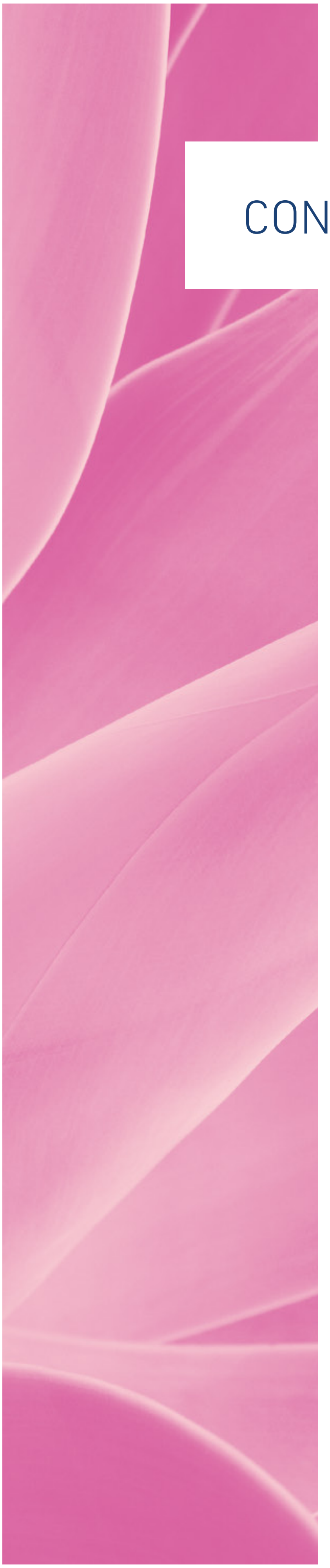
Firmenich

for good, naturally

ANNUAL REPORT

for the year ended June 30, 2020



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Family owned, founded in Geneva, 1895

FIRMENICH AT-A-GLANCE

A global leader in the fragrance and taste industry

FY2020 REVENUES (CHF)[1]

3.9bn (+2.8% IN LOCAL CURRENCY)

FY2019: 3.9bn

FY2020 ADJUSTED EBITDA MARGIN[3]

22.1%

FY2016-FY2020 REVENUE CAGR

5.0%

in CHF, incl. acquisitions

GROW 125 R&D INVESTMENT

9.6%

of Revenues invested in R&D annually[4]

Investor value proposition

- A market leader with critical scale and competitive advantages
- Proven track record of organic growth and successful bolt-on acquisitions
- Leadership in Science, and a highly innovative product portfolio built through long-standing commitment to R&D and passion for creativity
- Established long-term customer relationships, and balanced and diversified product portfolio
- Private company operating at public company standards with high quality governance and a culture guided by clear values
- Best-in-class profitability supporting strong and resilient cash flow generation

Long legacy of responsible business

We are committed to the following 3 strategic pillars

- Caring about People
- Respecting Nature
- Acting on Climate Change

[1] Growth rate in local currency including acquisitions
[2] Based on Management estimates; Firmenich FY2020 vs . FY2019 Key Players revenue figures. Firmenich revenues include DRT and MG International on a full year proforma basis.
[3] Reflects FY2020, excluding non-recurring items
[4] Reflects FY2017-FY2020 average

We are a global leader in responsible business

Tackling climate change

100% renewable electricity in
all operations worldwide

UN Global Compact LEAD
1/36 worldwide #1 in industry

In Top 6 companies worldwide
Triple A + supply chain leadership

Business Ambition for 1.5 °C
1/194 companies

Top 1% of 65,000 companies
score: 83/100

Inaugural IMD-Pictet Sustainability
in Family Business Award

Advancing social impact

First in our industry to complete
B.Corp SDG Action Manager
assessment, with result of 84.3/100

1/7 companies worldwide

Signatory of UN LGBTI standards

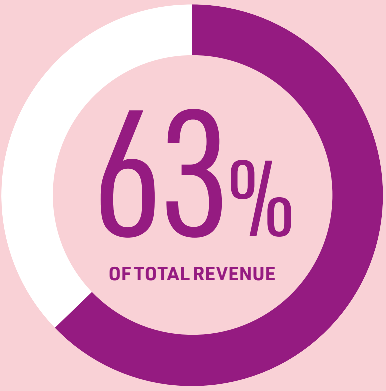
Disability Inclusion: 2% of workforce

1/20 companies impacting
15 million employability
opportunities for youth by 2022

Ethical Corporation Responsible
Business Award 2019
for Diversity & Inclusion

We hold leadership positions in our markets

Perfumery & Ingredients[1]



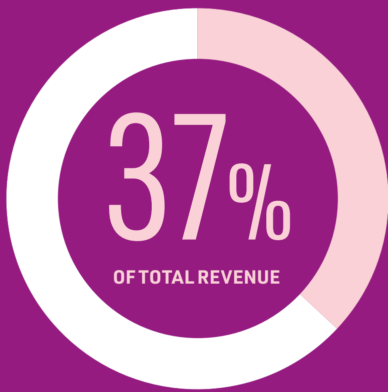
– Leading position across P&I segments

Fine Fragrance

Consumer Fragrance

Ingredients

Flavors



– Global scale player

– Leading innovator in plant-based protein, sugar reduction and natural/clean label solutions

Flavors

Segments

Sweet Goods

Beverage

Savory

Focus growth categories

Plant-based protein

Sugar reduction

Natural/ clean label

Source: Management estimates of respective sub-segment revenues. Firmenich revenues include DRT and MG International on a full year proforma basis.

[1] Ranked #1 as co-leader.

CHAIRMAN AND CEO'S STATEMENT

Left to right:
Gilbert Ghostine
Chief Executive Officer;
Patrick Firmenich
Chairman of the Board

Firmenich proved its resilience during Fiscal Year 2020 (FY20) creating value for its stakeholders, while navigating the unprecedented challenges of Covid-19. We expanded our reach with the largest acquisition in our history, Les Dérivés Résiniques et Terpéniques SA (DRT), a leader in renewable and sustainable Perfumery ingredients, as well as other key strategic acquisitions. Investing for the future, we entered the financial markets for the first time in our history, successfully raising the equivalent of CHF 2.9bn in corporate bonds.

Resilient Financial Performance

In a year marked by the unprecedented impact of the Covid-19 pandemic, we recorded CHF 3,878m in net sales, +0.1% in Swiss Francs and +2.8% in local currency (l.c.) including acquisitions, compared to prior year, with an EBITDA[1] of 22.1% and a cash conversion ratio of 55%. Leading the industry in profitability, we increased our EBITDA by 60 bps and our gross margin by 90 bps.

The end of this fiscal year brings a conclusion to our Grow[125] strategic cycle, during which we have delivered steady revenue growth at solid margins and started a journey to establish platforms in high growth segments beyond our historical business activities. For example, on the West Coast of the USA, we set up a laboratory where local startups co-created and developed cutting-edge taste and nutrition brands, and we established a global e-commerce platform driving significant sales across key markets, including China, India and the USA.

As we move into Fiscal Year 2021 (FY21) we will continue our focus on organic growth, sharpen further our commercial focus on high growth segments, and drive increased agility and simplification across our business model.

Demonstrating our Business Resilience

During the last six months, the global health crisis has tested our business model, our supply chain and our people in extraordinary ways. We have shown our resilience and reinforced our reputation as a trustworthy provider of essential food and hygiene products. Our first priority was, and remains, the safety of our 10,000 colleagues, as well as our customers and communities.

We successfully implemented extensive health and safety precautions across all our sites around the world. Despite the lockdowns, our factories and laboratories remained operational, with no material supply chain disruption. Throughout the crisis, we delivered record volumes and maintained consistent and reliable supply for our customers, closing the year with an OTIF (On Time In Full Delivery) of 95%, without reformulation or dilution.

The closure of retail stores and duty-free outlets had a negative impact on Fine Fragrance sales; and the closure of "fast food" restaurants

[1] Excluding non-recurring items

globally caused a slowdown in food service which has impacted certain of our Flavor group sales (notably Beverages). However, Personal Care, Body Care, Home Care and Savory and Sweet Good sales held up well, allowing us to maintain topline growth, and strengthen our profitability.

As a family business with a 125-year legacy of responsible business, our immediate action was to help the communities where we operate. We adapted swiftly our production capacity to produce and offer 100 tons of hand sanitizer to hospitals, medical, emergency and other services in Switzerland, the United States, Singapore, Malaysia and Indonesia in addition to supporting the production of soaps in India for disadvantaged communities.

Investing for the Future

FY20 was a milestone year for the company on the M&A front.

We welcomed DRT into the Firmenich Group, closing the largest deal in our history. This acquisition will consolidate our leadership in renewable, sustainable and biodegradable ingredients. To leverage this acquisition and position Ingredients as a strategic differentiator, we appointed Boet Brinkgreve as President of our new dedicated, end-to-end Ingredients group. In this role, he will also lead DRT's integration, sales and operations.

In July 2019, we closed the acquisition of a 65% equity stake in VKL, a leader in spices and seasonings in India, broadening our raw material palette for clean label ingredients and customer reach in this critical strategic market.

We also reinforced our position in the Fragrance industry. We acquired Evonik Industries' CO_2 extraction business and signed an agreement to a 69% equity stake in MG International, a leading Turkey-based Fragrance enterprise with the closing occurring shortly after the end of the fiscal year. With its strong roots and large customer base in Central Asia, MG International positions us well to strengthen our creative presence in these markets.

During the year, we also made a key investment in the French listed fragrance and flavors company, Robertet, acquiring a 21.8% stake in recognition of their strong portfolio of natural raw materials.

At the end of the financial year, we said a fond farewell to Armand de Villoutreys, our head of the Perfumery and Ingredient businesses, who retired after 21 years as a key pillar in our fragrance journey. Succeeding him, Ilaria Resta joins us from Procter & Gamble, as President of the Perfumery Division to accelerate our leadership in Fragrances. With her strong understanding of consumer goods and consumer marketing, she will open a new era of Perfumery excellence for Firmenich.

Firmenich demonstrates resilience in a year of significant adversity

CHAIRMAN AND CEO'S STATEMENT (CONTINUED)

Over the next 12 months we will focus on winning bigger with our customers and driving growth across all our core businesses

Since 2017, we have completed 12 acquisitions, in line with our string of pearls strategy. These acquisitions expand our capabilities and footprint, providing access to new technologies and unique ingredients, and strengthen our presence in under-served market segments.

To support our ambitious growth plans, we completed the first-ever corporate bond program in our history, raising the equivalent of CHF 2.9bn on the financial markets. We are proud to have attracted strong interest from a broad range of reputable institutional and investors, and we would like to take this opportunity to thank them for their trust in Firmenich.

We inaugurated six new facilities this year, reinforcing our proximity to our customers and our footprint in high-growth markets. Following the inauguration of our largest flavor plant in the world in China, we opened new offices and state-of-the-art laboratories in Mumbai, India, to match our growth in this dynamic, strategic market. To strengthen our leadership in Fine Fragrance, we also launched Fragrance Ateliers in Grasse, the cradle of perfumery, and the first of their kind in the heart of Shanghai and Sao Paulo, to enhance collaboration and co-creation with startups. In Geneva, we consolidated our footprint with the signing of the sale of our downtown site, and the subsequent move of our Perfumery and Flavors teams to our new campus of excellence at our headquarters in Meyrin. We also launched a new biotech laboratory in La Plaine, Switzerland, our flagship ingredients production site.

Differentiating Through Innovation

Consolidating our leadership in science, we created value with differentiating technology solutions, enabled by the highest proportion of investment in R&D in our industry, at an average of 10% of annual revenue. Our strong R&D over the years has yielded us over 3,900 active patents. Putting our science to work to address key societal issues, we made significant headways in the areas of nutrition, as well as renewable and sustainable ingredients.

To help tackle today's malnutrition crisis, Firmenich's pioneering taste modulation technologies can reduce up to 100% of added sugar naturally. This has enabled us to remove over 1 trillion calories from consumers' food and beverage products this year. With our unique technologies and focused strategy, Firmenich demonstrated its ability to grow sugar reduction sales exponentially in FY20 with growth rates exceeding 23.0%. As customers look to accelerate healthy and great tasting food and beverages, they have selected Firmenich as a long-term partner of choice, based on the Group's bespoke creation capabilities. Through its strategic partnership with Layn, Firmenich is the only F&F house to be fully vertically integrated in plant-based sweeteners, while its acquisition of Senomyx has brought unparalleled Intellectual Property in taste, as well as the richest pipeline of natural sweeteners and flavor modulators in the industry.

Advancing vegan and flexitarian lifestyles, in FY20 our Smart Protein business grew by almost 120%. Our unique Smart Protein Solutions improve everything from taste to texture, while matching the succulence of meat proteins in vegetarian and seafood alternatives.

Harnessing our leadership in sustainable and high-performing ingredients from renewable sources, we launched Dreamwood™, our fourth white biotech ingredient and the first with cosmetic benefits, providing a sustainable alternative to botanical sandalwood oil.

Embracing digitalization across our research and creation, we doubled our e-commerce sales compared to FY19, reaching more than CHF 111m via our online platforms. We have also increased productivity by 25% in our new Fragrance Center in Geneva. This new high-tech facility boasts a fully automated sampling lab and storage warehouse, and autonomous robots for sample delivery. Furthermore, our d-lab partnership with the leading Swiss Federal Polytechnic in Lausanne (EPFL) is at the forefront of Artificial Intelligence (AI) research. We can now obtain a selection of the most relevant ingredient formulas for a given brief in a single click.

Leading in ESG

Building on our long legacy as a responsible business, we continued to accelerate our leadership in ESG. Our 2015–2020 sustainability strategy, called "Pathways to Positive" closed with strong results, from reaching 100% renewable electricity and attaining zero waste to landfill across our manufacturing sites, to delivering a 40% reduction in absolute CO_2 emissions, double our initial target of 20%. We refreshed our Code of Ethics, relaunched our Human Rights Policy and a new Responsible Sourcing approach – each to reinforce our commitment to doing business the right way, every day and ensuring we operate in line with the strong values and ethics defined by our Founders many decades ago.

As mentioned above, this year we became one of a handful of companies in the world, and the first in our industry, to power all our operations globally with 100% renewable electricity. As we progress towards a carbon neutral future, we were one of the first leading companies to join the global business coalition committed to setting science-based emission reduction targets to keep global warming within the 1.5°C threshold.

We were also recognized as a global environmental leader, reaching a CDP triple "A" rating for climate change, water security and forests for the second consecutive year, one of only six companies worldwide. Our commitment to the most ethical, traceable and sustainable supply chain was further recognized by the highest Platinum rating from EcoVadis for environmental and social performance, placing Firmenich in the top 1% of the 65,000 suppliers assessed.

Finally, we maintained our industry leadership in safety performance, recording a TRC rate of 0.18, (including our completed acquisitions[2]) and 24 of our 34 manufacturing plants achieved a full year with zero recordable injuries, 16 of which exceeded 1000 days injury free.

We are committed to continue to lead the industry in ESG. We are confident with the progress we have made and believe we are well positioned as we move towards our 2030 environment and sustainability targets.

Key Priorities for FY21

As lockdowns ease around the world there are signs of a recovery in economic activity. However, we are operating in a context of unparalleled uncertainty. With this level of volatility, FY21 will be a transition year, allowing us to reset our strategy in the wake of this unprecedented global crisis. During the next 12 months we will focus on winning bigger with our customers, by delivering breakthrough innovation, increasing flexibility in our supply chain, to drive growth across all our core businesses.

Looking at the longer term, we are confident that the fragrance and taste and nutrition industry will continue to grow above global GDP, fueled by increasing interest in wellbeing and hygiene brands and fast-growing mid-market customers. We will seek to capitalize on these new opportunities, gaining market share in high growth and high margin segments, while leveraging digital technologies to maximize our efficiency and service.

As you read more details about our performance this year in the following pages, you will discover the many ways our colleagues have advanced our strategic goals and thereby created value for all our stakeholders. We are extremely proud of their achievements and their passion that makes Firmenich a unique place to work.

We would like to thank all of you: our shareholders and investors for your support, our customers for your ongoing trust, as well as our colleagues for your outstanding resilience and commitment to our Fundamentals every day.

Warm regards, and please stay safe.

Patrick Firmenich.

Patrick Firmenich
Chairman of the Board

Gilbert Ghostine
Chief Executive Officer

[2] Agilex (NJ), Fragrance West (CA), Campus (Italy & Mexico), Flavourome (South Africa), Evonik (Germany)

FINANCIAL REVIEW

In the final year of our **Grow**[125] strategic cycle, the Group continued to deliver resilient performance, growing organically and through acquisitions, while continuing to lead the industry in profitability.

Revenue by division
(CHF millions)

FLAVORS

1'427.6M

2019: 1'415.3m

PERFUMERY AND INGREDIENTS

2'450.0M

2019: 2'458.5m

TOTAL GROUP REVENUE

3'877.6M

2019: 3'873.8m

Profitability and free cash flow
(CHF millions)

ADJUSTED EBITDA[1]

859M 22.1%

2019: 833m, 21.5%

FREE CASH FLOW

454M 55% CASH CONVERSION

2019: 421m, 50%

[1] Adjustments include restructuring charges, past service cost, post-employment benefit obligations, employee benefits, impairment of PPE and intangible assets, acquisition costs, professional services / dismantlement costs, strategic consultant fees and gain / loss of sales of PPE.

In the final year of our Grow[125] strategic cycle, the Group continued to deliver resilient performance, growing organically and through acquisitions, while continuing to lead the industry in profitability.

The final months of this fiscal year were marked by the Covid-19 pandemic. Millions of lives around the world were impacted, as were the businesses of our customers. As borders closed, industries across the world were faced with unprecedented challenges. Since the start of this crisis, our priority has been to ensure the safety of our colleagues, while ensuring business continuity and contributing to the communities in which we operate. As an essential supplier in the food and personal care & hygiene value chains, we also have a duty to preserve the highest levels of service for our customers. Despite the circumstances, our decisive actions ensured that we kept our factories and laboratories operational, allowing us to secure the supply chain for our customers, and closing the year with On-Time-In-Full (OTIF) deliveries above 95%.

Our business demonstrated its adaptability in this crisis. While some segments, such as Fine Fragrance, were impacted by retail closures and travel bans, other segments drove our growth, especially in Consumer Fragrance, in Savory and in Sweet Goods.

I would like to highlight the following key financial achievements. In FY20, Firmenich strengthened its EBITDA margin by 60bps, excluding non-recurring items, and continues to lead the industry in profitability. We delivered CHF 454m of Free Cash Flow, an improvement of our Cash Conversion Rate to 55%. Finally, we secured the prudent long-term financing and liquidity of our Group, with a new 5-year Revolving Credit Facility, and the successful completion of our first-ever Bond issuance program, raising the equivalent of CHF 2.9bn, at particularly attractive conditions.

Kind regards,

Eric Nicolas
Group Chief Operating Officer
and Chief Financial Officer

Operating Performance

Group sales totaled CHF 3,877.6m, stable (+0.1%) in Swiss Francs and up +2.8% in local currency (l.c.), including acquisitions, compared to prior year. Perfumery & Ingredients sales grew by +2.2% in l.c., despite the negative impact of Covid-19 on the Fine Fragrance segment, which was offset by growth in Consumer Fragrance. Flavors grew +3.8% in l.c., fueled by significant growth in the Savory and Sweet Goods segments.

Acquisitions, including DRT (closed 28 May 2020), contributed CHF 65m to our topline in FY20. Excluding acquisitions, the Group sales grew by +1.1% in l.c., with Perfumery & Ingredients up +0.8% in l.c, and Flavors up +1.5% in l.c.

The following tables provide the breakdown of our revenue by Division and by Region.

In FY20, approximately 47% of the Group's revenues came from clients designated by the Group as regional and local clients, 45% from clients designated by the Group as key global customers (a specific set of customers identified by Firmenich, all of whom are multinationals) and 8% from other clients. Approximately 54% of the Group's revenues came from Mature markets, and 46% from Growth markets.

The Group's Gross Margin increased by +90bps, reaching 44.6%. Gross margin improvement was linked to the favorable impact of raw material costs, as well as increased manufacturing productivity, which offset the negative mix impact of Fine Fragrance sales reduction linked to Covid-19.

The Group continued its industry-leading profitability performance this year, with EBITDA excluding non-recurring items reaching 22.1%, an increase of +60bps. On a divisional level, EBITDA improved both in Flavors (22.9%, +80bps) and in Perfumery & Ingredients (21.7%, +60bps). This improvement was achieved despite the special costs linked to Covid-19 management, the transition to our new headquarters campus, and the acceleration of our Digital transformation program.

Revenue by Division (CHF millions)

	Financial year ended 30 June 20 as reported	Financial year ended 30 June 19 as reported	Change % in CHF as reported	Change % in local currency excl. acquisitions	Change % in local currency incl. acquisitions
Flavors	1,427.6	1,415.3	+0.9%	+1.5%	+3.8%
Perfumery and Ingredients	2,450.0	2,458.5	-0.3%	+0.8%	+2.2%
Total	**3,877.6**	**3,873.8**	**+0.1%**	**+1.1%**	**+2.8%**

Revenue by Region (CHF millions)

	Financial year ended 30 June 20 as reported	Financial year ended 30 June 19 as reported	Change % in CHF as reported	Change % in local currency excl. acquisitions	Change % in local currency incl. acquisitions
Europe	1,190.8	1,252.0	-4.9%	-3.3%	-1.5%
India, Middle East and Africa	434.6	392.4	+10.8%	+6.0%	+14.6%
Latin America	503.4	505.6	-0.5%	+2.1%	+2.2%
North America	976.6	988.7	-1.2%	-0.1%	+0.4%
North & East Asia	315.3	319.6	-1.3%	+1.1%	+1.6%
South East Asia	457.0	415.5	+10%	+11.1%	+11.3%
Total	**3,877.6**	**3,873.8**	**+0.1%**	**+1.1%**	**+2.8%**

Net Financial Expenses

Net financial expenses reached CHF 63.5m compared to CHF 75.5m last year. The decrease was primarily linked to the re-evaluation at fair-market rates of our participation in the Fider joint-venture with DRT. This was partly offset by higher costs linked to forex and hedging operations.

Tax

The Group's tax rate reached 17.3%, which is in line with Group expected tax rate, and reflects the geographic mix of our business activities.

Free Cash Flow

The Group's Free Cash Flow increased to CHF 454m, compared to CHF 421m last year. The increase was linked to several factors, including cost discipline, a reduction in capex, and the timing of payables offsetting an increase in inventories and receivables due to the Covid-19 crisis.

Financial Position

The Group's financial position remained strong with an equity ratio of 44%, vs. 56% in prior year. The decrease was linked to M&A activity and the issuance of debt in connection with this. The Group's net debt position stood at CHF 1,572m, up from CHF 111m in the prior year.

Total assets reached CHF 7,945m, vs. CHF 4,826m in prior year, the increase being driven by acquired business. Non-current assets reached CHF 5,132m and current assets stood at CHF 2,813m.

The consolidation of DRT had no material impact on our Income Statement this year. It resulted in the addition of CHF 1,067m in Goodwill and CHF 464m in intangible assets to our balance sheet . This ratio is due to Firmenich's being a significant customer of DRT, and the nature of the DRT business model which relies on know-how to a greater extent than patents. As a result, we do not foresee any significant additional depreciation of intangibles, PPE or other assets.

Dividend

The Board will propose a slight dividend reduction for this fiscal year, to be approved by the Annual Shareholders Meeting in October.

HISTORICAL REVIEW

In millions of CHF (except employees) as of June 30:	2020	2019	2018	2017
Income and cash flow statements				
Revenue	**3 877.6**	3 873.8	3 658.5	3 337.6
Gross profit	**1 728.4**	1 693.3	1 701.6	1 594.0
Operating expenses	**(1,105.7)**	(986.8)	(1 029.2)	(948.3)
Operating profit	**622.6**	706.5	672.3	645.7
Other (expenses) and income	**(63.5)**	(75.5)	(15.3)	(72.9)
Taxes	**(96.9)**	(102.0)	(75.3)	(110.0)
Net income (attributable to equity holders)	**460.2**	526.7	580.4	461.4
EBITDA	**822.5**	847.7	800.1	759.6
Cash flows from operating activities	**641.9**	618.8	572.7	505.3
Free cash flow	**454.4**	421.3	367.0	346.9
Balance sheet				
Fixed assets	**5,132.4**	2 586.3	2 207.1	1 513.3
Inventories	**857.8**	669.1	679.4	633.1
Trade, other receivables and prepaid expenses	**1 038.9**	1 026.0	1 001.7	851.0
Marketable securities, cash and bank balances	**828.1**	448.9	617.1	457.8
Capital expenditure	**187.4**	197.5	205.8	158.4
Equity attributable to equity holders of the parent	**3,477.4**	2 686.9	2 414.6	2 010.9
Non-controlling interests	**45.0**	19.5	18.4	15.3
Bank borrowings	**2,400.1**	559.7	603.9	94.7
Other liabilities	**2,023.0**	1 560.2	1 585.6	1 400.3
Net cash/(net debt)	**(1,572.1)**	(110.6)	13.2	363.0
Personnel				
Number of fixed employees at year end	**9 166**	6 918	6 627	6 549
Number of temporary employees at year end	**737**	430	413	434
Key ratios				
Gross margin	**44.6%**	43.7%	46.5%	47.8%
Operating margin	**16.1%**	18.2%	18.4%	19.3%
Net income (attributable to equity holders)/Revenue	**11.9%**	13.6%	15.9%	13.8%
EBITDA/Revenue	**21.2%**	21.9%	21.9%	22.8%
Cash flows from operating activities/Revenue	**16.6%**	16.0%	15.7%	15.1%
Return on equity	**14.9%**	20.6%	26.2%	24.9%
Total equity/Total assets	**44.3%**	56.1%	52.6%	57.5%
Net cash (Net debt)/Equity	**-44.6%**	-4.1%	0.5%	17.9%
Personnel costs/Revenue	**23.8%**	22.5%	24.4%	24.0%
Revenue by employee	**0.423**	0.560	0.552	0.510

Firmenich Fine Fragrance Atelier,
Villa Botanica in Grasse, France.

02 CORPORATE GOVERNANCE

We combine the best of both worlds: the rigor and accountability of public companies and the long-term vision and passion of a private company

Gilbert Ghostine, CEO

FIRMENICH GOVERNANCE FRAMEWORK

In all it does, Firmenich strives to reach the highest governance and operating standards, as well as live by our Fundamentals – the values determined by our family shareholders many years ago.

Our governance framework supports sustainable financial performance as well as long-term value creation for all our stakeholders: our share and bond holders, our employees, our customers and the communities in which we operate. To support our commitment to maintaining the highest standards, the Governance and Compensation Committee regularly reviews the company's corporate governance principles and the key governance documents against evolving best practice standards and new developments.

Governance Bodies

General Meeting of Shareholders

In line with its inalienable rights, the General Meeting of Shareholders approves Firmenich's annual report and consolidated financial statements; decides the appropriation of available earnings and the dividend, approves the compensation of the Board and the Executive Committee; elects the Chairman, the members of the Board and the Governance and Compensation Committee, and the external auditors; adopts and modifies the Articles of Association; it approves changes to the equity/capital stock of the company.

Chairman

The Chairman leads the Board of Directors ensuring the company moves forward with its strategies and activities.

Board of Directors

Nomination Committee (NOM)

Finance, Audit & Risk Committee (FARC)

Governance & Compensation Committee (GCC)

The Board's principal mission is the oversight of the Company ensuring the good performance of the Group, defining the organization, overseeing risk control and compliance with the law, organizing the accounting, financial control and financial planning systems, and overseeing the management and maintenance of the Fundamentals. It sets strategic direction for Firmenich, appoints and oversees the CEO and executive committee, prepares for the general meeting (including the Annual Report) and approves major transactions and investments.

Executive Committee

Responsible for operational management of Firmenich

Auditors

Audit the financial statements, provide opinion on compliance of Firmenich consolidated financial statements with applicable standards and Swiss law, and the existence of the internal financial controls.

BOARD OF DIRECTORS

According to the Articles of Incorporation, the Firmenich Board of Directors may consist of between seven and nine members, with a majority being independent members. Firmenich currently has nine Board members, comprised of four Firmenich family members, including the Chairman, Patrick Firmenich, and five independent directors, including the Vice-Chair, Barbara Kux.

The Board members each bring their own unique skills and experience across the Fragrance and Flavors industry, science-driven organizations as well as consumer and fast moving goods companies, and together they have broad international experience.

At the Annual Shareholder's meeting in October 2019, the mandates of Richard Ridinger and Pierre Bouchut expired and they were re-elected for a further three-year period.

In addition at that October shareholders' meeting, the members of the Governance and Compensation Committee were re-elected for the following year.

Composition of the Board of Directors and its committees

Patrick Firmenich
Chairman

Barbara Kux
Vice-Chairman

NOM

Patrick Firmenich C
Michel Firmenich
Ajai Puri
Barbara Kux

Assists the Board in identifying and vetting individuals to become (or to be re-elected) Board members, CEO and DG members; and overseeing family associates employed within the Company.

Chair: Patrick Firmenich

FARC

Pierre Bouchut C
Antoine Firmenich
Barbara Kux
Andre Pometta

Assists the Board in overseeing the group's accounting & financial reporting, treasury and funding, risk management and internal control processes, and the work of its internal and external auditor.

Chair: Pierre Bouchut

GCC

Karen Jones-Easton C
Michel Firmenich
Richard Ridinger
Antoine Firmenich

Assists the Board in governance and the compensation strategy, the design of compensation and incentive plans, the compensation of the Board members, the Chairman, CEO and members of the Executive Committee.

Chair: Karen Jones

1. Patrick Firmenich NOM
Chairman

Swiss national, born 1962
Board member since 2002

Patrick Firmenich was appointed Chairman of the Board of Firmenich in October 2016, after first joining the Board in 2002 when he became CEO of Firmenich.

Patrick served as the Group's CEO for 12 years, from 2002 until 2014. During this time, he maintained the Firmenich's leadership in Perfumery and Ingredients, while implementing a long-term vision for the Company's Flavors Business Unit. He also sustained Firmenich's above-average investment in R&D and legacy of game-changing technologies, while setting an ambitious sustainability strategy for the Company and leading the Company to achieve world-class HS&E performance.

Patrick first joined Firmenich in 1990, and spent a decade successfully leading the strategic development of the Company's International Fine Fragrance business in New York and Paris before being appointed to the Executive Committee in 1999.

Patrick is a Board member of Jacobs Holding, INSEAD and the INSEAD World Foundation, as well as a member of the Advisory Council of the Swiss Board Institute.

He holds a law degree from the University of Geneva and qualified as a barrister in 1987. He also has an M.B.A. from INSEAD.

Key:

- NOM Nomination Committee
- FARC Finance, Audit & Risk Committee
- GCC Governance & Compensation Committee
- ● Committee chair

2. Barbara Kux NOM FARC
Vice-Chairman

Swiss national, born 1954
First joined 2008-2011, rejoined since 2013

Barbara served on the Firmenich Board from May 2008 to October 2011. She rejoined the Board in 2013 and was appointed Vice-Chairman in 2016.

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. As Member of the SDSN Leadership Council for the UN she has contributed to the development of the Sustainable Development Goals (SDGs).

Barbara is currently a Member of the Supervisory Board of Grosvenor Group, Henkel AG & Co. KGaA and Pargesa Holding, which holds stakes in Adidas, Lafarge Holcim, SGS, Total and Umicore among other companies.

She is also lecturer for sustainability at the University of St.Gallen and has been appointed Director for Corporate Governance at INSEAD.

Barbara holds a Master's degree in Business Administration with Distinction from INSEAD in Fontainebleau.

3. Pierre Bouchut FARC
Board Member

French national, born 1955
First joined 2016

Pierre was the Chief Operating Officer for Europe and Indonesia and a member of the Management Board of Ahold Delhaize until September 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 and member of the Management Board , 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), Albioma SA (a company specialized in the production of "green" electricity) and GVC Holding PVC (a sports betting and gaming group).

A graduate of HEC Paris, he holds a Master's degree in Applied Economics from the University of Paris Dauphine.

4. Antoine Firmenich GCC FARC
Board Member

Swiss national, born 1965
First joined 2009

Antoine Firmenich joined the Board of Firmenich in 2009. He was a Board Member of Sentarom SA, Switzerland, the holding company of the Firmenich group of companies, from 2004 until 2015, serving as its Chairman from 2009 until 2015.

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 preeminent 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 U.S. 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 U.S).

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.

5. Michel Firmenich NOM GCC
Board Member

Swiss national, born 1953
First joined 2013

Michel Firmenich joined the Board of Firmenich in 2013. He was appointed Chairman of Sentarom SA, the holding company of the Firmenich group of companies in 2015 and continues to hold this position.

Prior to joining the Firmenich Board, Michel worked at Firmenich for 27 years successfully holding a broad scope of executive management roles within the company's Information Systems (I.S.) division. He served as Vice President, Head of IS from 2005 until his retirement in 2008.

Today, he is a Board Member of Ecole "la Découverte" SA in Geneva.

He holds a BS in IT Management, from the University of Geneva's Faculty of Social and Economic Sciences.

6. Karen Jones CBE GCC
Board Member

British national, born 1956
First joined 2011

Founder and Chairman of Food and Fuel Ltd., a U.K. 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.

Karen is now Executive Chairman of Prezzo (backed by TPG). In addition, Karen chairs Hawksmoor (backed by Graphite Capital) & Mowgli (backed by Foresight Group), Frontier (a JV with ei Group/Stonegate Pubs) and is an investor in various hospitality concepts in London, including Good Life Eatery. Karen's most recent appointment (January 2020) is to The Crown Estate as a Commissioner.

Karen chairs the Board of National Theatre Enterprises Ltd, sits on the Imbiba Advisory Board and is a Patron of the National Society for the Prevention of Cruelty to Children.

She holds a BA in English and American Literature from the University of East Anglia in the UK, which also awarded her an honorary doctorate. She spent a year at Wellesley College, USA.

7 André Pometta FARC
Board Member

Swiss national, born 1965
First joined 2003

André Pometta joined the Firmenich Board in 2003. He was a board member of Sentarom SA from 2000 to 2008 and re-joined in 2014.

Since 2013, André has worked 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 Consumer Fragrance first in Geneva, and then in Australia. In 2000, he became Senior Account Manager in the Company's Asia Pacific region in Singapore until 2003 when he returned to Geneva to serve as Regional Manager of North Africa 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 Phillippines where he held various positions in marketing, operations and sales.

Currently, André 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.

8. Dr. Ajai Puri NOM
Board Member

U.S./U.K. national, born 1953
First joined 2014

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 highly successful science-driven, consumer-led R&D strategy in the areas of early life and medical nutrition. He also served as Principal Crisis Management Officer at the Company. Prior to Royal Numico, Dr. Puri had a long career at The Minute Maid Company / The Coca-Cola Company in the U.S.. During this 22 year period, he held a variety of positions of global scope including that of 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, Britannia Industries Ltd, one of India's largest independent food groups and Olam International, a leading global food and agri-business. 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.

9. Richard Ridinger GCC
Board Member

German national, born 1958
First joined 2016

Richard has extensive experience in science-driven organizations. His most recent role was as the CEO of Lonza, a global leader in Life Sciences which he held until 2019. In this position, he strengthened Lonza's market position in relevant markets, and drove competitive capabilities and productivity improvement in critical areas. 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, leading global business units and responsibility for leading a worldwide specialty chemicals group.

Richard is currently Chairman of the Advisory Committee of Zentiva, a Board Member of WIRB-Copernicus Group (WCG) and Evolva Group, a Member of the Advisory Group of NOVO Holding and a Member of the Supervisory Board of Brenntag AG.

He holds a Master's degree in chemical engineering from the University of Karlsruhe in Germany.

EXECUTIVE COMMITTEE

Under the leadership of Gilbert Ghostine, the Executive Committee of Firmenich is responsible for overseeing the business operations of the Group. The Board approves the members of the Executive Committee, on the proposal of the CEO. Gilbert has championed gender parity across Firmenich, and the Group achieved gender parity on the Executive Committee this year.

Mr. Gilbert Ghostine
CEO

Gilbert Ghostine joined Firmenich in October 2014 as the Group's first non-family member CEO. Building on Firmenich's legacy of world-class research and creativity, he is firmly focused on shaping winning solutions for our customers to delight their consumers worldwide. A champion of inclusive capitalism, Gilbert is constantly balancing the short-term pressures of execution with the long-term investments required to create value for the Group, its business partners and stakeholders, and has embedded our industry-leading sustainability strategy across the business worldwide. Prior to leading Firmenich, Gilbert acquired a deep understanding of the Consumer Goods and Luxury industries, including 21 years with Diageo, the premium spirits company. He led the Diageo businesses across four continents: Africa, Asia Pacific, the United States and Europe. Gilbert holds a Masters Degree in Business Administration from Saint Joseph University, Lebanon and completed Harvard Business School's Advanced Management Program.

EXECUTIVE TEAM

Pr. Geneviève Berger
Chief Research Officer

Geneviève Berger is committed to driving Firmenich towards its next level of scientific excellence, building on the Group's legacy of world-class research and our multidisciplinary approach to Research and Development. An internationally recognized science and business leader, Geneviève is passionate about improving quality of life through science. Prior to Firmenich, her experience spans Chief Research & Development Officer at Unilever, leading the French National Science Research Council, CNRS, and 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.

Mr. Boet Brinkgreve
Chief Supply Chain Officer
(President, Ingredients from July 1, 2020)

Boet Brinkgreve has a track record of driving strategic growth at Firmenich since 2007. As President of Ingredients, he is responsible for strengthening the Group's leadership in naturals, biotech, biodegradable and renewable ingredients. Focused on driving the most competitive palette in the industry across Perfumery and Flavors, Boet leads the Group's end-to-end Ingredients business, spanning sales, portfolio management and industrial operations, as well as new business segments, such as adhesives, cosmetics and agriculture. He is also responsible for the strategic leadership of Purchasing, overseeing global sourcing, procurement and supplier collaboration. Previously, Boet held the position of Chief Supply Chain Officer. Prior to joining Firmenich, Boet worked for DuPont in several senior roles, and ran various start-ups.

Mr. Eric Nicolas
Chief Operating Officer and Chief Financial Officer

Eric Nicolas is leading the transformation of the Group's business, overseeing best-in-class Finance practices and Governance, as well as Corporate Strategy & M&A, Digitalization and Information Services, Business Process Excellence, Global Workplace Solutions, Indirect Purchasing and Risk Management. A champion of sustainable finance, he is a Board Member of the Livelihoods Carbon Fund, 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 Group in Paris, France.

Ms. Ilaria Resta
President Perfumery (from July 1, 2020)

Ilaria Resta was named President, Global Perfumery in March 2020, and is transforming our Fine Fragrance and Body & Home Care business. A passionate business leader with expertise in brand building, sales and P&L management, Ilaria has more than 22 years of experience with Procter & Gamble, building iconic brands such as Tide, Ariel, Fairy, Swiffer, Duracell, Pantene, Head & Shoulders, Herbal Essences and Aussie, across Europe, Middle-East, China and North America. Ilaria was recognized as 2020 Brand Builder of the Year in the US by WWD. Highly creative, collaborative, direct and positive, Ilaria believes in the power of people and partnership to drive breakthrough business results.

Mr. Emmanuel Butstraen
President Flavors

Emmanuel Bustraen is committed to strengthening Firmenich's position as the global innovation partner of choice in taste and nutrition, leading growth across the Group's three segments: Beverages, Sweet Goods, and Savory. Creating winning solutions for our customers with a focus on enhanced wellbeing, he is putting Firmenich's expertise to work making healthier choices taste great, from sugar, salt and fat reduction, to green protein and clean label offerings. Prior to Firmenich, Emmanuel was President of Solvay's Novecare GBU, preceded by 17 years with BASF, where he served as Strategy Senior VP of the Agricultural Products division. Emmanuel graduated as an Agricultural Engineer and obtained an MBA, both from the University of Lille.

Ms. Mieke Van De Capelle
Chief Human Resources Officer

Mieke Van de Capelle joined Firmenich as Chief Human Resources (HR) Officer in June 2016. She is responsible for leading the Global Human Resources, Sustainability and Corporate Communications functions, setting our strategy and winning culture as a responsible business. Under her leadership, Firmenich obtained the EDGE global certification for gender equality as one of only seven companies worldwide and Ethical Corporation's global Diversity & Inclusion Award. Mieke is at the forefront of defining the shift in workforce capabilities to meet changing demands impacted by digitalization, and focuses on our core values and purpose to uphold human rights. A seasoned leader with 20+ years of broad consumer goods experience, Mieke has worked across Europe, the US and Asia. She holds a Master's Degree in International Communication Strategy from the University of Burgundy in Dijon, France as well as a Master's Degree in Philology from Ghent University.

Ms. Jane Sinclair
General Counsel & Secretary of the Board

Jane Sinclair leads the governance functions of the company and brings over 30 years of international experience in FMCG, pharmaceuticals and research companies. With a passion for "building trust to last", in addition to being General Counsel and Secretary to the Board, Jane is responsible for the legal and compliance functions across our worldwide operations with direct oversight of Commercial Legal, Intellectual Property, Quality, Health, Safety and Environment, Regulatory, Business Ethics and Trade Compliance. Under her leadership and commitment to responsible business, the company's supremacy in environmental, safety and regulatory stewardship has been secured. Prior to joining Firmenich, Jane worked in multiple senior roles in the Asia Pacific, USA, Europe and Australia for Abbott, AbbVie, Genea and The Coca-Cola Company.

03 FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENT

For the year ended June 30 2020

In millions of CHF	Notes	2020	2019
Revenue	27	**3 877.6**	**3 873.8**
Cost of goods sold	20/21	(2 149.2)	(2 180.5)
Gross profit		**1 728.4**	**1 693.3**
as % of revenue		*44.6%*	*43.7%*
Distribution expenses	20/21	(91.9)	(88.0)
Research and development expenses	20/21	(366.5)	(360.4)
Commercial and marketing expenses	20/21	(378.7)	(365.0)
Administration expenses	20/21	(283.9)	(212.0)
Other operating income	20	15.2	38.6
Operating profit		**622.6**	**706.5**
as % of revenue		*16.1%*	*18.2%*
Financing costs	22	(36.6)	(32.2)
Net other financial expenses	23	(53.1)	(44.5)
Remeasurement to fair value of pre-existing interest in an acquiree	6	30.1	-
Share of (loss)/profit of jointly controlled entities and associates, net of taxes	6	(3.9)	1.3
Income before taxes		**559.1**	**631.1**
Income tax expense	24	(96.9)	(102.0)
Net income for the period		**462.2**	**529.1**
Attributable to:			
Non-controlling interests	14	2.0	2.4
Equity holders of the parent		**460.2**	**526.7**
as % of revenue		*11.9%*	*13.6%*
Basic and diluted earnings per A share (in CHF)	13	568.11	650.24
Basic and diluted earnings per B share (in CHF)	13	56.81	65.02

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 34, which form an integral part of the financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended June 30 2020

In millions of CHF	Notes	2020	2019
Net income for the period		**462.2**	**529.1**
Items that may be reclassified subsequently to the income statement			
Exchange differences on translating foreign operations		(104.6)	(44.3)
Exchange differences on translating foreign operations in jointly controlled entities and associates		(13.3)	(1.9)
Items that will not be reclassified to the income statement			
Remeasurement of post-employment benefit obligations		(101.3)	6.5
Equity investments at fair value through other comprehensive income	25	7.4	-
Related tax on remeasurement of post-employment benefit obligations	24	15.9	(4.6)
Related tax on remeasurement on fair value through other comprehensive income	24	(1.0)	-
Total other comprehensive income for the period, net of tax		**(196.9)**	**(44.3)**
Total comprehensive income for the period		**265.3**	**484.8**
Attributable to:			
Non-controlling interests	14	0.6	1.9
Equity holders of the parent		264.7	482.9

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at June 30 2020

In millions of CHF	Notes	2020	2019
Assets			
Goodwill and intangible assets	3	2 805.7	1 276.9
Property, plant and equipment	4	1 555.3	1 023.6
Financial investments and loans	5/25	577.5	91.2
Investments in jointly controlled entities and associates	6	71.6	79.2
Deferred tax assets	24	122.3	115.4
Total non-current assets		**5 132.4**	**2 586.3**
Inventories	7	857.8	669.1
Trade accounts receivable	8/25	878.4	841.0
Other receivables and prepaid expenses	9	160.5	185.0
Derivative financial instruments assets	10/25	9.4	13.7
Current income tax assets		78.9	82.2
Financial investments	11/25	123.3	72.6
Cash and cash equivalents	25	704.7	376.4
Total current assets		**2 813.0**	**2 240.0**
Total assets		**7 945.4**	**4 826.3**
Equity and liabilities			
Share capital	12	40.5	40.5
Retained earnings and other reserves		4 384.3	3 389.4
Remeasurement of post-employment benefit obligations		(461.4)	(375.9)
Translation of foreign operations		(486.0)	(367.1)
Equity attributable to equity holders of the parent		**3 477.4**	**2 686.9**
Non-controlling interests	14	45.0	19.5
Total equity		**3 522.4**	**2 706.4**
Employee benefit obligations	15	706.5	606.9
Provisions	16	19.0	14.9
Deferred tax liabilities	24	268.3	123.6
Long-term borrowings	17/25	2 249.0	36.4
Other long-term liabilities	18	68.9	21.7
Total non-current liabilities		**3 311.7**	**803.5**
Trade accounts payable	25	309.5	227.9
Other payables and accrued expenses	19	488.8	458.5
Derivative financial instruments liabilities	10/25	75.7	3.1
Employee benefit obligations	15	6.7	26.6
Provisions	16	5.8	6.3
Current income tax liabilities		73.7	70.8
Short-term borrowings	17/25	151.1	523.2
Total current liabilities		**1 111.3**	**1 316.4**
Total liabilities		**4 423.0**	**2 119.9**
Total equity and liabilities		**7 945.4**	**4 826.3**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

In millions of CHF	Share capital	Retained earnings and other reserves	Remeasurement 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		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**
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		460.2				460.2	2.0	**462.2**
Other comprehensive income for the period		2.4	(85.5)	6.5	(118.9)	(195.5)	(1.4)	**(196.9)**
Total comprehensive income for the period		**462.6**	**(85.5)**	**6.5**	**(118.9)**	**264.7**	**0.6**	**265.3**
Dividends		(210.6)				(210.6)	(0.9)	**(211.5)**
Acquisition of subsidiary with non-controlling interests (note 18)		(50.0)				(50.0)	29.4	**(20.6)**
Deeply subordinated fixed rate resettable perpetual notes (note 12)		794.5				794.5		**794.5**
Transactions with non-controlling interests (note 14)		(8.1)				(8.1)	(3.6)	**(11.7)**
Net change in other equity items		**525.8**				**525.8**	**24.9**	**550.7**
Balance as at June 30, 2020	**40.5**	**4 377.8**	**(461.4)**	**6.5**	**(486.0)**	**3 477.4**	**45.0**	**3 522.4**

(*) Refer to note 25

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended June 30 2020

In millions of CHF	Notes	2020	2019
Cash flows from operating activities			
Net income for the period		462.2	529.1
Income tax expense	24	96.9	102.0
Income before taxes		**559.1**	**631.1**
Depreciation of property, plant and equipment	4/20	132.0	85.4
Amortization of intangible assets	3/20	68.3	57.2
Impairment losses on property, plant and equipment	3/4/20	1.7	0.8
Release of government grants	18/20	(2.3)	(2.3)
Changes in provisions and employee benefits		(27.0)	(8.3)
Unrealized net gain on investment at fair value through income statement		(0.2)	10.1
Share of loss/(profit) of jointly controlled entities and associates	6	3.9	(1.3)
Foreign exchange differences and other non cash items		38.5	(1.1)
Net interests		32.7	28.5
Adjustment for non-cash items		**247.6**	**169.0**
Changes in inventories		(50.2)	11.6
Changes in trade and other receivables		(24.4)	(28.2)
Changes in trade and other payables		38.7	(40.7)
Changes in working capital		**(35.9)**	**(57.3)**
Interests paid		**(33.7)**	**(29.7)**
Income tax paid		**(95.2)**	**(94.3)**
Cash flows from operating activities		**641.9**	**618.8**
Cash flows used in investing activities			
Purchase of property, plant and equipment	4	(158.2)	(188.2)
Purchase of intangible assets	3	(33.9)	(32.7)
Disposal of intangible assets, property, plant and equipment		4.1	22.9
Government grants received	18/31	0.6	0.5
Net investments		**(187.4)**	**(197.5)**
Acquisition of businesses (net of cash)	2	(1 815.3)	(295.6)
Acquisition of jointly controlled entities and associates (net of cash)		-	(2.5)
(Acquisition)/proceeds of short-term financial investments		(56.0)	94.3
Acquisition of long-term financial investments	5	(391.1)	(2.1)
Interests received		3.9	3.8
Dividend received from jointly controlled entities and associates	6	3.1	-
Cash flows used in investing activities		**(2 442.8)**	**(399.6)**
Cash flows from / (used in) financing activities			
Long-term borrowings increase	17	2 060.3	18.2
Long-term borrowings decrease	17	(2.1)	(2.0)
Short-term borrowings increase	17	896.9	67.6
Short-term borrowings decrease	17	(1 354.2)	(155.3)
Proceeds from deeply subordinated fixed rate resettable perpetual notes	12	793.0	-
Payment of lease liabilities	17	(35.1)	-
Other long-term debt		(0.9)	(0.2)
Dividend payment to equity holders of the parent		(210.6)	(210.6)
Acquisition of non-controlling interests	14	(7.1)	-
Dividend paid to non-controlling interests	14	(0.9)	(0.8)
Cash flows from / (used in) financing activities		**2 139.3**	**(283.1)**
Net increase / (decrease) in cash and cash equivalents		**338.4**	**(63.9)**
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		(10.1)	(3.3)
Cash and cash equivalents at end of period		704.7	376.4
Cash and cash equivalents variation		**338.4**	**(63.9)**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Accounting information and policies

Firmenich Group

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

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

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

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

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

Basis of accounting

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

The Firmenich International SA Board of Directors approved for issue these consolidated financial statements on August 10, 2020 that are subject to the approval by the Annual General Meeting on October 6, 2020.

This is the first set of the Group's consolidated financial statements in which IFRS 16 Leases has been applied. Changes to significant accounting policies and the impacts related to the implementation of IFRS 16 are described below and in note 4.

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

Critical accounting estimates and judgments

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

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

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

a) Impairment of goodwill

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

b) Pensions and other post-employment benefits

The Group operates various 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).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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 - Leases

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 recognized new assets and liabilities for its former operating leases. The nature of expenses related to those leases has changed because the Group now recognizes a depreciation charge for right-of-use assets (see note 4) and interest expense on lease liabilities (see note 22).

Previously, the Group recognized operating lease expenses on a straight-line basis over the term of the lease, and recognized assets and liabilities only to the extent that there was a timing difference between actual lease payments and the expense recognized.

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.

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

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

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

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

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

The following table reconciles the operating lease disclosures for the year ended June 30, 2019 and the lease liabilities recognized at 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	55.1
Lease liabilities recognized at July 1, 2019	**185.9**

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%.

Other new standards

Following amendments and interpretations are effective from July 1, 2019. They do not have a material effect on the Group's financial statements:

The Group adopted IFRIC 23 Uncertainty over Income Tax Treatments that clarifies the accounting for uncertainties in income taxes. The clarification confirms the current practice of the Group.

Amendments to IFRS 9 Prepayment features with negative compensation address the concerns about how IFRS 9 Financial Instruments classifies particular prepayable financial assets.

Amendments to IAS 28 Long-term Interests in Associates and Joint Ventures clarify that an entity must apply IFRS 9 Financial Instruments to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied.

Annual improvements to IFRS Standards 2015-2017 Cycle set out amendments across four different standards: IFRS 3 Business combinations, IFRS 11 Joint Arrangements, IAS 12 Income Tax and IAS 23 Borrowing Costs.

Amendments to IAS 19 Plan Amendment, Curtailment or Settlement confirm the calculation of the current service cost and net interest for the remainder of the reporting period after a plan amendment, curtailment or settlement by using the updated assumptions from the date of the change. It also clarifies the effect of a plan amendment, curtailment or settlement on the requirements regarding the asset ceiling.

Standards issued but not yet effective

A number of standards are effective for annual periods beginning after July 1, 2019 and earlier application is permitted. However, the Group has not early adopted the new or amended standards in preparing these consolidated financial statements.

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

Group significant accounting policies

Principles of consolidation

The consolidated financial statements include the accounts of the parent company (Firmenich International SA) and the affiliated companies as at June 30, 2020 and 2019.

I. Business combinations

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

II. Subsidiaries

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

III. Non-controlling interests (NCI)

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

IV. Loss of control

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

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

VI. Transactions eliminated on consolidation

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

Foreign currencies

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

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

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

Revenue

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2. Business combinations

2.1 Businesses acquired

2.1.a Businesses acquired in 2020

Businesses acquired	Division	Date of acquisition
VKL Seasoning Private Ltd *	Flavor	July 31, 2019
Evonik CO2 extraction **	Perfumery & Ingredients	October 31, 2019
Les Dérivés Résiniques et Terpéniques group (DRT) ***	Perfumery & Ingredients	May 28, 2020

* On July 31, 2019, Firmenich acquired 60% of the shares and voting interests of VKL Seasoning Private Ltd (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 31.4 to revenue. 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. The goodwill is not deductible for tax purpose.

** On October 31, 2019, Firmenich acquired Evonik Degussa GmbH's CO2 extraction business for a purchase price of CHF 0.8. With more than 30 years of experience in botanical raw material extraction, Evonik's CO2 business will allow to develop natural products palette and address demand for authentic, natural taste and scent experiences. A goodwill of CHF 0.2 has been recognized. From acquisition date, the business has contributed CHF 0.6 to revenue.

*** On May 28, 2020, Firmenich acquired 100% of the shares and voting interests of Les Dérivés Résiniques et Terpéniques group for a purchase price of CHF 1'782.5. DRT has been one of the Group's key suppliers for more than 30 years as well as a partner in the Fider joint venture. Being at the forefront of the development and supply of high-quality, sustainable and naturally-derived ingredients, DRT will enable the Group to create fragrances with a higher content of in-house specialties and, at the same time, a renewable profile. It will also bring new capabilities in health & nutrition, cosmetics, as well as new markets, including adhesives, coatings and agriculture. The goodwill identified on acquisition amounts to CHF 1'067.3 and reflects the assembled workforce and synergies expected to be achieved that do not meet the criteria to be recognized as separable assets. The goodwill is not deductible for tax purpose. Since completion date, DRT contributed CHF 33.1 to revenue and (7.1) to net income. The fair value of DRT's identifiable assets and liabilities has been measured provisionally.

If the acquisitions had occurred on July 1, 2019, management estimates that consolidated revenue would have amounted to CHF 4'285.6 and consolidated net income for the year to CHF 382.9.

The identifiable assets and liabilities of these businesses are recorded at fair value at the date of acquisition. 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 these amounts, or any additional provisions that existed at the date of acquisition, then the accounting for these acquisitions will be revised.

Transactions costs of CHF 21.4 have been expensed (included in Operating expenses) and are part of the Cash flows from operating activities in the consolidated statement of cash flows.

2.1.b Businesses acquired in 2019

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

** 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.

*** 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.2 Assets and liabilities recognized at the date of acquisition

2.2.a Assets and liabilities recognized at date of acquisition in 2020

In millions of CHF	DRT	VKL	Other	Total
Non-current assets				
Intangible assets	464.1	28.3	-	**492.4**
Property, plant and equipment	353.3	11.9	3.2	**368.4**
Financial investments and loans	28.1	4.0	1.0	**33.1**
Deferred tax assets	7.5	3.1	-	**10.6**
Current assets				
Cash and cash equivalents	31.5	1.0	1.3	**33.8**
Inventories	177.2	5.9	1.0	**184.1**
Trade accounts receivable	49.2	5.8	-	**55.0**
Other receivables and prepaid expenses	14.9	1.8	0.0	**16.7**
Non-current liabilities				
Provisions	(17.9)	(0.4)	(5.0)	**(23.3)**
Deferred tax liabilities	(153.6)	(12.8)	(0.6)	**(167.0)**
Long-term borrowings	(34.5)	(4.8)	-	**(39.3)**
Current liabilities				
Trade accounts payable	(60.9)	(5.5)	-	**(66.4)**
Other payables and accrued expenses	(40.3)	(5.3)	(0.3)	**(45.9)**
Short-term borrowings	(42.8)	(11.5)	-	**(54.3)**
Total identifiable net assets acquired at fair value	**775.8**	**21.5**	**0.6**	**797.9**
Non-controlling interests at the proportionate share of the acquiree's net assets	(20.8)	(8.6)	-	**(29.4)**
Fair value of pre-existing interest in Fider SA (note 6)	(39.8)	-	-	**(39.8)**
Goodwill arising on acquisition	1 067.3	52.9	0.2	**1 120.4**
Consideration transferred	**1 782.5**	**65.8**	**0.8**	**1 849.1**

2.2.b Assets and liabilities recognized at date of acquisition in 2019

In millions of CHF	Campus	Senomyx	Fragrance West	Total
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 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 liabilities				
Provisions	(1.3)	(0.2)	-	**(1.5)**
Deferred tax liabilities	(14.4)	-	-	**(14.4)**
Current liabilities				
Trade accounts payable	(19.7)	(4.3)	-	**(23.9)**
Other payables and accrued expenses	(5.6)	(6.3)	-	**(11.9)**
Total identifiable net assets acquired at fair value	**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**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.3 Cash flow on acquisitions

2.3.a Cash flow on acquisitions in 2020

In millions of CHF	DRT	VKL	Other	Total
Cash consideration	(1 782.5)	(65.8)	(0.8)	**(1 849.1)**
Cash and cash equivalents acquired	31.5	1.0	1.3	**33.8**
Net cash outflow	**(1 751.0)**	**(64.8)**	**0.5**	**(1 815.3)**

2.3.b 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)**

3. Goodwill and intangible assets

Goodwill and intangible assets are initially recorded at cost of purchase or development. 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.

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 recognized if the carrying amount of an asset or CGU exceeds its recoverable amount.

Goodwill

Goodwill is allocated to CGUs according to the geography and business segment that are expected to benefit from the synergies of the business combination. The CGUs are defined as the Flavor division with a goodwill of CHF 552.8 (2019: CHF 520.7) and the new Perfumery & Ingredients division with a goodwill of CHF 1'060.8 (2019: CHF 0.0). For impairment test purpose the Perfumery & Ingredients division will include the following CGUs: Perfumery functional with a goodwill of CHF 248.0 (2019: CHF 254.5) and Ingredients with a goodwill of CHF 10.6 (2019: CHF 10.7). The goodwill arising from the acquisition of DRT was allocated to the Perfumery & Ingredients CGU on a provisional basis.

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 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. A discount rate of 7.26% was applied to cash-flow projections for the Perfumery and Ingredients divison and 7.18% for the Flavor division.

The key sensitivity for the impairment test are the growth in revenues, the operating margin and the discount rate. Reducing the expected revenue growth rate, the operating margin to sales ratio or decreasing the discount rate by reasonable basis points would not result in the carrying amount exceeding the recoverable amount.

No impairment loss resulted from the impairment tests for goodwill.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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 flavor, perfumery and ingredients.

Software and other

Software

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

Patents, licenses

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

Research and development

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

Development in progress

Development in progress consists of development expenses with external partners for molecules development (Amyris Inc) CHF 9.5 (2019: CHF 9.0) and various other projects including software developments CHF 30.5 (2019: CHF 33.9).

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

In millions of CHF	Goodwill	Customer base	Technology and formulas	Brands and trademarks	Software and other	Development in progress	Total
COST							
Opening balance 2019	**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 *	-	-	-	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**	**2 039.4**
Additions	-	0.4	0.4	-	2.6	30.5	**33.9**
Disposals	-	-	-	(0.0)	(0.4)	(0.2)	**(0.5)**
Transfers/reclassification *	-	-	0.2	-	33.6	(33.7)	**0.2**
Acquisition of businesses	1 120.4	318.2	91.4	53.0	29.4	0.4	**1 612.8**
Currency translation adjustment	(34.0)	(10.3)	(3.9)	(2.9)	(2.2)	(0.0)	**(53.2)**
Closing balance 2020	**1 872.3**	**680.8**	**440.6**	**116.4**	**482.4**	**40.0**	**3 632.7**
ACCUMULATED AMORTIZATION							
Opening balance 2019		**135.2**	**204.5**	**-**	**367.3**		**706.9**
Charge of the year		20.3	13.4	5.0	18.4		**57.2**
Transfers *		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**
Charge of the year		23.0	15.5	6.8	23.0		**68.3**
Disposals		-	-	-	(0.2)		**(0.2)**
Transfers/reclassification *		1.9	-	-	(1.9)		**-**
Currency translation adjustment		(1.0)	(0.6)	(0.6)	(1.4)		**(3.6)**
Closing balance 2020		**180.8**	**232.7**	**18.6**	**395.0**		**826.9**
NET BOOK VALUE							
Closing balance 2019	**785.9**	**215.5**	**134.6**	**53.9**	**44.1**	**42.9**	**1 276.9**
Closing balance 2020	**1 872.3**	**500.0**	**207.9**	**97.8**	**87.6**	**40.0**	**2 805.7**

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

4. Property, plant and equipment

In millions of CHF	Land	Buildings and infrastructure	Equipment	Construction in progress	Total
Acquired property, plant and equipment	54.6	446.7	359.5	162.8	**1 023.6**
Right-of-use of assets	-	-	-	-	-
Closing balance 2019	**54.6**	**446.7**	**359.5**	**162.8**	**1 023.6**

In millions of CHF	Land	Buildings and infrastructure	Equipment	Construction in progress	Total
Acquired property, plant and equipment	83.6	542.3	556.5	212.0	**1 394.4**
Right-of-use of assets	2.7	126.3	31.9	-	**160.9**
Closing balance 2020	**86.3**	**668.6**	**588.4**	**212.0**	**1 555.3**

Acquired property, plant and equipment

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

Impairment

At each reporting date, the Group reviews the carrying amounts of its 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 recognized 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

In millions of CHF	Land	Buildings and infrastructure	Equipment	Construction in progress	Total
COST					
Opening balance 2019	**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**
Additions	0.9	4.8	8.2	144.3	**158.2**
Disposals	-	(3.6)	(86.4)	(0.1)	**(90.1)**
Transfers *	-	75.6	72.6	(148.6)	**(0.4)**
Acquisition of businesses	30.4	71.2	193.5	58.8	**354.0**
Currency translation adjustment	(2.3)	(32.0)	(46.9)	(5.2)	**(86.4)**
Closing balance 2020	**83.6**	**1 317.3**	**1 491.1**	**212.0**	**3 104.0**
ACCUMULATED DEPRECIATION					
Opening balance 2019		**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**
Charge of the year		38.7	54.7		**93.4**
Impairment losses		0.1	1.6		**1.7**
Disposals		(0.8)	(85.3)		**(86.1)**
Transfers *		-	0.1		**0.1**
Currency translation adjustment		(17.6)	(27.1)		**(44.7)**
Closing balance 2020		**775.0**	**934.6**		**1 709.6**

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Right-of-use assets

The Group leases land, offices, warehouses, vehicles, machinery and IT equipment. Lease arrangements are typically made for fixed periods but may have extension options. The Group assesses at lease commencement date whether it is reasonably certain to exercise the extension options. These are exercisable only by the Group and not by the lessors.

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

Changes to significant accounting policies and the impacts related to the implementation of IFRS 16 Leases are described in note 1.

Interest expenses resulting from lease arrangements are included in Financing costs (refer to note 22). The total cash outflow for leases for the year 2020 amounts to CHF 35.1.

In millions of CHF	Land	Buildings and infrastructure	Equipment	**Total**
COST				
Right-of-use assets recognized at July 1, 2019	**3.0**	**157.5**	**25.4**	**185.9**
Additions	-	9.5	7.3	**16.8**
Disposals	-	(9.5)	(2.2)	**(11.7)**
Acquisition of businesses	-	2.2	12.3	**14.5**
Currency translation adjustment	(0.1)	(11.7)	(2.8)	**(14.6)**
Closing balance 2020	**2.9**	**148.0**	**40.0**	**190.9**
ACCUMULATED DEPRECIATION				
Opening balance 2020	**-**	**-**	**-**	**-**
Charge of the year	0.2	29.0	9.4	**38.6**
Disposals	-	(6.1)	(0.9)	**(7.0)**
Currency translation adjustment	-	(1.2)	(0.4)	**(1.6)**
Closing balance 2020	**0.2**	**21.7**	**8.1**	**30.0**

5. Financial long-term investments and loans

In millions of CHF	Notes	2020	2019
Land use rights		12.1	13.3
Other loans and receivables		11.3	15.7
Loans to related parties		8.9	5.4
Loans to personnel		1.2	1.9
Sub-total loans at amortized cost	25	**33.5**	**36.3**
Financial assets at fair value through income statement	25	68.1	54.9
Equity instruments at fair value through OCI	25	475.9	-
Financial investments and loans		**577.5**	**91.2**

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

In financial year 2020, Firmenich acquired 21.8% of Robertet SA's share interests, representing circa 11.4% of voting rights for CHF 395.1. 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 (also refer to note 25).

For the year ended June 30, 2020, long-term financial investments consist of investments held at fair value through income statement. They include funds of a deferred compensation scheme of CHF 47.3 (2019: CHF 47.0) 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 15).

Financial assets at fair value through income statement mainly consist of insurance policy and deposits covering employee benefits.

Loans to related parties mainly consist of a long-term financing granted to Prolitec Inc of CHF 6.1 (2019: CHF 5.4) and a loan to Biomass Energy Solutions VSG SAS of CHF 2.8 (2019: CHF 0.0).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

6. Associates and joint ventures

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

As part of the acquisition of DRT in May 2020, the Group took ownership of the remaining 50% interest in Fider. The remeasurement to fair value of the Group's existing 50% interest in Fider SA resulted in a gain of CHF 30.1 (CHF 39.9 less the CHF 9.8 carrying amount of the associates at the date of acquisition). This amount is presented separately in the income statement.

The associate Biomass Energy Solutions VSG SAS entered the Group as part of the DRT acquisition. The Group owns 36.9%.

During the year, an impairment loss of CHF 7.4 was recognized in the income statement over the investment in The Nelixia Company SA.

In millions of CHF	ArtSci Biology Technologies Co Ltd.	Fider SA	The Nelixia Company SA	Jasmine Concrete Exports Private Ltd	Biomass Energy Solutions VSG SAS	Other (*)	Total
Opening balance 2020	48.9	9.6	8.9	8.3	-	3.5	**79.2**
Acquisition	-	-	-	-	13.0	-	**13.0**
Share of profit / (loss)	3.3	0.5	(0.1)	(0.4)	-	0.2	**3.5**
Impairment loss	-	-	(7.4)	-	-	-	**(7.4)**
Dividend paid	(2.8)	-	-	-	-	(0.3)	**(3.1)**
Change in control	-	(9.8)	-	-	-	-	**(9.8)**
Currency translation adjustment	(2.7)	(0.3)	0.2	(0.9)	-	(0.1)	**(3.8)**
Closing balance 2020	**46.7**	**-**	**1.6**	**7.0**	**13.0**	**3.3**	**71.6**

(*) Other includes Prolitec Inc, InnovAroma SA, Negev Aroma Ltd., Novali A.S. and Kalsangi Pte. Ltd

In millions of CHF	ArtSci Biology Technologies Co Ltd.	Fider SA	The Nelixia Company SA	Jasmine Concrete Exports Private Ltd	Biomass Energy Solutions VSG SAS	Other (*)	Total
Opening balance 2019	-	9.1	9.0	5.9	-	3.9	**27.9**
Acquisition	49.6	-	0.3	2.1	-	0.1	**52.1**
Share of profit / (loss)	-	0.9	(0.2)	0.5	-	0.1	**1.3**
Dividend paid	-	-	-	-	-	(0.5)	**(0.5)**
Currency translation adjustment	(0.7)	(0.4)	(0.2)	(0.2)	-	(0.1)	**(1.6)**
Closing balance 2019	**48.9**	**9.6**	**8.9**	**8.3**	**-**	**3.5**	**79.2**

(*) Other includes Prolitec Inc, InnovAroma SA, Negev Aroma Ltd. and Novali A.S.

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

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

7. Inventories

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

In millions of CHF	2020	2019
INVENTORY SPLIT BY CATEGORY		
Raw material and supplies	282.0	257.9
Work in progress	341.1	290.4
Finished goods	259.2	141.5
Allowance for slow moving and obsolete inventories	(24.5)	(20.7)
Total inventories	**857.8**	**669.1**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

In millions of CHF	2020	2019
MOVEMENT OF INVENTORY ALLOWANCE		
Opening balance	(20.7)	(23.3)
Increase in allowance	(38.1)	(19.8)
Use and reversal of allowance	32.7	22.0
Currency translation adjustment	1.6	0.4
Closing balance	**(24.5)**	**(20.7)**

Total inventory losses for the year ended June 30, 2020 reached CHF 33.7 (2019: CHF 38.7) and are included in the cost of goods sold.

8. Trade accounts receivable

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

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

In millions of CHF	2020	2019
Trade accounts receivable (gross)	885.8	849.0
Allowance for doubtful debts	(7.4)	(8.0)
Total trade accounts receivable	**878.4**	**841.0**

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	2020	2019
AGEING OF PAST DUE BUT NOT IMPAIRED		
Neither past due nor impaired	827.2	809.8
Less than 30 days	40.5	27.6
30 to 60 days	8.9	4.5
60 to 90 days	4.1	2.9
More than 90 days	5.1	4.2
Less allowance for doubtful debts	(7.4)	(8.0)
Total trade accounts receivable	**878.4**	**841.0**

In millions of CHF	2020	2019
MOVEMENT IN LOSS ALLOWANCE FOR IMPAIRMENT		
Opening balance	(8.0)	(6.9)
Additional impairment on trade accounts receivable	(48.5)	(40.8)
Reversal of impairment on trade accounts receivable	45.5	39.5
Usage of loss allowance on trade accounts receivable	2.5	(0.0)
Currency translation adjustment	1.1	0.2
Closing balance	**(7.4)**	**(8.0)**

Total trade accounts receivable written-off for the year ended June 30, 2020 are CHF 2.5 (2019: CHF 0.7).

9. Other receivables and prepaid expenses

In millions of CHF	2020	2019
VAT receivables	61.7	72.6
Other receivables	63.9	79.8
Prepaid expenses	34.7	32.4
Accrued income	0.2	0.2
Total other receivables and prepaid expenses	**160.5**	**185.0**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

10. Derivative financial instruments

In millions of CHF	2020		2019	
Fair value	Assets	Liabilities	Assets	Liabilities
Forward exchange contracts	8.8	1.8	7.4	2.0
Currency options	0.6	0.7	0.7	1.1
Other option arising from financial derivatives	-	73.2	-	-
Commodity options	-	-	5.6	-
Total derivative financial instruments	**9.4**	**75.7**	**13.7**	**3.1**

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

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

11. Financial short-term investments

In millions of CHF	2020	2019
Fixed term deposits over 48 hours	118.1	57.6
Bonds and debentures	2.2	12.0
Equity securities	2.8	2.7
Hedge funds	0.2	0.3
Financial investments	**123.3**	**72.6**

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

For the years ended June 30, 2020 and 2019 short-term financial investments consist of financial assets at fair value through income statement. No restrictions on marketable securities exist, except CHF 3.6 (2019: CHF 3.6) owned by the Fondation de prévoyance, an employer's fund, where investments are restricted to employee benefits use only.

In millions of CHF	2020	2019
FINANCIAL INVESTMENTS SPLIT BY CURRENCIES		
CHF	78.6	3.6
USD	1.6	1.7
CNY	7.0	17.7
INR	34.3	35.8
GBP	-	13.2
Other	1.8	0.6
Total	**123.3**	**72.6**

12. Share capital and retained earnings

	2020	2019
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**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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

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

Deeply subordinated fixed rate resettable perpetual notes

Firmenich International SA issued EUR 750 million (CHF 793) deeply subordinated fixed rate resettable perpetual notes on June 3, 2020 with a coupon of 3.75% payable annually at the sole discretion of the issuer until the first reset date i.e. September 3, 2025. Thereafter, the interest rate is reset every 5 years. As of June 30, 2020 the notes amount to CHF 794.5.

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

13. Earnings per share

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

In millions of CHF (except for earnings per share)	2020	2019
Net income attributable to Firmenich International SA	460.2	526.7
A shares part of share capital in %	90.0%	90.0%
A shares part of net income from ordinary activities	414.2	474.0
B shares part of share capital in %	10.0%	10.0%
B shares part of net income from ordinary activities	46.0	52.7
Earnings per A share (in CHF)	**568.11**	**650.24**
Earnings per B share (in CHF)	**56.81**	**65.02**

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 (October 2018: CHF 260.0 per A share and CHF 26.0 per B share).

This year the Board proposes a dividend of CHF 222.5 gross per A share, which includes the 10% preferential dividend, and CHF 22.25 gross per B share.

14. Non-controlling interests

In February 2020, the Group entered into the following transactions with non-controlling interests:
- increase of ownership of VKL from 60% to 65% for a consideration of CHF 4.7, and
- increase of ownership of Flavourome (Pty) Ltd from 90% to 100% for a consideration of CHF 2.4. Accordingly, the related information presented in this note is only for the period from July 2019 to January 2020.

As part of the acquisition of DRT in May 2020, non-controlling interests were recognized for CHF 20.8.

In millions of CHF	DRT Anthea Aroma Chemicals Pvt. Ltd	VKL Seasoning Private Ltd	PT Firmenich Indonesia	Kunming Firmenich Aromatics Co. Ltd.	Essex Laboratories LLC	Flavourome (Pty) Ltd	Total
Opening balance 2020	-	-	7.4	5.2	4.3	2.7	**19.5**
Share of profit / (loss)	-	(0.5)	1.8	0.3	0.5	(0.1)	**2.0**
Acquisition of businesses	20.8	8.6	-	-	-	-	**29.4**
Dividends	-	-	(0.6)	(0.1)	(0.2)	-	**(0.9)**
Transactions with non-controlling interests	-	(0.9)	-	-	-	(2.7)	**(3.6)**
Currency translation adjustment	-	(0.8)	(0.4)	(0.3)	(0.1)	0.1	**(1.4)**
Closing balance 2020	**20.8**	**6.4**	**8.2**	**5.1**	**4.5**	**-**	**45.0**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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

15. Employee benefit obligations

In millions of CHF	2020	2019
Non-current employee benefit obligations		
Pension plans and other post-employment benefit obligations	634.3	530.8
Other employee benefits	72.2	76.1
Total non-current employee benefit obligations	**706.5**	**606.9**
Current employee benefit obligations		
Other employee benefits	6.7	26.6
Total current employee benefit obligations	**6.7**	**26.6**

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 recognized in the statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows in respect of prior service using 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 recognized 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.

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

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

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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	2020	2019
OBLIGATIONS		
Defined pension benefits	501.3	407.6
Other post-employment benefits	133.0	123.2
Liability in statement of financial position	**634.3**	**530.8**
INCOME STATEMENT CHARGES		
Defined pension benefits	52.2	25.5
Other post-employment benefits	6.7	9.4
Total included in income statement	**58.9**	**34.9**
REMEASUREMENT		
Defined pension benefits	91.9	(14.9)
Other post-employment benefits	9.4	8.4
Total remeasurement included in other comprehensive income	**101.3**	**(6.5)**

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Defined contribution plans

During the financial year, expenses related to defined contribution plans recognized in the income statement are CHF 44.8 (2019: 43.7).

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 2020	**1 666.3**	**(1 258.7)**	**407.6**
Acquisition of businesses	19.8	(4.2)	**15.6**
INCLUDED IN INCOME STATEMENT			
Current service cost	42.1		**42.1**
Plan administration expenses		6.0	**6.0**
Past service cost	0.0		**0.0**
Interest expense / (income)	18.5	(14.6)	**3.9**
Loss / (gain) on settlements	0.2		**0.2**
Total included in income statement	**60.8**	**(8.6)**	**52.2**
INCLUDED IN OTHER COMPREHENSIVE INCOME			
Remeasurements losses / (gains)			
Actuarial loss / (gain) arising from:			
Loss / (gain) from change in demographic assumptions	(0.4)		**(0.4)**
Loss / (gain) from change in financial assumptions (*)	107.8		**107.8**
Experience loss / (gain)	20.9		**20.9**
Return on plan assets excluding interest income		(36.4)	**(36.4)**
Total included in other comprehensive income	**128.3**	**(36.4)**	**91.9**
OTHER			
Benefits paid	(43.7)	43.7	**0.0**
Contributions by plan participants	13.3	(13.3)	-
Employer contributions		(58.1)	**(58.1)**
Settlements	(4.0)	-	**(4.0)**
Currency translation adjustment	(11.6)	7.7	**(3.9)**
Total other	**(46.0)**	**(20.0)**	**(66.0)**
Closing balance 2020	**1 829.2**	**(1 327.9)**	**501.3**

(*) 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 0.65% to 0.3%)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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 interest income		(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	2020	2019
PLAN ASSETS SPLIT BY CATEGORY		
Equity	438.9	407.5
Debt	433.7	435.4
Hedge funds	127.8	108.7
Derivatives	6.1	5.9
Commodities	0.1	0.1
Property	178.8	164.0
Insurance policies	49.4	45.5
Other	58.0	63.1
Cash and bank deposits	35.1	28.5
Total plan assets	**1 327.9**	**1 258.7**

The expected contributions to post-employment benefit plans for the year ended June 30, 2021 are CHF 58.1.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

The table below outlines the funding situation by geographic area:

June 30, 2020

In millions of CHF	Switzerland	United States of America	United Kingdom	Other countries	Total
DEFINED BENEFIT PENSION PLANS					
Defined funded and unfunded benefit obligations	1 463.5	238.5	74.8	52.4	**1 829.2**
Fair value of plan assets	(1 065.6)	(184.1)	(71.4)	(6.8)	**(1 327.9)**
Net excess of liabilities/(assets) over obligations	**397.9**	**54.4**	**3.4**	**45.6**	**501.3**

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**

Key financial actuarial assumptions

2020	Switzerland	United States of America	United Kingdom	Other countries
Discount rate	0.29%	2.77%	1.35%	0.8 % to 6.9 %
Future salary increases	2.00%	4.00%	0.00%	2 % - 8.7 %
Future pension increases	0.00%	0.00%	1.75%	0 % - 1.75 %
Mortality assumptions	BVG 2015 G	Pri-2012 Generational Mortality Table with MP 2019	S3PA with CMI 2019, 1.25% long-term trend	

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	

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%	(132.6)	149.7
Future salary increases	0.50%	20.2	(19.4)
Future pension increases	0.50%	86.8	(4.5)
Life expectancy	1 year	45.9	(45.6)

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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 48.7 to these plans during the year ending June 30, 2021.

The weighted average duration of the defined benefit obligation is 16.6 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 6.7 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 8.1 to these plans during the year ending June 30, 2021.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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 a legally autonomous pension trust by the Board of Trustees.

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

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

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

The 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, 2021. 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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	2020	2019
PROVISION FOR OTHER POST-EMPLOYMENT BENEFITS		
Opening balance	**123.2**	**111.0**
Acquisition of businesses	0.2	-
INCLUDED IN INCOME STATEMENT		
Current service cost	5.7	8.3
Past service cost	0.0	-
Interest cost	1.0	1.1
Total charges / (income) included in income statement	**6.7**	**9.4**
INCLUDED IN OTHER COMPREHENSIVE INCOME		
Actuarial losses / (gains)		
Loss / (gain) from change in demographic assumptions	(0.0)	(0.0)
Loss / (gain) from change in financial assumptions	6.4	2.7
Experience loss / (gain)	3.0	5.7
Total included in other comprehensive income	**9.4**	**8.4**
OTHER		
Benefits paid	(6.5)	(5.2)
Currency translation adjustment	(0.0)	(0.4)
Total Other	**(6.5)**	**(5.6)**
Closing balance	**133.0**	**123.2**

In millions of CHF	2020	2019
AMOUNTS RECOGNIZED IN INCOME STATEMENT		
Contributions to medical insurance	3.0	3.3
Annual premium	0.4	0.4
Other pensions	0.0	-
Retirement compensation	3.3	5.7
Total charge included in income statement	**6.7**	**9.4**
AMOUNTS RECOGNIZED IN STATEMENT OF FINANCIAL POSITION		
Contributions to medical insurance	92.9	86.0
Annual premium	12.9	11.5
Other pensions	2.2	2.5
Retirement compensation	25.0	23.2
Total other post-employment benefits	**133.0**	**123.2**

Key financial actuarial assumptions

2020	Switzerland	United States of America
Discount rate	0.5%	2.8%
Medical cost trend rate		4.5% to 7.75%

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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%	(9.8)	11.2
Life expectancy	1 year	3.3	(6.0)
Medical cost trend rate	1.0%	17.4	(13.2)

The table below outlines the funding situation by geographic area.

As at June 30, 2020

In millions of CHF	Switzerland	United States of America	Other countries	Total
Present value of unfunded	123.7	8.5	0.8	**133.0**

As at June 30, 2019

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

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 18 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 7.5 years.

B) Other employee benefits

The plans described below qualify as employee benefits.

Long-term incentives

The long-term incentive (LTI) plans are delayed payment schemes eligible to senior management and ties to the performance of the Group. The current LTI plan was launched in financial year 2017 and 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.

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).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

NON CURRENT

In millions of CHF	2020	2019
Provision for long-term incentives (LTI)	21.0	20.1
Provision for long-term incentives (LTI) for perfumers & flavorists	-	5.2
Deferred compensation	51.2	50.8
Closing balance	**72.2**	**76.1**

CURRENT

In millions of CHF	2020	2019
Provision for long-term incentives (LTI)	-	26.6
Provision for long-term incentives (LTI) for perfumers & flavorists	6.7	-
Closing balance	**6.7**	**26.6**

MOVEMENT ON DEFERRED COMPENSATION AND PROVISIONS FOR LONG-TERM INCENTIVES

In millions of CHF	Deferred compensation	Provision for LTI	Provision for LTI Perfumers and Flavorists	**Total**
Opening balance 2019	**46.8**	**54.0**	**3.7**	**104.5**
Additional provisions	0.2	22.5	1.6	**24.3**
Acquisition of businesses	1.0	-	-	**1.0**
Disposal of businesses	(0.2)	**-**	-	**(0.2)**
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)	-	**(2.2)**
Closing balance 2019	**50.8**	**46.6**	**5.3**	**102.7**
Additional provisions	5.1	18.0	1.7	**24.8**
Unused provisions reversed	0.0	(16.5)	(0.0)	**(16.5)**
Used during year	(3.4)	(26.5)	(0.0)	**(29.9)**
Transfer	0.8	-	-	**0.8**
Currency translation adjustment	(2.1)	(0.6)	(0.3)	**(3.0)**
Closing balance 2020	**51.2**	**21.0**	**6.7**	**78.9**

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	2020	2019
Provision for long service leave	2.7	3.2
Deferred compensation and other provisions	11.8	6.3
Provision for litigation	0.4	0.4
Provision for restructuring charges	-	1.2
Provision for business risks	4.1	3.9
Total non-current provisions	**19.0**	**14.9**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

PROVISIONS - CURRENT

In millions of CHF	2020	2019
Provision for long service leave	0.1	0.2
Deferred compensation and other provisions	0.2	0.6
Provision for litigation	-	0.2
Product warranty liability	2.3	2.3
Provision for restructuring charges	2.3	2.7
Provision for business risks	0.9	0.3
Total current provisions	**5.8**	**6.3**

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 2019	**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 businesses	-	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**
Additional provisions	0.9	0.9	1.0	0.0	1.0	3.1	**6.9**
Acquisition of businesses	-	-	7.4	-	-	-	**7.4**
Unused provisions reversed	-	(0.5)	(0.2)	-	-	(0.6)	**(1.3)**
Used during year	-	(0.7)	(1.0)	(0.1)	(0.9)	(4.1)	**(6.7)**
Transfer	-	(0.0)	(0.1)	-	-	-	**(0.1)**
Currency translation adjustment	(0.1)	(0.3)	(2.0)	(0.1)	(0.1)	(0.0)	**(2.6)**
Closing balance 2020	**5.0**	**2.8**	**12.0**	**0.4**	**2.3**	**2.3**	**24.8**

Provision for litigation

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

Product warranty liability

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

17. Bonds and borrowings

In millions of CHF	Notes	2020	2019
Bonds		2 060.7	-
Long-term bank borrowings		60.8	36.4
Short-term bank borrowings		115.6	523.2
Long-term lease liabilities		127.5	-
Short-term lease liabilities		35.5	-
Bonds and borrowings	25	**2 400.1**	**559.7**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

In millions of CHF	Short-term bank borrowings	Long-term bank borrowings and bonds	Short-term lease liabilities	Long-term lease liabilities	Total
MOVEMENTS					
Opening balance 2019	**578.0**	**25.9**	**-**	**-**	**603.9**
Cash flows increase	67.6	18.2	-	-	**85.8**
Cash flows decrease	(155.3)	(2.0)	-	-	**(157.3)**
Reclassification	0.7	(0.7)	-	-	**-**
Currency translation adjustment	32.2	(5.0)	-	-	**27.3**
Closing balance 2019	**523.2**	**36.4**	**-**	**-**	**559.7**
Lease liabilities recognized at July 1	-	-	69.8	116.0	**185.8**
Additions	-	-	3.9	12.9	**16.8**
Acquisition of businesses	50.7	28.4	3.5	10.9	**93.5**
Cash flows increase	896.9	2 060.3	-	-	**2 957.1**
Cash flows decrease	(1 354.2)	(2.1)	(35.1)	-	**(1 391.3)**
Reclassification	3.5	(3.5)	-	-	**-**
Leases termination of contract	-	-	(4.3)	(1.5)	**(5.8)**
Currency translation adjustment	(4.5)	2.0	(2.3)	(10.8)	**(15.5)**
Closing balance 2020	**115.6**	**2 121.5**	**35.5**	**127.5**	**2 400.1**

The movements of short-term bank borrowings during the financial year comprise the repayment of a USD 400 million syndicated loan, the drawing and reimbursing of a EUR 800 million bridge financing, both replaced by the newly issued bonds outlined thereafter.

AMOUNTS RECOGNIZED IN INCOME STATEMENT

In millions of CHF	2020
Interest on lease liabilities	(4.8)
Variable lease payments not included in the measurement of lease liabilities	(5.8)
Total recognized in income statement	**(10.6)**

BONDS

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

In millions of CHF	Face value (In millions)	Coupon	Year of issue/ maturity	2020	2019
ISSUER					
Firmenich Productions Participations SAS (France)	EUR 750	1.375%	2020-2026	794.9	-
Firmenich Productions Participations SAS (France)	EUR 750	1.750%	2020-2030	790.7	-
Closing balance 2020	**EUR 1 500**			**1 585.6**	**-**
Firmenich International SA	CHF 425	1.000%	2020-2023	424.9	
Firmenich International SA	CHF 50	1.000%	2020-2023	50.2	
Closing balance 2020	**CHF 475**			**475.1**	**-**

18. Other long-term liabilities

In millions of CHF	Notes	2020	2019
Redemption liability		50.0	-
Government grants	31	18.9	20.7
Lease liabilities (before IFRS 16)		-	1.0
Other long-term liabilities		**68.9**	**21.7**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

The Group entered into a put option agreement to purchase the remaining shares of VKL owned by non-controlling interests. The option is expected to be exercised within 5 years from completion. A redemption liability of CHF 50.0 is recognized accordingly against equity.

The Group received various government grants that will be released to the income statement over the useful live of the underlying assets (refer to note 31).
- 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.
- Other grants totaling CHF 2.1 are to help fund environmental projects in China, France and Italy.

During the current year, CHF -2.3 (2019: CHF -2.3) have been released to the income statement.

19. Other payables and accrued expenses

In millions of CHF	2020	2019
Other creditors	221.7	227.5
Accruals	140.6	123.5
Variable remuneration payables	82.3	69.8
VAT payables	12.4	12.0
Social security payables	10.4	9.3
Interest payables	5.7	3.4
Other payables	15.7	13.0
Other payables and accrued expenses	**488.8**	**458.5**

20. Expenses by nature

Significant expense items by nature within operating expenses include:

In millions of CHF	Notes	2020	2019
COST OF GOODS SOLD AND OPERATING EXPENSES BY NATURE			
Raw material and consumables used		1 617.1	1 674.4
Employee benefits	21	923.0	872.6
Supplies		103.3	96.9
Services		406.7	412.0
Depreciation, amortization and impairment of assets		200.0	141.2
Loss / (gain) on property, plant and equipment		3.4	(8.3)
Operating taxes		16.8	17.2
Other operating income		(15.2)	(38.6)
Total expenses		**3 254.9**	**3 167.4**

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

21. Employee benefits

In millions of CHF	Notes	2020	2019
EMPLOYEE BENEFIT EXPENSES			
Wages and salaries		680.8	658.1
Social security		123.5	119.3
Post employment benefits	15	80.1	53.8
Other expenses		38.6	41.4
Total employee benefit expenses		**923.0**	**872.6**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

In full time equivalent	2020	2019
NUMBER OF EMPLOYEES WITHIN THE GROUP		
Fixed employees at year end	9 166	6 918
Temporary employees (including agencies)	737	430
Total workforce at year end	**9 902**	**7 348**
Average number of employees during the year (average total workforce)	**8 625**	**7 194**

For the year ended June 30, 2020, the total personnel costs include CHF 6.3 (2019: CHF 8.9) of restructuring charges of which CHF 5.9 (2019: CHF 9.3) are departure indemnities costs, with related social charges of CHF 0.4 (2019: CHF -0.4).

The total personnel costs with regard to key executives (Board of directors and corporate management) for the year ended June 30, 2020 are CHF 34.1 (2019: CHF 31.7). In these amounts are included CHF 29.0 of short-term employee benefits (2019: CHF 19.1) and CHF 5.3 (2019: CHF 7.8) post-employment benefits and CHF -0.2 (2019 : CHF 4.8) of other long-term employee benefits.

22. Financing costs

In millions of CHF	2020	2019
FINANCING COSTS		
Interest expenses (*)	31.5	26.2
Interest on net defined benefit liability	5.1	6.0
Financing costs	**36.6**	**32.2**

(*) Out of which CHF 4.8 (2019: 0.0) are interest expenses on lease liabilities.

23. Net other financial expenses

In millions of CHF	2020	2019
Interest and dividend income	0.2	0.2
Fair value gains / (losses)	0.6	(6.2)
Gains on sale on financial investments	-	6.6
Losses on derivative financial instruments	-	(0.1)
Losses on commodity options	(5.5)	(10.6)
Results on investments held at fair value through income statement	**(4.7)**	**(10.1)**
Other interest and dividend income	4.0	4.0
Other results on financial assets	(3.4)	-
Net exchange losses	(35.7)	(16.1)
Net exchange gains / (losses) on currency options and contracts	6.6	(8.8)
Net of cash discount received and (granted), (bank charges and other financial charges)	(19.9)	(13.5)
Net other financial expenses	**(53.1)**	**(44.5)**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

24. Taxes

Income tax expense

In millions of CHF	2020	2019
INCOME TAX EXPENSE		
Current income tax expense	105.5	98.0
Deferred tax (income)/ expense	(6.2)	3.1
Adjustment on previous year taxation	(2.4)	0.8
Income tax expense	**96.9**	**102.0**
Income tax at the applicable weighted-average domestic tax rate	101.2	110.9
Loss on withholding tax	10.9	(5.3)
Income not taxable	(14.1)	(13.0)
Expenses not deductible	5.4	5.1
Change in income tax rate	(3.9)	3.4
Prior year and other adjustments	(2.4)	0.8
Recognition of previously unrecognized tax losses	(0.2)	-
Income tax expense	**96.9**	**102.0**

As at June 30, 2020, the Group's effective tax rate on consolidated income before taxes is 17.3% (2019: 16.2%). This rate is higher than the prior one, due to a basis effect. Last year there was an exceptional reduction of CHF 13.4 of withholding tax on the retained earnings in USA. The rate of 2020 is slightly lower than the Group's applicable one, thanks to the changes in the composition of the Group's profitability.

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.

As at June 30, 2020, the Group had CHF 60.2 of tax losses available to carry forward against future taxable income (2019: CHF 57.4). Deferred tax assets relating to tax loss carried forward are recognized as at June 30, 2020 for CHF 13.9 (2019: CHF 12.8). 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.

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

In millions of CHF	2020	2019
DEFERRED TAXES		
Deferred tax assets	122.3	115.4
Deferred tax liabilities	(268.3)	(123.6)
Net deferred tax liabilities	**(146.0)**	**(8.2)**

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, except for deferred tax assets relating to post-employment benefit obligations for which an amount of CHF 14.8 (2019: -4.6) of deferred taxes is credited to other comprehensive income with no material amount of currency translation adjustments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

In millions of CHF	2020	2019
Amount of tax losses available	60.2	57.4
Amount of tax losses considered to accrue deferred tax assets	60.2	57.4

June 30, 2020

In millions of CHF	Opening balance	Acquisition of businesses	(Credited) / Debited to income statement	(Credited) / Debited to other comprehensive income	Set off tax	Currency translation adjustments	Closing balance
Intangible assets	0.2	-	(1.4)	-	(0.1)	1.5	0.2
Property, plant and equipment	1.7	-	0.1	-	(0.8)	0.4	1.4
Long-term assets	0.1	-	3.0	-	(2.5)	3.5	4.1
Inventories	6.0	-	0.2	-	(21.4)	19.6	4.4
Provisions	82.4	0.2	(0.2)	14.4	(31.8)	(1.7)	63.3
Long-term liabilities	-	1.4	5.7	-	(5.0)	6.5	8.6
Tax loss carry forwards	12.8	2.9	(0.3)	0.0	0.0	(1.4)	13.9
Other assets	1.9	-	1.6	1.5	(2.5)	2.1	4.5
Other liabilities	10.3	6.2	3.4	10.2	(12.8)	4.7	22.0
Deferred tax assets	**115.4**	**10.6**	**12.0**	**26.1**	**(76.9)**	**35.1**	**122.3**
Intangible assets	87.4	88.5	4.6	-	(33.2)	5.5	152.7
Property, plant and equipment	20.5	23.1	1.0	-	(5.9)	(2.5)	36.2
Long-term assets	1.1	-	2.0	11.3	(1.7)	(2.4)	10.3
Inventories	9.1	-	(0.4)	-	(1.3)	0.2	7.6
Provisions	0.0	55.4	9.6	0.0	(20.2)	10.7	55.5
Long-term liabilities	-	-	0.0	-	0.0	(0.0)	0.0
Other assets	4.9	-	2.0	-	(14.5)	13.6	6.0
Other liabilities	0.7	-	(0.6)	-	(0.0)	0.0	0.1
Deferred tax liabilities	**123.6**	**167.0**	**18.2**	**11.3**	**(76.9)**	**25.1**	**268.3**

June 30, 2019

In millions of CHF	Opening balance	Acquisition of businesses	(Credited) / Debited to income statement	(Credited) / Debited to other comprehensive income	Set off tax	Currency translation adjustments	Closing balance
Intangible assets	0.3	-	(0.0)	-	(0.1)	0.0	0.2
Property, plant and equipment	1.9	-	0.2	-	(0.4)	(0.0)	1.7
Long-term assets	0.2	-	(0.0)	-	(0.0)	(0.0)	0.1
Inventories	5.4	-	2.2	-	(25.1)	23.5	6.0
Provisions	85.5	-	3.7	(4.6)	(1.2)	(1.0)	82.4
Tax loss carry forwards	0.8	15.0	(3.0)	-	(0.1)	0.1	12.8
Other assets	0.5	-	2.0	-	(0.5)	(0.1)	1.9
Other liabilities	9.1	-	4.0	-	(1.5)	(1.4)	10.3
Deferred tax assets	**103.7**	**15.0**	**9.2**	**(4.6)**	**(28.9)**	**21.0**	**115.4**
Intangible assets	82.4	14.4	2.6	-	(11.6)	(0.4)	87.4
Property, plant and equipment	17.9	-	5.4	-	0.2	(3.0)	20.5
Long-term assets	1.4	-	(0.1)	-	0.1	(0.3)	1.1
Inventories	11.5	-	(0.7)	-	(7.4)	5.7	9.1
Provisions	0.0	-	(0.0)	-	(9.6)	9.6	0.0
Other assets	6.0	-	(0.2)	-	(0.2)	(0.7)	4.9
Other liabilities	0.2	-	0.5	-	(0.3)	0.3	0.7
Deferred tax liabilities	**119.3**	**14.4**	**7.5**	**-**	**(28.9)**	**11.3**	**123.6**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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.

Classification and measurement of financial instruments

The Group classifies and measures financial instruments as follows.

Financial assets

IFRS 9 contains three principal classification categories for financial assets: measured at amortized cost, measured at fair value through other comprehensive income and measured at fair value through income statement.
The classification depends on the business model for managing the financial assets and the contractual terms of the cash flows. Management determines the classification of its financial assets at initial recognition.
Under IFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never separated. Instead, the hybrid financial instrument as a whole is assessed for classification.
The Group recognizes loss allowances for expected credit losses (ECLs) only on financial assets measured at amortized cost. The Group measures loss allowances at an amount equal to lifetime ECLs except for debt securities and bank balances, which are measured at 12-month ECLs in case of low credit risk or non significant evolution of the credit risk since initial recognition. Lifetime ECLs result from all possible default events over the expected life of a financial instrument. 12-month ECLs are the portion that result from default events that are possible within the 12 months after the reporting date.

a) Financial assets at amortized cost

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

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

b) Financial assets at fair value through income statement

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

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

All purchases and sales of marketable securities are recognized on the trade date, which is the date that the Group commits to purchase, or sell the asset. Marketable securities are initially recorded at 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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

c) Financial assets at fair value through other comprehensive income

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

At initial recognition, financial assets at fair value through other comprehensive income are measured including transaction costs that are directly attributable to the acquisition of the financial asset.

These equity securities are subsequently measured at fair value. Dividends continue to be recognized in the income statement, unless the dividend clearly represents a recovery of part of the cost of the investment, whereas other net gains and losses are recognized in OCI and are never reclassified to the income statement.

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

Financial liabilities

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

June 30, 2020

In millions of CHF	Notes	At amortized cost	At fair value through income statement	At fair value through other comprehensive income	Total
FINANCIAL ASSETS					
Long-term financial investments and loans	5	33.5	68.1	475.9	**577.5**
Trade accounts receivable	8	878.4			**878.4**
Other receivables	9	63.9			**63.9**
Derivative financial instruments assets	10		9.4		**9.4**
Short-term financial investments	11	118.1	5.2		**123.3**
Cash and cash equivalents		704.7			**704.7**
FINANCIAL LIABILITIES					
Long-term borrowings	17	2 249.0			**2 249.0**
Redemption liability (*)	18		50.0		**50.0**
Short-term borrowings	17	151.1			**151.1**
Trade and other payables (**)		681.5			**681.5**
Derivative financial instruments liabilities	10		2.5	73.2	**75.7**

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

(**) Accrued expenses that are not financial liabilities (CHF 116.8) are not included.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

June 30, 2019

In millions of CHF	Notes	At amortized cost	At fair value through income statement	At fair value through other comprehensive income	Total
FINANCIAL ASSETS					
Long-term financial investments and loans	5	36.3	54.9		**91.2**
Trade accounts receivable	8	841.0			**841.0**
Other receivables	9	79.8			**79.8**
Derivative financial instruments assets	10		13.7		**13.7**
Short-term financial investments	11	57.6	15.0		**72.6**
Cash and cash equivalents		376.4			**376.4**
FINANCIAL LIABILITIES					
Long-term borrowings	17	36.4			**36.4**
Short-term borrowings	17	523.2			**523.2**
Trade and other payables (*)		590.7			**590.7**
Derivative financial instruments liabilities	10		3.1		**3.1**

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

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

Derivative financial instruments and hedging activities

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

a) Derivatives designated as hedge accounting

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

As of June 30, 2020 a short-term exposure to price risk arises from the Group's investments in financial assets. The Group has hedged the corresponding market risk, and qualified the hedging transaction in a fair value Hedge relationship. The hedged risk arises from the fluctuation of observable market prices until maturity of the underlying contract occurs. The Group aims at achieving a hedge ratio of 100% and no ineffectiveness is expected due to the mirroring characteristics of the hedged item and the hedging instrument.

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

As of June 30, 2020 the carrying amount of the hedged item is CHF 73.2, which corresponds to the accumulated fair value adjustments accounted in OCI, and is offset by the fair value of the designated hedging instruments.

b) Derivatives not designated as hedge accounting

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Impairment of financial assets

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

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

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

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

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

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

At each reporting date, the Group assesses whether financial assets carried at amortized cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.
Evidence that a financial asset is credit-impaired includes the following observable data:
- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 90 days past due;
- the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
- it is probable that the borrower will enter bankruptcy or other financial reorganization; or
- the disappearance of an active market for a security because of financial difficulties.

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

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

Market risk

a) Foreign exchange risk

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

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Currency exposure

June 30, 2020

In millions of CHF	EUR / CHF	USD / CHF	SGD / CHF	IDR / CHF	CHF / MXN	INR / CHF
Currency exposure without hedge	+415.6	+255.8	-41.5	+13.5	+21.5	+20.8
Hedged amount (*)	-406.5	-287.4	+29.0	-13.3	-35.5	-20.7
Currency exposure including hedge	**+9.2**	**-31.6**	**-12.5**	**+0.2**	**-13.9**	**+0.1**

+ long position; - short position

(*) EUR/CHF hedged amount includes CHF -382.4 of foreign exchange forward contract and CHF -24.0 of currency options maturing within three to twelve months. USD/CHF hedged amount includes CHF -213.6 of foreign exchange forward contracts and CHF -73.8 of currency options maturing within three to twelve months.

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.

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, 2020

In millions of CHF	EUR / CHF	USD / CHF	SGD / CHF	IDR / CHF	CHF / MXN	INR / CHF
Reasonable shift in %	5%	5%	10%	15%	15%	15%
Impact on net income if underlying currency strengthens	1.2	(0.9)	(1.3)	0.0	(2.1)	0.0
Impact on net income if underlying currency weakens	(1.2)	0.9	1.3	(0.0)	2.1	(0.0)

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)

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.

The Group entered into call option contracts on oil hedging that matured between 2017 and 2020 (refer to note 10). This commodity has been identified as the exposure having potentially a more significant impact on the future cost of our raw materials. This hedge on oil does not qualify for hedge accounting.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Sensitivity analysis

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

If equity prices had been 5% higher/lower, the net income for the year would have increased/decreased by CHF 0.1 (2019: CHF 0.1) and the OCI would have increased/decreased by CHF 4.9 (2019: CHF 0.0).

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

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

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

Sensitivity analysis

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

In millions of CHF	2020	2019
Reasonable shift in basis point (bps)	150 bps	150 bps
Impact on net income if interest rate increase	(1.5)	(7.6)
Impact on net income if interest rate decrease	1.5	7.6

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:

	2020	2019
UBS	A-	A-
BNP Paribas	A+	A+
Citibank	BBB+	BBB+
Banque Cantonale Vaudoise	AA	AA
Zurcher Kantonal Bank	AAA	AAA
Credit Suisse	BBB+	BBB+
Societe Generale	A	A

Ratings shown are assigned by international credit-rating agencies.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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

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

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

June 30, 2020

In millions of CHF	Up to 6 months	6 up to 12 months	1 to 5 years	More than 5 years
Short-term bank borrowings	115.6	-		
Accounts payable - trade and other (*)	681.5	-		
Gross derivative financial instruments - outflows	(1 356.9)	(46.8)	(8.8)	-
Gross derivative financial instruments - inflows	1 356.5	45.7	4.8	-
Total current financial liabilities	**796.7**	**(1.1)**	**(4.0)**	**-**
Long-term bank borrowings and bonds			534.0	1 587.5
Redemption liability			50.0	
Total non-current financial liabilities			**584.0**	**1 587.5**
Total financial liabilities	**796.7**	**(1.1)**	**580.0**	**1 587.5**

(*) Accrued expenses that are not financial liabilities (CHF 116.8) are not included.

The undiscounted cash flows related to lease liabilities are CHF 17.1 within 6 months, CHF 18.8 within 6 to 12 months, CHF 79.6 within 1 to 5 years and CHF 52.3 thereafter.

June 30, 2019

In millions of CHF	Up to 6 months	6 up to 12 months	1 to 5 years	More than 5 years
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 financial liabilities	**934.2**	**-**	**(3.6)**	**-**
Long-term bank borrowings and bonds			36.4	-
Total non-current financial liabilities			**36.4**	**-**
Total financial liabilities	**934.2**	**0.0**	**32.8**	**0.0**

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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, 2020, grouped into levels 1 to 3 on the degree to which the fair value is observable:

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

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

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

June 30, 2020

In millions of CHF	Notes	Level 1	Level 2	Level 3	Total
FINANCIAL ASSETS					
Non-current assets	5				
Financial investments		536.3	0.3	7.3	**543.9**
Current assets - derivatives	10				
Forward foreign exchange contract and options			9.4		**9.4**
Current financial investments	11				
Fixed term deposits		76.2	41.9	-	**118.1**
Hedge funds				0.2	**0.2**
Equity securities		2.8	-		**2.8**
Bonds and debentures		2.2	-	-	**2.2**
FINANCIAL LIABILITIES					
Non-current liabilities					
Redemption liability	18			50.0	**50.0**
Current liabilities - derivatives	10				
Forward foreign exchange contract and options			75.7		**75.7**

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					
Forward foreign exchange contract and options			3.1		**3.1**

Reconciliation of movements in Level 3 valuations

In millions of CHF	2020	2019
Opening balance	6.3	5.8
Gains and losses recognized in income statement	-	(0.7)
Reclassification	(0.6)	-
Purchases and new issues	52.1	2.6
Sales and settlements	(0.1)	(1.4)
Currency translation adjustment	(0.1)	-
Closing balance	**57.6**	**6.3**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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, 2019.

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.

In millions of CHF	Notes	2020	2019
Short-term borrowings		(151.1)	(523.2)
Long-term borrowings	17	(2 249.0)	(36.4)
Cash and cash equivalents and short-term financial investments		828.0	449.0
Net debt		**(1 572.1)**	**(110.6)**

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

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 & 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 product 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

	Perfumery & Ingredients		Flavor		Total	
In millions of CHF	2020	2019	2020	2019	2020	2019
Revenue	2 450.0	2 458.5	1 427.6	1 415.3	3 877.6	3 873.8
EBITDA	**509.6**	**526.7**	**312.9**	**320.9**	**822.5**	**847.6**
Depreciation and amortization	(107.4)	(74.9)	(92.5)	(66.3)	(200.0)	(141.2)
Operating profit	**402.2**	**451.8**	**220.4**	**254.7**	**622.6**	**706.5**
Financing costs					(36.6)	(32.2)
Net other financial expenses					(53.1)	(44.5)
Remeasurement to fair value of pre-existing interest in an acquiree					30.1	-
Share of (loss)/profit of jointly controlled entities and associates, net of taxes					(3.9)	1.3
Income before tax					**559.1**	**631.1**
Income tax expense					(96.9)	(102.0)
Net income for the period					**462.2**	**529.1**

Capital expenditure

Purchase of property, plant, equipment and intangibles	**116.7**	**120.8**	**75.4**	**100.0**	**192.1**	**220.8**

Geographical information

	Revenues		Non-current assets	
In millions of CHF	2020	2019	2020	2019
Switzerland	50.4	63.8	546.0	501.3
Europe	1 140.4	1 188.2	2 322.7	420.4
North America	976.6	988.7	1 013.1	1 005.6
Latin America	503.4	505.6	88.2	83.5
India, Middle East and Africa	434.6	392.4	179.4	91.5
North and East Asia	315.3	319.6	210.9	219.2
South East Asia	457.0	415.5	72.2	58.3
Total	**3 877.6**	**3 873.8**	**4 432.5**	**2 379.8**

Revenue of CHF 418.6 (2019: CHF 389.1) are derived from a single customer. These revenue are mainly attributable to the Perfumery & Ingredients division.

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.

An entity of the Group continues to be named as a defendant in some butter flavor lawsuits brought against flavor houses in the United States. There are 90 remaining cases, involving 105 plaintiffs.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

29. Commitments

As of June 30, 2020 the Group has several commitments resulting from contractual obligations as well as capital commitments.

Commitments resulting from contractual obligations

In millions of CHF	2020	2019
Commitments resulting from contractual obligations	4.9	6.3

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

Capital commitments

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

In millions of CHF	2020	2019
Property, plant and equipment	11.9	42.8
Intangible assets	3.5	3.4
Total	**15.4**	**46.2**

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

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 11 (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

On July 1, 2020 the Group acquired Gülçiçek Kimya ve Uçan Yaglar Sanayi ve Ticaret A.S. (MG International) for a purchase price of approximately CHF 125. MG International is a family-owned leading middle-market Fragrance company based in Turkey with an extensive reach across its broader region.

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, 2020 and 2019.
- average rates for the consolidated income statement account and the statement of cash flows.

		2020		2019	
ISO code	Units	Closing rate	Average rate	Closing rate	Average rate
USD	1	0.951	0.978	0.975	0.994
EUR	1	1.065	1.083	1.110	1.136
CNY	1	0.134	0.139	0.142	0.146
SGD	1	0.681	0.708	0.721	0.728
GBP	1	1.168	1.236	1.239	1.289
JPY	100	0.882	0.905	0.905	0.894

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

34. List of main entities of the Group

The consolidated financial statements include the following main entities.

(*) Direct investments of Firmenich International SA.

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	-
	Fragar (America) SA (*)	100	CHF	20 000
	Fragar Trading SA (*)	100	CHF	2 500
	Fragar (Europe) SA (*)	100	CHF	2 500
	Firmenich Trading Corporation (*)	100	CHF	12 500
Argentina	Firmenich S.A.I.C. y F.	100	ARS	5 452
Australia	Firmenich Limited	100	AUD	2 780
Austria	Firmenich Ges.m.b.H	100	EUR	37
Belgium	Firmenich Belgium SA	100	EUR	1 240
Brazil	Firmenich & Cia Ltda.	100	BRL	83 115
Bulgaria	Watt Burgas OOD KD	80	BGN	5
Canada	Firmenich of Canada Ltd.	100	CAD	1
China	Kunming Firmenich Aromatics Co. Ltd.	80	CNY	167 281
	Firmenich Aromatics (Shanghai) Co. Ltd.	100	CNY	4 139
	Firmenich Aromatics (China) Co. Ltd.	100	CNY	108 336
	Firmenich Aromatics (ZhangjiaGang) Co., Ltd	100	CNY	220 697
	DRT Specialty Chemicals Wuxi Co. Ltd	100	CNY	66 356
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
	Les Dérivés Résiniques et Terpéniques	100	EUR	19 961
	Alpha Beta International SAS	100	EUR	193 469
	Alpha-Beta Participation SASU	100	EUR	193 162
	Action Pin SA	100	EUR	1 372
	DRT Approvisionnement Biomasse SAS	64	EUR	700
	Fider SA	100	EUR	2 500
	Resimmo SCI	100	EUR	10
	Société Béarnaise de Synthèse SASU	100	EUR	50
Germany	Firmenich GmbH	100	EUR	6 300
	Firmenich Trostberg GmbH	100	EUR	25
	Willers Engel & Co GmbH	100	EUR	409
India	Firmenich Aromatics Production (India) Private Ltd	100	INR	2 322 400
	VKL Seasoning Private Ltd	65	INR	12 750
	DRT-Anthea Aroma Chemicals Pvt. Ltd	50	INR	19 116
Indonesia	PT Firmenich Indonesia	85	IDR	5 305 000
	Firmenich Aromatics Indonesia	100	IDR	45 097 500
Italy	Firmenich S.p.A.	100	EUR	103
	Firmenich Holding (Italy) SPA	100	EUR	30 000
	Campus S.r.l.	100	EUR	501
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
	Campus Italia de Mexico S. de R.L. de C.V.	100	MXN	91 123

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Country	Entity name	Share in percentage	Currency	Share capital in thousands
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	220 000
	Flavourome (Pty) Ltd.	100	ZAR	333 000
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
	Bergère Ltd. (*)	100	USD	391
	Chem-Fleur Inc.	100	USD	27 641
	Intercit Inc.	100	USD	567
	MCP Food Inc.	100	USD	5 000
	Essex Laboratories LLC	75	USD	9 637
	Agilex Holdings, Inc.	100	USD	163 603
	DRT America Inc.	100	USD	97 454
	DRT America LLC	100	USD	56 212
	Pinova Inc.	100	USD	78 329
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
Switzerland	InnovAroma SA	50	CHF	100
China	ArtSci Biology Technologies Co Ltd	25	CNY	20 000
Czech Republic	Novali A.S.	50	CZK	2 000
France	Biomass Energy Solutions VSG SAS	37	EUR	5 718
India	Jasmine Concrete Exports Private Ltd	49	INR	17 382
Israel	Negev Aroma (Ramat Hovav) Ltd.	50	NIS	35 000
Panama	The Nelixia Company SA	36	USD	17
Singapore	Kalsangi Pte. Ltd	25	SGD	0
USA	Prolitec Inc	26	USD	26 679

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

KPMG

Statutory Auditor's Report

To the General Meeting of Firmenich International SA, Satigny

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Firmenich International SA and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 30 June 2020 and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion the consolidated financial statements (pages 22 to 71) give a true and fair view of the consolidated financial position of the Group as at 30 June 2020, 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 International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Key Audit Matters

Revenue recognition

Provisional acquisition accounting in respect of Les Dérivés Résiniques et Terpéniques ("DRT Group")

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

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Revenue recognition

Key Audit Matter

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

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

Our response

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

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

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

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

We also considered whether disclosures over revenue recognition are appropriate.

For further information on revenue refer to the following:

- Note 1, Accounting information and policies – Group significant accounting policies - Revenue
- Note 27, Operating segments

Provisional acquisition accounting in respect of Les Dérivés Résiniques et Terpéniques ("DRT Group")

Key Audit Matter	Our response
On 28 May 2020, the Group acquired the DRT Group. Given the size and the judgment applied by management in the provisional acquisition accounting and valuation of certain identified net assets acquired such as intangible assets, inventories and property, plant and equipment, we consider it a key audit matter.	We read the share purchase agreement and evaluated management's accounting treatment for the acquisition. We traced the consideration transferred to bank statements. We obtained the fair value assessment of intangible assets, inventories and property, plant and equipment. We assessed the third party valuation firm's qualifications, experience and expertise in the assets being valued. Along with our valuation specialists, we verified whether the methodologies and models used to value intangible assets, inventories and property, plant and equipment are appropriate. We challenged the main assumptions and judgements that affected the valuation by comparing these with market data and our experience of similar transactions. We furthermore tested existence of selected identified tangible assets acquired. We also considered the appropriateness of disclosures in respect of this acquisition.

For further information on the provisional acquisition accounting in respect of DRT Group refer to the following:

— Note 2, Business combinations

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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.

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.

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

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

Report on Other Legal and Regulatory Requirements

In accordance with article 728a para. 1 item 3 CO and the 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
Licensed Audit Expert
Auditor in Charge

Jean-Baptiste Choulay
Licensed Audit Expert

Geneva, 10 August 2020

KPMG SA, Esplanade de Pont-Rouge 6, PO Box 1571, CH-1211 Geneva 26

FIRMENICH INTERNATIONAL SA, SATIGNY INCOME STATEMENT

For the year ended June 30 2020

In millions of CHF	Notes	2020	2019
Dividend income	1	239.7	420.9
Other operating income	2	10.2	37.4
Other financial income	3	53.2	44.3
Total income		**303.1**	**502.6**
Financial expenses	4	(68.2)	(53.7)
Other operating expenses	5	(6.6)	(4.9)
Direct taxes		(2.2)	(3.0)
Total expenses		**(77.0)**	**(61.6)**
Profit for the year		**226.1**	**441.0**

FIRMENICH INTERNATIONAL SA, SATIGNY BALANCE SHEET

As at June 30 2020

In millions of CHF	Notes	2020	2019
Assets			
Cash and cash equivalents		495.4	194.3
Bank deposits		75.0	13.2
Derivative financial instruments with an observable market price	6	6.0	11.9
Financial assets	7	0.0	0.1
Other short-term receivables from companies in which the entity holds an investment		849.8	577.1
Other short-term receivables from third parties	8	0.0	16.1
Prepaid expenses and accrued income	9	7.4	7.5
Total current assets		**1 433.6**	**820.2**
Securities listed on a stock exchange	7	395.2	0.0
Financial assets	7	3.4	1.8
Loans granted to companies in which the entity holds an investment		1 031.5	1 034.6
Investments	10	362.7	362.7
Prepaid expenses and accrued income	9	11.1	1.4
Total non-current assets		**1 803.9**	**1 400.5**
Total assets		**3 237.5**	**2 220.7**
Liabilities and Shareholders' equity			
Trade accounts payable		0.6	0.3
Short-term interest-bearing liabilities	11	246.2	524.8
Derivative financial instruments with an observable market price	6	1.0	0.6
Accrued expenses and deferred income	12	11.3	6.5
Total short-term liabilities		**259.1**	**532.2**
Long-term interest-bearing liabilities	13	1 323.9	49.6
Total long-term liabilities		**1 323.9**	**49.6**
Total liabilities		**1 583.0**	**581.8**
Share capital			
Registered shares	14	40.5	40.5
Legal retained earnings			
General legal retained earnings reserves		244.0	244.0
Voluntary retained earnings reserves			
Special reserve		330.0	330.0
Ordinary reserve		40.5	40.5
Available earnings			
Profit brought forward		773.4	542.9
Profit for the year		226.1	441.0
Total shareholders' equity		**1 654.5**	**1 638.9**
Total liabilities and shareholders' equity		**3 237.5**	**2 220.7**

FIRMENICH INTERNATIONAL SA, SATIGNY NOTES TO THE FINANCIAL STATEMENTS

Principles

General aspects

Firmenich International SA, Satigny, Switzerland, is the holding company of the Firmenich Group. The Group is a global supplier of fragrances and flavors. The company employs less than 250 full-time equivalents. These financial statements were prepared according to the provisions of the Swiss Law on Accounting and Financial Reporting (32^{nd} title of the Swiss Code of Obligations). Where not prescribed by law, the significant accounting and valuation principles applied are described below.

Foreign currencies

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

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

Cash and cash equivalents

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

Bank deposits

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

Securities listed on a stock exchange

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

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

Derivative financial instruments with an observable market price

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

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

Financial assets

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

Investments

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

Bonds

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

FIRMENICH INTERNATIONAL SA, SATIGNY
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Provisions

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

Taxation

All taxes due on the company's taxable income and capital are provided for.

Foregoing a cash flow statement and additional disclosures in the notes

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

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

Disclosure on balance sheet and income statement items

1. Dividend income

In millions of CHF	2020	2019
Firmenich SA	166.5	271.5
Fragar (America) SA	9.8	45.8
Fragar Trading SA	2.1	4.7
Fragar (Europe) SA	0.0	37.0
Firmenich Trading Corporation	61.3	61.9
Total dividend income	**239.7**	**420.9**

2. Other operating income

In millions of CHF	2020	2019
Compensations from insurance companies	10.2	37.4
Total other operating income	**10.2**	**37.4**

3. Other financial income

In millions of CHF	2020	2019
Interest and other financial income from companies in which the entity holds an investment	28.1	29.4
Net unrealised exchange gains on derivative financial instruments	0.0	4.1
Net realised exchange gains on derivative financial instruments	7.2	0.4
Net exchange gains	17.2	9.6
Net market gains on securities and other financial assets	0.2	0.4
Interest and dividend income from third parties	0.5	0.4
Total other financial income	**53.2**	**44.3**

FIRMENICH INTERNATIONAL SA, SATIGNY
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4. Financial expenses

In millions of CHF	2020	2019
Interest to companies in which the entity holds an investment	3.7	2.4
Interest expenses	13.0	13.8
Net realised exchange losses on currency spot transactions	2.9	5.0
Unrealised exchange losses	17.1	14.5
Realised exchange losses	9.9	1.7
Unrealised losses on commodity options	0.0	5.7
Realised losses on commodity options	5.5	4.9
Net unrealised exchange losses on derivative financial instruments	0.7	0.0
Realised losses on futures	0.0	0.1
Bank fees and charges	15.4	5.6
Total financial expenses	**68.2**	**53.7**

5. Other operating expenses

In millions of CHF	2020	2019
Board of Directors fees and remuneration	3.7	3.7
Professional services	2.4	0.7
Service and management fees to companies in which the entity holds an investment	0.5	0.5
Total other operating expenses	**6.6**	**4.9**

6. Derivative financial instruments with an observable market price

In millions of CHF	Nominal value	Positive fair values (assets)	Negative fair values (liabilities)
June 30, 2020			
Forward exchange contracts			
Sell USD	(160.6)	0.0	(0.8)
Sell EUR	(367.6)	2.7	0.0
Sell Other	(38.3)	3.3	(0.2)
	(566.5)	**6.0**	**(1.0)**
Total derivative financial instruments with an observable market price		**6.0**	**(1.0)**

In millions of CHF	Nominal value	Positive fair values (assets)	Negative fair values (liabilities)
June 30, 2019			
Forward exchange contracts			
Sell USD	(80.9)	1.4	0.0
Sell EUR	(121.0)	1.3	0.0
Buy Other	6.1	3.6	0.6
	(195.8)	**6.3**	**0.6**
Commodity options		**5.6**	**0.0**
Total derivative financial instruments with an observable market price		**11.9**	**0.6**

Financial assets

In millions of CHF	2020	2019
Derivative financial instruments with third parties	6.0	11.9
Total derivative financial instruments with an observable market price	**6.0**	**11.9**

FIRMENICH INTERNATIONAL SA, SATIGNY
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Financial liabilities

In millions of CHF	2020	2019
Derivative financial instruments with third parties	1.0	0.6
Total derivative financial instruments with an observable market price	**1.0**	**0.6**

7. Securities listed on a stock exchange and Financial assets

In millions of CHF	2020	2019
Hedge funds	0.0	0.1
Total short-term financial assets	**0.0**	**0.1**
Securities listed on a stock exchange	**395.2**	**0.0**
Investment fund	**3.4**	**1.8**
Total long-term financial assets	**398.6**	**1.8**

In FY20, Firmenich International SA acquired 21.8% of Robertet SA's share interests, representing 11.4% of voting rights. This equity instrument represents a long-term strategic investment.

8. Other short-term receivable from third parties

In millions of CHF	2020	2019
Insurance receivable	0.0	6.3
Receivable from bank	0.0	9.8
Total other short-term receivable from third parties	**0.0**	**16.1**

9. Prepaid expenses and accrued income

In millions of CHF	2020	2019
Accrued interests from companies in which the entity holds an investment	4.4	6.2
Bonds discounts and transaction costs	2.0	0.0
Prepaid bank fees	0.7	1.1
Other accrued income and prepaid expenses	0.3	0.2
Total short-term prepaid expenses and accrued income	**7.4**	**7.5**
Bonds discounts and transaction costs	8.6	0.0
Prepaid long-term bank fees	2.5	1.4
Total long-term prepaid expenses and accrued income	**11.1**	**1.4**

10. Investments

	Share capital in millions				Share in capital/voting rights in %	
Company	June 30, 2020		June 30, 2019		June 30, 2020	June 30, 2019
Firmenich SA	CHF	30.0	CHF	30.0	100	100
Fragar (America) SA	CHF	20.0	CHF	20.0	100	100
Fragar (Europe) SA	CHF	2.5	CHF	2.5	100	100
Fragar Trading SA	CHF	2.5	CHF	2.5	100	100
Firmenich Trading Corporation	CHF	12.5	CHF	12.5	100	100
Bergere Limited	CHF	0.5	CHF	0.5	100	100
Firmenich Finance SA	CHF	0.1	CHF	0.1	100	100

FIRMENICH INTERNATIONAL SA, SATIGNY
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

		Carrying value in millions of CHF	
Company	Domicile	June 30, 2020	2019
Firmenich SA	Satigny, Switzerland	325.0	325.0
Fragar (America) SA	Satigny, Switzerland	20.0	20.0
Fragar (Europe) SA	Satigny, Switzerland	2.5	2.5
Fragar Trading SA	Satigny, Switzerland	2.5	2.5
Firmenich Trading Corporation	Satigny, Switzerland	12.0	12.0
Bergere Limited	Hamilton, Bermuda	0.6	0.6
Firmenich Finance SA	Satigny, Switzerland	0.1	0.1
Total investments		**362.7**	**362.7**

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

11. Short-term interest-bearing liabilities

In millions of CHF	2020	2019
Current accounts with companies in which the entity holds an investment	246.2	134.7
Bank borrowings	0.0	390.1
Total short-term interest-bearing liabilities	**246.2**	**524.8**

Bank borrowings were redeemed in 2020.

12. Accrued expenses and deferred income

In millions of CHF	2020	2019
Deferred unrealised exchange gains	4.9	0.0
Accrued interest	3.0	1.8
Accrued expenses for Board of Directors fees and remuneration	1.1	1.3
Accrued taxes	1.3	3.1
Other accruals	1.0	0.3
Total accrued expenses and deferred income	**11.3**	**6.5**

13. Long-term interest-bearing liabilities

In millions of CHF	2020	2019
Bonds	1 274.1	0.0
Due to companies in which the entity holds an investment	49.8	49.6
Total long-term interest-bearing liabilities	**1 323.9**	**49.6**

FIRMENICH INTERNATIONAL SA, SATIGNY
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

BONDS In millions of CHF	Face value	Issue price	Coupon	Year of issue/ maturity	2020	2019
Deeply Subordinated Fixed Rate Resettable Perpetual Notes*	EUR 750	99.429%	3.75%	2020	799.1	0.0
Public bonds	CHF 425	100.335%	1.00%	2020-2023	425.0	0.0
Public bonds	CHF 50	100.896%	1.00%	2020-2023	50.0	0.0
Total bonds					**1 274.1**	**0.0**

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

14. Share capital

Share capital in the amount of CHF 40.5 million consists of 729'000 registered A shares at a par value of CHF 50 each, 810'000 registered B shares at a par value of CHF 5 each.

Other information

Guarantees

Guarantees and comfort letters issued in favor of affiliated companies amount to CHF 397.9 (2019: CHF 399.0).

Bonds issuance guaranteed by Firmenich International SA:

In millions	Face value	Coupon	Year of issue/ maturity
ISSUER			
Firmenich Productions Participations SAS (France)	EUR 750	1.375%	2020-2026
Firmenich Productions Participations SAS (France)	EUR 750	1.750%	2020-2030
	EUR 1 500		

Contingent liabilities

Contingent liability of CHF 73.2 representing an option arising from financial derivatives.

Restrictions on the title to assets

The obligations resulting from the forward contracts are secured to the extent of CHF 0.0 as at June 30, 2020 (2019: CHF 0.0).

Significant events after the balance sheet date

There are no significant events after the balance sheet date which could impact the book value of the assets or liabilities or which should be disclosed here.

FIRMENICH INTERNATIONAL SA, SATIGNY
APPROPRIATION OF AVAILABLE EARNINGS
PROPOSAL OF THE BOARD OF DIRECTORS TO THE GENERAL MEETING OF SHAREHOLDERS

As at June 30 2020

In CHF	2020
Available earnings	
Profit brought forward	773 369 329
Profit for the year	226 118 891
Total available earnings	**999 488 220**
Distribution of an ordinary dividend	
on A shares 10 %	3 645 000
on B shares 10 %	405 000
	4 050 000
Distribution of an additional dividend	
on A shares 435 % (2019: 510 %)	158 557 500
on B shares 435 % (2019: 510 %)	17 617 500
	176 175 000
Total appropriation of available earnings	**180 225 000**
Balance to be carried forward	**819 263 220**

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

KPMG

Statutory Auditor's Report

To the General Meeting of Firmenich International SA, Satigny

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Firmenich International SA, which comprise the balance sheet as at 30 June 2020, and the income statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion the financial statements (pages 77 to 85) for the year ended 30 June 2020 comply with Swiss law and the company's articles of incorporation.

Basis for Opinion

We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Our responsibilities under those provisions and standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the entity in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Report on Key Audit Matters based on the circular 1/2015 of the Federal Audit Oversight Authority

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

Responsibility of the Board of Directors for the Financial Statements

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

In preparing the financial statements, the Board of Directors is responsible for assessing the entity'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 entity or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law and 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 financial statements.

As part of an audit in accordance with Swiss law 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 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 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 entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern.

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

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

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

Report on Other Legal and Regulatory Requirements

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

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

KPMG SA

Martin Rohrbach
Licensed Audit Expert
Auditor in Charge

Jean-Baptiste Choulay
Licensed Audit Expert

Geneva,10 August 2020

KPMG SA, Esplanade de Pont-Rouge 6, PO Box 1571, CH-1211 Geneva 26

for good, naturally

Firmenich International SA
Rue de la Bergère 7
P.O. Box 148
Satigny CH-1242
Switzerland

www.firmenich.com

Family owned, founded in Geneva, 1895