and in accordance with the respective rules and procedures of Euroclear, Clearstream, Luxembourg, or such Alternative Clearing System (as the case may be). Such persons shall have no claim directly against the Issuer or the Guarantor in respect of payments due on the Bonds or under the Guarantee, as applicable, for so long as the Bonds are represented by the Global Certificate and such obligations of the Issuer or the Guarantor will be discharged by payment to the holder of the Global Certificate in respect of each amount so paid.

3 Exchange

The following will apply in respect of transfers of Bonds held in Euroclear or Clearstream, Luxembourg or an Alternative Clearing System. These provisions will not prevent the trading of interests in the Bonds within a clearing system whilst they are held on behalf of such clearing system, but will limit the circumstances in which the Bonds may be withdrawn from the relevant clearing system.

Transfers of the holding of Bonds represented by the Global Certificate pursuant to Condition 2(a) may only be made in part:

(i) if the relevant clearing system is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so; or

(ii) upon or following any failure to pay principal in respect of any Bonds when it is due and payable; or

(iii) with the consent of the Issuer,

provided that, in the case of the first transfer of part of a holding pursuant to paragraph (i) or (ii) above, the Registered Holder has given the Registrar not less than 30 days' notice at its specified office of the Registered Holder's intention to effect such transfer.

4 Amendment to Conditions

The Global Certificate contains provisions that apply to the Bonds that it represents, some of which modify the effect of the terms and conditions of the Bonds set out in this Offering Circular. The following is a summary of certain of those provisions:

4.1 Payments

All payments in respect of Bonds represented by a Global Certificate will be made to, or to the order of, the person whose name is entered on the Register at the close of business on the record date which shall be on the Clearing System Business Day immediately prior to the date for payment, where "**Clearing System Business Day**" means Monday to Friday inclusive except 25 December and 1 January.

4.2 Meetings

For the purposes of any meeting of Bondholders, the holder of the Bonds represented by the Global Certificate shall (unless the Global Certificate represents only one Bond) be treated as two persons for the purposes of any quorum requirements of a meeting of Bondholders and as being entitled to one vote in respect of each €1.

5 Electronic Consent and Written Resolution

While the Global Certificate is registered in the name of any nominee for a clearing system, then:

(a) approval of a resolution proposed by the Issuer or the Guarantor given by way of electronic consents communicated through the electronic communications systems of the relevant Clearing System(s) in accordance with their operating rules and procedures by or on behalf of the holders of not less than 75 per cent. in nominal amount of the Bonds outstanding (an "**Electronic Consent**" as defined in the Fiscal Agency Agreement) shall, for all purposes (including matters that would otherwise require an Extraordinary Resolution to be passed at a meeting for which a special quorum (as specified in the Fiscal Agency Agreement) was satisfied), take effect as an Extraordinary Resolution passed at a meeting of Bondholders duly convened and held, and shall be binding on all Bondholders whether or not they participated in such Electronic Consent; and

(b) where Electronic Consent is not being sought, for the purpose of determining whether a Written Resolution (as defined in the Fiscal Agency Agreement) has been validly passed, the Issuer, the Guarantor and the Agents shall be entitled to rely on consent or instructions given in writing directly to the Issuer, the Guarantor and/or the Agents, as the case may be, (a) by accountholders in the clearing system with entitlements to such Global Certificate and/or (b) where the accountholders hold any such entitlement on behalf of another person, on written consent from or written instruction by the person identified by that accountholder as the person for whom such entitlement is held. For the purpose of

establishing the entitlement to give any such consent or instruction, the Issuer, the Guarantor and the Agents shall be entitled to rely on any certificate or other document issued by, in the case of (a) above, Euroclear, Clearstream, Luxembourg or any Alternative Clearing System (the "**relevant clearing system**") and, in the case of (b) above, the relevant clearing system and the accountholder identified by the relevant clearing system for the purposes of (b) above. Any resolution passed in such manner shall be binding on all Bondholders, even if the relevant consent or instruction proves to be defective. Any such certificate or other document shall, be conclusive and binding for all purposes. Any such certificate or other document may comprise any form of statement or print out of electronic records provided by the relevant clearing system (including Euroclear's EUCLID or Clearstream, Luxembourg's CreationOnline system) in accordance with its usual procedures and in which the accountholder of a particular principal or nominal amount of the Bonds is clearly identified together with the amount of such holding. Neither the Issuer nor the Guarantor shall be liable to any person by reason of having accepted as valid or not having rejected any certificate or other document to such effect purporting to be issued by any such person and subsequently found to be forged or not authentic.

SERVICE OF PROCESS AND ENFORCEMENT OF CIVIL LIABILITIES

SWITZERLAND

A final and conclusive judgment in civil or commercial matters of a competent court or authority in the United Kingdom will be recognised and enforced by Swiss courts against an individual or a legal entity with legal domicile or seat in Switzerland (such as the Guarantor) pursuant to and to the extent provided by the multilateral Convention of 30 October 2007 on Jurisdiction and the Recognition and Enforcement of Judgements in Civil and Commercial Matters (the "**Lugano Convention**") (in case of a judgment of a competent court or authority in the United Kingdom) or articles 25 et seqq. of the Swiss Federal Act on Private International Law ("**PILA**") (in case of a judgment of a competent court or authority in the United States).

Enforcement of a final and conclusive judgement of a competent court in the United Kingdom may be limited by general principles of Swiss public policy (*Schweizerischer Ordre public*), as provided in article 17 and article 18 PILA, article 34 and article 35 Lugano Convention. Enforcement of a judgement may furthermore be limited by general principles of law, and insolvency, reorganisation, liquidation, moratorium or other similar laws restricting creditors' rights in enforcement and similar proceedings as such laws would apply in the event of an insolvency, or other similar proceedings with respect to the Guarantor or in the event of any moratorium or similar occurrence affecting the Guarantor.

Under Swiss law, any amount denominated in a foreign currency and ordered to be paid pursuant to a final judgment will be enforced by Swiss debt collection authorities (*Schweizerische Zwangsvollstreckungsbehörden*) and must be converted into Swiss Francs.

Due to the nature of enforcement proceedings in Switzerland, no statement can be made as to the time required to obtain recognition and enforcement of a judgment in Switzerland.

Judicial documents may not be served directly from abroad on a person in Switzerland (see Switzerland's reservation to the Hague Convention on Service Abroad of Judicial or Extra Judicial Documents in Civil and Commercial Matters concluded on 15 November 1965) and service must be effected by way of judicial assistance.

FRANCE

The following is a non-exhaustive summary of certain legal aspects of French law regarding the enforcement of civil law entitlements connected with the Bonds against the Issuer. This summary is based only on the rules in force at the date of the present Offering Circular. Please note that these rules may change during, or at the end of, the Brexit transition period introduced by the Agreement on the withdrawal of the United Kingdom of Great Britain and Northern Ireland from the European Union and the European Atomic Energy Community agreed on October 17, 2019.

The Issuer is organised under the laws of France with its registered office or principal place of business in France. It may be possible for investors to effect service of process within France upon the Issuer in civil and commercial matters, provided that Regulation (EC) No. 1393/2007 of the European Parliament and of the Council of November 13, 2007 on the service in the Member States of judicial and extrajudicial documents in civil or commercial matters (service of documents) is complied with.

The recognition and enforcement in France of a judgment rendered by a court of England are governed by Regulation (EU) No. 1215/2012 of the European Parliament and of the Council of December 12, 2012 on jurisdiction and the recognition and enforcement of judgments in civil and commercial matters (recast) (the "**Brussels I Regulation (Recast)**").

Assuming the validity of proceedings against the Issuer under English law, an enforceable judgment of the courts of England should, as at the time of writing, be recognized and enforceable in France without any special procedure or any declaration of enforceability being required, provided that the provisions of the Brussels I Regulation (Recast) are complied with. Under the Brussels I (recast) Regulation, the recognition and enforcement of such judgment may be refused on the application of any interested party if one or several of the following conditions are met (it being observed that such judgment may not be reviewed as to its substance):

- if such recognition is manifestly contrary to public policy (*ordre public*) in France; this test of public policy may not be applied to the rules relating to jurisdiction;
- where the judgment was given in default of appearance, if the defendant was not served with the document which instituted the proceedings or with an equivalent document in sufficient time and in such a way as to enable him to arrange for his defence, unless the defendant failed to commence proceedings to challenge the judgment when it was possible for him to do so; note in this respect that the notification of the document which instituted the proceedings at the address of an agent for service of process appointed by the defendant might be considered as insufficient to enable such defendant to arrange for his defence and might thus lead to a refusal of recognition or enforcement of such judgment in France under the aforementioned condition;
- if the judgment is irreconcilable with a judgment given between the same parties in France;
- if the judgment is irreconcilable with an earlier judgment given in another Member State or in a third State involving the same cause of action and between the same parties, provided that the earlier judgment fulfils the conditions necessary for its recognition in France; or
- if the judgment conflicts with the provisions of the Brussels I Regulation (Recast) relating to (i) jurisdiction in matters treating to insurance, (ii) jurisdiction over consumer contracts, (iii) jurisdiction over individual contracts of employment (where the policyholder, the insured, a beneficiary of the insurance contract, the injured party, the consumer or the employee was the defendant) or (iv) exclusive jurisdiction; in its examination of these grounds of jurisdiction the court to which the application is submitted shall be bound by the findings of fact on which the court of origin based its jurisdiction.

Furthermore, a judgment which orders a payment by way of a penalty shall be enforceable in France only if the amount of the payment has been finally determined by such judgment.

The grounds for refusal or suspension of enforcement under French law also apply insofar as they are not incompatible with the afore-mentioned conditions for refusal of recognition and enforcement.

In the event an application for refusal of enforcement of a judgment is made before a French court, such court may (i) limit the enforcement proceedings to protective measures; (ii) make enforcement conditional on the provision of such security as it shall determine; or (iii) suspend, either wholly or in part, the enforcement proceedings. Furthermore, such French court shall, on the application of the person against whom enforcement is sought, suspend the enforcement proceedings where the enforceability of the judgment is suspended in the Member State of origin.

The decision on the application for refusal of recognition or enforcement may be appealed against by either party.

The French court before which a judgment given in another Member State is invoked may suspend the proceedings, in whole or in part, if (i) the judgment is challenged in the Member State of origin or (ii) an application has been submitted for a decision that there are no grounds for refusal of recognition as listed hereinabove, or for a decision that the recognition is to be refused on the basis of one of those grounds. Similarly, the French court to which an application for refusal of enforcement is submitted or which hears an appeal lodged in this respect may stay the proceedings if an appeal has been lodged against such judgment in the Member State of origin or if the time for such an appeal has not yet expired.

In addition, the discovery process under actions filed in the United Kingdom could be adversely affected under certain circumstances by French criminal law No. 68-678 of July 26, 1968, as modified by French law No. 80-538 of July 16, 1980 and French Ordinance No. 2000-916 of September 19, 2000 (relating to the communication of documents and information of an economic, commercial, industrial, financial or technical nature to foreign authorities), which could prohibit or restrict obtaining evidence in France or from French persons in connection with a judicial or administrative action in the United Kingdom or in contemplation thereof. The English authorities may have to comply with the Council Regulation (EC) No. 1206/2001 of May 28, 2001 on cooperation between the courts of the Member States in the taking of evidence in civil or commercial matters or French procedural rules to obtain evidence in France or from French persons.

Similarly, European and French data protection regulations (including Regulation (EU) No. 2016/679 of the European Parliament and of the Council of April 27, 2016 on the protection of natural persons with regard to the processing of personal data and on the free movement of such data and French Law No. 78-17 of January 6, 1978, as amended from time to time) can limit under certain circumstances the obtaining of evidence in France or from French persons in connection with a judicial or administrative action in the United Kingdom.

Furthermore, if an original action is brought in France, the French courts should consider that the submission of the Issuer to the jurisdiction of the courts of England for any disputes that may arise out of or in connection with the Bonds and with any non-contractual obligations arising out of or in connection with them is a valid submission to the jurisdiction of such courts provided that the provisions of the Brussels I Regulation (Recast) are complied with. These provisions include (but are not limited to) the condition that the French courts do not have exclusive jurisdiction over the matter in accordance with the Brussels I Regulation (Recast).

Pursuant to Articles 14 and 15 of the French Civil Code, any party can in principle bring an action against a French national (either a company or an individual) before the French courts, regardless of where the obligations were undertaken, and a French national may decide to bring an action before the French courts, regardless of the nationality of the defendant. However, under the Brussels I Regulation (Recast), the privileges granted to French nationals pursuant to Articles 14 and 15 of the French Civil Code may not be invoked against a person domiciled in another Member State; conversely, the privilege granted by Article 14 of the French Civil Code may be invoked by a claimant domiciled in France, regardless of the claimant's nationality, to sue before French courts a defendant domiciled outside the EU, provided that the parties have not agreed to submit to the jurisdiction of a court of a Member State.

If they consider having jurisdiction, the French courts may refuse to apply foreign law designated by the applicable French conflict of laws rules (including the law chosen by the parties to govern their contract) if the application of such law is deemed in the case at hand to be manifestly incompatible with French public policy (*ordre public*) or in case of overriding mandatory provisions. Furthermore, in an action brought in France on the basis of English law, French courts may not have the requisite power to grant all the remedies sought.

Moreover, four decisions of the first civil chamber of the French Supreme Court (*Cour de cassation*) dated September 26, 2012, March 25, 2015, October 7, 2015 and October 3, 2018 permit to conclude that contractual provisions submitting one party to the exclusive jurisdiction of a court and giving another party an additional option to choose another jurisdiction (one-sided jurisdiction clauses) may only be effective if they set out an objective basis for the alternative jurisdictions that one party could choose. Accordingly, any one-sided jurisdiction clauses which do not set out an objective basis (such as a reference to a ground of jurisdiction or to legal rules) in any relevant documents would not be binding on the party submitted to the exclusive jurisdiction of the court or prevent a French party from bringing an action before the French courts. However, note that these decisions were made on the basis of Council Regulation (EC) No. 44/2001 of December 22, 2000 or on the basis of the Lugano Convention dated October 30, 2007 and that such decisions have yet to be confirmed in the context of Brussels I Regulation (Recast).

Ordinance n° 2020-306

Due to the Covid-19 outbreak, certain temporary measures have recently been enacted by the French Government pursuant to the Ordinance n° 2020-306 dated 25 March 2020 relating to the extension of deadlines, which among other things temporarily prohibit the application of clauses such as penalty payment clauses, forfeiture clauses, termination clauses and acceleration clauses resulting from the non performance of obligations due within the period from 12 March 2020 to the expiry of one month from the end of the health state of emergency. At the present time, the health state of emergency is expected to run until 24 May 2020, but it may be extended by a further French decree. In this context, if the Issuer were to default in respect of one of its obligations under the Bonds, the Bondholders would during such forbearance period not be able to request the early redemption of the Bonds despite the occurrence of the relevant event of default. This potential postponement in the exercise of their rights by the Bondholders might have an impact on their ability to recover the full redemption proceeds from the Issuer in a timely manner.

TAXATION

The following is a general description of the Issuer's and the Guarantor's understanding of certain French and Swiss tax considerations relating to the Bonds and the Guarantee. It is restricted to the matters of French and Swiss taxation stated herein and is intended neither as tax advice nor as a complete analysis of all tax considerations relating to the Bonds, whether in those countries or elsewhere. Prospective purchasers of the Bonds should consult their own tax advisers as to which countries' tax laws could be relevant to acquiring, holding and disposing of the Bonds and receiving payments of interest, principal and/or other amounts under the Bonds and the consequences of such actions under the tax laws of those countries. This overview is based upon the law as in effect on the date of this Offering Circular and is subject to any change in law that may take effect after such date, even with retroactive effect.

FRENCH TAXATION

The following description is only addressed to potential Bondholders who are neither a shareholder of the Issuer nor are otherwise related parties of the Issuer..

This summary is for general information only and does not deal with any aspects of tax other than the withholding and income taxes described below (in particular, this does not address any French estate or gift tax considerations and does not address the French tax treatment of payments potentially made under the Guarantee).

It is assumed that the Bonds being offered pursuant to this Offering Circular are characterized as "obligations" under French commercial law and that Bondholders will be entitled to receive income characterised under French tax law as interest and interest-like income ("revenus et produits de placements à revenu fixe").

French Withholding Tax

Non-French residents. The following description is only addressed to potential Bondholders who are not French tax residents for French tax purposes and who do not hold the Bonds in connection with a permanent establishment or a fixed base in France. Payments of interest and other assimilated revenue made by the Issuer with respect to the Bonds will not be subject to the withholding tax set forth under Article 125 A, III of the French Tax Code unless such payments are made outside France in a non-cooperative State or territory (*État ou territoire non coopératif*) within the meaning of Article 238-0 A of the French Tax Code (a "**NCST**") other than those mentioned in Article 238-0 A 2 *bis* 2° of the French Tax Code. If such payments under the Bonds are made in a NCST other than those mentioned in Article 238-0 A 2 *bis* 2° of the French Tax Code, a 75% mandatory withholding tax will be due by virtue of Article 125 A, III of the French Tax Code (subject to exceptions, certain of which are set forth below, and to the provisions of any applicable double tax treaty). The 75% withholding tax is applicable irrespective of the holder's residence for tax purposes or registered headquarters.

The new law on the reinforcement of the fight against fraud (*Loi relative à la lutte contre la fraude*) published on October 24, 2018 expanded the list of NCSTs to include the States or Territories included in the EU list of non-cooperative jurisdictions for tax purposes (the "**EU Black list**"). The expansion does not apply uniformly and differs according to the provisions of the French Tax Code and the reasons for the inclusion of the States or Territories on the EU Black list.

For the purposes of Article 125 A, III of the French Tax Code, only the States or Territories included in the EU Black list on the ground that they "facilitate offshore structures or arrangements aimed at attracting profits which do not reflect real economic activity in the jurisdiction" are considered as NCSTs.

The list of NCSTs is, in principle, updated on an annual basis. The last update from the French authorities is dated January 6, 2020 and comprised: American Samoa, Anguilla, Bahamas, British Virgin Islands, Fiji, Guam,

Oman, Panama, Samoa, Seychelles, US Virgin Islands, Trinidad and Tobago and Vanuatu. Concerning the 12 newly included jurisdictions, restrictive tax measures apply as of the first day of the third month following the publication of the decree, i.e., as of April 1, 2020.

However, for the application of the provisions of Article 125 A III of the French Tax Code, only the following states should be considered as NCSTs: Anguilla, Bahamas, British Virgin Islands, Panama, Seychelles and Vanuatu.

The EU Blacklist is published by the European Council and may be updated at any time and at least once a year. The last EU Blacklist published on February 18, 2020 includes American Samoa, Cayman Islands, Fiji, Guam, Palau, Panama, Samoa, Seychelles, Oman, Trinidad and Tobago, US Virgin Islands and Vanuatu. Such changes to the EU Blacklist will have to be taken into account in the new list of NCSTs published by the French Authorities to be effective under French law.

Furthermore, according to Article 238 A of the French Tax Code, interest and other revenue under the Bonds will not be deductible from the taxable income of the Issuer (in circumstances where it would otherwise be deductible), if they are paid or accrued to persons domiciled or established in a NCST or paid to a bank account opened in a financial institution located in a NCST (the "**Non-Deductibility**"). For the purposes of Article 238 A of the French Tax Code all the States or Territories included in the EU Black list are considered as NCSTs regardless of the reason for their inclusion on the EU Black list (i.e., lack of tax transparency, lack of fair taxation and lack of implementation of anti-BEPS measures, facilitate offshore structures…).

Under certain conditions, any such non-deductible interest or other revenue may be recharacterized as constructive dividends pursuant to Articles 109 *et seq*. of the French Tax Code, in which case it may be subject to the withholding tax provided under Article 119 *bis*, 2 of the French Tax Code, at a rate of (i) 12.8% for payments benefitting individuals who are not French tax residents, (ii) standard corporate income tax rate set forth in Article 219-I of the French Tax Code for fiscal years beginning as from January 1, 2020 for payments benefitting legal persons or entities – under certain conditions – that are not French tax residents, or (iii) 75% for payments made outside of France in certain NCSTs, subject to the provisions of an applicable double tax treaty.

Notwithstanding the foregoing, none of the withholding tax provided by Article 125 A, III of the French Tax Code or the Non-Deductibility or the withholding tax set forth under Article 119 *bis,* 2 of the French Tax Code that may be levied as a result of the Non-Deductibility, will apply in respect of a particular issue of debt instruments, provided that the Issuer can prove that (i) the main purpose and effect of such issue was not to enable payments of interest and other revenue to be made in a NCST (the "**Exception**") and (ii) in respect of the Non-Deductibility, that the relevant interest and other revenue relate to genuine transactions and are not in an abnormal or exaggerated amount.

Pursuant to the provisions of the administrative guidelines (*Bulletin Officiel des Finances Publiques* – BOI-INT-DG-20-50-20140211 §550 and §990, and BOI-IR-DOMIC-10-20-20-60-2019122 §10 – the "**Administrative Guidelines**"), an issue of the Bonds benefits from the Exception without the Issuer having to provide any evidence supporting the main purpose and effect of such issue of the Bonds, if the Bonds are:

- instruments issued in a public offering within the meaning of Article L. 411-1 of the French Monetary and Financial Code or pursuant to an equivalent offer in a state other than a NCST (for this purpose, an "equivalent offering" means any offering requiring the registration or submission of an offering document by or with a foreign securities market authority);

- instruments admitted to trading on a French or foreign regulated market or multilateral securities trading system, provided that such market or system is not located in a NCST and that the operation of such market is operated by a market operator, an investment services provider or by such other

similar foreign entity that is not located in a NCST, provided further that such market operator, investment services provider or entity is not located in a Non-Cooperative State; or

- instruments admitted, at the time of their issue, to the operations of a central depositary or of a securities clearing and delivery and payments systems operator within the meaning of Article L. 561-2 of the French Monetary and Financial Code, or of one or more similar foreign depositaries or operators provided that such depositaries or operators are not located in a NCST.

French residents – individuals. Pursuant to Article 125 A and 125 D of the French Tax Code and subject to certain limited exceptions, assuming the Bonds are treated (based on their individual terms and conditions) as debt instruments for French tax purposes, interest and other assimilated revenue paid in respect of such Bonds from France or from abroad to French individual investors who are fiscally domiciled (*domiciliés fiscalement*) in France are subject, subject to certain exceptions, to a non-definitive 12.8% withholding tax (*prélèvement à la source obligatoire non libératoire de l'impôt sur le revenu*) which is deductible from their personal income tax liability in respect of the year in which the payment has been made. In these situations, social contributions (CSG, CRDS and other related contributions) are also levied by way of withholding tax at the aggregate rate of 17.2% on interest and other assimilated revenue.

Transfer Taxes or Similar Duties

No transfer taxes or similar duties are payable in France in connection with the sale of the Bonds, except (i) in the case of filing with the French tax authorities on a voluntary basis, (ii) if such transfer is recorded or referred to in any manner whatsoever in an act, such as, for instance, a deed, which shall be mandatorily registered with the tax authorities in France or (iii) to the extent that the FTT would become applicable (as described in "*Risk Factors – 3. FACTORS WHICH ARE MATERIAL FOR THE PURPOSE OF ASSESSING THE MARKET RISKS ASSOCIATED WITH THE BONDS – EU financial transactions tax ("FTT") proposals may give rise to tax liabilities.*").

SWISS TAXATION

Swiss Withholding Tax

Payments by the Issuer of interest on, and repayment of principal of, the Bonds, or any payments by the Guarantor under the Guarantee, will not be subject to Swiss withholding tax. So long as the Bonds are outstanding, the Issuer and the Guarantor will ensure that (i) the Issuer will have its domicile and place of effective management outside Switzerland, and (ii) the aggregate amount of proceeds from the issuance of all outstanding debt instruments issued by a non-Swiss member of the Group with the parental guarantee of a Swiss member of the Group (including the Bonds) that is being applied by any member of the Group in Switzerland does not exceed the amount that is permissible under the taxation laws in effect at such time in Switzerland without subjecting interest payments due under the Bonds (or any payments under the Guarantee) to Swiss federal withholding tax (see also above under Risk Factors - "*The tax treatment of the Bonds with respect to Swiss withholding tax"*).

On 26 June 2019, the Swiss Federal Council announced that it will resume the reform of the withholding tax regime, which had previously been suspended. In a meeting and a subsequent press release on 27 September 2019, the Federal Council further defined the scope and content of the planned reform. The reform is expected, among other things, to replace the current debtor-based regime applicable to interest payments with a paying agent-based regime for Swiss withholding tax. This paying agent-based regime is expected to (i) subject all interest payments made by paying agents in Switzerland to individuals resident in Switzerland to Swiss withholding tax and (ii) exempt from Swiss withholding tax interest payments to all other persons, including to Swiss domiciled legal entities and foreign investors. If any paying agent-based regime were to be enacted and were to result in the deduction or withholding of Swiss withholding tax on any interest payments in respect of

a Bond by any person other than the Issuer, the holder would not be entitled to receive any additional amounts as a result of such deduction or withholding under the terms of the Bonds.

Swiss Securities Turnover Tax

The issuance and sale of the Bonds on the issue date are exempt from Swiss securities turnover tax (*Umsatzabgabe*) (primary market). Secondary market dealings in Bonds may be subject to the Swiss securities turnover tax at a rate of up to 0.30 per cent. of the purchase price of the Bonds, however, only if a securities dealer in Switzerland or Liechtenstein, as defined in the Swiss Federal Act on Stamp Duties (*Bundesgesetz über die Stempelabgaben*), is a party or an intermediary to the transaction and no exemption applies. An exemption applies, *inter alia*, for each party to a transaction in Bonds that is not resident in Switzerland or Liechtenstein.

Swiss Income Taxation of Non-Swiss tax resident Investors

Payments of interest on, and repayment of principal of, the Bonds, by the Issuer to, and payments under the Guarantee by the Guarantor, and gain realised on the sale or redemption of a Bond by a holder of a Bond who is not a resident of Switzerland and who during the current taxation year has not engaged in a trade or business through a permanent establishment in Switzerland to which such Bond is attributable, will, in respect of such Bond, not be subject to any Swiss federal, cantonal or communal income.

For a discussion of the potential new Swiss withholding tax legislation that may replace the current issuer-based withholding tax system with a paying-agent based withholding tax system, see above under "*Swiss Withholding Tax*", for a discussion of the automatic exchange of information in tax matters, see below under "*International Automatic Exchange of Information in Tax Matters*", and for a discussion of the Swiss facilitation of the implementation of the Foreign Account Tax Compliance Act, see below under "*Swiss Facilitation of the Implementation of the U.S. Foreign Account Tax Compliance Act*".

Swiss Income Taxation of Bonds held by Swiss tax resident Individuals as Private Assets

A holder of a Bond who is an individual resident in Switzerland and who holds such Bond as a private asset is required to include interest payments and any payment by the Issuer upon redemption relating to accrued interest on such Bond in their personal income tax return for the relevant tax period, converted from Euro into Swiss francs at the exchange rate prevailing at the time of payment, and will be taxable on any net taxable income (including the payments of interest on such Bond) for such tax period. A gain (including a gain in respect of interest accrued, foreign currency exchange rate appreciation or change in market interest rate) on the sale of such a Bond is a tax-free private capital gain. Conversely, a loss realised on the sale of a Bond is a non-tax-deductible private capital loss.

Swiss Income Taxation of Bonds held by Swiss tax resident Individuals or Entities as Business Assets

Individuals who hold Bonds as part of a business in Switzerland and Swiss resident corporate taxpayers and corporate taxpayers resident abroad holding Bonds as part of a Swiss permanent establishment in Switzerland are required to recognise the payments of interest and any capital gain or loss realised on the sale or other disposition of such Bond (including relating to accrued interest, a foreign exchange rate change or a change of market interest rates) in their income statement for the respective tax period and will be taxable on any net taxable earnings for such period. The same taxation treatment also applies to Swiss resident individuals who, for income tax purposes, are classified as "*Professional Securities Dealers*" for reasons of, *inter alia*, frequent dealings, or leveraged investments, in securities.

International Automatic Exchange of Information in Tax Matters

Switzerland has concluded a multilateral agreement with the EU on the AEOI in tax matters, which applies to all EU member states. In addition, Switzerland has concluded the multilateral competent authority agreement on the automatic exchange of financial account information ("**MCAA**"), and based on the MCAA, a number of

bilateral AEOI agreements with other countries. Based on such agreements and the implementing laws of Switzerland, Switzerland collects and exchanges data in respect of financial assets, including the Bonds, as the case may be, held in, and income derived thereon and credited to, accounts or deposits with a paying agent in Switzerland for the benefit of individuals resident in a EU member state or in another treaty state. An up-to-date list of the AEOI agreements to which Switzerland is a party that are in effect, or signed but not yet in effect, can be found on the website of the State Secretariat for International Financial Matters (SIF).

Swiss Facilitation of the Implementation of the U.S. Foreign Account Tax Compliance Act

The United States and Switzerland have entered into an intergovernmental agreement to facilitate the implementation of FATCA (an "**IGA**"). Under the IGA, financial institutions acting out of Switzerland generally are directed to become participating foreign financial institutions ("**FFIs**"). The agreement ensures that accounts held by U.S. persons with Swiss financial institutions are disclosed to the U.S. tax authorities either with the consent of the account holder or by means of group requests within the scope of administrative assistance on the basis of the double taxation agreement between the United States and Switzerland. In this regard, on 17 July 2019, the US Senate approved the 2009 protocol (the "**Protocol**") amending the double taxation agreement regarding income tax between Switzerland and the US ("**DTA**"). The Protocol had been approved by the Swiss Federal Assembly on 18 June 2010. On 20 September 2019, Switzerland and the US exchanged the instruments of ratification of the Protocol. With the exchange of the ratification instruments, the amended DTA formally entered into force. The Protocol introduces a mechanism for the exchange of information upon request in tax matters between Switzerland and the United States, which is in line with international standards, and allows the United States to make group requests under FATCA concerning non-consenting U.S. accounts and non-consenting non-participating foreign financial institutions.

GENERAL

Prospective purchasers of the Bonds should be aware that they may be required to pay taxes or other documentary charges or duties in accordance with the laws and practices of the country where the Bonds are transferred or other jurisdictions. In addition, payments of interest or other amounts on the Bonds (if any), or profits realised by a Bondholder upon the sale or repayment of its Bonds, may be subject to taxation in the home jurisdiction of the potential investor or in other jurisdictions in which it is required to pay taxes.

All prospective purchasers of the Bonds are urged to consult their own professional tax advisers as to French or Swiss tax consequences of purchasing, owning and disposing of the Bonds in light of their particular circumstances.

SUBSCRIPTION AND SALE

Citigroup Global Markets Limited and UBS Europe SE (the "**Joint Lead Managers**") have, pursuant to a Subscription Agreement dated 27 April 2020, jointly and severally agreed with the Issuer and the Guarantor, subject to the satisfaction of certain conditions, to subscribe for the Bonds at (in the case of the Series A Bonds) 99.860 per cent., and (in the case of the Series B Bonds) 99.356 per cent., of their principal amount, less a combined management and underwriting commission. In addition, the Issuer, failing which the Guarantor, has agreed to reimburse the Joint Lead Managers for certain of their expenses in connection with the issue of the Bonds. The Subscription Agreement entitles the Joint Lead Managers to terminate it in certain circumstances prior to payment being made to the Issuer.

General

Neither the Issuer nor the Guarantor nor any Joint Lead Manager has made any representation that any action will be taken in any jurisdiction by the Joint Lead Managers or the Issuer or the Guarantor that would permit a public offering of the Bonds, or possession or distribution of this Offering Circular (whether or not in final form) or any other offering or publicity material relating to the Bonds, in any country or jurisdiction where action for that purpose is required. Each Joint Lead Manager has agreed that it will comply, to the best of its knowledge and belief in all material respects, with all applicable laws and regulations in each jurisdiction in which it acquires, offers, sells or delivers Bonds or has in its possession or distributes this Offering Circular (whether or not in final form) or any such other material, in all cases at its own expense. It will also ensure that no obligations are imposed on the Issuer, the Guarantor or any of the Joint Lead Managers in any such jurisdiction as a result of any of the foregoing actions.

United States

The Bonds and the Guarantee have not been and will not be registered under the Securities Act, and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

Each Joint Lead Manager has agreed that, except as permitted by the Subscription Agreement, it will not offer, sell or deliver the Bonds and the Guarantee (i) as part of their distribution at any time or (ii) otherwise until 40 days after the later of the commencement of the offering and the Issue Date (the "**distribution compliance period**"), within the United States or to, or for the account or benefit of, U.S. persons, and it will have sent to each dealer to which it sells Bonds and the Guarantee during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Bonds and the Guarantee within the United States or to, or for the account or benefit of, U.S. persons. Terms used in this paragraph have the meanings given to them by Regulation S.

In addition, until 40 days after the commencement of the offering of the Bonds and the Guarantee, an offer or sale of Bonds or Guarantee within the United States by a dealer that is not participating in the offering may violate the registration requirements of the Securities Act.

Prohibition of Sales to EEA and UK Retail Investors

Each Joint Lead Manager has represented and agreed that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Bonds to any retail investor in the EEA or the UK. For the purposes of this provision the expression "retail investor" means a person who is one (or both) of the following:

(i) a retail client as defined in point (11) of Article (4)1 of MiFID II; and

(ii) a customer within the meaning of Insurance Distribution Directive, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II.

United Kingdom

Each Joint Lead Manager has represented and agreed that:

(a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000 ("**FSMA**") received by it in connection with the issue or sale of the Bonds in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer or the Guarantor; and

(b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Bonds in, from or otherwise involving the United Kingdom.

Switzerland

The Bonds will not be listed on the SIX Swiss Exchange or any other exchange or regulated trading venue in Switzerland. Neither this Offering Circular nor any other offering or marketing material relating to the Bonds constitutes a prospectus pursuant to FinSA, and neither this Offering Circular nor any other offering or marketing material relating to the Bonds may be publicly distributed or otherwise made publicly available in Switzerland.

France

This Offering Circular has not been prepared in the context of an offer to the public of financial securities within the meaning of Regulation (EU) 2017/1129 (the "**Prospectus Regulation**"). Consequently, the Bonds may not be, directly or indirectly, offered or sold to the public in France (*offre au public de titres financiers*), and neither this Offering Circular nor any other offering material may be distributed to the public in France.

Notwithstanding the foregoing, the Bonds may be offered and sold in France exclusively to a limited number of investors acting for their own account (*cercle restreint d'investisseurs agissant pour compte propre*) in accordance with Article L.411-2 of the French Monetary and Financial Code (*Code monétaire et financier*) or to qualified investors (*investisseurs qualifiés*) as defined by Article 2(e) of the Prospectus Regulation.

Prospective investors are informed that: (i) this Offering Circular has not been and will not be submitted for clearance to the *Autorité des marchés financiers* (the "**AMF**"); and (ii) the direct and indirect distribution or sale to the public of the Bonds acquired by them may only be made in compliance with Articles L.411-1 and L.411-2 of the French Monetary and Financial Code (*Code monétaire et financier*) and applicable regulation thereunder.

Investors in France and persons into whose possession offering materials come must inform themselves about, and observe, any such restrictions.

INDEPENDENT AND STATUTORY AUDITORS

KPMG S.A. of 2 Avenue Gambetta, Tour Eqho, 92066 Paris, France, are the statutory auditors of the Issuer.

The statutory auditors of the Firmenich Group and the Guarantor are KPMG SA, with their address at Esplanade de Pont-Rouge 6, CH-1211 Geneva, Switzerland. KPMG SA is a member of EXPERTsuisse and regulated by the Swiss Federal Audit Oversight Authority (FAOA).

The consolidated financial statements of the Firmenich Group are prepared in accordance with IFRS as issued by the International Accounting Standards Board (IASB) and comply with Swiss law as at and for the years ended 30 June 2019 and 2018 and have been audited by KPMG SA, as stated in its statutory auditor's reports included in this Offering Circular.

With respect to the unaudited consolidated interim financial information of the Group as at and for the six-month period ended 31 December 2019 included in this Offering Circular, the independent auditor has reported that they applied limited procedures in accordance with professional standards for a review of such information. However, their separate report (also included in this Offering Circular) states that they did not audit and they do not express an opinion on that consolidated interim financial information.

GENERAL INFORMATION

1. It is expected that listing of the Bonds on the Official List and admission of the Bonds to trading on the Market will be granted on or around 30 April 2020. Transactions will normally be effected for delivery on the third working day after the day of the transaction. The expenses in connection with the admission to trading of the Bonds are expected to amount to €8,300.

2. Each of the Issuer and the Guarantor has obtained all necessary consents, approvals and authorisations in France and Switzerland in connection with the issue and performance of the Bonds and of the Guarantee. The issue of the Bonds was authorised by resolutions of the President of the Issuer passed on 27 April 2020 and the giving of the Guarantee by the Guarantor was authorised by resolutions of the board of directors of the Guarantor passed on 12 February 2020.

3. There has been no material adverse change in the prospects of the Issuer since 30 June 2019, being the date of the last published audited financial statements of the Issuer. There has been no material adverse change in the prospects of the Guarantor since 30 June 2019, being the date of the last published audited consolidated financial statements of the Guarantor. See also "*Description of Firmenich and the Group – Recent Developments – COVID-19 Developments*".

4. There has been no significant change in the financial performance or financial position of the Group since 31 December 2019, being the end of the last financial period for which financial information has been published with respect to the Group.

5. Neither the Issuer, the Guarantor nor the Group is, nor has been, involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer or Guarantor are aware) during the 12 months preceding the date of this Offering Circular which may have or have had in the recent past significant effects on the financial position or profitability of the Issuer, the Guarantor or the Group.

6. The Bonds have been accepted for clearance through Euroclear and Clearstream, Luxembourg systems (which are the entities in charge of keeping the records). The International Securities Identification Number ("**ISIN**") for the Series A Bonds is XS2166619663 and the Common Code for the Series A Bonds is 216661966; the ISIN for the Series B Bonds is XS2166619820 and the Common Code for the Series B Bonds is 216661982. For FISN and CFI Code, see the website of the Association of National Numbering Agencies (ANNA) or alternatively sourced from the responsible National Numbering Agency that assigned the ISIN.

7. The Legal Entity Identifier code of the Issuer is 635400DX7HXMEAP36T24.

8. The Legal Entity Identifier code of the Guarantor is 5493004Q6ZQIC4MCNJ08.

9. The website of the Guarantor is http://www.firmenich.com. The information on http://www.firmenich.com does not form part of this Offering Circular, except where that information has been incorporated by reference into this Offering Circular.

10. The yield of the Series A Bonds is 1.398% and the yield of the Series B Bonds is 1.821%, in each case on an annual basis. The yield is calculated as at the Issue Date on the basis of (i) the issue price; and (ii) the Bonds being redeemed on the Early Call Date. It is not an indication of future yield.

11. There are no material contracts entered into other than in the ordinary course of the Issuer's or the Guarantor's business, which could result in any member of the Group being under an obligation or entitlement that is material to the Issuer's ability to meet its obligations to Bondholders in respect of the Bonds being issued or the Guarantor's ability to meet its obligations to Bondholders under the Guarantee.

12. For so long as the Bonds remain outstanding, copies of the following documents will be available for inspection at the website of the Guarantor (http://www.firmenich.com):

    (a) the articles of association of the Issuer and the Guarantor;

    (b) this Offering Circular together with any supplement to this Offering Circular or further Offering Circular;

    (c) the Deed of Guarantee;

    (d) the audited consolidated financial statements of the Guarantor and its subsidiaries (including the notes thereto) as at, and for the years ended 30 June 2019 and 2018 and related Auditor's Reports;

    (e) the unaudited consolidated interim financial information of the Guarantor and its subsidiaries as at, and for the six months ended 31 December 2019; and

    (f) all reports, letters and other documents, balance sheets, valuations and statements by any expert, any part of which is extracted or referred to in this Offering Circular.

    This Offering Circular will be published on the website of Euronext Dublin at *www.ise.ie*. The website of Euronext Dublin does not form part of this Offering Circular.

13. There is no natural or legal person involved in the issue of the Bonds and having an interest that is material to the issue of the Bonds, other than certain of the Joint Lead Managers and their affiliates who have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform services for the Issuer and/or the Guarantor and their affiliates in the ordinary course of business. Certain of the Joint Lead Managers and their affiliates may have positions, deal or make markets in the Bonds, related derivatives and reference obligations, including (but not limited to) entering into hedging strategies on behalf of the Issuer and/or the Guarantor and their affiliates, investor clients, or as principal in order to manage their exposure, their general market risk, or other trading activities.

    In addition, in the ordinary course of their business activities, the Joint Lead Managers and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of the Issuer and/or the Guarantor and their affiliates. Certain of the Joint Lead Managers and their affiliates that have a lending relationship with the Issuer and/or the Guarantor routinely hedge their credit exposure to the Issuer and/or the Guarantor consistent with their customary risk management policies. Typically, such Joint Lead Managers and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in securities, including potentially the Bonds. Any such positions could adversely affect future trading prices of the Bonds. The Joint Lead Managers and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

FINANCIAL STATEMENTS

This section contains the following financial statements:

Guarantor Financial Statements

- the audited consolidated financial statements of the Guarantor and its subsidiaries (including the notes thereto) as at, and for the years ended 30 June 2019 and 2018 and related Auditor's Reports; and

- the unaudited consolidated interim financial information of the Guarantor and its subsidiaries as at, and for the six months ended 31 December 2019.

DRT Financial Statements

- the audited consolidated financial statements of Alpha-Beta International which consolidates DRT and its subsidiaries (including the notes thereto) as at, and for the year ended 31 December 2019 and related Auditor's Report.

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

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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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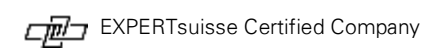

EXPERTsuisse Certified Company

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

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).

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

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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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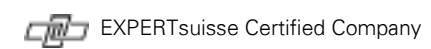

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Responsibility of the Board of Directors for the Consolidated Financial Statements
The Board of Directors is responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRS and the provisions 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 SA, Esplanade de Pont-Rouge 6, CH-1212 Grand-Lancy, P.O. Box 1571, CH-1211 Geneva 26

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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		Flavor		Total	
	December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018	December 31, 2019	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.

Alpha-Beta International

ANNUAL REPORT

2019

Company: Alpha-Beta International

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I. CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

In € thousands	2019 (12 months)	2018 (9 months)	Notes
Revenue	**544,652**	**413,398**	**V.6.1**
Other business income	9,956	4,922	V.6.1
Income from ordinary activities	**554,607**	**418,320**	**-**
Selling expense	(24,822)	(18,942)	V.6.2
Variable expense	(297,118)	(243,433)	V.6.4.4
Contribution margin	**232,667**	**155,946**	**-**
Direct non-proportional expense	(85,937)	(57,088)	V.6.5
Gross profit	**146,731**	**98,858**	**-**
General and administrative expense	(38,065)	(26,263)	V.6.5
R&D expense	(10,088)	(7,863)	V.6.5
Net provision expense	(313)	(351)	V.9.2
Depreciation and amortisation	(67,744)	(45,594)	V.8.2
Other operating income and expense	(75)	32	V.6.12
Recurring operating income	**30,446**	**18,818**	**-**
Other operating income and expense	(17,989)	(7,404)	V.6.6
Operating income	**12,457**	**11,414**	**-**
Share in the net income of equity affiliates	748	310	V.6.9
Net financial items	(50,109)	(40,418)	V.11.1.4.2
Income tax	1,210	(6,181)	V.12.1.5
Net income from continuing operations	**(35,694)**	**(34,876)**	**-**
Net income from discontinued operations	(9)	(204)	V.6.10
Net income	**(35,703)**	**(35,080)**	**-**
Of which net income attributable to non-controlling interests	3,406	3,879	-
Of which net income attributable to equity holders of the parent	(39,109)	(38,958)	-
EBITDA	**98,578**	**64,732**	**-**

The income statement above reflects the Group's activities over the full 12 months of 2019, as compared with the period from April to December in 2018.

The Group defines EBITDA as follows: recurring operating income plus net additions to depreciation, amortisation and provisions, along with other operating income and expense (not material).

II. CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Assets (in € thousands)	31/12/2019	31/12/2018	Notes
Goodwill	251,961	252,090	V.8.1
Intangible assets	346,883	369,633	V.8.1
Property, plant and equipment	355,640	322,565	V.8.2
Investments in companies accounted for under the equity method	3,128	2,380	V.6.9
Deferred tax assets	7,281	5,851	V.12.2.1
Other non-current assets	12,480	14,089	V.11.1.1
Non-current assets	**977,374**	**966,608**	**-**
Inventories	173,080	145,814	V.6.4.2
Trade receivables	48,556	106,954	V.6.3.1
Current tax assets	-	-	-
Other current assets	20,244	19,563	V.11.1.2
Cash and cash equivalents	24,209	26,485	V.11.4
Current assets	**266,090**	**298,816**	**-**
Total assets	**1,243,464**	**1,265,424**	**-**

Equity and liabilities (in € thousands)	31/12/2019	31/12/2018	Notes
Share capital	193,469	193,256	V.10.1.1
Share premiums and reserves	9,488	65,433	IV
Other comprehensive income	1,099	5,119	V.10.3
Net income for the year	(39,109)	(38,958)	-
Equity attributable to equity holders of the parent	**164,946**	**224,850**	**-**
Non-controlling interests	26,962	26,678	IV
Equity	**191,908**	**251,527**	**-**
Convertible bonds	169,911	249,236	V.10.1.2
Provisions for retirement and other employee benefit obligations	9,407	7,810	V.7.7
Other non-current provisions	-	-	-
Long-term borrowings and debt	583,518	477,105	V.11.3
Deferred tax liabilities	119,192	128,069	V.12.2.1
Other non-current liabilities	3,550	352	V.6.11
Non-current liabilities	**715,667**	**613,336**	**-**
Current provisions	127	459	V.9.1
Short-term borrowings and debt	70,126	44,796	V.11.3
Trade payables	69,146	66,077	V.11.1.3
Current tax liabilities	41	1,731	V.12.1.7
Other current liabilities	26,538	38,263	V.6.11
Current liabilities	**165,978**	**151,325**	**-**
Total liabilities	**1,243,464**	**1,265,424**	**-**

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III. CONSOLIDATED STATEMENT OF CASH FLOWS

In € thousands	2019	2018 (9 months)
Net income from consolidated companies	**(35,703)**	**(35,080)**
Net income from discontinued operations	9	204
Income tax expense	(1,210)	6,181
Financial expense	50,109	40,418
Share in the net income of equity affiliates	(748)	(310)
Operating income	**12,457**	**11,413**
Depreciation and amortisation	67,744	45,594
Additions to/(releases from) provisions	65	(270)
Additions to/(releases from) provisions for asset impairment	-	-
Losses/(gains) on sales of non-current assets	205	315
Investment subsidies taken to income	(356)	(237)
Other	654	(1,489)
Operating cash flow	**80,769**	**55,326**
Change in inventories	(27,266)	1,930
Change in trade and other receivables	58,398	(7,822)
Change in trade and other payables	3,069	(12,218)
Change in social security and tax liabilities	(1,691)	(578)
Change in other receivables and payables	(8,455)	(6,421)
Funds from operations	**104,824**	**30,217**
Interest paid	(39,134)	(16,961)
Other financial income and expense paid	58	(1,188)
Income tax paid	(6,096)	(15,042)
Cash flow from operating activities	**59,652**	**(2,975)**
Purchases of intangible assets and property, plant and equipment	(70,686)	(36,378)
Purchases of non-current financial assets	-	(769,223)
Disposals of intangible assets and property, plant and equipment	-	594
Disposals of non-current financial assets	3,060	-
Cash flow from investing activities	**(67,626)**	**(805,007)**
Financing surplus (requirement)	**(7,974)**	**(807,982)**
Capital increase (decrease)	(1,430)	196,189
Increase in bond borrowings	-	283,811
(Decrease) in bond borrowings	(123,581)	-
Increase in debt	140,993	477,000
(Decrease) in debt	(31,118)	(146,017)
Shareholder loans	-	-
Cash flow from financing activities	**(15,136)**	**810,983**
Change in net cash	(23,110)	3,002
Net cash at start of period	**9,684**	**9,684**
Change in net cash	(23,110)	3,002
Net cash at end of period	**(10,424)**	**12,686**

IV. STATEMENT OF CHANGES IN CONSOLIDATED EQUITY

In € thousands	Share capital	Share premiums and reserves	Net income for the period	Other comprehensive income	Non-controlling interests	Total equity
31/12/2018	**193,256**	**65,433**	**(38,958)**	**5,119**	**26,678**	**251,527**
Change in scope	-	-		-	-	0
Comprehensive income for the period	-	(38,958)	38,958	-	3,406	(35,703)
Capital increase	340	(340)		-	-	0
Capital decrease	(127)	(1,303)		-	-	(1,430)
Convertible bonds	-	(30,015)		-	-	(30,015)
Other movements	-	14,670		(4,020)	(3,122)	7,529
Transactions with ABI's owners	**-**	**-**		**-**	**-**	**0**
31/12/2019	**193,469**	**9,488**	**(39,109)**	**1,009**	**26,962**	**191,908**

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V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

On 10 April 2018, the Company indirectly acquired all the capital and voting rights of Les Dérivés Résiniques et Terpéniques (DRT), a simplified joint-stock corporation *(société par actions simplifiée)* with capital of €19,961,200, whose registered office is located at 30 rue Gambetta, 40100 Dax and which is registered with the Dax trade and companies register under number 985 520 154, and of its direct and indirect subsidiaries and affiliates.

V.1 KEY EVENTS IN THE PERIOD

- Partial redemption and repurchase of financial instruments in July 2019:
  Because of the Group's strong performance, in July 2019 it carried out transactions to redeem and repurchase a portion of the fixed-income financial instruments subscribed by various investors including new investors, particularly convertible bonds and cumulative preferred shares issued by the Company on 10 April 2018 ("Category A Shares") in an amount of around €125,000,000. The transaction was financed by (i) the use of part of the Group's available liquidity, arising in particular from DRT's factoring programme, via a special distribution of reserves in an amount of €63,610,000 and (ii) the arrangement of an Additional Senior Facility for Alpha-Beta Participation in a principal amount of €60,000,000 (the "Additional Facility") on terms set out in the "Additional Facility Notice" signed in July 2019 by Alpha-Beta Participation.

  Accordingly, on 23 July 2019, the Group carried out the following transactions:

  - Redemption of 38.9% of the convertible bonds in a principal amount of €110,503,712 and €13,077,013 of interest, making a total of €123 million.
  - Reduction in the Company's share capital for purposes other than absorbing losses, in a nominal amount of €126,902, through the repurchase of 126,902 Category A Shares with par value of €1 each at their real value, i.e. €11.18 each, in order to cancel them.

  The aim of this financing transaction was to take advantage of favourable conditions in the external debt market, with that external debt replacing more costly borrowings from shareholders and therefore having a positive impact for the Group.

- Previously, on 10 April 2019, the Chairman, under a delegation of authority granted by the Shareholders on 10 April 2018, formally noted an increase in the Company's share capital amounting to €340,000 through the issue of 340,000 ADP 1 preferred shares, in accordance with articles L. 225-129-1 and L. 227-1 of the French Commercial Code.

- Expansion of the tax consolidation group: on 15 March 2019, Alpha-Beta International, in accordance with and in the form required by article 223 A of the French General Tax Code, decided to expand the scope of the tax consolidation group of which it is the head company, to include DRT, Action Pin, SBS, Resineland and Resimmo, from 1 January 2019. All subsidiaries gave their agreement, in accordance with and in the form required by the same provisions, to become members of the tax consolidation group.

- Transfer of registered office: the Chairman, through a decision on 10 April 2019, transferred the Company's registered office from 20 place Vendôme, 75001 Paris to 30 rue Gambetta, 40100 Dax and made the corresponding changes to the articles of association.

V.2. POST-BALANCE SHEET EVENTS

- In January 2020, DRT signed an agreement to sell its shares in the Crown Chemicals joint venture in India (CCPL) to the other partner, Anthea, which became the owner of all shares in that

company. On 4 March 2020, Firmenich officially announced its plan to acquire the DRT group, including Alpha-Beta International and Alpha-Beta Participation. At the time of writing of this report, that plan was proceeding and notification procedures with respect to the competition authorities were ongoing.

- The Group's exposure to risks relating to Covid-19:

  In the context of Covid-19 and the containment measures introduced by the French authorities since mid-March, our first priority is to protect our employees and we are paying particular attention to risk management by putting in place real-time information and monitoring systems. The Group is paying close attention to how the pandemic is affecting consumption trends in its various markets and to the containment measures being adopted, which are causing an economic slowdown. At the time of writing, the financial impact is expected to be limited given the geographical diversity of the markets in which the Group operates. All appropriate actions are being examined in order to minimise the potential impact. The Group's purchasing and activities at its production sites have little exposure to the countries in which Covid-19 has spread the most. The temporary indirect consequences of a downturn in the global economy or in international travel are also limited at the moment. However, that could change depending on how the coronavirus situation develops around the world.

V.3 KEY INDICATORS

12-month business activity of Alpha-Beta International and its subsidiaries as shown by consolidated IFRS figures - comparison between 2019 and 2018:

The indicators below show a different presentation of the income statement items reported in section I, and allow their content to be detailed by type of income or expense.

In € millions	2019	2018	Difference (%)
Sales	**548.2**	**551.4**	**(0.6%)**
Rebates, allowances and discounts	(3.6)	(4.1)	(12.2%)
Selling expense	(24.8)	(23.7)	4.6%
Net revenue	**519.8**	**523.6**	**(0.6%)**
Variable expense	(298.9)	(316.3)	(5.5%)
Revenue minus variable expense	**220.9**	**207.3**	**6.6%**
Other business revenue and income	12.8	18.6	(31.2%)
Maintenance	(17.2)	(19.4)	(11.3%)
Insurance (general)	(5.2)	(4.2)	23.8%
Advertising and communication	(3.3)	(3.3)	0.0%
Other external services	(20.8)	(20.8)	0.0%
Added value	**187.2**	**178.2**	**5.0%**
Levies	(6.4)	(5.3)	20.7%
Personnel expense	(92.1)	(89.5)	2.9%
Work performed by the company for itself	9.9	8.3	19.3%
EBITDA (IFRS)	**98.6**	**91.7**	**7.5%**
Revenue minus variable expense/net revenue	**42.5%**	**39.6%**	
EBITDA/net revenue	**19.0%**	**17.5%**	

V.4 GENERAL ACCOUNTING PRINCIPLES

Alpha-Beta International (ABI) is a company incorporated in France and whose registered office is located at 30 rue Gambetta, Dax. Alpha-Beta International's consolidated financial statements for the period ended 31 December 2019 include the parent company and its subsidiaries (together referred to as the "Group" or "ABI") and the Group's interests in associated companies. ABI's main business activity is the processing of pine resin. The Group's consolidated financial statements for the year ended 31 December 2019 are available on request from the Group's registered office.

V.4.1 First-time adoption of IFRSs

The first set of financial statements prepared by the Group in accordance with IFRSs were for the period ended 31 December 2018, with a transition date of 1 January 2017. IFRS 1 provides for exemptions to the retrospective application of IFRSs on the transition date. The exemptions adopted by the Group included the following:

- Non-controlling interests: there was no change in the identified scope of consolidation;
- Business combinations: No retrospective application of IFRS 3 to any past business combination.

V.4.2 Accounting standards applied

In accordance with Regulation (EC) no. 1606/2002 of 19 July 2002, as amended by Regulation (EC) no. 297/2008 of 11 March 2008, the consolidated financial statements for the period have been prepared in accordance with International Financial Reporting Standards (IFRSs) as endorsed by the European Union.

Those standards are available on the European Union's website:

http://ec.europa.eu/internal_market/accounting/ias/index_fr.htm

V.4.3 New standards, amendments and interpretations in force within the European Union and applicable to accounting periods starting on or after 1 January 2019

The Group has applied amendments of standards and interpretations that came into force on 1 January 2019 and have been endorsed by the European Union, particularly IFRS 16 "Leases":

The Group has applied IFRS 16 "Leases" since 1 January 2019. This standard replaces IAS 17 and its related interpretations (IFRIC 4, SIC 15 and SIC 27). The first-time adoption arrangements and their impact are described in section V.7.3 "Leases".

The IASB has also published the following standards, amendments and interpretations, endorsed by the European Union and mandatorily applicable as of 1 January 2019:

- Annual improvements to IFRSs, 2015-2017 cycle – various provisions
- Amendment to IAS 19: Plan Amendment, Curtailment or Settlement;
- Amendment to IAS 28: Long-term Interests in Associates and Joint Ventures;
- Amendment to IFRS 9: Prepayment Features with Negative Compensation";
- IFRIC 23: Uncertainty over Income Tax Treatments.

These texts published by the IASB have not had any material impact on the Group's financial statements.

V.4.4 Changes to the accounting standards applicable to the Group

The Group did not apply early any other standards, amendments or interpretations applicable to periods starting after 31 December 2019, whether or not they have been endorsed by the European Union.

V.4.5 Functional currency and presentation

The consolidated financial statements are reported in euros, which is ABI's functional and reporting currency. All financial data presented in euros are rounded to the nearest thousand euros.

V.4.6 Use of estimates and judgement

When preparing the consolidated financial statements, the Group's management uses its judgement to define the accounting treatment of certain transactions where the standards and interpretations in force do not precisely address the accounting issues concerned.

V.4.7 Information allowing comparisons between financial statements

The ABI group has prepared its consolidated financial statements in accordance with IFRSs since 10 April 2018, when it acquired its stake in the DRT group. The 2019 income statement represents 12 months of activity. The comparative information relates to a 9-month period from 1 April to 31 December 2018. By convention, the first 10 days of April have been included in income for the period to take account the most recent financial information available dating from 31 March 2018.

To present comparative 12-month data, proforma consolidated income statements have been prepared for 2018 and 2019 and are shown in note V.3 "Key indicators".

V.4.8 Changes in accounting policies

As stated in note V.4.3 "New standards [...] applicable to accounting periods starting on or after 1 January 2019", the Group has applied IFRS 16 "Leases" since 1 January 2019. The first-time adoption arrangements are described in section V.7.3 "Leases". This change resulted in a €7,828 thousand increase in property, plant and equipment and long-term debt at 31 December 2019 and a €4,128 thousand positive impact on Group EBITDA in 2019, with the cancellation of lease payments presented mainly as a decrease in variable expense.

The presentation of the Group's consolidated financial statements for 2019 is identical to that of the consolidated financial statements for 2018 with the exception of the following items.

- Foreign exchange gains and losses associated with an underlying operating exposure:
  to make the financial statements easier to understand, foreign exchange gains and losses resulting from purchases of raw materials and sales of finished products, along with the results of settled capital market transactions associated with those cash flows have, since 2019, been recognised under variable income/expense (foreign exchange gain of €3.5 million). They were presented in other operating income and expense in 2018 (foreign exchange gain of €4.4 million).

- Reclassification of the provision resulting from category 1 preferred ("ADP 1") shares:
  the provision resulting from category 1 preferred ("ADP 1") shares – which amounted to €2.7 million at 31 December 2018, recognised under other operating income and expenses and classified under "Current liabilities" – was reclassified under "Non-current liabilities". At 31 December 2019, it amounted to €3.2 million.

V.4.9 Finalisation of the financial statements

The financial statements and management report of the Group and Company were finalised by the Chairman on 2 April 2020.

V.5 SCOPE OF CONSOLIDATION

V.5.1 Consolidation principles

Subsidiaries

A subsidiary is an entity controlled by the Company. Control exists where the Company has the power to govern directly or indirectly the financial and operating policies of the entity in order to derive benefit from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date the control starts until the date the control ends.

Interests in equity affiliates

Entities over which the Group has significant influence, directly or indirectly, are accounted for using the equity method. The equity method consists of substituting, for the carrying amount of the shares held in an associate or jointly controlled entity, the cost of purchasing the shares adjusted for the Group's share of the change in the entity's net assets since its acquisition.

Transactions eliminated in the consolidated financial statements

Balance-sheet balances along with transactions, income and expense resulting from intragroup transactions are eliminated. Gains resulting from transactions with equity affiliates are eliminated under investments in equity affiliates in line with the Group's interest in the entities concerned. Losses are eliminated in the same way as gains, but only to the extent that they do not represent impairment losses.

V.5.2 Foreign currency translation methods

Transactions in foreign currencies

The recognition and measurement of transactions denominated in foreign currencies are defined by IAS 21 "Effects of changes in foreign exchange rates". Transactions denominated in currencies other than the euro are translated at the exchange rate on the transaction date. At period-end, monetary assets and liabilities denominated in foreign currencies are translated at the period-end exchange rate. The resulting translation differences are recognised as foreign-exchange income/(expenses) under "net financial items". Where assets and liabilities are related to trade receivables and payables, the resulting exchange difference was recognised under other operating income expense until 2018 but is now recognised under variable expense (see section V.3.8 "Changes in accounting policies").

Financial statements of foreign activities

The functional currencies of foreign companies are their local currencies, in which most of their transactions are denominated. Their balance sheets are translated into euros on the basis of exchange rates on the accounts closing date. Income statements and cash flow statements are translated at the average exchange rate for the period. Differences resulting from the translation of those subsidiaries' financial statements are recorded under "Exchange differences" under "Other comprehensive income" in the consolidated financial statements for the portion attributable to the Group and under "Non-controlling interests" for the portion not directly or indirectly attributable to the Group. Exceptionally, some companies may have a functional currency that differs from their local currency.

V.5.3 Business combinations

All business combinations are accounted for using the purchase method. Business combinations are measured and recognised in accordance with IFRS 3 revised: the transferred consideration (acquisition cost) is measured as the fair value of assets transferred, equity issued and liabilities assumed on the date of the acquisition. The identifiable assets and liabilities of the acquired company are measured at their fair value on the acquisition date. Expenses that are directly attributable to the acquisition are recognised as expenses, except for costs related to the issue of equity instruments.

V.5.4 Scope of consolidation at 31 December 2019

Alpha-Beta Participation, which held 100% of DRT's shares, sold 150 of its shares to DRT's employee savings mutual fund (FCPE DRT) on 7 June 2019, reducing its control over and interest in DRT to 99.70%.

In addition, to streamline and simplify the structure of the companies controlled by DRT, while also reducing administrative and commercial management costs, Resineland was merged with DRT. That decision was approved on 22 July 2019 by the shareholders of DRT and Resineland, which also formally noted the winding-up of Resineland by operation of law.

Consolidated companies at 31 December 2019:

Company	Registered office	Country	SIREN number	% control	% interest
Alpha-Beta International SAS (ABI)	30 Rue Gambetta Dax 40100		833 883 770		
Alpha-Beta Participation SASU (ABP)	30 Rue Gambetta Dax 40100		831 987 961	100%	100%
Action Pin SA (Action Pin)	30 Rue Gambetta Dax 40100		399 412 683	99.70%	99.70%
Action Pin SPRL	10 Rue du Follet Boite 004 7540 Kain		BE 0646.828.365	99.70%	99.70%
Action Pin SARL	Lachenal Rue du Rhône 65 1204 Geneva		CHE-234.052.409	99.70%	99.70%
Ahlborn & Bartelt Gmbh	Lippeltstr. 1 Hamburg 20097		10193431	99.70%	99.70%
Crown Chemicals Pvt. Limited (CCPL)	E 87, E 88/1, E 88/2, Tarapur MIDC, Palghar – 401506		U24110MH1984PTC033855	49.85%	49.85%
DRT America Inc. (DRT America)	400 Governor Treutlen Dr Rincon, Georgia, 31326		91-1873489	99.70%	99.70%
DRT America Limited Liability Company (DRT America LLC)	400 Governor Treutlen Dr Rincon, Georgia, 31326		47-1590006	99.70%	99.70%

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DRT Anthea Aroma Chemicals Pvt. Limited (DRT Anthea)	502, Fifth Floor, Sigma It Park, Plot No 203 And 204, Midc Rabale - Navi Mumbai, Mahārāshtra, 400701		U24110MH2008PTC179684	49.85%	49.85%
DRT Approvisionnement Biomasse SAS (DRT AB)	30 Rue Gambetta Dax, Landes, 40100		797,590,288	64.09%	64.09%
DRT Comercio Internacional Ltda (DCI)	Avenida Coronel Santa Rita, 2677 – Sala 2 - Rocio Paranaguá - PR 83221-675		CEP 01.242-000	99.70%	99.70%
DRT India LLP	19, Adi Murzban Path, Ballard Estate, Fort, Mumbai, Mahārāshtra, 400001		AAMFD5550A	99.30%	99.30%
DRT Specialty Chemicals Wuxi Co. Ltd (DRT Wuxi)	No.100, Meiyu Road, Lot B31-E, State Hi-Tech Industrial Developm Wuxi, Jiangsu, 214028		9132021478236425W	99.70%	99.70%
Fider SA (Fider)	30 Rue Gambetta Dax, Landes, 40100		391 317 625	49.85%	49.85%
Les Dérivés résiniques et Terpéniques (DRT)	30 Rue Gambetta Dax, Landes, 40100		985 520 154	99.70%	99.70%
Pinova Inc. (Pinova)	2801 Cook St Brunswick, Georgia, 31520-6160		27-1224226	99.70%	99.70%
Purextract	No.100, Meiyu Road, Lot B31-E, State Hi-Tech Industrial Developm Wuxi, Jiangsu, 214028		913202140915203424	99.70%	99.70%
Resimmo SCI	30 Rue Gambetta Dax, Landes, 40100		815 063 037	99.70%	99.70%
Société béarnaise de synthèse SASU (SBS)	30 Rue Gambetta Dax, Landes, 40100		407 724 426	99.70%	99.70%
Suomen Tarpatti Oy (STO)	Saarikorventie 12, 33420 Tampere,		2555936-1	99.70%	99.70%
Tecnal Corp.	9056 North Texas Road, Anacortes, WA 98221		91-1564866	99.70%	99.70%
Watt Burgas OOD (Watt Burgas)	56 Zar Simeon STR 8000 Burgas		201721158	79.76%	79.76%
Watt Burgas OOD KD (Watt Burgas)	56 Zar Simeon STR 8000 Burgas		201726739	79.76%	79.76%
Willers Engel & Co GmbH (WECO)	Grimm 8		17/081/01652	99.70%	99.70%

	Hamburg, 20457				

All consolidated companies have a 31 December financial year-end except for DRT-Anthea Aroma Chemicals and Crown Chemicals, which have a 31 March year-end. Their figures were consolidated on the basis of information determined and certified as at 31 December.

Companies accounted for under the equity method:

Company	Registered office	SIREN number	% control	% interest
Sapiranguy S.A	33 Avenida Federico Boyd Panama	219120	37.69%	37.69%
Biomass Energy Solutions VSG SAS (BESVSG)	18 Rue Thomas Edison 33610 Canéjan	789 648 912	36.88%	36.88%

V.5.5 Off-balance sheet commitments related to the scope of consolidation

Type of commitment	Beneficiary	Amount in euros
Guarantee	Customs office	176,004
Guarantee	DREAL (regional department for the environment, town planning and housing)	4,720,333
Guarantee	Agence de l'Eau Adour-Garonne (Adour-Garonne water authority)	897,845
Total		**5,794,182**

- Guarantees granted to the customs office cover customs clearance fees relating to the import/export operations of French companies.
- Guarantees granted to DREAL are intended to cover the French state against the possibility of the Group failing to pay expenses related to supervising and ensuring the safety of facilities in the event of exceptional circumstances that may affect the environment, and to action taken in the event of an accident or pollution at the French production sites of Vielle Saint Girons, Castets, Lesperon, Action Pin and SBS.
- The guarantee granted to Agence de l'Eau Adour-Garonne is intended to cover the beneficiary against any failure to repay the advance provided.
- In addition, there are the guarantees and pledges made as part of the "Senior Facilities Agreement": as a prior condition for providing the Additional Facility, the Additional Facility Notice provides that certain assets of the Company and Alpha-Beta Participation (i.e. the securities account held by Alpha-Beta Participation in the Company's name, the securities account held by DRT in the name of Alpha-Beta Participation, bank accounts in France and Alpha-Beta Participation's intragroup receivables) are pledged to lenders under the Additional Facility and, as the case may be, to the hedging banks ranking after the pledges dated 10 April 2018 on the same assets ("Second-Ranking Security Documents").

V.5.6 Related parties

The parent company's transactions with Group subsidiaries and related parties

Transactions between consolidated companies are eliminated in the consolidation process. In addition, in its normal course of business, the Group maintains business relationships with certain non-consolidated or equity-accounted companies. DRT has granted a loan to BESVSG, in which the Group owns a 36.88% stake. The outstanding amount of that loan was €2,101,970 at 31 December 2019. It bears interest at 5% per year. No repayment of principal or interest took place during the period.

No arm's length transactions took place.

In 2019, the wholly owned French companies DRT, Action Pin, SBS and Resimmo joined the tax consolidation group formed by ABI and ABP in 2018.

V.6 OPERATING ACTIVITY

V.6.1 Income from ordinary activities

Income from ordinary activities consists of revenue and other business income. It was recorded over a period of 12 months in 2019 and 9 months in 2018, i.e. from 1 April to 31 December 2018.

Revenue

Revenue is measured as the fair value of the consideration received or receivable with respect to goods sold as part of the Group's business activities. It is recognised net, after the deduction of any rebates, allowances and discounts offered to customers. Revenue include sales of finished products and services related to those products, sales of merchandise and invoiced transport costs. Revenue is recognised when the risks and rewards incidental to ownership of the goods, as well as control, have been transferred to the buyer.

In € thousands	2019	2018
Sales of manufactured goods	521,052	372,531
Sales of merchandise	23,600	40,867
Revenue	**544,652**	**413,398**

Other business income

Other business income corresponds to the fair value of the consideration received or receivable with respect to services sold as part of the Group's business activities. Those services include sales of waste, the letting of real estate, sales commissions, subsidies, sales of letters of access to studies that belong to the Group under the REACH system, industrial processing services and miscellaneous services.

Under IAS 12, the portion of the CIR research tax credit covering R&D expense is recognised under other business income.

In € thousands	2019	2018
Sales of waste	319	188
Letting of real estate	21	41
Commissions on sales	38	63
Subsidies	724	419
Sales of letters of access	2,504	3,062 *
CIR tax credit	1,591	1,149
Industrial processing	2,504	-
Miscellaneous services	2,171	-
Other business income	**9,956**	**4,922**

(*) This includes sales of letters of access, miscellaneous services and industrial processing.

V.6.2 Selling expense

Selling expense comprises expense incurred by the Group in selling goods and merchandise, i.e. transport costs, commissions and accounts receivable insurance premiums.

In € thousands	2019	2018
Transport costs	(22,823)	(17,645)
Commissions	(1,345)	(927)
Credit insurance	(654)	(369)
Other business income	**(24,822)**	**(18,942)**

V.6.3 Trade and other receivables

Trade receivables are current financial assets that are initially recognised at fair value and subsequently at amortised cost less any impairment losses. The Group strives to collect the maximum amount of trade receivables, using reverse factoring and accounts receivable insurance. In addition, under IFRS 9 and as part of the first-time adoption of IFRSs, the Group's credit risk was assessed as not material.

V.6.3.1 Net value of trade and other receivables

DRT entered into a factoring agreement with BNP Paribas Factor on 27 May 2019. Under that agreement, DRT assigns without recourse its trade receivables from debtors previously approved by BNP Paribas Factor. Approval depends on coverage under the credit insurance policy, the purpose of which is to cover against the risk of non-payment. Assigned receivables amounted to €41 million at 31 December 2019, and the maximum authorised amount under the agreement is €90 million.

After assessing the characteristics of the agreement, which transfers substantially all the risks and benefits associated with the assigned receivables, the Company took the view that those receivables should be deconsolidated.

As a result, assigned receivables due after 31 December 2019, in relation to which substantially all the risks and benefits have been transferred and so no longer feature on the asset side of the balance sheet, along with the corresponding funding, are as follows:

In € thousands	31/12/2019
Funding	40,983
Guarantee fund	(3,020)
Cash received as consideration for the assignment of receivables excluding factoring expenses and interest	37,963
Assigned receivables and amounts deducted from assets	(40,983)

The remaining trade receivables break down as follows:

In € thousands	2019	2018
Trade receivables	49,882	107,353
Receivables from related parties	464	1,273
Advances paid and credit notes to be raised	(1,790)	(1,672)
Other operating items	-	-
Total	**48,556**	**106,954**

V.6.3.2 Change in impairment of trade and other receivables

In € thousands	2018	Increase	Decrease	Other movements	2019
Provisions for trade receivables	80	13	73	-	20
Provisions for other operating receivables	-	-	-	-	-
Total	**80**	**13**	**73**	**0**	**20**

V.6.4 Inventories and purchases consumed

V.6.4.1 Inventories

In the consolidated financial statements, inventories are measured at the lower of cost and net realisable value in accordance with IAS 2 "Inventories". The cost of inventories is generally determined using the weighted average cost method. The cost of manufactured product inventories includes the cost of raw materials, direct labour and an allocation, based on normal production capacity, of indirect production costs and depreciation. Start-up costs and general and administrative expenses are not included in the cost price of manufactured product inventories. Net realisable value is the estimated selling price in the ordinary course of business less estimated completion and selling costs.

V.6.4.2 Net value of inventories

In € thousands	2019	2018
Raw materials and packaging	24,475	31,429
Semi-finished products, work in progress and recoverable waste	18,362	16,059
Finished goods	127,034	94,687
Merchandise	1,134	1,498
Supplies of spare parts	2,075	2,141
Total	**173,080**	**145,814**

V.6.4.3 Change in impairment of inventories

In € thousands	2018	Increase	Decrease	2019
Raw materials and packaging	-	-	-	-
Semi-finished products	-	-	-	-
Finished products	1,356	1,882	1,071	2,167
Merchandise	-	-	-	-
Supplies of spare parts	36	-	-	36
Total	**1,392**	**1,882**	**1,071**	**2,203**

V.6.4.4 Variable expense

Variable expense includes raw materials, reagents, packaging, utilities and consumable materials consumed, associated transport and storage costs, and the cost of processing waste arising directly from operations. This item includes cost variance, including variance in industrial costs and in the purchasing prices of raw materials, along with changes in semi-finished and finished product inventories during the period.

In addition, under IFRS 9, currency translation gains and losses directly relating to sales of finished products or purchases of raw materials in foreign currencies are now recorded under variable expense so that the contribution margin reflects the actual exchange rate at which foreign-currency purchases and sales were translated. Those transactions were previously included under other operating income and expense.

In € thousands	2019	2018
Consumption of raw materials, subcontracting and energy	(334,339)	(227,827)
Change in inventories of semi-finished and finished products	34,468	(15,606)
Translation gains (losses) on commercial transactions	2,752	-
Total	**(297,118)**	**(243,433)**

V.6.5 Fixed costs

For accounting purposes, insurance, external costs, personnel costs, maintenance and improvement costs, advertising and communication costs, miscellaneous income and expense transfers are regarded as fixed costs that are not proportional to business activity. The income statement groups these cost elements by functional category. Given the Group's business activities, three categories have been adopted:

- Direct non-proportional costs, which comprise all the above expenses that are directly attributable to manufacturing activities.
- Research and development (R&D) costs, which comprise costs attributable to the R&D laboratories.

- General and administrative costs, which comprise costs attributable to support, administrative, commercial, marketing, human resources, finance and IT services.

V.6.6 Other operating income and expense

Other operating income and expense includes components of income that, due to their nature, amount or frequency, cannot be considered as forming part of the Group's recurring business activities and operating income.
It includes:

- Costs related to changes in scope (fees relating to the purchase of shares, remeasurement of shares held before the purchase, gains/losses on disposals of consolidated companies etc.);
- Restructuring costs related to a material reorganisation of business activities (reduction in production capacity, market closure);
- Material and non-recurring litigation;
- Impairment of trademarks and goodwill;
- Capital gains/(losses) on material disposals of non-current assets;
- Any external event temporarily affecting the continuation of manufacturing activity.

In € thousands	**2019**	**2018**
Financial restructuring costs	(354)	(11,867)
Change in the fair value of exchange-rate and interest-rate financial instruments (see note on changes in presentation)	-	6,017
Translation gain/loss on the settlement of commercial transactions (see note on changes in presentation)	-	(1,660)
Disposals of industrial and financial assets	(205)	106
Special staff bonuses, contributions related to the employee savings mutual fund, other staff benefits	(2,241)	-
Jobworks India	(6,000)	
Weather effects	(4,463)	
Non-recurring fees	(4,559)	
Other	(167)	106
Other operating income and expenses	**(17,989)**	**(7,404)**

- The "Jobworks India" item corresponds to the loss of gross profit resulting from subcontracting arrangements to ensure the continuity of deliveries to the Group's customers following the fire at the Roha production site in India in February 2018.
- The "Weather effects" item includes costs and the loss of gross margin resulting from stoppages at the Brunswick and Rincon plants in the United States following Hurricane Dorian in September 2019.
- The "Non-recurring fees" item corresponds to the cost of studies, services and occasional and non-recurring assignments not directly linked to recurring operating activities.

V.6.7 Segment reporting

In accordance with IFRS 8 "Operating segments" and taking into account the Group's internal management and reporting organisation, the Group carries out segment reporting by business sector. Assets are not organised by market but by entity and geographical zone. It is therefore not possible to draw up balance sheets for each operating segment. DRT's operating segments are as follows: fragrances, adhesives, chemical intermediates, coatings-elastomers, chewing gum, health and nutrition, agriculture, Action Pin, energy and other.

In € thousands	Fragrances	Adhesives	Chemical intermediates	Coatings-elastomers	Chewing gum	Health and nutrition	Agriculture	Action Pin	Energy	Other	Total
Revenue	174,472	124,402	24,253	59,612	40,597	23,335	12,393	43,405	15.1178	27,004	544,652
Other business income	3,115	2,221	433	1,064	725	417	221	1,006	271	482	9,956
Income from ordinary activities	**177,586**	**126,623**	**24,686**	**60,676**	**41,322**	**23,751**	**12,615**	**44,412**	**15,449**	**27,486**	**554,607**
Selling expense	(8,278)	(5,902)	(1,151)	(2,828)	(1,926)	(1,107)	(588)	(1,040)	(720)	(1,281)	(24,822)
Variable expense	(101,600)	(62,317)	(15,462)	(32,939)	(22,463)	(5,096)	(6,003)	(18,830)	(9,034)	(23,374)	(297,118)
Contribution margin	**67,708**	**58,404**	**8,073**	**24,909**	**16,933**	**17,548**	**6,024**	**24,542**	**5,695**	**2,831**	**232,667**

The geographic breakdown of revenue is as follows:

In € thousands	2019		2018	
France	102,917	19%	120,230	22%
Europe excluding France	222,470	41%	145,564	42%
Asia	83,412	15%	68,520	17%
Americas	125,158	23%	75,705	18%
Rest of the world	10,694	2%	3,379	1%
Total	**544,652**	**100%**	**413,398**	**100%**

The table below summarises revenue by delivered customers' geographical zone. Europe remains the main zone in which the Group makes deliveries to customers, with revenue totalling €325 million in 2019, 60% of the total. Only the Firmenich group represents more than 10% of the Group's consolidated revenue.

V.6.8 Investments in companies accounted for under the equity method

The Group owns 36.88% of Biomass Energy Solutions Vielle Saint-Girons (BESVSG) and 37.69% of Sapiranguy, which were accounted for under the equity method in an amount of €2,128,000 at the end of 2019.

V.6.9 Associates

In € thousands	2019				2018			
	% stake	Value under the equity method	Share of income (loss)	Revenue	% stake	Value under the equity method	Share of income (loss)	Revenue
Sapiranguy	37.69	-	-	-	37.90	-	-	-
BESVSG	36.88	3,128	748	21,316	36.90	2,380	310	17,619
TOTAL		**3,128**	**748**	**21,316**		**2,380**	**310**	**17,619**

Brazilian company Sapiranguy makes citronella and cabreuva essential oil. Its financial statements are in USD and were converted at the exchange rate on 31 December 2019. The value of the Group's stake is measured at €426,000. The company has been dormant for several years and the value of the Group's stake has been written down in full.

Biomass Energy Solutions Vielle Saint-Girons (BESVSG) operates a combined heat and power biomass boiler in Vielle Saint-Girons. It produces steam that is used in the plant operated by DRT and electricity that is fed into the ERDF/Enedis grid as part of the CRE 4 programme. The fuel comes from biomass residues from DRT's industrial activities and pine trees from the Landes forest.

The value of the Group's stake in BESVSG has been replaced on the asset side of the consolidated balance sheet by the portion of its remeasured net equity, if any, attributable to the Group.

V.6.10 Net income from discontinued operations

The Group owns 70% of Ixxi, which specialises in producing and selling cosmetic products based on active ingredients extracted from pine trees. Given heavy losses and in view of the considerable investment required to achieve long-term financial balance, the executive committee met on 13 September 2017 and decided to discontinue all of the company's activities on a permanent basis. Its assets were sold and administrative work on the closure continued in 2019. Under IFRS 5, Ixxi's income statement items were recorded as a loss of €9,000 in the "Net income from discontinued operations" item.

V.6.11 Other liabilities

Investment subsidies are recognised under "Other liabilities" (current or non-current) and subsequently taken to income under "Other business income" on a straight-line basis over the useful life of the asset concerned. Operating subsidies are taken directly to income in the same item. Similarly, CIR research tax credits are recorded under "Other current liabilities" and subsequently taken to income under "Other business income" on a straight-line basis over five years, at the same rate as the amortisation of capitalised R&D expenses.

Liabilities to employees are broken down between other current and non-current liabilities depending on whether they are due in the short term or in more than one year.

The provision resulting from category 1 preferred ("ADP 1") shares – which amounted to €2.7 million at 31 December 2018, recognised under other operating income and expenses and classified under "Current liabilities" – was reclassified under "Non-current liabilities". At 31 December 2019, it amounted to €3.2 million.

In € thousands	2019	2018
Other non-current liabilities		
Investment subsidies	400	352
Liabilities to employees	3,150	
Total other non-current liabilities	**3,550**	**352**
Other current liabilities		
Liabilities to employees	7,880	8,498
Mandatory employee profit-sharing	2,813	5,190
Liabilities to employee benefit organisations	9,725	13,024
Prepaid CIR research tax credit	2,954	2,678
Liabilities to the State	1,990	3,533
Fair value of exchange-rate and interest-rate financial instruments	1,002	2,279
Miscellaneous liabilities	173	3,061
Total other current liabilities	**26,538**	**38,263**
Total other liabilities	**30,088**	**38,615**

V.6.12 Other operating income and expense

In € thousands	2019	2018
Patent royalty expense	(13)	(38)
Impairment of receivables not provided for	(24)	(141)
Other recurring income and expense	(38)	211
Other operating income and expense	**(75)**	**32**

V.6.13 Greenhouse gas emission quotas

Phase 3 of France's national quota allocation plan (NQAP), pursuant to the Kyoto protocol signed by the French State in 1997, is currently in force for the 2013-2020 period. The Saint-Girons site was given a free allocation of 47,013 tonnes of CO_2 by the State in 2019. Transactions are recorded in the financial statements according to accounting rules in force.
The table below summarises movements in phase 3.

(tonnes)	2013	2014	2015	2016	2017	2018	2019
CO_2 emissions	29,466	29,869	12,183	12,502	15,457	20,431	14,313
Allocated quotas	52,653	51,738	50,813	49,878	48,933	47,979	47,013
Unused quotas	23,187	21,869	38,630	37,376	33,476	27,548	32,700
Quotas left over from phase 2	41,902	-	-	-	-	-	-
Sales of quotas	-	20,000	20,000	-	-	60,000	140,000
Purchases of quotas	-	-	-	20,000	-	-	-

Cumulative unused quotas	65,089	66,958	85,588	142,964	176,440	143,988	36,688

Quotas allocated with respect to 2020, the last year of NQAP phase 3, totalled 46,043 tonnes.
So far, DRT has received free allocations of quotas from the government that have exceeded its requirements as the table above shows.

The cumulative balance of unused quotas at end-2019 was 36,688 tonnes. No value is assigned to them on the balance sheet because their cost was nil.

V.7 EMPLOYEE EXPENSE AND BENEFITS

V.7.1 Employee benefits

Employee benefits are measured in accordance with IAS 19 revised, which has been applicable since 1 January 2014. They consist of short-term and long-term benefits. Group employees enjoy short-term benefits such as paid leave, sick leave, bonuses and termination benefits payable within 12 months of the end of the period during which they provided the corresponding services. Those benefits are recognised under current liabilities and recorded as expenses in the period in which the employee provided the service.

There are two categories of long-term employee benefits:

- Post-employment benefits such as payments upon retirement and supplementary pension payments;
- Other long-term benefits (during employment) including long-service benefits.

The expected cost of those benefits is recognised under employee expenses throughout the time the employee works for the company (“current service cost”).

In € thousands	2019	2018
Wages and salaries	66,949	47,298
Social security expenses	23,952	18,317
Mandatory employee profit-sharing	522	2,644
Current service cost	690	459
Employee expenses	**92,113**	**68,718**

V.7.2 Provisions for pensions and similar obligations

As stated in the note on “Employee benefits”, long-term benefits relating to defined-benefit plans create an obligation that is recognised under provisions for pensions and similar obligations. Provisions for pensions equal the present value of the obligations minus the fair value of any assets paid into funds intended to finance them. A surplus of assets is only recognised where it represents future economic benefits that are effectively available to the Group. The provision for other long-term benefits equals the present value of obligations.

These provisions are based on valuations carried out by independent actuaries according to the projected unit credit method and based on final salaries. These valuations also factor in macroeconomic assumptions specific to each country in which the Group operates (discount rate, rate of salary increase) and demographic assumptions (staff turnover rate, retirement age, life expectancy). Discount rates are determined with reference to the yields on top-quality corporate bonds with maturities equivalent to those of the obligations on the measurement date.

Actuarial gains and losses arise when differences are observed between actual figures and previous estimates, or following changes in actuarial assumptions. Actuarial gains and losses are recognised in the statement of comprehensive income, net of deferred tax.

Where plan benefits change, or if a plan is curtailed, the impact associated with employees’ past service or the gain or loss related to the plan curtailment is recognised immediately in income. The Group

recognises gains and losses relating to the settlement of a defined-benefit plan at the time the settlement occurs.

Actuarial calculations of employee benefits are carried out by an independent actuary and recognised as follows:

- On the balance sheet
  The amount of liabilities recognised with respect to defined benefits appears under "Employee benefits" and equals:
  - The present value of the defined-benefit obligation at the balance sheet date,
  - Less the fair value at the balance sheet date of plan assets used solely to pay for or finance obligations,
  - Less payments made.
- The other components of the change in provisions are recognised in the following items of the income statement:
  - Current and past service cost: employee expenses (recurring operating income),
  - Net interest expense on the net liability (financial expense).

V.7.3 Description of benefit plans

Under these plans, contributions are made periodically to external organisations, which carry out the administrative and financial management of the plans. These plans free the employer from any subsequent obligation. The organisation has the responsibility to pay employees the amounts to which they are entitled (basic social security plan, complementary ARRCO and AGIRC plans, defined-benefit pension funds for certain foreign subsidiaries).

The Group's payments are recognised as expenses as follows:

In € thousands	**2019**	**2018**
Pension contributions	5,194	3,198

The Group's employee benefit plans mainly consist of the following.

- Post-employment benefits:
  - End-of-career bonuses (in France), which are one-off benefits based on the employee's length of service and his/her annual salary at the time of retirement, required under the chemical industry's national collective agreement.
- Other long-term benefits:
  - Long-service benefits in France. However, this item was deemed non-material when the Group adopted IFRSs.

V.7.4 Main actuarial assumptions used in valuations

Actuarial valuations are based on a certain number of long-term assumptions. These assumptions are reviewed annually, and are as follows:

France	2019	2018
Retirement age		
Executives and senior management	65	65
Non-managerial staff	62 years	62 years
Discount rate for end-of-career bonuses	0.80%	1.70%
Rate of salary increase (*)	2%	2%

(*) Not inflation-adjusted

The TGHF 2005 mortality table is used for obligations concerning France. The discount rate is based on the iBoxx € Corporates AA10+ and AA7-10 indices (depending on the maturity of obligations estimated on the valuation date). The index is based on a basket of bonds issued by financial and non-financial corporations.

V.7.5 Sensitivity of liabilities to the discount rate

A change of +/- 0.50 points in the discount rate has the following effect on the present value of accumulated rights at 31 December:

Pension liabilities in France (in € millions)	2019	2018
0.50-point increase	(791,609)	(649,394)
0.50-point decrease	866,010	708,496

A change of +/- 0.50 points in the rate of salary increase has the following effect on the present value of accumulated rights at 31 December:

Pension liabilities in France (in € millions)	2019	2018
0.50-point increase	851,029	702,781
0.50-point decrease	(786,417)	(650,672)

V.7.6 Summary of benefit plans' financial position

The breakdown of plan assets and the rate of return are as follows:

French companies	2019	2018
Bonds	0	0

Equities	0	0
Real estate	0	0
Other assets (*)	3,696,909	3,149,521
Cash	0	0
Interest rate for assets	1.70%	1.70%

(*) Mainly insurance policies.

V.7.7 Details of and changes in obligations

Changes in the main benefits during 2018 and 2019 were as follows:

In € thousands	Payments on retirement	
	2019	2018
Gross obligations		
Start of period	10,959	10,441
Current service cost	690	459
Gain on plan settlements	0	0
Benefits paid out	(497)	(467)
Interest expense	197	122
Restructuring and asset sales	0	0
Expense in the period	**390**	**114**
Change in scope	0	0
Exchange differences	0	0
Actuarial loss/(gain)	1,659	404
End of period	13,008	10,959

Market value of assets allocated to plans		
Start of period	3,150	3,414
Expected return on plan assets	51	37
Employer contributions	833	0
Benefits paid out	(337)	(322)
Income for the period	0	0
Actuarial loss/(gain)	0	21
End of period	3,697	3,150

Liabilities relating to pensions and other benefits	**9,311**	**7,809**

After two retirement savings plans were merged in late 2018, €833,000 was transferred to plan assets and is presented above under employer contributions in 2019. Those employer contributions, initially recognised as expenses in previous periods (and so not taken into account in the market value of assets allocated to the end-of-career bonus plan in 2018), were recognised in line with their initial recognition through income for the period and a deduction from current service cost in the period.

V.8 PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

V.8.1 Goodwill and other intangible assets

V.8.1.1 Goodwill

Goodwill is initially recognised at the time of a business combination as described in the note on "Business combinations". After initial recognition, goodwill is not amortised but is subject to impairment tests whenever any indication of impairment appears, and at least once a year.

V.8.1.2 Patents and licences

Patents and licences are amortised on a straight-line basis over their legal protection period. Software is amortised on a straight-line basis over its useful life, which is between 1 and 10 years.

V.8.1.3 Development costs

In accordance with IAS 38 "Intangible assets", development costs are capitalised if the company can demonstrate:

- The technical feasibility of completing the intangible asset so that it will be available for use or sale;
- Its intention to complete the intangible asset and use or sell it,
- Its ability to use or sell the intangible asset,
- How the intangible asset will generate probable future economic benefits,
- The availability of adequate technical, financial and other resources to complete the development,
- Its ability to measure reliably the expenditure attributable to the intangible asset during its development.

Research and development costs that do not meet the above criteria are recognised as expenses in the period in which they are incurred. Capitalised development costs that meet the above criteria are recognised as assets on the balance sheet. They are amortised on a straight-line basis over their useful lives.

Expenditure thus capitalised includes direct labour costs and an appropriate proportion of overheads.

Capitalised development costs are recognised at cost less accumulated amortisation and less any impairment losses.

V.8.1.4 Trademarks

The method for valuing acquired trademarks, such as those of Action-Pin, Pinova and DRT, is the relief from royalty method.

V.8.1.5 Customer portfolio

The value of the customer portfolio corresponds to the income that is likely to be generated from that portfolio in the future. "Portfolio" is a fairly broad concept: in particular, the portfolio being valued does not correspond solely to signed contracts, but to the overall relationships that the Group maintains with its customers. However, the customer portfolio does relate solely to existing customers.

To value the Group's customer portfolio, the "excess profit" method is used. On that basis, and based on the methodology used, the value of the customer portfolio was measured at €363 million. This intangible asset is amortised over 15 years.

V.8.1.6 CIR research tax credits

The portion of CIR tax credits based on expenditure that meets IAS 38 criteria is recorded as a deduction from development expenses and added to "other business income" at the same rate as the rate of amortisation for developed assets.

V.8.1.7 REACH

The term "REACH" refers to "Registration, Evaluation, Authorization and restriction of CHemicals". It is the name of a regulation of the European Parliament and of the Council adopted on 18 December 2006, which modernises European legislation regarding chemicals substances and introduces a single integrated system for the registration, evaluation and authorisation of chemicals in the European Union.

Based on IAS 38 and the lack of specific interpretations by the IFRS IC on this matter, the Group has adopted the following policies:

- Where most tests required to compile the registration dossier are performed by a third party, the Group recognises a right-of-use asset under intangible assets;
- Where work on compiling dossiers is mainly carried out in-house or subcontracted, the Group recognises development costs as intangible assets where they meet the criteria of IAS 38.

Changes in goodwill and other intangible assets are analysed below:

In € thousands	Goodwill	Development costs, trademarks and patents	Customer portfolio	Software and software development	Other intangible assets	Total
Gross value at 31/12/2018	**252,349**	**31,681**	**363,395**	**9,764**	**144**	**657,333**
Change in scope	-	-	-	-	-	0
Acquisitions	-	6,458	-	2,961	-	9,419
Disposals	-	(171)	-	(27)	-	(198)
Other movements	-	-	-	-	-	0
Gross value at 31/12/2019	**252,349**	**37,968**	**363,395**	**12,698**	**144**	**666,554**
Cumulative amortisation and impairment at 31/12/2018	**(259)**	**(15,010)**	**(18,170)**	**(2,124)**	**(47)**	**(35,610)**
Change in scope	-	-	-	-	-	0
Additions to amortisation	(129)	(6,010)	(24,226)	(1,066)	-	(31,431)
Reductions in amortisation	-	-	-	-	-	0
Impairment of intangible assets	-	-	-	-	-	-
Other movements	-	(667)	-	-	-	(667)
Cumulative amortisation and impairment at 31/12/2019	**(388)**	**(21,687)**	**(42,396)**	**(3,190)**	**(47)**	**(67,708)**
Net value at 31/12/2019	**251,961**	**16,281**	**320,999**	**9,508**	**97**	**598,844**

V.8.2 Property, plant and equipment

In accordance with IAS 16 "Property, plant and equipment", only items controlled by the company whose cost can be determined reliably, from which it is probable that future economic benefits will flow to the Group and which are used for a period of more than one accounting period are recognised as property, plant and equipment. Items of property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Property, plant and equipment are depreciated in line with the rate at which the expected economic benefits are consumed in each asset category, on the basis of purchase cost. The Group has not adopted any residual value for its property, plant and equipment. Most of the Group's industrial assets are intended to be used until the end of their useful lives and there is generally no intention to sell them.

In addition, the Group has analysed all of its industrial processes, and has isolated the major components of its industrial equipment that require a specific depreciation plan. As part of this work, the effective useful lives of industrial assets have been reviewed. This component-based approach has also been applied to buildings. As a result, there is no longer any need to book provisions for major maintenance work. Major repairs are now treated as a component of the asset's value. Property, plant and equipment is depreciated on a straight-line basis over the expected useful life for each type of asset or component. The periods used are as follows:

- Buildings 15-50 years
- Plant and tools 5-30 years
- Transportation equipment 3-5 years

Within the carrying value of an item of property, plant and equipment, the Group recognises the cost of replacing a component of the item at the moment the cost is incurred if it is probable that the future economic benefits associated with the asset will flow to the Group and if its cost can be measured reliably. All maintenance costs are recognised as expenses at the time at which they are incurred.

Changes in property, plant and equipment are analysed below:

In € thousands	Land and improvements	Buildings and improvements	Plant, equipment and tools	Other property, plant and equipment	Property, plant and equipment in progress	Total
Gross value at 31/12/2018	**19,018**	**93,634**	**479,939**	**23,066**	**47,189**	**662,846**
Change in scope	-	-	-	-	-	0
Acquisitions	479	5,865	57,194	37	9,422	72,997
Disposals	-	-	-	-	-	0
Other movements	(308)	10,494	9,779	(12,354)	-	7,611
Gross value at 31/12/2019	**19,189**	**109,993**	**546,912**	**10,749**	**56,611**	**743,454**
Cumulative depreciation and impairment at 31/12/2018	**(5,639)**	**(43,223)**	**(273,290)**	**(18,129)**	**0**	**(340,281)**
Change in scope	-	-	-	-	-	0
Additions to depreciation	(82)	(4,073)	(31,978)	(179)	-	(36,312)
Reductions in depreciation	-	-	-	-	-	0
Impairment of intangible assets	-	-	-	-	-	0
Other movements	-	-	(22,559)	11,338	-	(11,221)
Cumulative depreciation and impairment at 31/12/2019	**(5,721)**	**(47,296)**	**(327,827)**	**(6,970)**	**0**	**(387,814)**
Net value at 31/12/2019	**13,468**	**62,697**	**219,085**	**3,779**	**56,611**	**355,640**

The gross value and depreciation included in the "Other movements" item correspond to:

- Reclassifications of assets from one asset category to another;
- The recognition of leased equipment as assets under IFRS 16;
- The retirement of non-recoverable equipment and buildings following the fire at the Roha plant.

The "additions to amortisation/depreciation" item breaks down as follows:

In € thousands	2019	2018
Additions to amortisation of intangible assets: recurring operating income	31,431	21,089
Additions to amortisation of intangible assets: other operating income and expense	-	-
Additions to amortisation of intangible assets	**31,431**	**21,089**
Additions to depreciation of property, plant and equipment: recurring operating income	36,313	24,504
Additions to depreciation of property, plant and equipment: other operating income and expense	-	-
Additions to depreciation of property, plant and equipment	**36,313**	**24,504**
Additions to amortisation and depreciation	**67,744**	**45,594**

Of the Group's property, plant and equipment, €205 million are in France, €110 million in the United States, €37 million in India and the remainder in China.

V.8.3 Leases

The Group leases IT hardware (servers, PCs, printers and licences), vehicles, industrial equipment such as lift trucks, lifting equipment, goods trucks, tanks, storage facilities and laboratory equipment. Leases are negotiated individually and may include various terms and conditions. Lease terms vary widely, from 2 to 10 years, and are generally renewable.

Until 31 December 2018, the Group classified its leases as operating or finance leases depending on its assessment of whether the lessor retained substantially all the risks and rewards of ownership of the asset. IFRS 16 is the new accounting standard on leases, replacing IAS 17 and its associated interpretations. IFRS 16 removes the distinction between operating leases and finance leases. It has introduced a single model for recognising leases on the lessee's balance sheet, i.e. an asset representing the right to use the leased asset and a liability consisting of the obligation to make lease payments.

The Group has applied IFRS 16 retrospectively from 1 January 2019, but has not restated the comparative information relating to 2018, as allowed by IFRS 16's specific transitional provisions ("simplified retrospective approach"). As a result, reclassifications and adjustments resulting from the first-time adoption of IFRS 16 are recognised in the opening balance sheet at 1 January 2019.

The simplification measures taken are as follows:

- Exclusion of leases with a term of less than 12 months;
- Exclusion of leases relating to assets with a value of less than $5,000 when new.

The lease expense relating to those leases is still recognised in the income statement.

On the date of first-time adoption:

- The lease liability is measured as the value of lease payments remaining due, discounted at the debt interest rate on the date of first-time adoption. The discount rate is the marginal borrowing interest rate corresponding to the lease term and determined on a country-by-country basis;
- The asset equals lease liabilities adjusted for lease payments paid in advance or still payable on the date of first-time adoption.

The Group has opted to present non-current assets by underlying asset category.

The impact of applying IFRS 16 to the Group's consolidated financial statements at 1 January 2019, the date of first-time adoption, is summarised below:

In € thousands	31/12/2018 IAS 17	IFRS 16	01/01/2019 IAS 17/IFRS 16	31/12/2019
Gross property, plant and equipment	17,401	28,401	45,802	44,448
Depreciation	(12,613)	(21,928)	(34,541)	(34,305)
Sub-total, assets	**4,788**	**6,473**	**11,261**	**10,143**
Debt	4,788	6,473	11,261	9,557
Discounting of liabilities				586
Sub-total, liabilities	**4,788**	**6,473**	**11,261**	**10,143**

The first-time adoption of IFRS 16 in relation to operating leases had the following impact:

- A €6.5 million increase in property, plant and equipment and long-term liabilities at 1 January 2019;
- A €7.8 million increase in property, plant and equipment and long-term liabilities at 31 December 2019;
- A €4.1 million increase in EBITDA following the neutralisation of the year's lease payments, initially recognised under variable expense.

The overall impact of restating finance and operating leases at 31 December 2019 was as follows:

- A €10.1 million increase in property, plant and equipment and long-term liabilities at 31 December 2019;
- An €8.1 million increase in the Group's EBITDA;
- An interest expense of €296 thousand relating to lease liabilities.

There was an unadjusted lease expense of €4,521 thousand relating to short-term leases, variable lease payments, leases relating to low-value assets and leases including other services.

To determine the present value of lease payments, the Group uses its marginal debt interest rate on the lease start date where the lease's implied interest rate cannot easily be determined. The marginal debt interest rate is the rate that the lessee would pay to finance an asset of an identical value, in a similar economic environment, over a similar term and with similar guarantees. A rate of 2% was used for assets located in France and 4% for those in the United States.

The sensitivity of the discounted debt figure to the interest rate was tested, varying the interest rate by steps of 0.50%. There was little change in the debt figure, i.e. plus or minus €100,000 depending on the interest-rate assumptions used.

V.8.4 Impairment of assets

In accordance with IAS 36 "Impairment of assets", intangible assets with an indefinite useful life and intangible assets that are not yet ready for use are subject to impairment tests at every period-end and every time an indication arises that a significant loss of value has occurred. Carrying amounts of other assets: intangible assets with definite useful lives – mainly patents and software – and property, plant and equipment, are also subject to impairment tests when events or changes in the market environment indicate the risk of a loss of value in these assets.

V.8.5 CGUs and goodwill

A CGU is defined as the smallest identifiable group of assets whose continued use generates cash inflows that are largely independent of cash inflows generated by other assets or groups of assets. The identification of CGUs consisting of an asset or group of assets must be consistent from one period to the next, unless a change is justified.

V.8.6 Impairment tests

Impairment tests consist of comparing the recoverable amount of a non-current asset with its net carrying amount. The recoverable amount of an asset or group of assets is the higher of its fair value less costs to sell and its value in use.

If no fair value figure based on market prices is available, the recoverable value of assets is determined on the basis of value in use. Value in use corresponds with the value of the expected future economic benefits of using and selling the assets. In practice, value in use is the sum of the present values of future cash flows generated by the tested asset, taking into account a terminal value based on a long-term cash flow growth rate. Projections are made over a 5-year period and result from business plans based on economic assumptions and expected conditions adopted by management. If the carrying amount is higher than the recoverable amount, the corresponding asset is written down to its recoverable amount by recognising an impairment loss.

This impairment loss is recorded under "Other operating income and expense" and is charged first and foremost to goodwill. Impairment losses relating to property, plant and equipment and intangible assets with a definite useful life (such as patents and software) are reversible and may be reversed subsequently if the recoverable value becomes higher than the net carrying value, up to the limit of the impairment loss initially recognised. Goodwill impairment losses are irreversible. Any impairment losses remaining after the maximum has been charged to goodwill are charged to the net value of property, plant and equipment and intangible assets in proportion to the carrying value of each asset within the unit. This method of charging impairment losses reduces the basis for depreciation and amortisation and therefore reduces the amount of depreciation and amortisation in subsequent years.

V.8.6.1 Details of impairment tests

The Group has organised its assets into six Cash Generating Units (CGUs):

- Pine Derivatives: DRT, Fider, SBS, DRT Wuxi, DRT AB, Willers Engel and STO
- India: companies whose industrial production takes place in India (DRT Anthea and CCPL)
- USA: companies located in the United States (Pinova, DRT America Inc. and DRT America LLC)
- Action Pin: Action Pin and its subsidiaries (Action Pin SARL and SPRL)
- Solar: photovoltaic power generation activities (Watt Burgas)
- Real estate: the Group's real-estate activities, consisting of Resimmo

The first impairment test on 31 December 2019 did not reveal any indication of an impairment loss capable of leading to a write-down of intangible assets.

V.8.7 Off-balance sheet commitments relating to operating activities

The Group does not have any off-balance sheet commitments relating to operating activities other than those indicated in Note I.5.2.5 ("Off-balance sheet commitments related to the scope").

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V.9 PROVISIONS AND CONTINGENT LIABILITIES

In accordance with IAS 37 "Provisions, contingent liabilities and contingent assets", provisions are recorded when the Group is under an obligation to a third party at the end of the financial year that is likely to trigger an outflow of resources to the third party that do not represent future economic benefits for the Group.

This obligation may be statutory, regulatory or contractual. It may also derive from the Group's business practices or from its public commitments where the Group has created a legitimate expectation among such third parties that it will assume certain responsibilities.

The estimate of the amount provisioned corresponds to the outflow of resources that the Group is likely to bear to extinguish its obligation. If no reliable estimate of the amount of the obligation can be made, no provision is booked, and a disclosure is made in the notes.

Contingent liabilities consist of:

- Potential obligations resulting from past events, the existence of which will only be confirmed by the occurrence of uncertain future events that are not under the Group's control,
- Present obligations resulting from past events but that are not recognised since it is not probable that an outflow of resources representing economic benefits will be necessary to extinguish the obligation and since the amount of the obligation cannot be reliably measured.

In the event of restructuring, an obligation is recognised when the restructuring has been announced and has been the subject of a detailed plan or has commenced before the period-end.

V.9.1 Provisions on the balance sheet

In € thousands	31/12/2018	Total additions	Total releases	Reclassification	Exchange difference	31/12/2019
Non-current provisions	**0**	**0**	**0**	**0**	**0**	**0**
Provisions for litigation	353	-	353	-	-	-
Job protection plan provisions	9	-	9	-	-	-
Environmental provisions	97	-	-	-	-	97
Other	-	152	122	-	-	30
Current provisions	**459**	**152**	**484**	**0**	**0**	**127**
Total	**459**	**152**	**484**	**0**	**0**	**127**

All provisions recorded under liabilities on the balance sheet are regarded as current.

The litigation between the Group and a former agent of Action Pin has been settled. Aside from certain provisions that are not individually material, there remains only the abandonment provision under the technological risk prevention plan for the Vielle Saint Girons site.

To the company's knowledge, there is no other litigation that may have or have recently had a significant impact on the Group's activity, results, financial position or assets.

V.9.2 Changes in provisions on the income statement

Additions to and releases from provisions related to the Group's recurring activities are stated on the face of the income statement: additions to and releases from non-current provisions are included in "Other operating income and expense". These two categories of provisions are detailed in the table below:

2019 (in € thousands)	**(Additions)**	**Releases**	**Net**
Provisions for inventories	(1,518)	1,071	(447)
Provisions for receivables	(12)	73	61
Provisions for operating expenses	(1)	75	74
Provisions in recurring operating income	**(1,530)**	**1,219**	**(313)**
Litigation	-	353	353
Other	(236)	131	(105)
Provisions in other operating income and expense	**(236)**	**484**	**248**
Provisions in operating income	**(1,766)**	**1,703**	**(63)**

V.9.3 Breakdown of additions to/releases from contingency and loss provisions by type

The table below breaks down provisions that have been released after being used and those that have been released unused:

In € thousands	**Total releases**	**Provisions used = Expense**	**Provisions released unused**
Provisions for litigation	353	(406)	-
Other	131	(131)	-
Total provisions released in 2019	**484**	**(537)**	**-**

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V.10 EQUITY AND EARNINGS PER SHARE

V.10.1 Equity

V.10.1.1 Share capital and premiums

At 31 December 2019, the share capital totalled €193,469,032. It was divided into:

- 192,529,997 ordinary shares with par value of €1 each, fully paid up,
- 199,035 category A preferred shares (ADP) with par value of €1 each, fully paid up,
- 340,000 category 1 preferred shares (ADP 1) with par value of €1 each,
- 400,000 category 2 preferred shares (ADP 2) with par value of €1 each, fully paid up.

Alpha-Beta International carried out a €340,000 capital increase through the capitalisation of reserves, issuing 340,000 ADP 1 preferred shares with par value of €1 each, paid up through the capitalisation of issue premiums, following a decision on 10 April 2019. As a result, the share capital rose from €193,255,934 to €193,595,934.

Alpha-Beta International reduced its capital by repurchasing and cancelling 126,902 ADP preferred shares with par value of €1 each following a decision on 26 August 2019. As a result, the share capital fell from €193,595,934 to €193,469,032.

V.10.1.2 Convertible bonds

Alpha-Beta International issued €284 million of convertible bonds in April 2018. The convertible bonds entitle holders to remuneration at a fixed rate of 9% per year. According to the issuance agreement, the convertible bonds constitute subordinated debt, ranking below senior debt. According to IAS 32.29, a bond that can be converted by the holder into a specific number of the entity's ordinary shares is an instrument comprising a financial liability and an equity instrument. Accordingly, the initial debt component was €231 million and the equity component €53 million.

Through a private agreement formed unanimously by the shareholders, a decision was made to partially redeem the convertible bonds in an amount of €110,503,712 in principal and €13,077,013 in interest. Under IAS 32.29, this reduced the debt component to €170 million and the equity component to €31 million.

In € thousands	**2019**	**2018**
Financial liabilities related to convertible bonds	140,586	230,646
Capitalised interest on convertible bonds	29,325	18,590
Total	**169,911**	**249,236**

V.10.2 Appropriation of income

The loss for 2018 was charged in full to the "Premiums and reserves" account, which amounted to €9,487,700 at 31 December 2019.

V.10.3 Other comprehensive income

The table below shows the components of other comprehensive income:

In € thousands	**2019**	**2018**
Actuarial gains and losses	(2,080)	(353)
Changes in fair value related to capital market transactions	(108)	(859)
Exchange difference	3,287	6,331
Total	**1,099**	**5,119**

V.10.4 Earnings per share

Earnings per share are calculated in accordance with IAS 33 "Earnings per share".

Basic earnings per share are calculated by dividing net income for the period attributable to holders of ordinary shares by the weighted average number of paid-up ordinary shares.

	2019	**2018**
Net income attributable to equity holders of the parent (in € thousands)	(39,109)	(38,958)
Number of paid-up ordinary shares	192,529,997	192,529,997
Diluted earnings per share (in €)	**(0.20)**	**(0.20)**

V.11 FINANCING AND FINANCIAL INSTRUMENTS

V.11.1 Financial assets and liabilities

Financial assets and liabilities are measured and recognised in accordance with IFRS 9 "Financial instruments", IAS 32 "Financial instruments: presentation" and IFRS 7 "Financial instruments: disclosures".

Financial assets include financial assets at fair value through profit or loss held for trading, financial assets designated as at fair value through profit or loss, available-for-sale assets, assets relating to derivative instruments, and loans and receivables.
Initially, financial assets are measured at their fair value plus transaction costs where the assets concerned are not subsequently measured at fair value through profit or loss. For assets measured at fair value through profit or loss, transaction costs are taken directly to income. Those financial assets are measured at fair value, except for loans and receivables, which are measured at amortised cost.

An impairment loss on a financial asset measured at amortised cost corresponds to the difference between its carrying amount and the value of expected future cash flows discounted at the asset's original effective interest rate. Losses are taken to income and recorded in an impairment account as a deduction from loans and receivables or held-to-maturity investments. Interest on an impaired asset continues to be recognised. Where an event takes place after impairment that reduces the amount of the impairment loss, that reduction is released to income.

The Group derecognises a financial asset where the contractual rights to cash flows generated by the asset expire, or where it transfers contractual rights to receive cash flows from the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred.

Financial liabilities include borrowings, other bank financing and overdrafts and liabilities relating to derivative instruments.

Borrowings and other financial liabilities are measured at amortised cost, and derivative instruments (assets and liabilities) at fair value less transaction costs, then at amortised cost using the effective interest-rate method.

V.11.1.1 Other non-current assets

Other non-current assets consist solely of financial assets. The non-current assets listed below represent long-term investments relating to the Group's operations.

In € thousands	**2019**	**2018**
Value of shares in ATTIS 2	5,903	5,903
Value of the 45,126 shares in Gascogne	166	165
Shares in 11 non-trading real-estate companies and investment trusts (SCIs and SCPIs)	1,100	1,090
Fair value of life insurance policies (endowment policies)	2,420	2,430
Loan to BESVSG	2,219	3,075
Loan to Logicator	-	775
Other	672	651
Total	**12,480**	**14,089**

- The Group's investment in ATTIS 2 represents 12.80% of the capital of the company that owns 70.60% of Gascogne SA.

- The Group has a holding-company activity, investing in carefully selected real-estate projects through shares in listed non-trading real-estate companies and investment trusts (SCIs and SCPIs) with a long-term horizon.

- The loan to equity affiliate BESVSG is proportional to the Group's stake in the company.

- DRT has granted an interest-bearing loan to Swedish company Logicator, its local logistics provider, so that it could invest in a storage facility in the port of Helsingborg, in order to facilitate the transportation of raw materials to the Group. The portion of the services invoiced monthly by Logicator representing leasing of the storage facility has been restated under IFRS 16 and under the agreement between DRT and Logicator. The loan granted has been deducted from the liability recognised in respect of the obligation to make future lease payments.

V.11.1.2 Other current assets

In € thousands	2019	2018
VAT and GST to be reclaimed	8,840	6,534
Insurance compensation to be received	5,645	7,104
Prepaid expenses	1,467	1,886
BNP Paribas Factor guarantee fund	3,020	-
Miscellaneous accrued income	1,272	4,039
Total	**20,244**	**19,563**

- VAT in France and GST (Goods and Services Tax) in India are indirect taxes based on revenue. They are levied on the basis of local tax law. Recoverable French VAT amounts to €2,941,000 and recoverable Indian GST amounts to €5,899,000.
- Insurance compensation to be received relates to the remaining operating losses and cost of rebuilding industrial facilities following the fire at DAACPL's Roha 2 plant in an amount of €5,148,567, and operating losses suffered by Fider following the shutdown of peracetic acid column C23 at the Castets plant in an amount of €496,000.
- Prepaid expenses relate to service agreements and annual subscriptions whose periods overlap the year-end. The portion of these expenses already paid in relation to 2020 is recognised in this item.
- In relation to factoring and to guarantee the repayment of sums that it could come to owe to BNP Paribas Factor as a result of dilution and its interest obligations, DRT has set aside money in a guarantee fund corresponding to 6% of the receivables assigned to the factor. That fund does not produce interest.

V.11.1.3 Trade payables

Trade payables amount to €69 million. This sum includes amounts payable to suppliers of raw materials, services and non-current assets. Foreign currency amounts are converted into euros at the period-end exchange rate.

V.11.1.4 Fair value of financial assets and liabilities

V.11.1.4.1 Balance sheet

The following table provides information on financial assets and liabilities presented according to accounting categories defined by IFRS 9:

2019 (in € thousands)	Financial assets and liabilities designated as at fair value through profit or loss	Financial assets and liabilities at fair value held for trading	Assets (loans and receivables) and liabilities measured at amortised cost	Available-for-sale financial assets	Derivatives designated as hedges	Total net carrying amount of financial assets and liabilities	Non-financial instruments (*)	Total net carrying amount
Value of ATTIS 2 shares	-	-	5,903	-	-	5,903	-	5,903
Value of Gascogne shares	-	-	166		-	166	-	166
Shares in 11 non-trading real-estate companies and investment trusts (SCIs and SCPIs)	-	-	1,100	-	-	1,090	-	1,090
Fair value of life insurance policies	-	-	2,420		-	2,430	-	2,430
Loan to BESVSG	-	-	2,219	-	-	2,219	-	2,219
Other	-	-	-	-	-	-	672	672
Non-current assets	**0**	**0**	**11,808**	**0**	**0**	**11,808**	**672**	**12,480**
Trade receivables	-	-	48,556	-	-	48,556	-	48,556
BNP Paribas Factor guarantee fund	-	-	3,020	-	-	3,020	-	3,020
Other current assets	-	-	-	-	-	-	-	-
Interest-rate, exchange rate and commodity derivatives	-	-	-	-	-	-	-	-
Cash and cash equivalents	-	-	24,209	-	-	24,209	-	24,209
Current assets	**0**	**0**	**75,785**	**0**	**0**	**75,785**	**0**	**75,785**
TOTAL ASSETS	**0**	**0**	**87,593**	**0**	**0**	**87,593**	**672**	**88,265**
Long-term borrowings and debt	-	-	583,518	-	-	583,518	-	583,518
Non-current liabilities	**0**	**0**	**583,518**	**0**	**0**	**583,518**	**0**	**583,518**
Short-term borrowings and debt	-	-	70,126	-	-	70,126	-	70,126
Trade and other payables	-	-	69,146	-	-	69,146	-	69,146
Interest-rate and exchange-rate derivatives	-	-	-	-	1,002	1,002	-	1,002
Other current liabilities	-	-	-	-	-	-	23,373	23,373
Current liabilities	**0**	**0**	**139,272**	**0**	**1,002**	**140,274**	**23,373**	**163,647**
TOTAL LIABILITIES	**0**	**0**	**722,790**	**0**	**1,002**	**723,792**	**23,373**	**747,165**

(*) Including liabilities related to employees, social security charges and prepaid CIR research tax credits.

V.11.1.4.2 Income statement

The following table provides information on 2019 gains and losses by financial asset/liability accounting category:

In € thousands	2019	2018
Interest income on cash and cash equivalents (*)	356	316
Dividends received on available-for-sale assets	63	46
Change in fair value of cash-flow hedging instruments	-	-
Net foreign exchange gains	-	-
Accretion income on redeemed convertible bonds	2,706	
Other	253	137
Financial income	**3,378**	**499**
Interest expense on convertible bonds	(22,364)	(18,590)
Interest expense and issuance costs relating to financial liabilities measured at amortised cost	(27,746)	(21,550)
Net foreign exchange losses	(1,314)	(150)
Accretion expense (IAS 19)	(1,449)	(122)
Factoring costs	(337)	
Other	(277)	(505)
Financial expense	**(53,487)**	**(40,917)**
Net financial expense	**(50,109)**	**(40,418)**

(*)Financial assets at fair value through profit or loss

- Interest expense includes interest related to the use of the Term Loan B and the Revolving Credit Facility along with commitment and non-use fees relating to those facilities, interest on all short- and medium-term bilateral financing and interest included in lease payments restated under IFRS 16.
- Net foreign exchange losses concern financing transactions and exchange differences relating to foreign companies that account in foreign currencies.

V.11.2 Fair value

The methods of determining fair value figures in the table on the next page are described below.

- Investments in equity securities: the fair value of available-for-sale financial assets is determined with reference to their listed price on an active market on the closing date. If an active market does not exist and if fair value cannot be estimated reliably using measurement methods, these securities are measured at cost less cumulative impairment.
- Loans and receivables: the fair value of trade receivables and loans is considered to be equal to their carrying amounts since most of those financial assets have an element of credit risk taken into account via impairment and the interest-rate risk is limited.
- Derivatives: the fair value of interest-rate hedges is based on figures quoted by the financial institutions with which the hedging transactions are arranged. Forward foreign exchange contracts, options and currency option derivatives existing at the closing date are measured using the pricer on the Fairways Change platform provided by advisory firm Finance Active. This method has the benefit of applying consistent market conditions across all positions and all

institutions. The result is compared with figures received from each bank, and material discrepancies are analysed on a case-by-case basis.

- Non-derivative financial liabilities: fair value corresponds to future cash flows generated by the repayment of the principal and interest, discounted at the market interest rate on the closing date, adjusted by the credit spread defined by the Group. The fair value of trade payables and trade receivables corresponds to the carrying value on the balance sheet. The discounting of cash flows does not have a material impact given the shortness of payment and settlement times.

Financial instruments at fair value through profit or loss are classified as follows:

- Level 1: financial instruments quoted in an active market;
- Level 2: financial instruments measured using valuation techniques based on observable data;
- Level 3: financial instruments measured using valuation techniques based partly or fully on non-observable data.

The table below sets out the fair value of financial assets and liabilities, along with their carrying value on the balance sheet:

In € thousands	2019		2018	
	Net carrying amount	**Fair value**	**Net carrying amount**	**Fair value**
Loan	3,850	3,850	3,850	3,850
Listed securities	2,586	2,586	2,595	2,595
Unlisted securities	7,003	7,003	6,993	6,993
Trade receivables	48,556	48,556	106,954	106,954
Other assets	672	672	651	651
Cash and cash equivalents	24,209	24,209	26,485	26,485
Fixed-rate borrowings	(23,068)	(23,397)	(14,245)	(14,448)
Floating-rate borrowings	(585,800)	(585,800)	(489,911)	(489,911)
Lease liabilities	(10,143)	(10,143)	(4,788)	(4,788)
Bank overdrafts	(34,633)	(34,633)	(12,957)	(12,957)
Trade payables and other operating payables	(69,146)	(69,146)	(66,677)	(66,677)
Interest-rate and exchange-rate derivatives	(1,002)	(1,002)	(2,279)	(2,279)
Other liabilities	(23,373)	(23,373)	(29,390)	(29,390)
NET TOTAL	**(660,289)**	**(660,618)**	**(472,719)**	**(472,922)**

At 31 December 2019, the classification of financial instruments at fair value was as follows:

2019 (in € thousands)	**Level 1**	**Level 2**	**Level 3**
Value of ATTIS 2 shares	-	5,903	

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Value of Gascogne shares	166	-	-
Shares in 11 non-trading real-estate companies and investment trusts (SCIs and SCPIs)	-	1,100	-
Fair value of life insurance policies	2,420	-	-
Loans	-	2,219	
Other assets	-	672	
Non-current assets	**2,586**	**9,894**	**0**
Trade receivables	-	48,556	
BNP Paribas Factor guarantee fund		3,020	
Cash and cash equivalents		24,209	-
Current assets	**0**	**75,785**	**0**
Total assets	**2,586**	**85,679**	**0**

Long-term borrowings and debt	-	583,518	-
Non-current liabilities	**0**	**583,518**	-
Short-term borrowings and debt	-	70,126	-
Trade and other payables	-	69,146	-
Interest-rate and exchange-rate derivatives	1,002	-	-
Other current liabilities	-	23,373	-
Current liabilities	**1,002**	**162,645**	-
Total liabilities	**1,002**	**746,163**	-

V.11.3 Debt

In € thousands	31/12/2018	Exchange difference	Increase	Decrease	Change in cash and cash equivalents	Reclassifications	Other changes	31/12/2019
Convertible bonds	249,236	-	23,812	(123,581)	-	20,444	-	169,911

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Long-term borrowings and debt								
Senior debt	455,000	-	60,000	-	-	-	-	515,000
Revolving Credit Facility	12,000	-	45,000	(23,000)	-	-	-	34,000
Bilateral bank borrowings	4,613	-	20,623	(1,227)	-	-	-	24,009
Other debts	704	-	-	(338)	-	-	-	366
Lease liabilities	4,788	-	10,143	(4,788)	-	-	-	10,143
Total	**477,105**	**0**	**135,766**	**(29,353)**	**0**	**0**	**0**	**583,518**
Short-term borrowings and debt								
Bilateral bank borrowings	6,112	-	1,227	(1,729)	-	-	-	5,610
Commercial paper	21,500	-	4,000	-	-	-	-	25,500
Accrued interest	3,722	-	3,963	(3,722)	-	-	-	3,963
Cash facilities	12,957	-	-	-	21,676	-	-	34,633
Debt securities	505	-	-	(85)	-	-	-	420
Total	**44,796**	**0**	**9,190**	**(5,536)**	**21,676**	**0**	**0**	**70,126**
Total borrowings and debt	**521,901**	**0**	**144,956**	**(34,889)**	**21,676**	**0**	**0**	**653,644**
Cash and cash equivalents								
Cash	25,110	-	-	-	(2,326)	-	-	22,784
Securities	1,375	-	-	-	50	-	-	1,425
Total cash and cash equivalents	**26,485**	**0**	**0**	**0**	**(2,276)**	**0**	**0**	**24,209**
Net debt	**495,415**	**0**	**144,956**	**(34,889)**	**23,952**	**0**	**0**	**629,435**

The portion of borrowings from credit institutions due in more than one year includes the senior debt agreement entered into by Alpha-Beta Participation on 10 April 2018 in an amount of €455 million and with a 7-year maturity, increased by €60 million on 23 July 2019. This agreement also includes a Revolving Credit Facility (RCF) with a maximum amount of €100 million. At 31 December 2019, the Group had drawn €34 million of the RCF.

Bank overdrafts in the "Cash facilities" item are classified under "Short-term borrowings and debt" on the balance sheet in an amount of €34.6 million (the cash flow statement shows a cash position net of cash facilities).

By convention, lease liabilities relating to finance and operating leases are all classified under long-term debt.

V.11.4 Cash and cash equivalents

Cash and equivalents include cash at hand, sight deposits and investments in money-market funds constituting short-term, highly liquid investments that are readily convertible into known amounts of cash and that are subject to an insignificant risk of changes in value.

V.11.4.1 Reconciliation with the cash position stated in the cash flow statement

In € thousands	2019	2018
Cash	22,784	25,110

Securities	1,425	1,375
Other, loans to shareholders	-	-
Assets included in the cash position	**24,209**	**26,485**
Bank overdrafts	(34,633)	(12,957)
Other, loans from shareholders	-	(842)
Liabilities included in the cash position	**(34,633)**	**(13,799)**
Net cash position shown in the cash flow statement	**(10,424)**	**12,686**

V.11.4.2 Change in cash position

In € thousands	2019	2018
Net cash at start of period	**12,686**	**9,684**
Change in net cash	(23,110)	3,002
Other movements	-	-
Net cash at end of period	**(10,424)**	**12,686**

V.11.5 Derivative financial instruments (e.g. exchange-rate and interest-rate hedges)

To protect against movements in foreign-exchange markets, interest rates and CO_2 prices, the Group uses hedging techniques based on forward or option-based instruments. DRT has sole responsibility for managing financial risks for all of the Group's French companies. Positions outstanding at 31/12/2019 have been identified. Each contract is measured at its mark-to-market value at 31 December 2019. Changes in value of forward contracts regarded as certain hedging instruments are recognised under other comprehensive income in accordance with IFRS 9. Changes in value of forward contracts not regarded as hedges under IFRS 9 are taken to income under the item of the underlying asset.

In € thousands	Fair value of contracts	
	31/12/2019	31/12/2018
Interest-rate hedges on Term Loan B	-1,086	-1,027
Forward currency transactions	-309	-1,196
Accumulators	269	172
Targets	-	-209
Option-based instruments	122	-20
TOTAL	**-1,002**	**-2,280**

Changes in fair value relating to interest-rate hedges and forward currency transactions regarded as firm and certain hedges are recorded under "Other comprehensive income".

V.11.6 Risk management policy

V.11.6.1 Credit risk

The Group does not have any investments that would expose it to material counterparty risk.

Credit risk now only exists in relation to non-assigned receivables since the arrangement of factoring by DRT and Pinova. Insurance programmes have been arranged to cover the Group's other main companies against the risk of non-payment for financial or political reasons. They include the insurance policy taken out with Atradius to cover 90% of Action Pin's trade receivables, both those specifically stated and in aggregate for the smallest amounts.

V.11.6.2 Liquidity risk

In addition to the 7-year Senior Facilities Agreement, which includes a Term Loan B for €515 million and a Revolving Credit Facility for €100 million, the Group's finances its operating activities mainly through:

- Medium- and long-term borrowings
- A revolving credit facility
- Short-term financing (commercial paper and cash facilities)
- Medium-term bilateral credit facilities that are used by issuing notes

There are also leases of IT, laboratory, transport and storage equipment that include a financing component.

V.11.6.3 Interest-rate risk

As part of the credit agreement, the initial €455 million of Euribor-linked senior debt taken out by DRT and ABP is subject to a €318.5 million interest-rate hedge for the period from 30 April 2018 to 14 May 2022. Since interest is initially paid every six months, the hedge sets a maximum interest rate protecting the two borrowing companies against 6-month Euribor rising above an annual rate varying from 0% to 0.75% over time. The premium is paid in equal instalments every six months.

V.11.6.4 Exchange-rate risk

The Group's only exchange-rate risk relates to the US dollar as part of its purchases of raw materials and sales of goods in the United States, Asia and also Europe for ingredients whose price is set in USD. The Group's banks have granted it credit facilities that suit its purposes in terms of the exchange-rate hedging strategy described in section 1.5.10.5.

V.11.6.5 Commodity risks

The Group had not entered into any commodity risk hedging contracts at 31 December 2019.

V.11.7 Off-balance sheet commitments relating to the Group's financing

The Senior Facilities Agreement, consisting of a €455 million Term Loan B (increased by €60 million in July 2019) and a €100 million Revolving Credit Facility, has given rise to:

- A subordination agreement;
- A securities account pledge agreement;
- A bank account balance pledge agreement;
- A receivables pledge agreement.

V.12 INCOME TAX

V.12.1 Income tax

V.12.1.1 Current income tax

Current tax comprises the estimated amount of tax due (or receivable) with respect to the taxable income (or loss) for a period, and any adjustment of current tax with respect to previous periods. It is calculated on the basis of the tax rates enacted or substantively enacted on the balance sheet date.

V.12.1.2 CIR research tax credit

Under IAS 12 and IAS 38, R&D costs included in the calculation of the CIR tax credit are capitalised and amortised over five years. The resulting CIR tax credit is recorded as prepaid income under "other business income" at a rate of one fifth per year for five years.

V.12.1.4 Local economic contribution (CET)

France's local economic contribution (CET) levy has two components:

- The business property contribution (CFE), which is recorded under fixed costs;
- The value-added levy on businesses (CVAE), which is recorded under income tax.

V.12.1.5 Income tax (expense)/income

In € thousands	**2019**	**2018**
Current tax (expense)/income	(4,145)	(8,875)
Deferred tax (expense)/income	5,355	2,694
Income tax benefit/(expense)	**1,210**	**(6,181)**

V.12.1.6 Reconciliation of theoretical tax expense with the total tax expense on the income statement

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In € thousands	2019	2018
Net income from consolidated companies	(35,703)	(35,080)
- net income from discontinued operations	9	204
(-) share in the net income of equity affiliates	(748)	(310)
Net income from fully-consolidated companies	(36,442)	(35,186)
Income tax expense/(income) (a)	1,210	(6,181)
Theoretical tax expense/(income) based on tax rates in force in each country (b)	12,303	8,317
Difference (a) - (b)	**(11,093)**	**(14,498)**
Analysis of the difference:		
Impact of unused net tax losses	(15,788)	(11,098)
Differences in tax rates	671	1,148
Impact of timing differences and other consolidation adjustments	416	(6,895)
Impact related to the recognition of the CVAE and CIR	3,607	3,494
Total	**(11,093)**	**(14,498)**

The tax rates used are as follows:

- France: 28% for deferred tax
- India: 25%
- Germany: 15%
- Brazil: 25%
- United States: 21%
- China: 25%
- Bulgaria: 10%
- Switzerland: 24%
- Finland: 20%

Tax loss carryforwards within the tax consolidation group headed by ABI are not capitalised for reasons of prudence in the context of the disposal mentioned above under "Post-balance sheet events".

V.12.1.7 Income tax recoverable and payable

In € thousands	2019	2018
Income tax recoverable	2,296	1,553
Income tax payable	(2,255)	(3,284)
Net income tax asset/(liability)	**(41)**	**(1,731)**

Recoverable income tax mainly consists of payments on account made in March 2019 in excess of the income tax provision recorded in the income statement.

V.12.2 Deferred taxes

Deferred tax is calculated on the temporary differences that exist between the carrying value of assets and liabilities and their tax basis. Deferred tax assets and liabilities are measured using the liability method,

i.e. at the tax rates that are expected to apply to the period when the asset is realised or the liability settled, based on tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date.
The following items do not give rise to the recognition of deferred tax:

- Goodwill that is not tax-deductible,
- Initial recognition of an asset or liability that does not result from a business combination and that affects neither accounting profit nor taxable profit,
- Temporary differences related to equity stakes in subsidiaries to the extent that they will not be reversed in the foreseeable future.

The Group discloses deferred taxes on the consolidated balance sheet separately from other assets and liabilities. Deferred tax assets are recognised on the balance sheet to the extent that it is probable that they will be recovered in subsequent periods. Deferred tax assets and liabilities are not discounted.
Deferred tax assets and liabilities are netted when there is a legally enforceable right to net payable tax assets and liabilities, when they concern income taxes levied by a single tax authority and when the Group has the intention to settle them based on their net amount.

V.12.2.1 Deferred tax on the balance sheet

In € thousands	2019	2018
Deferred tax assets	7,281	5,851
Deferred tax liabilities	(119,192)	(128,069)
Net deferred tax assets (liabilities)	**(111,911)**	**(122,218)**

Deferred tax liabilities mainly correspond to the difference arising from the recognition of the value of the customer portfolio, i.e. €363 million of assets in relation to the allocation of goodwill in 2018. This intangible asset is being amortised over 15 years, as is the corresponding deferred tax liability calculated at a rate of 25% based on the reversal schedule.

V.12.2.2 Change in deferred taxes

In € thousands	2019	2018
Amount at start of period	**(122,218)**	**0**
Change in scope	-	(128,908)
Impact on income	5,355	6,224
Impact on equity	4,952	460
Other impacts from exchange differences	-	-
Amount at end of period	**(111,911)**	**(122,218)**

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V.13 POST-BALANCE SHEET EVENTS

Post-balance sheet events are described in section V.2. "Post-balance sheet events" at the start of this report. They concern:

- DRT's sale of its shares in the Crown Chemicals joint venture in India;
- The planned acquisition of DRT by Firmenich announced in early March;
- The consequences of the Covid-19 crisis.

V.14 STATUTORY AUDITORS' FEES

In € thousands	KPMG - USA		EY - France		B&B - France		ACQS - France	
	2019	2018	2019	2018	2019	2018	2019	2018
Audit of the financial statements	152	122	317	97	93	80	56	29
Other services	61	-	801	421	-	-	-	-
TOTAL	**213**	**122**	**1,118**	**518**	**93**	**80**	**56**	**29**

B & B Associés Ernst & Young Audit

Alpha-Beta International

Year ended 31 December 2019

Statutory Auditors' report on the consolidated financial statements

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S.A.R.L. (limited-liability company) with capital of €8,000
Registered with the Bayonne trade and companies register under number 412 653 131

Statutory Auditor
Member of the Pau regional association of statutory auditors

Ernst & Young Audit
Hangar 16, Entrée 1
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33070 Bordeaux cedex
S.A.S. (simplified joint-stock corporation) with variable capital
Registered with the Nanterre trade and companies register under number 344 366 315

Statutory Auditor
Member of the Versailles regional association of statutory auditors

Alpha-Beta International
Year ended 31 December 2019

Statutory Auditors' report on the consolidated financial statements

To the shareholders of Alpha-Beta International,

Opinion
In accordance with our appointment as statutory auditors by the sole shareholder, we have audited the accompanying consolidated financial statements of Alpha-Beta International for the year ended 31 December 2019. The financial statements were finalised by the chairman on 2 April 2020 based on information available at that date against the background of the rapidly developing Covid-19 crisis.

In our opinion, the consolidated financial statements give a true and fair view of the financial position, the assets and liabilities, and the results of the group formed by the persons and entities included in the consolidation, in accordance with the International Financial Reporting Standards as endorsed by the European Union.

Basis of our opinion

■ Audit

We conducted our audit in accordance with professional standards applicable in France. We believe that the information that we collected provides a sufficient and appropriate basis for our opinion.

Our responsibilities under those standards are stated in the "Responsibilities of the Statutory Auditors in relation to auditing the consolidated financial statements" section of this report.

■ Independence

We conducted our audit in accordance with the independence rules applicable to us between 1 January 2019 and the date on which we issued our report, and in particular we did not provide any services forbidden by the code of conduct of the statutory auditors' profession in France.

Comments

Without prejudice to the opinion expressed above, we draw your attention to the following matters set out in the notes to the consolidated financial statements:

► note V.4.7 “Information allowing comparisons between financial statements” stating that the comparative information relates to a 9-month period from 1 April to 31 December 2018. To present comparative 12-month data, proforma consolidated income statements have been prepared for 2018 and 2019, and are shown in note V.3 “Key indicators”.

► note V.4.8 “Changes in accounting policies” describes the impact of applying IFRS 16 “Leases” from 1 January 2019 and the impact arising from changes in presentation.

Substantiation of our opinion

In accordance with the requirements of articles L. 823-9 and R. 823-7 of the French Commercial Code relating to the substantiation of our opinion, we confirm that the most important assessments we made, using our professional judgement, related to the appropriateness of the accounting principles used, the reasonableness of the material estimates adopted and the overall presentation of the financial statements.

Those assessments were made in the context of our audit of the consolidated financial statements taken as a whole, finalised as described above, and in the formation of our opinion stated above. We express no opinion on items of the consolidated financial statements taken in isolation.

Specific verifications

In accordance with professional standards applicable in France, we also carried out specific verifications, as required by statutory and regulatory provisions, of information provided in the chairman’s report on the Group’s management, dated 2 April 2020. As regards events occurring and information coming to light after the accounts closing date in relation to the Covid-19 crisis, management has informed us that it will make a statement on them in the shareholders’ general meeting convened to vote on the financial statements.

We have no comments to make as to the information’s fair presentation and its consistency with the consolidated financial statements.

Responsibilities of management and persons involved in corporate governance in relation to the consolidated financial statements

Management is responsible for preparing consolidated financial statements that present a true and fair view, in accordance with IFRSs as endorsed by the European Union, and for setting up the internal controls it deems necessary for preparing consolidated financial statements that do not contain any material misstatements, whether due to fraud or error.

When preparing the consolidated financial statements, management is responsible for assessing the company’s ability to continue as a going concern, for presenting in those statements any necessary information relating to its status as a going concern, and for applying the accounting concept of going concern, except where there is a plan to liquidate the company or discontinue its operations.

The consolidated financial statements have been approved by the chairman.

Responsibilities of the Statutory Auditors in relation to auditing the consolidated financial statements

Our responsibility is to prepare a report on the consolidated financial statements. Our objective is to obtain reasonable assurance about whether the consolidated financial statements, taken as a whole, are free of material misstatement. Reasonable assurance means a high level of assurance, although there is no guarantee that an audit conducted in accordance with professional standards will systematically detect all material misstatements. Misstatements may arise from fraud or error, and are regarded as material when they can reasonably be expected, individually or together, to influence the economic decisions that users of the financial statements take on the basis of those statements.

As stated by article L. 823-10-1 of the French Commercial Code, our audit assignment does not involve guaranteeing the viability of your company or the quality of its management.

When conducting an audit in accordance with professional standards in France, statutory auditors use their professional judgement throughout the audit.

In addition:

► they identify and assess the risks that the consolidated financial statements contain material misstatements, whether through fraud or error, define and implement audit procedures to address those risks, and collect information that they regard as sufficient and appropriate as the basis for their opinion. The risk of not detecting a material misstatement resulting from fraud is higher than the risk of not detecting a material misstatement resulting from error, because fraud may involve collusion, falsification, voluntary omissions, false statements or the circumvention of internal controls;

► they familiarise themselves with the internal controls relevant to the audit, in order to define audit procedures appropriate to the situation in hand, and not in order to express an opinion on the effectiveness of internal control;

► they assess the appropriateness of accounting policies adopted and the reasonableness of accounting estimates made by management, along with information about those estimates provided in the consolidated financial statements;

► they assess whether management has applied appropriately the going concern convention and, based on information collected, whether or not there is a material uncertainty arising from events or circumstances likely to call into question the company's ability to continue as a going concern. That assessment is based on information collected until the date of the auditors' report, although it should be borne in mind that subsequent circumstances or events may call into question the company's status as a going concern. If the auditors conclude that there is a material uncertainty, they draw the attention of those reading their report to information provided in the consolidated financial statements in relation to that uncertainty or, if that information is not provided or is not relevant, they certify the financial statements with reservations or refuse to certify them;

► they assess the overall presentation of the consolidated financial statements and assess whether the consolidated financial statements reflect the underlying operations and events so that they give a true and fair view;

► regarding financial information relating to persons or entities included in the scope of consolidation, they collect the information that they regard as sufficient and appropriate to express an opinion on the consolidated financial statements. The auditors are responsible for managing, supervising and conducting the audit of the consolidated financial statements and for the opinion expressed on those financial statements.

Biarritz and Bordeaux, 10 April 2020

The Statutory Auditors

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