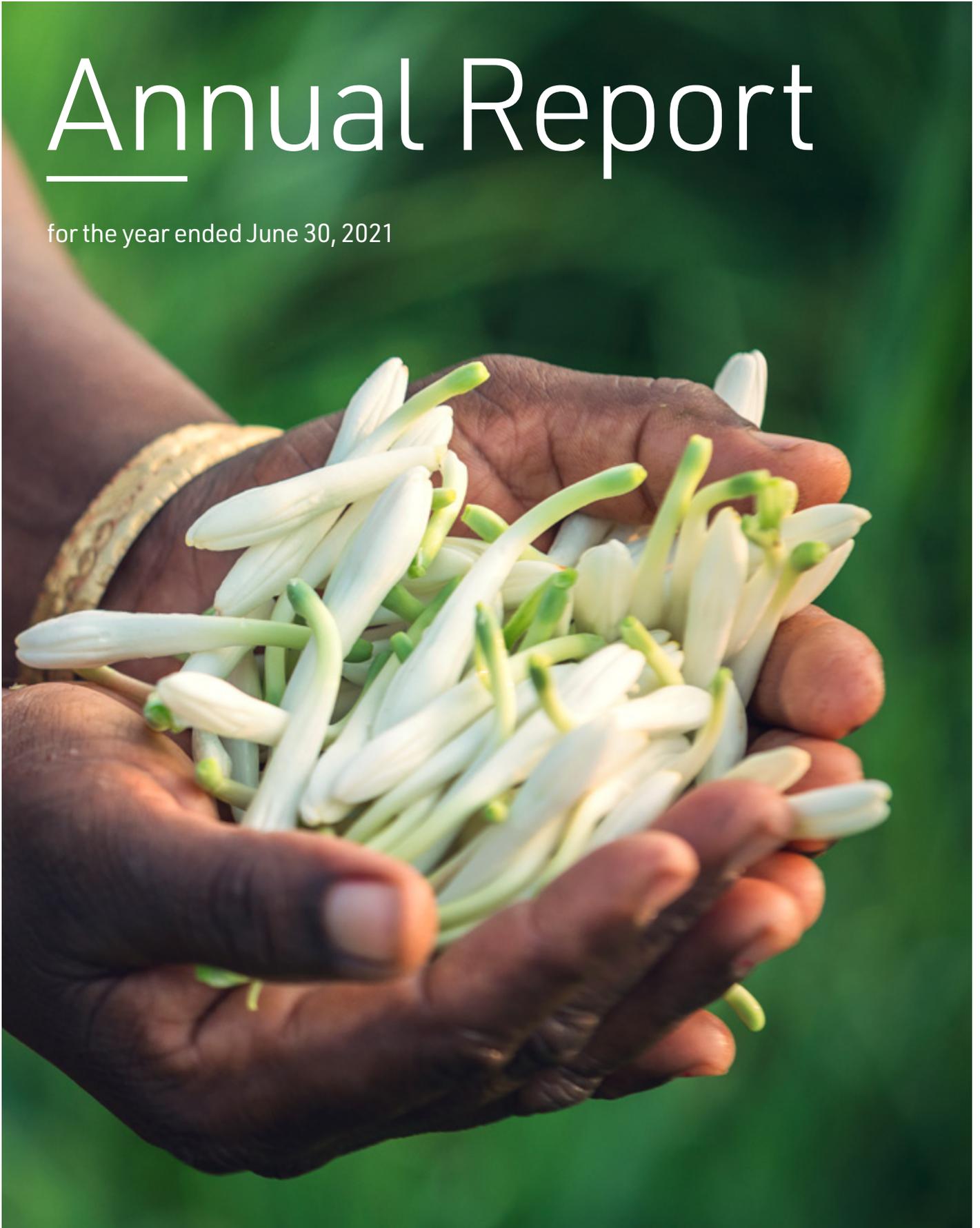


Annual Report

for the year ended June 30, 2021





CONTENTS

01

STRATEGIC REPORT

Firmenich at-a-glance	1
Chairman and CEO's statement	4
Purpose, strategy & sustainability	8
Our people	14
Performance review	18
Enterprise risk management	30

02

CORPORATE GOVERNANCE

Firmenich Governance Framework	34
Board of Directors	35
Executive Committee	38

03

FINANCIAL STATEMENTS

Consolidated Financial Statements	42
Notes to the Consolidated Financial Statements	47
Report on the Audit of the Consolidated Financial Statements	90
Financial Statements of Firmenich International SA	95
Notes to the financial statements of Firmenich International SA	97
Report on the Audit of the Financial Statements	104

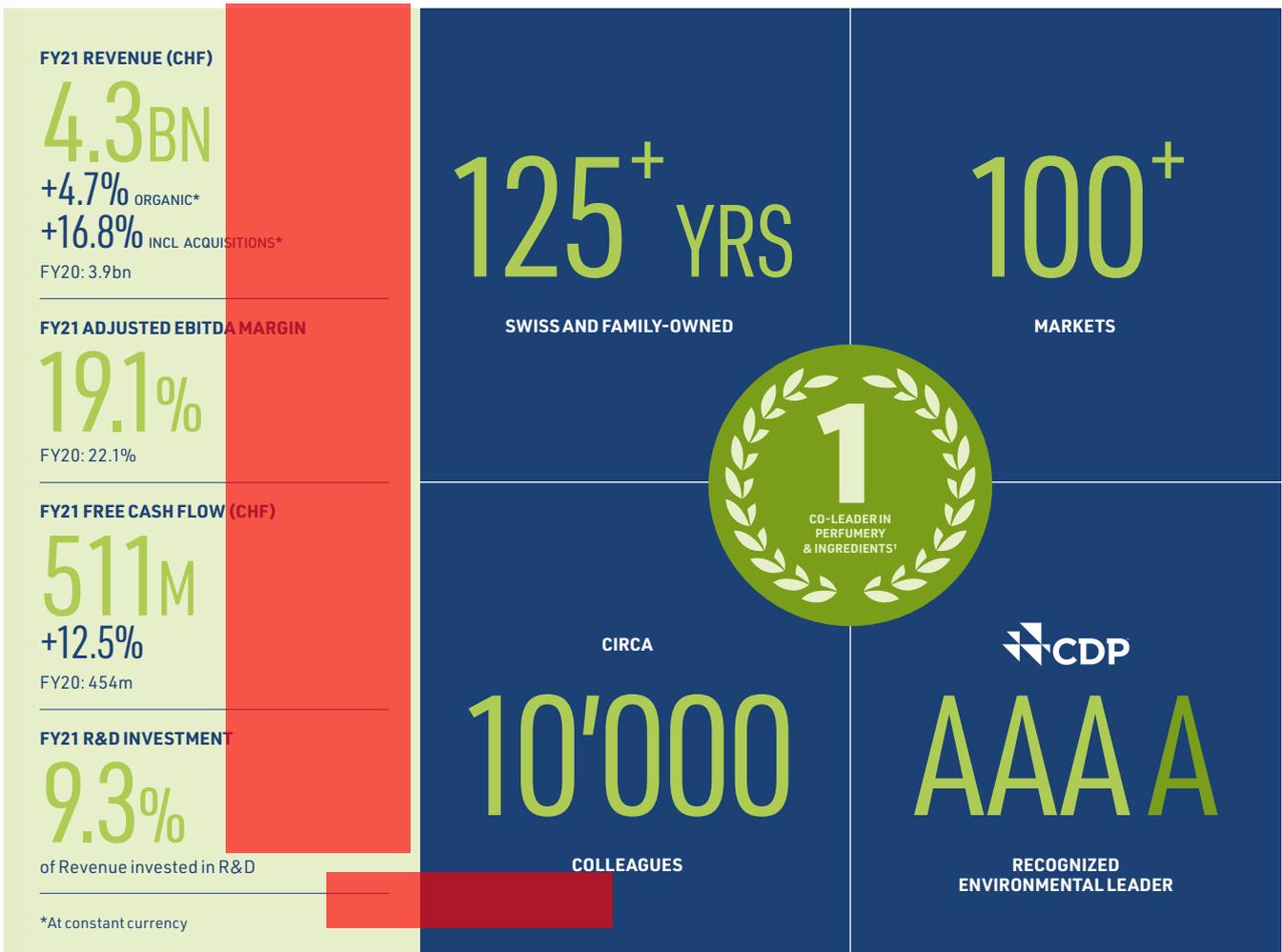
Appendix: Alternative Performance Measures	106
--	-----

**Family
owned,
founded
in Geneva,
1895**



FIRMENICH AT-A-GLANCE

A global leader in the fragrance and taste industry



Long-term 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, with balanced and diversified product portfolio



Private company operating with public company governance standards with industry-leading ESG credentials



Strong profitability supporting steady and resilient cash flow generation

¹ Ranked #1 as co-leader. Based on Management estimates; Firmenich CY20 vs. Key players revenue figures. Firmenich revenue includes DRT, as well as MG International (on a full year pro-forma basis).

Global ESG leadership

Industry-leading ESG ratings



ESG Risk Rating Score: 8.6
Top 1% of 14,000+ companies;
Rated 1st in our industry



1st in our industry to complete B Corp
SDG Action manager assessment
with result of 84.3/100



1st in industry to become UN Global
Compact LEAD 1/40+ worldwide

Tackling Climate Change & Embracing Nature



1 of only 2 companies worldwide to
be triple A for 3 consecutive years



Top 300 European companies
1st in our industry



1 of 27 companies worldwide
determined to restore biodiversity



100% Renewable Electricity in
all operations worldwide



1st in the world with 100%
verified biodiversity strategy



Business Ambition for 1.5°C
1 of 665 companies

Advancing Social Impact



Global EDGE Move
certification upgrade in 2021,
7th company certified EDGE
worldwide since 2018



Companies impacting
employability - 5,000
opportunities for youth by 2030



Differently-abled inclusion:
2% worldwide today,
target 10% by 2030



Top 1% of 75,000+
companies Score: 83/100

Best-in-Class ESG Reporting

Global Reporting Initiative (GRI) based + 47 quantitative ESG goals + 100% independently audited

We hold leadership positions in our markets

Perfumery & Ingredients

1¹



- Leading player across P&I segments
- Leader in renewable, biodegradable, and sustainable ingredients

Fine Fragrance



Consumer Fragrances



Ingredients



Taste & Beyond

3



- Global scale player
- Leading innovator in Dairy and Meat analogues, Sugar Reduction and natural/clean label solutions



Taste market segments

Sweet Goods

Beverage

Savory



Beyond Taste focus growth categories

Dairy and meat analogues

Sugar reduction

Natural/clean label



¹ Ranked #1 as co-leader
Based on Management estimates; Firmenich CY20 vs. Key players revenue figures.
Firmenich revenue includes DRT, as well as MG International (on a full year pro-forma basis).



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

The past year has been a particularly challenging one, for Firmenich and the world at large, and we can be very proud of our achievements against this backdrop.

CHAIRMAN AND CEO'S STATEMENT

As our Fiscal Year 2021 (FY21) draws to a close, our thoughts go out to all those who have suffered from the effects of this terrible Covid-19 pandemic that continues to afflict the world. We are deeply thankful to all the frontline workers who have worked tirelessly to help keep others safe and our economies afloat.

Our thanks go also to our 10,000 colleagues, who have ensured our ongoing service to our customers and communities as a key participant in essential food and hygiene supply chains. Through their dedication and agility, Firmenich has sustained its entrepreneurial spirit and strengthened its customer intimacy. Despite lockdowns and logistical challenges, our factories and laboratories remained operational, with limited supply chain disruption. We have continued to deliver record volumes, maintaining best-in-class levels of service and demonstrating our commitment and reliability to our customers.

We are proud of what Firmenich has achieved in FY21, despite the continued challenges of Covid-19. We maintained a razor-sharp focus on the health and safety of our people. We delivered another year of solid results, with an acceleration in the second half of the year, and we continued to make progress on the integration of DRT and MG International. Throughout the year, we continued to invest for the future, in both our people and the business, and we accelerated our innovation. Responsible business is a core element of our identity, and this year again we have continued to lead the industry in this area.

Looking ahead, we are well-positioned to ensure that our Fiscal Year 2022 (FY22) will be a year of growth, leadership, and excellence in execution.

SOLID FINANCIAL PERFORMANCE

Our revenue reached CHF 4,272 million, up +4.7% on an organic basis at constant currency, driven by the performance of Taste & Beyond, with strong growth in Beverages, and Perfumery & Ingredients, with solid growth in Ingredients as well as the gradual recovery of Fine Fragrance. We achieved double-digit revenue growth in the key markets of North America, China, and India, and most geographic regions returned to growth. Acquisitions contributed +12.1 percentage points to revenue growth, whereas foreign exchange had an impact of -6.6 percentage points, caused by the appreciation of the Swiss Franc. As a result, revenue on a reported basis grew by +10.2%. In the second half of the year, we have seen accelerating revenue growth (+6.9% on an organic basis at constant currency), driven by a rebound in Fine Fragrance (+39% on an organic basis at constant currency), with continued momentum from the rest of our business.

In a challenging year, we delivered resilient profitability, with reported EBITDA margin of 20.5%. Adjusted EBITDA margin was 19.1%, as a result of the adverse effect of foreign exchange, the disruption of the pandemic, and the temporary impact of acquisitions. Excluding the impact of acquisitions and foreign exchange, Adjusted EBITDA margin would have decreased

by 1.2 percentage point vs. FY20. Net income reached CHF 449 million on a reported basis, a decrease of -2.3% compared to the result of FY20.

In keeping with our commitment to maintain a strong investment grade credit rating, we delivered record cash generation, with Free Cash Flow of CHF 511 million¹, up +12.5% compared to the previous year, and EBITDA to Free Cash Flow conversion ratio reaching 59%.

DRT: INCREASING OUR LEAD IN NATURALLY DERIVED RENEWABLE INGREDIENTS

The transformational acquisition of DRT enables Firmenich to build the world's leading innovation platform for renewable, biodegradable, and sustainable ingredients for Flavors & Fragrances. Firmenich is now the most vertically integrated company in the industry in renewable ingredients. This allows us to meet our customers' growing demand for sustainable products, a key long-term growth driver for our industry.

We are making progress in the integration of DRT, which offers a unique renewable ingredients production platform, and end-market complementarity with long-term growth and innovation potential. The pandemic has had an adverse impact on revenue and profit this year, due to lower demand in the DRT industrial end markets and in Fine Fragrance, resulting in us being behind our original business case assumptions for FY21. In the second half of the year, we have seen a significant revenue rebound, as well as improving profitability.

We are confident in the strategic fit of this acquisition and in the long-term competitive advantage provided by our unique and proprietary access to renewable ingredients.

INVESTING FOR THE FUTURE

Despite the need to manage the impact of the crisis, we have maintained our focus on preparing and investing for the future. During the last twelve months, we have concluded several strategic acquisitions and partnerships.

In Perfumery & Ingredients, we have increased our controlling stake in MG International, reinforcing our presence in the mid-market in Turkey and across the Middle East. We also agreed to acquire a non-controlling stake in Essential Labs, a digitally native supplier of fragrance solutions to entrepreneurial businesses in the US premium home segment, with a potential future path to control, depending on performance. We signed an exclusive partnership with Coop SCA3P, the world's leading producer of natural lavandin, increasing our lead in natural ingredients and sustainability, and confirming our historical commitment to the region of Grasse.

In Taste & Beyond, we increased our minority equity interest in ArtSci in China, to serve local customers with increased agility and geographic reach. We also signed a strategic partnership with Authentic Products in Madagascar, strengthening our commitment to a sustainable, ethical, and traceable value chain in vanilla.

We have continued to upgrade our organization and invest in top talents to prepare for the future. This year saw

new arrivals and internal appointments to key senior leadership positions, including a new Chief Financial Officer, a new Chief Procurement Officer, a new Chief Supply Chain Officer and a new Chief Research Officer². We have streamlined and upgraded the organizations in Perfumery & Ingredients and in Taste & Beyond, to further strengthen our creation, innovation and agility, and continue delivering compelling solutions and undeniable value for our customers.

ACCELERATED OUR INNOVATION

We are proud of our leadership in science, consistently investing the highest proportion of Revenue on R&D in the industry, yielding over 4,000 patents currently active. In addition to driving our business, we leverage our research to help address key societal challenges, such as sustainability, malnutrition and sanitation.

In Perfumery & Ingredients, we have continued our innovative work in malodor control, a key lever in tackling the sanitation crisis in low-income regions. Our DeodEcode[®] technology, a breakthrough innovation capable of eliminating bad smells, has been extended across several categories, contributing to double-digit revenue growth in malodor control solutions, on an organic basis at constant currency. Advancing the sustainability of our portfolio, we launched PopScent[®]Eco (Gen 1), offering a step-change improvement in biodegradation and renewability in fragrance encapsulation. Our fragrances heighten consumers' positive emotional experiences, which is perhaps even more important in

¹ Free Cash Flow was favorably impacted by the cash effect of disposals (CHF 42 million) and settlement of legal claims (CHF 30 million).

² Appointment effective 1 July 2021.

Chairman and CEO's statement (continued)

these challenging times. With this in mind, we have created a multifaceted innovative program, EmotiOn, to help our clients develop perfect product mixes that delight and satisfy consumers. As the industry leader in naturals, we introduced FreshSlice™, our new collection of all-natural citrus oils, delivering unique freshness and authenticity. We also launched the Firgood™ collection, a new range of natural extracts obtained by a revolutionary, sustainable proprietary extraction technology, enabling the processing of biomass never previously used in the industry for natural ingredients.

In Taste & Beyond, we deliver leading proprietary sugar and salt reduction solutions. We help bring about a new world of protein analogs to serve the global emergence of flexitarian diets, and we develop best-in-class nutrition to enhance wellbeing and fight malnutrition. In Sugar Reduction, we achieved double-digit revenue growth in FY21, on an organic basis at constant currency.

This is enabled by innovations such as the new TasteGEM® SWL with Saphera®, which allows unprecedented sugar reduction in dairy products, without the use of sweeteners, while keeping a natural sweet taste. Addressing changing global dietary requirements, we launched Dynarome® SR and TR flavor solutions, which deliver a natural and authentic meat-like cooking and eating experience in plant-based analogs.

We have accelerated on our digital transformation journey. We are proud to have launched both the world's first flavor and first consumer fragrance

designed with the help of Artificial Intelligence. We have introduced new fragrance design models, improving the technical performance of our fragrances in both Fine and Consumer Fragrances. We have rolled out a new customer-focused website and have continued to deliver high double-digit revenue growth from our e-commerce channel, on an organic basis at constant currency. We have also strengthened our capabilities to innovate with our customers, inaugurating our West Coast Innovation Center for Rapid End-To-End Product Development in California, and our Smart Protein Innovation Center in Singapore.

LEADING IN RESPONSIBLE BUSINESS

Our responsible business model is a core part of our family heritage and is consistent with our values and company purpose. The third-party credentials that recognize our Environmental, Social and Governance performance are a source of trust for our clients and investors, and a source of motivation for all our colleagues. This year, we announced ambitious ESG goals for 2025 and clear measurable targets for 2030. We are taking an ambitious carbon emissions commitment: to reach carbon neutrality by 2025, and carbon positive impact beyond that date. By 2030, we will strive to achieve absolute carbon emission reduction in line with the 1.5°C Science-Based Targets. In line with our new goals, we are also improving further our ESG reporting standards starting with the FY21 edition of our ESG report.

Firmenich is one of only two companies in the world to receive a triple A rating from CDP, in Climate, Water

and Forests, for the third year in a row. This is a testament to our teams' efforts to address environmental issues through our operations.

This year we have been rated for the first time by Sustainalytics, with a score of 8.6, which not only places us as ESG leaders in our industry and the broader Chemicals sector, but also in the top 1% of companies rated worldwide. This score highlights our low risk profile and industry-leading management of ESG issues.

In May 2021 we received the global EDGE MOVE™ certification, in recognition of our work and longstanding commitment for gender equality. This builds on our earlier EDGE certification, which we obtained for the first time in 2018. As the first in the industry to complete the Sustainable Development Goals (SDGs) Action Manager assessment this year, we accelerated our progress on the B.Corp journey.

Integrating ESG dimensions requires a data driven, end to end approach from source to consumer. To realize this ambition, we have launched Path2Farm™, a proprietary digital solution that ensures traceability on the full chain of custody, from registered farmers to final products. Our ambitious objective is to register all our farmers in the traceability program, bringing advanced digitalization to the most remote fields.

Finally, we maintained our industry leadership in safety performance, recording a Total Recordable Case (TRC) rate of 0.23, (including our integrated acquisitions) and 23 of our 36 manufacturing plants achieved

a full year with zero recordable injuries, 14 of which have now exceeded 1000 days injury free.

KEY PRIORITIES FOR FY22

Our Fiscal Year 2022 will be a year of growth, leadership, and excellence in execution. As the situation starts to normalize, with more countries reopening and travel restrictions being lifted, the rebound that we saw in the last six months gives us confidence for the year ahead. We are particularly encouraged by the latest performance improvements in Fine Fragrance, in Europe and in DRT.

As we move into FY22 we will continue to push profitable organic growth and cash generation, further sharpen our commercial focus on high growth segments and markets, and drive increased agility and simplification across our business model.

Excellence in execution will be core to our success, providing best-in-class service to our customers, with innovation and safety of supply, while driving profitability and cash generation.

The past year has been a particularly challenging one, for Firmenich and the world at large, and we can be very proud of our achievements against this backdrop. We would like to express our deepest gratitude to all our shareholders, bond investors, customers, our colleagues, and their families. We look forward to engaging and working with you in the coming year, tackling the challenges and seizing the opportunities and rewards ahead.

With warm regards,



Patrick Firmenich
Chairman of the Board



Gilbert Ghostine
Chief Executive Officer

Looking ahead, we are well-positioned to ensure that our Fiscal Year 2022 will be a year of growth, leadership, and excellence in execution.



—
There is no long-term shareholder value creation without values.
—

Gilbert Ghostine
Chief Executive Officer

PURPOSE, STRATEGY & SUSTAINABILITY

OUR PURPOSE

For Good, Naturally

We are Firmenich. 10,000 passionate people who believe that fragrance and taste can change the world for good. Since 1895, we have been innovating to make a positive difference for all.

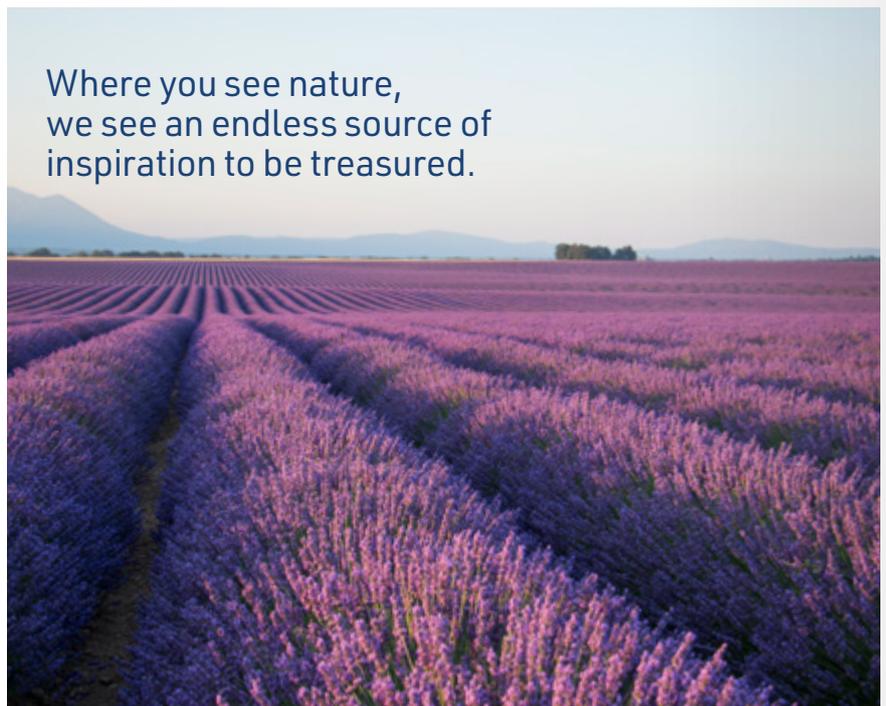
We go beyond creating unique sensorial experiences. We create positive emotions to improve wellbeing, while preserving the planet.

Where you experience fragrance as a pleasurable smell, we see the opportunity to accelerate wellness around the world.

Where you perceive taste as something to savor, we see the potential to advance nutrition, by making healthier foods taste delicious.

This is the heart of our purpose: **Creating positive emotions to enhance wellbeing, naturally.**

Where you see nature,
we see an endless source of
inspiration to be treasured.



This is the heart of our purpose: Creating positive emotions to enhance wellbeing, naturally.



Customers

- We fragrance and flavor our customers' products for our mutual success.
- Our customer intimacy is unique as we partner with our customers to transform their ambitions into reality
- We anticipate consumers' desires, continuously reinventing the world of taste and smell
- We deliver value through innovative products and services, placing decision-making as close as possible to our customers



People

Our people are the heart of our Company. They are recognized for their passion, talent and commitment

- We strictly maintain the highest levels of personal integrity and ethical behavior
- We value diversity and create an environment in which each colleague is empowered and encouraged to grow, enabling us to shape our future with confidence and imagination
- We unite the finest talents and nurture an entrepreneurial team spirit to attain our strategic goals



Creativity

Creativity is our essence. We create fragrances and flavors that inspire moments of pleasure and delight for consumers worldwide

- We lead our industry in research and innovation, constantly driving incremental and breakthrough winning ideas and technologies
- We apply our creativity to improve all parts of the business



Sustainability

Our integrity and sense of individual and collective responsibility ensure our long-term success

- We practice a sustainable business model for the well-being of present and future generations
- We engage all our stakeholders to build responsible, transparent and traceable supply chains everywhere



Legacy

Our independence gives us the freedom to control our destiny

- We are a family-owned company, committed to our independence
- We take a long-term view of our business
- We pursue a policy of financial strength, profitable growth and return on assets

OUR STRATEGY

Firmenich is a leader with critical scale in the global Flavors and Fragrance industry. We benefit from 125 years of heritage, with decades-long relationships with many global customers, as well as deep relationships with disruptor brands around the world.

We are a leading player in every segment where we operate and are diversified across resilient and markets. We have a proven track record of profitable growth, both organically and through successful acquisitions. We are a private company operating with public company governance standards, with a culture guided by clear values. Our Board of Directors is independent from management and a majority of its members are independent and not related to our family shareholders. We are also a leader in responsible business in our industry and are proud of our ESG credentials.

The Flavors & Fragrance industry has demonstrated GDP+ growth and offers attractive opportunities for innovation and differentiation. It benefits from favorable macro trends that are re-shaping strategic opportunities and focus areas for all industry players. Continued population growth, with a concurrent rise of the middle class; technology-enabled increases in choice; stronger environmental consciousness; and increasingly empowered consumers are just a few of the factors that are driving shifts across the industry. In addition, consumer habits, from demands for increased labelling and transparency, to customer requirements for more renewable and biodegradable ingredients, are also evolving quickly and industry players need to remain adaptive, flexible and innovation-oriented.

Our innovation-led product portfolio, built through our commitment to R&D and creativity, and our deep-rooted dedication to responsible

business, make us ideally placed to address these trends and grow better than the market. We invest behind key categories with superior growth dynamics and where we can unlock opportunities for our clients, including natural ingredients and clean label solutions, renewable ingredients, sugar and salt reduction, and meat and dairy analogs.

In Perfumery & Ingredients, our strategy will build upon our co-leadership positions. We will reinforce our Fine Fragrance business by offering our clients innovative products developed through olfactory creativity, leading the drive for responsible perfumery by increasing the content of renewable ingredients in our formulations, and expanding our market reach, particularly in growth markets. In Consumer Fragrances, we will continue to serve as a strategic partner for leading global and local customers and by developing breakthrough innovations to offer superior products for the conscious consumer. In Ingredients, we are leveraging our transformational acquisition of DRT to build the world's leading innovation platform for renewable, biodegradable, and sustainable ingredients for Flavors & Fragrance, while investing to continually enhance the world's leading creative perfumery palette.

Within Taste & Beyond, we will build on our flavor foundations, which are sweet, savory and beverage. Growth in the flavor foundations is underpinned by a continued focus on winning with both global and local customers, increased penetration of growth markets, extending our

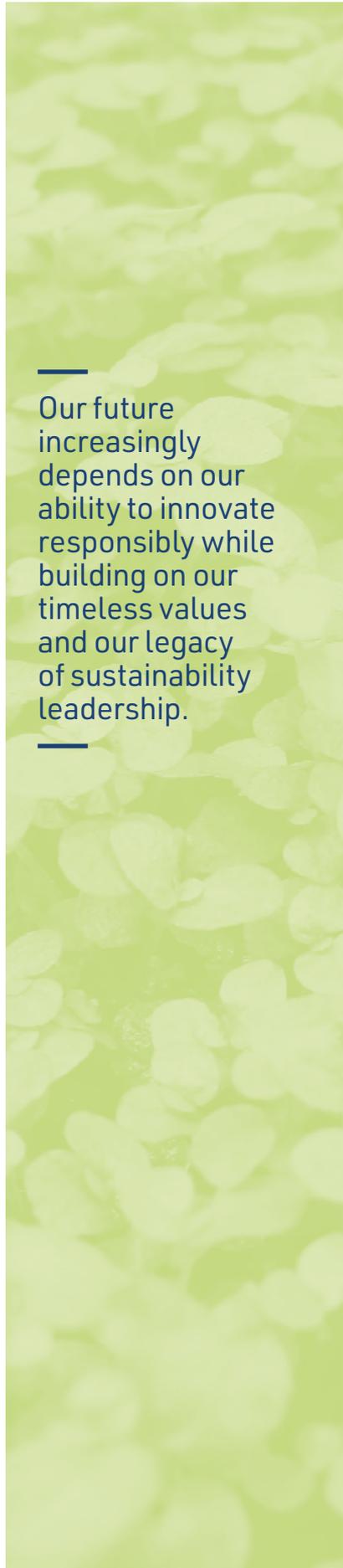
natural ingredients portfolio and an acceleration of launches of innovative new ingredients and solutions. We are also expanding into selected "Beyond Flavors" domains, to co-create the next generation of food and beverages and lead dietary transformation through our innovation in four key areas: sugar and salt reduction solutions, meat and dairy analogs, best-in-class nutrition, and natural transformation and Clean label.

We will deliver our strategy focusing on three strategic pillars:

1. "Deliver Enhanced Customer Experience" – delivering breakthrough innovation and consolidating Firmenich's leadership in ingredients while deploying increased flexibility in the supply chain
2. "Gain Value Share" – further broadening Firmenich's commercial reach, while intensifying its pursuit of high growth segments
3. "Become More Nimble" – driving end-to-end business model simplification and enhanced alignment with consumer's evolving needs, while leveraging digital technologies to enhance efficiency and service



We invest behind key categories with superior growth dynamics, where we can unlock opportunities for our clients.



Our future increasingly depends on our ability to innovate responsibly while building on our timeless values and our legacy of sustainability leadership.

OUR SUSTAINABILITY STRATEGY

Driving Business for Good

We want to strive for a sustainable and positive impact for people, nature and climate through our business and all along our value chain – working together with suppliers, partners and our customers.

We started our sustainability journey a full year before the Rio de Janeiro Earth summit, with the signing, in 1991, of the International Chamber of Commerce's first sustainability charter.

Our future increasingly depends on our ability to innovate responsibly while building on our timeless values and our legacy of sustainability leadership.

Our sustainability framework is holistically embedded at the heart of our company strategy. We see the next 10 years as a transformation journey towards business for good powered by science. However, the global challenges of the next decade are such that Firmenich cannot succeed alone.

We will only meet our goals if we can engage our stakeholders in the journey, working together with our customers, suppliers and partners.

Our strategy focuses on three streams in which we can make the biggest difference: Acting on Climate Change, Embracing Nature and Caring about People.

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

This supports our business objectives and aligns with the United Nations Sustainable Development Goals (SDGs). It involves everyone in our supply chain, and it empowers every colleague to make change happen.

To design this strategy, we collected inputs from a wide range of colleagues, we conducted online workshops and we consulted with external stakeholders to ensure that our new ambitions have been shaped by co-ownership and co-accountability.

Firmenich ESG 2025 Targets were launched in February 2021. Our CEO and the Executive Team presented our new vision to the media in tandem with presentations and dialogue across the Group. Business divisions have also designed deployment programs to create awareness within their teams and ensure that all colleagues integrate our ESG ambitions in their own performance objectives. To secure our industry leadership in ESG performance, it has been decided to add two critical ESG criteria to the Long Term Incentive plan of Senior Leaders based on CO₂ reduction and gender & ethnic diversity of Senior Leaders.

OUR ESG 2025 TARGETS

As a leading responsible family company, driving an inclusive business model has always been our priority. We set ourselves pioneering 2025 Targets to create value for our stakeholders today and for the generations to come.

CARBON NEUTRALITY IN OUR DIRECT OPERATIONS BY 2025 AND CARBON POSITIVE BEYOND THAT DATE

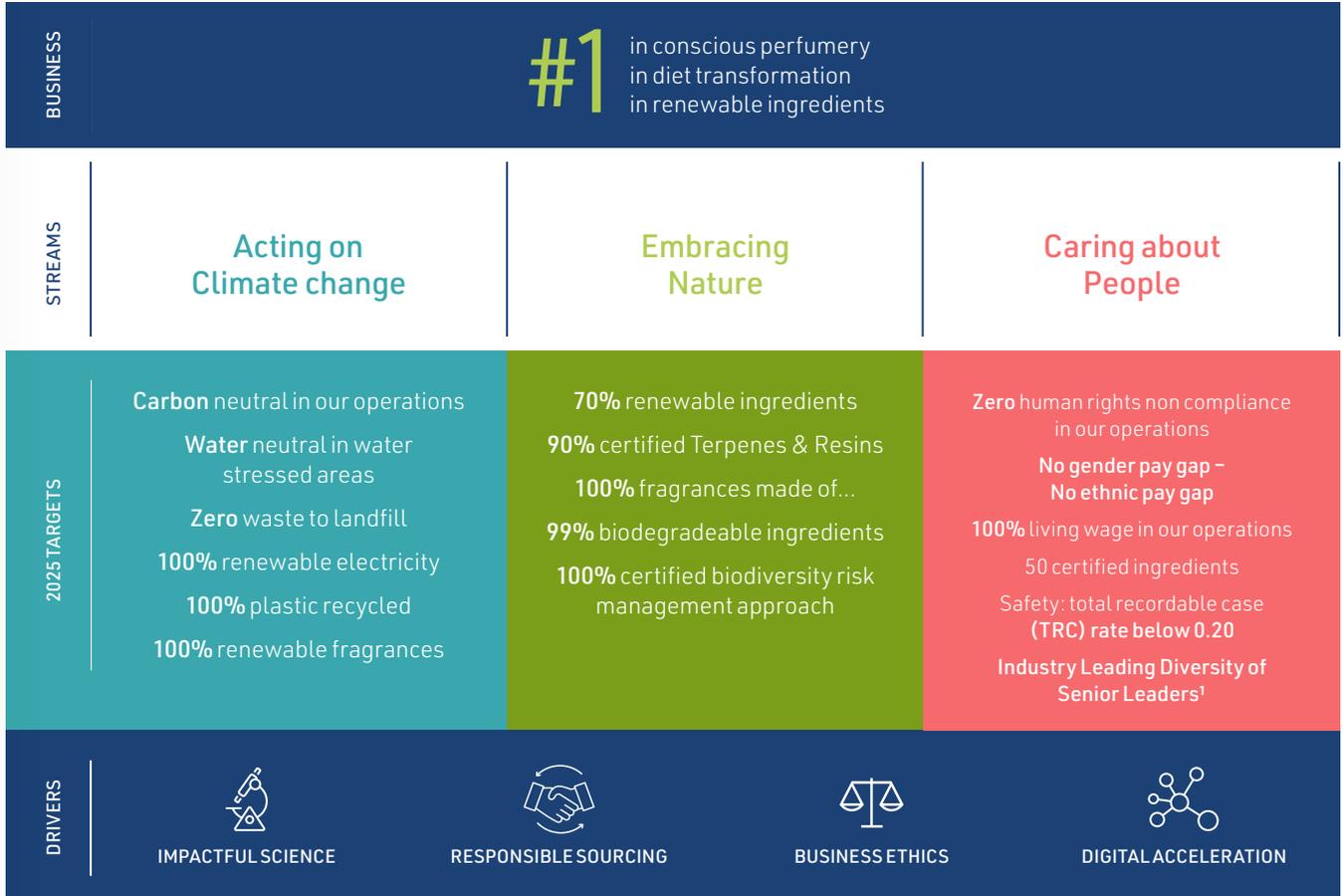
By 2030, we will strive to achieve absolute carbon emission reduction in line with the 1.5°C Science-Based Targets

We will strive to:

OPERATE globally with the highest standards of **governance, ethics** and **transparency**

DELIVER **100% of our products** with a measureable improved **social** and **environmental impact**

PROTECT the **environment, biodiversity** and **people** through impactful science and innovation



Note: see full detail in ESG section of www.firmenich.com

¹ Senior Leaders: Executives, Senior Presidents, selected Vice Presidents, Senior Directors and Creators that are members of the Senior Leadership Team (SLT).

Diverse: all members identifying as female and/or ethnically diverse, i.e. self-identifying with a culture, life background, geographic origin or physical characteristics which are not those of the Caucasian culture and characteristics. 2025 Targets for Senior Leader Diversity are under review by the Board of Directors.



—
We believe in being creators of talent for today and for the future, to ensure our company's heritage and our responsibility to our employees and society.
—

OUR PEOPLE

At Firmenich, we lead a responsible business model to ensure we delight our customers and shareholders, while making a positive difference for people, planet and society.

As a family-owned company and people-driven business, we place our colleagues at the heart of our success and are committed to enabling a working environment where everyone can thrive around the world.

While fully living our Purpose "For Good naturally", we are continuously engaging our employees and shaping our organization into an environment where people are inspired, curious and can unleash their full potential to grow. At Firmenich, it's not just WHAT you achieve, it's HOW you achieve it! Our Winning Behaviors are the future-focused ways of thinking and acting to drive our growth and success.

We take pride in investing in our Human Capital to enable learning, employability and adaptability in our ever-changing world. How do we do this? By equipping our colleagues with the skills they need to thrive, today and tomorrow. And, by being curious about new ways of working, identifying skills required for the future workforce, and being flexible and agile to adjust to change. Most importantly, by ensuring all our employees and their roles contribute to the success of the team and the broader organization and that they feel recognized, valued and rewarded for their contributions.

OUR CULTURE OF COLLABORATION...

is a strong asset to win in the new normal. We believe in the value of being together to co-create and collaborate through physical interaction in the office. At the same time, we recognize the new ways of working allow us to interact virtually.



As a responsible company, we need to respond to evolving needs of our People, that's why we have adapted our Flexible Working guidelines we issued back in 2018 and implemented our **Smarter Working Guidelines**, enabling us to WIN and be resilient in the "new normal". Smarter Working gives individuals choice in where, when and how they work whilst ensuring collaboration, wellbeing, achieving results and winning as a company.

WE ARE A LEARNING ORGANIZATION...

and we believe in providing opportunities for our people to learn every day, through feedback, training, challenging work assignments, and career opportunities. By promoting and measuring the movement of talent across roles, teams and the globe, we are building capabilities for the future and motivating the talents we need to develop and retain to get there. This year we have launched two new leadership programs focusing on developing our new people manager capabilities and future generations of leaders.

OUR DIVERSITY & BELONGING OBJECTIVES FOR 2025

We are a diverse company with a strongly inclusive culture respecting every employee for who they are. We know that diverse teams operating within an inclusive environment have proven to be higher performing, more creative and faster in responding to changing customer and consumer needs.

OUR ESG GOALS FOR 2025 RELATED TO DIVERSITY AND BELONGING ARE THE FOLLOWING:

1. NO GENDER PAY GAP

In March 2021, we renewed and upgraded our Global EDGE Certification for gender parity in the workplace. Economic Dividends for Gender Equality (EDGE), the leading business certification standard for gender equality, officially recognized us for driving a diverse and inclusive workforce worldwide, with equal opportunities for all. EDGE has rewarded our progress in expanding diverse representation at all levels, pay equity and fostering a strong sense of belonging among our diverse workforce worldwide. We are rated at "Move" level globally under EDGE's rigorous standards.

Along with ensuring equal pay, Firmenich is committed to fostering a transparent and fair working environment, rewarding employees

based on their performance. Equal pay is about a man and a woman receiving equal pay for the same or similar jobs.

2. NO ENGAGEMENT GAP

In May 2021, we published our Diversity & Belonging policy which reinforces our commitment to provide a work environment free from discrimination, where everyone is respected, heard and valued.

In 2021, more than 5,000 colleagues worldwide responded to our global inclusion survey, demonstrating their strong sense of belonging as well as their diversity. Among the key findings:

- 79% of them feel they belong at Firmenich
- 33% of them identified as being part of a minority

In September 2020, Firmenich SA has received the Swiss LGBTI¹ Label for its inclusive organizational

Our Diversity & Belonging strategy is integrated in our ESG goals for 2025.

culture for LGBTI people in Switzerland. We are committed to obtaining certification across all markets where it is organized.

3. INDUSTRY LEADING DIVERSITY OF SENIOR LEADERS²

We build leading global teams to drive winning performance, meeting the needs of our diverse clients, employees and stakeholders. Currently 47% of our Senior Leaders are diverse, and we are reviewing our ambitions for 2025 and beyond to secure that our leadership optimally reflects our evolving global company footprint.

¹ LGTBI: Lesbian, Gay, Bisexual, Transgender, Intersex
² Senior Leaders: Executives, Senior Presidents, selected Vice Presidents, Senior Directors and Creators that are members of the Senior Leadership Team (SLT).

WINNING BEHAVIORS

Our Winning Behaviors are the future-focused ways of thinking and acting to drive our growth and success.

 <p>GROWTH MINDSET</p>	 <p>PROACTIVITY</p>	
 <p>ABSOLUTE CUSTOMER FOCUS</p>	 <p>DATA DRIVEN</p>	 <p>IMPACT OBSESSED</p>

Our people (continued)

4. NO ETHNIC PAY GAP

In FY21, Firmenich North America, under the leadership of the Diversity Council, has formed a Black Advisory Council, which evolved into Firmenich's 1st Employee Resource Group, Firmlessly Black. They launched a Racism Survey to gain insight on those who identified as part of a minority and their experience as employees. Based on insights from the survey, they organized Listening Circles to support varied demographics, including Black, Asian and LGBTI team members. Firmenich North America is focusing its efforts on accelerating representation of African Americans/ Black citizens in their workforce.

Based on the ethnicity disclosure data in selected countries we can now assess and ascertain that pay practices guarantee equity for our minority colleagues.

5. 100% OF LINE MANAGERS TRAINED AS MENTAL HEALTH FIRST AIDERS

In November 2020, 919 colleagues including 336 people managers participated in our one-month resilience journey, consisting of a series of webinars, supported by external experts, during which constructive reflections and practical strategies were taught to help strengthen our resilience in our daily lives towards a more balanced lifestyle. In May 2021, we launched a resilience program across our Global Operations, over 450 colleagues took a team diagnostic and leaders were trained and coached to help them to see the benefits to their emotional well-being on performance, decision-making and creativity for themselves and their teams.

6. DIFFERENTLY-ABLED PEOPLE TO AMOUNT TO 5% OF OUR WORKFORCE

People with a different ability are among the most under-represented populations in terms of employment and educational opportunity. We want to address this inequality by removing the obstacles that block

people's progress – as well as through tackling stereotypes and bias, in alignment with our commitment to The Valuable 500 movement we made in December 2019. By 2025, we aim to have differently-abled people amount to 5% of our workforce.

As of FY21, almost 2% of our workforce has different abilities. We were recognized in August 2021 by the President of Singapore, Halimah Yacob, for our outstanding efforts to integrate visually impaired employees. Our program for the visually impaired began in 2015 and now encompasses five countries, namely China, India, Mexico, Singapore and the UK.

In FY21, Firmenich Singapore hired six visually impaired sensory panelists to augment its existing sensory team of five, earning the program international accolades as an example of successful inclusion.

We partner with several organizations to connect with people of different abilities and help them expand their professional skillsets. For example,

we established a long-term pioneering program with a local NGO (SGIPA) at our Swiss Headquarters to employ 17 intellectually challenged youngsters and young adults.

In FY21, across 17 local organizations:

- 1.8% of our workforce is differently-abled¹
- 38 blind or visually impaired panelists employed in five countries

7. 100% OF EMPLOYEES TRAINED ON BIAS AND BELONGING PRINCIPLES

Because achieving a sense of belonging for all is not an automatic outcome of diversity, we need to tackle both. The biases and structural inequalities that contribute to inequality in society can still be barriers in our workplace.

In North America, over 100 top leaders completed a Diversity Intensive Program, covering Microaggressions, Inclusion & Belonging, Allyship & Sponsorship and Inclusive Talent Management in May 2021.

¹ Based on current available data, for integrated acquisitions only

People & organization strategy

MOST RESPONSIBLE COMPANY	BEST TALENT IN INDUSTRY	AGILE OPERATING MODEL	WINNING CULTURE
No pay gap nor engagement gap for minority groups 2500 Youth employment opportunities 100% Living Wage certification 100% Leaders trained on human rights & mental health first aid 100% of employees trained on bias	Sales force mindset & capabilities Continuous learning & unlearning New Skillsets Succession Planning Augmented Talent Attraction	Drive decision making in market with maximum client proximity Prioritize local roles Be laser sharp on what Global CoEs do and decide Joint accountability for business results & goals	New performance management ecosystem Winning Behaviors New short-term incentive design New Leadership Series embedding Winning Behaviors

WORKFORCE INDICATORS

HEADCOUNT IN FULL-TIME EQUIVALENTS BY CONTRACT TYPE

FY21

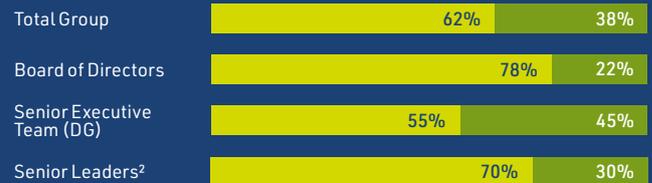


FY20



HEADCOUNT BY GENDER¹

■ Men ■ Women

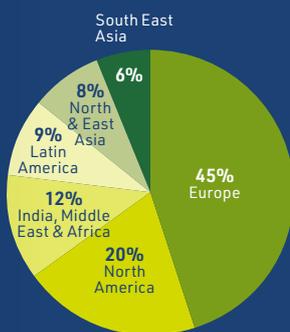


¹ Percentage calculated only for employees for whom data is available

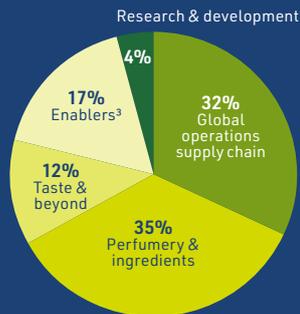
² Senior Leaders: Executives, Senior Presidents, selected Vice Presidents, Senior Directors and Creators that are members of the Senior Leadership Team (SLT)

FURTHER WORKFORCE HEADCOUNT

Headcount by region

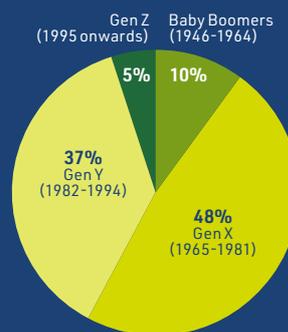


Headcount by division & function

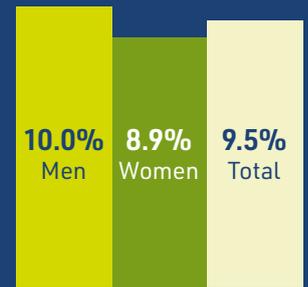


³ Enablers: Global Operations non-supply chain, Legal & Compliance, Finance, Human Resources and Corporate services

Headcount by generation



Employee total turnover by gender, FY21⁴



⁴ Turnover scope: permanent contracts; the following acquisitions are not included: Essex, VKL, DRT, MG International

GENDER PAY EQUALITY⁵

Non-exempt



The median pay for women is 3.13% higher than that of men for **Non-Exempt** population

Exempt



The median pay for men is 2.41% higher than that of women for **Exempt** population

Middle management



The median pay for men is 2.86% higher than that of women at **Middle management** level.

Director



The median pay for women is 1.51% higher than that of men at **Director** level.

Non-exempt: Operational levels, who are typically entitled to overtime pay and may be paid on salary or hourly basis

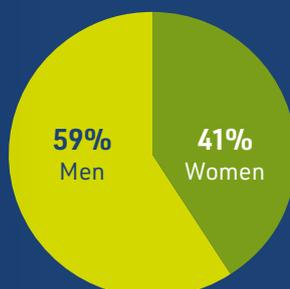
Exempt: Specialist, Middle, Upper and top management levels, who are typically not eligible to overtime pay

⁵ A positive number indicates which gender earns more on average. 2020 data for Firmenich Group

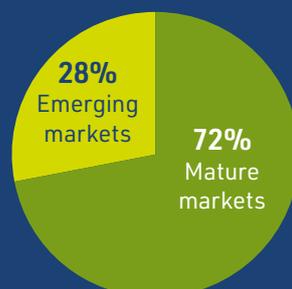
EMPLOYEE DIVERSITY IN FIRMENICH SIGNATURE LEADERSHIP PROGRAMS

Lead now – people manager focus

Gender

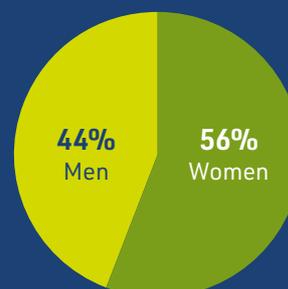


Market



Lead next – next generations of leaders

Gender



Market



Revenue (CHF)

TOTAL REVENUE

4'272M

+4.7% ORGANIC*

+16.8% INCL. ACQUISITIONS*

FY20: 3'878m

PERFUMERY & INGREDIENTS

2'855M

+4.4% ORGANIC*

+23.5% INCL. ACQUISITIONS*

FY20: 2'450m

TASTE & BEYOND

1'417M

+5.2% ORGANIC*

FY20: 1'428m

Profitability and free cash flow (CHF)

ADJUSTED EBITDA

816M

19.1%
AS PERCENTAGE
OF REVENUE

-5.0%

FY20: 859m, 22.1%

FREE CASH FLOW²

511M

59%
CASH CONVERSION¹

+12.5%

FY20: 454m, 55%

* At constant currency

¹ Cash conversion is calculated as the ratio of Free cash flow to EBITDA

² Free Cash Flow was favorably impacted by the cash effect of disposals (CHF 42 million) and settlement of legal claims (CHF 30 million).

PERFORMANCE REVIEW

GROUP

Firmenich reports solid full year results with performance accelerating in second half.

FINANCIAL HIGHLIGHTS

- Revenue reached CHF 4,272 million, up 4.7% year-over-year on an organic basis at constant currency. Including acquisitions, Revenue increased 16.8% year-over-year at constant currency. On a reported basis, Revenue increased 10.2% year-over-year
- EBITDA of CHF 874 million, up +6.2% year-over-year. Excluding the impact of acquisitions and foreign exchange, EBITDA would have increased by +10.6%
- Adjusted EBITDA of CHF 816 million, down -5.0% year-over-year. Excluding the impact of acquisitions and foreign exchange, Adjusted EBITDA would have decreased by -1.1%
- Adjusted EBITDA margin as percentage of revenue of 19.1%, down -3.0 percentage points compared to the previous year, due to the impact of acquisitions, negative foreign exchange and the temporary effect of the pandemic on costs and mix. Excluding the impact of acquisitions and foreign exchange, Adjusted EBITDA margin would have decreased by -1.2 percentage points
- Free Cash Flow of CHF 511 million², up +12.5% year-over-year
- EBITDA to Free Cash Flow conversion ratio of 59%

OPERATING HIGHLIGHTS

- Demonstrated solid organic revenue growth across Perfumery & Ingredients and Taste & Beyond divisions, driven by a rebound in Fine Fragrance, strong customer demand in Ingredients, growth in Beverages supported by our Sugar Reduction solutions, and Dairy

- Achieved double-digit revenue growth in key markets of North America (+11.3%), China (+14.4%) and India (+17.4%), on an organic basis at constant currency
- Further progress made integrating DRT. The pandemic has had an adverse impact on revenue and profit this year, resulting in us being behind our original business case assumptions for FY21. We saw a significant revenue rebound in the second half of the year, as well as improving profitability
- Strengthened leadership team with new senior appointments and upgraded organizations in Perfumery & Ingredients and Taste & Beyond
- Accelerated development of innovative new products including launch of the world's first flavor and first consumer fragrance designed with the help of Artificial Intelligence
- Strengthened responsible business leadership position with CDP AAA rating for the 3rd year running, and an industry-leading Sustainalytics ESG rating of 8.6
- Announced ambitious ESG targets to reach carbon neutrality by 2025, and carbon positive impact beyond that date. By 2030, we will strive to achieve absolute carbon emission reduction in line with the 1.5°C Science-Based Targets

FY21 PERFORMANCE

FY21 continued to be marked by the Covid-19 pandemic. Against this backdrop, we delivered another year of solid results, with an acceleration in the second half of the year, while making progress on the integration of DRT and MG International.

Revenue increased +4.7% on an organic basis at constant currency, reaching CHF 4,272 million.

Acquisitions contributed CHF 470 million or +12.1 percentage points to revenue growth, whereas foreign exchange had an impact of CHF -255 million or -6.6 percentage points, due to the appreciation of the Swiss Franc. On a reported basis, Revenue increased 10.2% year-over-year.

Perfumery & Ingredients Revenue increased +4.4%, on an organic basis at constant currency, driven by the rebound in Fine Fragrance (+8.9%, on an organic basis at constant currency) and strong customer demand in Ingredients.

Taste & Beyond Revenue increased +5.2%, on an organic basis at constant currency, driven by growth in Beverages, supported by our Sugar Reduction solutions, and growth in Dairy.

In the second half of the year, we saw an acceleration in revenue growth, +6.9% year-over-year, on an organic basis at constant currency, with continued momentum from our two Divisions, and a strong rebound in Fine Fragrance, which grew by +39%, on an organic basis at constant currency.

On a geographic basis, we have seen a resumption of revenue growth in markets where restrictions linked to the pandemic have eased. As we close FY21, most regions had returned to revenue growth. On an organic basis at constant currency, revenue grew by +11.3% year-over-year in North America, +9.4% in India, Middle East and Africa, +9.7% in North & East Asia, +1.3% in Latin America and +0.0% in Southeast Asia. In Europe, revenue declined by -0.7% year-over-year on an organic basis at constant currency, but we saw a strong rebound in the second half of the year, linked to the recovery in Fine Fragrance. During

Revenue by Division (CHF millions)

Division	FY21	FY20	Change % in CHF as reported	Change % at constant currency	Change % on an organic basis at constant currency
Perfumery & Ingredients	2,855	2,450	+16.5%	+23.5%	4.4%
Taste & Beyond	1,417	1,428	-0.7%	+5.2%	+5.2%

Revenue by Region (CHF millions)

Region	FY21	FY20	Change % in CHF as reported	Change % at constant currency	Change % on an organic basis at constant currency
Europe	1,475	1,191	+23.9%	+25.8%	-0.7%
North America	1,086	977	+11.2%	+19.0%	+11.3%
Latin America	438	503	-13.0%	+3.3%	+1.3%
India, Middle East and Africa	482	435	+10.9%	+18.8%	+9.4%
South East Asia	439	457	-3.8%	+2.2%	+0.0%
North & East Asia	352	315	+11.8%	+15.2%	+9.7%

FY21, we also achieved double-digit growth in the key markets of China (+14.4%) and India (+17.4%), on an organic basis at constant currency.

The table above provides the breakdown of our revenue by region.

GROSS PROFIT AND ADJUSTED EBITDA

Gross Profit increased by +1.8% year-over-year on a reported basis, reaching CHF 1,759 million. Acquisitions contributed CHF 80 million to Gross Profit. In comparison to prior year rates, foreign exchange had an unfavorable impact of CHF -118 million. Excluding the impact of acquisitions and foreign exchange, Gross Profit would have increased by CHF 69 million.

Gross Margin as a percentage of revenue was 41.2%, a decrease of -3.4 percentage points on a reported basis, compared to the previous year.

This was primarily due to the impact of acquisitions, which accounted for -2.9 percentage points, in addition to the negative impact of foreign exchange (-0.3 percentage points), and negative mix of -0.2 percentage points, primarily in Taste & Beyond.

Adjusted EBITDA reached CHF 816 million, down -5.0% year-over-year. Acquisitions contributed CHF 47 million, and foreign exchange had a negative impact of CHF -80 million. Excluding the impact of acquisitions and foreign exchange, Adjusted EBITDA would have decreased by -1.1% compared to the previous year.

Adjusted EBITDA margin as a percentage of revenue was 19.1%, a decrease of -3.0 percentage points compared to the previous year. This was driven by the impact of acquisitions (-1.2 percentage points), negative foreign exchange impact (-0.6 percentage points) as well as the

Performance review (continued)

temporary impact of the pandemic on costs and mix. Excluding the impact of acquisitions and foreign exchange, Adjusted EBITDA margin would have decreased by -1.2 percentage points.

FINANCING COSTS AND OTHER FINANCIAL EXPENSES

Financing costs increased to CHF 48.4 million compared to CHF 36.6 million in the prior year, as a result of the interest payments on our bonds. Net other financial expenses reached CHF 18.9 million compared to CHF 53.1 million in the prior year. The decrease was primarily due to lower net exchange losses and lower bank charges and other financial charges compared to the prior year.

NET INCOME

Net income reached CHF 449 million on a reported basis, a decrease of -2.3% compared to the result of FY20. This was principally due to the unfavorable effect of foreign exchange and acquisitions.

TAX

The Group's effective tax rate (ETR) reached 14.9%, which is in line with the Group expected tax rate, and reflects the geographic mix of our business activities. In the same period in the previous year, the Group effective tax rate was 17.3%. The reduction was primarily driven by the financing costs and the integration of our acquisitions.

FREE CASH FLOW

Free Cash Flow reached CHF 511 million, a +12.5% increase compared to the previous year, underscoring our prudent execution and disciplined working capital management during the crisis. Free Cash Flow was favorably impacted by the cash effect



of disposals (CHF 42 million) and settlement of legal claims (CHF 30 million). As a result, our conversion ratio of reported EBITDA to Free Cash Flow reached 59%, consistent with our commitment to retaining a strong investment grade credit rating through solid cash generation.

FINANCIAL POSITION

The Group's financial position remained strong. Net debt stood at CHF 1,591 million, up from CHF 1,572 million in June 2020, the increase being linked to our acquisitions. In addition, in 2020 we have issued deeply subordinated fixed rate resettable perpetual notes for CHF 795 million, which are accounted for in equity in the Group's consolidated financial statements, in accordance with IFRS, as issued by the International Accounting Standards Board (IASB)¹, as detailed in note 12 to the consolidated financial statements. Total assets reached CHF 8,328 million, compared to CHF 7,945 million in June 2020. Non-current assets

reached CHF 5,472 million, and current assets stood at CHF 2,855 million.

DIVIDEND

The Board will propose a dividend payout of CHF 250 million for this fiscal year, to be approved by the Annual Shareholders Meeting in October.

¹ IAS 32 – Financial Instruments: Presentation

HISTORICAL SUMMARY

In millions of CHF (except employees) as of June 30:	2021	2020	2019	2018	2017
Income statement					
Revenue	4,272.1	3,877.6	3,873.8	3,658.5	3,337.6
Gross profit	1,758.9	1,728.4	1,693.3	1,701.6	1,594.0
Operating expenses	(1,164.5)	(1,105.8)	(986.8)	(1,029.2)	(948.3)
Operating profit	594.4	622.6	706.5	672.3	645.7
Other (expenses) and income	(61.6)	(63.5)	(75.5)	(15.3)	(72.9)
Taxes	(79.6)	(96.9)	(102.0)	(75.3)	(110.0)
Net income (attributable to equity holders)	449.4	460.2	526.7	580.4	461.4
Adjusted EBITDA	815.9	858.8¹	832.7	825.5	779.3
Cash flow statement					
Cash flows from operating activities	693.3	641.9	618.8	572.7	505.3
Free cash flow	511.3	454.5	421.3	367.0	346.9
Balance sheet					
Fixed assets	5,472.3	5,132.4	2,586.3	2,207.1	1,513.3
Inventories	896.1	857.8	669.1	679.5	633.1
Trade, other receivables and prepaid expenses	1,103.5	1,038.9	1,026.0	1,001.7	851.0
Marketable securities, cash and bank balances	794.6	828.0	448.9	617.1	457.8
Net investments	182.0	187.4	197.5	205.8	158.4
Equity attributable to equity holders of the parent	4,023.6	3,477.4	2,686.9	2,414.6	2,010.9
Non-controlling interests	44.9	45.0	19.5	18.4	15.3
Borrowings	2,385.5	2,400.1	559.7	603.9	94.7
Other liabilities	1,873.5	2,022.9	1,560.2	1,585.6	1,400.3
Net cash / (Net debt)	(1,590.9)	(1,572.1)	(110.6)	13.2	363.0
Personnel					
Number of fixed employees at year end	9,392	9,166	6,918	6,627	6,549
Number of temporary employees at year end	542	737	430	413	434
Key ratios					
Gross margin	41.2%	44.6%	43.7%	46.5%	47.8%
Operating margin	13.9%	16.1%	18.2%	18.4%	19.3%
Net income (attributable to equity holders) / Revenue	10.5%	11.9%	13.6%	15.9%	13.8%
EBITDA / Revenue	20.5%	21.2%	21.9%	21.9%	22.8%
Adjusted EBITDA / Revenue	19.1%	22.1%	21.5%	22.6%	23.3%
Cash flows from operating activities / Revenue	16.2%	16.6%	16.0%	15.7%	15.1%
Total equity / Total assets	48.9%	44.3%	56.1%	52.6%	57.5%
Net cash (Net debt) / Equity	-39.1%	-44.6%	-4.1%	0.5%	17.9%
Personnel costs / Revenue	25.6%	23.8%	22.5%	24.4%	24.0%
Revenue by employee	0.455	0.423	0.560	0.552	0.510
EBITDA to Free Cash Flow conversion rate	58.5%	55.3%	49.7%	45.9%	45.7%

¹ The adoption of IFRS 16 Leases on a prospective basis as of July 1, 2019, resulted in a favorable impact on Adjusted EBITDA of CHF 43.4 million for the year ended June 30, 2020, compared to the prior year



The past year has been a challenging and transformational one for Perfumery & Ingredients. We rose to the challenge, delivering profitable growth across the business.

Performance review (continued)

PERFUMERY & INGREDIENTS

Perfumery & Ingredients delivered profitable revenue growth despite the pandemic, driven by resilient performance in Consumer Fragrances, and strong growth in Ingredients.

The past year has been a challenging and transformational one for Perfumery & Ingredients. The pandemic had significant adverse effects on Fine Fragrance revenue and on the profitability of our DRT business. We rose to the challenge, delivering profitable growth across Perfumery & Ingredients.

In the second half of the year, performance rebounded in Fine Fragrance. The integration of DRT continues to make progress, with performance improving in the second half of the year. We continued accelerating innovation, driving digital business transformation, and enhancing our sustainability leadership, preparing for the future through partnerships, and upgrading our organization through investment in our people.

We accelerated our innovation, redefining the future of fragrance in collaboration with our customers, based on deep consumer insights and world-class scientific research. Backed by science, we are elevating the role of fragrance to improve quality of life through hygiene, mental health, and wellbeing. We have also rolled out enhanced digital capabilities, launching Scentmate™, the first fully integrated AI-enabled fragrance platform aimed at entrepreneurs and independent brands. We have continued to strengthen our product claims, performance-driven creation, and recognized sustainability leadership.

We are leading the call for Conscious Perfumery, and have committed to ambitious 2030 ESG targets, such as 99% biodegradable ingredients and 70% renewable or upcycled carbon

content fragrances. We are reinventing fragrance design through impactful science, responsible sourcing, and digital transparency. Our longstanding focus on sustainability is recognized by our key customers and is a source of competitive advantage for Firmenich.

We continue to make progress on the integration of DRT, the largest acquisition in the history of Firmenich, which makes us the leader in renewable and naturally derived ingredients. Through our acquisition of MG International, we reinforced our presence in the mid-market in Turkey and the Middle East. We also agreed to acquire a non-controlling stake in Essential Labs, a digitally native supplier of fragrance solutions to entrepreneurial businesses in the US premium home market segment with a potential future path to control, depending on performance. We signed an exclusive partnership with Coop SCA3P, the world's leading producer of natural lavandin.

We have streamlined and upgraded the organization across Perfumery & Ingredients, reinforcing our close relationships with global customers, improving service to regional and local businesses, and seizing opportunities with mid-to-small sized companies. We have invested to attract top talent, including our new Chief Consumer & Innovation Officer, and senior regional, functional, and key account leaders in Consumer Fragrances and Fine Fragrance, as well as our new Chief Supply Chain Officer and Chief Procurement Officer.

FY21 PERFORMANCE

Despite the ongoing challenges due to the pandemic, we delivered strong financial performance in FY21.



Revenue reached CHF 2,855 million, an increase of +4.4% on an organic basis at constant currency. Including acquisitions, revenue increased +23.5% year-over-year, at constant currency. Growth was driven by resilient performance in Consumer Fragrances and strong growth in Ingredients, while Fine Fragrance sales rebounded in the second half of the year, after a decline in the first half. We achieved double-digit growth in the key markets of China and North America. Our e-commerce channel sales also increased more than threefold year-over-year, on an organic basis at constant currency. Acquisitions contributed +19.1 percentage points to revenue growth, while foreign exchange, in comparison to prior year rates, had an unfavorable impact of -7.0 percentage points. As a result, revenue increased +16.5% on a reported basis.

Adjusted EBITDA reached CHF 550 million, an increase of +3.3% year-over-year. Adjusted EBITDA margin was 19.3%, a decrease of 2.5 percentage points. This was the result of the negative impact of foreign exchange and the short-term impact of acquisitions, partly offset by improving mix linked to the rebound of Fine Fragrance in the second half of the year. Excluding the impact of foreign exchange and acquisitions, Adjusted EBITDA margin would have been flat versus the prior year.

FINE FRAGRANCE

Fine Fragrance was adversely impacted in FY21 by retail closures and travel restrictions across much of the world. In the second half of the year, we saw a significant rebound, with revenue increasing by a strong +39% year-over-year growth, on an organic basis at constant currency. As a result, Fine Fragrance closed FY21 with revenue up by +8.9%, on an organic basis at constant currency.

We achieved solid growth with key customers in North America and Latin America, and saw gradual recovery in Europe. As restrictions were partially lifted in some geographies, consumers were able to begin indulging again in this affordable luxury category, which gives us confidence for the coming year.

During FY21, we built new momentum with customers through our RE|GENERATION strategy, examining the future of Fine Fragrance by engaging with the fragrance community, customers, consumers, artists and influencers. As part of this strategy, we entered into an exclusive partnership with world-renowned arts and design college Central Saint Martins in London, creating 21 projects which provide a unique vision for game-changing fragrances across themes such as heat relief, water conservation and community empowerment.

We have also accelerated our digital transformation, increasing our agility, creation capabilities, and ability to better serve our customers through reinvented retail and online opportunities.

Above all, Firmenich perfumers and teams continue to create iconic fragrances, allowing our customers to delight consumers. We reinforced our reputation as a creative powerhouse, winning 'Fragrance of the Year' and all three 'Consumer Choice' awards at the Fragrance Foundation Awards in the US in 2020 and receiving three out of four Fine Fragrance prizes at the CEW 2020 Beauty Awards,

as well as the 'Consumer Choice: Men's' award and three 'Fragrance of the Year' awards at the Fragrance Foundation Awards 2021.

CONSUMER FRAGRANCES

During FY21, Consumer Fragrances revenue grew by low single digits year-on-year on an organic basis at constant currency, mainly due to a tough comparison to the end of FY20, which had seen high revenue growth. Revenue growth this year was mainly driven by regional local customers. We achieved solid growth in emerging markets, particularly in health and hygiene solutions.

Our business focused on small-to-mid-sized customers enabled us to achieve strong double-digit revenue growth in the key markets of China and North America. We also grew by double digits with MG International in Turkey.

We conducted large scale proprietary consumer surveys, and discovered that fragrance became more essential than ever during the pandemic. 56% of the survey population appreciated fragrance more during lockdown. Consumers seek fragrances that evoke a combined feeling of safety, cleanliness and serenity.

Backed by science, we are elevating the role of fragrance to improve quality of life through hygiene, mental health and wellbeing. With this in mind, we have launched a set of tools and solutions that drive emotional benefits, such as sleep quality, stress relief and focus.



—

We continued to help our customers, through our innovation and consumer insights, to meet the evolving needs of consumers as they adapt to the new normal brought about by the pandemic.

—

Performance review (continued)

INGREDIENTS

Our Ingredients business saw double-digit revenue growth, on an organic basis at constant currency, driven by solid demand in both Natural and Synthetic ingredients, particularly from global customers. We achieved double-digit revenue growth in North America, India, Latin America, and South East Asia, on an organic basis at constant currency. We also saw a double-digit revenue rebound in Europe in the second half of the year, linked to Fine Fragrance, on an organic basis at constant currency.

During FY21, we have made progress on the integration of DRT, which offers a unique renewable ingredients production platform, and end-market complementarity with long-term growth and innovation potential. During the past year, the pandemic had an adverse impact on revenue and profit, due to lower demand in the DRT industrial end markets and in Fine Fragrance. In the second half of FY21, we have seen a significant rebound in revenue, as well as improving profitability.

Following the acquisition of DRT, Firmenich is now the most vertically integrated company in the industry in renewable ingredients. This proprietary access provides us a long-term competitive advantage, allowing us to meet our customers' growing demand for sustainable products.

CREATION & INNOVATION

Fine Fragrance and Consumer Fragrances

In FY21 we continued to help our customers, through our innovation and consumer insights, to meet the evolving needs of consumers as they continue to adapt to the new normal brought about by the pandemic.

Our fragrances contribute to consumers' positive emotional experiences, which is a key factor in purchase decisions. With this in mind, we have launched EmotiOn, an innovative program that combines proprietary consumer insights from across the world, our cutting-edge neuroscientific research, and the expertise of our perfumers, to help our customers deliver positive emotions to consumers.

Leveraging our digital capabilities to support our creators, we have launched laundry care fragrances that fuse Artificial Intelligence with human creativity, reinventing fragrance design. We introduced new digitally enhanced fragrance design models, improving the technical performance of our fragrances in both Fine Fragrance and Consumer Fragrances, with better trail and bloom characteristics. We also launched Scentmate™, the first AI-enabled platform that streamlines and simplifies co-creation to deliver winning fragrance solutions for entrepreneurs and independent brands. To a very fast-growing market, Scentmate™ gives immediate access to exceptional scents, making dedicated perfumers and experts available throughout the entire journey.

To continue advancing the sustainability of our portfolio, we launched PopScent®Eco (Gen 1), a fragrance encapsulation technology that provides a step-change improvement in biodegradation and renewability. We also continued our innovative work in malodor control, a key lever in tackling the sanitation crisis in low-income regions. We have extended our DeodEcode® malodor elimination technology across several categories, contributing to solid growth in malodor control solutions.

Ingredients

We drive our ingredient business through four innovative platforms that we launched in March 2021:

- **Sylvergreen™** to increase renewable content in our palette. Thanks to DRT, today 50% of our ingredients are renewable, the highest level in the industry.

We have set a bold ambition to deliver 70% of Firmenich perfumery and taste ingredients manufactured from renewable carbon sources by 2030

- **Green Gate™** for sustainable new molecules with the launch in 2021 of Clementenal™ and Osmantol™, two new members of novel, and readily biodegradable captives with a green chemistry score above 70%
- **Active Circle™** with renewable ingredients for new specialties markets in health & beauty, nutrition and industry. For example, we now develop 100% bio-based and renewable wood rosin resins, which are used as stability agents in beverages
- **Naturals Together™** for excellence in sustainable procurement standards, collection of certified ingredients and strong involvement at source, all combined with

innovation. We launched in 2021, Path2Farm, a digital traceability application for natural ingredients sourcing, from producer to factory. We also introduced the Firgood™ collection, a new range of 100% natural extracts obtained through a revolutionary, sustainable proprietary extraction technology, enabling the processing of biomass never previously used in the industry for natural ingredients.





We are transforming ourselves *Beyond*, to co-create the next generation of food and beverages and to lead dietary transformation through our innovation.

Performance review (continued)

TASTE & BEYOND

Taste & Beyond delivered strong revenue growth, building on deep consumer insights to increase the focus of our project pipeline, driving innovation to serve evolving consumer needs, extending external partnerships and upgrading our organization.

Taste & Beyond delivered robust performance in FY21, adapting with agility to a very volatile context, while maintaining robust customer service.

Despite the challenges posed by the Covid-19 pandemic, we took action to ensure business continuity, avoiding disruption of our supply chain and maintaining manufacturing and laboratory capabilities to continue to deliver to our customers consistently, while continuing to keep our colleagues safe.

From the onset of the pandemic, we launched deep consumer insights surveys across 22 countries, to better understand and anticipate consumers' evolving needs relative to food and beverage choices. Consumer needs have changed rapidly, with higher expectations on what food and beverages should deliver, and we have worked with customers to help them adjust their projects. Moving first to develop these insights clearly differentiated Firmenich in FY21, enabling better customer intimacy, and allowing us to better align our innovation pipeline to fuel growth.

Embracing the shift in consumer expectations, we renamed our division Taste & Beyond, to reflect our strategic transformation. We are transforming ourselves *Beyond*, to co-create the next generation of food and beverages and to lead dietary transformation through our innovation in four key areas:

- Sugar and salt reduction solutions
- Meat and dairy analogs with SmartProteins® solutions
- Best-in-class nutrition
- Natural transformation and Clean label

Continuing to invest for the future, we increased our stake in ArtSci and deepened our partnership, taking advantage of the growth in China. In meat and dairy analogs, we rolled out the complete solutions model developed with our Campus acquisition in key geographies, including North America, China and Singapore, offering complete solutions to customers with an expanded product portfolio. We have continued to successfully build on our previous acquisitions of VKL, Natural Flavors and Flavourome. We also signed a strategic partnership with Authentic Products in Madagascar, strengthening our commitment to a sustainable, ethical, and traceable value chain in vanilla.

We have accelerated on our digital transformation journey. We are proud to have launched the world's first flavor designed with the help of Artificial Intelligence. We leverage our digital tools to support our creators, increase our agility and responsiveness to client briefs and streamline the client experience through our e-commerce channel.

FY21 PERFORMANCE

Taste & Beyond delivered strong resilience throughout FY21, maintaining growth and solid profitability despite the challenges posed by the pandemic.

Revenue reached CHF 1,417 million, an increase of +5.2% year-over-year, on an organic basis at constant currency. Growth was driven by strong performance in Beverages and Dairy, more than offsetting the impact of the pandemic on Foodservice. We achieved double-digit revenue growth in the



key markets of China, India, and Brazil, as well as mid-single digit revenue growth in North America. Foreign exchange, in comparison to prior year rates, had an unfavorable impact of -5.9 percentage points on revenue. As a result, revenue declined by -0.7% on a reported basis.

Adjusted EBITDA reached CHF 266 million for the full year, a decrease of -18.5% year-over-year with a sequential improvement in the second half of the year. Adjusted EBITDA margin was 18.8%, a decrease of -4.1 percentage points. This was the result of a deterioration in product mix, partly linked to changing consumption patterns during the pandemic, additional costs incurred to ensure business continuity and avoid supply chain disruption to serve customers during the crisis, raw material price fluctuations and a negative foreign exchange impact.

Excluding the impact of foreign exchange, Adjusted EBITDA margin would have decreased by -3.7 percentage points.

BEVERAGES

Beverages achieved strong double-digit revenue growth, on an organic basis at constant currency. We saw sustained demand in energy drinks, alcoholic drinks and sodas, as well as citrus tonality solutions and natural flavors, with new adoptions with key customers.

On a regional basis, we achieved double-digit revenue growth in key geographies including China, India, North America, Latin America and Europe.

Beverages delivered a strong growth rebound from the previous year, which was greatly impacted by Food Service closures, as a result of our focus on key tonality and innovation initiatives to help our customer serve evolving needs of consumers under the pandemic. Our Citrus business grew strongly worldwide, and in Northeast Asia in particular. Globally, we strengthened our Citrus leadership and grew our differentiating capabilities with authentic, natural solutions.

We leveraged our consumer insights to drive connection with our key Beverage clients, as they sought to serve the "at home" consumption needs linked to the pandemic. Additionally, the launch of our comprehensive proprietary Beverage Secrets™ Survey confirmed Firmenich as thought leaders in the application of Human Insights to taste creation and accelerated product innovation.

SWEET GOODS

In Sweet Goods, strong revenue growth in China and North America compensated for lower revenue in some other regions, including Europe and India, Middle East and Africa, caused by the adverse effect of the pandemic. As a result,

Sweet Goods revenue was stable vs. the previous year, on an organic basis at constant currency.

In the second half of the year, we have seen an acceleration of revenue growth in several regions, in particular Europe, India, Middle East and Africa and Southeast Asia, on an organic basis at constant currency.

We saw strong momentum within our vanilla tonality with the significant increase in cooking and baking from home during the pandemic and have continued to develop and launch natural, cost-effective solutions.

There was an acceleration of consumer demand shifting towards wellbeing during the pandemic, including enhanced nutrition. We quickly responded by developing solutions for more active nutritional ingredients like pre-biotic fibers. We also continued to focus on sugar reduction, including the launch of innovations aimed at reducing sugar and lactose in dairy products.

In the growing category of plant-based dairy analogs, we successfully leveraged our differentiating masking technologies and texturizing fiber capabilities through our expanded Campus portfolio.

SAVORY

Revenue in the savory category contracted by low single digits, on an organic basis at constant currency. The savory category, and in particular Foodservice, was adversely impacted by lockdown closures and restrictions in several key markets, including North America.

We have seen a strong rebound in some regions, with double-digit revenue growth in the key regions of China and India, Middle-East and Africa for FY21, on an organic basis at constant currency.

Despite the disruption caused by the pandemic, customer surveys

Performance review (continued)

confirm the long-term consumer shift to healthier meat alternatives and flexitarian diets. Demand for our Savory portfolio and pipeline remain strong, with new opportunities arising due to consumers cooking more, and strong demand for prepared meals and snacks.

We are prepared for the rebound, with a focus on innovation-led growth and continued investment in our people and infrastructure. We have expanded our Campus portfolio and our Savory capabilities in key markets such as North America, China and Southeast Asia.

In response to new Covid-related consumer needs, we have focused on cooking aids and other culinary-centric approaches to the “at home” shift, while addressing the healthy eating and clean label demand by supporting brands with our natural umami and salt reduction solutions.

INNOVATION Pioneering New Solutions in Sugar Reduction

Sugar reduction solutions were a strong driver of our performance across Beverages and Sweet Goods, achieving double-digit revenue growth in FY21, on an organic basis at constant currency.

Our consumer surveys show that reducing sugar intake in their food and beverage choices is top of mind for consumers. We support this dietary transformation by providing the broadest, most integrated range of low and no-added sugar solutions that preserve taste authenticity. Through close collaboration with our customers, we can co-create solutions perfectly tailored to their needs. In FY21, we launched innovative proprietary new solutions such as TasteGEM® SWL with Saphera®, which allows unprecedented

sugar reduction in dairy products, without the use of sweeteners, while keeping a natural sweet taste.

Accelerating in Naturals & Nutrition

Demand for naturals, label transparency, and origin traceability is rising, with consumers increasingly focused on wellbeing and healthy food and beverage choices. We’re transforming and expanding our offerings with a superior portfolio of all-natural ingredients and innovation programs, with strong and distinctive technology. During FY21, we have added over 100 new all-natural ingredients to our palette, created for Clean Label suitability. Our Nutrition Innovation program offers an expansive range of botanical extracts and prebiotic fibers, bringing new functional tools to help our customers serve the immunity-conscious consumer. Our exclusive CO₂ extraction capabilities and innovative gentle extraction techniques enable us to create the next generation of eco-extracts. In addition, we offer increased traceability through our proprietary tools Ingredients360® and EcoFood Compass™, which enables us to increase transparency to customers on ingredient sourcing and origin. As industry leader in naturals, we launched FreshSlice™, a new collection of all-natural citrus oils, delivering unique freshness and authenticity. We have also responded to the growing demand for natural, cost-effective vanilla solutions with the launch Vanilift™.

Serving the Flexitarian Revolution with SmartProteins®

Health and environmental concerns are driving an increase in the number of flexitarian consumers. Despite the adverse impact of the pandemic, due to foodservice closures, plant-based protein analogs are one of the largest areas of growth potential in our industry. We help our customers serve

this conscious consumer with the next generation of plant-based proteins. Our continuous innovation program, SmartProteins®, provides integrated options in meat and dairy analogs with proprietary solutions across Aroma, Taste, Salt Reduction and Texture. We provide integrated solutions leveraging our proprietary flavoring and masking technology, with the texture capabilities of our Campus acquisition. New breakthrough technologies like Dynarome® SR and TR deliver a natural and authentic meat-like cooking and eating experience in plant-based analogs. Our global expansion of Innovation Centers, such as our recent launches in Anaheim and Singapore, combines the power of our expertise with deep regional knowledge.



We are prepared for the rebound, with a focus on innovation-led growth and continued investment in our people and infrastructure.



Our rigorous and pragmatic ERM approach promotes a risk awareness culture and fosters resiliency, sustainability and value creation.

ENTERPRISE RISK MANAGEMENT

Our Enterprise Risk Management (ERM) framework aims at identifying, assessing and mitigating risks that could impact the execution of Firmenich's strategy and its long-term business success.

OBJECTIVES

ERM ensures we adequately protect the company while allowing to take calculated level of risk in running our business. It provides a common framework to:

- Help management identify underlying trends and environment changes that may affect negatively or positively the Company
- Mitigate the associated threats and leverage identified opportunities, leading to stronger performance
- Support risk-informed decision making
- Safeguard Firmenich Fundamentals and the Company's assets
- Provide reasonable assurance that risks will not prevent our Company from reaching its objectives

APPROACH

Our ERM follows a rigorous and pragmatic approach, tailored to the Company's needs. It promotes a risk awareness culture and empowers management, fostering the Company's resiliency, sustainability and value creation.

PROCESS AND GOVERNANCE

We run a two-year risk management cycle which includes the following activities:

- A structured risk identification on the basis of an overall risk universe, leveraging internal and external inputs
- Risk assessment, involving risk analysis to understand the underlying drivers, and the definition of likelihood and impact

- Risk mitigation through the formulation of risk responses and mitigating actions
- Periodic monitoring and reporting on risk evolution and mitigating actions implementation
- Follow-up on the emergence of new risks throughout the risk management cycle

The Finance, Audit & Risk Committee of Firmenich's Board of Directors (FARC) oversees the Company's strategic approach to risk management. The FARC reviews, at minimum annually, the top corporate risks and mitigation strategies.

The Risk Committee oversees the execution of the ERM process and meets on a quarterly basis. It reviews and validates the results of the risk assessment and assigns top corporate risk sponsorship. The Risk Committee is chaired by the Chief Executive Officer and is composed of the Chief Financial Officer, the Chief Operating Officer, the Presidents of the Commercial Divisions, the General Counsel, the Chief Supply Chain Officer and the VP Enterprise Risk Management (secretary).

<p>STRATEGIC AND COMMERCIAL RISKS</p>	<p>Firmenich is exposed to a number of strategic and commercial risks, including:</p> <ul style="list-style-type: none"> – Risk of changing consumer preferences and emergence of new consumption trends – Risk of business model inadequacy or obsolescence, including key customer risks – Risks associated with the execution of our digital business transformation – Risk of increased competition as a result of change in market dynamics or emergence of new market entrants – Risks associated with the integration of acquisitions 	<p>Mitigation strategy:</p> <ul style="list-style-type: none"> – We run an efficient consumer and client insights function – We leverage strong business intelligence and monitor the competitive landscape – Our management and Board regularly reassess and adapt our business model and strategy – We have established a digital transformation roadmap and continuously track its realization – We apply a thorough acquisition integration approach and continuously monitor the realization of the acquisition business cases
<p>ENVIRONMENTAL AND SUSTAINABILITY RISKS</p>	<p>Risk of climate change Climate change may impact our ability to operate in certain locations or disrupt operations; it may also create sourcing issues, in particular for natural raw materials.</p> <p>Risk linked to increasing demand for responsible products There is an increasing demand for responsible products. Firmenich’s ability to respond to this consumer macro trend in terms of sustainability and transparency bears risk with respect to supplier selection and their ESG performance, as well as raw material traceability.</p>	<p>Mitigation strategy:</p> <ul style="list-style-type: none"> – We continuously improve and lead change in sustainable and environmentally responsible business, aligning our goals with science on a path to climate neutrality – We monitor changing environmental laws and aim to lead the industry in our ESG outcomes – We have created specialized programs to strengthen our responsible sourcing commitment, guided by our Responsible Sourcing Policy
<p>OPERATIONAL RISKS</p>	<p>Due to its global footprint, Firmenich is exposed to a number of operational risks, including:</p> <ul style="list-style-type: none"> – Risk of disruption or breakdown of our operations as a result of external or internal factors and events that may threaten our ability to produce and deliver quality products on a timely basis – Risk of raw material availability and price volatility that may hinder our ability to produce quality products on a timely basis at a competitive price – Cyber security risks that may result in loss or theft of data, or disruption of operations – Risk of not acquiring and retaining the right talents and missing critical competencies – Geopolitical risks, uncertainty and events that may result in business disruption and / or security threats 	<p>Mitigation strategy:</p> <ul style="list-style-type: none"> – The Business Continuity Management (BCM) process enables us to identify and mitigate risks that could affect our business, operations and manufacturing plants – We are committed to protecting our people, processes and assets. The health, safety and security of our employees are our highest priority – We run effective raw material sourcing and supplier risk management processes and tools to prevent supply shortages – We continuously monitor safety stocks and work on single source reduction, including in-house production capabilities for key raw materials – We monitor cyber risks on an ongoing basis. We continuously upgrade our systems and infrastructure and train people to mitigate occurrence and impact of cyber threats – We leverage strong employer branding to attract the best talents. HR practices in place support talent growth, retention and succession planning – We proactively monitor the geopolitical landscape and trade regulations
<p>FINANCIAL RISKS</p>	<p>Firmenich is exposed to usual financial risks, including foreign exchange risk, interest rate risk, credit risk and liquidity risk.</p>	<p>Mitigation strategy:</p> <ul style="list-style-type: none"> – We have Finance Corporate policies in place to drive financial risk management across the group and we monitor their execution centrally – Group Treasury is actively monitoring the foreign currency exposure and implements the hedging strategy – The Credit Committee monitors and manages clients’ financial risk exposure
<p>LEGAL, REGULATORY & COMPLIANCE RISKS</p>	<p>Legal & compliance risks Our international operations are subject to regulatory and compliance risks. Illegal or unethical behaviors, including fraud and corruption, may result in business interruption, financial and reputational damages.</p> <p>Product compliance risks A non-compliant product from a quality or safety standpoint may result in consumer health issues, customer complaints, and product liability claims leading to financial or reputational damages.</p>	<p>Mitigation strategy:</p> <ul style="list-style-type: none"> – Our Fundamentals, the Code of Ethics and the Corporate Policies provide a comprehensive framework to manage legal and compliance risks and we continuously promote best practices and risk awareness – We proactively monitor the regulatory evolution in areas relevant to Firmenich and anticipate business impacts – Our Quality, Health, Safety, and Environment (QHS&E) Principles and Codes aim to provide high product quality and service to clients. We market, produce, distribute and sell products that meet or exceed client requirements and aim to achieve the highest standards of QHS&E performance, starting in product design stage – We have rigorous regulatory and QHS&E processes and systems to ensure product safety and compliance

02 CORPORATE GOVERNANCE

Firmenich Governance Framework	34
Board of Directors	35
Executive Committee	38



We are a private company operating with public company governance standards, with a culture guided by clear values and a long-term vision.

Patrick Firmenich, Chairman of the Board

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 bondholders, 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; and 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)

In accordance with Swiss law, the Articles of Incorporation and the Board Regulations, the duties of the Board of Directors include the overall management of the Company, defining the organization, overseeing risk control, the ultimate supervision of the persons entrusted with managing the company, in particular with regard to compliance with the law, organizing the accounting, financial control and financial planning systems, notification of the court in case of insolvency, verification of the qualifications of the auditors 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 Annual Shareholders' meeting (including the Annual Report) and approves major transactions and investments.

AUDITORS

Audit Firmenich International SA consolidated financial statements and its subsidiaries (the Group) in order to provide opinion on whether consolidated financial statements give a true and fair view in accordance with International Financial Reporting Standards (IFRS), comply with Swiss law and an internal control system exists. Audit Firmenich International SA financial statements in order to provide opinion on whether financial statements comply with Swiss law, the company's articles of incorporation and an internal control system exists.

EXECUTIVE COMMITTEE

Responsible for operational management of Firmenich

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 Taste industry, science-driven organizations, consumer and fast moving goods companies, as well as in environmental, social and

governance (ESG) matters. Together, they have broad international experience.

At the Annual Shareholders' meeting in October 2020, the mandates of Karen Jones Easton and Ajai Puri

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  Michel Firmenich Barbara Kux Ajai Puri 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  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  Antoine Firmenich Michel Firmenich Richard Ridinger 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 Easton	

Meeting attendance FY21

Board meetings/calls held in the year		FARC meetings/calls held in the year		NOM meetings/calls held in the year	
Board Member	Number of Board meetings/calls attended	FARC Member	Number of FARC meetings/calls attended	NOM Member	Number of NOM meetings/calls attended
Pierre Bouchut	9	Pierre Bouchut	5	Michel Firmenich	4
Antoine Firmenich	8	Antoine Firmenich	5	Patrick Firmenich	4
Michel Firmenich	9	Barbara Kux	5	Barbara Kux	4
Patrick Firmenich	9	André Pometta	5	Ajai Puri	4
Karen Jones Easton	9				
Barbara Kux	9				
André Pometta	9				
Ajai Puri	8				
Richard Ridinger	9				
		GCC Meetings/Calls held in the year			
			6		
		GCC Member	Number of GCC meetings/calls attended		
		Antoine Firmenich	6		
		Michel Firmenich	6		
		Karen Jones Easton	6		
		Richard Ridinger	6		

Board Meetings
November 2, 2020 – Antoine Firmenich & Ajai Puri excused
March 25, 2021 (15h00-18h00) – Karen Jones Easton present for the first 2 hours



1. PATRICK FIRMENICH NOM ●
Chairman

Swiss national, born 1962
Board member since 2002
Chairman of the Board since 2016.

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 to 2014. During this time, he maintained 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 the UBS Group SA, Jacobs Holding AG, INSEAD, and the INSEAD World Foundation. He also serves as a member of the Advisory Council of the Swiss Board Institute.

He is the winner of the 2020 EY Entrepreneur of the Year™ Switzerland award for Family Business.

Patrick holds a law degree from the University of Geneva and qualified as a barrister in 1987. He also holds a Master's degree in Business Administration from INSEAD in Fontainebleau.

2. BARBARA KUX NOM+FARC
Vice-Chairman

Swiss national, born 1954
First joined 2008-2011, rejoined 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 Member of the Supervisory Board of Grosvenor Group, Henkel AG & Co. KGaA and LiveKindly Collective. She was also recently appointed a member of the International Advisory Board of Adobe.

She is a 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.

He is a Board Member of Geopost SA (a subsidiary of the French Post Office), Albioma SA (a company specialized in the production of "green" electricity), Entain Plc (a sports betting and gaming group) and Pepco NV (a pan-European retail group).

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

Key:

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

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.

Over the last few years, Antoine has been increasingly involved in climate and sustainability issues, specifically supporting basic research projects on several continents, and driving high impact investment and policy initiatives centered on the long-term health of oceans and coastal ecosystems.

Prior to his current role, Antoine worked at Firmenich in a number of leadership roles within the Flavors division, which included responsibility for the Flavors division Sweet Goods Global Business Unit, its Savory Global Business Unit and for all Encapsulated solutions.

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 (IS) division. He served as Vice President, Head of IS from 2005 until his retirement in 2008.

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 EASTON CBE GCC
Board Member

British national, born 1956
First joined 2011

Karen has over 30 years of experience in creating, developing, and leading hospitality businesses across the U.K. She was previously CEO of Spirit Group Ltd (a 2,500 strong pub group) and Co-Founded the Pelican Group Plc, the owner of several successful restaurant chains.

Karen is Executive Chairman of Prezzo, chairs Hawksmoor (backed by Graphite Capital), Mowgli Street Food (backed by Foresight Group) and Frontier Pubs (a JV with Ei Group/Stonegate Pubs). She was appointed as Commissioner for The Crown Estate in 2020 and recently joined the Board of online food delivery company, Deliveroo Plc.

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 and where she is now Chancellor. 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.

Today, André works exclusively on innovative projects with investors, successful entrepreneurs, and executives. He advises and supports businesses and start-ups in the fields of social integration, clean tech, animal health and affordable tourism.

Prior to working independently, André was a member of Firmenich's Flavour Executive Team until 2013 and was appointed President of Firmenich China in 2008. He played an active role in the restructuring of the division, building a culture of customer & consumer centrality, and was instrumental in establishing China as its own independent region within the organization.

André joined Firmenich in 1997 in the Fragrance division. He spent most of his career working for customers in China, Southeast Asia, Eastern Europe and the Middle East, where he successfully led and implemented strategies that delivered significant growth with local customers in emerging markets. André started his career in the Philippines working more than four years for the Zuellig Group where he held various positions in sales, marketing and operations.

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, Ajai had a long career at The Minute Maid Company / The Coca-Cola Company in the U.S. During this 22 year period, he held various positions of global scope including that of Senior Vice President Technical (Science and Technology).

Ajai holds non-executive directorships at Britannia Industries Ltd, one of India's largest independent food groups, Olam International, a leading global food and agri-business and at IMI Plc, a specialist engineering group. His previous board mandates include non-executive directorships with Nutreco NV, Barry Callebaut AG and Tate & Lyle Plc.

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 Chairman of the Board of Recipharm AB, Chairman of the Advisory Committee of Zentiva, Board Member of Evolva Holding AG and SHL Medical AG, Member of the Advisory Group of NOVO Holding and member of the Supervisory Board of Brenntag AG.

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



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, exemplified by a Nobel Prize, 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, during 21 years with Diageo, the premium drinks company. He led the Diageo businesses across four continents: Africa, Asia Pacific, the United States and Europe. Gilbert holds a Master's Degree in Business Administration from Saint Joseph University, Lebanon and completed Harvard Business School's Advanced Management Program.



ILARIA RESTA
President Perfumery

Ilaria Resta was named President, Global Perfumery in March 2020, and is transforming our Fine Fragrance and Consumer Fragrances business. Ilaria is leading organizational change and pioneering digital innovation to take on new markets, augment creative excellence, and drive sales for winning performance with our customers. 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. She 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. Ilaria holds a Bachelor's degree in Marketing and Economics from the University of Naples and a Master's in Financial Mathematics.



BOET BRINKGREVE
President, Ingredients

Boet Brinkgreve has a track record of driving strategic growth and transformation 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 Procurement, 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, in private equity and ran various start-ups. Boet holds a Bachelor's degree in Mechanical Engineering from HTS Den Bosch, and an Executive MBA from INSEAD.



BENOIT FOUILLAND
Chief Financial Officer

Benoit joined Firmenich as Chief Financial Officer in September 2020. He is responsible for leading the Company's global finance organization and serves as Secretary of the Finance, Audit & Risk Committee of the Board of Directors. Benoit brings extensive experience of building and leading finance organizations at global technology companies, including Business Objects, SAP and Criteo. In his most recent role as Criteo's CFO he had a pivotal role in scaling the company through rapid growth and leading its highly successful NASDAQ IPO. He is passionate about developing finance excellence to maximize company performance and enable sustainable business success. Benoit holds a Master's in Management from the ESLSCA Graduate School of Business in Paris, a Master's degree in Finance from Dauphine University in Paris and an MBA from INSEAD.

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.



EMMANUEL BUTSTRAEN

President Taste & Beyond

Emmanuel Butstraen joined Firmenich in 2018 and has been driving the transformation to become the global innovation partner of choice in taste and beyond, 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 reduction, to plant proteins, clean label offerings and functional nutrition solutions. Prior to Firmenich, Emmanuel was President of Solvay's Novicare 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.



SARAH REISINGER

Chief Research Officer
(Since July 1, 2021)

Dr. Sarah Reisinger, Chief Research Officer, is driving Firmenich towards new frontiers of scientific excellence, building on the Group's legacy of industry-leading innovation. She is committed to embracing new technology to deliver breakthrough solutions in our fast-changing world, harnessing the Research & Development team's multidisciplinary and global approach. Dr. Reisinger combines an extensive background in biotechnology with a strong track record in ingredients and technology development for the consumer goods industry. Prior to joining Firmenich in 2018 as VP Biotechnology and Process Engineering, she held pivotal roles at Ginkgo Bioworks, Intrexon and Amyris, after starting her career in the field of biology and cancer therapeutics. Dr. Reisinger holds a B.S. in Biology from Harvey Mudd College, US, as well as an M.S. in Plant Biology and a Ph.D. in Microbiology from the University of California, Berkeley.



GENEVIÈVE BERGER

Chief Research Officer
(Until June 30, 2021)

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, Dr. Berger is passionate about improving quality of life through science. Prior to Firmenich, her experience has spanned 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. Dr. Berger retired from the Executive Committee on June 30, 2021, and is staying on as an advisor to the CEO until December 31, 2021.



MIEKE VAN DE CAPELLE

Chief Human Resources Officer

Mieke Van de Capelle joined Firmenich as Chief Human Resources 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, and is the Secretary of the Governance and Compensation Committee of the Board of Directors. 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, a Diploma in Business Administration and Management, and a Diploma in Organizational Leadership from IMD Business School.



ERIC NICOLAS

Chief Operating Officer

Eric Nicolas oversees Corporate Strategy & M&A, Digitalization and Information Services, Business Process Excellence, Global Workplace Solutions, and Supply Chain. 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. Eric holds a Master's in Econometrics from the University of Paris 1 Panthéon-Sorbonne, a Doctorate in Economy and Organizational Sciences, a Master's in Finance from HEC in Paris, and has successfully completed the International Directors Program at INSEAD.



JANE SINCLAIR

General Counsel

Jane Sinclair leads the governance functions of the company and brings over 30 years of international experience in FMCG, pharmaceuticals and research companies. With extensive experience in emerging and mature markets, Jane is committed to building trust to last by conducting responsible business for present and future generations. In addition to being the General Counsel, Jane leads the Legal & Compliance functions across our worldwide operations with direct oversight of Legal; Intellectual Property; Quality, Health, Safety & Environment; Regulatory; Business Ethics and Trade Compliance. With her commitment to responsible business, the company's leadership 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, Geneva and The Coca-Cola Company. Jane holds an LL.B. in Asian Studies and Law from the Australian National University, an MBA in Business Administration and Management from Deakin University, and successfully completed the INSEAD International Directors Program.

03 FINANCIAL STATEMENTS

Consolidated Financial Statements	42
Notes to the Consolidated Financial Statements	47
Report on the Audit of the Consolidated Financial Statements	90
Financial Statements of Firmenich International SA	95
Notes to the financial statements of Firmenich International SA	97
Report on the Audit of the Financial Statements	104



CONSOLIDATED INCOME STATEMENT

For the year ended June 30

In millions of CHF	Notes	2021	2020
Revenue	27	4 272.1	3 877.6
Cost of goods sold	20/21	(2 513.2)	(2 149.2)
Gross profit		1 758.9	1 728.4
<i>as % of revenue</i>		41.2%	44.6%
Distribution expenses	20/21	(121.5)	(91.9)
Research and development expenses	20/21	(397.7)	(366.5)
Commercial and marketing expenses	20/21	(448.2)	(378.7)
Administration expenses	20/21	(276.3)	(283.9)
Other operating income	20	79.2	15.2
Operating profit		594.4	622.6
<i>as % of revenue</i>		13.9%	16.1%
Financing costs	22	(48.4)	(36.6)
Net other financial expenses	23	(18.9)	(53.1)
Remeasurement to fair value of pre-existing interest in an acquiree		-	30.1
Share of profit / (loss) of jointly controlled entities and associates, net of taxes	6	5.7	(3.9)
Income before taxes		532.8	559.1
Income tax expense	24	(79.6)	(96.9)
Net income for the period		453.2	462.2
Attributable to:			
Non-controlling interests	14	3.8	2.0
Equity holders of the parent		449.4	460.2
<i>as % of revenue</i>		10.5%	11.9%
Basic and diluted earnings per A share (in CHF)	13	554.88	568.11
Basic and diluted earnings per B share (in CHF)	13	55.49	56.81

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended June 30

In millions of CHF	Notes	2021	2020
Net income for the period		453.2	462.2
Items that may be reclassified subsequently to the income statement			
Exchange differences on translating foreign operations		(44.1)	(104.6)
Exchange differences on translating foreign operations in jointly controlled entities and associates		(6.6)	(13.3)
Items that will not be reclassified to the income statement			
Remeasurement of employee benefit obligations	15	246.1	(101.3)
Equity investments at fair value through other comprehensive income		153.8	7.4
Related tax on remeasurement of employee benefit obligations	24	(38.3)	15.9
Related tax on equity investments at fair value through other comprehensive income	24	(21.6)	(1.0)
Total other comprehensive income for the period, net of tax		289.3	(196.9)
Total comprehensive income for the period		742.5	265.3
Attributable to:			
Non-controlling interests	14	3.4	0.6
Equity holders of the parent		739.1	264.7

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at June 30

In millions of CHF	Notes	2021	2020
Assets			
Goodwill and intangible assets	3	2 888.4	2 805.7
Property, plant and equipment	4	1 635.0	1 555.3
Financial investments and loans	5/25	686.1	577.5
Investments in jointly controlled entities and associates	6	146.3	71.6
Deferred tax assets	24	116.5	122.3
Total non-current assets		5 472.3	5 132.4
Inventories	7	896.1	857.8
Trade accounts receivable	8/25	958.2	878.4
Other receivables and prepaid expenses	9	145.3	160.5
Derivative financial instruments assets	10/25	1.8	9.4
Current income tax assets		59.2	78.9
Financial investments	11/25	223.2	123.3
Cash and cash equivalents	25	571.4	704.7
Total current assets		2 855.2	2 813.0
Total assets		8 327.5	7 945.4
Equity and liabilities			
Share capital	12	40.5	40.5
Retained earnings and other reserves		4 755.5	4 384.3
Remeasurement of employee benefit obligations		(244.8)	(461.4)
Translation of foreign operations		(527.6)	(486.0)
Equity attributable to equity holders of the parent		4 023.6	3 477.4
Non-controlling interests	14	44.9	45.0
Total equity		4 068.5	3 522.4
Employee benefit obligations	15	463.0	706.5
Provisions	16	12.7	19.0
Deferred tax liabilities	24	301.8	268.3
Long-term borrowings	17/25	2 287.5	2 249.0
Redemption liabilities	18	77.4	50.0
Other debt	18	18.1	18.9
Total non-current liabilities		3 160.5	3 311.7
Trade accounts payable	25	354.1	309.5
Other payables and accrued expenses	19	529.4	488.8
Derivative financial instruments liabilities	10/25	6.5	75.7
Employee benefit obligations	15	18.2	6.7
Provisions	16	11.5	5.8
Current income tax liabilities		80.8	73.7
Short-term borrowings	17/25	98.0	151.1
Total current liabilities		1 098.5	1 111.3
Total liabilities		4 259.0	4 423.0
Total equity and liabilities		8 327.5	7 945.4

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

In millions of CHF	Share capital	Retained earnings and other reserves	Remeasurement of employee benefit obligations	Fair value reserve	Translation of foreign operations	Attributable to equity holders of the parent	Non-controlling interests (*)	Total Equity
Balance as at July 1, 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
Changes in non-controlling interests		(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
Balance as at July 1, 2020	40.5	4 377.8	(461.4)	6.5	(486.0)	3 477.4	45.0	3 522.4
Net income for the period		449.4				449.4	3.8	453.2
Other comprehensive income for the period		(17.5)	216.6	132.2	(41.6)	289.7	(0.4)	289.3
Total comprehensive income for the period		431.9	216.6	132.2	(41.6)	739.1	3.4	742.5
Dividends		(180.2)				(180.2)	(1.5)	(181.7)
Remuneration on deeply subordinated fixed rate resettable perpetual notes (note 12)		(7.6)				(7.6)		(7.6)
Changes in non-controlling interests		(5.1)				(5.1)	(2.0)	(7.1)
Net change in other equity items		(192.9)				(192.9)	(3.5)	(196.4)
Balance as at June 30, 2021	40.5	4 616.8	(244.8)	138.7	(527.6)	4 023.6	44.9	4 068.5

(*) Refer to note 14

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended June 30

In millions of CHF	Notes	2021	2020
Cash flows from operating activities			
Net income for the period		453.2	462.2
Income tax expense	24	79.6	96.9
Income before taxes		532.8	559.1
Depreciation of property, plant and equipment	4/20	170.8	129.9
Amortization of intangible assets	3/20	102.6	68.3
Impairment losses on property, plant and equipment	4/20	5.8	1.7
Changes in provisions and employee benefits		41.9	(27.0)
Other non cash items		(53.7)	38.1
Net interests		44.4	32.7
Share of (profit) / loss of jointly controlled entities and associates	6	(5.7)	3.9
Adjustment for non-cash items		306.1	247.6
Changes in inventories		(37.6)	(50.2)
Changes in trade and other receivables		(44.9)	(24.4)
Changes in trade and other payables		72.5	38.7
Changes in working capital		(10.0)	(35.9)
Interests paid		(39.5)	(33.7)
Income tax paid		(96.1)	(95.2)
Cash flows from operating activities		693.3	641.9
Cash flows used in investing activities			
Purchase of property, plant and equipment	4/27	(185.7)	(157.6)
Purchase of intangible assets	3/27	(38.1)	(33.9)
Disposal of intangible assets, property, plant and equipment		41.8	4.1
Net investments		(182.0)	(187.4)
Acquisition of businesses (net of cash)	2	(123.8)	(1 815.3)
Acquisition of jointly controlled entities and associates (net of cash)	6	(65.6)	-
Acquisition of short-term financial investments		(103.8)	(56.0)
Proceeds / (acquisition) of long-term financial investments		1.8	(391.1)
Interests received		4.0	3.9
Dividend received from jointly controlled entities and associates	6	3.0	3.1
Cash flows used in investing activities		(466.4)	(2 442.8)
Cash flows (used in) / from financing activities			
Proceeds from borrowings	17	41.8	2 957.2
Repayments of borrowings	17	(135.5)	(1 356.3)
Proceeds from deeply subordinated fixed rate resettable perpetual notes		-	793.0
Payment of lease liabilities	17	(46.4)	(35.1)
Payment of redemption liability and other debt		(29.7)	(0.9)
Remuneration on deeply subordinated fixed rate resettable perpetual notes		(7.6)	-
Dividend payment to equity holders of the parent		(180.2)	(210.6)
Acquisition of non-controlling interests	14	-	(7.1)
Dividend paid to non-controlling interests	14	(1.5)	(0.9)
Cash flows (used in) / from financing activities		(359.1)	2 139.3
Net (decrease) / increase in cash and cash equivalents		(132.2)	338.4
Cash and cash equivalents			
Cash and cash equivalents at beginning of period		704.7	376.4
Net effect of currency translation on cash and cash equivalents		(1.1)	(10.1)
Cash and cash equivalents at end of period		571.4	704.7
Cash and cash equivalents variation		(132.2)	338.4

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Accounting information and policies

Firmenich Group

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

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

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 33.

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

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 5, 2021. They are subject to the approval by the Annual General Meeting on October 5, 2021.

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

Critical accounting estimates and judgments

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

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

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

a) Impairment of goodwill

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

These calculations require the use of estimates (refer to note 3).

b) Pensions and other post-employment benefits

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

Diego Chantrain (Invicomm), 26/07-21 21:23
Not needed (function already fulfilled by the header above).

Changes in significant accounting policies

The accounting policies adopted are consistent with those of the annual financial statements for the year ended June 30, 2020, as described in the 2020 consolidated financial statements with the exception of the adoption as of July 1, 2020, of the standards and interpretations described below.

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

Amendments to IFRS 3, Definition of a Business, clarifies whether a transaction results in an asset or a business acquisition. The amendments include an election to use a concentration test. This is a simplified assessment that results in an asset acquisition if substantially all of the fair value of the gross assets is concentrated in a single identifiable asset or a group of similar identifiable assets.

Amendments to IFRS 9, IAS 39 and IFRS 7, Interest Rate Benchmark Reform, provide temporary relief from applying specific hedge accounting requirements to hedging relationships directly affected by inter-bank offered rate (IBOR) reform. The reliefs have the effect that IBOR reform should not generally cause hedge accounting to terminate.

Amendments to IAS 1 and IAS 8, Definition of Material, refine the definition of the concept of materiality to align it across IFRS standards and the Conceptual Framework.

Amendment to IFRS 16, COVID-19-Related Rent Concessions, provides practical relief for lessees in accounting for rent concessions by introducing an optional practical expedient under which lessees are not required to assess whether eligible rent concessions are lease modifications, and instead are permitted to account for them as if they were not lease modifications.

Amendments to References to Conceptual Framework in IFRS Standards, have implications for how and when assets and liabilities are recognized and derecognized in the financial statements.

Standards issued but not yet effective

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

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

Group significant accounting policies

Principles of consolidation

I. Business combinations

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

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

II. Subsidiaries

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

III. Non-controlling interests (NCI)

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

IV. Loss of control

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

V. Interests in joint ventures and associates

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

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

VI. Transactions eliminated on consolidation

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

Foreign currencies

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

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated into CHF at the exchange rates ruling at the year-end. The income statement accounts are translated into CHF at the exchange rates at the dates of the transactions. Foreign currency differences are recognized in OCI and accumulated in the translation reserve, except to the extent that the translation difference is allocated to NCI. Statement of cash flows are translated into CHF by applying to the foreign currency amount 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 Net other financial expenses, including the effects of forward contracts, except for transactions qualified as net investment in a foreign operation. Exchange gains and losses arising on such transactions are recognized in other comprehensive income.

Revenue

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

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

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

2. Business combinations

2.1 Businesses acquired

2.1.a Business acquired in 2021

Business acquired	Cash generating unit	Date of acquisition
MG International	Perfumery	July 1, 2020

On July 1, 2020, the Group acquired 69% of Gülçiçek Kimya ve Uçan Yağlar Sanayive Ticaret A.S. (MG International) for a purchase price of CHF 125.3. MG International is a leading middle-market Fragrance company based in Turkey with an extensive reach across its broader region. The Group also entered into a forward agreement to acquire the remaining interests in MG International of 18% in March 2021 and of 13% in January 2023 respectively. A redemption liability of CHF 54.3 has been recognized for the purchase of the remaining shares (refer to note 18). The contract is accounted for as an anticipated acquisition of the underlying non-controlling interests. Therefore, the redemption liability is included in the purchase consideration and consequently no non-controlling interest is recognized.

Since acquisition date, MG International contributed CHF 58.9 to revenue and CHF 9.2 to net income. The identifiable assets and liabilities are recorded at fair value at the date of acquisition. The resulting goodwill of CHF 55.7 is attributable to the revenue growth and synergies expected to be achieved by developing the Group's presence in the Middle East. Transaction costs of CHF 3.1 have been expensed (included in Administration expenses) and are part of the Cash flows from operating activities. The goodwill is not deductible for tax purpose.

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

2.1.b Businesses acquired in 2020

Businesses acquired	Cash generating units	Date of acquisition
VKL Seasoning Private Ltd ^(*)	Taste & Beyond	July 31, 2019
Evonik CO ₂ extraction ^(**)	Perfumery & Ingredients	October 31, 2019
Les Dérivés Résiniques et Terpéniques group (DRT) ^(***)	Perfumery & Ingredients	May 28, 2020

(*) Firmenich initially acquired 60% of the shares and voting interests of VKL Seasoning Private Ltd (VKL). Founded in 1996, VKL is recognized for its strong understanding of taste and its leading reputation in India.

(**) 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. Firmenich acquired the entire CO₂ extraction business.

(***) Les Dérivés Résiniques et Terpéniques (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 enables the Group to create fragrances with a higher content of in-house specialties and, at the same time, a renewable profile. It also brings new capabilities in health & nutrition, cosmetics, as well as new markets, including adhesives, coatings and agriculture. Firmenich acquired 100% of the DRT group.

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

2.2 Assets and liabilities recognized at the date of acquisition

2.2.a Assets and liabilities recognized at date of acquisition in 2021

In millions of CHF	MG International
Non-current assets	
Intangible assets	86.2
Property, plant and equipment	35.7
Current assets	
Cash and cash equivalents	1.5
Inventories	15.5
Trade accounts receivable	21.9
Other receivables and prepaid expenses	3.0
Non-current liabilities	
Deferred tax liabilities	(19.5)
Long-term borrowings	(0.5)
Current liabilities	
Trade accounts payable	(5.1)
Other payables and accrued expenses ^(*)	(2.9)
Short-term borrowings	(11.9)
Total identifiable net assets attributable to the Group	123.9
Goodwill arising on acquisition ^(*)	55.7
Consideration transferred	179.6
Less redemption liability (note 18)	(54.3)
Purchase price paid	125.3

^(*) With information obtained in the measurement period about MG International's tax position, an adjustment of CHF 1.9 was made on current income tax liability, increasing goodwill to CHF 55.7.

2.2.b 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	-	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	(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

2.3 Cash flow on acquisitions

2.3.a Cash flow on acquisitions in 2021

In millions of CHF	MG International
Purchase price paid	(125.3)
Cash and cash equivalents acquired	1.5
Net cash outflow	(123.8)

2.3.b 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)

3. Goodwill and intangible assets

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

Amortization of intangible assets

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

Customer base	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 to determine whether there is an indication of impairment. If any such indication exists, then the assets' recoverable amount are estimated. Goodwill is tested annually for impairment.

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

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

An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount.

Goodwill

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

In millions of CHF	2021	2020
CASH GENERATING UNITS		
Perfumery & Ingredients ^(*)	1 103.7	1 071.5
Perfumery	42.9	-
Consumer fragrance (formerly 'Perfumery functional')	241.3	248.0
Taste & Beyond (formerly 'Flavor')	554.7	552.8
Total goodwill	1 942.6	1 872.3

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

^(*) The goodwill allocated to the Ingredients CGU in 2020 (CHF 10.6) was reclassified to Perfumery & Ingredients CGU.

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. A pre-tax discount rate of 7.6% was applied to cash-flow projections for the Perfumery & Ingredients, Perfumery and Consumer fragrance CGUs, and 6.8% for the Taste & Beyond CGU.

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

No impairment loss resulted from the impairment tests for goodwill.

Customer base

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

Technology and formulas

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

Brands and trademarks

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

Software and other

Software

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

Patents, licenses

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

Research and development

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

Development in progress

Development in progress consists of development expenses with external partners for a new selling platform CHF 9.1 (2020 : CHF 0.0), a digital platform for Perfumery fragrance development managers, oral care specialists and Taste & Beyond application teams CHF 1.7 (2020 : CHF 0.0), a tool for mass reformula and molecules development (Amiris Inc) CHF 1.4 (2020: CHF 9.5) and various other projects including software developments CHF 32.3 (2020: CHF 30.5).

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

In millions of CHF	Goodwill	Customer base	Technology and formulas	Brands and trademarks	Software and other	Development in progress	Total
COST							
Opening balance 2020	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	-	-	-	-	(0.4)	(0.2)	(0.6)
Transfers ^(*)	-	-	0.3	-	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)	(2.0)	0.1	(53.0)
Closing balance 2020	1 872.3	680.8	440.6	116.4	482.6	40.0	3 632.7
Additions	-	-	-	-	0.8	37.3	38.1
Disposals	-	-	-	-	(0.6)	(0.4)	(1.0)
Transfers ^(*)	-	(1.1)	9.3	1.5	24.3	(32.4)	1.6
Acquisition of businesses	55.7	34.5	26.5	23.2	2.0	-	141.9
Currency translation adjustment	14.6	(2.6)	(6.1)	(4.6)	0.3	-	1.6
Closing balance 2021	1 942.6	711.6	470.3	136.5	509.4	44.5	3 814.9
ACCUMULATED AMORTIZATION							
Opening balance 2020		157.0	217.8	12.4	375.3		762.5
Charge of the year		23.0	15.5	6.8	23.0		68.3
Disposals		-	-	-	(0.2)		(0.2)
Transfers ^(*)		1.9	-	-	(1.9)		-
Currency translation adjustment		(1.1)	(0.6)	(0.6)	(1.3)		(3.6)
Closing balance 2020		180.8	232.7	18.6	394.9		827.0
Charge of the year		38.7	24.8	11.1	28.0		102.6
Disposals		-	-	-	(0.6)		(0.6)
Transfers ^(*)		0.8	(0.4)	(0.1)	(1.9)		(1.6)
Currency translation adjustment		(0.3)	(0.1)	(0.3)	(0.2)		(0.9)
Closing balance 2021		220.0	257.0	29.3	420.2		926.5
NET BOOK VALUE							
Closing balance 2020	1 872.3	500.0	207.9	97.8	87.7	40.0	2 805.7
Closing balance 2021	1 942.6	491.6	213.3	107.2	89.2	44.5	2 888.4

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

4. Property, plant and equipment

In millions of CHF	Land	Buildings and infrastructure	Equipment	Construction in progress	Total
Acquired property, plant and equipment	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

In millions of CHF	Land	Buildings and infrastructure	Equipment	Construction in progress	Total
Acquired property, plant and equipment	71.3	583.6	597.9	206.2	1 459.0
Right-of-use of assets	2.3	137.9	35.8	-	176.0
Closing balance 2021	73.6	721.5	633.7	206.2	1 635.0

Acquired property, plant and equipment

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

Impairment

At each reporting date, the Group reviews the carrying amounts of its property, plant and equipment to determine whether there is an indication of impairment. If any such indication exists, then the assets' recoverable amount are 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 land, buildings, infrastructure and equipment are determined by reference to their carrying amount and are recognized in the income statement.

In millions of CHF	Land	Buildings and infrastructure	Equipment	Construction in progress	Total
COST					
Opening balance 2020	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
Additions ^(*)	0.2	4.5	12.5	169.3	186.5
Disposals	(11.1)	(138.5)	(42.8)	(0.3)	(192.7)
Transfers ^(***)	(7.3)	73.7	104.6	(175.1)	(4.1)
Acquisition of businesses	9.4	17.6	7.7	0.1	34.8
Currency translation adjustment	(3.5)	(1.1)	5.1	0.2	0.7
Closing balance 2021	71.3	1 273.5	1 578.2	206.2	3 129.2
ACCUMULATED DEPRECIATION					
Opening balance 2020		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
Charge of the year ^(**)		42.4	83.9		126.3
Impairment losses		0.9	3.3		4.2
Disposals		(126.6)	(42.6)		(169.2)
Transfers ^(***)		(1.5)	0.5		(1.0)
Currency translation adjustment		(0.3)	0.6		0.3
Closing balance 2021		689.9	980.3		1 670.2

(*) Additions of Property, plant and equipment exclude the government grants received of CHF -0.8 (2020: CHF -0.6).

(**) Depreciation charge of the year for Property, plant and equipment exclude the release of government grants of CHF -2.3 (2020: CHF -2.1).

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

The sale of the site located in La Jonction (Geneva, Switzerland) was completed and transfer of ownership to the buyer occurred on February 1, 2021. Of the total proceeds of CHF 70.0, cash inflows for the year amounts to CHF 42.0, CHF 7.0 were already received in December 2016 and CHF 21.0 will be received in 2023. The transaction results in a capital gain of CHF 48.0 recorded under Other operating income (refer to note 20).

Right-of-use assets

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

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

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

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

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

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

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

In millions of CHF	Land	Buildings and infrastructure	Equipment	Total
COST				
Opening balance 2020	3.0	157.5	25.4	185.9
Additions	-	9.5	7.3	16.8
Derecognition	-	(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
Additions	-	44.6	24.3	68.9
Derecognition	(0.3)	(13.6)	(5.4)	(19.3)
Acquisition of businesses	0.1	0.1	0.7	0.9
Currency translation adjustment	(0.1)	3.7	0.7	4.3
Closing balance 2021	2.6	182.8	60.3	245.7
ACCUMULATED DEPRECIATION				
Opening balance 2020	-	-	-	-
Charge of the year	0.2	29.0	9.4	38.6
Derecognition	-	(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
Charge of the year	0.2	27.5	19.1	46.8
Impairment losses	-	1.6	-	1.6
Derecognition	(0.1)	(6.6)	(3.1)	(9.8)
Currency translation adjustment	-	0.7	0.4	1.1
Closing balance 2021	0.3	44.9	24.5	69.7

5. Financial long-term investments and loans

In millions of CHF	2021	2020
Equity instruments at fair value through OCI	556.4	475.9
Financial assets at fair value through income statement	73.3	68.1
Loans at amortized cost	56.4	33.5
Land use rights	13.5	12.1
Other loans and receivables	34.5	11.3
Loans to related parties	7.3	8.9
Loans to personnel	1.1	1.2
Financial long-term investments and loans	686.1	577.5

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

Equity instruments at fair value through OCI

The Group owns 21.8% of Robertet SA's share interests, representing circa 11% of voting rights. 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).

During the year, the Group received a net dividend income of CHF 1.9 (2020: CHF 0.0) from this investment.

Financial assets at fair value through income statement

Long-term financial investments held at fair value through income statement include funds in relation with a deferred compensation scheme of CHF 53.5 (2020: CHF 47.3) that are restricted to employee benefits use only. Assets are invested mainly in various mutual funds to cover the company's obligations under deferred compensation arrangements (also refer to note 15). They mainly consist of insurance policy and deposits covering employee benefits.

Loans at amortized cost

Other loans and receivables mainly consist of the long-term receivable of CHF 21.0 due to the sale of La Jonction site in Geneva (refer to note 4).

Loans to related parties mainly consist of a long-term financing granted to Prolitec Inc of CHF 6.0 (2020: CHF 6.1).

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 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.

In February 2021, the Group increased its ownership in ArtSci Biology Technologies Co Ltd (ArtSci) from 24.99% to 49.99% for a price of CHF 65.6. ArtSci remains an associate.

The liquidation of Negev Aroma (Ramat Hovav) Ltd initiated in May 2017 was completed in January 2021.

In millions of CHF	ArtSci Biology Technologies Co Ltd.	Biomass Energy Solutions VSG SAS	Jasmine Concrete Exports Private Ltd	The Nelixia Company SA	Other (*)	Total
MOVEMENT IN ASSOCIATES AND JOINT VENTURES						
Opening balance 2020	48.9	-	8.3	8.9	13.1	79.2
Acquisition	-	13.0	-	-	-	13.0
Share of profit / (loss)	3.3	-	(0.4)	(0.1)	0.7	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)	-	(0.9)	0.2	(0.4)	(3.8)
Closing balance 2020	46.7	13.0	7.0	1.6	3.3	71.6
Acquisition	65.6	-	-	-	-	65.6
Share of profit / (loss)	4.4	0.9	(0.1)	0.7	(0.2)	5.7
Dividend paid	(3.0)	-	-	-	-	(3.0)
Currency translation adjustment	6.0	0.4	(0.1)	0.2	(0.1)	6.4
Closing balance 2021	119.7	14.3	6.8	2.5	3.0	146.3

(*) In 2021, Prolitec Inc, InnovAroma SA, Novali A.S. and Kalsangi Pte. Ltd are included under Other.

In 2020, Fider SA, Prolitec Inc, InnovAroma SA, Negev Aroma Ltd, Novali A.S. and Kalsangi Pte. Ltd are included under Other.

The jointly controlled entities 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	2021	2020
INVENTORY SPLIT BY CATEGORY		
Raw material and supplies	301.8	282.0
Work in progress	366.3	341.1
Finished goods	266.6	259.2
Allowance for slow-moving and obsolete inventories	(38.6)	(24.5)
Total inventories	896.1	857.8

In millions of CHF	2021	2020
MOVEMENT IN INVENTORY ALLOWANCE		
Opening balance	(24.5)	(20.7)
Increase in allowance	(57.7)	(38.1)
Use and reversal of allowance	43.8	32.7
Currency translation adjustment	(0.2)	1.6
Closing balance	(38.6)	(24.5)

Total inventory losses for the year ended June 30, 2021 reached CHF 40.7 (2020: CHF 33.7) 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	2021	2020
Trade accounts receivable (gross)	969.1	885.8
Allowance for doubtful debts	(10.9)	(7.4)
Total trade accounts receivable	958.2	878.4

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

In millions of CHF	2021	2020
AGEING OF PAST DUE BUT NOT IMPAIRED		
Neither past due nor impaired	924.2	827.2
Less than 30 days	30.9	40.5
30 to 60 days	6.0	8.9
60 to 90 days	3.1	4.1
More than 90 days	4.9	5.1
Less allowance for doubtful debts	(10.9)	(7.4)
Total trade accounts receivable	958.2	878.4

In millions of CHF	2021	2020
MOVEMENT IN LOSS ALLOWANCE FOR IMPAIRMENT		
Opening balance	(7.4)	(8.0)
Increase in allowance for impairment	(22.3)	(48.5)
Reversal of allowance for impairment	17.3	45.5
Use of allowance for impairment	1.5	2.5
Currency translation adjustment	-	1.1
Closing balance	(10.9)	(7.4)

Total trade accounts receivable written-off for the year ended June 30, 2021 are CHF 1.7 (2020: CHF 2.5).

9. Other receivables and prepaid expenses

In millions of CHF	2021	2020
VAT receivables	71.1	61.7
Other receivables and accrued income	43.5	64.2
Prepaid expenses	30.7	34.6
Total other receivables and prepaid expenses	145.3	160.5

10. Derivative financial instruments

In millions of CHF	2021		2020	
	Assets	Liabilities	Assets	Liabilities
Fair value				
Forward exchange contracts	1.3	5.3	8.8	1.8
Currency options	0.5	1.2	0.6	0.7
Other option arising from financial derivatives	-	-	-	73.2
Total derivative financial instruments	1.8	6.5	9.4	75.7

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

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

11. Financial short-term investments

In millions of CHF	2021	2020
Fixed term deposits over 48 hours	220.8	118.1
Bonds and debentures	-	2.2
Equity securities	2.4	2.8
Hedge funds	-	0.2
Financial investments	223.2	123.3

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

There are no restrictions on marketable securities.

In millions of CHF	2021	2020
FINANCIAL INVESTMENTS SPLIT BY CURRENCIES		
CHF	150.0	78.6
USD	38.6	1.6
CNY	1.0	7.0
INR	26.1	34.3
Other	7.5	1.8
Total	223.2	123.3

12. Share capital and retained earnings

	2021	2020
Registered A shares		
Number	729 000	729 000
Nominal value (in CHF)	50.0	50.0
Total A shares (in millions of CHF)	36.45	36.45
Registered B shares		
Number	810 000	810 000
Nominal value (in CHF)	5.0	5.0
Total B shares (in millions of CHF)	4.05	4.05
Share capital (in millions of CHF)	40.5	40.5

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

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

Deeply subordinated fixed rate resettable perpetual notes

Firmenich International SA issued EUR 750.0 (CHF 794.5) deeply subordinated fixed rate resettable perpetual notes on June 3, 2020 with a coupon of 3.75% payable annually at the sole discretion of the issuer until the first reset date i.e. September 3, 2025. Thereafter, the interest rate is reset every 5 years. As of June 30, 2021 the remuneration on the deeply subordinated fixed rate resettable perpetual notes amounts to CHF 7.6.

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)	2021	2020
Net income attributable to Firmenich International SA	449.4	460.2
A shares part of share capital in %	90.0%	90.0%
A shares part of net income from ordinary activities	404.5	414.2
B shares part of share capital in %	10.0%	10.0%
B shares part of net income from ordinary activities	44.9	46.0
Earnings per A share (in CHF)	554.88	568.11
Earnings per B share (in CHF)	55.49	56.81

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

Dividend distribution

At the General meeting held in October 2020, a distribution on financial year 2020 net income of CHF 222.5 gross per A share and CHF 22.25 gross per B share was approved (October 2019: CHF 260.0 per A share and CHF 26.0 per B share).

This year the Board proposes a dividend of CHF 309.0 gross per A share, which includes the 10% preferential dividend, and CHF 30.9 gross per B share.

14. Non-controlling interests

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

In millions of CHF	DRT Anthea Aroma Chemicals Pvt. Ltd	PT Firmenich Indonesia	VKL Seasoning Private Ltd	Kunming Firmenich Aromatics Co. Ltd.	Essex Laboratories LLC	Other	Total
MOVEMENT IN NON-CONTROLLING INTERESTS							
Opening balance 2020	-	7.4	-	5.2	4.3	2.7	19.5
Share of profit / (loss)	-	1.8	(0.5)	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	-	(0.4)	(0.8)	(0.3)	(0.1)	0.1	(1.4)
Closing balance 2020	20.8	8.2	6.4	5.1	4.5	-	45.0
Share of profit / (loss)	2.6	1.3	(1.0)	0.2	0.5	0.2	3.8
Dividends	(0.7)	(0.5)	-	(0.1)	(0.2)	-	(1.5)
Other movements	(3.4)	-	-	-	-	1.4	(2.0)
Currency translation adjustment	0.1	(0.4)	(0.1)	0.2	(0.1)	(0.1)	(0.4)
Closing balance 2021	19.4	8.6	5.3	5.4	4.7	1.5	44.9

15. Employee benefit obligations

In millions of CHF	2021	2020
Non-current employee benefit obligations		
Pension plans and other post-employment benefit obligations	377.3	634.3
Other employee benefits	85.7	72.2
Total non-current employee benefit obligations	463.0	706.5
Current employee benefit obligations		
Other employee benefits	18.2	6.7
Total current employee benefit obligations	18.2	6.7

15.1 Pension plans and other post-employment benefit obligations

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

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

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

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

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

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

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

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

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

15.1.a Defined benefit pension plans

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

15.1.b Other post-employment benefits

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

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

In millions of CHF	2021	2020
OBLIGATIONS		
Defined benefit pensions	250.3	501.3
Other post-employment benefits	127.0	133.0
Liability in statement of financial position	377.3	634.3
INCOME STATEMENT CHARGES		
Defined benefit pensions	56.4	52.2
Other post-employment benefits	6.0	6.7
Total included in income statement	62.4	58.9
REMEASUREMENT		
Defined benefit pensions	(239.0)	91.9
Other post-employment benefits	(7.1)	9.4
Total remeasurement included in other comprehensive income	(246.1)	101.3

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

During the financial year, expenses related to defined contribution plans recognized in the income statement are CHF 46.2 (2020: 44.8).

15.1.a Defined benefit pension plans

In millions of CHF	Funded and unfunded defined benefit obligations	Fair value of plan assets	Impact of minimum funding requirement/ asset ceiling	Net (Assets) / Liabilities recognized in the balance sheet
MOVEMENT IN NET (ASSETS) / LIABILITIES OVER THE YEAR				
Opening balance 2021	1 829.2	(1 327.9)	-	501.3
INCLUDED IN INCOME STATEMENT				
Current service cost	47.6			47.6
Plan administration expenses		5.6		5.6
Interest expense / (income)	12.5	(9.3)		3.2
Total included in income statement	60.1	(3.7)	-	56.4
INCLUDED IN OTHER COMPREHENSIVE INCOME				
Remeasurement arising from:				
Loss / (gain) from change in demographic assumptions ^(*)	(89.2)			(89.2)
Loss / (gain) from change in financial assumptions ^(*)	46.7			46.7
Experience loss / (gain)	(17.4)			(17.4)
Return on plan assets excluding interest income		(183.4)		(183.4)
Asset ceiling change, excluding movement through income statement ^(**)			4.3	4.3
Total included in other comprehensive income	(59.9)	(183.4)	4.3	(239.0)
OTHER				
Benefits paid	(59.8)	59.8		0.0
Contributions by plan participants	13.5	(13.5)		-
Employer contributions		(57.0)		(57.0)
Currency translation adjustment and other	0.8	(12.2)		(11.4)
Total other	(45.5)	(22.9)	-	(68.4)
Closing balance 2021	1 783.9	(1 537.9)	4.3	250.3

^(*) The defined benefit pensions measurement is the consequence of changes in demographic and financial assumptions, in particular on the Swiss pension funds, longevity and disability tables adopted in 2021 (BVG 2020 G, CMI LTR 1.5%) and higher interest credit rate assumption (from 0.45% to 1.75%).

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

In millions of CHF	Funded and unfunded defined benefit obligations	Fair value of plan assets	Impact of minimum funding requirement/ asset ceiling	Net (Assets) / Liabilities recognized in the balance sheet
MOVEMENT IN NET (ASSETS) / LIABILITIES OVER THE YEAR				
Opening balance 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
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				
Remeasurement 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 benefit pensions 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%)

In millions of CHF	2021	2020
PLAN ASSETS SPLIT BY CATEGORY		
Equity	494.2	438.9
Bonds	489.9	433.7
Hedge funds	161.8	127.8
Derivatives	7.7	6.1
Commodities	0.1	0.1
Property	204.1	178.8
Insurance policies	48.5	49.4
Other	80.5	58.0
Cash and bank deposits	51.1	35.1
Total plan assets	1 537.9	1 327.9

The expected contributions to post-employment benefit plans for the year ended June 30, 2022 are CHF 47.2.

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

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

The table below outlines the funding situation by geographic area:

June 30, 2021

In millions of CHF	Switzerland	United States of America	United Kingdom	Other countries	Total
DEFINED BENEFIT PENSION PLANS					
Funded and unfunded defined benefit obligations	1 416.3	233.4	78.7	55.5	1 783.9
Fair value of plan assets	(1 234.2)	(220.9)	(76.7)	(6.1)	(1 537.9)
Net excess of liabilities/(assets) over obligations ^(*)	182.1	12.5	2.0	49.4	246.0
Unrecognized assets due to asset ceiling	4.3				4.3
Net excess of liabilities/(assets) over obligations recognized	186.4	12.5	2.0	49.4	250.3

(*) One of the Group's Swiss pension plans has a surplus of CHF 4.3 that is not recognized.

June 30, 2020

In millions of CHF	Switzerland	United States of America	United Kingdom	Other countries	Total
DEFINED BENEFIT PENSION PLANS					
Funded and unfunded defined benefit obligations	1 463.5	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

Key actuarial assumptions

2021	Switzerland	United States of America	United Kingdom	Other countries
Discount rate	0.29%	2.84%	1.70%	0.6 % to 6.95 %
Salary increases	1.50%	2.75%	0.00%	0 % - 8.7 %
Pension increases	0.00%	0.00%	2.75%	0 % - 8 %
Mortality assumptions	BVG 2020 G CMI LTR 1.5%	Pri-2012 Generational Mortality Table with MP 2020	S3PA with CMI 2020, 1.25% long-term trend	
Life expectancy at age 65 for a male/female member currently aged 65	21.9/23.6	20.5/22.4	21.9/24.3	
2020	Switzerland	United States of America	United Kingdom	Other countries
Discount rate	0.29%	2.77%	1.35%	0.8 % to 6.9 %
Salary increases	2.00%	4.00%	0.00%	2 % - 8.7 %
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	
Life expectancy at age 65 for a male/female member currently aged 65	22.7/24.8	20.6/22.6	21.9/24.2	

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%	(126.2)	143.0
Future salary increases	0.50%	15.5	(14.6)
Future pension increases	0.50%	80.7	(3.6)
Life expectancy	1 year	52.4	(51.9)

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

Main defined benefit pension plans description

Switzerland

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

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

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

The Base Plan insures all employees of Firmenich SA. The complementary plan insures exclusively the members of the Direction Générale (DG).

The purposes of both plans are to protect the employees against the economic consequences of retirement, disability and death.

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

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

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

The Group expects to contribute CHF 37.5 to these plans during the year ending June 30, 2022.

The weighted average duration of the defined benefit obligation is 16.1 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 5.2 years.

United States of America

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

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

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

The Group expects to contribute CHF 7.7 to these plans during the year ending June 30, 2022.

The weighted average duration of the defined benefit obligation is 11.4 years.

United Kingdom

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

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

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

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

The Group expects to contribute CHF 0.6 to this plan during the year ending June 30, 2022.

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 longevity risk as well as market and liquidity risks. In order to minimize these risks, the Group regularly reviews related assumptions. When and where feasible, measures to reduce or transfer the risks are considered.

15.1.b Other post-employment benefits

In millions of CHF	2021	2020
MOVEMENT IN OTHER POST-EMPLOYMENT BENEFITS		
Opening balance	133.0	123.2
Acquisition of businesses	(0.0)	0.2
INCLUDED IN INCOME STATEMENT		
Current service cost	5.3	5.7
Interest cost	0.7	1.0
Total included in income statement	6.0	6.7
INCLUDED IN OTHER COMPREHENSIVE INCOME		
Remeasurement arising from:		
Loss / (gain) from change in demographic assumptions	(6.0)	(0.0)
Loss / (gain) from change in financial assumptions	0.6	6.4
Experience loss / (gain)	(1.7)	3.0
Total included in other comprehensive income	(7.1)	9.4
OTHER		
Benefits paid	(4.8)	(6.5)
Currency translation adjustment	(0.1)	(0.0)
Total other	(4.9)	(6.5)
Closing balance	127.0	133.0
In millions of CHF	2021	2020
AMOUNTS RECOGNIZED IN INCOME STATEMENT		
Contributions to medical insurance	3.1	3.0
Annual premium	0.4	0.4
Other pensions	0.1	0.0
Retirement compensation	2.4	3.3
Total included in income statement	6.0	6.7
AMOUNTS RECOGNIZED IN STATEMENT OF FINANCIAL POSITION		
Contributions to medical insurance	84.9	92.9
Annual premium	12.1	12.9
Other pensions	2.4	2.2
Retirement compensation	27.6	25.0
Total other post-employment benefits	127.0	133.0

Key financial actuarial assumptions

2021	Switzerland	United States of America
Discount rate	0.3%	2.5%
Medical cost trend rate		4.5% to 7.25%
2020	Switzerland	United States of America
Discount rate	0.5%	2.8%
Medical cost trend rate		4.5% to 7.75%

Sensitivity analysis

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

In millions of CHF	Change in assumption	Increase in assumption	Decrease in assumption
Discount rate	0.5%	(8.4)	9.6
Life expectancy	1 year	3.3	(3.3)
Medical cost trend rate	1.0%	15.2	(9.1)

The table below outlines the funding situation by geographic area:

June 30, 2021

In millions of CHF	Switzerland	United States of America	Other countries	Total
Present value of unfunded obligations	117.5	8.2	1.3	127.0

June 30, 2020

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

Other post-employment benefits description

Switzerland

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

The weighted average duration of the defined benefit obligation is 16.5 years.

United States of America

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

The weighted average duration of the defined benefit obligation is 7.6 years.

15.2 Other employee benefits

The plans described below qualify as employee benefits.

Long-term incentives

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

Deferred compensation

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

NON-CURRENT OTHER EMPLOYEE BENEFITS

In millions of CHF	2021	2020
Provision for long-term remuneration incentives	28.0	21.0
Deferred compensation	57.7	51.2
Closing balance	85.7	72.2

CURRENT OTHER EMPLOYEE BENEFITS

In millions of CHF	2021	2020
Provision for long-term remuneration incentives	18.2	6.7
Closing balance	18.2	6.7

In millions of CHF	Deferred compensation	Provision for long-term incentives	Total
MOVEMENT IN DEFERRED COMPENSATION AND PROVISIONS FOR LTI			
Opening balance 2020	50.8	51.9	102.7
Additional provisions	5.1	19.7	24.8
Unused provisions reversed	0.0	(16.5)	(16.5)
Used during year	(3.4)	(26.5)	(29.9)
Transfer	0.8	-	0.8
Currency translation adjustment	(2.1)	(0.9)	(3.0)
Closing balance 2020	51.2	27.7	78.9
Additional provisions	14.3	24.2	38.5
Unused provisions reversed	-	(4.2)	(4.2)
Used during year	(6.5)	(3.7)	(10.2)
Transfer	-	2.2	2.2
Currency translation adjustment	(1.3)	(0.0)	(1.3)
Closing balance 2021	57.7	46.2	103.9

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.

In millions of CHF	Provision for business risk	Long service leaves	Provision for restructuring charges	Provision for litigation	Product warranty liability	Other provisions	Total
MOVEMENT IN PROVISIONS							
Opening balance 2021	5.0	2.8	2.3	0.4	2.3	12.0	24.8
Additional provisions	-	0.9	5.6	0.1	0.7	0.9	8.2
Unused provisions reversed	-	-	(0.1)	-	(0.7)	(0.2)	(1.0)
Used during year	(0.3)	(0.6)	(3.1)	-	(0.4)	(0.2)	(4.6)
Reclassification	-	-	-	-	-	(3.4)	(3.4)
Currency translation adjustment	(0.1)	0.2	-	-	(0.1)	0.3	0.3
Closing balance 2021	4.6	3.3	4.7	0.5	1.8	9.4	24.2
Total non-current provisions	0.1	3.1	-	0.4	-	9.1	12.7
Total current provisions	4.5	0.2	4.7	0.1	1.8	0.3	11.5

17. Bonds and borrowings

In millions of CHF	Notes	2021	2020
Bonds		2 110.8	2 060.7
Long-term bank borrowings		34.2	60.8
Long-term lease liabilities		142.5	127.5
Short-term bank borrowings		59.8	115.6
Short-term lease liabilities		38.2	35.5
Total Bonds and borrowings	25	2 385.5	2 400.1

In millions of CHF	Short-term bank borrowings	Long-term bank borrowings and bonds	Short-term lease liabilities	Long-term lease liabilities	Total
CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES					
Opening balance 2020	523.2	36.4	-	-	559.7
Lease liabilities recognized at July 1	-	-	69.8	116.0	185.8
New lease contracts	-	-	3.9	12.9	16.8
Leases termination of contract	-	-	(4.3)	(1.5)	(5.8)
Proceeds from borrowings	896.9	2 060.3	-	-	2 957.1
Repayments of lease liabilities and borrowings	(1 354.2)	(2.1)	(35.1)	-	(1 391.3)
Reclassification	3.5	(3.5)	-	-	-
Acquisition of businesses	50.7	28.4	3.5	10.9	93.5
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
New lease contracts	-	-	16.4	52.5	68.9
Leases termination of contract	-	-	(1.2)	(7.8)	(9.0)
Proceeds from borrowings	33.9	7.9	-	-	41.8
Repayments of lease liabilities and borrowings	(103.9)	(31.6)	(46.4)	-	(181.9)
Reclassification	4.4	(4.4)	33.1	(33.1)	-
Acquisition of businesses	11.5	-	0.4	0.5	12.4
Currency translation adjustment	(1.7)	51.6	0.4	2.9	53.2
Closing balance 2021	59.8	2 145.0	38.2	142.5	2 385.5

AMOUNTS RECOGNIZED IN INCOME STATEMENT

In millions of CHF	2021	2020
Interest on lease liabilities	(4.1)	(4.8)
Variable lease payments not included in the measurement of lease liabilities	(7.5)	(5.8)
Total expenses recognized in income statement	(11.6)	(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		Coupon	Year of issue - maturity	Effective interest rate	Carrying amount	
	2021	2020				2021	2020
ISSUER/FACE VALUE							
Firmenich Productions Participations SAS (France)/ EUR 750	823.5	799.0	1.375%	2020-2026	1.44%	819.9	794.9
Firmenich Productions Participations SAS (France)/ EUR 750	823.5	799.0	1.750%	2020-2030	1.84%	815.8	790.7
Total bonds issued in EUR 1 500	1 647.1	1 598.0				1 635.7	1 585.6
Firmenich International SA/ CHF 425	425.0	425.0	1.000%	2020-2023	0.99%	424.9	424.9
Firmenich International SA/ CHF 50	50.0	50.0	1.000%	2020-2023	0.81%	50.2	50.2
Total bonds issued in CHF 475	475.0	475.0				475.1	475.1
Total bonds	2 122.1	2 073.0			1.49%	2 110.8	2 060.7

The total fair value of bonds issued is CHF 2 276.5 (2020: CHF 2 139.9).

18. Redemption liabilities and other debts

In millions of CHF	Notes	2021	2020
Redemption liabilities	25	77.4	50.0
Government grants		17.8	18.9
Other long-term borrowings		0.3	-
Total redemption liabilities and other debt		95.5	68.9

Redemption liabilities

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

- In July 2020, a redemption liability of CHF 54.3 has been recognized for the purchase of the remaining shares in MG International (also refer to note 2). In March 2021, the redemption liability decreased by CHF 31.5 with the second installment included in the Payment of redemption liability and other debt in the Statement of cash flows. At June 30, 2021, the remaining liability was valued at CHF 22.2 (including exchange differences of CHF 0.6) and will be redeemed in 2023.
- In financial year 2020, the Group entered into a put option agreement to purchase the remaining shares of VKL owned by non-controlling interests. The option is expected to be exercised within 5 years from acquisition date. A redemption liability of CHF 50.0 was recognized accordingly against equity. At June 30, 2021, the liability amounts to CHF 55.2.

Government grants

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

- Two grants are to indemnify for the forced relocation of production sites in China. In Kunming, the amount is to compensate the relocation costs and the related investments. In Shanghai, the amount is to compensate part of the lease land of the new location. At June 30, 2021, the remaining value of these two grants was CHF 15.5.
- Other grants are to help fund environmental projects in China and France. At June 30, 2021, the remaining value of these grants was CHF 2.3.

During the current year, CHF 2.3 (2020: CHF 2.1) have been released to the income statement.

19. Other payables and accrued expenses

In millions of CHF	2021	2020
Payables to other creditors	208.4	221.7
Accruals for rebates and interest payables	172.8	146.3
Employee-related liabilities and social security payables	124.7	92.7
VAT payables and other	14.5	28.1
Other payables and accrued expenses	529.4	488.8

20. Expenses by nature

Significant expenses by nature consist of:

In millions of CHF	Notes	2021	2020
COST OF GOODS SOLD AND OPERATING EXPENSES BY NATURE			
Raw material and consumables used		1 790.6	1 617.1
Employee benefits	21	1 093.6	923.0
Supplies		126.1	103.3
Services		438.2	406.7
Depreciation, amortization and impairment of assets		279.2	199.9
(Gain) / loss on assets ^(*)		(40.8)	3.4
Operating taxes		22.0	16.8
Other income ^(**)		(31.2)	(15.2)
Total expenses		3 677.7	3 255.0

^(*) The gain on sale of the site located in La Jonction (CHF 48.0) is reported under Other operating income in the income statement. Refer to note 4 for more details on the transaction.

^(**) Other income mainly consists of an income related to a legal case settlement (CHF 30.1) in current year and indemnities related to business interruption in prior year.

21. Employee benefits

In millions of CHF	2021	2020
EMPLOYEE BENEFIT EXPENSES		
Wages and salaries	805.5	680.8
Social security	155.4	123.5
Post-employment benefits	85.1	80.1
Other expenses	47.6	38.6
Total employee benefit expenses	1 093.6	923.0
In full time equivalent	2021	2020
NUMBER OF EMPLOYEES WITHIN THE GROUP		
Fixed employees at year end	9 392	9 166
Temporary employees (including agencies)	542	737
Total workforce at year end	9 934	9 903
Average number of employees during the year (average total workforce)	9 919	8 626

For the year ended June 30, 2021, the total personnel costs include CHF 9.9 (2020: CHF 6.3) of restructuring charges of which CHF 9.2 (2020: CHF 5.9) are departure indemnities costs, with related social charges of CHF 0.7 (2020: CHF 0.4).

The total personnel costs with regards to key executives (Board of directors and corporate management) for the year ended June 30, 2021 are CHF 45.8 (2020: CHF 34.1). In these amounts are included CHF 24.2 of short-term employee benefits (2020: CHF 29.0), CHF 6.6 (2020: CHF 5.3) post-employment benefits and CHF 15.0 (2020 : CHF -0.2) of other long-term employee benefits.

22. Financing costs

In millions of CHF	2021	2020
FINANCING COSTS		
Interest expenses	44.5	31.5
Interest on net defined benefit liability	3.9	5.1
Total Financing costs	48.4	36.6

23. Net other financial expenses

In millions of CHF	2021	2020
Interest and dividend income	2.0	0.2
Fair value gains	1.3	0.6
Gains on sale on financial investments	0.7	-
Losses on commodity options	-	(5.5)
Results on investments held at fair value through income statement	4.0	(4.7)
Other interest and dividend income	2.0	4.0
Other results on financial assets	-	(3.4)
Net exchange losses	(0.6)	(35.7)
Net exchange (losses) / gains on currency options and contracts	(16.6)	6.6
Net of cash discount received and (granted), (bank charges and other financial charges)	(7.7)	(19.9)
Net other financial expenses	(18.9)	(53.1)

24. Taxes

Income tax expense

In millions of CHF	2021	2020
INCOME TAX EXPENSE		
Current income tax expense	95.6	105.5
Previous year tax adjustment	3.1	(2.4)
Deferred tax (income) / expense	(6.5)	(6.2)
Previous year adjustment on deferred tax	(12.6)	-
Income tax expense	79.6	96.9
Income tax expense at the Group's average applicable tax rate	87.3	101.3
Tax effect of:		
Loss on withholding tax	10.5	10.9
Income not taxable	(16.4)	(14.2)
Expenses not deductible	11.1	5.4
Utilization of tax loss carry forward	(5.1)	-
Change in income tax rate	(4.3)	(3.9)
Prior year and other adjustments	(9.5)	(2.4)
Current year losses for which no deferred tax asset is recognized	6.3	-
Recognition of previously unrecognized tax losses	0.2	(0.2)
Recognition of previously unrecognized (derecognition of previously recognized) deductible temporary differences	(0.4)	-
Income tax expense at the Group's effective tax rate	79.6	96.9

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

The Group's effective tax rate decreased to 14.9% in 2021 (2020: 17.3%). This decrease results mainly from the changes of the composition of the Group's taxable income.

Deferred taxes

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

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

A deferred tax liability of CHF 11.9 (2020: CHF 11.1) for withholding tax that would be payable on the unremitted earnings has been recognized as at June 30, 2021. The amount of undistributed earnings on which no withholding tax has been accrued represents CHF 946.6 (2020: CHF 868.0).

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	2021	2020
DEFERRED TAXES		
Deferred tax assets	116.5	122.3
Deferred tax liabilities	(301.8)	(268.3)
Net deferred tax liabilities	(185.3)	(146.0)

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

Deferred tax assets on provisions are mainly relating to provision for defined benefit pension plans and other post-employment benefits in Switzerland and the 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 usually charged / (credited) to the income statement. Deferred tax movements relating to employee benefit obligations and to equity investments at fair value through OCI for an amount of CHF -59.9 (2020: 14.9) are credited to other comprehensive income with no material amount of currency translation adjustments.

In millions of CHF	2021	2020
Amount of tax losses available ^(*)	289.6	226.3
Amount of tax losses considered to accrue deferred tax assets	97.3	60.2

^(*) With information obtained about DRT's tax losses as of acquisition date, the 2020 amount of taxes losses available was adjusted to CHF 226.3. This change has no impact on the deferred tax assets.

As at June 30, 2021, the Group had CHF 289.6 of tax losses available (2020: CHF 226.3). However, only CHF 97.3 are considered to carry forward against future taxable income (2020: CHF 60.2). The deferred tax assets relating to tax losses carried forward are recognized as at June 30, 2021 for CHF 23.3 (2020: CHF 13.9). They are recognized only to the extent that realization of the related tax benefit is probable.

Unused tax losses for which no deferred tax assets have been recognized amount to CHF 192.3 (2020: CHF 166.2) with a potential tax benefit of CHF 47.9 (2020: CHF 41.6). These unused tax losses are mainly located in affiliates in France, the USA and China.

June 30, 2021

In millions of CHF	Opening balance	Acquisition of businesses	(Credited) / Debited to income statement	(Credited) / Debited to other comprehensive income	Set off tax	Currency translation adjustments / Other	Closing balance
Deferred tax assets	122.3	-	(0.9)	(45.9)	(52.0)	93.0	116.5
Intangible assets	(152.7)	(19.8)	(1.5)	-	25.4	(45.7)	(194.3)
Property, plant and equipment	(36.2)	(0.0)	(24.2)	-	6.0	3.6	(50.9)
Long-term assets	(10.3)	-	(0.9)	(11.3)	2.5	(1.2)	(21.1)
Inventories	(7.6)	0.2	(1.5)	-	1.0	(0.3)	(8.2)
Prov. for def. benefit obligations	(55.5)	0.1	8.8	(2.7)	16.0	11.7	(21.6)
Long-term liabilities	(0.0)	-	(0.7)	-	0.0	0.4	(0.3)
Other assets	(6.0)	-	2.4	-	0.6	(2.0)	(5.0)
Other liabilities	(0.1)	-	(0.5)	-	0.6	(0.3)	(0.3)
Deferred tax liabilities	(268.3)	(19.5)	(18.1)	(14.0)	52.0	(33.9)	(301.8)

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
Prov. for def. benefit obligations	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)
Prov. for def. benefit obligations	(0.0)	(55.4)	(9.6)	(0.0)	20.2	(10.7)	(55.5)
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)

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 income statement and measured at fair value through other comprehensive income.

The classification depends on the business model for managing the financial assets and the contractual terms of the cash flows. Management determines the classification of its financial assets at initial recognition.

Under IFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never separated. Instead, the hybrid financial instrument as a whole is assessed for classification.

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

a) Financial assets at amortized cost

The Group classifies its financial assets as at amortized cost only if both of the following criteria are met:

- the asset is held within a business model whose objective is to collect the contractual cash flows, and
- the contractual terms give rise to cash flows that are solely payments of the principal and interest.

These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses.

Financial assets at amortized cost comprise cash and cash equivalents, loans, trade accounts receivable, other receivables in the Statement of financial position. They are included in current assets, except for maturities exceeding 12 months after the end of the reporting period, which are classified as non-current assets.

Cash and cash equivalents comprise petty cash, cash on hand, bank balances and short-term deposits at 48 hours. The same definition is applied to cash and cash equivalents as disclosed in the Statement of cash flows. Bank overdrafts are included in Short-term bank borrowings in current liabilities.

b) Financial assets at fair value through income statement

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

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

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

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

c) Financial assets at fair value through other comprehensive income

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

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

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

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

Financial liabilities

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

June 30, 2021

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	56.4	73.3	556.4	686.1
Trade accounts receivable	8	958.2			958.2
Other receivables	9	43.5			43.5
Derivative financial instruments assets	10		1.8		1.8
Short-term financial investments	11	220.8	2.4		223.2
Cash and cash equivalents		571.4			571.4
FINANCIAL LIABILITIES					
Long-term borrowings	17	2 287.5			2 287.5
Redemption liabilities ^(*)	18		77.4		77.4
Short-term borrowings	17	98.0			98.0
Trade and other payables ^(**)		766.6			766.6
Derivative financial instruments liabilities	10		6.5	-	6.5

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

^(**) Accrued expenses that are not financial liabilities (CHF 116.9) are not included.

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	64.2			64.2
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 liabilities ^(*)	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 liabilities are recognized directly in equity.

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

In prior year, a short-term exposure to price risk arose from the Group's investments in financial assets. The Group hedged the corresponding market risk, and qualified the hedging transaction in a fair value hedge relationship. The hedged risk arose from the fluctuation of observable market prices until maturity of the underlying contract occurs. The Group aimed at achieving a hedge ratio of 100% and no ineffectiveness was 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.

In prior year the carrying amount of the hedged item was CHF 73.2, which corresponded to the accumulated fair value adjustments accounted in OCI, and was offset by the fair value of the designated hedging instruments. In financial year 2021, the underlying contract matured as planned which led to the termination of the hedge relationship.

b) Derivatives not designated as hedge accounting

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

Impairment of financial assets

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

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

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

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

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

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

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

Evidence that a financial asset is credit-impaired includes the following observable data:

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

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

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

Market risk

a) Foreign exchange risk

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

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

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

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

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

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

Main currency exposures

June 30, 2021

In millions of CHF	EUR / CHF	USD / CHF	SGD / CHF	IDR / CHF	USD / ARS	EUR / INR
Currency exposure without hedge	+263.1	+30.0	-42.2	+12.9	-14.3	+7.6
Hedged amount ^(*)	-294.4	-109.8	+41.5	-12.9	+14.8	-8.0
Currency exposure including hedge	-31.3	-79.8	-0.7	-0.0	+0.5	-0.4

+ long position; - short position

^(*) EUR/CHF hedged amount includes CHF -275.3 of foreign exchange forward contract and CHF -19.1 of currency options maturing within three to twelve months. USD/CHF hedged amount includes CHF -59.3 of foreign exchange forward contracts and CHF -50.5 of currency options maturing within three to twelve months. USD/ARS hedged amount includes CHF 4.6 of foreign exchange forward contracts and CHF 10.2 of currency options maturing within three to twelve months.

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.

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, 2021

In millions of CHF	EUR / CHF	USD / CHF	SGD / CHF	IDR / CHF	USD / ARS	EUR / INR
Reasonable shift in %	5%	5%	10%	10%	20%	15%
Impact on net income if underlying currency strengthens	(0.9)	(2.4)	(0.1)	(0.0)	0.1	(0.1)
Impact on net income if underlying currency weakens	0.9	2.4	0.1	0.0	(0.1)	0.1

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)

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.

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 (2020: CHF 0.1) and the OCI would have increased/decreased by CHF 27.8 (2020: CHF 4.9).

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.

A fundamental reform of major interest rate benchmarks is being undertaken globally, including the replacement of some interbank offered rates (IBORs) with alternative nearly risk-free rates (referred to as 'IBOR reform'). There is uncertainty over the timing and the methods of transition in some jurisdictions that the Group operates in.

The Group anticipates that IBOR reform will impact its risk management. An IBOR transition project has been set up comprising the streams risk management, tax, treasury, legal, accounting and systems, to identify the potential business impacts resulting from IBOR exposures. Group treasury monitors and manages the Group's transition to alternative rates and evaluates the extent to which contracts reference IBOR cash flows, whether such contracts will need to be amended as a result of IBOR reform and how to manage communication about IBOR reform with counterparties.

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	2021	2020
Reasonable shift in basis point (bps)	150 bps	150 bps
Impact on net income if interest rate increase	(1.3)	(1.5)
Impact on net income if interest rate decrease	1.3	1.5

Credit risk

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

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

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

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

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

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

In millions of CHF	2021	2020
AA- to AAA	128.8	148.3
A- to A+	345.0	407.6
BBB- to BBB+	66.3	102.9
BB+ and below	1.3	16.4

Ratings shown are assigned by international credit-rating agencies.

Liquidity risk

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

Group Treasury monitors and manages cash at Group level. 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, 2021

In millions of CHF	Up to 6 months	6 up to 12 months	1 to 5 years	More than 5 years	Total
Short-term bank borrowings	59.8	-			59.8
Accounts payable - trade and other ^(*)	766.6	-			766.6
Gross derivative financial instruments - outflows	(1 209.6)	(41.7)	(11.1)	-	(1 262.4)
Gross derivative financial instruments - inflows	1 226.6	40.0	5.5	-	1 272.1
Total current financial liabilities	843.4	(1.7)	(5.6)	-	836.1
Long-term bank borrowings and bonds			1 324.0	821.0	2 145.0
Redemption liabilities			77.4		77.4
Total non-current financial liabilities			1 401.4	821.0	2 222.4
Total financial liabilities	843.4	(1.7)	1 395.8	821.0	3 058.5

^(*) Accrued expenses that are not financial liabilities (CHF 116.9) are not included.

The undiscounted cash flows related to lease liabilities are CHF 22.1 within 6 months, CHF 19.2 within 6 to 12 months, CHF 107.2 within 1 to 5 years and CHF 55.8 thereafter.

June 30, 2020

In millions of CHF	Up to 6 months	6 up to 12 months	1 to 5 years	More than 5 years	Total
Short-term bank borrowings	115.6	-			115.6
Accounts payable - trade and other ^(*)	681.5	-			681.5
Gross derivative financial instruments - outflows	(1 356.9)	(46.8)	(8.8)	-	(1 412.5)
Gross derivative financial instruments - inflows	1 356.5	45.7	4.8	-	1 407.0
Total current financial liabilities	796.7	(1.1)	(4.0)	-	791.6
Long-term bank borrowings and bonds			534.0	1 587.5	2 121.5
Redemption liability			50.0		50.0
Total non-current financial liabilities			584.0	1 587.5	2 171.5
Total financial liabilities	796.7	(1.1)	580.0	1 587.5	2 963.1

^(*) 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.

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, 2021, grouped into levels 1 to 3 on the degree to which the fair value is observable:

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

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

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

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

June 30, 2021

In millions of CHF	Notes	Level 1	Level 2	Level 3	Total
FINANCIAL ASSETS					
Non-current assets	5				
Financial investments		624.5	-	5.2	629.7
Current assets - derivatives	10				
Forward foreign exchange contract and options			1.8		1.8
Current financial investments	11				
Equity securities		2.4	-		2.4
FINANCIAL LIABILITIES					
Non-current liabilities					
Redemption liabilities	18			77.4	77.4
Current liabilities - derivatives					
Forward foreign exchange contract and options	10		6.5		6.5

June 30, 2020

In millions of CHF	Notes	Level 1	Level 2	Level 3	Total
FINANCIAL ASSETS					
Non-current assets	5				
Financial investments		536.4	0.3	7.3	544.0
Current assets - derivatives	10				
Forward foreign exchange contract and options			9.4		9.4
Current financial investments	11				
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					
Forward foreign exchange contract and options	10		75.7		75.7

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

Reconciliation of movements in Level 3 valuations

In millions of CHF	Assets		Liabilities	
	2021	2020	2021	2020
Opening balance	7.5	6.3	50.0	-
Acquisition of businesses	-	-	54.3	60.4
Reclassification	(2.5)	(0.6)	-	-
Purchases and new issues	0.3	2.0	-	-
Sales and settlements	(0.2)	(0.1)	-	-
Movement of redemption liabilities	-	-	(25.8)	(3.2)
Currency translation adjustment	-	(0.1)	(1.1)	(7.2)
Closing balance	5.2	7.5	77.4	50.0

Fair value estimation

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

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

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

The fair values of the financial assets and liabilities are defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Methods and assumptions used to estimate the fair values are consistent with those used in the year ended June 30, 2020.

Capital risk management

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

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

In millions of CHF	Notes	2021	2020
Short-term bank borrowings and lease liabilities	17	(98.0)	(151.1)
Long-term bank borrowings, bonds and lease liabilities	17	(2 287.5)	(2 249.0)
Cash and cash equivalents and short-term financial investments		794.6	828.0
Net debt		(1 590.9)	(1 572.1)

26. Risk assessment

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

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

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

27. Operating segments

Business segment information

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

Perfumery & Ingredients

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

Taste & Beyond

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

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

Inter-segment sales are not significant.

In millions of CHF	Perfumery & Ingredients		Taste & Beyond		Total	
	2021	2020	2021	2020	2021	2020
Revenue	2 854.8	2 450.0	1 417.3	1 427.6	4 272.1	3 877.6
EBITDA ^(*)	571.7	509.6	301.9	312.9	873.6	822.5
Depreciation and amortization	(183.9)	(107.4)	(95.3)	(92.5)	(279.2)	(199.9)
Operating profit	387.8	402.2	206.6	220.4	594.4	622.6
Financing costs					(48.4)	(36.6)
Net other financial expenses					(18.9)	(53.1)
Remeasurement to fair value of pre-existing interest in an acquiree					-	30.1
Share of profit / (loss) of jointly controlled entities and associates, net of taxes					5.7	(3.9)
Income before tax					532.8	559.1
Income tax expense					(79.6)	(96.9)
Net income for the period					453.2	462.2

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

Capital expenditure

Purchase of property, plant, equipment and intangibles	171.0	116.7	52.8	74.8	223.8	191.5
---	--------------	--------------	-------------	-------------	--------------	--------------

Geographical information

In millions of CHF	Revenue		Non-current assets	
	2021	2020	2021	2020
Switzerland	60.7	50.4	538.7	546.0
Europe	1 414.2	1 140.4	2 387.9	2 322.7
North America	1 085.8	976.6	1 080.1	1 013.1
Latin America	437.7	503.4	88.4	88.2
India, Middle East and Africa	481.9	434.6	216.9	179.4
South East Asia	439.4	457.0	69.8	72.2
North and East Asia	352.4	315.3	287.8	210.9
Total	4 272.1	3 877.6	4 669.7	4 432.5

No customer exceeds 10% of revenue. In 2020, CHF 418.6 of revenue derived from a single customer. These revenues were mainly attributable to the Perfumery & Ingredients division.

28. Contingent assets and liabilities

Contingent assets

The Group has no contingent asset.

Contingent liabilities

From time to time and in varying degrees, the Group operations and earnings continue to be affected by political, legislative, fiscal and regulatory developments, including those relating to environmental protection, in the countries in which it operates. The activities in which the Group is engaged are also subject to risks of various kinds. The nature and frequency of these developments and events, not all 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 116 remaining cases, involving 147 plaintiffs.

29. Commitments

As of June 30, 2021 the Group has several commitments resulting from contractual obligations as well as capital commitments.

Commitments resulting from contractual obligations

In millions of CHF	2021	2020
Commitments resulting from contractual obligations	4.7	4.9

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	2021	2020
Property, plant and equipment	10.6	11.9
Intangible assets	2.7	3.5
Total	13.3	15.4

30. Restrictions on the titles to assets

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

31. Subsequent events

There is no subsequent event after the reporting period that might have a material impact on the consolidated financial statements as of June 30, 2021.

32. Exchange rates

The following major exchange rates are used to establish the consolidated financial statements:

- closing rates for the consolidated statement of financial position correspond to the exchange rates prevailing at June 30, 2021 and 2020.
- average rates for the consolidated income statement account and the statement of cash flows.

ISO code	Units	2021		2020	
		Closing rate	Average rate	Closing rate	Average rate
USD	1	0.924	0.911	0.951	0.978
EUR	1	1.098	1.085	1.065	1.083
CNY	1	0.143	0.137	0.134	0.139
SGD	1	0.688	0.676	0.681	0.708
GBP	1	1.279	1.223	1.168	1.236
JPY	100	0.835	0.857	0.882	0.905

33. List of main entities of the Group

The consolidated financial statements include the following main entities.

Country	Entity name	Share in percentage	Currency	Share capital in thousands
Switzerland	Firmenich International SA	100	CHF	40 500
	Firmenich SA ^(*)	100	CHF	30 000
	Firmenich Finance SA ^(*)	100	CHF	100
	Fragar (America) SA ^(*)	100	CHF	20 000
	Fragar Trading SA ^(*)	100	CHF	2 500
	Fragar (Europe) SA ^(*)	100	CHF	2 500
	Firmenich Trading Corporation ^(*)	100	CHF	12 500
Argentina	Firmenich S.A.I.C. y F.	100	ARS	5 452
Australia	Firmenich Limited	100	AUD	2 780
Austria	Firmenich Ges.m.b.H	100	EUR	37
Belgium	Firmenich Belgium SA	100	EUR	1 240
Brazil	Firmenich & Cia Ltda.	100	BRL	83 115
Bulgaria	Watt Burgas OOD KD	80	BGN	5
Canada	Firmenich of Canada Ltd.	100	CAD	1
China	Kunming Firmenich Aromatics Co. Ltd.	80	CNY	167 281
	Firmenich Aromatics (Shanghai) Co. Ltd.	100	CNY	4 139
	Firmenich Aromatics (China) Co. Ltd.	100	CNY	564 605
	Firmenich Aromatics (ZhangjiaGang) Co., Ltd	100	CNY	220 697
Colombia	Firmenich S.A.	100	COP	8 163 346
Denmark	Firmenich Denmark APS	100	DKK	11 625
France	Firmenich & Cie SAS	100	EUR	5 000
	Firmenich Productions SAS	100	EUR	13 600
	Firmenich Grasse SAS	100	EUR	25 756
	Fider SA	100	EUR	2 500
	Alpha-Beta Investco	100	EUR	171 357
	Alpha Beta International SAS	100	EUR	248 683
	Alpha-Beta Participation SASU	100	EUR	242 469
	Les Dérivés Résiniques et Terpéniques	100	EUR	19 961
	Société Béarnaise de Synthèse SASU	100	EUR	50
	Resimmo SCI	100	EUR	10
	DRT Approvisionnement Biomasse SAS	64	EUR	700
Action Pin SA	100	EUR	1 372	
Germany	Firmenich GmbH	100	EUR	6 300
	Firmenich Trostberg GmbH	100	EUR	25
India	Firmenich Aromatics Production (India) Private Ltd	100	INR	2 322 400
	VKL Seasoning Private Ltd	65	INR	12 750
	DRT-Anthea Aroma Chemicals Private Limited	50	INR	19 116
Indonesia	PT Firmenich Indonesia	85	IDR	5 305 000
	Firmenich Aromatics Indonesia	100	IDR	45 097 500
Italy	Firmenich S.p.A.	100	EUR	103
	Firmenich Holding (Italy) SPA	100	EUR	30 000
	Campus S.r.l.	100	EUR	501

^(*) Direct investments of Firmenich International SA.

Country	Entity name	Share in percentage	Currency	Share capital in thousands
Japan	Nihon Firmenich K.K.	100	JPY	90 000
Korea	Firmenich Co. Ltd.	100	KRW	500 000
Mexico	Firmenich de Mexico S.A. de C.V.	100	MXN	103 827
	Firmenich Servicios de Mexico S.A. de C.V.	100	MXN	500
	Campus Italia de Mexico S. de R.L. de C.V.	100	MXN	91 123
Nigeria	Firmenich Western Africa Limited	100	NGN	10 000
Norway	Firmenich Bjørge Biomarin AS	100	NOK	125 250
	Campus Scandinavia AS	100	NOK	100
Philippines	Firmenich (Philippines) Inc.	100	PHP	13 075
Poland	Firmenich Sp. Z.o.o.	100	PLN	2 000
Russia	Firmenich LLC	100	RUB	44 481
Singapore	Firmenich Aromatics Pte Ltd.	100	SGD	500
	Firmenich Asia Pte Ltd.	100	SGD	6 000
South Africa	Firmenich (Pty) Ltd.	100	ZAR	220 000
Spain	Firmenich S.A.	100	EUR	300
Thailand	Firmenich Thailand Ltd.	100	THB	100 000
Turkey	Firmenich Dis Ticaret Limited Sirketi	100	TRY	166
	Gulcicek Kimya ve Ucan Yaglar Sanayi ve Ticaret A.S.	87	TRY	30 000
UAE	Firmenich FZ-LLC	100	USD	400
UK	Firmenich UK Ltd.	100	GBP	7 000
	Bergère Ltd. (*)	100	USD	391
USA	Firmenich Inc.	100	USD	31 350
	Chem-Fleur Inc.	100	USD	27 641
	Intercit Inc.	100	USD	567
	MCP Food Inc.	100	USD	5 000
	Essex Laboratories LLC	75	USD	9 637
	Agilex Holdings, Inc.	100	USD	163 603
	DRT America Inc.	100	USD	97 474
	DRT America LLC	100	USD	56 232
Pinova Inc.	100	USD	78 329	
Vietnam	Firmenich Vietnam LLC	100	VND	6 308 700

(*) Direct investments of Firmenich International SA.

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

Country	Entity name	Share in percentage	Currency	Share capital in thousands
China	ArtSci Biology Technologies Co Ltd	50	CNY	20 000
France	Biomass Energy Solutions VSG SAS	37	EUR	5 718
India	Jasmine Concrete Exports Private Ltd	49	INR	17 382
Panama	The Nelixia Company SA	36	USD	17

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



Statutory Auditor's Report

To the General Meeting of Firmenich International SA, Satigny

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Firmenich International SA and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 30 June 2021 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 42 to 89) give a true and fair view of the consolidated financial position of the Group as at 30 June 2021, 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 Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Key Audit Matters



Revenue recognition



Carrying value of goodwill

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



Revenue recognition

Key Audit Matter

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

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

Our response

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

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

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

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

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

For further information on revenue refer to the following:

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



Carrying value of goodwill

Key Audit Matter

As at 30 June 2021, the Group has goodwill of CHF 1,942.6 million, which is required to be tested for impairment at least on annual basis. The recoverability is dependent on achieving a sufficient level of future net cash flows.

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

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

Our response

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

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

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

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

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

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



Other Information 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, 05 August 2021

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

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

FINANCIAL STATEMENTS OF FIRMENICH INTERNATIONAL SA

Income statement

For the year ended June 30

In millions of CHF	Notes	2021	2020
Dividend income	1	257.1	239.7
Other operating income	2	0.0	10.2
Other financial income	3	35.8	53.2
Total income		292.9	303.1
Financial expenses	4	(78.9)	(68.2)
Other operating expenses	5	(5.9)	(6.6)
Direct taxes		(2.0)	(2.2)
Total expenses		(86.8)	(77.0)
Profit for the year		206.1	226.1

Balance sheet

As at June 30

In millions of CHF	Notes	2021	2020
Assets			
Cash and cash equivalents		428.4	495.4
Bank deposits		186.0	75.0
Derivative financial instruments with an observable market price	6	0.2	6.0
Other short-term receivables from companies in which the entity holds an investment		791.5	849.8
Prepaid expenses and accrued income	7	6.6	7.4
Total current assets		1 412.7	1 433.6
Securities listed on a stock exchange	8	395.2	395.2
Financial assets	8	3.5	3.4
Loans granted to companies in which the entity holds an investment		1 346.0	1 031.5
Investments	9	362.7	362.7
Prepaid expenses and accrued income	7	8.7	11.1
Total non-current assets		2 116.1	1 803.9
Total assets		3 528.8	3 237.5
Liabilities and Shareholders' equity			
Trade accounts payable		0.3	0.6
Short-term interest-bearing liabilities	10	460.9	246.2
Derivative financial instruments with an observable market price	6	1.9	1.0
Accrued expenses and deferred income	11	37.7	11.3
Total short-term liabilities		500.8	259.1
Long-term interest-bearing liabilities	12	1 347.6	1 323.9
Total long-term liabilities		1 347.6	1 323.9
Total liabilities		1 848.4	1 583.0
Share capital			
Registered shares	13	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		819.3	773.4
Profit for the year		206.1	226.1
Total shareholders' equity		1 680.4	1 654.5
Total liabilities and shareholders' equity		3 528.8	3 237.5

NOTES TO THE FINANCIAL STATEMENTS OF FIRMENICH INTERNATIONAL SA

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 (32nd title of the Swiss Code of Obligations). Where not prescribed by law, the significant accounting and valuation principles applied are described below.

Foreign currencies

Transactions in foreign currencies are recorded at the rates of exchange ruling at the date of the transaction. Assets and liabilities denominated in a foreign currency are translated into CHF at year-end exchange rates. All transaction gains or losses, realized and unrealized, are taken directly to the year's results, including the effects of forward contracts, with the exception of unrealized 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, which are traded in liquid markets, are initially recorded at cost and subsequently carried at fair value (quoted market price). Securities listed on a stock exchange that represent strategic investments classified as long-term are valued at historical cost.

Realized and unrealized 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 recognized 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 recognized 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, 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. 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.

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.

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 recognized 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.

1. Dividend income

In millions of CHF	2021	2020
Firmenich SA	151.5	166.5
Fragar (America) SA	9.2	9.8
Fragar Trading SA	0.0	2.1
Firmenich Trading Corporation	96.4	61.3
Total dividend income	257.1	239.7

2. Other operating income

In millions of CHF	2021	2020
Compensations from insurance companies	0.0	10.2
Total other operating income	0.0	10.2

3. Other financial income

In millions of CHF	2021	2020
Interest and other financial income from companies in which the entity holds an investment	24.0	28.1
Net realized exchange gains on derivative financial instruments	0.0	7.2
Net exchange gains	8.9	17.2
Net market gains on securities and other financial assets	0.0	0.2
Net realized exchange gains on currency spot transactions	0.6	0.0
Interest and dividend income from third parties	2.3	0.5
Total other financial income	35.8	53.2

4. Financial expenses

In millions of CHF	2021	2020
Interest to companies in which the entity holds an investment	4.8	3.7
Interest expenses	36.7	12.8
Discounts and transaction costs on bonds	2.0	0.2
Net realized exchange losses on currency spot transactions	0.0	2.9
Unrealized exchange losses	23.5	17.1
Realized exchange losses	2.6	9.9
Realized losses on commodity options	0.0	5.5
Net unrealized exchange losses on derivative financial instruments	6.8	0.7
Net realized exchange losses on derivative financial instruments	0.2	0.0
Bank fees and charges	2.3	15.4
Total financial expenses	78.9	68.2

5. Other operating expenses

In millions of CHF	2021	2020
Board of Directors fees and remuneration	3.6	3.7
Professional services	1.8	2.4
Service and management fees to companies in which the entity holds an investment	0.5	0.5
Total other operating expenses	5.9	6.6

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, 2021			
Forward exchange contracts			
Buy USD	6.2	0.2	0.0
Sell EUR	(281.1)	0.0	(1.7)
Sell Other	(20.0)	0.0	(0.2)
	(294.9)	0.2	(1.9)
Total derivative financial instruments with an observable market price		0.2	(1.9)

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)

Financial assets

In millions of CHF	2021	2020
Derivative financial instruments with third parties	0.0	6.0
Derivative financial instruments with companies in which the entity holds an investment	0.2	0.0
Total derivative financial instruments with an observable market price	0.2	6.0

Financial liabilities

In millions of CHF	2021	2020
Derivative financial instruments with third parties	1.9	1.0
Total derivative financial instruments with an observable market price	1.9	1.0

7. Prepaid expenses and accrued income

In millions of CHF	2021	2020
Accrued interests from companies in which the entity holds an investment	3.4	4.4
Bonds discounts and transaction costs	2.0	2.0
Prepaid bank fees	0.8	0.7
Other accrued income and prepaid expenses	0.4	0.3
Total short-term prepaid expenses and accrued income	6.6	7.4
Bonds discounts and transaction costs	6.6	8.6
Prepaid long-term bank fees	2.1	2.5
Total long-term prepaid expenses and accrued income	8.7	11.1

8. Securities listed on a stock exchange and Financial assets

In millions of CHF	2021	2020
Securities listed on a stock exchange	395.2	395.2
Investment fund	3.5	3.4
Total long-term financial assets	398.7	398.6

In FY20, Firmenich International SA acquired 21.8% of Robertet SA's share interests, representing circa 11% of voting rights. This equity instrument represents a long-term strategic investment valued at historical cost.

9. Investments

Company	Share capital in millions		Share in capital/voting rights in %	
	June 30, 2021	June 30, 2020	June 30, 2021	June 30, 2020
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

Carrying value in millions of CHF

Company	Domicile	June 30, 2021	June 30, 2020
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.

10. Short-term interest-bearing liabilities

In millions of CHF	2021	2020
Current accounts with companies in which the entity holds an investment	460.9	246.2
Total short-term interest-bearing liabilities	460.9	246.2

11. Accrued expenses and deferred income

In millions of CHF	2021	2020
Deferred unrealized exchange gains	4.7	4.9
Accrued interest	28.2	3.0
Accrued expenses for Board of Directors fees and remuneration	1.1	1.1
Accrued taxes	2.4	1.3
Other accruals	1.3	1.0
Total accrued expenses and deferred income	37.7	11.3

12. Long-term interest-bearing liabilities

In millions of CHF	2021	2020
Bonds	1 298.5	1 274.1
Due to companies in which the entity holds an investment	49.1	49.8
Total long-term interest-bearing liabilities	1 347.6	1 323.9

BONDS				Year of issue/ maturity	2021	2020
In millions of CHF	Face value	Issue price	Coupon			
Deeply Subordinated Fixed Rate Resettable Perpetual Notes (*)	EUR 750	99.429%	3.75%	2020	823.5	799.1
Public bonds	CHF 425	100.335%	1.00%	2020-2023	425.0	425.0
Public bonds	CHF 50	100.896%	1.00%	2020-2023	50.0	50.0
Total bonds					1 298.5	1 274.1

(*) 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.

13. 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 410.0 (2020: CHF 397.9).

Bonds issuance guaranteed by Firmenich International SA:

In millions	Face value	Coupon	Year of issue/ maturity	Face value 2021	Face value 2020
ISSUER					
Firmenich Productions Participations SAS (France)	EUR 750	1.375%	2020-2026	CHF 823.5	CHF 799.0
Firmenich Productions Participations SAS (France)	EUR 750	1.750%	2020-2030	CHF 823.5	CHF 799.0
	EUR 1 500			CHF 1 647.1	CHF 1 598.0

Contingent liabilities

Contingent liability of CHF 0.0 (2020: CHF 73.2). The option arising from financial derivatives expired in 2021.

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.

APPROPRIATION OF AVAILABLE EARNINGS

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

As at June 30

In CHF	2021
Available earnings	
Profit brought forward	819 263 220
Profit for the year	206 149 551
Total available earnings	1 025 412 771
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 608 % (2020: 435 %)	221 616 000
on B shares 608 % (2020: 435 %)	24 624 000
	246 240 000
Total appropriation of available earnings	250 290 000
Balance to be carried forward	775 122 771

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



Statutory Auditor's Report

To the General Meeting of Firmenich International SA, Satigny

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Firmenich International SA, which comprise the balance sheet as at 30 June 2021, 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 95 to 103) for the year ended 30 June 2021 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, 05 August 2021

APPENDIX: ALTERNATIVE PERFORMANCE MEASURES

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

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

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

GROWTH AT CONSTANT CURRENCY (CCY)

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

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

GROWTH ON AN ORGANIC BASIS (ORGANIC)

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

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

REVENUE GROWTH ON AN ORGANIC BASIS AT CONSTANT CURRENCY (OCCY)

Revenue Growth on an Organic Basis at Constant Currency is used by our management and Board of Directors to evaluate operating performance.

We believe that the elimination of the impact of business acquisitions, disposals and foreign currency variations from Revenue can provide useful like for like period to period comparisons of our sales performance and enable a better understanding of the underlying factors contributing to such performance.

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

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

For the year ended, in millions of CHF	June 30, 2021	June 30, 2020	Year-over-year	Year-over-year %
Revenue	4,272.1	3,877.6		
Revenue growth			394.5	10.2%
Effect of foreign exchange rates			-255.3	-6.6%
Growth at Constant Currency (CCY)			649.8	16.8%
Effect of business acquisitions and disposals			469.8	12.1%
Revenue Growth on an Organic Basis at Constant Currency (OCCY)			180.0	4.7%

EBITDA

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

For the year ended, in millions of CHF	June 30, 2021	June 30, 2020
Operating profit	594.4	622.6
Depreciation of property, plant and equipment	170.8	129.9
Amortization of intangible assets	102.6	68.3
Impairment losses on property, plant and equipment	5.8	1.7
EBITDA	873.6	822.5

ADJUSTED EBITDA

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

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

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

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

For the year ended, in millions of CHF	June 30, 2021	June 30, 2020
EBITDA	873.6	822.5
Restructuring and transformation costs	10.2	7.1
Acquisition and disposal related costs	9.1	29.2
Gain on disposal of intangible assets and property, plant and equipment	(46.9)	-
Other items of a one-time and/or non-operating nature ¹	(30.1)	-
Adjusted EBITDA	815.9	858.8

¹ It consists of an income related to a legal case settlement. See note 20 of the Consolidated Financial Statements of Firmenich International SA.

FREE CASH FLOW (FCF)

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

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

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

For the year ended, in millions of CHF	June 30, 2021	June 30, 2020
Cash flows from operating activities	693.3	641.9
Purchase of property, plant and equipment	(185.7)	(157.6)
Purchase of intangible assets	(38.1)	(33.9)
Disposal of intangible assets, property, plant and equipment	41.8	4.1
Free Cash Flow	511.3	454.5

NET DEBT

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

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

Net Debt comprises:

For the year ended, in millions of CHF	June 30, 2021	June 30, 2020
Short-term bank borrowings and lease liabilities	(98.0)	(151.1)
Long-term bank borrowings, bonds and lease liabilities	(2,287.5)	(2,249.0)
Cash, cash equivalents and financial investments	794.6	828.0
Net Debt	(1,590.9)	(1,572.1)

In addition, in 2020 we have issued deeply subordinated fixed rate resettable perpetual notes for CHF 795 million, which are accounted for in equity in the Group's consolidated financial statements, in accordance with IFRS, as issued by the International Accounting Standards Board (IASB)², as detailed in note 12 to the consolidated financial statements.

² IAS 32 – Financial Instruments: Presentation



All statements other than statements of historical fact included in this document may be deemed to be forward-looking statements. Forward-looking statements are based on management's current estimates and expectations. Forward-looking statements should be read in the context of risks and uncertainties inherent in our industry, which could cause actual results and events to differ. Investors should not rely on such forward-looking statements. Statements made at the time of the relevant release will not be updated or revised as information or expectations evolve. Future releases of financial results and accompanying commentary shall supersede previous releases.

Copyright © 2021. All rights reserved. This Annual Report is published by Firmenich International SA on behalf of its businesses.

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**

