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The document and the offer when made are only addressed to and directed at persons in member states of the European Economic Area (“**EEA**”) or the United Kingdom (the “**UK**”) who are “qualified investors” within the meaning of Article 2(e) of Regulation (EU) 2017/1129 (the “**Prospectus Regulation**”) (“**Qualified Investors**”). In addition, in the UK, this document is being distributed only to, and is directed only at, Qualified Investors (i) who have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the “**Order**”) and Qualified Investors falling within Article 49 of the Order, and (ii) to whom it may otherwise lawfully be communicated (all such persons together being referred to as “**relevant persons**”). This document must not be acted on or relied on (i) in the UK, by persons who are not relevant persons, and (ii) in any member state of the EEA other than the UK, by persons who are not Qualified Investors. Any investment or investment activity to which this document relates is available only to (i) in the UK, relevant persons, and (ii) in any member state of the EEA other than the UK, Qualified Investors, and will be engaged in only with such persons.

PROHIBITION OF SALES TO EEA AND UK RETAIL INVESTORS

The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the EEA or the UK. For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (“**MiFID II**”); or (ii) a customer within the meaning of Directive 2016/97/EU (as amended, the “**Insurance Distribution Directive**”), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently, no key information document required by Regulation (EU) No 1286/2014 (the “**PRIIPs Regulation**”) for offering or selling the Notes or otherwise making them available to retail investors in the EEA or the UK has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA or the UK may be unlawful under the PRIIPs Regulation.

PRODUCT GOVERNANCE

Solely for the purposes of each manufacturer’s product approval process in relation to MiFID II, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is eligible counterparties and professional clients only, each as defined in MiFID II; and (ii) all channels for distribution for the Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Notes (a “**distributor**”) should take into consideration the manufacturers’ target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining manufacturers’ target market assessment) and determining appropriate distribution channels.

THIS DOCUMENT MAY ONLY BE DISTRIBUTED IN ‘‘OFFSHORE TRANSACTIONS’’ TO PERSONS OTHER THAN U.S. PERSONS AS DEFINED IN, AND AS PERMITTED BY, REGULATION S UNDER THE US SECURITIES ACT OF 1933, AS AMENDED (THE ‘‘**SECURITIES ACT**’’). ANY FORWARDING, REDISTRIBUTION OR REPRODUCTION OF THIS DOCUMENT IN WHOLE OR IN PART IS UNAUTHORISED. FAILURE TO COMPLY WITH THIS NOTICE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS.

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A hard copy of the document will be made available to you only upon request to the Managers.

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Neither the Managers, The Law Debenture Trust Corporation p.l.c. (the "**Trustee**") nor any of their respective affiliates accepts any responsibility whatsoever for the contents of this document or for any statement made or purported to be made by any of them, or on any of their behalf, in connection with the Issuer or the offer. The Managers, the Trustee and their respective affiliates accordingly disclaim all and any liability whether arising in tort, contract, or otherwise which they might otherwise have in respect of such document or any such statement. No representation or warranty express or implied, is made by any of the Managers, the Trustee or their respective affiliates as to the accuracy, completeness, verification or sufficiency of the information set out in this document.

The Managers are acting exclusively for the Issuer and no one else in connection with the offer. They will not regard any other person (whether or not a recipient of this document) as its client in relation to the offer and will not be responsible to anyone other than the Issuer for providing the protections afforded to its clients nor for giving advice in relation to the offer or any transaction or arrangement referred to herein.

You are responsible for protecting against viruses and other destructive items. Your receipt of the electronic transmission is at your own risk and it is your responsibility to take precautions to ensure that it is free from viruses and other items of a destructive nature.

ELM B.V.

(a private company with limited liability under the law of the Netherlands and having its corporate seat (zetel) in Amsterdam, the Netherlands)

EUR 750,000,000
Fixed Rate Resettable Perpetual Notes
issued under the Secured Note Programme

secured by

EUR 750,000,000
Deeply Subordinated Fixed Rate Resettable Perpetual Loan Notes

of

FIRMENICH INTERNATIONAL SA

Issue Price of the Notes: 99.429 per cent.

ELM B.V., a private company with limited liability (*besloten vennootschap met beperkte aansprakelijkheid*) incorporated in the Netherlands, with its corporate seat (*zetel*) in Amsterdam, the Netherlands (the "**Issuer**") is offering its EUR 750,000,000 Fixed Rate Resettable Perpetual Notes (the "**Notes**") secured by the EUR 750,000,000 Deeply Subordinated Fixed Rate Resettable Perpetual Loan Notes of Firmenich International SA (the "**Original Charged Assets**" and the "**Charged Assets Obligor**", respectively) The Notes will bear interest from (and including) 3 June 2020 (the "**Interest Commencement Date**"), payable in arrear on each Interest Payment Date (as defined in the "Conditions of the Notes"). From (and including) the Interest Commencement Date to (but excluding) 3 September 2025, the Notes will bear interest at a rate of 3.750 per cent. per annum, and thereafter, the Notes will bear interest at a rate of interest, reset every five years, of the sum of the 5 year euro mid-swap rate plus 4.140 per cent. plus 0.250 to 3.000 per cent. per annum, provided that such interest amounts will only be payable to the extent that corresponding interest amounts are received by the Issuer under the Original Charged Assets (which may be subject to deferral pursuant to the terms and conditions of the Notes), all as more particularly described in "Conditions of the Notes – 6. Interest".

The Notes have no maturity date, subject to early redemption in the circumstances described in this series memorandum (the "**Series Memorandum**").

The Notes are secured, limited recourse obligations of the Issuer.

The Notes are expected to be rated BB+ by S&P Global Ratings Europe Limited. S&P Global Ratings Europe Limited is established in the European Union and is registered under the EU Regulation on credit rating agencies (Regulation (EC) No.1060/2009), as amended.

The Issuer has established its Secured Note Programme (the "**Programme**") under which the Issuer may from time to time issue notes. Holders of the Notes will not have access to the assets of the Issuer held in connection with any other notes issued pursuant to the Programme and, similarly, holders of any other notes issued pursuant to the Programme will not have access to the assets held in connection with the Notes described in this Series Memorandum.

This document is a Series Memorandum contains information relating to the Notes issued by the Issuer and should be read in conjunction with the programme memorandum dated 25 September 2019 relating to the Programme of the Issuer (the "**Programme Memorandum**"). Unless defined herein, terms defined in the Programme Memorandum have the same meanings in this Series Memorandum. Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of the provisions set out within this Series Memorandum and the Programme Memorandum.

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

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

Joint Global Coordinators, Joint Structuring Advisers and Joint Bookrunners

Citigroup **UBS Investment Bank**

Co-Managers

Credit Suisse **Goldman Sachs International**

The date of this Series Memorandum is 29 May 2020.

This Series Memorandum is supplemental to, and should be read in conjunction with, the Programme Memorandum (see the section entitled "Documents Incorporated by Reference" below). This Series Memorandum includes particulars for the purpose of giving information with regard to the issue by the Issuer of the Notes.

The Issuer accepts responsibility for the information contained in this Series Memorandum (which, for the purpose of this section of the Series Memorandum, will include the sections of the Programme Memorandum incorporated by reference herein). To the best of the Issuer's knowledge (having taken all reasonable care to ensure that such is the case) the information contained in this Series Memorandum is in accordance with the facts and does not omit anything likely to affect the import of such information.

The information contained in the section of the Series Memorandum entitled "Information Concerning the Charged Assets Obligor" and in the Appendix to this Series Memorandum (the "**Third Party Information**") has been obtained directly from the Charged Assets Obligor. The Issuer confirms that the Third Party Information has been accurately reproduced as received and that, so far as it is aware and is able to ascertain from the Third Party Information published, no facts have been omitted which would render the reproduced Third Party Information inaccurate or misleading.

The Issuer has not conducted extensive due diligence on the Third Party Information, or made any enquiries as to its own possession of non-publicly available information. The Issuer has only made very limited enquiries in relation to the Third Party Information, and none of the Issuer, Citigroup Global Markets Limited ("**Citigroup**"), UBS AG London Branch ("**UBS**"), Credit Suisse Securities (Europe) Limited ("**Credit Suisse**") and Goldman Sachs International ("**Goldman Sachs**", Citigroup, UBS, Credit Suisse and Goldman Sachs together being the "**Managers**") or The Law Debenture Trust Corporation p.l.c. (the "**Trustee**" and the "**Managers' Trustee**") makes any representation or warranty, express or implied, as to the accuracy or completeness of the Third Party Information and prospective investors in the Notes should not rely upon, and should make their own independent investigations and enquiries in respect of the same.

Subject to the above the Issuer, having made all reasonable enquiries, confirms that this Series Memorandum contains all information with respect to the Issuer and the Notes that is material in the context of the issue and offering of the Notes, the statements contained in it relating to the Issuer are in every material respect true and accurate and not misleading, the opinions and intentions expressed in this Series Memorandum with regard to the Issuer are honestly held, have been reached after considering all relevant circumstances and are based on reasonable assumptions, there are no other facts in relation to the Issuer or the Notes the omission of which would, in the context of the issue and offering of the Notes, make any statement in this Series Memorandum misleading in any material respect and all reasonable enquiries have been made by the Issuer to ascertain such facts and to verify the accuracy of all such information and statements.

No person has been authorised to give any information or to make any representation other than those contained in this Series Memorandum in connection with the issue or sale of the Notes and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuer or any Manager. Neither the Issuer nor any Manager is making an offer to sell the Notes in any jurisdiction where the offer or sale is not permitted. Neither the delivery of this Series Memorandum nor any sale of Notes made in connection therewith shall, under any circumstances, create any implication that there has been no change in the affairs of the Issuer or the Charged Assets Obligor since the date of this Series Memorandum or the date upon which this Series Memorandum has been most recently amended or supplemented or that there has been no adverse change in the financial position of the Issuer or the Charged Assets Obligor since the date of this Series Memorandum or the date upon which this Series Memorandum has been most recently amended or supplemented or that any other information supplied in connection with the Programme is correct as of any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same.

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

This document is based on information provided by the Issuer, except for the Third Party Information which has been provided to the Issuer. None of the Managers, the Trustee, the Managers' Trustee and the Issuer in respect of the Third Party Information, is making any representation or warranty that this information is accurate or complete and none of the Managers, the Trustee or the Managers' Trustee are responsible for this information. This Series Memorandum summarises certain documents and other information in a manner the Issuer believes to be accurate, but investors should refer to the actual documents for a more complete understanding of the matters discussed in this Series Memorandum. In making an investment decision, investors must rely on their own examination of the terms of this offering and the Notes, including the merits and risks involved. This offering is being made on the basis of this Series Memorandum. Any decision to purchase the Notes in this offering must be based solely on the information contained in this Series Memorandum.

None of the Issuer, the Managers, the Trustee and the Managers' Trustee are making any representation to any purchaser of the Notes regarding the legality of an investment in the Notes by it under any legal investment or similar laws or regulations. Investors should not consider any information in this document to be legal, business or tax advice. Investors should consult their own lawyers, business adviser and tax adviser for legal, business and tax advice regarding an investment in the Notes.

The Issuer reserves the right to withdraw the offering of the Notes at any time. The Issuer and the Managers also reserve the right to reject any offer to purchase the Notes in whole or in part for any reason and to allot to any prospective investor less than the full amount of Notes sought by it.

In connection with the issue of the Notes, the Managers may, in accordance with all laws and regulations, over-allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, there is no assurance that the Managers will undertake stabilisation action. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the issue date of the Notes and 60 days after the date of the allotment of the Notes. Any stabilisation action or over-allotment must be conducted by the Managers in accordance with all applicable laws and rules.

The distribution of this Series Memorandum and the offering or sale of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Series Memorandum comes are required by the Issuer and the Managers to inform themselves about and to observe any such restriction. The Notes have not been and will not be registered under the United States Securities Act of 1933, as amended (the "**Securities Act**"). The Notes may not be offered, sold or delivered within the United States or to U.S. persons at any time. For a description of certain restrictions on offers and sales of Notes and on distribution of this Series Memorandum, see "Subscription and Sale" below.

Any investment in the Notes does not have the status of a bank deposit and is not within the scope of the deposit protection scheme operated by the Central Bank of Ireland or any other deposit protection scheme. The Issuer is not and will not be regulated by the Central Bank of Ireland as a result of issuing the Notes or entering into any other transaction.

The Notes may not be publicly offered, directly or indirectly, in Switzerland within the meaning of the Swiss Financial Services Act ("**FinSA**") and no application has or will be made to admit the Notes to trading on any trading venue (exchange or multilateral trading facility) in Switzerland. Neither this Series Memorandum nor any other offering or marketing material relating to the Notes constitutes a prospectus pursuant to the FinSA, and neither this Series Memorandum nor any other offering or marketing material relating to the Notes may be publicly distributed or otherwise made publicly available in Switzerland

Neither this Series Memorandum nor any other offering and marketing material relating to the offering, the Issuer or the Notes have been or will be filed with or approved by any Swiss regulatory authority including the Swiss Financial Markets Supervisory Authority FINMA ("**FINMA**"). The Notes are not subject to the supervision by any Swiss regulatory authority, including FINMA, and investors in the Notes will not benefit from protection or supervision by such authority or the Swiss Collective Investment Schemes Act.

This Series Memorandum does not constitute an offer of, or an invitation by or on behalf of the Issuer or any Manager to subscribe for, or purchase, any Notes or to enter into any other transactions.

None of the Managers, the Trustee or the Managers' Trustee have separately verified the information contained in this Series Memorandum. None of the Managers, the Trustee or the Managers' Trustee makes any representation, express or implied, or, to the fullest extent permitted by law, accepts any responsibility, with respect to the accuracy or completeness of any of the information in this Series Memorandum or for any other statement made or purported to be made by a Manager, the Trustee or the Managers' Trustee or on its behalf in connection with the Issuer or the issue and offering of the Notes. Each Manager, the Trustee and the Managers' Trustee accordingly disclaims all and any liability whether arising in tort or contract or otherwise (save as referred to above) which it might otherwise have in respect of this Series Memorandum or any such statement.

Prospective purchasers of Notes should have regard to the factors described under the section headed "Risk Factors" in this Series Memorandum. This Series Memorandum does not describe all of the risks of an investment in the Notes. Neither this Series Memorandum nor any financial statements referred to herein are intended to provide the basis of any credit or other evaluation and should not be considered as a recommendation by any of the Issuer, the Managers, the Trustee or the Managers' Trustee that any recipient of this Series Memorandum or any such other financial statements should purchase the Notes.

Prospective purchasers of any Notes should conduct such independent investigation and analysis regarding the Issuer, the security arrangements, the relevant Original Charged Assets, the Charged Assets Obligor and the relevant Notes as they deem appropriate to evaluate the merits and risks of an investment in the Notes. Prospective purchasers of any Notes should have sufficient knowledge and experience in financial and business matters, and access to, and knowledge of, appropriate analytical resources, to evaluate the information contained in, or incorporated by reference into, this Series Memorandum and the merits and risks of investing in the Notes in the context of their financial position and circumstances. None of the Managers, the Trustee or the Managers' Trustee undertakes to review the financial condition or affairs of the Issuer, the Original Charged Assets or the Charged Assets Obligor during the life of the arrangements contemplated by this Series Memorandum or the term of any Notes issued nor to advise any investor or potential investor in the Notes of any information coming to the attention of any of the Managers, the Trustee or the Managers' Trustee. The risk factors identified in this Series Memorandum are provided as general information only and the Managers, the Trustee and the Managers' Trustee disclaim any responsibility to advise purchasers of the Notes of the risks and investment considerations associated therewith as they may exist at the date hereof or as they may from time to time alter.

The Issuer will not be providing any post-issuance information in relation to the Notes.

PROHIBITION OF SALES TO EEA AND UK RETAIL INVESTORS – The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area ("**EEA**") or the United Kingdom ("**UK**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU ("**MiFID II**"); or (ii) a customer within the meaning of Directive 2016/97/EU (as amended, the "**Insurance Distribution Directive**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently, no key information document required by Regulation (EU) No 1286/2014 (the "**PRIIPs Regulation**") for offering or selling the Notes or otherwise making them available to retail investors in the EEA or the UK has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA or the UK may be unlawful under the PRIIPs Regulation.

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

Singapore Securities and Futures Act Product Classification

Solely for the purposes of its obligations pursuant to Section 309B of the Securities and Futures Act (Chapter 289 of Singapore) (the "**SFA**") and the Securities and Futures (Capital Markets Products) Regulations 2018 (the "**CMP Regulations**"), the Issuer has determined, and hereby notifies all relevant persons (as defined in Regulation 3(b) of the CMP Regulations) that the Notes are "prescribed capital markets products" (as defined in the CMP Regulations) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

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RISK FACTORS

The risk factors set out below are risk factors that are material to the Notes in order to assess the market risk associated with them or which may affect the Issuer's ability to fulfil its obligations under them. Neither the Issuer, any Manager, the Trustee nor the Managers' Trustee is in a position to express a view on the likelihood of any contingency highlighted by a risk factor occurring.

For the purposes hereof, capitalised terms used but not otherwise defined herein will have the meaning given to them in the Conditions of the Notes.

Risks Related to the Notes

Limitations on claims against the Issuer

The Notes are solely obligations of the Issuer and the Charged Assets Obligor (as defined herein) does not have any obligation to the Noteholders for payment of any amount due in respect of the Notes. The Issuer is a special purpose vehicle established, *inter alia*, for the purpose of issuing the Notes. The Notes are limited in recourse to the Mortgaged Property which includes, *inter alia*, the Issuer's rights in respect of the Charged Assets. Other than the Mortgaged Property, there are no other assets of the Issuer available to meet any outstanding claims of the Secured Creditors, including the Noteholders.

Priority of claims

During the term of the Notes, on an enforcement of the Security, the rights of the Noteholders to be paid amounts or delivered assets due under the Notes will be subordinated to (i) the payment or satisfaction of all taxes owing by the Issuer, (ii) the fees, costs, charges, expenses and liabilities due and payable to the Trustee including costs incurred in the enforcement of the Security (which may include, for example, the fees of any receiver appointed by the Trustee in the case of an enforcement of the Security and, in all instances, the Trustee's remuneration), (iii) the fees, costs, charges, expenses and liabilities due and payable to the Enforcement Agent including costs incurred in the enforcement of the Security (which may include, for example, the Enforcement Agent's remuneration), (iv) amounts owing to the Agents in respect of reimbursement for sums paid by them in advance of receipt by them of the funds to make such payment and (v) the fees, costs, charges, expenses and liabilities due and payable to the Agents.

There is no assurance that the proceeds and/or assets available following payment of any such priority claims will be sufficient to pay in full the amounts that the relevant Noteholders would expect to receive or that such Noteholders will receive back the amount, or assets with a value equal to the amount, they originally invested.

Indefinite holding of the Notes

The Notes are perpetual securities in respect of which there is no fixed redemption date. The Issuer is under no obligation to redeem the Notes at any time and the Noteholders have no right to call for the redemption of the Notes. Prospective investors should be aware that they may be required to bear the financial risks of an investment in the Notes indefinitely and may not recover their investment before the end of this period.

Original Charged Assets subordination and potential deferral of interest payments

The Original Charged Assets in respect of the Notes comprise EUR 750,000,000 Deeply Subordinated Fixed Rate Resettable Perpetual Loan Notes issued by the Charged Assets Obligor (the "**Loan Notes**"). The ability of the Issuer to meet its obligations under the Notes will be dependent on the timely payment of interest and principal due on the corresponding Charged Assets. The payments on the relevant Charged Assets are the only source of payment on the corresponding Notes.

The obligations of the Charged Assets Obligor under the Charged Assets are subordinated and will rank in priority of payment (1) junior to the claims of all Senior Obligations, (2) *pari passu* with the claims of all Parity Obligations, and (3) senior to the claims of holders of any Junior Obligations (each as defined in the Charged Assets Conditions for the Loan Notes). Furthermore, the Charged Assets Obligor has the option to defer payments of interest on the Loan Notes when such interest has accrued in respect of an interest period.

Any event that causes the Charged Assets Obligor not to make all or part of any payments on any Original Charged Assets will result in corresponding reductions and delays in respect of interest and principal (if any) payable in respect of the corresponding Notes. In addition, any event that causes the Charged Assets Obligor not to make all or part of any payments on the Original Charged Assets, or if there is a perception in the market that any such event may occur, the occurrence of such event, or the perception that any such event may occur, may have an adverse effect on the market value of the Notes.

There is a real risk that Noteholders may lose all or some of their investment should the Charged Assets Obligor become insolvent.

Early redemption of the Notes

The Notes may be redeemed on the occurrence of any of a Charged Assets Call, a Charged Assets Event (a Charged Assets Call and a Charged Assets Event being events relating to the Original Charged Assets and/or the Charged Assets Obligor), a Tax Event, an Illegality Event or an Event of Default (a Tax Event, an Illegality Event and an Event of Default being events relating to the Notes and/or the Issuer and/or amounts receivable by the Issuer in respect of the Original Charged Assets).

Following the occurrence of any such event, the Security may be enforced (refer to Condition 12(b) (*Enforcement of Security*) for a description of when the Security may become enforceable) in order to fund the payment of the Early Redemption Amount on redemption of the Notes.

If the Notes are redeemed upon the occurrence of a Charged Assets Call, a Charged Assets Event, a Tax Event, an Illegality Event or an Event of Default, the amount actually received by an investor in the Notes in respect of such redemption may be less than the amount invested by such investor. In addition, following the occurrence of any such event (including without limitation a Charged Assets Call), or if there is a perception in the market that such an event may occur, such occurrence, or perception that any such event may occur, may have an adverse effect on the market value of the Notes.

Refer to Condition 7 (*Redemption and Purchase*) of the Conditions and the risk factor contained in the Charged Assets Documentation entitled "**The Issuer may redeem the Loan Notes early under certain circumstances**" for more details.

See "**The Notes are linked to the creditworthiness of the Charged Assets Obligor and the Charged Assets**" and "**Charged Assets**" below for a description of the risks associated with any early redemption of the Notes.

Reform and Regulation of "benchmarks"

The euro interbank offered rate ("**EURIBOR**") (which is the floating leg of the 5 year euro mid-swap rate used in the reset provisions for the Notes), and other indices which are deemed to be "benchmarks" (each a "**benchmark**") are the subject of recent national and international regulatory guidance and proposals for reform. Some of these reforms are already effective whilst others are still to be implemented. These reforms may cause such benchmarks to perform differently than in the past, to disappear entirely, or have other consequences which cannot be predicted. Any such consequence could have a material adverse effect on any Notes linked to or referencing such a "benchmark", in particular, if the methodology or other terms of the benchmark are changed in order to comply with the requirements of new regulations. Such changes could, among other things, have the effect of reducing, increasing or otherwise affecting the volatility of the published rate or level of the benchmark.

Any changes to a benchmark may also have a material adverse effect on the costs of refinancing a benchmark or the costs and risks of administering or otherwise participating in the setting of a benchmark and complying with any such regulations or requirements. Such factors may have the effect of discouraging market participants from continuing to administer or participate in certain benchmarks, trigger changes in the rules or methodologies used in certain benchmarks or lead to the disappearance of certain benchmarks. Although it is uncertain whether or to what extent any of the aforementioned changes or future changes could have an effect on the value of the Notes, investors should be aware that they face the risk that any changes to the relevant benchmark may have a material adverse effect on the value of and the amount payable under the Notes.

The Notes are linked to the creditworthiness of the Charged Assets Obligor and the Charged Assets

Investors should note that the Notes differ from ordinary debt securities in that the amount of interest and principal (if any) payable by the Issuer in respect of the Notes is dependent on, amongst other things, whether a Charged Assets Event or a Charged Assets Call has occurred in respect of the Charged Assets. Where a Charged Assets Event or a Charged Assets Call has occurred, the Notes may be redeemed, at which point they will cease to bear interest and the amount paid to Noteholders on redemption may be less than their original investment in the Notes or may be zero. The likelihood of a Charged Assets Event or a Charged Assets Call occurring in respect of the Charged Assets will generally fluctuate with, among other things, the financial condition and other characteristics of the Charged Assets Obligor, general economic conditions, the condition of certain financial markets, political events, developments or trends in any particular industry and changes in prevailing interest rates. Investors should have sufficient knowledge and experience in financial and business matters to evaluate the merits and risks of investing in such Notes as well as access to, and knowledge of, appropriate analytical tools to evaluate such merits and risks in the context of their financial situation.

Investors should further note that the Charged Assets Obligor's business is subject to detailed, comprehensive laws and regulations as well as close supervision in all the countries in which it operates. Changes in existing laws and regulations and their interpretation may affect the way in which the Charged Assets Obligor conduct its business and the products it may offer. Changes in regulations relating to pensions and employment, social security and taxation, may necessitate the restructuring of its activities, impose increased costs and thereby, or otherwise, could have material adverse effects on the Charged Assets Obligor's business.

Risk factors relating to the Charged Assets Obligor's business are provided in the sub-section titled "**Risk Related to the Issuer and Firmenich Group**" of the Charged Assets Documentation in respect of the Loan Notes attached at the Appendix hereto.

The Issuer may be substituted in order to avoid certain adverse tax or legal consequences

On the occurrence of a Tax Event or an Illegality Event, the Issuer may be substituted in order to avoid the occurrence of certain adverse tax or legal consequences. Such substitution must be approved beforehand in writing by the Trustee and no such substitution may occur where it results in any rating assigned to the Notes being adversely affected. Refer to Condition 7(d) (*Redemption for Taxation Reasons*) and Condition 7(e) (*Redemption Following an Illegality Event*) for further details.

In connection with any such substitution of the Issuer, the Trustee need not have regard to the consequences of such substitution for individual Noteholders resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory. Any such substitution could result in a Noteholder becoming subject to certain taxes, levies or other charges as may be required by the law of the relevant territory (including, but not limited to, where such substitution is considered to result in a disposal of the previously issued Notes).

Payment of additional amounts for Swiss withholding taxes may be null and void

The Charged Assets Conditions for the Loan Notes (the "**Charged Assets Conditions**") provide that, subject to certain exemptions, the Charged Assets Obligor shall make all payments of principal and interest on the Charged Assets, free of any withholding or deduction for or on account of any taxes, levies, imposts, duties or charges in Switzerland unless such withholding or deduction is required by Swiss law (including by agreement under FATCA). The Issuer and the Managers have received a legal opinion from Swiss counsel of the Charged Assets Obligor that the Charged Assets Obligor is not at the date of issue of the Original Charged Assets required by law to make such deduction or withholding. The Charged Assets Obligor have obtained a tax ruling from the relevant Swiss authority that no Swiss tax withholding or deduction will be required to be made by the Charged Assets Obligor in respect of payments due to be made by the Charged Assets Obligor to the Issuer under the Charged Assets. However, there can be no assurance as to the future impact of any possible administrative or judicial decision or change to any relevant Swiss law and/or administrative practice after the date of issue of the Charged Assets.

Although the terms of the Charged Assets provide that, in the event of any withholding or deduction on account of Swiss tax being required by Swiss law, the Charged Assets Obligor shall, subject to certain exceptions, pay additional amounts so that the net amount received by the holders of the Charged Assets shall equal the amount which would have been received by such holder in the absence of such withholding or deduction, such an obligation may contravene Swiss legislation and be null and void. Although the terms of the Charged Assets provide in such circumstance for the rate of interest on the Charged Assets to be adjusted to take into account such withholding or deduction, such adjustment may also contravene Swiss legislation. In that event the amount received by the Issuer, as the holder of the Charged Assets, and the corresponding amounts payable by the Issuer to the holders of the Notes would be reduced by any such withholding or deduction.

If the Charged Assets Obligor becomes obliged to pay additional amounts in respect of the Charged Assets following the imposition of any withholding or deduction in respect of payments of principal and interest under the Charged Assets as a result of a change in, or amendment to, the laws and regulations of Switzerland, the Charged Assets Obligor may, provided that such obligation cannot be avoided by the Charged Assets Obligor taking reasonable measures available to it and provided that, among other things, (i) FINMA or any domestic or foreign successor to FINMA or otherwise that has primary supervisory authority over the Charged Assets Obligor has given (and has not subsequently withdrawn) its consent to the redemption if such consent is required and (ii) no Solvency Event (as defined in the Charged Assets Conditions) has occurred or is continuing and such redemption would not itself cause a Solvency Event, redeem all of the Charged Assets, which will result in the redemption of all of the Notes in accordance with Condition 7(b) (*Redemption Following a Charged Assets Call*).

Withholding on, or other taxes or tax reporting requirements with respect to, the Notes and/or the Original Charged Assets

The Issuer expects that payments of interest and principal (if any) on the Notes will ordinarily not be subject to withholding tax or any other taxes, duties or charges in the Netherlands or any other jurisdiction. In the event that (i) any tax, duty or charge must be withheld, accounted for or deducted from payments of principal or interest in respect of the Notes (other than a withholding or deduction in respect of FATCA), (ii) any tax, duty or charge must be withheld, accounted for or deducted from any income of the Issuer such that it would be unable to make any payment in respect of the Notes in full when due, (iii) the Issuer is or will be unable to receive any payment due in respect of the Charged Assets in full without a deduction for or on account of any withholding tax, back-up withholding or other tax, duty or charge in any jurisdiction (including a withholding in respect of FATCA), (iv) the Issuer is or will be required to pay any tax, duty or charge in any jurisdiction in respect of any payment received in respect of the Charged Assets, (v) the Issuer is or will be required to comply with any tax reporting requirement (other than in respect of FATCA and the Common Reporting Standard) in the Netherlands or Switzerland in respect of any payment received in respect of the Charged Assets or (vi) any other Tax Event has occurred in accordance with Condition 7(d) (*Redemption for Taxation Reasons*), the Issuer shall use all reasonable endeavours to arrange the substitution of a company incorporated in another jurisdiction as the principal debtor or to change its residence for taxation purposes to another jurisdiction and, if it is not able to arrange such substitution or change, it shall redeem the Notes (subject to certain exceptions and all as more fully set out in, and subject to, Condition 7(d) (*Redemption for Taxation Reasons*)).

In the event that any withholding tax or deduction for tax is imposed on payments of interest on the Notes, the Noteholders will not be entitled to receive grossed-up amounts to compensate for such withholding tax nor be reimbursed for the amount of any shortfall and no Event of Default shall occur as a result of any such withholding or deduction; however, as set out above, the Notes shall be redeemed pursuant to Condition 7(d) (*Redemption for Taxation Reasons*).

Taxation

Each Noteholder will assume and be solely responsible for any and all taxes of any jurisdiction or governmental or regulatory authority, including, without limitation, any state or local taxes or other like assessment or charges, that may be applicable to any payment to it in respect of the Notes. Neither the Issuer nor any other person will pay any additional amounts to the Noteholders to reimburse them for any tax, assessment or charge required to be withheld or deducted from payments in respect of the Notes by the Issuer, although such requirement will give rise to an obligation to redeem the Notes early in the circumstances described in the terms of the Notes.

Modification, waivers and substitution

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

The Conditions of the Notes and the Trust Deed also provide that the Trustee shall, in certain circumstances and without the consent of Noteholders, agree to (i) any modification of any of the Conditions or any of the provisions of the Transaction Documents that in the opinion of the Trustee is of a formal, minor or technical nature or is made to correct a manifest error or (ii) any modification of any of the provisions of the Trust Deed, or any other documentation in connection with the issue of the Notes, if the Charged Assets Obligor has exercised its rights pursuant to (A) Charged Assets Condition 3.10(e) (*Benchmark Replacement*) to vary the Charged Assets Conditions to give effect to the Benchmark Amendments (as defined in the Charged Assets Conditions), (B) Charged Assets Condition 14 (*Substitution and Variation*) to vary the terms of the Charged Assets or to substitute the Charged Assets with other securities, or (C) Charged Assets Condition 15.3 (*Modification, Waiver, Authorisation and Determination*) to make modifications to the agency agreement in connection with the Charged Assets. The Trustee may also agree, without the consent of the Noteholders, to (i) any other modification (except as mentioned in the Trust Deed), and any waiver or authorisation of any breach or proposed breach of any of the Conditions or any provisions of the Transaction Documents that in the opinion of the Trustee is not materially prejudicial to the interest of the Noteholders or (ii) the substitution of another company as principal debtor under any Notes in place of the Issuer.

Managers' Security

The proceeds of the Managers' Security will, in the event that the Managers' Security becomes enforceable, be held by the Managers' Trustee on behalf of itself and the Managers and applied in respect of any Manager's Claims. Noteholders have no direct or indirect interest in the Managers' Security and will not be entitled to the proceeds of enforcement of the Managers' Security. To the extent that the Security and the Managers' Security become enforceable at the same time, the Trustee shall, to the extent relevant, take into account the interests of the Managers in priority to the interests of the Noteholders.

Credit Ratings

The Notes and the Original Charged Assets are rated securities. Prospective investors should ensure they understand what any rating associated with the Notes means and what it addresses and what it does not address. The assignment of a rating to the Notes should not be treated by a prospective investor as meaning that such investor does not need to make its own investigations into, and determinations of, the risks and merits of an investment in the Notes.

A securities rating is not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time. Neither the Managers nor the Issuer in any way represent that a rating is an accurate reflection of the risks involved in an investment in the Notes, that the relevant rating agency is an appropriate rating agency or the models used by such rating agency are appropriate for the Notes. The fact that UBS and the other Managers request a rating should not be treated by a prospective investor as meaning that UBS or the other Managers accept any responsibility for the rating or the work of the relevant rating agency or that UBS or the other Managers share the views of such rating agency, and each investor needs to make its own investigations into, and determinations of, the risks and merits of an investment in the Notes. Further, the terms on which a rating is provided by a rating agency may include a disclaimer or an exclusion by such rating agency of any liability to any person in respect of such rating.

During its holding of a Note, a Noteholder should take such steps as it considers necessary to evaluate the ongoing risks and merits of a continued investment in such Note. Such steps should not rely solely on ratings. In particular, prospective investors should not rely solely on downgrades of ratings as indicators of deteriorating credit and conversely, upgrades of ratings as indicators of improving credit. Market indicators (such as rising credit default spreads and yield spreads with respect to the relevant entity) often indicate significant credit issues prior to any downgrade. No assurance can be given that the Notes will have the same credit rating as the corresponding Original Charged Assets subsequent to any reduction in the credit rating of an Agent or otherwise.

During the global financial crisis, rating agencies have been the subject of criticism from a number of global governmental bodies that they did not downgrade entities on a sufficiently quick basis.

Prospective investors who place too much reliance on ratings, or who do not understand what the rating addresses, may be subject to unexpected losses as a result.

Independent Review and Advice

Each prospective Noteholder must determine, based on its own independent review and such legal, business and tax advice as it deems appropriate under the circumstances, that its acquisition of the Notes (i) is fully consistent with its financial needs, objectives and condition, (ii) complies and is fully consistent with all investment policies, guidelines, authorisations and restrictions (including as to its capacity) applicable to it, (iii) has been duly approved in accordance with all applicable laws and procedures and (iv) is a fit, proper and suitable investment for it, undertaken for a proper purpose.

Legality of Purchase

None of the Issuer, the Trustee, the Managers' Trustee, the Managers or the Agents or any affiliate of any of them or other person on their behalf has or assumes responsibility for the lawfulness of the acquisition of the Notes by a prospective purchaser of the Notes, whether under the laws of the jurisdiction of its incorporation or the jurisdiction in which it operates (if different), or for compliance by that prospective purchaser with any law, regulation or regulatory policy applicable to it.

No Reliance

The Issuer, the Trustee, the Managers' Trustee, the Managers and the Agents and all affiliates of any of them disclaim any responsibility to advise purchasers of the Notes of the risks and investment considerations associated with the purchase of the Notes as they may exist at the date hereof or from time to time hereafter. Noteholders may not at any time rely on any of the Issuer, the Trustee or the Managers or any affiliate of any of them or any person on their behalf to monitor whether or not a default or an event or circumstances which, with the giving of notice, the passage of time or making of any determination, could constitute a default has occurred under the Charged Assets.

Risks Related to the Market

Limited liquidity of the Notes

Although application will be made to admit the Notes to the Official List of Euronext Dublin and admit them to trading on the Global Exchange Market of Euronext Dublin, there is currently no secondary market for the Notes. There can be no assurance that a secondary market for any of the Notes will develop, or, if a secondary market does develop, that it will provide the Noteholders with liquidity or that it will continue for the life of the Notes. Consequently, any investor of the Notes must be prepared to hold such Notes for an indefinite period of time or until redemption of the Notes. If the Managers begin making a market for the Notes, they are under no obligation to continue to do so and may stop making a market at any time.

Risks Related to the Charged Assets

Risk factors relating to the Original Charged Assets are provided in the sub-section titled "**Risk Factors**" of the Charged Assets Documentation attached at the Appendix hereto.

Limited Access to Information

None of the Issuer, the Trustee or the Noteholders or any other person will have any right to receive any information regarding the Original Charged Assets or the Charged Assets Obligor (save to the extent that the Issuer is entitled to receive information relating to the Charged Assets Obligor by virtue of its holding of Original Charged Assets). During the term of the Notes, UBS may acquire confidential information with respect to the Charged Assets Obligor or any obligations or duties of the Charged Assets Obligor and it shall not be under any duty to disclose such confidential information to any Noteholder.

Provision of information

None of the Issuer, the Trustee, the Managers' Trustee, the Managers or any affiliate of such persons (i) has provided (beyond what is included in this Series Memorandum) or will provide prospective purchasers of Notes with any information or advice with respect to the Charged Assets, the Charged Assets Obligor or the Custodian, or (ii) makes any representation as to the credit quality of the Charged Assets, the Charged Assets Obligor or the Custodian. The Issuer, the Trustee, the Managers' Trustee, the Managers or any affiliate of such persons may have acquired, or during the term of the Notes may acquire, non-public information with respect to the Charged Assets or the Charged Assets Obligor which will not be disclosed to Noteholders. The timing and limited scope of the information provided to Noteholders regarding the Charged Assets, the Charged Assets Obligor and the occurrence of a Charged Assets Event or a Charged Assets Call may affect the liquidity of the Notes and the ability of Noteholders to value the Notes accordingly. None of the Issuer, the Trustee, the Managers' Trustee, the Managers or any affiliate of such persons is under any obligation to make such information, whether or not confidential, available to Noteholders.

No investigations

No investigations, searches or other enquiries have been made by or on behalf of the Issuer, the Managers, the Trustee, the Managers' Trustee or the Agents in respect of the Charged Assets or the Charged Assets Obligor. None of the Issuer, the Managers, the Trustee or the Managers' Trustee makes any representation or warranty, express or implied, in respect of the Charged Asset or the Charged Assets Obligor or in respect of any information contained in any documents prepared, provided or filed by or on behalf of the Charged Assets Obligor or in respect of such Charged Assets with any exchange, governmental, supervisory or self-regulatory authority or any other person.

Limitations on enforcement against the Charged Assets Obligor

In no circumstances shall the Trustee or, as the case may be, the Managers' Trustee be permitted when acting in its capacity as trustee for the Noteholders or the Managers, nor shall the Noteholders or the Managers (when acting in their respective capacities) be permitted, to take any action against the Charged Assets Obligor or enforce any claim that the Issuer may have against the Charged Assets Obligor under the Charged Assets or otherwise whether before, upon, or after any security created by or pursuant to the Trust Deed becoming enforceable. Any such action shall be bought by an Enforcement Agent appointed by the Issuer (following consultation with the Trustee) for such purpose, acting as agent for the Issuer and not as trustee for the Noteholders and no Noteholder shall be entitled to give directions to either the Trustee or the Enforcement Agent (as the case may be) in relation to the manner in which any enforcement action is pursued against the Charged Assets Obligor. In no circumstances will any Charged Assets be delivered to a Noteholder.

If the Trustee or the Enforcement Agent (as the case may be) fails to take enforcement action within a reasonable period of time, investors in the Notes will have no right to take possession of the Charged Assets or to take any action against the Charged Assets Obligor. However, the Noteholders have the power, exercisable by Extraordinary Resolution, to remove the Trustee provided that a successor is appointed.

No assurance can be given as to the Issuer's ability to appoint a suitable Enforcement Agent on commercially reasonable terms in the event of security being enforceable, in which case the Issuer may not be able to take effective action against the Charged Assets Obligor.

None of the Issuer, the Trustee or the Managers' Trustee will be liable if the Issuer is unable to find anyone willing to act as the Enforcement Agent and neither the Trustee nor the Managers' Trustee shall be liable if the Issuer is unwilling to appoint an Enforcement Agent. For the avoidance of doubt, neither the Trustee nor the Managers' Trustee is itself required to act as the Enforcement Agent or to find a party willing to act as Enforcement Agent where the Issuer is unable or unwilling to do so. Neither the Trustee nor the Managers' Trustee is responsible for monitoring or supervising the actions of any Enforcement Agent so appointed and they shall not be liable for any loss suffered or incurred by any person as a result of any default, fraud or negligence on the part of any such agent so appointed. Neither the Trustee nor the Managers' Trustee will be required to give any indemnity to the Enforcement Agent. The terms of the appointment of the Enforcement Agent shall provide that the Enforcement Agent will not be permitted to hold itself out to third parties as being entitled to incur liabilities on the part of the Trustee or the Managers' Trustee.

Charged Assets

Noteholders are exposed to the market price of the Charged Assets. The Issuer may have to fund its payments by the sale of some or all of the Charged Assets at a market value. The market price of the Charged Assets will generally fluctuate with, among other things, the liquidity and volatility of the financial markets, general economic conditions, domestic and international political events, developments or trends in a particular industry and the financial condition of the Charged Assets Obligor. The transfer of the Original Charged Assets is subject to certain transfer restrictions which may have a severely adverse effect on the market value of the Charged Assets (see below the risk factor entitled "**Transfer restrictions in respect of the Charged Assets**" for more details).

In addition, any event that causes the Charged Assets Obligor not to make all or part of any payments on any Charged Assets, will result in corresponding reductions and delays in respect of interest and principal (if any) payable in respect of the relevant Notes.

Noteholders will be subject to whatever redemption triggers are applicable to the Charged Assets as set out in the terms and conditions thereof. A redemption of the Charged Assets will result in the redemption of the Notes. Consequently, if at any time the Charged Assets become redeemable or repayable for whatever reason, the Issuer shall redeem each Note on the Charged Assets Call Redemption Date or Early Redemption Date, as the case may be. The amount payable to a Noteholder in such circumstances will be such Note's *pro rata* share of the Charged Assets Redemption Amount (in the case of a Charged Assets Call) or each Note's *pro rata* share of the Available Proceeds on enforcement of the Security (in the case of a Charged Assets Event).

Although the terms and conditions of the Notes provide for the possibility of the Notes being redeemed at the option of the Charged Assets Obligor from 3 June 2025 onwards, the Charged Assets Obligor is then still under no obligation to exercise its option to redeem the Notes. Accordingly, Noteholders should be aware that the Notes may not be redeemed despite a right to redeem the Charged Assets having arisen.

Purchase, Exchange or Retirement of Notes: Tender Offers and Exchange Offers

The terms of the Notes provide that in certain circumstances (as set out in Condition 7(g) (*Purchases*)), the Issuer may participate in a Charged Assets Obligor Tender Offer or a Charged Assets Obligor Exchange Offer (each as defined in Condition 7(g) (*Purchases*)) with respect to the Charged Assets. If, in such circumstances, the Charged Assets Obligor defaults in the performance of its payment obligations under the terms of any such Charged Assets Obligor Tender Offer or Charged Assets Obligor Exchange Offer, then the Issuer will not be able to satisfy its corresponding payment obligations to Noteholders in respect of any corresponding Issuer Tender Offer or Issuer Exchange Offer (each as defined in Condition 7(g) (*Purchases*)). Any failure by the Issuer to make a payment due in connection with any Issuer Tender Offer or Issuer Exchange Offer shall constitute a default in payment in respect of the Notes for purposes of Condition 7(f) (*Redemption Following the Occurrence of an Event of Default*), leading to the Security for the Notes becoming enforceable. Accordingly, Noteholders must recognise that they will be exposed to the risk of default by the Charged Assets Obligor in respect of any Charged Assets Obligor Tender Offer or Charged Assets Obligor Exchange Offer, regardless of whether or not they participate in any corresponding Issuer Tender Offer or Issuer Exchange Offer.

Transfer restrictions in respect of the Charged Assets

The transfer of the Charged Assets is subject to certain restrictions, including but not limited to the restrictions set out in Charged Assets Condition 10 (*Transfer and Exchange of Loan Notes*) and Charged Assets Condition 11 (*Grants of Security*) of each of the Charged Assets Conditions. In particular, the Original Charged Assets can only be transferred to certain Qualifying Banks or a Permitted Non-Qualifying Loan Noteholder (as set out more fully in the Charged Assets Documentation appended to this Series Memorandum). The Charged Assets are not listed or admitted to trading on any exchange and have not been accepted for clearance through any clearing system. As a result of the foregoing, there will be no established trading market in the Charged Assets and the Charged Assets will be illiquid. The illiquidity of the Charged Assets may have a severely adverse effect on their market value meaning that on a realisation of the Charged Assets by the Trustee, the proceeds of sale received by the Trustee may be substantially lower than the aggregate nominal amount of the Notes. Therefore, following a realisation of the Charged Assets, Noteholders may receive significantly less than their initial investment in the Notes.

Risks Related to the Trustee and/or the Agents

Trustee and/or Enforcement Agent indemnity and remuneration

In certain circumstances, the Noteholders may be dependent on the Trustee and/or Enforcement Agent to take certain steps, actions or proceedings in respect of the Notes, in particular if the Security in respect of the Notes becomes enforceable under the Conditions. Prior to taking such steps, actions or proceedings the Trustee and/or Enforcement Agent may require to be indemnified and/or secured and/or prefunded to its satisfaction. If the Trustee and/or Enforcement Agent is not indemnified and/or secured and/or prefunded to its satisfaction, it may decide not to take such steps, actions or proceedings and such inaction will not constitute a breach by it of its obligations under the Trust Deed. Consequently, the Noteholders would have to either arrange for such indemnity and/or security and/or prefunding or accept the consequences of such inaction by the Trustee and/or Enforcement Agent. Noteholders should be prepared to bear the costs associated with any such indemnity and/or security and/or prefunding and/or the consequences of any such inaction by the Trustee and/or Enforcement Agent. Such inaction by the Trustee and/or Enforcement Agent will not entitle Noteholders to take action directly against the Issuer to pursue remedies for any breach by the Issuer of the Trust Deed or the Notes (although the events giving rise to the need for Trustee action might also permit the Noteholders to exercise certain rights directly under the Conditions).

So long as any Note is outstanding, the Issuer shall pay the Trustee and Agents remuneration for their services. Unless alternative arrangements are in place to finance such remuneration, such remuneration may reduce the amount payable to Noteholders.

Replacement of the Trustee or any Agent

If the Trustee or any Agent needs to be replaced, whether by reason of a Calculation Agent Bankruptcy Event (in the case of the Calculation Agent) or otherwise, such replacement may delay certain determinations and related payments and/or deliveries on the Notes and there is no guarantee that any replacement will be found. Any delay or failure to appoint such a replacement may have adverse consequences for the Noteholders.

Business relationships

There is no limitation or restriction on any Manager or any of its affiliates with regard to acting as adviser (or acting in any other similar role) to other parties or persons or entering into, performing or enforcing its rights in respect of a broad range of transactions in various capacities for its own account and for the account of other persons from time to time in relation to its business. This, and other future activities of it and/or its affiliates, may give rise to conflicts of interest. These interests may conflict with the interests of the Noteholders, and the Noteholders may suffer a loss as a result.

The Issuer and/or the Trustee and/or the Managers' Trustee and/or each Manager and/or any of the Agents may have existing or future business relationships with the Charged Assets Obligor (including, but not limited to, lending, depositary, risk management, advisory and banking relationships), and will pursue actions and take steps that it deems or they deem necessary or appropriate to protect their and/or its interests (in whatever capacity) arising therefrom (including, without limitation, any action which might constitute or give rise to a Charged Assets Call or Charged Assets Event) without regard to the consequences for a Noteholder.

The Issuer, the Trustee, the Managers' Trustee, each Manager and/or the Agents may deal in any derivatives linked to the obligations or shares of the Original Charged Assets and any other obligations of the Charged Assets Obligor and may accept deposits from, make loans or otherwise extend credit to, and generally engage in any kind of commercial or investment banking or other business with the Charged Assets Obligor and may act with respect to them in the same manner as it would have had had the Notes not been in issue, regardless of whether any such action might have an adverse effect on the Charged Assets, the Charged Assets Obligor or the position of a Noteholder or otherwise.

General Risks

Third Party Information

The Issuer has only made very limited enquiries with regards to, and none of the Managers, the Trustee or the Managers' Trustee has verified or accepts any responsibility for, the accuracy and completeness of the information in this Series Memorandum regarding the Third Party Information. Prospective investors in the Notes should not rely upon, and should make their own independent investigations and enquiries in respect of, the accuracy and completeness of the Third Party Information.

Exchange rates and exchange controls

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

Investor's Currency equivalent value of the principal and interest payable on the Notes and (iii) the Investor's Currency equivalent market value of the Notes. Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate. As a result, investors may receive less principal and/or interest than expected, or no principal and/or interest at all.

The Foreign Account Tax Compliance Act

Pursuant to certain provisions of the U.S. Internal Revenue Code of 1986, commonly known as FATCA, a "foreign financial institution" may be required to withhold on certain payments it makes ("**foreign passthru payments**") to persons that fail to meet certain certification, reporting or related requirements. The Issuer has registered with the U.S. Internal Revenue Service as a reporting foreign financial institution for these purposes.

A number of jurisdictions (including the Netherlands) have entered into, or have agreed in substance to, intergovernmental agreements with the United States to implement FATCA ("**IGAs**"), which modify the way in which FATCA applies in their jurisdictions. Under the provisions of IGAs as currently in effect, a foreign financial institution in an IGA jurisdiction would generally not be required to withhold under FATCA or an IGA from payments that it makes. Certain aspects of the application of the FATCA provisions and IGAs to instruments such as the Notes, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Notes, are uncertain and may be subject to change.

Even if withholding would be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Notes, such withholding would not apply the date two years after the date on which final regulations defining "foreign passthru payments" are filed with the U.S. Federal Register and Notes issued on or prior to the date that is six months after the date on which final regulations defining "foreign passthru payments" are filed with the U.S. Federal Register generally would be "grandfathered" for purposes of FATCA withholding unless materially modified after such date (including by reason of a substitution of the issuer) and/or characterised as equity for U.S. tax purposes. However, if additional Notes (as described under "Conditions of the Notes – Further Issues") that are not distinguishable from previously issued Notes are issued after the expiration of the grandfathering period and are subject to withholding under FATCA, then withholding agents may treat all such Notes, including those Notes offered prior to the expiration of the grandfathering period, as subject to withholding under FATCA.

Holders should consult their own tax advisors regarding how these rules may apply to their investment in the Notes. In the event that any withholding would be required pursuant to FATCA or an IGA with respect to payments on the Notes, no person will be required to pay additional amounts as a result of the withholding.

DOCUMENTS INCORPORATED BY REFERENCE

This Series Memorandum should be read and construed in accordance with the Programme Memorandum which, except for the following sections, shall be deemed to be incorporated in, and form part of, this Series Memorandum:

(i) Terms and Conditions of the Notes (pages 32 to 87 inclusive)

(ii) the Charged Assets Sale Agreement (page 91);

(iii) Description of the Charged Agreement (pages 93 to 94 inclusive); and

(iv) Subscription and Sale (pages 100 to 104 inclusive).

The non-incorporated sections of the Programme Memorandum are either not relevant for investors in the Notes or are covered elsewhere in this Series Memorandum.

A copy of the Programme Memorandum is available for inspection by physical means at the registered office of the Issuer.

As at the Issue Date the Programme Memorandum is also available for viewing on the website of Euronext Dublin at https://www.ise.ie/debt_documents/ListingParticulars_d00a58e4-27d8-4e51-b932-55daa910c5e5.PDF.

The audited financial statements of the Issuer for the financial year ended 31 December 2018 are incorporated into and form part of this Series Memorandum and are available for viewing at: http://www.elm-bv.nl/documenten/33286267/ELM%20FS%202018%20UNSIGNED%20incl%20audit.pdf.

The audited financial statements of the Issuer for the financial year ended 31 December 2017 are incorporated into and form part of this Series Memorandum and are available for viewing at: http://www.elm-bv.nl/documenten/33286267/Elm%20B.V.%20Annual%20accounts%202017%20-%20unsigned.pdf.

Any references to websites in this Series Memorandum are for information purposes only and such websites shall not form part of this document.

Any documents incorporated by reference into the Original Charged Assets Information Memorandum do not form part of this Series Memorandum.

CONDITIONS OF THE NOTES

The Notes designated as above (the "**Notes**") shall have the following "**Conditions**" which shall replace in their entirety the Master Conditions as set out in the Issuer's Programme Memorandum dated 25 September 2019 under the heading "Terms and Conditions of the Notes". References to "**Conditions**" or "**Condition**" shall, unless otherwise provided, mean references to the Terms and Conditions of the Notes. Unless the context otherwise requires, expressions used herein and not otherwise defined herein shall have the meanings given to them in the terms and conditions of the Charged Assets.

The following is the text of the terms and conditions applicable to the Notes. The full text of these terms and conditions shall be incorporated by reference into each Global Registered Certificate and each Registered Certificate (if issued).

The Notes are constituted, governed and secured by the constituting instrument relating to the Notes dated the Issue Date entered into between the Issuer, the Custodian, the Issue Agent, the Calculation Agent, the Principal Paying Agent, the Registrar, the Trustee and the Managers' Trustee (the "**Constituting Instrument**").

The Constituting Instrument constitutes and secures the Notes by the creation of a trust deed (the "**Trust Deed**") on the terms (as amended, modified and/or supplemented by the Constituting Instrument) set out in the master trust terms as specified in the Constituting Instrument (the "**Master Trust Terms**").

These Conditions include summaries of, and are subject to, the detailed provisions of the Master Trust Terms, which includes the form of the Global Registered Certificate referred to below.

By executing the Constituting Instrument, the Issuer has entered into an agency agreement (the "**Agency Agreement**") in relation to the Notes with the Principal Paying Agent, the Registrar, the Issue Agent, the Calculation Agent and the Trustee on the terms (save as amended, modified and/or supplemented by the Constituting Instrument) set out in the master agency terms as specified in the Constituting Instrument.

By executing the Constituting Instrument, the Issuer has entered into a custody agreement (the "**Custody Agreement**") in relation to the Notes with the Custodian and the Trustee on the terms (save as amended, modified and/or supplemented by the Constituting Instrument) set out in the master custody terms as specified in the Constituting Instrument.

The Issuer and the Managers have entered into a syndication agreement dated 29 May 2020 with respect to the Notes (the "**Syndication Agreement**").

The Issuer and the Charged Assets Obligor have entered into a purchase agreement dated 29 May 2020 (the "**Purchase Agreement**") in respect of the purchase by the Issuer of the EUR 750,000,000 Deeply Subordinated Fixed Rate Resettable Perpetual Loan Notes (the "**Original Charged Assets**") of the Charged Assets Obligor.

Copies of the Constituting Instrument and the Series Documents as defined in and constituted by the Constituting Instrument, the Syndication Agreement, and the Purchase Agreement are available for inspection, so long as any of the Notes remain outstanding, during usual business hours at the registered office of the Issuer and the principal office of the Trustee and at the Specified Office of the Principal Paying Agent.

The Noteholders are entitled to the benefit of, are bound by and are deemed to have notice of all the provisions of the Master Trust Terms (as amended, modified and/or supplemented by the Constituting Instrument) and are deemed to have notice of those provisions applicable to them in the Custody Agreement, the Agency Agreement and the Purchase Agreement.

As used in the Conditions, "**Tranche**" means Notes of the Series that are issued on the same date and that are identical in all respects.

1. Definitions

(a) Definitions

All capitalised terms that are not defined in these Conditions will have the meanings given to them in the Constituting Instrument and the Series Documents constituted thereby in addition, the following expressions have the following meanings:

"**Affiliate**" means, in relation to any person, any entity controlled, directly or indirectly, by that person, any entity that controls, directly or indirectly, that person or any entity, directly or indirectly, under common control with that person. For this purpose "**control**" means ownership of a majority of the voting power of the entity or person.

"**Agents**" means the Principal Paying Agent, the Registrar, the Issue Agent, the Custodian, the Calculation Agent or any of them and shall include such further or other Agent or Agents as may be appointed from time to time under the Agency Agreement or the Custody Agreement, as the case may be.

"**Authorised Denomination**" has the meaning given to it in Condition 2 (*Form, Authorised Denomination and Title*).

"**Available Proceeds**" means, with respect to an Enforcement Event, as of a particular day:

(i) any amounts realised by the Trustee (or by the Enforcement Agent and paid to the Trustee) or any receiver on enforcement of the Security and all other cash sums available to the Trustee derived from the Mortgaged Property; less

(ii) any cash sums which have already been applied by the Trustee pursuant to Condition 14(a) (*Application of Available Proceeds of Enforcement of Security*) on any Trustee Application Date.

"**Bank**" has the meaning given to it in Condition 9(a) (*Payments of Principal and Interest*).

"**Bankruptcy Credit Event**" means the occurrence of a Credit Event as a result of Bankruptcy, and with each of "Credit Event" and "Bankruptcy" having the meaning given to them in the ISDA Credit Derivatives Definitions.

"**Business Day**" means a Reference Business Day.

"**Calculation Agent**" means The Bank of New York Mellon acting through its London Branch and any successor calculation agent appointed by the Issuer in accordance with the provisions of the Agency Agreement.

"**Calculation Agent Bankruptcy Event**" means (i) the Calculation Agent (A) is dissolved (other than pursuant to a consolidation, amalgamation or merger); (B) becomes insolvent or is unable to pay its debts or fails or admits in writing in a judicial, regulatory or administrative proceeding or filing its inability generally to pay its debts as they become due; (C) makes a general assignment, arrangement, scheme or composition with or for the benefit of its creditors generally, or such a general assignment, arrangement, scheme or composition becomes effective; (D) institutes or has instituted against it a proceeding seeking a judgment of insolvency or bankruptcy or any other similar relief under any bankruptcy or insolvency law or other law affecting creditors' rights, or a petition is presented for its winding up or liquidation, and, in the case of any such proceeding or petition instituted or presented against it, such proceeding or petition either results in a judgment of insolvency or bankruptcy or the entry of an order for relief or the making of an order for its winding up or liquidation, or is not dismissed, discharged, stayed or restrained in each case within 30 days of the institution or presentation thereof; (E) has a resolution passed for its winding up or liquidation (other than pursuant to a consolidation, amalgamation or merger); (F) seeks or becomes subject to the appointment of an administrator, provisional liquidator, conservator, receiver, trustee, custodian or other similar official for it or for all or substantially all its assets; (G) has a secured party take possession of all or substantially all its assets or has a distress, execution, attachment, sequestration or other legal process levied, enforced or sued on or against all or substantially all its assets and such secured party maintains possession, or any such process is not dismissed, discharged, stayed or restrained, in each case within 30 days thereafter; or (H) causes or is subject to any event with respect to it which, under the applicable laws of any jurisdiction, has an analogous effect to any of the events specified in clauses (i)(A) to (G) and/or (ii) a Credit Derivatives Determinations Committee has Resolved that a Bankruptcy Credit Event has occurred in respect of the Calculation Agent, or any analogous determination has been made by a committee or person under any definitions that replace the ISDA Credit Derivatives Definitions as the market standard terms for credit derivatives or under any amendment or supplement to the ISDA Credit Derivatives Definitions.

"**Charged Assets**" means the Issuer's rights, title and/or interests in and to the Original Charged Assets (as defined above but excluding any Original Charged Assets that the Issuer may have sold or otherwise disposed of as permitted by these Conditions) and shall include the rights, title and/or interests in and to (i) any further Charged Assets acquired by the Issuer in connection with any further issue of notes that are to be consolidated and form a single series with the Notes and (ii) any asset or property (which may, for the avoidance of doubt, include the benefit of contractual rights) into which any of the Charged Assets are converted or exchanged, or for which the Charged Assets are substituted, or that is issued to the Issuer (or any relevant person holding such Charged Assets for or on behalf of the Issuer) by virtue of its holding thereof.

"**Charged Assets 5 Year Swap Rate**" means, in respect of any Charged Assets Reset Period, the mid-swap rate as displayed on the Charged Assets Reset Screen Page on the relevant Charged Assets Reset Interest Determination Date.

"**Charged Assets Call**" means notice is given by the Charged Assets Obligor that the Charged Assets are called for redemption or repayment in whole in accordance with the provisions of Charged Assets Condition 6.2 (*Redemption at the Option of the Issuer*).

"**Charged Assets Call Notification Date**" has the meaning given to it in Condition 7(b)(i) (*Redemption Following a Charged Assets Call*).

"**Charged Assets Call Redemption Amount**" has the meaning given to it in Condition 7(b) (*Redemption Following a Charged Assets Call*).

"**Charged Assets Call Redemption Date**" has the meaning given to it in Condition 7(b) (*Redemption Following a Charged Assets Call*).

"**Charged Assets Conditions**" means, with respect to any Charged Assets, the terms and conditions of such Charged Assets as at the Charged Assets Issue Date. *See the Charged Assets Documentation that is appended to this Series Memorandum and which contains the Charged Assets Conditions for such Original Charged Assets.*

"**Charged Assets Documentation**" means the Information Memorandum dated 29 May 2020 in respect of the Original Charged Assets that was prepared by the Charged Assets Obligor and provided to the Issuer pursuant to the Purchase Agreement for the purpose of the Notes.

"**Charged Assets Event**" means at any time any Charged Assets become repayable for any reason, including (without limitation) in accordance with the provisions of Charged Assets Condition 9 (*Enforcement Events*).

"**Charged Assets Event Determination Date**" has the meaning given to it in Condition 7(c)(i) (*Redemption Following a Charged Assets Event*).

"**Charged Assets First Reset Date**" means 3 September 2025.

"**Charged Assets Interest Amount**" means any interest amount receivable by, or on behalf of, the Issuer in respect of the Charged Assets in accordance with the Charged Assets Conditions, including but not limited to any interest amounts so receivable under Charged Assets Condition 3 (*Interest*) and Charged Assets Condition 6 *(Redemption and Purchase)*. For the avoidance of doubt, interest deferred pursuant to Charged Assets Condition 4 (*Optional Interest Deferral*) shall not constitute a Charged Assets Interest Amount until the scheduled day of payment following such deferral pursuant and subject to the Charged Assets Conditions.

"**Charged Assets Interest Payment Date**" means any date on which a Charged Assets Interest Amount is received by, or on behalf of, the Issuer pursuant to the Charged Assets Conditions. For the avoidance of doubt, although interest is expected to be payable by the Charged Assets Obligor on 3 September in each year commencing on 3 September, under the Charged Assets Conditions, if such interest is not received (whether because such interest is deferred pursuant to Charged Assets Condition 4 (*Optional Interest Deferral*) or otherwise) by, or on behalf of, the Issuer, such day shall not constitute a Charged Assets Interest Payment Date.

"**Charged Assets Interest Period**" has the meaning given to it in the Charged Assets Conditions.

"**Charged Assets Issue Date**" means, with respect to any Charged Assets, the "**Issue Date**" as such term is defined in the Charged Assets Conditions for such Charged Assets.

"**Charged Assets Margin**" means, in respect of each Charged Assets Interest Period falling in a Charged Assets Reset Period, the rate set out in the Charged Assets Conditions.

"**Charged Assets Obligor**" means Firmenich International SA, or any successor thereto that has an obligation or duty to the Issuer (or any relevant person holding such Original Charged Assets for or on behalf of the Issuer) in respect of the Original Charged Assets in its capacity as issuer pursuant to the terms of such Original Charged Assets.

"**Charged Assets Obligor Exchange Offer**" has the meaning given to it in Condition 7(g) (*Purchases*).

"**Charged Assets Obligor Tender Offer**" has the meaning given to it in Condition 7(g) (*Purchases*).

"**Charged Assets Rate of Interest**" means (i) in respect of the Initial Interest Period, a fixed rate of 3.750 per cent. per annum being equivalent to the rate of interest as set out under Charged Assets Condition 3 (*Interest*) and (ii) thereafter, in respect of each Charged Assets Reset Period falling after the Initial Interest Period, the aggregate of the relevant Charged Assets Margin and the relevant 5 Year Swap Rate for each such Charged Assets Reset Period, provided that, in the event the Charged Assets Obligor elects not to redeem the Charged Assets following the occurrence of a Change of Control Event, such rate of interest shall be increased by 5.00 per cent. per annum with effect from (and including) the date on which the Change of Control Event occurred. For the purpose of any Interest Amount, if a Tax Deduction is required by law to be made by the Charged Assets Obligor (in respect of any payment to the Issuer of interest in respect of the Charged Assets), and it would be unlawful for the Charged Assets Obligor to (I) make such payment free and clear of such Tax Deduction, or (II) pay such additional amount where required to ensure that the Issuer as a holder of the Charged Assets would have received an amount equal to that which it would have received if no Tax Deduction had been required, such rate of interest will be adjusted by the Calculation Agent to reflect any adjustment made in accordance with Charged Assets Condition 3.8 (*Recalculation of Interest*) and the adjusted rate of interest will be the quotient of (x) the interest rate which would have applied to that interest payment affected by such Tax Deduction, and (y) one minus the rate at which such Tax Deduction is required to be made (such rate for these purposes to be expressed as a fraction of one). For the purposes hereof, "**Change of Control Event**" and "**Tax Deduction**" shall have the meanings given to them in the Charged Assets Conditions.

"**Charged Assets Redemption Amount**" means any amount receivable upon redemption or repayment of the Charged Assets (but excluding any amount included in any Charged Assets Interest Amount) once the Charged Assets have become redeemable or repayable in accordance with the provisions of Charged Assets Condition 6.2 (*Redemption at the Option of the Issuer*).

"**Charged Assets Reset Date**" means the Charged Assets First Reset Date and each fifth anniversary thereof.

"**Charged Assets Reset Interest Determination Date**" means the day falling two Business Days prior to the relevant Charged Assets Reset Date.

"**Charged Assets Reset Period**" means each period beginning on and including a Charged Assets Reset Date and ending on but excluding the next succeeding Reset Date.

"**Charged Assets Reset Screen Page**" means Reuters screen "ICESWAP2" or such other page as may replace it on that information service, or on such other equivalent information service for the purpose of displaying the annual swap rates for euro swap transactions with a five-year maturity.

"**Charged Assets Tax Event**" has the meaning given to it in Condition 7(d)(i) (*Redemption for Taxation Reasons*).

"**Clearstream, Luxembourg**" means Clearstream Banking S.A., or any successor entity thereto.

"**Common Reporting Standard**" means any automatic exchange of information regime arising from or in connection with the OECD Common Reporting Standard, and any regulations made thereunder or associated therewith, and any interpretations or guidance thereof.

"**Conditions**" means, in respect of the Notes, these terms and conditions. References to a particularly numbered Condition shall be construed as a reference to the Condition so numbered in these terms and conditions.

"**Credit Derivatives Determinations Committee**" has the meaning given to it in the ISDA Credit Derivatives Definitions.

“**Custodian**” means The Bank of New York Mellon, London Branch and any successor custodian appointed by the Issuer (with the prior approval of the Trustee) in accordance with the provisions of the Custody Agreement.

“**Default Interest**” has the meaning given to it in Condition 6(b) (*Accrual of Interest*).

“**Early Redemption Amount**” means, in respect of each Note outstanding on the relevant Early Redemption Date, an amount in EUR equal to such Note’s *pro rata* share of the Available Proceeds.

“**Early Redemption Commencement Date**” has the meaning given to it in Condition 7 (*Redemption and Purchase*).

“**Early Redemption Date**” means the thirty-fifth Reference Business Day following the relevant Early Redemption Commencement Date.

“**Early Redemption Notice**” means an irrevocable notice from the Issuer to Noteholders in accordance with Condition 21 (*Notices*) (or, in the case of Condition 7(f) (*Redemption Following the Occurrence of an Event of Default*), from the Trustee to the Issuer) that specifies that the Notes are to be redeemed pursuant to one of Conditions 7(c) (*Redemption Following a Charged Assets Event*) to 7(f) (*Redemption Following the Occurrence of an Event of Default*). An Early Redemption Notice given pursuant to Condition 7 (*Redemption and Purchase*) must contain a description in reasonable detail of the facts relevant to the determination that the Notes are to be redeemed and, in the case of an Early Redemption Notice given by the Issuer, must specify which of Conditions 7(c) (*Redemption Following a Charged Assets Event*) to 7(f) (*Redemption Following the Occurrence of an Event of Default*), as the case may be, are applicable. A copy of any Early Redemption Notice shall also be sent by the Issuer, or the Trustee, as the case may be, to all Transaction Parties, save that any failure to deliver a copy shall not invalidate the relevant Early Redemption Notice.

“**Enforcement Agent**” means any entity appointed by the Issuer in accordance with the Trust Deed (following consultation with the Trustee and the Managers’ Trustee) to act as enforcement agent of the Issuer.

“**Enforcement Event**” means the occurrence of any of the events specified in Condition 12(b) (*Enforcement of Security*).

“**Enforcement Notice**” has the meaning given to it in Condition 12(a) (*Enforcement Notice*).

“**Equivalent Obligations**” means any Obligations that are issued in fungible form and that share common terms and conditions.

“**Euroclear**” means Euroclear Bank SA/NV, as operator of the Euroclear System, or any successor entity thereto.

“**Event of Default**” has the meaning given to it in Condition 7(f) (*Redemption Following the Occurrence of an Event of Default*).

“**Extraordinary Resolution**” has the meaning ascribed to it in the Master Trust Terms.

“**FATCA**” means (i) sections 1471 to 1474 of the U.S. Internal Revenue Code of 1986; (ii) any similar or successor legislation to sections 1471 to 1474 of the U.S. Internal Revenue Code of 1986; (iii) any agreement described in section 1471(b) of the U.S. Internal Revenue Code of 1986; (iv) any regulations or guidance pursuant to any of the foregoing; (v) any official interpretations of any of the foregoing; (vi) any intergovernmental agreement to facilitate the implementation of any of the foregoing (an “**IGA**”); or (vii) any law implementing an IGA.

“**FATCA Withholding Tax**” means any withholding imposed on any payments in respect of the Notes pursuant to FATCA.

An “**Illegality Event**” shall occur if, due to the adoption of, or any change in, any applicable law after the Issue Date, or due to the promulgation of, or any change in, the interpretation by any court, tribunal or regulatory authority with competent jurisdiction of any applicable law after such date, it becomes unlawful for the Issuer (i) to perform any absolute or contingent obligation to make a payment or delivery in respect of the Notes or any agreement entered into in connection with the Notes, (ii) to hold any Charged Assets or to receive a payment or delivery in respect of any Charged

Assets or (iii) to comply with any other material provision of any agreement entered into in connection with the Notes.

"**Initial Interest Period**" means the period from (and including) the Interest Commencement Date to (but excluding) the Charged Assets First Reset Date.

"**interest**", in the context of amounts payable in respect of the Notes, shall be deemed to include all Interest Amounts and all other amounts payable pursuant to Condition 6 (*Interest*).

"**Interest Accrual Period**" means the period beginning on (and including) the Interest Commencement Date and ending on (but excluding) the first Interest Period Date and each successive period beginning on (and including) an Interest Period Date and ending on (but excluding) the next succeeding Interest Period Date PROVIDED THAT if the Charged Assets are redeemed pursuant to Charged Assets Condition 6.2 (*Redemption at the Option of the Issuer*), the final Interest Accrual Period shall end on (but exclude) the date fixed for redemption of the Charged Assets.

"**Interest Amount**" means, in respect of a Note and an Interest Payment Date, such Note's *pro rata* share of an amount equal to any Charged Assets Interest Amount actually received by, or on behalf of, the Issuer corresponding to the relevant Interest Accrual Period relating to such Interest Payment Date as determined by the Calculation Agent.

"**Interest Commencement Date**" means the Charged Assets Issue Date.

"**Interest Payment Date**" means the Business Day immediately following a Charged Assets Interest Payment Date.

"**Interest Period Date**" means 3 September in each year from, and including, 3 September 2020.

"**ISDA**" means the International Swaps and Derivatives Association, Inc.

"**ISDA Credit Derivatives Definitions**" means the 2014 ISDA Credit Derivatives Definitions, as published by ISDA.

"**Issue Agent**" means The Bank of New York Mellon, acting through its London Branch.

"**Issue Date**" means 3 June 2020.

"**Issuer**" means ELM B.V..

"**Issuer Exchange Offer**" has the meaning given to it in Condition 7(g) (*Purchases*).

"**Issuer Tender Offer**" has the meaning given to it in Condition 7(g) (*Purchases*).

"**Manager**" means each of Citigroup Global Markets Limited, UBS AG London Branch, Credit Suisse Securities (Europe) Limited and Goldman Sachs International.

"**Managers' Available Proceeds**" means all monies received by the Managers' Trustee (or any receiver appointed by it) in connection with the realisation or enforcement of the Managers' Security.

"**Manager's Claim**" has the meaning given to it in Condition 4(b) (*Managers' Security*).

"**Managers' Secured Parties**" means the Managers, the Managers' Trustee and the Enforcement Agent (to the extent that it has taken any action in connection with the Managers' Security).

"**Managers' Secured Property**" means the assets and contractual rights in respect of the agreements comprising the property over which the Managers' Security are secured pursuant to the Trust Deed, as described in Condition 4(b) (*Managers' Security*).

"**Managers' Security**" means the security constituted by the Trust Deed in respect of the Notes as described in sub-paragraphs (i), (ii) and (iii) of Condition 4(b) (*Managers' Security*).

"**Managers' Security Obligations**" means any obligation of the Issuer to make payment to a Manager in respect of a Manager's Claim under the Syndication Agreement or to the Managers'

Trustee or the Enforcement Agent pursuant to Condition 14(b) (*Application of Managers' Available Proceeds of Enforcement of Managers' Security*).

"**Managers' Trustee**" means The Law Debenture Corporation p.l.c. as trustee in respect of the Managers' Security.

"**Managers' Trustee Application Date**" means each date on which the Managers' Trustee determines to apply the Managers' Available Proceeds in accordance with these Conditions and the provisions of the Trust Deed.

"**Mortgaged Property**" means:

(i) the Charged Assets and all property, assets and sums derived therefrom;

(ii) all cash (if any) held by the Issuer in respect of the Notes;

(iii) the rights and interest of the Issuer under the Purchase Agreement and the rights, title and interest of the Issuer in all property, assets and sums derived from the Purchase Agreement, but only to the extent such rights, title and interests relate to the Issuer's right to acquire the Original Charged Assets;

(iv) the rights and interest of the Issuer under the Agency Agreement and the rights, title and interest of the Issuer in all property, assets and sums derived from the Agency Agreement;

(v) the rights and interest of the Issuer under the Custody Agreement and the rights, title and interest of the Issuer in all property, assets and sums derived from the Custody Agreement; and

(vi) the rights, title and interest of the Issuer in any other assets, property, income, rights and/or agreements of the Issuer (other than the Issuer's share capital) from time to time charged or assigned or otherwise made subject to the Security created by the Issuer in favour of the Trustee pursuant to the Trust Deed, as the case may be,

in each case securing the Secured Payment Obligations and includes, where the context permits, any part of that Mortgaged Property.

"**Note Tax Event**" has the meaning given to it in Condition 7(d)(i) (*Redemption for Taxation Reasons*).

"**Noteholder**" means the registered holder of a Note.

"**Notes**" means the secured notes issued in accordance with these Conditions.

"**Obligation**" means any derivative transactions (including, without limitation, currency exchange and currency hedging arrangements, swap transactions (including, without limitation, total return, default and funded default swaps) options or futures transactions buy-sell back transactions, sale and repurchase agreements)) or any obligation of the Issuer for the payment or repayment of borrowed money, which shall include, without limitation, any Note and any other obligation that is in the form of, or represented by, a bond, note, certificated debt security or other debt security and any obligation that is documented by a term loan agreement, revolving loan agreement or other similar credit agreement.

"**Original Charged Assets**" has the meaning given to it in the recitals to these Conditions.

"**principal**" shall be deemed to include any premium payable in respect of the Notes, any Early Redemption Amount and all other amounts in the nature of principal payable pursuant to Condition 7(b) (*Redemption Following a Charged Assets Call*) to Condition 7(f) (*Redemption Following the Occurrence of an Event of Default*).

"**Principal Paying Agent**" means The Bank of New York Mellon, London Branch and any successor or other principal paying agent appointed by the Issuer (with the prior written approval of the Trustee) in accordance with the provisions of the Agency Agreement.

"**Programme**" means the Issuer's programme for the issuance of secured notes or alternative investments.

"**Purchase Agreement**" has the meaning given to it in the recitals to these Conditions.

"**Reference Business Day**" means a (i) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealings in foreign exchange and foreign currency deposits) in London and Zurich and (ii) a TARGET Settlement Day.

"**Registrar**" means The Bank of New York Mellon SA/NV, Luxembourg Branch and any successor or other registrar appointed by the Issuer (with the prior approval of the Trustee) in accordance with the provisions of the Agency Agreement.

"**Residual Amount**" means, with respect to an application of Available Proceeds or Managers' Available Proceeds, as applicable, all remaining proceeds (if any) after the application of the Available Proceeds or Managers' Available Proceeds, as applicable, to satisfy the payments set out in Condition 14(a)(i) to (iii) (*Application of Available Proceeds of Enforcement of Security*) or in Condition 14(b)(i) to (iii) (*Application of Managers' Available Proceeds of Enforcement of Managers' Security*), as applicable.

"**Resolved**" has the meaning given to it in the ISDA Credit Derivatives Definitions.

"**Secured Creditor**" means each person that is entitled to the benefit of Secured Payment Obligations.

"**Secured Payment Obligations**" means the payment obligations of the Issuer under the Trust Deed and each Note, together with any obligation of the Issuer to make payment to any Agent and any Enforcement Agent pursuant to Condition 14(a) (*Application of Available Proceeds of Enforcement of Security*), as the case may be.

"**Security**" means the security constituted by the Trust Deed in respect of the Notes described in Condition 4(a) (*Security*).

"**Series Minimum Profit**" means, in relation to the Notes, an amount which, together with any other amounts (if any) retained by the Issuer in respect of other series, is at least equal to the annual minimum taxable profit to be required to be retained by the Issuer pursuant to the letter dated 4 July 2005 by Simmons & Simmons issued on behalf of the Issuer to the Dutch tax authorities, Tax Office Amsterdam / Amsterdam office, signed by Mr. L.S. Qua for approval on 22 July 2005 (the "**Tax Agreement**").

"**Specified Currency**" means EUR, being the currency in which the Notes are denominated.

"**Specified Office**" means, in relation to an Agent, the office identified with its name in these Conditions or any other office approved by the Trustee and notified to the Noteholders.

"**S&P**" means S&P Global Ratings Europe Limited, established in the European Union and registered under Regulation (EC) 1060/2009 on credit rating agencies.

"**Syndication Agreement**" has the meaning given to it in the recitals to these Conditions.

"**TARGET Settlement Day**" means any day on which the TARGET System is open.

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

"**Tax Event**" means a Note Tax Event and/or a Charged Assets Tax Event.

"**Transaction Document**" means, in respect of the Notes, each of the Constituting Instrument (including any agreement constituted or created by the Constituting Instrument), the Syndication Agreement and the Purchase Agreement.

"**Transaction Party**" means each party to a Transaction Document other than the Issuer.

"**Trustee**" means The Law Debenture Corporation p.l.c. as initial trustee, but which definition shall include all persons for the time being acting as the trustee or trustees under the Trust Deed.

"**Trustee Application Date**" means each date on which the Trustee determines to apply the Available Proceeds in accordance with these Conditions and the provisions of the Trust Deed.

(b) **Interpretation**

References to any Transaction Document are to those documents as they may be subsequently amended, supplemented or replaced in respect of the Notes as permitted by these Conditions and the Trust Deed with respect to the Notes.

2. **Form, Authorised Denomination and Title**

The Notes issued pursuant to these Conditions constitute a series ("**Series**") issued pursuant to the Programme.

The Notes are issued in registered form ("**Registered Notes**") and may have an authorised denomination of not less than EUR 100,000 and integral multiples of EUR 1,000 in excess thereof (the "**Authorised Denomination**"). The Registered Notes will be represented by a global registered certificate (the "**Global Registered Certificate**") which will be deposited with and registered in the name of a Common Depository (or its nominee) on behalf of Euroclear and Clearstream, Luxembourg. The principal amount of the Notes represented by the Global Registered Certificate will be specified on the face of the Global Registered Certificate. Subject to the procedures discussed below, title to the Registered Notes passes by registration in the register which the Issuer shall procure to be kept by the Registrar (the "**Register**").

Payments of principal or interest (if any) in respect of the Global Registered Certificate will be made through Euroclear or Clearstream, Luxembourg against in the case of payments of principal only presentation or surrender, as the case may be, of the Global Registered Certificate. The Global Registered Certificate will be exchangeable in whole but not in part, for one or more definitive certificates (each a "**Registered Certificate**") at the option of the Trustee or of the holder (or all of the holders acting together, if more than one) (a) if the Notes become due and payable as the result of an Event of Default in accordance with Condition 7(f) and payment is not made on due presentation of the Global Registered Certificate for payment or, (b) if either Euroclear or Clearstream, Luxembourg is closed for business for a continuous period of 14 days (otherwise than by reason of holiday, statutory or otherwise) or announces an intention permanently to cease business or to cease to make its book-entry system available for settlement of beneficial interests in such Global Registered Certificate or does in fact do either of such things and no alternative clearing system satisfactory to the Trustee and the Registrar (after consultation with the Issuer) is available.

For so long as the Notes are represented by a Global Registered Certificate and the Global Registered Certificate is held on behalf of Euroclear and Clearstream, Luxembourg, beneficial interests in Notes will only be transferable in accordance with the rules and procedures for the time being of Euroclear and Clearstream, Luxembourg and each person who is for the time being shown in the records of Euroclear or Clearstream, Luxembourg (other than each such clearing system to the extent that it is an account holder with the other clearing system for the purpose of operating the "bridge" between the clearing systems) as the holder of a particular principal amount of the Notes (in which regard (a) any certificate or other document issued by Euroclear or Clearstream, Luxembourg or (b) a print-out generated by accessing the EUCLID or CreationOnline systems (or any successor systems), as to the principal amount of the Notes standing to the account of any person (an "**Accountholder**") shall be conclusive and binding for all purposes) shall be treated by the Issuer, the Trustee and the Agents as the holder of such principal amount of the Notes (and the expression "Noteholders" and references to "holding of Notes" and to "holder of the Notes" shall be construed accordingly) for all purposes other than the entitlement to receive payments of principal, interest or any amounts due on redemption in respect of the Global Registered Certificate.

Each Accountholder must look solely to its Clearing System for such Accountholder's share of each payment or distribution of any other entitlement made by the Issuer to the registered holder of the Registered Notes represented by the Global Registered Certificate and in relation to all other rights arising under the Global Registered Certificate. The extent to which, and the manner in which, Accountholders may exercise any rights arising under the Global Registered Certificate will be determined by the respective rules and procedures of their Clearing System. Accountholders shall have no claim directly against the Issuer, the Trustee or any other person (other than their Clearing System) in respect of payments or distributions of other entitlements due under the Global Registered Certificate which are made by the Issuer to the registered holder of the Registered Notes represented by the Global Registered Certificate and such obligations of the Issuer shall be discharged thereby.

Registered Notes represented by a Registered Certificate may be transferred in whole or in part in an Authorised Denomination upon the surrender of the Registered Certificate representing such Registered Notes, together with the form of transfer endorsed on it duly completed and executed, at the specified office of the Registrar. In the case of such a transfer, or a transfer of part only of a Registered Certificate, new Registered Certificates in the relevant amounts will be issued to the transferor and the transferee.

Each new Registered Certificate to be issued upon the transfer of Registered Notes will, within three business days (in the place of the specified office of the Registrar to whom the form of transfer shall have been delivered) of receipt of such form of transfer, be available for delivery at the specified office of the Registrar stipulated in the form of transfer, or be mailed at the risk of the holder entitled to the Registered Certificate to such address as may be specified in such form of transfer.

Exchange of Registered Certificates on transfer will be effected without charge by or on behalf of the Issuer or the Registrar but upon payment (or the giving of such indemnity as the Registrar may require in respect thereof) of any tax or other governmental charges which may be imposed in relation to it.

No Noteholder may require the transfer of a Registered Note to be registered during the period of 15 days ending on the due date for any payment of principal, interest or any amounts due upon redemption of such Note.

3. **Constitution, Status and the Charged Assets**

(a) **Constitution and Status of Notes**

The Notes are constituted and secured by the Trust Deed. The Notes are secured, limited recourse obligations of the Issuer, at all times ranking *pari passu* and without any preference among themselves, secured in the manner described in Condition 4 (*Security*) and recourse in respect of which is limited in the manner described in Conditions 14 (*Application of Available Proceeds or Managers' Available Proceeds*), 15 (*Enforcement of Rights or Security*) and 16(a) (*General Limited Recourse*).

(b) **Original Charged Assets**

In connection with the issue of the Notes, and pursuant to the Purchase Agreement, the Issuer will acquire rights, title and/or interest in and to the Original Charged Assets. Security will be granted by the Issuer over the Original Charged Assets in the manner set out in Condition 4 (*Security*). The Original Charged Assets will be held by or on behalf of the Issuer subject to the provisions of Charged Assets Condition 10 (*Transfer and Exchange of Loan Notes*) and Charged Assets Condition 11 (*Grants of Security*).

(c) **Payments in respect of the Notes linked to the Original Charged Assets**

Payments of principal and interest in respect of the Notes are linked to payments of principal and interest in respect of the Original Charged Assets. Any event that permits or requires the Charged Assets Obligor not to make all or part of any scheduled payment of interest or principal in respect of the Original Charged Assets, or to delay any such scheduled interest or principal payments, will result in corresponding reductions or delays to the interest and/or principal payable in respect of the Notes.

4. **Security**

(a) **Security**

The Secured Payment Obligations are secured in favour of the Trustee for the benefit of itself and the other Secured Creditors, pursuant to the Trust Deed, by:

(i) a first fixed charge over the Charged Assets and all property, assets and sums derived therefrom (from time to time);

(ii) an assignment by way of security of all the Issuer's rights, title and interest attaching or relating to the Charged Assets and all property, sums or assets derived therefrom;

(iii) an assignment by way of security of the Issuer's rights, title and interest under the Purchase Agreement to acquire the Original Charged Assets;

(iv) a first fixed charge over all proceeds of, income from, and sums arising from enforcement of any claim under the Purchase Agreement, but only to the extent such claim relates to the Issuer's right to acquire the Original Charged Assets;

(v) an assignment by way of security of the Issuer's rights, title and interest against the Custodian, to the extent that they relate to the Charged Assets and/or the Notes;

(vi) an assignment by way of security of the Issuer's rights, title and interest under the Agency Agreement, to the extent they relate to the Charged Assets and/or Notes;

(vii) an assignment by way of security of the Issuer's rights, title and interest under the Custody Agreement, to the extent that they relate to any assets held by the Custodian in respect of the Notes;

(viii) an assignment by way of security over the Issuer's rights, title and interest under the Trust Deed, to the extent they relate to the appointment of the Enforcement Agent as the Issuer's agent in connection with the rights and assets of the Issuer referred to in paragraphs (i) to (vii) above; and

(ix) a first fixed charge over all sums held or received by the Principal Paying Agent, the Custodian and/or the Enforcement Agent to meet payments due in respect of any Secured Payment Obligation.

Certain of the assets being the subject of the Security shall be released automatically, without the need for any notice or other formalities, to the extent required for the Issuer to be able to duly make any payment or delivery in respect of the Notes and/or the other Transaction Documents which is due and payable or deliverable, or in connection with the purchase of Notes or as otherwise provided for under these Conditions or the relevant Transaction Documents.

(b) **Managers' Security**

Pursuant to the Trust Deed, the Managers' Security Obligations are secured in favour of the Managers' Trustee for the benefit of itself, the Managers and the Enforcement Agent by:

(i) an assignment by way of security of the Issuer's rights, title and interest under the Purchase Agreement and all sums and assets derived therefrom, but excluding the Issuer's rights, title and interest under the Purchase Agreement to acquire the Original Charged Assets;

(ii) a first fixed charge over the proceeds of, income from, and sums arising from, the enforcement of any claim under the Purchase Agreement, except for any claim of the Issuer in relation to its rights, title and interest to acquire the Original Charged Assets; and

(iii) an assignment by way of security of the Issuer's rights, title and interest under the Trust Deed to the extent they relate to the appointment of the Enforcement Agent as the Issuer's agent in connection with the rights and assets referred to in paragraphs (i) and (ii) above.

The Managers' Security is granted as continuing security in respect of (i) any claim a Manager may have (a "**Manager's Claim**") against the Issuer under the Syndication Agreement arising from any representation, warranty, covenant or agreement given therein by the Issuer regarding the Charged Assets, the Charged Assets Obligor and the Charged Assets Documentation prepared by the Charged Assets Obligor in respect of the Original Charged Assets and (ii) certain fees, costs, remuneration, charges, expenses and liabilities of the Managers' Trustee and the Enforcement Agent relating to their respective functions in connection with the Managers' Security.

No person other than the Managers' Secured Parties shall have any interest in the Managers' Security and the Managers' Security shall not form part of the Mortgaged Property. If the Managers' Security becomes enforceable, the Security for the Notes shall not consequently become enforceable and the Notes shall not be affected thereby and shall accordingly remain outstanding. Notwithstanding the foregoing, if in the sole discretion of the Trustee and the Managers' Trustee it is necessary (i) to enforce the Security so as to enforce the Managers' Security, then the Security shall become enforceable solely to the extent necessary to enforce the Managers' Security; and/or (ii) to enforce the Managers' Security so as to enforce the Security, then the Managers' Security shall become enforceable solely to the extent necessary to enforce the Security.

Each Managers' Secured Party (when acting in such capacity), in respect of the Managers' Security, is subject to limited recourse provisions as described in Condition 16 (*Limited Recourse and Non-Petition*) in respect of the Managers' Secured Property, in accordance with the provisions of the Syndication Agreement and the Trust Deed in relation to the Notes, as applicable.

Neither any Manager nor the Managers' Trustee (when acting in such capacity) is permitted to take any action against the Charged Assets Obligor or to enforce any claim that the Issuer may have against the Charged Assets Obligor in respect of the Charged Assets or the Purchase Agreement or otherwise whether before, upon or after the Managers' Security becoming enforceable. The Managers' Secured Parties must rely on similar (but not identical) rights to those of the Noteholders, including a right of consultation and agreement with the Issuer (or, where applicable, the Enforcement Agent acting as agent of the Issuer) in relation to any such action or enforcement of any such claim and/or a right to remove the Managers' Trustee, in each case in accordance with the provisions of the Trust Deed in relation to the Notes.

For the avoidance of doubt, the assignment by way of security in favour of the Trustee of the Issuer's rights, title and interest under the Purchase Agreement to acquire the Original Charged Assets, and the first fixed charge in favour of the Trustee of all proceeds from, income from, and sums arising from enforcement of any such claim under the Purchase Agreement, shall form part of the Mortgaged Property (but, in the case of the latter, only if and to the extent that such claim relates to the Issuer's right to acquire the Charged Assets) and not the Managers' Secured Property.

(c) **Issuer's Rights as Beneficial Owner of Charged Assets**

Prior to the Trustee effectively giving a valid Enforcement Notice to the Issuer (copied to the Custodian and the Enforcement Agent), the Issuer may, with the prior written consent of the Trustee or with the sanction of an Extraordinary Resolution or, where applicable, in accordance with Condition 7(g) (*Purchases*):

(i) take such action in relation to the Mortgaged Property as it may think expedient (including to direct the Enforcement Agent to enforce the terms of the Charged Assets as contemplated thereby, or its rights, title and interest under the Purchase Agreement to acquire the Original Charged Assets); and

(ii) exercise any rights incidental to the ownership of the Mortgaged Property and, in particular (but without limitation and without responsibility for their exercise), any voting rights in respect of such property and all rights to enforce any ownership interests in respect of such property.

The Issuer will not exercise any rights with respect to Mortgaged Property unless it has the consent or sanction referred to above, or is acting in accordance with Condition 7(g) (*Purchases*), and, if such consent or sanction is given, the Issuer will act only in accordance with such consent or sanction or, if it is acting in accordance with Condition 7(g) (*Purchases*), the Issuer will only act in accordance with the provisions of such Condition.

(d) **Issuer's Rights as Party to the Purchase Agreement**

The Issuer shall consult in good faith with the Managers to agree the manner in which the Issuer will exercise any of its rights under the Purchase Agreement (other than its rights, title and interest under the Purchase Agreement to acquire the Original Charged Assets) being the subject matter of the Managers' Security and shall (subject to it being indemnified and/or secured and/or prefunded to its satisfaction) act in accordance with any such agreement.

5. **Restrictions**

So long as any Note remains outstanding, the Issuer shall not, without the prior consent in writing of the Trustee:

(a) engage in any business other than the issuance or entry into of Obligations, the entry into of related agreements and transactions and the performing of acts incidental thereto or necessary in connection therewith (including enforcing its rights in relation thereto and entering into any agreement in order to facilitate compliance with the regulatory obligations of the Issuer and/or any other relevant party), and provided that:

(i) such Obligations are secured on specified assets of the Issuer (other than the Issuer's share capital and any account into which any amounts required to be retained by the Issuer as minimum profit by the Issuer under the Tax Agreement have been deposited (the "**Issuer Dutch Account**") and any assets securing any other Obligations (other than Equivalent Obligations)); and

(ii) such Obligations and any related agreements contain provisions that limit the recourse of any holder of, or counterparty to, such Obligations and of any party to any related agreement to assets other than those to which any other Obligations (other than Equivalent Obligations) have recourse;

(b) sell, transfer or otherwise dispose of any of the Mortgaged Property or any right or interest therein or create any mortgage, charge or other security or right of recourse in respect thereof;

(c) cause or permit the priority of the Security created by the Trust Deed to be amended, terminated or discharged;

(d) release any party to the Trust Deed or the Constituting Instrument from any existing obligations thereunder;

(e) have any subsidiaries;

(f) consent to any variation of, or exercise any powers of consent or waiver pursuant to, the terms of these Conditions, the Trust Deed, the Constituting Instrument or any Transaction Document;

(g) consolidate or merge with any other person or convey or transfer its properties or assets substantially as an entirety to any person;

(h) have any employees;

(i) issue any shares (other than such shares as are in issue at the Issue Date) or make any distribution to its shareholders (other than in relation to the above mentioned shares already in issue at the Issue Date);

(j) open or have any interest in any account with a bank or financial institution unless (i) such account relates to the issuance or entry into of Obligations and such Obligations have the benefit of security over the Issuer’s interest in such account or (ii) such account is opened in connection with the administration and management of the Issuer and only moneys necessary for that purpose are credited to it;

(k) declare or pay any dividend or other distribution to its members, other than from the Issuer Dutch Account to the shareholder of the Issuer;

(l) purchase, own, lease or otherwise acquire any real property (including office premises or like facilities);

(m) guarantee, act as surety for or become obligated for the debts of any other entity or person or enter into any agreement with any other entity or person whereby it agrees to satisfy the obligations of such entity or person or any other entity or person;

(n) acquire any securities or shareholdings whatsoever from its shareholders or enter into any agreements whereby it would be acquiring the obligations and/or liabilities of its shareholders;

(o) except as required in connection with the issuance or entry into of Obligations, advance or lend any of its moneys or assets, including but not limited to the Mortgaged Property, to any other entity or person; or

(p) approve, sanction or propose any amendment to its constitutional documents,

except as provided for or contemplated in these Conditions or any Transaction Document.

6. **Interest**

(a) **Interest on the Notes**

Each Note bears interest on its outstanding nominal amount at the relevant Charged Assets Rate of Interest in respect of the relevant Interest Accrual Period from (and including) the Interest Commencement Date.

Interest shall be payable on the Notes in arrear on each Interest Payment Date in respect of the relevant Interest Accrual Period. Subject to Condition 8 (*Calculations and Rounding*), for each Interest Payment Date on which a Note is outstanding, the relevant Interest Amount shall be due and payable in respect of the relevant Note on such Interest Payment Date.

For the avoidance of doubt, the Issuer will only be obliged to pay an Interest Amount on the Notes if it actually receives a corresponding Charged Assets Interest Amount under the Charged Assets and in no event shall Noteholders at any time be entitled to any Interest Amounts in excess of their *pro rata* share of the amount of interest that is payable on the Charged Assets pursuant to the Charged Assets Conditions and assuming that there is no Tax Deduction (as defined in the Charged Assets Conditions).

(b) **Accrual of Interest**

Interest shall cease to accrue on each Note from the end of the day preceding the date on which the final Interest Accrual Period is stated to end save that if, upon due presentation, payment of the full amount of principal and/or interest due on such due date for redemption is improperly withheld or refused, interest shall continue to accrue daily on the unpaid amount of principal (after as well as before judgment) from and including the due date for redemption to but excluding the day preceding the day of the actual redemption of the Original Charged Assets at the most recently prevailing Charged Assets Rate of Interest and, thereafter, at the overnight rate for deposits in EUR as determined by the Custodian in a commercially reasonable manner and notified to the Issuer and the Calculation Agent. Such overnight rate of interest (the "**Default Interest**") shall compound daily with respect to the overdue sum at the above rate, and the parties acknowledge and agree that in the event that the interest rate in respect of certain currencies is a negative value, the application thereof may cause the Default Interest to be negative.

7. **Redemption and Purchase**

(a) **Redemption at Maturity**

The Notes are perpetual securities in respect of which there is no fixed redemption date. The Notes may not be redeemed, at the option of the Issuer or otherwise, other than in accordance with this Condition 7.

(b) **Redemption Following a Charged Assets Call**

(i) Provided that no Early Redemption Commencement Date or Early Redemption Date has occurred pursuant to any other Condition in respect of a Note (which, for the avoidance of doubt, may have occurred separately pursuant to one or more Conditions), if a Charged Assets Call occurs with respect to the Charged Assets (the date on which the Issuer receives notice of such Charged Assets Call pursuant to Charged Assets Condition 6.2 (*Redemption at the Option of the Issuer*) being the "**Charged Assets Call Notification Date**"), then:

(A) as soon as reasonably practicable, and in any event within the period of five Reference Business Days commencing on (and including) the Charged Assets Call Notification Date, the Issuer (or the Principal Paying Agent on its behalf, having been supplied by the Issuer with the relevant notice) will give a notice to the Noteholders (copied to the Registrar, the Principal Paying Agent, the Calculation Agent and the Trustee, as applicable) of the occurrence of the Charged Assets Call, including a description in reasonable detail of the facts relevant to such event; and

(B) each Note shall become due and payable at an amount (the "**Charged Assets Call Redemption Amount**") equal to such Note's *pro rata* share of the related Charged Assets Redemption Amount on the second Reference Business Day immediately following the later of (I) the date upon which the Charged Assets have become redeemable or repayable in whole following the occurrence of a Charged Assets Call and (II) the date on which the Issuer (or the Custodian on its behalf) has provided the Calculation Agent with all information required in respect of the Charged Assets Redemption Amount in order to enable the Calculation Agent to determine the related amounts payable in respect of each Note (the "**Charged Assets Call Redemption Date**"), irrespective of whether the relevant Charged Assets Call is continuing.

(ii) Notwithstanding any provision to the contrary, if at any time following a Charged Assets Call Notification Date, but prior to the consequential redemption of the Notes pursuant to this Condition 7(b), a Charged Assets Event occurs, then the Issuer shall give notice of an Early

Redemption Date pursuant to Condition 7(c) (*Redemption Following a Charged Assets Event*), the Notes shall be redeemed pursuant to the provisions of Condition 7(c) (*Redemption Following a Charged Assets Event*) and any notice of redemption given pursuant to this Condition 7(b) shall be deemed to be void.

(iii) For the avoidance of doubt, none of the Issuer, the Trustee or the Calculation Agent shall be required to monitor, enquire or satisfy itself as to whether any Charged Assets Call has occurred. Neither the Trustee nor the Calculation Agent shall have any obligation, responsibility or liability for giving or not giving any notice thereof to the Issuer or any Secured Creditor. If the Issuer effectively gives a notice to the Trustee of the occurrence of a Charged Assets Call, the Trustee shall be entitled to rely conclusively on such notice without further investigation.

(c) **Redemption Following a Charged Assets Event**

(i) If a Charged Assets Event occurs with respect to the Charged Assets, the Issuer shall as soon as is practicable after becoming aware of the occurrence of the Charged Assets Event (or, in any case within two Reference Business Days thereof), give notice of the occurrence of the Charged Assets Event to the Registrar, the Calculation Agent, the Principal Paying Agent and the Trustee (the date of such notice being the "**Charged Assets Event Determination Date**"), then:

(A) as soon as reasonably practicable, and in any event within the period of five Reference Business Days commencing on (and including) the Charged Assets Event Determination Date, the Issuer (or the Principal Paying Agent on its behalf, having been supplied by the Issuer with the relevant Early Redemption Notice) will give an Early Redemption Notice to the Noteholders of the occurrence of the Charged Assets Event (the date of such notice to the Noteholders being the "**Early Redemption Commencement Date**"); and

(B) each Note shall become due and payable on the related Early Redemption Date at its Early Redemption Amount (which shall be the only amount payable and there will be no separate payment of any unpaid accrued interest thereon), irrespective of whether the relevant Charged Assets Event is continuing.

(ii) Notwithstanding any provision to the contrary, if at any time prior to the redemption of the Notes pursuant to any of Condition 7(b) (*Redemption Following a Charged Assets Call*), 7(d) (*Redemption for Taxation Reasons*) or 7(e) (*Redemption Following an Illegality Event*), (A) a Charged Assets Event occurs; and (B) neither the Trustee nor the Enforcement Agent has enforced the Security, then, in each case, the Issuer shall give notice of an Early Redemption Date pursuant to this Condition 7(c), the Notes shall be redeemed pursuant to the provisions of this Condition 7(c) and any notice of redemption given pursuant to Condition 7(b) (*Redemption Following a Charged Assets Call*), 7(d) (*Redemption for Taxation Reasons*) or 7(e) (*Redemption Following an Illegality Event*) shall be deemed to be void.

(iii) For the avoidance of doubt, none of the Issuer, the Trustee, the Issue Agent, the Principal Paying Agent or the Calculation Agent shall be required to monitor, enquire or satisfy itself as to whether any Charged Assets Event has occurred. Neither the Trustee nor the Calculation Agent shall have any obligation, responsibility or liability for giving or not giving any notice thereof to the Issuer or any Secured Creditor. If the Issuer effectively gives a notice to the Trustee of the occurrence of a Charged Assets Event, the Trustee shall be entitled to rely conclusively on such notice without further investigation.

(d) **Redemption for Taxation Reasons**

(i) Subject to Condition 7(d)(ii) and provided that no Charged Assets Call Redemption Date, Early Redemption Commencement Date or Early Redemption Date has occurred pursuant to any other Condition in respect of all Notes then outstanding (which, for the avoidance of doubt, may have occurred separately pursuant to one or more Conditions), the Issuer shall, as soon as is practicable after becoming aware of the occurrence of a Tax Event (or, in any case, within two Reference Business Days thereof), inform the Trustee, and shall use all reasonable endeavours to arrange the substitution of a company incorporated in another jurisdiction approved beforehand in writing by the Trustee (provided that such substitution will not, at the time of substitution, result in any rating assigned to the Notes being adversely affected, as confirmed in writing by S&P) as the principal obligor or to change (to the satisfaction of the Trustee and provided that such change will not, at the time of such change, result in any rating assigned to the Notes being adversely affected, as confirmed in writing by S&P) its residence for taxation purposes to another jurisdiction approved beforehand in writing by the Trustee, and if it is unable to arrange such substitution or change in residence before the next payment is due in respect of the Notes, then the Issuer shall give an Early Redemption Notice to the Noteholders and each Note shall become due and payable on the related Early Redemption Date at its Early Redemption Amount (which shall be the only amount payable and there will be no separate payment of any unpaid accrued interest thereon). The date on which such Early Redemption Notice is deemed to have been given shall be an "**Early Redemption Commencement Date**" and the Security will become enforceable in accordance with Condition 12(b) (*Enforcement of Security*) and the Trustee shall so enforce the Security to the extent it is permitted to do so under the Trust Deed (subject to it being secured and/or indemnified and/or prefunded to its satisfaction and subject to it receiving an Extraordinary Resolution) and in accordance with Condition 12 (*Enforcement of Security*), and, for the avoidance of doubt, in doing so the Trustee shall be entitled to undertake all such actions that the Issuer was entitled to undertake if it were to have arranged such a substitution.

A "**Note Tax Event**" will occur if:

(I) on the due date for any payment in respect of the Notes, the Issuer will be required by any applicable law to withhold, deduct or account for an amount for any present or future taxes, duties or charges of whatsoever nature other than a withholding or deduction in respect of FATCA or would suffer the same in respect of its income so that it would be unable to make in full the payment in respect of the Notes in respect of such due date; or

(II) on the due date for any payment in respect of the Notes, such a withholding, deduction or account is actually made in respect of any payment in respect of the Notes,

other than where such event constitutes a Charged Assets Tax Event.

A "**Charged Assets Tax Event**" will occur if the Issuer:

(I) is or will be unable to receive any payment due in respect of any Charged Assets in full on the due date therefor without a deduction for or on account of any withholding tax, back-up withholding or other tax, duties or charges of whatsoever nature imposed by any authority of any jurisdiction;

(II) is or will be required to pay any tax, duty or charge of whatsoever nature imposed by any authority of any jurisdiction in respect of any payment received in respect of any Charged Assets; and/or

(III) is or will be required to comply with any tax reporting requirement (other than in respect of FATCA and the Common Reporting Standard) of any authority of the Netherlands or Switzerland in respect of any payment received in respect of any Charged Assets,

provided that the Issuer, using reasonable efforts prior to the due date for the relevant payment, is (or would be) unable to avoid such deduction(s) and/or payment(s) and/or comply with such reporting requirements described in sub-paragraphs (I) to (III) of this definition by filing a valid declaration that it is not a resident of such jurisdiction and/or by executing any certificate, form or other document in order to make a claim under a double taxation treaty or other exemption available to it or otherwise to comply with such reporting requirements. If the action that the Issuer would be required to undertake so as to avoid any such deduction(s), payment(s) and/or comply with such reporting requirements would involve any material expense or is, in the sole opinion of the Issuer (acting in good faith), unduly onerous the Issuer shall not be required to take any such action. Without prejudice to the generality of the foregoing, a withholding imposed on payments in respect of any Charged Assets as a result of FATCA shall constitute a Charged Assets Tax Event. For the purposes of this definition, if on the date falling 60 days prior to the earliest date on which FATCA Withholding Tax could apply to payments under, or in respect of sales proceeds of, the relevant Charged Assets (such 60th day prior being the "**FATCA Test Date**"), the Issuer is a "nonparticipating foreign financial institution" (as such term is used under section 1471 of the U.S. Internal Revenue Code or in any regulations or guidance thereunder), the Issuer will be deemed on the FATCA Test Date to be unable to receive a payment due in respect of such Charged Assets in full on the due date therefor without deduction for or on account of any withholding tax and, therefore, a Charged Assets Tax Event will have occurred on the FATCA Test Date.

(ii) Notwithstanding the foregoing, if the requirement to withhold, deduct or account for any present or future taxes, duties or charges of whatsoever nature referred to in paragraph (i) above arises solely as a result of:

(A) any Noteholder's connection with the jurisdiction of incorporation of the Issuer otherwise than by reason only of the holding of any Note or receiving or being entitled to any payment in respect thereof; or

(B) any taxes required to be withheld or deducted from a payment pursuant to laws enacted by Switzerland changing the Swiss federal withholding tax system from an issuer-based system to a paying agent based system pursuant to which a person in Switzerland other than the Issuer is required to withhold tax on any interest payments,

then, to the extent possible, the Issuer shall deduct such taxes, duties or charges, as applicable, from the amount(s) payable to such Noteholder and provided that payments to other Noteholders would not be impaired, the Issuer shall not give an Early Redemption Notice pursuant to Condition 7(d)(i) (*Redemption for Taxation Reasons*). Any such deduction shall not constitute an Event of Default under Condition 7(f) (*Redemption Following the Occurrence of an Event of Default*) or an Enforcement Event under Condition 12 (*Enforcement of Security*).

(iii) In respect of this Condition 7(d), if a tax deduction or withholding (collectively, a "**Charged Assets Tax Deduction**") is required by law to be made by the Charged Assets Obligor in respect of any payment of principal or interest in respect of the Charged Assets for any taxes, duties, assessments or governmental charges of whatever nature imposed by or on behalf of Switzerland, such Charged Assets Tax Deduction shall not constitute a Charged Assets Tax Event if:

(A) there is an actual payment by the Charged Assets Obligor of a corresponding payment of additional amounts pursuant to Charged Assets Condition 7 (*Taxation*); or

(B) no such additional amounts pursuant to Charged Assets Condition 7 (*Taxation*) are paid by the Charged Assets Obligor due to it being unlawful for the Charged Assets Obligor to make such payments but an adjustment is instead made to the Charged Assets Rate of Interest pursuant to Charged Assets Condition 3.8 (*Recalculation of Interest*) and reflected in the Interest Amount payable on the Notes.

(iv) Prior to the publication of any Early Redemption Notice pursuant to this Condition, the Issuer shall deliver to the Trustee a certificate signed by one or two (as appropriate) directors of the Issuer stating that the obligations referred to in the definition of "Tax Event" above cannot be avoided by the Issuer taking reasonable measures available to it, and the Trustee shall be entitled to accept such certificate as sufficient evidence of the satisfaction of the conditions precedent set out in this Condition, in which event such acceptance shall be conclusive and binding on the Noteholders.

(v) Notwithstanding any provision to the contrary, if at any time following an Early Redemption Notice having been given under, but prior to the consequential redemption of the Notes pursuant to, this Condition 7(d), (A) a Charged Assets Event occurs; and (B) neither the Trustee nor the Enforcement Agent has enforced the Security, then the Issuer shall give notice of an Early Redemption Date pursuant to Condition 7(d) (*Redemption Following a Charged Assets Event*), the Notes shall be redeemed pursuant to the provisions of Condition 7(c) (*Redemption Following a Charged Assets Event*) and any notice of redemption given pursuant to this Condition 7(d) shall be deemed to be void.

(vi) For the avoidance of doubt, neither the Issuer nor the Trustee shall be required to monitor, enquire or satisfy itself as to whether any Tax Event has occurred. The Trustee shall not have any obligation, responsibility or liability for giving or not giving any notice thereof to the Issuer or any Secured Creditor. If the Issuer effectively gives a notice to the Trustee of the occurrence of a Tax Event, the Trustee shall be entitled to rely conclusively on such notice without further investigation.

(e) **Redemption Following an Illegality Event**

(i) Provided that no Charged Assets Call Redemption Date, Early Redemption Commencement Date or Early Redemption Date has occurred pursuant to any other Condition in respect of all Notes then outstanding (which, for the avoidance of doubt, may have occurred separately pursuant to one or more Conditions), the Issuer shall, as soon as is practicable after becoming aware of the occurrence of an Illegality Event (or, in any case, within two Reference Business Days thereof), inform the Trustee, and shall use all reasonable endeavours to arrange, the substitution of a company, being a company whose legal characteristics are such that if it were to perform the obligations of the Issuer, no Illegality Event would arise, that is approved beforehand in writing by the Trustee (provided that such substitution will not, at the time of substitution, result in any rating assigned to the Notes being adversely affected, as confirmed in writing by S&P) as the principal obligor or to change (to the satisfaction of the Trustee and provided that such change will not, at the time of such change, result in any rating assigned to the Notes being adversely affected, as confirmed in writing by S&P) its legal characteristics such that no Illegality Event arises in respect of it, as approved beforehand in writing by the Trustee, and if it is unable to arrange such substitution or change in legal characteristics before the next payment is due in respect of the Notes, then the Issuer shall give an Early Redemption Notice to the Noteholders and each Note shall become due and payable on the related Early Redemption Date at its Early Redemption Amount (which shall be the only amount payable and there will be no separate payment of any unpaid accrued interest thereon). The date on which such Early Redemption Notice is deemed to have been given shall be an "**Early Redemption Commencement Date**", the Security will become enforceable in accordance with Condition 12(b) (*Enforcement of Security*) and the Trustee shall so enforce the Security to the extent it is permitted to do so under the Trust Deed (subject to it being secured and/or indemnified and/or prefunded to its satisfaction and subject to it receiving an Extraordinary Resolution) in accordance with Condition 12 (*Enforcement of Security*), and, for the avoidance of doubt, in doing so the Trustee shall be entitled to undertake all such actions that the Issuer was entitled to undertake if it were to have arranged such a substitution.

(ii) Prior to the publication of any Early Redemption Notice pursuant to this Condition, the Issuer shall deliver to the Trustee a certificate signed by one or two (as appropriate) directors of the Issuer stating that the obligations referred to in the definition of "Illegality Event" above cannot be avoided by the Issuer taking reasonable measures available to it, and the Trustee shall be entitled to accept such certificate as sufficient evidence of the satisfaction of the conditions precedent set out in this Condition, in which event such acceptance shall be conclusive and binding on the Noteholders.

(iii) Notwithstanding any provision to the contrary, if at any time following an Early Redemption Notice having been given under, but prior to the consequential redemption of the Notes pursuant to, this Condition 7(e), (A) a Charged Assets Event occurs; and (B) neither the Trustee nor the Enforcement Agent has enforced the Security, then the Issuer shall give notice of an Early Redemption Date pursuant to Condition 7(c) (*Redemption Following a Charged Assets Event*), the Notes shall be redeemed pursuant to the provisions of Condition 7(d) (*Redemption Following a Charged Assets Event*) and any notice of redemption given pursuant to this Condition 7(e) shall be deemed to be void.

(iv) For the avoidance of doubt, neither the Issuer, the Trustee nor the Calculation Agent shall be required to monitor, enquire or satisfy itself as to whether any Illegality Event has occurred. Neither the Trustee nor the Calculation Agent shall not have any obligation, responsibility or liability for giving or not giving any notice thereof to the Issuer or any Secured Creditor. If the Issuer effectively gives notice to the Trustee of the occurrence of an Illegality Event, the Trustee shall be entitled to rely on such notice without further investigation.

(f) **Redemption Following the Occurrence of an Event of Default**

(i) If any of the following events (each an "**Event of Default**") occurs, provided that no Charged Assets Call Redemption Date, Early Redemption Commencement Date or Early Redemption Date has occurred pursuant to this or any other Condition in respect of all Notes outstanding (which, for the avoidance of doubt, may have occurred separately pursuant to one or more Conditions), the Trustee at its discretion may, and if directed by an Extraordinary Resolution shall (provided that the Trustee shall have been indemnified and/or secured and/or pre-funded to its satisfaction), give an Early Redemption Notice to the Issuer that all but not some only of the Notes shall become due and payable at the Early Redemption Amount (which shall be the only amount payable and there will be no separate payment of any unpaid accrued interest thereon) on the Early Redemption Date:

(A) default is made for more than 14 days in the payment of any interest or any other sum in respect of any Notes other than (i) a Charged Assets Call Redemption Amount, (iii) an Early Redemption Amount or (iv) where any such default occurs as a result of a Charged Assets Event, a Tax Event or an Illegality Event;

(B) the Issuer does not perform or comply with any one or more of its other obligations under any Notes or the Trust Deed which default is incapable of remedy or, if in the opinion of the Trustee such default is capable of remedy, is not in the opinion of the Trustee remedied within 30 days after notice of such default shall have been effectively given to the Issuer by the Trustee; or

(C) the Issuer: (1) is dissolved (other than pursuant to a consolidation, amalgamation or merger on terms previously approved in writing by the Trustee or sanctioned by an Extraordinary Resolution); (2) becomes insolvent or is unable to pay its debts or fails or admits in writing in a judicial, regulatory or administrative proceeding or filing its inability generally to pay its debts as they become due; (3) save to the extent contemplated in the Trust Deed, makes a general assignment, arrangement, scheme or composition with or for the benefit of the Noteholders, or such a general assignment, arrangement, scheme or composition becomes effective; (4) institutes or has instituted against it a proceeding seeking a judgment of insolvency or bankruptcy or any other similar relief under any bankruptcy or insolvency law or other law affecting creditors' rights, or a petition is presented for its winding up or liquidation, and, in the case of any such proceeding or petition instituted or presented against it, such proceeding or petition either results in a judgment of insolvency or bankruptcy or the entry of an order for relief or the making of an order for its winding up or liquidation, or is not dismissed, discharged, stayed or restrained in each case within 30 days of the institution or presentation thereof; (5) has a resolution passed for its winding up or liquidation (other than pursuant to a consolidation, amalgamation or merger); (6) seeks or becomes subject to the appointment of an administrator, provisional liquidator, conservator, receiver, trustee, custodian or other similar official for it or for any assets on which the liabilities of the Issuer under the relevant Notes are secured pursuant to the Trust Deed; (7) other than the Trustee (except in circumstances where the Trustee is enforcing the Security pursuant to the Trust Deed) or the Custodian, has a secured party take possession of any assets on which the liabilities of the Issuer under the relevant Notes are secured pursuant to the Trust Deed or has a distress, execution, attachment, sequestration or other legal process levied, enforced or sued on or against any assets on which the liabilities of the Issuer under the relevant Notes are secured pursuant to the Trust Deed and such secured party maintains possession, or any such process is not dismissed, discharged, stayed or restrained, in each case within 30 days thereafter; or (8) causes or is subject to any event with respect to it which, under the applicable laws of any jurisdiction, has an analogous effect to any of the events specified in clauses (1) to (7).

(ii) For the purposes of the Conditions and the Transaction Documents, in relation to any Events of Default, the date on which the related Early Redemption Notice is deemed to be given shall be an "**Early Redemption Commencement Date**".

(g) **Purchases**

(i) The Issuer may purchase Notes in the open market or otherwise at any price. Such Notes may be held, re-issued, resold or, at the option of the Issuer, surrendered to the Registrar for cancellation, provided that, the Issuer has made arrangements for the realisation of no more than the equivalent proportion of the Charged Assets in connection with the proposed purchase of the Notes, which transactions will leave the Issuer with no assets or net liabilities in respect thereof.

(ii) In addition:

(A) The Issuer may at any time make an offer to purchase the Notes for cash consideration (an "**Issuer Tender Offer**") and/or to exchange the Notes for non-cash assets (an "**Issuer Exchange Offer**") (in each case, whether by private treaty or tender offer). Any Issuer Tender Offer or Issuer Exchange Offer may only be made on a limited recourse basis and upon terms that will ensure that after any such purchase or exchange of Notes, the aggregate principal amount of Notes outstanding will be the same as the aggregate principal amount of Charged Assets outstanding. The Issuer shall not make an Issuer Tender Offer or an Issuer Exchange Offer (I) without first having entered into an agency agreement with an agent to act as tender agent or, as the case may be, exchange agent for the Issuer in connection with the Issuer Tender Offer or the Issuer Exchange Offer and (II) without first being satisfied (whether by it being indemnified and/or secured and/or prefunded to its satisfaction or otherwise) that its costs and expenses in connection with the same will be met.

(B) If at any time the Charged Assets Obligor makes an offer to the Issuer, or to the Custodian on behalf of the Issuer, to purchase the Charged Assets for cash consideration (a "**Charged Assets Obligor Tender Offer**") or for non-cash assets (a "**Charged Assets Obligor Exchange Offer**"), then the Issuer shall not accept such Charged Assets Obligor Tender Offer or Charged Assets Obligor Exchange Offer (notwithstanding anything to the contrary in Condition 18(a) (*Meetings of Noteholders*)), and the Trustee shall not be permitted to release the Security created over the Charged Assets pursuant to the Trust Deed, other than in accordance with paragraphs (C) and (D) below.

(C) Subject to the requirements of paragraph (A) above, the Issuer shall make an Issuer Tender Offer or, as the case may be, an Issuer Exchange Offer, upon the occurrence of a Charged Assets Obligor Tender Offer or, as the case may be, a Charged Assets Obligor Exchange Offer unless in the reasonable opinion of the Issuer, the Issuer would be materially disadvantaged by the same.

(D) For purposes of any Issuer Tender Offer or Issuer Exchange Offer, whether or not relating to any Charged Assets Obligor Tender Offer or Charged Assets Obligor Exchange Offer, the Trustee shall not release the Security created over the Charged Assets pursuant to the Trust Deed except that it may release the Security to the extent that after such release and taking into account any purchase or exchange of Notes pursuant to any Issuer Tender Offer or Issuer Exchange Offer, the aggregate principal amount of the Charged Assets outstanding will be the same as the aggregate principal amount of Notes outstanding. To the extent that such Issuer Tender Offer or Issuer Exchange Offer relates to any Charged Assets Obligor Tender Offer or, as the case may be, Charged Assets Obligor Exchange Offer, following the release of such Security the Issuer shall accept (or procure the acceptance of) such Charged Assets Obligor Tender Offer or Charged Assets Obligor Exchange Offer in respect of the Security so released.

(iii) Any purchase, Issuer Tender Offer or Issuer Exchange Offer shall for as long as the Notes are listed on the official list of Euronext Dublin and admitted to trading on the Global Exchange Market which is the exchange regulated market of Euronext Dublin, be in accordance with all applicable rules and regulations of Euronext Dublin.

(iv) Any failure by the Issuer to make a payment or delivery due in connection with any such purchase (including under an Issuer Tender Offer or Issuer Exchange Offer) shall constitute a default in payment in respect of the Notes for the purposes of Condition 7(f) (*Redemption Following the Occurrence of an Event of Default*).

(h) **Cancellation**

All Notes purchased by or on behalf of the Issuer may be surrendered for cancellation by surrendering the certificate(s) representing each such Note to or to the order of the Registrar and shall, together with all Notes redeemed by the Issuer, be cancelled forthwith. Any Notes so surrendered for cancellation may not be reissued or resold and the obligations of the Issuer in respect of any such Notes shall be discharged.

8. Calculations, Rounding and Business Day Convention

(a) Calculation of any Interest Amount, Charged Assets Call Redemption Amount or Early Redemption Amount

(i) In respect of each Interest Payment Date, the Calculation Agent shall, subject to Condition 8(a)(iv), calculate the Interest Amount due and payable on such Interest Payment Date in respect of each Note outstanding on such Interest Payment Date.

(ii) In respect of each date on which the following amounts become due and payable, the Calculation Agent shall, subject to Condition 8(a)(iii), calculate any Charged Assets Call Redemption Amount or Early Redemption Amount.

(iii) In order to enable the Calculation Agent to perform its functions under these Conditions, the Issuer shall provide to the Calculation Agent (or procure the provision of) any information required in order to enable the Calculation Agent to calculate any Interest Amount, Charged Assets Call Redemption Amount or Early Redemption Amount or any other amount payable hereunder. The Calculation Agent shall not be liable for any failure to comply with its obligations under these Conditions as a result of any failure by the Issuer to provide (or procure the provision of) any such information.

(b) **Determination or Calculation by Trustee**

If the Calculation Agent does not at any time for any reason determine or calculate any Interest Amount, Charged Assets Call Redemption Amount, Early Redemption Amount or any other amount payable in respect of the Notes, then the Trustee, subject to it being indemnified and/or secured and/or prefunded to its satisfaction, may make such determinations and calculations in place of the Calculation Agent (or may appoint an agent on its behalf to do so). Any such determination or calculation so made by the Trustee (or its agent) shall, for the purposes of these Conditions and the Transaction Documents, be deemed to have been made by the Calculation Agent. In doing so, the Trustee shall apply the provisions of these Conditions and/or the relevant Transaction Document(s) with any necessary consequential amendments, to the extent that, in its opinion, it can do so, and, in all other respects it shall do so in such manner as it shall deem fair and reasonable in all the circumstances. The Trustee shall have no liability to any person in connection with any determination it is required to make pursuant to this Condition 8(b).

(c) **Rounding**

For the purposes of any calculations required pursuant to these Conditions (unless otherwise specified), (i) all percentages resulting from such calculations shall be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point (with 0.000005 of a percentage point being rounded up to 0.00001) and (ii) all currency amounts that fall due and payable shall be rounded down, if necessary, to the nearest unit of such currency. For these purposes, "**unit**" means the lowest amount of such currency that is available as legal tender in the country(ies) of such currency (e.g. one cent or one pence).

9. **Payments**

(a) **Payments of Principal and Interest**

For so long as the Registered Notes are represented by the Global Registered Certificate

Payments of principal in respect of Registered Notes when represented by the Global Registered Certificate will be made against presentation and surrender or, as the case may be, presentation of the Global Registered Certificate at the specified office of the Principal Paying Agent, subject in all cases to (i) any fiscal or other laws, regulations and directives applicable to the Issuer, the Principal Paying Agent or the registered owner of the Global Registered Certificate or any person (so long as the Global Registered Certificate is held on behalf of Euroclear and Clearstream, Luxembourg) shown in the records of Euroclear or Clearstream, Luxembourg (other than each Clearing System to the extent that it is an account holder with the other Clearing System for the purpose of operating the "bridge" between the Clearing Systems) as the holder of a particular principal amount of the Notes; and (ii) any FATCA Withholding Tax (in each case without prejudice to the provisions of Condition 11 (*Taxation*)). A record of each payment so made will be endorsed on the relevant schedule to the Global Registered Certificate by or on behalf of the Principal Paying Agent which endorsement shall be prima facie evidence that such payment has been made.

If the Registered Notes are represented by one or more Registered Certificate(s)

Payments of principal in respect of the Notes will be made to the person shown on the register against presentation and surrender of the relevant Registered Certificate at the specified office of the Principal Paying Agent outside the United States by transfer to an account denominated in such currency with a Bank nominated by such holder presenting such Note, as the case may be. "**Bank**" means a bank in the principal financial centre for such currency or in the case of euro in a city in which banks have access to the TARGET System. To the extent that a Noteholder does not present (and, if applicable, surrender) the relevant Registered Certificate at least three business days prior to the date for redemption (as the case may be) none of the Issuer, the Trustee, the Registrar, the Principal Paying Agent, the Calculation Agent, the Custodian or any other person shall be liable in respect of any delay in the payment of the relevant redemption monies to such Noteholder as a consequence thereof.

Interest payable on any Interest Payment Date will be paid to the persons shown on the Register at the close of business on the day before the due date for payment thereof (the "**Record Date**"). Payment of interest will be made in Euro by cheque drawn on a bank in such financial centre in a participating Member State as the Issuer may reasonably determine) and mailed to the holder (or to the first named of joint holders) of such Note at its address appearing in the Register. Upon application by the holder to the specified office of the Principal Paying Agent before the relevant Record Date, such payment of interest may be made by transfer to an account in the relevant currency maintained by the payee with a bank in the principal financial centre of the country of that currency.

(b) **Payments Subject to Fiscal Laws; payments on Global Registered Certificates**

All payments are subject in all cases to (i) any applicable fiscal or other laws, regulations and directives, and (ii) any FATCA Withholding Tax or any other withholding tax (in each case without prejudice to the provisions of Condition 11 (*Taxation*)). No commission or expenses shall be charged to the Noteholders in respect of such payments.

The registered owner of a Global Registered Certificate shall be the only person entitled to receive payments of principal and interest on the Global Registered Certificate and the Issuer will be discharged by payment to the registered owner of such Global Registered Certificate in respect of each amount paid. So long as the relevant Global Registered Certificate is held by or on behalf of Euroclear or Clearstream, Luxembourg, each of the persons shown in the records of Euroclear or Clearstream, Luxembourg as the holder of a Note must look solely to Euroclear or, Clearstream, Luxembourg, as the case may be, for its share of each payment so made by the Issuer to the registered owner of the Global Registered Certificate subject to and in accordance with the respective rules and procedures of Euroclear or Clearstream, Luxembourg, as the case may be. So long as the relevant Global Registered Certificate is registered in the name of a person other than a nominee for Euroclear or Clearstream, Luxembourg, each of the persons shown in the records of such person as the holder of a Note must look solely to such person for its share of each payment so made by the Issuer to such person, subject to the rules and procedures established from time to time by such person. No person other than the registered owner of the Global Registered Certificate shall have any entitlement to payments due by the Issuer on the Notes.

(c) **Non-Business Days**

If any date for payment in respect of any Note is not a business day, the holder shall not be entitled to payment until the next following business day or to any interest or other sum in respect of such postponed payment. In this Condition 9(c), "**business day**" means (i) a Reference Business Day and (ii) if the Notes are represented by one or more Registered Certificates, a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are open for business in the relevant place of presentation.

10. **Agents**

(a) **Appointment of Agents**

The Principal Paying Agent, the Custodian, the Calculation Agent, the Registrar and the Issue Agent initially appointed by the Issuer and their respective offices are listed below:

(i) Principal Paying Agent: The Bank of New York Mellon, London Branch
One Canada Square
London E14 5AL
United Kingdom

(ii) Custodian: The Bank of New York Mellon, London Branch
One Canada Square
London E14 5AL
United Kingdom

(iii) Calculation Agent: The Bank of New York Mellon, London Branch
One Canada Square
London E14 5AL
United Kingdom

(iv) Registrar: The Bank of New York Mellon SA/NV, Luxembourg Branch
Vertigo Building - Polaris
2-4 rue Eugène Ruppert
L 2 – 453 Luxembourg

(v) Issue Agent: The Bank of New York Mellon, London Branch
One Canada Square
London E14 5AL
United Kingdom

Subject to the provisions of the Trust Deed, the Custody Agreement and the Agency Agreement, the Principal Paying Agent, the Custodian, the Registrar, the Issue Agent, the Enforcement Agent and the Calculation Agent act solely as agents of the Issuer and do not assume any obligation or relationship of agency or trust for or with any Noteholder. The Issuer reserves the right at any time with the approval of the Trustee (except that the approval of the Trustee shall not be required for the appointment of a replacement Calculation Agent where Noteholders direct the Issuer to appoint such replacement pursuant to this Condition) to vary or terminate the appointment of the Principal Paying Agent, any other paying agent, the Custodian, the Registrar, the Issue Agent, the Enforcement Agent or the Calculation Agent and to appoint additional or other paying agents, Custodian(s), Enforcement Agent(s), Calculation Agent(s) or such other agents as may be required provided that the Issuer shall at all times maintain (i) a Principal Paying Agent, (ii) a Calculation Agent, (iii) a Custodian and (iv) a Registrar.

Notice of any such change or any change of any Specified Office shall promptly be given by the Issuer to the Noteholders in accordance with Condition 21 (*Notices*).

(b) **Calculation Agent Appointment, Termination and Replacement**

If the Calculation Agent fails duly to make any calculation or determination required of it under these Conditions or the Agency Agreement or any other Transaction Document, as the case may be, or fails to comply with any other material requirement under these Conditions, the Agency Agreement or any other Transaction Document, and in each case such failure has not been remedied within a reasonable period, or a Calculation Agent Bankruptcy Event occurs, then:

(i) the Issuer shall use reasonable endeavours (provided it has funds available for such purpose) with the prior approval of the Trustee to appoint a leading bank or financial institution engaged in the interbank market or other appropriate market that is most closely connected with the calculation(s) and/or determination(s) to be made by the Calculation Agent (acting through its principal London office or any other office actively involved in such market) to act as such in its place, provided that the terms of such appointment are substantially the same as the terms on which the outgoing Calculation Agent is appointed; or

(ii) if the Issuer has been directed by an Extraordinary Resolution that the Issuer appoint a replacement Calculation Agent, provided that such replacement is a financial institution of international repute and the terms of such appointment are substantially the same as the terms on which the outgoing Calculation Agent is appointed and to the extent of any difference to such terms, that such terms do not adversely affect the terms on which the Trustee or any other Agent is appointed, without the prior consent of such adversely affected party and the Issuer has been indemnified and/or secured and/or pre-funded to its satisfaction for any initial or ongoing costs, charges, fees and/or expenses the Issuer may incur in connection with the appointment of a replacement Calculation Agent (whether by one or more Noteholders, a Secured Creditor or any other third party), the Issuer shall use reasonable endeavours (provided it has funds available for such purpose) to appoint the person nominated in such Extraordinary Resolution as calculation agent in respect of the Notes.

(c) **Replacement of Custodian and Principal Paying Agent upon a Ratings Downgrade**

Clause 22.10 of the Master Agency Terms and Clause 8.13(B) of the Master Custody Terms (each as amended pursuant to the Constituting Instrument) shall apply in respect of the Principal Paying Agent and the Custodian respectively.

The Minimum Rating (as defined in the Master Agency Terms) in respect of the Principal Paying Agent and the Custodian Required Rating (as defined in the Master Custody Terms) in respect of the Custodian, is as follows:

(i) to the extent that the Custodian or the Principal Paying Agent, as the case may be, has a short-term issuer credit rating by S&P,

(A) a short-term issuer credit rating higher than or equal to “B” by S&P; and

(B) a long term issuer credit rating higher than or equal to "BB+" by S&P; and

(ii) if the Custodian or the Principal Paying Agent, as the case may be, has no short-term issuer credit rating by S&P, a long-term issuer credit rating higher than or equal to "BB+" by S&P.

11. **Taxation**

(a) **Withholding or Deductions on Payments in respect of the Notes**

Without prejudice to Condition 7(d) (*Redemption for Taxation Reasons*), all payments in respect of the Notes will be made subject to any withholding or deduction for, or on account of, any present or future taxes, duties or charges of whatsoever nature that the Issuer or any Agent is required by applicable law to make. In that event, the Issuer or such Agent shall make such payment after such withholding or deduction has been made and shall account to the relevant authorities for the amount(s) so required to be withheld or deducted. Neither the Issuer nor any Agent will be obliged to make any additional payments to Noteholders in respect of such withholding or deduction. For the purposes of this Condition 11(a), any FATCA Withholding Tax shall be deemed to be required by applicable law.

(b) **FATCA Information**

Each Noteholder and beneficial owner of Notes shall provide the Issuer and/or any agent acting on behalf of the Issuer with such documentation, information or waiver as may be requested by the Issuer and/or any agent acting on behalf of the Issuer in order for the Issuer or any such agent to comply with any obligations any such party may have in connection with the Notes under FATCA and/or the Common Reporting Standard and under any agreement entered into by the Issuer and/or any agent acting on behalf of the Issuer pursuant to, or in respect of, FATCA. Each Noteholder and beneficial owner of the Notes further agrees and consents that in respect of FATCA the Issuer may, but is not obliged and owes no duty to any person to, comply with the terms of any intergovernmental agreement between the U.S. and another jurisdiction with respect to FATCA or any legislation implementing such an intergovernmental agreement or enter into an agreement with the U.S. Internal Revenue Service in such form as may be required to avoid the imposition of withholding under FATCA on payments made to the Issuer. In connection therewith, the Issuer may make such amendments to the Notes as are necessary to enable the Issuer to enter into, or comply with the terms of, any such agreement or legislation. Any such amendment will be binding on the Noteholders.

12. **Enforcement of Security**

(a) **Enforcement Notice**

At any time after the Trustee becomes aware of the occurrence of an Enforcement Event but prior to taking any steps to enforce the Security, the Trustee shall notify the Issuer and the Custodian (such notice being an "**Enforcement Notice**") that the Trustee has become entitled to enforce the Security constituted by the Trust Deed.

(b) **Enforcement of Security**

The Security over the Mortgaged Property created by or pursuant to the Trust Deed as described in Condition 4(a) (*Security*) shall become enforceable upon the occurrence of one or more of the following, each an "**Enforcement Event**":

(i) an Event of Default;

(ii) a Charged Assets Event;

(iii) a Tax Event, but only in the event that the Issuer has failed to arrange a substitution or change in residence in accordance with the terms of Condition 7(d) (*Redemption for Taxation Reasons*);

(iv) an Illegality Event, but only in the event that the Issuer has failed to arrange a substitution or change in legal characteristics in accordance with the terms of Condition 7(e) (*Redemption Following an Illegality Event*); or

(v) default is made in the payment of any Charged Assets Call Redemption Amount, interest payable on a Charged Assets Call Redemption Date or Early Redemption Amount,

and, for the avoidance of doubt, the Manager's Security created by or pursuant to the Trust Deed as described in Condition 4(b) (*Managers' Security*) shall not become enforceable solely as a result of such Enforcement Event. Notwithstanding the foregoing, if in the sole discretion of the Trustee and the Managers' Trustee it is necessary (i) to enforce the Security so as to enforce the Managers' Security, then the Security shall become enforceable solely to the extent necessary to enforce the Managers' Security; and/or (ii) to enforce the Managers' Security so as to enforce the Security, then the Managers' Security shall become enforceable solely to the extent necessary to enforce the Security.

For the avoidance of doubt, the Managers' Trustee shall have no duties whatsoever to the Noteholders.

(c) **Realisation of Security**

At any time after the Trustee becomes aware of the occurrence of an Enforcement Event, it may, and if directed by an Extraordinary Resolution shall, provided in each case that the Trustee shall have been indemnified and/or secured and/or pre-funded to its satisfaction and provided that the Trustee has effectively delivered a valid Enforcement Notice to the Issuer and the Custodian, enforce all the Security constituted by the Trust Deed. To do this it may, at its discretion, realise the Charged Assets subject to the provisions of Condition 15 (*Enforcement of Rights or Security*), and/or enforce the Agency Agreement and/or the Custody Agreement in accordance with its or their terms without any liability as to the consequence of such action and without having regard to the effect of such action on individual Noteholders.

Any realisation and/or enforcement of the Security over the Charged Assets or exercise of any right in respect of the Charged Assets shall be subject to the transfer restrictions in respect of the Charged Assets set forth in the Charged Assets Conditions, including, but not limited to, Charged Assets Condition 10 (*Transfer and Exchange of Loan Notes*) and Charged Assets Condition 11 (*Grants of Security*).

Without prejudice to Condition 15 (*Enforcement of Rights or Security*), in no circumstances shall the Trustee be permitted when acting in its capacity as trustee for the Noteholders and the other Secured Creditors, nor shall the Noteholders or the other Secured Creditors (when acting in their respective capacities) be permitted, to take any action against the Charged Assets Obligor or enforce any claim that the Issuer may have against the Charged Assets Obligor in respect of the Charged Assets or the Purchase Agreement or otherwise whether before, upon, or after any Security created by or pursuant to the Trust Deed becoming enforceable.

(d) **Enforcement Agent to realise Security**

Notwithstanding Condition 12(c) (*Realisation of Security*), at any time after the Security has become enforceable in accordance with Condition 12(b) (*Enforcement of Security*) provided that the Enforcement Agent has been appointed pursuant to the Trust Deed, the Enforcement Agent shall, if the Issuer is directed to do so by an Extraordinary Resolution (subject to the Enforcement Agent being indemnified and/or secured and/or prefunded to its satisfaction) exercise on behalf of the Issuer as the Issuer's agent any rights of the Issuer in the Issuer's capacity as holder of the Charged Assets and/or the Issuer's rights, title and interest under the Purchase Agreement to acquire the Original Charged Assets and the Enforcement Agent will act only in accordance with any Extraordinary Resolution.

Any realisation and/or enforcement of the Security over the Charged Assets or exercise of any right in respect of the Charged Assets shall be subject to the restrictions set forth in the Charged Assets Conditions, including, but not limited to, Charged Assets Condition 10 (*Transfer and Exchange of Loan Notes*) and Charged Assets Condition 11 (*Grants of Security*).

Notwithstanding Condition 12(c) (*Realisation of Security*), in acting as the Issuer's agent for the purposes of this Condition, the Enforcement Agent shall be permitted to take all such action as would have been permitted to be taken by the Trustee upon the Security becoming enforceable if the last sentence of Condition 12(c) (*Realisation of Security*) did not apply.

The Enforcement Agent is not an agent of the Trustee.

The Enforcement Agent is the agent of the Issuer and the Trustee shall have no responsibility or liability to any person for the actions of the Enforcement Agent or for monitoring or supervising its performance or for directing it in relation to enforcement.

Any proceeds realised by the Enforcement Agent pursuant to this Condition 12(d) shall, upon receipt thereof, be paid to the Trustee who shall hold such moneys on trust with the Custodian and apply such moneys in accordance with Condition 14 (*Application of Available Proceeds or Managers' Available Proceeds*).

13. **Enforcement of Managers' Security**

(a) **Enforcement of Managers' Security**

The Managers' Security over the Managers' Secured Property created by or pursuant to the Trust Deed as described in Condition 4(b) (*Managers' Security*) shall become enforceable upon failure by the Issuer to pay on demand any Manager's Claim and, for the avoidance of doubt, the Security created by or pursuant to the Trust Deed as described in Condition 4(a) (*Security*) shall not become enforceable in such circumstances. Notwithstanding the foregoing, if in the sole discretion of the Trustee and the Managers' Trustee it is necessary (i) to enforce the Security so as to enforce the Managers' Security, then the Security shall become enforceable solely to the extent necessary to enforce the Managers' Security; and/or (ii) to enforce the Managers' Security so as to enforce the Security, then the Managers' Security shall become enforceable solely to the extent necessary to enforce the Security.

(b) **Enforcement Agent to realise Managers' Security**

At any time after the Managers' Security has become enforceable in accordance with Condition 13(a) (*Enforcement of Managers' Security*), provided that the Enforcement Agent has been appointed pursuant to the Trust Deed, the Enforcement Agent shall in accordance with the Trust Deed (subject to it being indemnified and/or secured and/or prefunded to its satisfaction) exercise on behalf of the Issuer as the Issuer's agent any rights, title and interest of the Issuer under the Purchase Agreement (other than the Issuer's rights, title and interest under the Purchase Agreement to acquire the Original Charged Assets). The Trustee shall not be permitted to take any enforcement action against the Charged Assets Obligor in accordance therewith.

In acting as the Issuer's agent for the purposes of this Condition, the Enforcement Agent shall be permitted to take all such steps, actions or proceedings as would have been permitted to be taken by the Managers' Trustee upon the Managers' Security becoming enforceable provided that the Enforcement Agent shall be permitted to take enforcement action against the Charged Assets Obligor.

The Enforcement Agent is not the agent of the Managers' Trustee.

The Enforcement Agent is the agent of the Issuer and the Managers' Trustee shall have no responsibility or liability to any person for the actions of the Enforcement Agent or for monitoring or supervising its performance or for directing it in relation to enforcement.

Any proceeds realised by the Enforcement Agent pursuant to this Condition shall, upon receipt thereof, be paid to the Managers' Trustee who shall hold such moneys on trust and apply such moneys in accordance with Condition 14(b) (*Application of Managers' Available Proceeds of Enforcement of Managers' Security*).

14. **Application of Available Proceeds or Managers' Available Proceeds**

(a) **Application of Available Proceeds of Enforcement of Security**

Subject to and in accordance with the terms of the Trust Deed, with effect from the date on which any valid Enforcement Notice is effectively delivered by the Trustee following the occurrence of an Enforcement Event, the Trustee will hold the Available Proceeds received by it under the Trust Deed on trust and, after payment by the Issuer of the Series Minimum Profit (to the extent not already received by the Issuer), apply them as they stand on each Trustee Application Date as follows:

(i) first, in payment or satisfaction of any fees, costs, charges, expenses and liabilities of the Trustee or any receiver in relation to the Notes in preparing and executing the trusts and carrying out its functions under the Trust Deed and the other Transaction Documents (including any taxes required to be paid, legal fees, the cost of realising any Security and the Trustee's remuneration);

(ii) secondly, *pari passu* in payment or satisfaction of (I) any fees, costs, charges, expenses and liabilities of the Enforcement Agent in acting as enforcement agent of the Issuer in respect of the Security for the Notes (including any taxes required to be paid, legal fees and the Enforcement Agent's remuneration), (II) any amounts owing to the Custodian for reimbursement in respect of payments made by it in accordance with the terms of the Custody Agreement relating to sums receivable on or in respect of the relevant Charged Assets, (III) any amounts owing to the Principal Paying Agent for reimbursement in respect of payments made by it in accordance with the terms of the Agency Agreement to any person in discharge of a Secured Payment Obligation, (IV) any fees, costs, charges, expenses and liabilities then due and payable to the Agents under the Agency Agreement and (V) any fees, costs, charges, expenses and liabilities then due and payable to the Custodian under the Custody Agreement;

(iii) thirdly, *pari passu* in payment of any Early Redemption Amount then due and payable and any interest accrued thereon (which, for the avoidance of doubt, shall include Default Interest) to the holders of Notes; and

(iv) fourthly, in payment of the Residual Amount (if any) to the Issuer.

Any Secured Creditor that has a claim in respect of more than one Secured Payment Obligation may rank differently in respect of each Secured Payment Obligation.

If the amount of moneys available to the Trustee for payment in respect of the Notes under this Condition 14(a) at any time following delivery by the Trustee of an Enforcement Notice in accordance with these Conditions, other than where the Mortgaged Property has been exhausted, amount to less than 10 per cent. of the nominal amount of the Notes then outstanding, the Trustee shall not be obliged to make any payments under this Condition 14(a) and shall, place such amounts on deposit as provided in paragraph (c) below and shall retain such amounts and accumulate the resulting income until the amounts and the accumulations, together with any other funds for the time being under the Trustee's control and available for such payment, amount to at least 10 per cent. of the nominal amount of the Notes then outstanding and then such amounts and accumulations (after deduction of, or provision for, any applicable taxes and negative interest) shall be applied as specified in this Condition 14(a).

(b) **Application of Managers' Available Proceeds of Enforcement of Managers' Security**

Subject to and in accordance with the terms of the Trust Deed, the Managers' Trustee (or any receiver appointed by it) will hold the Managers' Available Proceeds received by it under the Trust Deed on trust to apply them as they stand on each Managers' Trustee Application Date as follows:

(i) first, in payment or satisfaction of any fees, costs, charges, expenses and liabilities of the Managers' Trustee or any receiver in preparing and executing the trusts and carrying out its functions under the Trust Deed and the other Transaction Documents (including any taxes required to be paid, legal fees, the cost of realising any Managers' Security and the Managers' Trustee's remuneration);

(ii) secondly, in payment or satisfaction of any fees, costs, charges, expenses and liabilities of the Enforcement Agent in acting as enforcement agent of the Issuer in respect of the Managers' Security (including any taxes required to be paid, legal fees and the Enforcement Agent's remuneration);

(iii) thirdly, in meeting any Manager's Claim; and

(iv) fourthly, in payment of the Residual Amount to the Issuer.

(c) **Deposits**

Moneys held by the Trustee shall be deposited in its name in a non-interest bearing account at such bank or other financial institution as the Trustee may, acting in good faith and in a commercially reasonable manner and in its absolute discretion, think fit. The parties acknowledge and agree that notwithstanding that such account is intended to be a non-interest bearing account in the event that the interest rate in respect of certain currencies is a negative value, the application thereof would result in amounts being debited from funds held by such bank or financial institution ("**negative interest**").

(d) **Insufficient Proceeds**

(i) Insufficient Proceeds from the Mortgaged Property

If the moneys received following the enforcement of Security are not enough to pay in full all amounts to persons whose claims rank rateably, the Trustee (or any receiver appointed by the Trustee) (as applicable) shall apply the moneys *pro rata* on the basis of the amount due to each party entitled to such payment.

(ii) Insufficient Proceeds from the Managers' Security

If the moneys received following the enforcement of the Managers' Security are not enough to pay in full all amounts to persons whose claims rank rateably, the Managers' Trustee (or any receiver appointed by the Managers' Trustee) shall apply the moneys *pro rata* on the basis of the amount due to each party entitled to such payment.

(e) **Foreign Exchange Conversion**

To the extent that any proceeds payable to any Secured Creditor pursuant to this Condition 14 are not in the Specified Currency, then such proceeds shall be converted at such rate or rates, in accordance with such method and as at such date as may reasonably be specified by the Trustee (following the Trustee enforcing the Security pursuant to the Trust Deed and as described in Condition 12 (*Enforcement of Security*)), but having regard to current rates of exchange, if available. Any rate, method and date so specified shall be binding on the Issuer, the Noteholders and the Custodian.

15. **Enforcement of Rights or Security**

If any Security becomes enforceable, or any other right arises to pursue any remedies against the Issuer for a breach by the Issuer of the terms of the Trust Deed or the Notes, only the Trustee or the Enforcement Agent (acting as agent of the Issuer in accordance with the Constituting Instrument) may at its discretion and shall, on receipt (by the Issuer, in the case of the Enforcement Agent) of any Extraordinary Resolution, enforce the Security constituted by the Trust Deed, provided that it has been indemnified and/or secured and/or prefunded to its satisfaction. The Trustee or the Enforcement Agent shall (subject to the relevant direction being in form and content satisfactory to the Trustee or the Enforcement Agent) be obliged to act on the first Extraordinary Resolution received pursuant to this Condition 15.

To do this, the Trustee or any receiver appointed as provided for in the Trust Deed (subject to the following paragraph) or the Enforcement Agent may at its discretion take possession of and/or realise the Charged Assets and/or take action against any person liable in respect of any Charged Assets to enforce repayment of such Charged Assets, enforce and/or terminate the Agency Agreement and/or the Custody Agreement in accordance with its terms, but without any liability as to the consequence of such action and without having regard to the effect of such action on individual Noteholders. None of the Trustee, any receiver or the Enforcement Agent shall be required to take any action in relation to the enforcement of the Security without first being indemnified and/or secured and/or prefunded to its satisfaction.

Notwithstanding the foregoing, in no circumstances shall the Trustee be permitted when acting in its capacity as trustee for the Noteholders and the other Secured Creditors, nor shall the Noteholders and the other Secured Creditors (when acting in their respective capacities) be permitted, to take any action against the Charged Assets Obligor or to enforce any claim that the Issuer may have against the Charged Assets Obligor in respect of the Charged Assets or the Purchase Agreement or otherwise whether before, upon, or after any Security becoming enforceable. If the Trustee, having become bound to proceed in accordance with the terms of the Trust Deed, but only to the extent that the Trustee is permitted to take such action pursuant to Condition 12(c) (*Realisation of Security*), fails or neglects to do so, then the Noteholders may exercise their usual rights under Clause 17.2 of the Master Trust Terms to remove the Trustee, but shall in no circumstances be entitled to proceed directly against the Issuer, the Charged Assets Obligor.

If the Enforcement Agent, having become bound to proceed in accordance with the terms of the Trust Deed, fails or neglects to do so, in no circumstances shall the Noteholders be entitled to proceed directly against the Issuer, the Charged Assets Obligor.

16. **Limited Recourse and Non-Petition**

(a) **General Limited Recourse**

(i) Limited Recourse to the Mortgaged Property

The obligations of the Issuer to pay any amounts due and payable in respect of the Notes and to the other Secured Creditors at any time in respect of the Notes shall be limited to the proceeds available out of the Mortgaged Property in respect of such Notes at such time to make such payments in accordance with Condition 14 (*Application of Available Proceeds or Managers' Available Proceeds*). Notwithstanding anything to the contrary contained herein, or in any Transaction Document, the Secured Creditors, including the Noteholders shall have recourse only to the Mortgaged Property, subject always to the Security, and not to any other assets of the Issuer. If, after (i) the Mortgaged Property is exhausted (whether following enforcement of the Security or otherwise) and (ii) application of the Available Proceeds relating to the Notes, as provided in Condition 14 (*Application of Available Proceeds or Managers' Available Proceeds*), any outstanding claim, debt or liability against the Issuer in relation to the Notes or the Transaction Documents relating to the Notes remains unpaid, then such outstanding claim, debt or liability, as the case may be, shall be extinguished and no debt shall be owed by the Issuer in respect thereof. Following extinguishment in accordance with this Condition 16(a)(i), none of the Secured Creditors, including the Noteholders or any other person acting on behalf of any of them, shall be entitled to take any further steps against the Issuer or any of its officers, shareholders, members, incorporators, corporate service providers or directors to recover any further sum in respect of the extinguished claim and no debt shall be owed to any such persons by the Issuer or any of its officers, shareholders, members, incorporators, corporate service providers or directors in respect of such further sum in respect of the Notes.

(ii) Limited Recourse to the proceeds of the Managers' Secured Property

The obligations of the Issuer to pay any amounts due and payable in respect of any Manager's Claim, or to any other Managers' Secured Party, at any time shall be limited to the proceeds available out of the Managers' Secured Property at such time to make such payments in accordance with Condition 14 (*Application of Available Proceeds or Managers' Available Proceeds*). Notwithstanding anything to the contrary contained herein, or in any Transaction Document, the Managers' Trustee and the other Managers' Secured Parties shall have recourse only to the proceeds of the Managers' Secured Property, subject always to the Managers' Security, and not to any other assets of the Issuer. If, after (i) the Managers' Secured Property is exhausted and (ii) application of the Managers' Available Proceeds relating to the Managers' Security, as provided in Condition 14 (*Application of Available Proceeds or Managers' Available Proceeds*), any outstanding claim, debt or liability against the Issuer in relation to the Managers' Security remains unpaid, then such outstanding claim, debt or liability, as the case may be, shall be extinguished and no debt shall be owed by the Issuer in respect thereof. Following extinguishment in accordance with this Condition 16(a)(ii), none of the Managers' Trustee, the other Managers' Secured Parties or any other person acting on behalf of any of them shall be entitled to take any further steps against the Issuer or any of its officers, shareholders, members, incorporators, corporate service providers or directors to recover any further sum in respect of the extinguished claim and no debt shall be owed to any such persons by the Issuer or any of its officers, shareholders, members, incorporators, corporate service providers or directors in respect of such further sum.

(b) **Non-Petition**

None of the Transaction Parties (save for the Trustee or the Managers' Trustee who may lodge a claim in liquidation of the Issuer which is initiated by another party or take proceedings to obtain a declaration or judgment as to the obligations of the Issuer), the Noteholders or any person acting on behalf of any of them may, at any time, institute, or join with any other person in bringing, instituting or joining, insolvency, administration, bankruptcy, winding-up, examinership or any other similar proceedings (whether court-based or otherwise) in relation to the Issuer or any of its officers, shareholders, members, incorporators, corporate service providers or directors or any of its assets, and none of them shall have any claim arising with respect to the assets and/or property attributable to any other notes issued by the Issuer (save for any further notes which form a single series with the Notes) or Mortgaged Property in respect of a different series or Obligations issued or entered into by the Issuer or any other assets of the Issuer (other than the Mortgaged Property in respect of the Notes or, in the case of the Managers' Secured Parties, the Managers' Secured Property).

(c) **Corporate Obligation**

In addition, none of the Transaction Parties, the Noteholders or any person acting on behalf of any of them shall have any recourse against any director, shareholder, or officer of the Issuer in respect of any obligations, covenant or agreement entered into or made by the Issuer pursuant to the terms of these Conditions, the Trust Deed or any other Transaction Documents.

(d) **Survival**

The provisions of this Condition 16 shall survive notwithstanding any redemption of the Notes or the termination or expiration of any Transaction Document.

17. **Prescription**

Claims against the Issuer for payment in respect of the Notes shall be prescribed and become void unless made within 10 years (in the case of principal) or five years (in the case of interest) from the relevant due date for payment.

18. **Meetings of Noteholders, Modification, Waiver and Substitution**

(a) **Meetings of Noteholders**

The Trust Deed contains provisions for convening meetings of Noteholders to consider any matter affecting their interests, including the modification by Extraordinary Resolution (as defined in the Trust Deed) of these Conditions or any provisions of the Trust Deed or any agreement or deed constituted or created by the Constituting Instrument. The quorum for any meeting convened to consider an Extraordinary Resolution shall be two or more persons holding or representing a clear majority in principal amount of the Notes for the time being outstanding, or, at any adjourned such meeting two or more persons being or representing Noteholders whatever the principal amount of the Notes so held or represented except that, *inter alia*, the terms of the security and certain terms concerning the amount and currency and the postponement of the due dates of payment of the Notes may be modified only by resolutions passed at a meeting, the quorum at which shall be two or more persons holding or representing two-thirds, or, at any adjourned such meeting, not less than one-third, in principal amount of the Notes for the time being outstanding. The holder of a Global Registered Certificate representing the whole of the Series will be treated as being two persons for the purposes of any quorum requirements of a meeting of Noteholders.

A resolution in writing signed by or on behalf of the holders of not less than 75 per cent. in principal amount of the Notes who for the time being are entitled to receive notice of the meeting shall for all purposes be as valid and effectual as an Extraordinary Resolution passed at a meeting of the Noteholders of the Series.

(b) **Modification of these Conditions and/or any Transaction Document**

(i) Subject to sub-paragraph (ii) below, the Trustee shall agree, without the consent of the Noteholders, to (a) any modification of any of these Conditions or any of the provisions of the Transaction Documents that is in its opinion of a formal, minor or technical nature or is made to correct a manifest error or (b) any modification of any of the provisions of the Trust Deed, or any other documentation in connection with the issue of the Notes, if the Charged Assets Obligor has exercised its rights pursuant to (A) Charged Assets Condition 3.10(e) (*Benchmark Replacement*) to vary the Charged Assets Conditions to give effect to the Benchmark Amendments (as defined in the Charged Assets Conditions), (B) Charged Assets Condition 14 (*Substitution and Variation*) to vary the terms of the Charged Assets or to substitute the Charged Assets with other securities, (C) Charged Assets Condition 15.3 (*Modification, Waiver, Authorisation and Determination*) to make modifications to the agency agreement in connection with the Charged Assets, or (D) any other modification (except as mentioned in the Trust Deed), and any waiver or authorisation of any breach or proposed breach, of any of these Conditions or any of the provisions of the Transaction Documents that is in the opinion of the Trustee not materially prejudicial to the interests of the Noteholders. To the extent that any Agent is appointed or replaced pursuant to Condition 10(b)(ii) (*Calculation Agent Appointment, Termination and Replacement*), the Issuer may make such amendments to these Conditions and/or the Transaction Documents as it determines necessary to reflect such appointment or replacement to which the Trustee shall agree, and the Trustee shall sign such documents as may be required to give effect to such amendments. Any such modification, authorisation or waiver as is made or given under this Condition 18(b) shall be binding on the Noteholders and, if the Trustee so requires, such modification shall be notified to the Noteholders as soon as is practicable. The Issuer shall notify S&P of any modification made by it in accordance with this Condition and the Trust Deed.

(ii) Notwithstanding sub-paragraph (i) above, (a) any amendment to the Managers' Secured Property requires the consent of all the Managers' Secured Parties, (b) the Managers' Trustee agrees, upon a direction from the Managers, to consent to any amendment to the Managers' Secured Property, unless such amendment, in the opinion of the Managers' Trustee (in its absolute discretion), would impose any onerous obligations on the Managers' Trustee or expose the Managers' Trustee to any additional duties, responsibilities or liabilities or reduce or amend the protective provisions afforded to the Managers' Trustee in these Conditions or the Constituting Instrument in any way and (c) the Trustee shall not be obliged to consent to any amendment in accordance with sub-paragraph (i) above, if such amendment, in the opinion of the Trustee (in its absolute discretion), would impose any onerous obligations on the Trustee or expose the Trustee to any additional duties, responsibilities or liabilities or reduce or amend the protective provisions afforded to the Trustee in these Conditions or the Constituting Instrument in any way.

(c) **Substitution**

The Master Trust Terms contain provisions permitting the Trustee to agree, subject to such amendment of the Trust Deed and the other agreements and deeds constituted or created by the relevant Constituting Instrument and to the confirmation of any applicable rating agency that the ratings of any existing Series will not be affected thereby, and such other conditions as the Trustee may require, without the consent of the Noteholders, to the substitution of any other company in place of the Issuer, or of any previous substituted company, as principal debtor under the Constituting Instrument and the Notes. In the case of such a substitution, the Trustee may agree, without the consent of the Noteholders to a change of the law governing the Notes and/or the Master Trust Terms and/or the Constituting Instrument any other Transaction Document provided that such change would not in the opinion of the Trustee be materially prejudicial to the interests of the Noteholders.

(d) **Entitlement of the Trustee**

In connection with the exercise of its powers, trusts, authorities or discretions (including but not limited to those in relation to any proposed modification, waiver, authorisation or substitution as aforesaid) the Trustee shall not have regard to the consequences of such exercise for individual Noteholders, or of holders of any other notes or bonds, resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory and the Trustee shall not be entitled to require, nor shall any Noteholder be entitled to claim, from the Issuer any indemnification or payment in respect of any tax consequence of any such exercise upon individual Noteholders.

19. **Replacement of Notes**

If a Note (in global or definitive form) is lost, stolen, mutilated, defaced or destroyed, it may be replaced, subject to applicable laws, regulations and stock exchange or other relevant authority regulations, at the specified office of the Registrar or Issue Agent, upon payment by the claimant of out-of-pocket expenses in connection therewith and on such terms as to evidence, security and indemnity and otherwise as the Issuer may require. Mutilated or defaced Notes must be surrendered before replacements will be issued.

20. **Further Issues**

The Issuer may from time to time without the consent of the Noteholders but subject to Condition 5 (*Restrictions*) create and issue further notes or other Obligations either having the same terms and conditions as the Notes in all respects (or in all respects except for the first payment of interest on them) and so that such further issue shall be consolidated and form a single series with the Notes or upon such terms as the Issuer may determine at the time of their issue. Any such further notes shall only form a single series with the Notes (unless otherwise sanctioned by an Extraordinary Resolution) if the Issuer provides additional assets (as security for such further notes) which are fungible with, and have the same proportionate composition as, those forming part of the Mortgaged Property for the Notes and in the same proportion as the proportion that the nominal amount of such new notes bears to the Notes. Any new notes forming a single series with the Notes shall be constituted and secured by a constituting instrument supplemental to the Constituting Instrument in respect of the existing Notes, such further security shall be added to the Mortgaged Property so that the new notes and the existing Notes shall be secured by the same Mortgaged Property (and, for the avoidance of doubt, all the holders of the first and all later Tranches of Notes shall benefit from the Mortgaged Property on a *pari passu* basis) and references in these Conditions to "**Notes**", "**Charged Assets**", "**Mortgaged Property**", "**Secured Payment Obligations**", "**Secured Creditor**" and "**Constituting Instrument**") shall be construed accordingly. The Trust Deed contains provisions for convening a single meeting of the holders of the Notes and the holders of notes of other specified series in certain circumstances where the Trustee so decides.

21. **Notices**

If the Registered Notes are represented by one or more Registered Certificate(s)

Notices to the holders of Notes will be posted to them at their respective addresses in the Register and deemed to have been given on the seventh day after the day of posting.

In addition, if and for so long as the Notes are listed on a stock exchange, all notices to holders of the Notes will be published in accordance with the rules of such stock exchange.

For so long as the Registered Notes are represented by a Global Registered Certificate

So long as the Notes are represented by a Global Registered Certificate notices in respect of the Notes may be given by delivery of the relevant notice to Euroclear or Clearstream, Luxembourg for communication by them to entitled account holders or (in the case of a Global Registered Certificate registered in the name of a person other than a nominee for Euroclear, Clearstream, Luxembourg) to such person for communication by it to those persons entered in the records of such person as being entitled to such notice.

In addition, if and for so long as the Notes are listed on a stock exchange, all notices to holders of the Notes will be published in accordance with the rules of such stock exchange.

For the avoidance of doubt, holders of interests in a Global Registered Certificate will receive notices through Euroclear or Clearstream, Luxembourg as aforesaid rather than by post.

22. **Indemnification and Obligations of the Trustee**

The Trust Deed contains provisions for the indemnification of the Trustee, for its relief from responsibility including for the exercise of any voting rights in respect of the Charged Assets and for the validity, sufficiency and enforceability (which the Trustee has not investigated) of the Security created over the Mortgaged Property and the Managers' Security created over the Managers' Secured Property. The Trustee is not obliged or required to take any step, action or proceeding under the Trust Deed unless indemnified and/or secured and/or pre-funded to its satisfaction. The Trustee and any Affiliate of the Trustee are entitled to enter into business transactions with the Issuer, the Charged Assets Obligor, the Managers or any of their subsidiaries, holding or associated companies without accounting to the Noteholders for profit resulting therefrom.

The Trustee is exempted from liability with respect to any loss, diminution in value or theft of all or any part of the Charged Assets, from any obligation to insure all or part of the Charged Assets or to procure the insuring of the Charged Assets and from any claim arising from the fact that the Charged Assets will be held in safe custody by the Custodian or any custodian selected by the Trustee (in each case, if applicable). The Trustee is not responsible for monitoring or supervising the performance by any other person of its obligations to the Issuer and may assume these are being performed unless and until it has actual knowledge to the contrary.

The Trust Deed provides that in acting as Trustee under the Trust Deed the Trustee does not assume any duty or responsibility to the Enforcement Agent, the Custodian, the Calculation Agent, the Principal Paying Agent or the Registrar or any other Transaction Party (other than to pay to any of such parties any moneys received and repayable to it and to act in accordance with the provisions of Conditions 4 (*Security*) and 14 (*Application of Available Proceeds or Managers' Available Proceeds*) and shall have regard solely to the interests of the Noteholders.

None of the Trustee, the Principal Paying Agent nor the Registrar shall be required or obliged to monitor or enquire as to whether any event, condition or circumstance which could lead to an early redemption of the Notes exists or has occurred. None of the Trustee, the Principal Paying Agent nor the Registrar shall have any obligation, responsibility or liability for giving or not giving any notice thereof to the Issuer, the Calculation Agent or any Secured Creditor.

The Trust Deed provides that the Trustee shall not be bound or concerned to make any investigation into the creditworthiness of the Charged Assets Obligor (including, without limitation, whether the cashflows from the Charged Assets and the Notes are matched) nor shall the Trustee be obliged to take any action which would, it its opinion, render it personally liable in respect of any costs, claims, expenses or liabilities unless it is indemnified and/or secured and/or pre-funded to its satisfaction in respect of the same.

23. Notice to S&P

If the Issuer redeems all or any of the Notes or purchases all or any of the Notes in accordance with the Conditions, the Issuer shall procure that notice of the same is given to S&P as soon as reasonably practicable thereafter.

24. Contracts (Rights of Third Parties) Act 1999

No person shall have any right to enforce any term or condition of the Notes under the Contracts (Rights of Third Parties) Act 1999, except and to the extent (if any) that the Notes expressly provide for such Act to apply to any of their terms.

25. Governing Law and Jurisdiction

(a) Governing Law

The Trust Deed and the Notes and any non-contractual obligations arising out of or in connection with them are governed by, and shall be construed in accordance with, English law.

(b) Jurisdiction

The courts of England are to have exclusive jurisdiction to settle any disputes that may arise out of or in connection with any Notes and accordingly any legal action or proceedings arising out of or in connection with any Notes ("**Proceedings**") may be brought in such courts. The Issuer has in the Trust Deed irrevocably submitted to the jurisdiction of such courts.

(c) Service of Process

The Issuer has irrevocably appointed an agent in England to receive, for it and on its behalf, service of process in any Proceedings in England.

INFORMATION CONCERNING THE PURCHASE OF THE ORIGINAL CHARGED ASSETS

On the Issue Date, pursuant to the Purchase Agreement, the Issuer will acquire the Original Charged Assets from the Charged Assets Obligor, which will be registered in the name of the Custodian (or its nominee) acting as custodian on behalf of the Issuer, and any certificate(s) issued in respect thereof will be held by the Custodian (or its nominee) acting through its London office pursuant to the Custody Agreement subject to the Security in favour of the Trustee created by the Trust Deed.

Under the Purchase Agreement, the Charged Assets Obligor has (i) given certain representations and warranties to the Issuer, including in respect of the Charged Assets Obligor's authority and capacity to issue the Charged Assets and that such Charged Assets constitute legal, valid and binding obligations of the Charged Assets Obligor in accordance with their terms, and (ii) agreed to indemnify the Issuer against certain liabilities.

The Charged Assets Obligor has acknowledged the assignments by way of security of the Issuer's rights under the Purchase Agreement to the Trustee and the Managers' Trustee. For a description of these assignments see "Conditions of the Notes – 4. Security" in the Conditions of the Notes.

Information about the Original Charged Assets is set out in the Charged Assets Documentation set out in the Appendix to this Series Memorandum.

INFORMATION CONCERNING THE CHARGED ASSETS OBLIGOR

Basic information about the Charged Assets Obligor is set out below. For further information, please refer to the Charged Assets Documentation set out in the Appendix to this Series Memorandum.

Charged Assets Obligor

Name:	Firmenich International SA
Address:	Rue de la Bergère 7 1242 Satigny Switzerland
Country of Incorporation:	Switzerland
Nature of Business:	Business-to-business company operating in the flavor and fragrance industry and involved in the research, creation, manufacturer and sale of perfumes, flavors and ingredients.
Name of regulated or equivalent market where securities (other than the Original Charged Assets) have been admitted:	N/A

SUBSCRIPTION AND SALE

Subject to the terms and conditions contained in the Syndication Agreement with respect to the Notes, the Issuer has agreed to sell to the Managers, and the Managers have jointly and severally agreed to purchase from the Issuer, the Notes.

The Managers will purchase the Notes at a customary discount from the price indicated on the cover of this Series Memorandum and propose initially to offer and sell the Notes at the issue price set forth on the front of this Series Memorandum. After the initial offering of the Notes, the price at which the Notes are being offered may be changed at any time without notice. The offering of the Notes by the Managers is subject to receipt and acceptance and subject to the Managers' rights to reject any order in whole or in part.

Indemnification

The Issuer has agreed to indemnify the Managers against certain liabilities or to contribute to payments that the Managers may be required to make in respect of those liabilities.

Selling Restrictions

United States

The Notes have not been and will not be registered under the Securities Act and the Notes are subject to U.S. tax law requirements. The Notes may not be offered, sold or delivered within the United States at any time. Each Manager has agreed that it will not offer, sell or deliver any Notes within the United States at any time.

In addition, until 40 days after the commencement of the offering of the Notes, an offer, sale or delivery of the Notes within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act.

United Kingdom

Each Manager has represented and agreed that:

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

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

The Netherlands

The Notes may not, directly or indirectly, be, (or announced to be) offered, sold, resold, delivered or transferred as part of their initial distribution or at any time thereafter to, or to the order of, or for the account of, any person anywhere in the world other than to:

(i) persons who do not form part of the "public", as that term is interpreted by the applicable regulator pursuant to Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012; and who are

(ii) Qualified Investors (*gekwalificeerde beleggers*) within the meaning of Section 1:1 of the Financial Supervision Act (*Wet op het financieel toezicht*).

Switzerland

The Notes may not be publicly offered, directly or indirectly, in Switzerland within the meaning of the Swiss Financial Services Act ("**FinSA**") and no application has or will be made to admit the Notes to trading on any trading venue (exchange or multilateral trading facility) in Switzerland. Neither this Series Memorandum nor any other offering or marketing material relating to the Notes constitutes a prospectus pursuant to the FinSA, and neither this Series Memorandum nor any other offering or marketing material relating to the Notes may be publicly distributed or otherwise made publicly available in Switzerland.

Neither this Series Memorandum nor any other offering and marketing material relating to the offering, the Issuer or the Notes has been or will be filed with or approved by any Swiss regulatory authority including FINMA. The Notes are not subject to supervision by FINMA, and investors in the Notes will not benefit from such authority or protection under the Swiss Collective Investment Schemes Act.

Hong Kong

Each Manager has represented and agreed that it has not issued, or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Notes, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571 of Hong Kong) and any rules made under that Ordinance.

Italy

The offering of the Notes will not be registered pursuant to Italian securities legislation and accordingly, no Notes may be offered, sold or delivered, nor may copies of the Programme Memorandum or this Series Memorandum or any other document relating to the Notes be distributed in the Republic of Italy, except:

(a) to qualified investors (*investitori qualificati*) ("**Qualified Investors**"), as defined under Article 34-t*er*, paragraph 1, letter b) of Regulation No. 11971 issued by CONSOB (the Italian Securities Exchange Commission) on 14 May 1999, as amended (the "**Regulation 11971/1999**"); or

(b) in circumstances which are exempted from the rules on offers of securities to be made to the public pursuant to Article 100 of Legislative Decree No. 58 of 24 February 1998, as amended (the "**Financial Services Act**") and Article 34-*ter*, first paragraph, of Regulation 11971/1999.

Any offer, sale or delivery of the Notes or distribution of copies of the Programme Memorandum, or this Series Memorandum or any other document relating to the Notes in the Republic of Italy under (a) or (b) above must be:

(i) made by an investment firm, bank or financial intermediary permitted to conduct such activities in the Republic of Italy in accordance with the Financial Services Act, CONSOB Regulation No. 20307 of 15 February 2018 and Legislative Decree No. 385 of 1 September 1993, as amended; and

(ii) in compliance with any other applicable laws and regulations.

In accordance with Article 100-bis of the Financial Services Act, where no exemption under (b) above applies, the subsequent distribution of the Notes on the secondary market in Italy must be made in compliance with the rules on offers of securities to be made to the public provided under the Financial Services Act and the Regulation 11971/1999. Failure to comply with such rules may result, *inter alia*, in the sale of such Notes being declared null and void and in the liability of the intermediary transferring the Notes for any damages suffered by the investors.

Prohibition of sales to EEA and UK retail investors

Each Manager has represented and agreed that it has not offered, sole or otherwise made available and will not offer, sell or otherwise make available any Notes which are the subject of the offering contemplated by this Series Prospectus in relation thereto to any retail investor in the European Economic Area or the United Kingdom. For the purposes of this provision:

(a) the expression "retail investor" means a person who is one (or more) of the follow:

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

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

    (iii) not a qualified investor as defined in the Prospectus Regulation; and

(b) the expression "offer" includes the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes.

Singapore

Each Manager has acknowledged that this Series Memorandum has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each Manager has represented and agreed that it has not offered or sold any Notes or caused such Notes to be made the subject of an invitation for subscription or purchase and will not offer or sell such Notes or cause such Notes to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this Series Memorandum or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of such Notes, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor (as defined in Section 4A of the Securities and Futures Act, Chapter 289 of Singapore (the "**SFA**")) pursuant to Section 274 of the SFA, (ii) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1), or any person pursuant to Section 275(1A), and in accordance with the conditions specified in Section 275, of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Notes are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

(a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or

(b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities (as defined in Section 239(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Notes pursuant to an offer made under Section 275 of the SFA except:

(i) to an institutional investor or to a relevant person, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;

(ii) where no consideration is or will be given for the transfer;

(iii) where the transfer is by operation of law;

(iv) as specified in Section 276(7) of the SFA; or

(v) as specified in Regulation 32 of the Securities and Futures (Offers of Investments) (Shares and Debentures) Regulations 2005 of Singapore.

Singapore SFA Product Classification: In connection with Section 309B of the SFA and the Securities and Futures (Capital Markets Products) Regulations 2018 (the "**CMP Regulations**"), the Issuer has determined, and hereby notifies all relevant persons (as defined in Regulation 3(b) of the CMP Regulations) that the Notes are "prescribed capital markets products" (as defined in the CMP Regulations) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

General

No representation is made that any action has been taken in any jurisdiction that would permit a public offering of any of the Notes, or possession or distribution of this Series Memorandum or any other offering material, in any country or jurisdiction where action for that purpose is required.

Each Manager has agreed that it will, to the best of its knowledge, comply in all material respects with all relevant laws, regulations and directives in each jurisdiction in which it purchases, offers, sells or delivers Notes or has in its possession or distributes this Series Memorandum or any other offering material and neither the Issuer nor any other Manager shall have responsibility therefor.

USE OF PROCEEDS

The net proceeds from the issue of the Notes (amounting to approximately EUR 740,509,293) will be applied by the Issuer to finance the purchase price for the Original Charged Assets.

GENERAL INFORMATION

1. **Legal Entity Identifier (LEI)**

The legal entity identifier (LEI) of the Issuer is 724500DHUNQ9NF3A7D24.

2. **Authorisation**

The Issuer has obtained all necessary consents, approvals and authorisations in connection with the issue and performance of the Notes. The issue of the Notes was duly authorised by a resolution of the board of directors of the Issuer dated 28 May 2020.

3. **Interests of Natural and Legal Persons in the Issue**

So far as the Issuer is aware, no person involved in the offer of the Notes has an interest material to the offer.

4. **Subscription and delivery of the Notes**

The Notes will be subscribed for on a syndicated basis and the Joint Lead Managers are Citigroup Global Markets Limited, UBS AG London Branch, Credit Suisse Securities (Europe) Limited and Goldman Sachs International. The Notes will be delivered against payment.

5. **No post-issuance information**

The Issuer does not intend to provide post-issuance information regarding, where applicable, performance of the Original Charged Assets.

6. **Significant or Material Change**

There has been no significant change in the financial position or financial performance of the Issuer and there has been no material adverse change in the prospects of the Issuer since 31 December 2018, being the date of the Issuer's last published audited financial statements.

7. **Litigation**

There are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware) which may have or have had since the date of its incorporation a significant effect on the financial position or profitability of the Issuer.

8. **Clearing Systems and Settlement**

The Notes have been accepted for clearance through Euroclear, Clearstream, Luxembourg or such other clearing system approved by the Issuer and the Trustee. The common code and ISIN for the Notes will be 218205500 and XS2182055009 respectively.

9. **Documents Available**

For as long as the Notes are outstanding and listed on Euronext Dublin, copies of the following documents will be available for inspection by physical means during usual business hours on any weekday (Saturdays, Sundays and public holidays excepted) at the registered office of the Issuer:

(i) this Series Memorandum and the Programme Memorandum;

(ii) the Constituting Instrument;

(iii) the Memorandum and Articles of Association of the Issuer; and

(iv) the audited financial statements of the Issuer for the financial year ended 31 December 2018 and the financial year ended 31 December 2017.

10. **Information relating to the Listing Agent**

Arthur Cox Listing Services Limited is acting solely in its capacity as Irish listing agent for the Issuer in connection with the Notes and is not itself seeking admission of the Notes to the Official List or to trading on the Global Exchange Market of Euronext Dublin.

APPENDIX

INFORMATION MEMORANDUM FOR THE ORIGINAL CHARGED ASSETS

FIRMENICH INTERNATIONAL SA

EUR 750,000,000 Deeply Subordinated Fixed Rate Resettable Perpetual Loan Notes

Issue Price: 99.429 per cent.

Firmenich International SA of rue de la Bergère 7, 1242 Satigny, Switzerland (the "**Issuer**") is offering its EUR 750,000,000 Deeply Subordinated Fixed Rate Resettable Perpetual Loan Notes (the "**Loan Notes**"). The Loan Notes will bear interest from (and including) 3 June 2020 (the "**Issue Date**"), payable in arrear on each Interest Payment Date (as defined in the "*Terms and Conditions of the Loan Notes*"). From (and including) the Issue Date to (but excluding) 3 September 2025, the Loan Notes will bear interest at a rate of 3.750 per annum, and thereafter, the Loan Notes will bear interest at a floating rate of interest, reset every five years, determined as provided herein.

The Loan Notes will have no maturity date, subject to early redemption in the circumstances described in this information memorandum (the "**Information Memorandum**").

The Loan Notes will be direct, unsecured, unconditional and subordinated obligations of the Issuer.

The Loan Notes are expected to be rated BB+ by S&P Global Ratings Europe Limited. S&P Global Ratings Europe Limited is established in the European Union and is registered under the EU Regulation on credit rating agencies (Regulation (EC) No.1060/2009), as amended.

The Loan Notes will be represented by definitive certificates in registered form. The Loan Notes will not be listed or admitted for trading on any stock exchange.

The distribution of this Information Memorandum and the offering or sale of the Loan Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Information Memorandum comes are required by the Issuer to inform themselves about and to observe any such restriction. The Loan Notes have not been and will not be registered under the United States Securities Act of 1933, as amended (the "**Securities Act**"). The Loan Notes may not be offered, sold or delivered within the United States or to U.S. persons at any time. For a description of certain restrictions on offers and sales of Loan Notes and on distribution of this Information Memorandum, see "*Transfer Restrictions*" below.

Prospective purchasers of Loan Notes should have regard to the factors described under the section headed "*Risk Factors*" in this Information Memorandum. This Information Memorandum does not describe all of the risks of an investment in the Loan Notes. Neither this Information Memorandum nor any financial statements referred to herein are intended to provide the basis of any credit or other evaluation and should not be considered as a recommendation by the Issuer that any recipient of this Information Memorandum or any such other financial statements should purchase the Loan Notes.

The date of this Information Memorandum is 29 May 2020

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CAUTIONARY NOTE ON FORWARD LOOKING STATEMENTS

This Information Memorandum contains statements that are, or may be deemed to be, forward-looking statements. In some cases, these forward-looking statements can be identified by the use of forward-looking terminology, including the words "aims", "believes", "estimates", "anticipates", "expects", "intends", "may", "will", "plans", "predicts", "continues" or "should" or, in each case, their negative or other variations or comparable terminology or by discussions of strategies, plans, objectives, targets, goals, future events or intentions. These forward-looking statements include matters that are not historical facts, or which may not otherwise be provable by reference to past events. They appear in a number of places throughout this Information Memorandum and include statements regarding Firmenich's intentions, beliefs or current expectations concerning, among other things, Firmenich's results of operations, financial condition, liquidity, prospects, growth, strategies, dividend policy and also the industries and the economic environments in which Firmenich operates.

By their nature, forward-looking statements involve known and unknown risks and uncertainties because they relate to events, and depend on circumstances, that may or may not occur in the future. Forward-looking statements are not guarantees of future performance. Prospective investors should not place reliance on these forward-looking statements.

Forward-looking statements are made as of the date of this Information Memorandum and Firmenich does not intend, and does not assume any obligation, to update any of the forward-looking statements contained in this Information Memorandum, except as required by applicable mandatory law or regulations.

Many factors may cause Firmenich's results of operations, financial condition and the development of the industries or economic environments in which Firmenich competes to differ materially from those expressed or implied by the forward-looking statements contained in this Information Memorandum. These include (but are not limited to):

- changes in general economic conditions, in particular in the markets in which Firmenich operates;
- the performance of financial markets;
- changes in interest rates;
- changes in currency exchange rates;
- changes in laws and regulations, including accounting policies or practices;
- risks associated with implementing Firmenich's business strategies;
- risks associated with the acquisition of DRT;
- the realisation of economies of scale as well as synergies; and
- other risks, uncertainties and factors inherent in Firmenich's business and factors that are not known to Firmenich at this time.

These risks and others described under "*Risk Factors*", beginning on page 14 are not exhaustive. Other sections of this Information Memorandum describe additional factors that may adversely affect Firmenich's results of operations, financial condition and the development of the markets in which Firmenich operates. Prospective investors should read the section of this Information Memorandum entitled "*Risk Factors*" for a more complete discussion of the factors that could affect the Firmenich Group's future performance and the industry in which Firmenich operates. New risks may emerge from time to time, and it is not possible for Firmenich to predict all such risks, nor can the Firmenich Group assess the impact of all such risks on the business or the extent to which any risks, or combination of risks and other factors, may cause actual results to differ materially from those contained in any forward-looking statements. Given these risks and uncertainties, prospective investors should not rely on forward-looking statements as a prediction of actual performance or results.

Definitions

Capitalised terms used but not defined elsewhere in this Information Memorandum shall have the meanings given in the Conditions as set forth in the "*Terms and Conditions of the Loan Notes*", beginning on page 29.

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

Unless otherwise specified or the context requires, references herein to "**Firmenich**", the "**Group**" and the "**Firmenich Group**" are to the Issuer and its subsidiaries; references to "**DRT**" are to Les Dérivés Résiniques et Terpéniques SAS, references to "**Management**" are to the management of the Group and references to the "**Acquisition**" are references to the acquisition of DRT by Firmenich.

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

Performance Metrics

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

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

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

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

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

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

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

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

Sources of Information

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

Euromonitor Disclaimer

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

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

OVERVIEW OF THE TERMS AND CONDITIONS OF THE LOAN NOTES

This overview must be read together with the full terms and conditions of the Loan Notes set forth in "Terms and Conditions of the Loan Notes", beginning on page 29. Words and expressions defined in "Terms and Conditions of the Loan Notes" shall have the same meaning in this overview section.

Issuer	Firmenich International SA
Loan Notes	EUR 750,000,000 Deeply Subordinated Fixed Rate Resettable Perpetual Loan Notes (the "**Loan Notes**").
Issue Date	3 June 2020
Status of the Loan Notes	The Loan Notes will be direct, unsecured and subordinated obligations of the Issuer ranking *pari passu*, without any preference among themselves, and with any Parity Obligations. "**Parity Obligations**" means (i) any series of securities issued by the Issuer ranking, or expressed to rank, equally as to payments or other income with the Loan Notes, (ii) any security issued by a Subsidiary of the Issuer which benefits from a guarantee or other contractual support undertaking of the Issuer which guarantee or contractual support undertaking ranks, or is expressed to rank, equally as to payments or other income with the Loan Notes, and (iii) any other security, instrument or preferred security issued or guaranteed by the Issuer ranking, or expressed to rank, equally as to payments or other income with the Loan Notes.
Subordination of the Loan Notes	If at any time an Event of Insolvency occurs (otherwise than for the purposes of a Solvent Reorganisation), the rights and claims of the Noteholders against the Issuer in respect of or arising under the Loan Notes will rank (i) junior to the claims of all Senior Obligations, (ii) *pari passu* with the claims of all Parity Obligations and (iii) senior to the claims of holders of any Junior Obligations. "**Junior Obligations**" means all present and future obligations of the Issuer, issued or incurred directly or indirectly by it, which rank or are expressed to rank junior to the Loan Notes, including Ordinary Shares; "**Ordinary Shares**" means any class of ordinary shares issued by the Issuer; "**Senior Obligations**" means (i) all subordinated obligations of the Issuer and (ii) all Subordinated Indebtedness of the Issuer, issued directly or indirectly by it, other than Parity Obligations and Junior Obligations. "**Subordinated Indebtedness**" means any obligation of the Issuer, whether or not having a fixed maturity, which is by its terms, or is expressed to be, or is pursuant to applicable Swiss law, subordinated in an Event of Insolvency of the Issuer to the claims of all unsubordinated obligations of the Issuer but senior to the Loan Notes or to the obligations of the Issuer in respect of Parity Obligations.
No Set-Off, Compensation or Retention	Subject to applicable law, no Noteholder may exercise, claim or plead any right of set-off, compensation or retention in respect of any amount owed to it by the Issuer arising under or in connection with the Loan Notes and each Noteholder shall, by virtue of being a Noteholder, be deemed to have waived all such rights of set-off, compensation or retention.
Securities Rating	BB+ by S&P.

Aggregate Principal Amount of the Loan Notes	EUR 750,000,000.
Form and Denomination of Loan Notes	The Loan Notes will be issued in denominations of €100,000 and integral multiples of €1,000 in excess thereof, represented by one or more definitive certificates in registered form (the "**Definitive Loan Notes**"). Initially the Loan Notes will be represented by a single Definitive Loan Note representing €750,000,000 in principal amount of the Loan Notes.
Issue Price	99.429 per cent.
Final Redemption	The Loan Notes will be perpetual securities in respect of which there is no fixed redemption date. The Loan Notes may not be redeemed at the option of the Issuer other than in accordance with Condition 6.
Redemption at the Option of the Issuer	On any Optional Redemption Date, the Issuer may, on giving not less than thirty (30) days' nor more than sixty (60) days' prior notice to the Principal Paying Agent and the Noteholders in accordance with Condition 13 (which notice shall be irrevocable and shall specify the Early Redemption Date), redeem all outstanding Loan Notes (in whole but not in part) at the Redemption Amount on the Early Redemption Date. "**Optional Redemption Date**" means (i) any Business Day from and including the First Call Date to and including the First Reset Date, and (ii) each Interest Payment Date after the First Reset Date. "**First Call Date**" means 3 June 2025. "**First Reset Date**" means 3 September 2025.
Redemption upon a Change of Control Event	If a Change of Control Event occurs, the Issuer may, at any time on giving not less than thirty (30) days' nor more than sixty (60) days' prior notice to the Principal Paying Agent and the Noteholders in accordance with Condition 13 (which notice shall be irrevocable and shall specify the Early Redemption Date), redeem all outstanding Loan Notes (in whole but not in part) at the Redemption Amount on the Early Redemption Date. Such Change of Control option shall operate as set out below. Promptly upon the Issuer becoming aware that a Change of Control Event has occurred, the Issuer shall, and at any time if so requested by the holders of at least one-quarter in nominal amount of the Loan Notes then outstanding or if so directed by an Extraordinary Resolution of the Noteholders, the Principal Paying Agent shall (subject in each case to being indemnified and/or secured and/or prefunded to its satisfaction), give notice (a "**Change of Control Event Notice**") to the Noteholders in accordance with Condition 13 specifying the nature of the Change of Control Event and the procedure for exercising the option contained in Condition 6.2(b). A "**Change of Control Event**" will be deemed to occur if: (i) a person or persons (other than any shareholder(s) holding shares on 3 June 2020 or their direct lineal descendants) acting directly, indirectly or in concert (as defined in the Swiss Federal Act on Stock Exchanges and Securities Dealers), acquires (directly or indirectly) (a) shares in the capital of the Issuer representing, together with the shares already held by such person or persons, more than 50 per cent. of the voting rights irrespective of whether they are exercisable at a general meeting of the Issuer or (b) more than 50 per cent. of the issued or allotted ordinary

share capital of the Issuer (such event being a "**Change of Control**"); and

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

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

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

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

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

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

Redemption upon an Accounting Event

If, immediately prior to the giving of the notice referred to below, an Accounting Event has occurred and is continuing, then the Issuer may, subject to having given not less than thirty (30) days' nor more than sixty (60) days' notice to the Principal Paying Agent and, in accordance with Condition 13, the Noteholders (which notice shall be irrevocable and shall specify the Early Redemption Date) and subject to Condition 6.6, redeem the Loan Notes in accordance with the Conditions in whole, but not in part, at any time, in each case (i) at 101 per cent. of their principal amount where such Early Redemption Date falls prior to the First Call Date, or (ii) at their principal amount where such Early Redemption

Date falls on or after the First Call Date, in each case together with any accrued and unpaid interest up to (but excluding) the Early Redemption Date, plus any outstanding Deferred Interest Payments.

"**Accounting Event**" shall be deemed to occur if the Issuer has received, and notified the Noteholders in accordance with Condition 13 that it has so received, an opinion of a recognised accountancy firm of international standing stating that, as a result of a change in the accounting rules or methodology (or the application thereof) effective since the Issue Date, the Loan Notes may not or may no longer, from the implementation date of the relevant new International Financial Reporting Standards ("**IFRS**") or any other accounting standards that may replace IFRS, be recorded as "equity" in full pursuant to IFRS or any other accounting standards that may replace IFRS for the purposes of the annual, semi-annual or quarterly consolidated financial statements of the Issuer. The Issuer may give notice of the redemption of the Loan Notes as a result of the occurrence of an Accounting Event from (and including) the date on which the change in the relevant IFRS rules or any other accounting standards that may replace IFRS for the purposes of the consolidated financial statements of the Issuer (the "**Change**") is officially adopted, which may be before the Change has come into effect.

Redemption upon a Rating Capital Event

If, immediately prior to the giving of the notice referred to below, a Rating Capital Event has occurred and is continuing, then the Issuer may, subject to having given not less than thirty (30) days' nor more than sixty (60) days' notice to the Principal Paying Agent and, in accordance with Condition 13, the Noteholders (which notice shall be irrevocable and shall specify the Early Redemption Date) and subject to Condition 6.6, redeem the Loan Notes in accordance with the Conditions in whole, but not in part, at any time, in each case (i) at 101 per cent. of their principal amount where such Early Redemption Date falls prior to the First Call Date, or (ii) at their principal amount where such Early Redemption Date falls on or after the First Call Date, in each case together with any accrued and unpaid interest up to (but excluding) the Early Redemption Date, plus any outstanding Deferred Interest Payments.

a "**Rating Capital Event**" shall be deemed to occur if the Issuer has received (directly or via publication by such Rating Agency), and notified the Noteholders in accordance with Condition 6.2(d) that it has so received, confirmation from any Rating Agency that, due to any amendment to, clarification of, or change in hybrid capital methodology or a change in the interpretation thereof, in each case occurring or becoming effective after the Issue Date, all or any of the Loan Notes will no longer be eligible (or if the Loan Notes have been partially or fully re-financed since the Issue Date and are no longer eligible for equity credit in part or in full as a result, all or any of the Loan Notes would no longer have been eligible as a result of such amendment, clarification, change in methodology or change in the interpretation had they not been re-financed), in whole or in part, for the same or a higher amount of "equity credit" (or such other nomenclature that the relevant Rating Agency may then use to describe the degree to which an instrument exhibits the characteristics of an ordinary share) attributed to the Loan Notes at the Issue Date (or, if "equity credit" is not assigned to the Loan Notes by the relevant Rating Agency on the Issue Date, at the date on which "equity credit" is assigned by such Rating Agency for the first time).

Redemption upon a Change in Tax Law, Tax Event or Withholding Tax Event

If, as a result of a Change in Tax Law, a Tax Event or a Withholding Tax Event were to occur, the Issuer may, at any time on giving not less than thirty (30) days' nor more than sixty (60) days' prior notice to the Principal Paying Agent and the Noteholders in accordance with Condition 13 (which notice shall be irrevocable and shall specify the Early Redemption Date), redeem all outstanding Loan Notes (in whole but not in part) on the Early Redemption Date (in the case of a Withholding Tax Event) at the Redemption Amount, or (in the case of a Tax Event) at (i) 101 per cent. of their principal amount where such Early Redemption Date falls prior to the First Call Date, or (ii) at their principal amount where such

Early Redemption Date falls on or after the First Call Date, in each case together with any accrued and unpaid interest up to (but excluding) the Early Redemption Date, plus any outstanding Deferred Interest Payments.

a "**Change in Tax Law**" means a change in, or proposed change in, or amendment or proposed amendment to, the laws or regulations of Switzerland or any political subdivision or any authority thereof or therein having the power to tax, including any treaty or convention to which Switzerland is a party, or any change in the application or interpretation of such laws or regulations or any such treaty or convention, including a decision of any court or tribunal, or any interpretation or pronouncement by any relevant tax authority that provides for a position with respect to such laws or regulations or interpretation thereof that differs from the previously generally accepted position in relation to similar transactions, which change or amendment becomes, or would become, effective on or after the Issue Date;

a "**Tax Event**" means that an opinion of recognised independent tax counsel has been delivered to the Issuer on or after the Issue Date confirming that the Interest Payment on the next Interest Payment Date would not be deductible as an expense for tax purposes of the Issuer; and

a "**Withholding Tax Event**" means that an opinion of a recognised independent tax counsel has been delivered to the Issuer on or after the Issue Date, confirming (i) the occurrence of a Recalculation of Interest; or (ii) that the Issuer is required, pursuant to the Conditions, to pay Additional Amounts in respect of any Loan Notes (or would be required to pay Additional Amounts in respect of any Loan Notes that may be issued in the future) and, in each case, this cannot be avoided by the Issuer taking such reasonable measures as the Issuer (acting in good faith and in its sole discretion) deems appropriate.

Redemption upon a Substantial Repurchase Event

If a Substantial Repurchase Event has occurred, the Issuer may, at any time on giving not less than thirty (30) days' nor more than sixty (60) days' prior notice to the Principal Paying Agent and the Noteholders in accordance with Condition 13 (which notice shall be irrevocable and shall specify the Early Redemption Date), redeem all outstanding Loan Notes (in whole but not in part) at the Redemption Amount on the Early Redemption Date.

A "**Substantial Repurchase Event**" means that seventy-five (75) per cent. or more of the aggregate principal amount of the Loan Notes has been previously redeemed or purchased and cancelled.

Issuer Purchases

The Issuer may at any time purchase Loan Notes in any manner and at any price. The Issuer may at its option retain such Loan Notes for its own account and/or resell or cancel or otherwise deal with such Loan Notes at its discretion but whilst held by or on behalf of the Issuer, such Loan Notes shall be deemed not to be outstanding for certain purposes of the Agency Agreement.

Interest on the Loan Notes

Interest Rate and Interest Payment Dates

Unless previously redeemed or purchased and cancelled, the Loan Notes shall bear interest on their principal amount at the applicable Interest Rate from and including the Issue Date in accordance with the provisions of Condition 3. Subject to Condition 4, interest shall be payable on the Loan Notes annually in arrear on 3 September in each year (each an "**Interest Payment Date**"), as provided in Condition 3.

The Interest Rate in respect of each Interest Period ending on or before the First Reset Date is 3.750 per cent. per annum (the "**Initial Interest Rate**"). The Interest Payment in respect of each such Interest Period will amount to €37.50 per Calculation Amount, save that the first Interest Payment (in respect of the period from (and including) the Issue Date to (but excluding) 3 September 2020) will amount to €9.43 per Calculation Amount.

The Interest Rate in respect of each Interest Period falling in a Reset Period shall be the aggregate of the relevant Margin and the relevant 5 Year Swap Rate for such Reset Period, subject to a minimum Interest Rate of zero per cent. per annum, all as determined by the Agent Bank (each a "**Reset Interest Rate**").

If the Issuer does not elect to redeem the Loan Notes in accordance with Condition 6.2(b) following the occurrence of a Change of Control Event, the then Prevailing Interest Rate, and each subsequent Interest Rate otherwise determined in accordance with the provisions of Condition 3, on the Loan Notes shall be increased by 5.00 per cent. per annum with effect from (and including) the date on which the Change of Control Event occurred.

Optional Interest Deferral on the Loan Notes

The Issuer may elect in its sole discretion to defer (in whole or in part) any Interest Payment that is otherwise scheduled to be paid on an Interest Payment Date by giving notice (a "**Deferral Notice**") of such election to the Noteholders, and the Principal Paying Agent not more than 14 and not less than 7 Business Days prior to the relevant Interest Payment Date. Any Interest Payment that the Issuer has elected to defer pursuant to Condition 4.1 and that has not been satisfied is referred to as a "**Deferred Interest Payment**".

If any Interest Payment is deferred pursuant to Condition 4.1, then such Deferred Interest Payment shall not itself bear interest.

Non-payment of interest deferred pursuant to Condition 4.1 shall not constitute a default by the Issuer under the Loan Notes or for any other purpose.

Optional Settlement of Deferred Interest Payments

Deferred Interest Payments may be satisfied at the option of the Issuer, in whole or in part, at any given time (the "**Optional Deferred Interest Settlement Date**") following delivery of a notice to such effect given by the Issuer to the Noteholders and the Principal Paying Agent not more than 14 and no less than 7 Business Days prior to the relevant Optional Deferred Interest Settlement Date informing them of its election so to satisfy such Deferred Interest Payments (or part thereof) and specifying the relevant Optional Deferred Interest Settlement Date.

Mandatory Settlement of Deferred Interest Payments

The Issuer shall pay any outstanding Deferred Interest Payments in whole, but not in part, on the first occurring Mandatory Settlement Date following the Interest Payment Date on which any outstanding Deferred Interest Payment was first deferred.

Tax Deductions and Recalculation of Interest

All payments of principal, interest and any other amounts in respect of the Loan Notes by or on behalf of the Issuer shall be made without Tax Deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature ("**Taxes**") imposed or levied by or on behalf of Switzerland, unless the withholding or deduction of the Taxes is required by law. In that event, the Issuer will, save in certain limited circumstances as set out in Condition 7.1, pay such additional amounts (the "**Additional Amounts**") as may be necessary in order that the net amounts received by the Noteholders after the withholding or deduction shall equal the respective amounts which would have been receivable in respect of the Loan Notes in the absence of the withholding or deduction.

If a tax deduction or withholding (collectively, a "**Tax Deduction**") is required by law to be made by the Issuer in respect of any interest payable in respect of the Loan Notes and should Condition 7.1 be unlawful for any reason, the applicable Interest Rate in relation to the interest payable for the relevant Interest Period will be the Interest Rate which would have otherwise been payable for the relevant Interest Period divided by 1 minus the rate (as a fraction of 1) at which the relevant Tax Deduction is required to be made and the Issuer will (i) be obligated to pay the relevant interest amount on the relevant Interest Payment Date at the adjusted rate in accordance with Condition 4.4 and (ii) make the Tax Deduction on the recalculated interest amount. Without prejudice to the foregoing, all references to a rate of interest in the Conditions shall be construed accordingly and all provisions in Condition 7 (other than Condition 7.1(a) to (g)) shall apply to the Tax Deduction on the recalculated interest payment (such recalculation is referred to herein as a "**Recalculation of Interest**").

Enforcement Events

If a default is made by the Issuer for a period of five days or more in relation to the payment of principal or in respect of any interest (including any outstanding Deferred Interest Payments) in respect of the Loan Notes which is due and payable, then any Noteholder may (provided that such Noteholder does not contravene a previously adopted Extraordinary Resolution (if any)), at its sole discretion, institute proceedings for the winding-up of the Issuer and/or prove in the liquidation or winding-up of the Issuer and/or claim in the liquidation of the Issuer for such payment, in each case as permitted under applicable law, and in the event of a winding-up of the Issuer or liquidation (other than for the purposes of a Solvent Reorganisation), any Noteholder shall have a claim for all unpaid principal in respect of a Loan Note it holds together with any accrued and unpaid interest up to (but excluding) such date and any outstanding Deferred Interest Payments in respect of any such Loan Note, with such rights and claims subordinated as provided in Condition 2.2.

No remedy against the Issuer, other than referred to above, shall be available to the Noteholders, whether for the recovery of amounts owing in respect of the Loan Notes or in respect of any other breach by the Issuer of any of its other obligations under or in respect of the Loan Notes.

Substitution and Variation

If, at any time on or after the Issue Date, one or more of a Tax Event, a Withholding Tax Event, a Rating Capital Event and/or an Accounting Event has occurred, the Issuer may without the consent of the Noteholders, either (a) substitute all outstanding Loan Notes (in whole but not in part) for Qualifying Securities, or (b) vary the terms of the Loan Notes with the effect that they remain or become, as the case may be, Qualifying Securities. Upon expiry of the notice referred to in Condition 14(a), the Issuer shall either vary the terms of or, as the case may be, substitute the Loan Notes in accordance with Condition 14.

Any such substitution or variation pursuant to Condition 14 shall be subject to the following conditions:

(a) the Issuer giving not less than thirty (30) nor more than ninety (90) calendar days' notice (which shall be irrevocable) to the Noteholders in accordance with Condition 13 and to the Principal Paying Agent; and

(b) in the case of any substitution only, the Issuer paying any accrued but unpaid interest (including any Additional Amounts thereon) and Deferred Interest Payments in full prior to such substitution; and

(c) the terms of the substitution or variation not being prejudicial to the interests of the Noteholders, as certified for the benefit of the Noteholders by two directors of the Issuer, having consulted with an independent investment bank of international standing; and

(d) the issue of customary legal opinions for the benefit of the Issuer from one or more international law firms of good reputation selected by the Issuer confirming (i) that the Issuer has capacity to assume all rights and obligations under the substituted Loan Notes or varied Loan Notes and has taken all necessary corporate or other steps to assume all such rights and obligations, and (ii) the legality, validity and enforceability of the substituted Loan Notes or varied Loan Notes.

Transfer of Loan Notes	The Loan Notes may only be assigned or transferred, including upon an enforcement of a security granted in accordance with Condition 11 (a "**Transfer**", and "**Transferred**" shall be construed accordingly), (i) in whole or in part, if the Transfer is to a Qualifying Bank, provided that in the case of a Transfer of the Loan Notes in part the Loan Notes may not be transferred to more than five Qualifying Banks, or (ii) in whole but not in part (except for parts of the Loan Notes held by Qualifying Banks at the time), if the Transfer is to a Permitted Non-Qualifying Lender, provided that no Transfer under Condition 10.1 may result in more than one Permitted Non-Qualifying Lender being a Noteholder.
Principal Paying Agent	The Bank of New York Mellon, London Branch.
Registrar	The Bank of New York Mellon SA/NV, Luxembourg Branch.
Governing Law	English law (save for the provisions of Condition 2 which are governed by, and will be construed in accordance with, Swiss law).
Jurisdiction	The courts of England.
Listing	The Loan Notes will not be listed or admitted for trading on any stock exchange.

RISK FACTORS

Prior to making an investment decision, prospective investors in the Notes should carefully consider each of the risk factors set out below as well as the other information contained in this Information Memorandum, including in the "Description of Firmenich and the Group" as well as in the Consolidated Financial Statements of the Group and the notes to the Consolidated Financial Statements. Any or all of the following risk factors may materially adversely affect Firmenich or the Group's or DRT's business, operating results, profitability and Firmenich or the Group's financial condition, and may impact Firmenich or the Group's ability to achieve strategic objectives. Additional risks and uncertainties not presently known to Firmenich or that Firmenich currently deems immaterial may also affect Firmenich or the Group. For reasons relating to the risk factors identified below, as well as for other reasons not stated below, the value of the Notes and/or the rights of investors under the Notes may be adversely affected, and potential investors could lose all or part of their investment. The order in which the risk factors below are presented does not reflect the likelihood of the occurrence of any specific event related to a risk factor, or of the magnitude of any particular risk factor's potential impact on Firmenich or the Group's or DRT's cash flows, business, operations or financial condition.

RISKS RELATED TO THE ISSUER AND FIRMENICH GROUP

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

STRATEGIC AND COMMERCIAL RISKS

Customer and Consumer Preference Risk

Customer preference risk

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

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

Key global customer risk

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

Consumer preference risk

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

Research and development risk

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

Global Economic Conditions

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

The flavor and fragrance industry was affected by the global economic downturn in mid-2008 and has continued to be affected by recessionary pressures in the interceding years, as wage stagnation, increased unemployment rates, the reduction of dual income households, and increased inflation have continued to have an impact on consumers' disposable income, particularly in regards to discretionary items, in particular fine fragrance products.

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

Volatility in the Financial and Credit Markets

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

Competition Risk and Market Developments

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

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

ENVIRONMENTAL AND/OR SUSTAINABILITY RISKS

Risk of Climate Change and Other Environmental Risks

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

Changes in Environmental Laws and Regulations

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

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

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

OPERATIONAL RISK

Disruption or Breakdown of Operations

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

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

Price Volatility and/or Disruption of Supply Chains or Suppliers

Raw materials

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

Energy and transportation costs

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

Disruption of supply chains or suppliers

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

Effective Cost Management and Working Capital Risks

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

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

Economic, Political and Social Development Risks Owing to International Operations

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

- increased distribution costs, disruptions in shipping or reduced availability of freight transportation;

- the unexpected imposition of tariffs, quotas, trade barriers, other trade protection measures and import or export licensing requirements, which could adversely affect Firmenich's cost or ability to import raw materials or export flavors or fragrances to surrounding markets;

- uncertainty regarding, or different levels of, protection of the Group's intellectual property; and

- risks and costs arising from language and cultural differences, and Firmenich's ability to anticipate and adapt its flavors and fragrances to local preferences.

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

Infectious Disease and Any Other Serious Public Health Concerns

The outbreak of an infectious disease or other serious public health concern, around the world could have a negative impact on economies, financial markets and business activities worldwide and which in turn could have a material adverse effect on Firmenich's business, financial condition and results of operations. For example, since December 2019 and as of the date of this Information Memorandum, there is an ongoing outbreak of the 2019 novel coronavirus (COVID-19) which was initially primarily concentrated in China, but has subsequently affected countries globally. Multiple governments around the world have implemented measures to stop normal trading activities which has affected Firmenich's clients, suppliers, distributors and transport partners. While Firmenich has been deemed an essential component of the food supply chain and as a producer of hydroalcoholic and other hygiene products, there have been brief facility closures (though these have not been extended and Firmenich continues to operate its facilities in all of the markets where it operates), and Firmenich remains exposed to local government regulations and closure orders in the countries in which it operates.

There is also a risk that having a significant number of individuals working from home for a long period of time will cause inefficiencies and that certain categories of sales, such as luxury fragrance items are likely to be less popular and suffer significant sales erosion. To date the production and supply interruptions have been temporary and manageable. However, it is not guaranteed that this will be the case if the crisis continues for a long period of time or there is an increase in intensity of the lockdown measures. As of the date of this Information Memorandum, the situation remains fluid and it is too early to quantify the full impact on business and end-market demand. Management believes that the Group will be able to continue producing though there is a risk of interruptions to production, sales erosion in certain product segments (primarily luxury) as well as disruptions due to transport and raw material sourcing complexities. Firmenich has a comprehensive crisis management plan which includes broad employee protection measures, and business continuity and contingency plans across all of its operations globally.

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

Cybercrime or Information Technology Failures

Firmenich uses information technology systems to support its business processes, including product development, consumer sales analysis, order processing and customer engagement. However, digitalisation also presents a number of potential risks, including information technology system failures, disruptions or breaches of Firmenich's network security, and outages due to fire, floods, power loss and/or other telecommunications failures. Systems and proprietary data stored electronically may be vulnerable to computer viruses, cybercrime, computer hacking and similar disruptions from unauthorised access to Firmenich's information technology system. In light of the above risks, Firmenich continuously adapts its information and network systems, and provides employee training on the potential risks. However, there can be no assurance that a future information security breach or other unforeseen event relating to information technology risk will not have a material adverse effect on the Group's business, financial condition and operating results.

Qualified Personnel Risk

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

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

Risks relating to defined benefit pension plans

The Group is exposed to a number of risks in relation to operating defined benefit plans, which it operates in Switzerland, the United Kingdom and the United States. The most significant risks are life expectancy as well as market and liquidity risks. In order to minimize these risks, the Group regularly reviews related assumptions. When and where feasible, measures to reduce or transfer the risks are considered. However, any inadequacies in such measures and/or changes or inaccuracies in the assumptions relating to the liabilities in respect of the Group's defined benefit plans could have a significant impact on the Group's present and future liabilities to, and costs associated with, the Group's defined benefit plans.

LEGAL AND REGULATORY COMPLIANCE RISKS

Product Safety Compliance

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

The process of obtaining approvals to market a chemical ingredient under the US Environmental Protection Agency, EU REACH and similar legislation can be costly and time consuming, and approvals might not be granted for future ingredients or for increases in tonnage bands for current ingredients, on a timely basis, if at all. Delays in the receipt of, or failure to obtain such approvals could result in delayed realization of product revenues, reduction in revenues and substantial additional costs. In addition, Firmenich cannot guarantee that it will remain compliant with applicable regulatory requirements once approval has been obtained for a product. These requirements include, among other things, regulations regarding manufacturing practices, product labelling and advertising and post-marketing reporting, including adverse event reports.

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

Anti-Bribery and Corruption Compliance

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

Intellectual Property Risk

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

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

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

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

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

FINANCIAL RISKS

Foreign Exchange Risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures primarily with respect to the US Dollar, the Euro and to a lesser extent to Asian and Latin American currencies. Therefore, exchange rate fluctuations have a significant impact in the form of both translation risk and transaction risk on the Group's income statement and other comprehensive income statement. Transaction risk arises when future commercial transactions or recognised assets or liabilities are denominated in a currency that is different from the functional currency. Translation risk arises from the conversion of net assets of the Group's foreign operations to the Group's presentation currency (CHF).

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

Price Risk

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

Interest Rate Risk

The Group is exposed to cash flow interest rate risk when the Group invests or borrows funds at floating rates whereas exposure to fair value interest rate risk arises when the Group invests or borrows funds at fixed prices. The Group uses credit lines and other financial facilities granted by third party financial institutions to finance part of its activity. Most of these borrowings are short-term credit lines and therefore subject to fluctuations on interest rates when rolled-over. The Group's management of interest rate risk may not fully offset adverse interest rate fluctuations, and such fluctuations, therefore, may have a material adverse effect on the operating results and financial condition of the Group.

Credit Risk

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

Liquidity Risk

Liquidity risk management implies maintaining sufficient cash and short-term financial investments, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, Group Treasury has policies which attempt to maintain flexibility in funding by maintaining availability under committed and uncommitted credit lines. However, there can be no assurance that these policies are sufficient or that a lack of sufficient liquidity will not have a material adverse effect on the Group's business, financial condition and operating results.

RISKS RELATED TO THE ACQUISITION

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

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

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

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

- managing a larger group;
- coordinating geographically separate organisations;
- potential diversion of management focus and resources from other strategic opportunities and from operational matters;

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

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

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

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

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

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

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

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

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

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

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

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

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

TAX RISKS RELATED TO THE ISSUER

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

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

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

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

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

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

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

Furthermore, value-added Tax ("**VAT**") rates could also increase in the future in the countries in which the Group operates. If it does not increase the prices of its products to match the increase in VAT, the Group's profitability margins will be negatively impacted. If it passes the increase in VAT on to its customers by raising the prices of its products, the demand for the Group's products may decline, which could have a material adverse effect on the Group's business, results of operations and financial condition.

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

RISKS RELATED TO THE LOAN NOTES

Complexity of the Loan Notes as financial instruments

The Loan Notes are complex financial instruments and may not be suitable for all investors. Each potential investor should have sufficient knowledge and experience to make a meaningful evaluation of the Loan Notes, the merits and risks of investing in the Loan Notes and the information contained or incorporated by reference in this Information Memorandum; have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of the investor's particular financial situation, an investment in the Loan Notes and the impact the Loan Notes will have on the investor's overall investment portfolio; have sufficient financial resources and liquidity to bear all of the risks of an investment in the Loan Notes and be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect the investor's investment and the investor's ability to bear the applicable risks.

Before investing in the Loan Notes, each potential investor should have understood thoroughly the Terms and Conditions of the Loan Notes and be familiar with them and the content of this Information Memorandum.

Value of the Loan Notes

The market value of the Loan Notes will be affected by the creditworthiness of the Issuer, and/or that of the Firmenich Group and a number of additional factors including market interest and yield rates. The price at which a Loan Noteholder will be able to sell the Loan Notes may be at a discount, which could be substantial, from the issue price or the purchase price paid by such Loan Noteholder.

Risks relating to the rating on the Loan Notes

S&P Global Ratings Europe Limited produces a solicited rating for Firmenich. The Loan Notes are expected to be rated BB+ by S&P Global Ratings Europe Limited. In addition, other rating agencies may assign credit ratings to the Issuer, its subsidiaries or to the Loan Notes with or without any solicitation from the Issuer and without any provision of information from the Issuer.

A credit rating is not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time by the assigning rating organisation. A downgrade or potential downgrade in these ratings, the assignment of a new rating that is lower than existing ratings, or the withdrawal of any rating assigned to the Issuer could adversely affect the price and liquidity of the Loan Notes. The rating may not reflect the potential impact of all risks related to structure, market, or any other additional factors that may affect the value of the Loan Notes.

The current IFRS accounting classification of financial instruments such as the Loan Notes as equity instruments may change, which may result in the occurrence of an Accounting Event

In June 2018, the International Accounting Standards Board (IASB) published the discussion paper DP/2018/1 on "Financial Instruments with Characteristics of Equity" (the "**DP/2018/1 Paper**") and a public meeting was recently held on this matter. If the proposals set out in the DP/2018/1 Paper are implemented in their current form, the current IFRS accounting classification of financial instruments such as the Loan Notes as equity instruments may change and this may result in the occurrence of an Accounting Event. In such an event, the Issuer may have the option to redeem, in whole but not in part, the Loan Notes pursuant to the Terms and Conditions of the Loan Notes. The implementation of any of the proposals set out in the DP/2018/1 Paper or any other similar such proposals that may be made in the future, including the extent and timing of any such implementation, if at all, is still uncertain.

Accordingly, no assurance can be given as to the future classification of the Loan Notes from an accounting perspective or whether any such change may result in the occurrence of an Accounting Event, thereby providing the Issuer with the option to redeem the Loan Notes pursuant to the Terms and Conditions of the Loan Notes.

Legal investment considerations may restrict certain investments

The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent the Loan Notes are lawful investments for it, whether and to what extent the Loan Notes can be used as collateral for various types of borrowing and if other restrictions apply to its purchase or pledge of any Loan Notes.

Financial institutions should consult their legal advisors or the appropriate regulators to determine the appropriate treatment of Loan Notes under any applicable risk-based capital or similar rules.

Payment of additional amounts or recalculated interest for Swiss withholding tax

Although, subject to certain exceptions, the Terms and Conditions of the Loan Notes provide for the recalculation of interest and the payment of Additional Amounts, in the event that Swiss withholding tax is imposed on any payment made by the Issuer pursuant to the Conditions, the Issuer's obligation to pay such Additional Amounts or recalculated interest may contravene Swiss legislation and be null and void.

Exchange rates and exchange controls

The Issuer will pay principal and interest on the Loan Notes in EUR. This presents certain risks relating to currency or currency unit conversions if an investor's financial activities are denominated principally in a currency or a currency unit (the "**Investor's Currency**") other than EUR. These include the risk that exchange rates may significantly change (including changes due to a devaluation of EUR or a revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to EUR would decrease (i) the Investor's Currency equivalent yield on the Loan Notes, (ii) the Investor's Currency equivalent value of the principal and interest payable on the Loan Notes and (iii) the Investor's Currency equivalent market value of the Loan Notes. Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate. As a result, investors may receive less principal and/or interest than expected, or no principal and/or interest at all.

No legal and tax advice

Each prospective investor should consult its own advisers as to legal, tax and related aspects of an investment in the Loan Notes. A Loan Noteholder's effective yield on the Loan Notes may be diminished by the tax impact on that Loan Noteholder of its investment in the Loan Notes.

A Loan Noteholder's actual yield on the Loan Notes may be reduced from the stated yield by transaction costs.

Change of law

The Terms and Conditions of the Loan Notes are based on English law in effect as at the date of this Information Memorandum (save for the subordination provisions in the Terms and Conditions of the Loan Notes, which are governed by Swiss law). No assurance can be given as to the impact of any possible judicial decision or change to such laws or administrative practice after the date of this Information Memorandum.

Modification, waivers and substitution

Each of the Agency Agreements contains provisions for calling meetings of Loan Noteholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Loan Noteholders, including Loan Noteholders who did not attend and vote at the relevant meeting and Loan Noteholders who voted in a manner contrary to the majority.

An optional redemption feature is likely to limit the market value of the Loan Notes

During any period when the Issuer may elect to redeem, or is perceived to be able to elect to redeem, the Loan Notes, the market value of the Loan Notes generally will not rise substantially above the price at which they can be redeemed. This also may be true prior to any redemption period.

Limited Remedies

The Loan Notes are perpetual securities in respect of which there is no fixed redemption date. The Issuer is under no obligation to redeem the Loan Notes at any time and the holders of the Loan Notes have no right to call for redemption of the Loan Notes. Prospective investors should be aware that they may be required to bear the financial risks of an investment in the Loan Notes indefinitely and may not recover their investment.

The Issuer's obligations under the Loan Notes are subordinated

If an Event of Insolvency occurs (otherwise than for the purposes of a Solvent Reorganisation), the claims of holders of the Loan Notes will be subordinated to the claims of holders of all Senior Obligations as further described in Condition 2.2. Accordingly, the claims of holders of all Senior Obligations will first have to be satisfied in any winding-up or analogous proceedings before holders of the Loan Notes may expect to obtain any recovery in respect of their Loan Notes and prior thereto the holders of the Loan Notes will have only limited ability to influence the conduct of such winding-up or analogous proceedings.

By virtue of such subordination, payments to a holder of the Loan Notes will, if an Event of Insolvency occurs (save as provided above), only be made after all obligations of the Issuer resulting from higher ranking claims have been satisfied. A holder of the Loan Notes may, therefore, recover less than the holders of unsubordinated or other subordinated liabilities of the Issuer. Furthermore, the Conditions will not limit the amount of the liabilities ranking senior to, or *pari passu* with, the Loan Notes which may be incurred or assumed by the Issuer from time to time, whether before or after the Issue Date. The incurrence of any such other liabilities may reduce the amount (if any) recoverable by the holders of the Loan Notes on a winding-up of the Issuer and/or may increase the likelihood of a deferral of Interest Payments under the Loan Notes. Subject to applicable law, no holders of the Loan Notes may exercise, claim or plead any right of set-off, compensation or retention in respect of any amount owed to it by the Issuer in respect of, or arising under or in connection with, the Loan Notes and each holder of the Loan Note shall, by virtue of its holding, be deemed to have waived all such rights of set-off, compensation or retention.

Although subordinated debt securities may pay a higher rate of interest than comparable debt securities which are not subordinated, there is a real risk that an investor in subordinated securities such as the Loan Notes will lose all or some of its investment should the Issuer become insolvent.

The Issuer has the right to defer Interest Payments in the Loan Notes

The Issuer may, at its discretion, elect to defer all or part of any Interest Payment on the Loan Notes. While the deferral of Interest Payments continues, the Issuer is not prohibited from making payments on any instrument ranking senior to the Loan Notes and in such event, the holders of the Loan Notes are not entitled to claim immediate Interest Payments so deferred.

Any such deferral of Interest Payment shall not constitute a default for any purpose unless such payment is required, as set out in the "*Terms and Conditions of the Loan Notes*". Although the Issuer intends to pay all outstanding Deferred Interest Payments in respect of the Loan Notes on the fifth anniversary of the first Interest Payment Date on which any outstanding Deferred Interest Payments, this is only a current intention, not an obligation of the Issuer. Therefore, there can be no assurance that deferred interest will be satisfied within such five-year period.

Any deferral of Interest Payments will likely have an adverse effect on the market price of the Loan Notes. In addition, as a result of the interest deferral provision of the Loan Notes, the market price of the Loan Notes may be more volatile than the market prices of other debt securities on which original issue discount or interest accrues that are not subject to such deferrals and may be more sensitive generally to adverse changes in the Issuer's financial condition.

The interest rate on the Loan Notes will reset on the First Reset Date and on every Reset Date thereafter, which can be expected to affect the Interest Payment on the Loan Notes and the market value of the Loan Notes

While the Loan Notes will earn interest at a fixed rate until (but excluding) the First Reset Date, the current market interest rate on the capital markets (the "**market interest rate**") typically changes on a daily basis. Since the initial fixed rate of interest for the Loan Notes will be reset on the First Reset Date and on each subsequent Reset Date, the Interest Payment on the Loan Notes will also change. Holders of the Loan Notes should be aware that movements in these market interest rates can adversely affect the price of the Loan Notes and can lead to losses for the holders of the Loan Notes if they sell the Loan Notes.

Holders of Loan Notes are exposed to the risk of fluctuating interest rate levels and uncertain interest income as the reset rates could affect the market value of an investment in the Loan Notes.

Reform and Regulation of “benchmarks”

The euro interbank offered rate (“**EURIBOR**”) (which is the floating leg of the 5 year euro mid-swap rate used in the reset provisions for the Loan Notes), and other indices which are deemed to be “benchmarks” (each a “**benchmark**”) are the subject of recent national and international regulatory guidance and proposals for reform. Some of these reforms are already effective whilst others are still to be implemented. These reforms may cause such benchmarks to perform differently than in the past, to disappear entirely, or have other consequences which cannot be predicted. Any such consequence could have a material adverse effect on the Loan Notes linked to or referencing such a “benchmark”, in particular, if the methodology or other terms of the benchmark are changed in order to comply with the requirements of new regulations. Such changes could, among other things, have the effect of reducing, increasing or otherwise affecting the volatility of the published rate or level of the benchmark.

Any changes to a benchmark may also have a material adverse effect on the costs of refinancing a benchmark or the costs and risks of administering or otherwise participating in the setting of a benchmark and complying with any such regulations or requirements. Such factors may have the effect of discouraging market participants from continuing to administer or participate in certain benchmarks, trigger changes in the rules or methodologies used in certain benchmarks or lead to the disappearance of certain benchmarks. Although it is uncertain whether or to what extent any of the aforementioned changes or future changes could have an effect on the value of the Loan Notes, investors should be aware that they face the risk that any changes to the relevant benchmark may have a material adverse effect on the value of and the amount payable under the Loan Notes.

The Issuer may redeem the Loan Notes early under certain circumstances

The Loan Notes may be redeemed early under Condition 6.2 (*Redemption at the Option of the Issuer*) of the Terms and Conditions of the Loan Notes.

Such redemption options will be exercised either at the principal amount of the Loan Notes together with interest accrued to the date of redemption or at 101 per cent. of their principal amount, as specified in the relevant Condition.

During any period when the Issuer may elect to redeem the Loan Notes, the market value of the relevant Loan Notes is generally expected not to rise substantially above the price at which they can be redeemed.

Following any early redemption of the Loan Notes, there can be no assurance that, at the relevant time, holders of the Loan Notes will be able to reinvest the amounts received upon redemption at a rate that will provide the same return as their investment in the Loan Notes. Potential investors should consider reinvestment risk in light of other investments available at that time.

The Loan Notes are subject to certain transfer restrictions and will be illiquid

The transfer of the Loan Notes is subject to certain restrictions, including but not limited to the restrictions set out in Condition 10 which restrict their ownership to Qualifying Banks and one Permitted Non-Qualifying Lender (both terms as defined in the “*Terms and Conditions of the Loan Notes*”). In addition, the Loan Notes are not listed or admitted to trading on any exchange and have not been accepted for clearance through any clearing system. As a result, there will be no established trading market in the Loan Notes and the Loan Notes will be illiquid. The illiquidity of the Loan Notes may have a severely adverse effect on the market value of the Loan Notes.

TERMS AND CONDITIONS OF THE LOAN NOTES

The following is the text of the Terms and Conditions of the Loan Notes which (subject to modification) will be endorsed on each Definitive Loan Note:

The €750,000,000 Deeply Subordinated Fixed Rate Resettable Perpetual Loan Notes (the "**Loan Notes**", which expression shall in these Terms and Conditions (the "**Conditions**"), unless the context otherwise requires, include any further notes issued pursuant to Condition 16 and forming a single series with the Loan Notes) are issued by Firmenich International SA (the "**Issuer**").

The statements in these Conditions include summaries of, and are subject to, the detailed provisions of, and definitions in, the Agency Agreement dated 3 June 2020 (the "**Agency Agreement**") made between the Issuer and The Bank of New York Mellon, London Branch as principal paying agent (the "**Principal Paying Agent**", which definition shall include any duly appointed successor principal paying agent) and agent bank (the "**Agent Bank**", which definition shall include any duly appointed successor agent bank) and The Bank of New York Mellon SA/NV, Luxembourg Branch as registrar (the "**Registrar**", which definition shall include any duly appointed successor registrar). The holders of the Loan Notes (the "**Noteholders**") are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Agency Agreement applicable to them.

Capitalised terms shall, unless otherwise specified in these Conditions, have the meaning given to such terms in Condition 19.

1. FORM AND DENOMINATION

The Loan Notes will be issued in denominations of €100,000 and integral multiples of €1,000 in excess thereof, represented by one or more definitive certificates in registered form (the "**Definitive Loan Notes**"). The Definitive Loan Notes shall each bear the manual or facsimile signatures of two duly authorised officers of the Issuer as well as the manual signature of an authentication officer of the Registrar. The Registrar will maintain a register (the "**Register**") of the Noteholders reflecting the ownership of the Loan Notes. Initially the Loan Notes will be represented by a single Definitive Loan Note representing €750,000,000 in principal amount of the Loan Notes.

Transfers (as defined in Condition 10) of Loan Notes shall be made in accordance with Condition 10.

2. STATUS AND SUBORDINATION OF THE LOAN NOTES

2.1 Status of the Loan Notes

The Loan Notes are direct, unsecured and subordinated obligations of the Issuer and rank and will rank *pari passu*, without any preference among themselves, and with any Parity Obligations. The rights and claims of Noteholders in respect of the Loan Notes, in each case against the Issuer, are subordinated as described in Condition 2.2.

2.2 Subordination of the Loan Notes

If at any time an Event of Insolvency occurs (otherwise than for the purposes of a Solvent Reorganisation), the rights and claims of the Noteholders against the Issuer in respect of or arising under the Loan Notes will rank (a) junior to the claims of all Senior Obligations, (b) *pari passu* with the claims of all Parity Obligations and (c) senior to the claims of holders of any Junior Obligations.

2.3 No set-off

Subject to applicable law, no Noteholder may exercise, claim or plead any right of set-off, compensation or retention in respect of any amount owed to it by the Issuer arising under or in connection with the Loan Notes and each Noteholder shall, by virtue of being a Noteholder, be deemed to have waived all such rights of set-off, compensation or retention.

3. INTEREST

3.1 **Interest Rate**

Unless previously redeemed or purchased and cancelled, the Loan Notes shall bear interest on their principal amount at the applicable Interest Rate from and including the Issue Date in accordance with the provisions of this Condition 3.

Subject to Condition 4, interest shall be payable on the Loan Notes annually in arrear on 3 September in each year (each an "**Interest Payment Date**"), as provided in this Condition 3.

3.2 **Interest Payment Dates**

Save as provided in Condition 3.3, where it is necessary to compute an amount of interest in respect of any Loan Note for a period which is less than or equal to a complete Interest Period, such interest shall be calculated on the basis of the actual number of days in the period from and including the most recent Interest Payment Date (or if none, the Issue Date) to but excluding the relevant payment date divided by the actual number of days in the Interest Period in which the relevant period falls (including the first such day but excluding the last) (or, in respect of interest accruing during the first Interest Period, the period from (and including) the Issue Date to (but excluding) 3 September 2020) ("**day-count fraction**"). Where it is necessary to compute an amount of interest in respect of any Loan Note for a period of more than one year, such interest shall be the aggregate of the interest computed in respect of a full year plus the interest computed in respect of the remaining period calculated in the manner as aforesaid.

Interest in respect of any Loan Note shall be calculated per €1,000 in principal amount thereof (the "**Calculation Amount**"). The amount of interest calculated per Calculation Amount for any period shall, save as provided in Condition 3.3, be equal to the product of the relevant Interest Rate, the Calculation Amount and the day-count fraction for the relevant period, rounding the resulting figure to the nearest cent (half a cent being rounded upwards). The amount of interest payable in respect of each Loan Note shall be the aggregate of the amounts (determined in the manner provided above) for each Calculation Amount comprising the denomination of such Loan Note without any further rounding.

Subject to the operation of Condition 3.10, in the event that the relevant 5 Year Swap Rate does not appear on the Reset Screen Page on the relevant Reset Interest Determination Date, the 5 Year Swap Rate will be the Reset Reference Bank Rate on such Reset Interest Determination Date. "**Reset Reference Bank Rate**" means the percentage rate calculated by the Agent Bank on the basis of the 5 Year Swap Rate Quotations provided by five leading swap dealers in the interbank market selected by the Agent Bank after consultation with the Issuer (the "**Reset Reference Banks**") to the Issuer and the Agent Bank at approximately 11:00 a.m. (Central European time) on the relevant Reset Interest Determination Date. If (a) at least three quotations are provided, the 5 Year Swap Rate will be calculated by the Agent Bank on the basis of the arithmetic mean (or, if only three quotations are provided, the median) of the quotations provided, eliminating the highest quotation (or, in the event of equality one of the highest) and the lowest quotation (or, in the event of equality, one of the lowest); (b) only two quotations are provided, the Reset Reference Bank Rate will be the arithmetic mean of the quotations provided; (c) only one quotation is provided, the Reset Reference Bank Rate will be the quotation provided; and (d) no quotations are provided, the Reset Reference Bank Rate for the relevant period will be: (i) in the case of each Reset Period other than the Reset Period commencing on the First Reset Date, the 5 Year Swap Rate in respect of the immediately preceding Reset Period, or (ii) in the case of the Reset Period commencing on the First Reset Date, -0.265 per cent. per annum.

3.3 **Initial Interest Rate**

The Interest Rate in respect of each Interest Period ending on or before the First Reset Date is 3.750 per cent. per annum (the "**Initial Interest Rate**"). The Interest Payment in respect of each such Interest Period will amount to €37.50 per Calculation Amount, save that the first Interest Payment (in respect of the period from (and including) the Issue Date to (but excluding) 3 September 2020) will amount to €9.43 per Calculation Amount.

3.4 **Reset Interest Rate**

The Interest Rate in respect of each Interest Period falling in a Reset Period shall be the aggregate of the relevant Margin and the relevant 5 Year Swap Rate for such Reset Period, subject to a minimum Interest Rate of zero per cent. per annum, all as determined by the Agent Bank (each a "**Reset Interest Rate**").

3.5 **Step-up after Change of Control Event**

Notwithstanding any other provision of this Condition 3, if the Issuer does not elect to redeem the Loan Notes in accordance with Condition 6.2 following the occurrence of a Change of Control Event, the then Prevailing Interest Rate, and each subsequent Interest Rate otherwise determined in accordance with the provisions of this Condition 3, on the Loan Notes shall be increased by 5.00 per cent. per annum with effect from (and including) the date on which the Change of Control Event occurred.

3.6 **Interest Accrual**

Each Loan Note will cease to bear interest from (and including) the date of redemption thereof pursuant to the relevant paragraph of Condition 6 or the date of substitution thereof pursuant to Condition 14, as the case may be. If the Issuer fails to redeem or repay the Loan Notes when due, interest shall continue to accrue on the outstanding principal amount of the Loan Notes beyond the due date until the end of the day preceding the day of the actual redemption of the Loan Notes at the Prevailing Interest Rate.

3.7 **Determination of Reset Interest Rates and Calculation of Interest Amounts**

The Agent Bank will, as soon as practicable after 11:00 a.m. (Central European time) on each Reset Interest Determination Date, determine the Reset Interest Rate in respect of the relevant Reset Period and calculate the amount of interest payable in respect of a Calculation Amount on each Interest Payment Date falling in the period from (but excluding) such relevant Reset Date to (and including) the next Reset Date (the "**Interest Amount**").

3.8 **Recalculation of Interest**

If a tax deduction or withholding (collectively, a "**Tax Deduction**") is required by law to be made by the Issuer in respect of any interest payable in respect of the Loan Notes and should Condition 7.1 be unlawful for any reason, the applicable Interest Rate in relation to the interest payable for the relevant Interest Period will, subject to the exceptions in Condition 7.1(a) to (g), be the Interest Rate which would have otherwise been payable for the relevant Interest Period divided by 1 minus the rate (as a fraction of 1) at which the relevant Tax Deduction is required to be made and the Issuer will (a) be obligated to pay the relevant Interest Amount on the relevant Interest Payment Date at the adjusted rate in accordance with this Condition 3.8 and (b) make the Tax Deduction on the recalculated Interest Amount. Without prejudice to the foregoing, all references to a rate of interest in these Conditions shall be construed accordingly and all provisions in Condition 7 (other than Condition 7.1(a) to (g)) shall apply to the Tax Deduction on the recalculated Interest Payment (such recalculation is referred to herein as a "**Recalculation of Interest**").

3.9 **Publication of Reset Interest Rates and Interest Amounts**

Unless the Loan Notes are to be redeemed on the First Reset Date, the Issuer shall cause notice of each Reset Interest Rate and the related Interest Amount per Calculation Amount to be given to the Principal Paying Agent, any stock exchange on which the Loan Notes are for the time being listed or admitted to trading and, in accordance with Condition 13, the Noteholders, in each case as soon as practicable after its determination but in any event not later than the fourth Business Day thereafter.

3.10 **Benchmark Replacement**

Notwithstanding the provisions above in this Condition 3, if the Issuer (in consultation with the Agent Bank) determines that a Benchmark Event has occurred in relation to EURIBOR when a component part of the 5 Year Swap Rate remains to be determined by reference to EURIBOR, then the Issuer may elect to apply the following provisions:

(a) The Issuer shall use its reasonable endeavours to appoint an Independent Adviser, as soon as reasonably practicable, with a view to the Independent Adviser determining, no later than three Business Days prior to the relevant Reset Interest Determination Date, a Successor Rate, failing which an Alternative Rate (in accordance with paragraph (b) below) and, in either case, an Adjustment Spread if any (in accordance with paragraph (d) below) and any Benchmark Amendments (in accordance with paragraph (e) below).

(b) If the Independent Adviser:

  (i) determines that there is a Successor Rate, then such Successor Rate shall (subject to adjustment as provided in paragraph (d) below) subsequently be used in place of EURIBOR as a component part of determining the 5 Year Swap Rate for all future payments of interest on the Loan Notes (subject to the subsequent operation of this Condition 3.10); or

  (ii) determines that there is no Successor Rate but that there is an Alternative Rate, then such Alternative Rate shall (subject to adjustment as provided in paragraph (d) below) subsequently be used in place of EURIBOR as a component part of determining the 5 Year Swap Rate for all future payments of interest on the Loan Notes (subject to the subsequent operation of this Condition 3.10).

(c) If the Issuer is unable to appoint an Independent Adviser, or the Independent Adviser appointed by it fails to determine a Successor Rate or an Alternative Rate, then the Issuer (acting in good faith and in a commercially reasonable manner) may determine a Successor Rate or, if the Issuer determines that there is no Successor Rate, an Alternative Rate for purposes of determining the Interest Rate applicable to the Loan Notes for all future Reset Periods or Interest Periods (as applicable) (subject to the subsequent operation of this Condition 3.10). If the Issuer is unable to determine a Successor Rate or an Alternative Rate pursuant to this paragraph (c), the fallback provisions set out in Condition 3.2 will continue to apply.

(d) If the Independent Adviser (pursuant to paragraph (b) above) or the Issuer (pursuant to paragraph (c) above) determines (i) that an Adjustment Spread is required to be applied to the Successor Rate or the Alternative Rate (as the case may be) and (ii) the quantum of, or a formula or methodology for determining, such Adjustment Spread, then such Adjustment Spread shall be applied to the Successor Rate or the Alternative Rate (as the case may be).

(e) If any Successor Rate, Alternative Rate or Adjustment Spread is determined in accordance with this Condition 3.10, the Issuer may (and shall, if so required by the Independent Adviser), subject to giving notice thereof in accordance with paragraph (f) below, without any requirement for the consent or approval of the Noteholders, vary these Conditions and/or the Agency Agreement to give effect to the relevant Benchmark Amendments with effect from the date specified in such notice. In connection with any such variation in accordance with this paragraph, the Issuer shall comply with the rules of any stock exchange on which the Loan Notes are for the time being listed or admitted to trading. "**Benchmark Amendments**" means any amendments to these Conditions and/or the Agency Agreement that are necessary to ensure the proper operation of any Successor Rate, Alternative Rate and/or Adjustment Spread determined pursuant to this Condition 3.10.

(f) Any Successor Rate, Alternative Rate, Adjustment Spread and the specific terms of any Benchmark Amendments, determined under this Condition 3.10, will be notified promptly by the Issuer to the Principal Paying Agent, the Agent Bank and, in accordance with Condition 13, the Noteholders. Such notice shall be irrevocable and shall specify the effective date of the Benchmark Amendments, if any and will be binding on the Issuer, the Principal Paying Agent, the Agent Bank and the Noteholders.

(g) Without prejudice to the provisions of paragraphs (a) to (f) above, EURIBOR and the fallback provisions provided for in Condition 3.2 will continue to apply unless and until the Agent Bank has been notified of the Successor Rate or the Alternative Rate (as the case may be), and any Adjustment Spread and Benchmark Amendments, in accordance with this Condition 3.10.

(h) Notwithstanding any other provision of this Condition 3.10, no Successor Rate or Alternative Rate will be adopted, nor will the applicable Adjustment Spread be applied, nor will any Benchmark Amendments be made, if and to the extent that, in the determination of the Issuer, the same could reasonably be expected to result in the Loan Notes ceasing to be eligible, in whole or in part, for the same or a higher amount of "equity credit" (or such other nomenclature that the relevant Rating Agency may then use to describe the degree to which an instrument exhibits the characteristics of an ordinary share) attributed to the Loan Notes at the Issue Date (or, if "equity credit" is not assigned to the Loan Notes by the relevant Rating Agency on the Issue Date, at the date on which "equity credit" is assigned by such Rating Agency for the first time).

3.11 **Agent Bank and Reset Reference Banks**

With effect from the First Reset Date, the Issuer will maintain an Agent Bank and the number of Reset Reference Banks provided above where the Prevailing Interest Rate is to be calculated by reference to them.

The Issuer may from time to time replace the Agent Bank or any Reset Reference Bank with another leading financial institution. If the Agent Bank is unable or unwilling to continue to act as the Agent Bank or fails duly to determine the Prevailing Interest Rate in respect of any Reset Period as required pursuant to these Conditions, the Issuer shall forthwith appoint another leading financial institution to act as such in its place. The Agent Bank may not resign its duties or be removed without a successor having been appointed as aforesaid.

3.12 **Determinations of Agent Bank Binding**

All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Condition 3 by the Agent Bank shall (in the absence of wilful default, fraud or manifest error) be binding on the Issuer, the Agent Bank, the Principal Paying Agent and all Noteholders and (in the absence of negligence, wilful default or fraud) no liability to the Noteholders or the Issuer shall attach to the Agent Bank in connection with the exercise or non-exercise by it of any of its powers, duties and discretions.

4. **OPTIONAL INTEREST DEFERRAL**

4.1 **Deferral of Interest Payments**

The Issuer may, subject as provided in Conditions 4.2 and 4.3, elect in its sole discretion to defer (in whole or in part) any Interest Payment that is otherwise scheduled to be paid on an Interest Payment Date by giving notice (a "**Deferral Notice**") of such election to the Noteholders in accordance with Condition 13, and the Principal Paying Agent not more than 14 and not less than 7 Business Days prior to the relevant Interest Payment Date. Any Interest Payment that the Issuer has elected to defer pursuant to this Condition 4.1 and that has not been satisfied is referred to as a "**Deferred Interest Payment**".

If any Interest Payment is deferred pursuant to this Condition 4.1, then such Deferred Interest Payment shall not itself bear interest.

Non-payment of interest deferred pursuant to this Condition 4.1 shall not constitute a default by the Issuer under the Loan Notes or for any other purpose.

4.2 **Optional Settlement of Deferred Interest Payments**

Deferred Interest Payments may be satisfied at the option of the Issuer, in whole or in part, at any given time (the "**Optional Deferred Interest Settlement Date**") following delivery of a notice to such effect given by the Issuer to the Noteholders in accordance with Condition 13 and the Principal Paying Agent not more than 14 and no less than 7 Business Days prior to the relevant Optional Deferred Interest Settlement Date informing them of its election so to satisfy such Deferred Interest Payments (or part thereof) and specifying the relevant Optional Deferred Interest Settlement Date.

4.3 **Mandatory Settlement of Deferred Interest Payments**

Notwithstanding the provisions of Condition 4.2, the Issuer shall pay any outstanding Deferred Interest Payments in whole, but not in part, on the first occurring Mandatory Settlement Date following the Interest Payment Date on which any outstanding Deferred Interest Payment was first deferred.

Notice of the occurrence of any Mandatory Settlement Date shall be given to the Noteholders in accordance with Condition 13 and the Principal Paying Agent not more than 10 and no less than 5 Business Days prior to the relevant Mandatory Settlement Date.

If a Mandatory Settlement Date does not occur prior to the calendar day which is the fifth anniversary of the first Interest Payment Date on which any outstanding Deferred Interest Payment was deferred, it is the intention, though not an obligation, of the Issuer to pay all outstanding Deferred Interest Payments (in whole but not in part) on the next following Interest Payment Date.

"**Mandatory Settlement Date**" means the earliest of:

(a) as soon as reasonably practicable (but not later than the 14th Business Day) following the date on which a Compulsory Deferred Interest Settlement Event occurs;

(b) following any Deferred Interest Payment, the next scheduled Interest Payment Date on which date the Issuer makes an Interest Payment on the Loan Notes;

(c) the date on which the Loan Notes are redeemed or repaid in accordance with Condition 6 or become due and payable in accordance with Condition 9; and

(d) the date on which the Loan Notes are substituted in accordance with Condition 14.

"**Compulsory Deferred Interest Settlement Event**" means the occurrence of:

(a) a Dividend Declaration is made in respect of any Junior Obligations or any Parity Obligations; or

(b) the Issuer or any of its Subsidiaries has repurchased, redeemed or otherwise acquired any Junior Obligations or any Parity Obligations, or

(c) the Issuer has made any capital return or distribution in respect of any Junior Obligations or any Parity Obligations,

save, (i) in the case of (a) above any such Dividend Declaration or such redemption, repurchase or acquisition that is mandatory under the terms of any Junior Obligations or any Parity Obligations, and (ii) any Dividend Declaration or repurchase which is required to be validly resolved on, declared, paid or made in respect of, any share option, or any free share allocation plan in each case reserved for directors, officers and/or employees of the Issuer or any of its Affiliates or any associated liquidity agreements or any associated hedging transactions.

"**Dividend Declaration**" means the authorisation by resolution of the general meeting of shareholders or the board of directors or other competent corporate body (as the case may be) of the Issuer of the payment, or the making of, a dividend or other distribution or payment (including, without limitation, any payment of interest) (or, if no such authorisation is required, the payment, or the making of, a dividend or other such distribution or payment).

5. PAYMENTS

5.1 Payments in respect of Loan Notes

The Issuer undertakes to pay, as and when due, principal, premium and interest on the Loan Notes in Euros.

5.2 Method of Payment

Payment of principal, premium and interest on the Loan Notes shall be made to the Principal Paying Agent or to its order for credit to the Noteholders registered in the Register as at the relevant Record Date in accordance with the Agency Agreement. The Issuer shall be discharged by payment to the Principal Paying Agent (except to the extent that there is failure in the subsequent payment to the relevant holders of the Loan Notes under these Conditions).

5.3 Timing of Payment

If the due date for payment of any amount in respect of the Loan Notes is not a Business Day, then the Noteholders shall not be entitled to payment until the next such day which is a Business Day and shall not be entitled to further interest or other payment in respect of such delay.

5.4 Payments subject to Applicable Laws

Payments in respect of principal, premium and interest on the Loan Notes are subject in all cases to any fiscal or other laws and regulations applicable in the place of payment, but without prejudice to the provisions of Condition 7.

5.5 Principal Paying Agent and Registrar

(a) The initial Principal Paying Agent and Agent Bank for the Loan Notes will be The Bank of New York Mellon, London Branch, which is located at:

One Canada Square
London E14 5AL
United Kingdom.

The initial Registrar for the Loan Notes will be The Bank of New York Mellon SA/NV, Luxembourg Branch, which is located at:

Vertigo Building – Polaris
2-4 rue Eugène Ruppert
L-2453 Luxembourg
Luxembourg.

(b) The Issuer reserves the right at any time to vary or terminate the appointment of the Principal Paying Agent and the Registrar and to appoint another Principal Paying Agent, Registrar or additional or other paying agents provided that it will at all times maintain a Principal Paying Agent and a Registrar. Notice of all changes in the identities of the Principal Paying Agent and the Registrar (and the appointment of any other paying agent) will be given promptly by the Issuer to the Noteholders in accordance with Condition 13.

(c) The Principal Paying Agent and the Registrar act solely as agents of the Issuer and do not assume any obligations towards or relationship of agency or trust for the Noteholders.

6. REDEMPTION AND PURCHASE

6.1 **Final Redemption**

The Loan Notes are perpetual securities in respect of which there is no fixed redemption date. The Loan Notes may not be redeemed at the option of the Issuer other than in accordance with this Condition 6.

6.2 **Redemption at the Option of the Issuer**

(a) On any Optional Redemption Date, the Issuer may, on giving not less than thirty (30) days' nor more than sixty (60) days' prior notice to the Principal Paying Agent and the Noteholders in accordance with Condition 13 (which notice shall be irrevocable and shall specify the Early Redemption Date), redeem all outstanding Loan Notes (in whole but not in part) at the Redemption Amount on the Early Redemption Date.

(b) If a Change of Control Event occurs, the Issuer may, at any time on giving not less than thirty (30) days' nor more than sixty (60) days' prior notice to the Principal Paying Agent and the Noteholders in accordance with Condition 13 (which notice shall be irrevocable and shall specify the Early Redemption Date), redeem all outstanding Loan Notes (in whole but not in part) at the Redemption Amount on the Early Redemption Date. Such Change of Control option shall operate as set out below.

Promptly upon the Issuer becoming aware that a Change of Control Event has occurred, the Issuer shall, and at any time if so requested by the holders of at least one-quarter in nominal amount of the Loan Notes then outstanding or if so directed by an Extraordinary Resolution of the Noteholders, the Principal Paying Agent shall (subject in each case to being indemnified and/or secured and/or prefunded to its satisfaction), give notice (a "**Change of Control Event Notice**") to the Noteholders in accordance with Condition 13 specifying the nature of the Change of Control Event and the procedure for exercising the option contained in this Condition 6.2.

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

(i) a person or persons (other than any shareholder(s) holding shares on 3 June 2020 or their direct lineal descendants) acting directly, indirectly or in concert (as defined in the Swiss Federal Act on Stock Exchanges and Securities Dealers), acquires (directly or indirectly) (a) shares in the capital of the Issuer representing, together with the shares already held by such person or persons, more than 50 per cent. of the voting rights irrespective of whether they are exercisable at a general meeting of the Issuer or (b) more than 50 per cent. of the issued or allotted ordinary share capital of the Issuer (such event being a "**Change of Control**"); and

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

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

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

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

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

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

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

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

(c) If, immediately prior to the giving of the notice referred to below, an Accounting Event has occurred and is continuing, then the Issuer may, subject to having given not less than thirty (30) days' nor more than sixty (60) days' notice to the Principal Paying Agent and, in accordance with Condition 13, the Noteholders (which notice shall be irrevocable and shall specify the Early Redemption Date) and subject to Condition 6.6, redeem the Loan Notes in accordance with these Conditions in whole, but not in part, at any time, in each case (i) at 101 per cent. of their principal amount where such Early Redemption Date falls prior to the First Call Date, or (ii) at their principal amount where such Early Redemption Date falls on or after the First Call Date, in each case together with any accrued and unpaid interest up to (but excluding) the Early Redemption Date, plus any outstanding Deferred Interest Payments.

(d) If, immediately prior to the giving of the notice referred to below, a Rating Capital Event has occurred and is continuing, then the Issuer may, subject to having given not less than thirty (30) days' nor more than sixty (60) days' notice to the Principal Paying Agent and, in accordance with Condition 13, the Noteholders (which notice shall be irrevocable and shall specify the Early Redemption Date) and subject to Condition 6.6, redeem the Loan Notes in accordance with these Conditions in whole, but not in part, at any time, in each case (i) at 101 per cent. of their principal amount where such Early Redemption Date falls prior to the First Call Date, or (ii) at their principal amount where such Early Redemption Date falls on or after the First Call Date, in each case together with any accrued and unpaid interest up to (but excluding) the Early Redemption Date, plus any outstanding Deferred Interest Payments.

(e) If, as a result of a Change in Tax Law, a Tax Event or a Withholding Tax Event were to occur, the Issuer may, at any time on giving not less than thirty (30) days' nor more than sixty (60) days' prior notice to the Principal Paying Agent and the Noteholders in accordance with Condition 13 (which notice shall be irrevocable and shall specify the Early Redemption Date), redeem all outstanding Loan Notes (in whole but not in part) on the Early Redemption Date (in the case of a Withholding Tax Event) at the Redemption Amount, or (in the case of a Tax Event) at (i) 101 per cent. of their principal amount where such Early Redemption Date falls prior to the First Call Date, or (ii) at their principal amount where such Early Redemption Date falls on or after the First Call Date, in each case together with any accrued and unpaid interest up to (but excluding) the Early Redemption Date, plus any outstanding Deferred Interest Payments.

(f) If a Substantial Repurchase Event has occurred, the Issuer may, at any time on giving not less than thirty (30) days' nor more than sixty (60) days' prior notice to the Principal Paying Agent and the Noteholders in accordance with Condition 13 (which notice shall be irrevocable and shall specify the Early Redemption Date), redeem all outstanding Loan Notes (in whole but not in part) at the Redemption Amount on the Early Redemption Date.

6.3 Purchases

The Issuer may at any time purchase Loan Notes in any manner and at any price. The Issuer may at its option retain such Loan Notes for its own account and/or resell or cancel or otherwise deal with such Loan Notes at its discretion but whilst held by or on behalf of the Issuer, such Loan Notes shall be deemed not to be outstanding for certain purposes of the Agency Agreement.

6.4 Cancellations

All Loan Notes which are redeemed by the Issuer will forthwith be cancelled, together with all accrued and future Interest Payments attached to the Loan Notes, and accordingly may not be held, reissued or resold.

6.5 Notices Final

Upon the expiry of any notice as is referred to in Condition 6.2 above, the Issuer shall be bound to redeem the Loan Notes to which the notice refers in accordance with the terms of such Condition.

6.6 Preconditions to Redemption

Prior to serving any notice of redemption pursuant to this Condition 6 (other than Condition 6.2(a)), the Issuer shall:

(a) deliver to the Principal Paying Agent a certificate signed by two directors of the Issuer stating that the relevant requirement or circumstance giving rise to the right to redeem is satisfied and setting out a statement of facts showing that the Issuer's right so to redeem have been satisfied;

(b) in the case of a Withholding Tax Event or a Tax Event, deliver to the Principal Paying Agent, the relevant opinion from the relevant tax counsel;

(c) in the case of an Accounting Event, deliver to the Principal Paying Agent the relevant opinion from the relevant accountancy firm; and

(d) in the case of a Rating Capital Event, deliver to the Principal Paying Agent the relevant confirmation from the relevant Rating Agency.

7. TAXATION

7.1 Payment without Withholding

All payments of principal, interest and any other amounts in respect of the Loan Notes by or on behalf of the Issuer shall be made without Tax Deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature ("**Taxes**") imposed or levied by or on behalf of Switzerland, unless the withholding or deduction of the Taxes is required by law. In that event, the Issuer will pay such additional amounts (the "**Additional Amounts**") as may be necessary in order that the net amounts received by the Noteholders after the withholding or deduction shall equal the respective amounts which would have been receivable in respect of the Loan Notes in the absence of the withholding or deduction; except that no Additional Amounts shall be payable in relation to any payment in respect of any Loan Note:

(a) to a Noteholder who is liable to the Taxes in respect of the Loan Note by reason of his having some connection with Switzerland other than the mere holding of the Loan Note; or

(b) where such withholding or deduction of Taxes is required to be made pursuant to laws enacted by Switzerland changing the Swiss federal withholding tax system from an issuer-based system to a paying agent-based system pursuant to which a person in Switzerland other than the Issuer is required to withhold tax on any Interest Payments; or

(c) by or on behalf of a Noteholder who would not be liable or subject to withholding or deduction by making a declaration of non-residence or other similar claim for exemption to the relevant tax authority; or

(d) if the payment could have been made to the relevant Noteholder without a Tax Deduction if it was a Qualifying Lender, but on that date that Noteholder is not or has ceased to be a Qualifying Lender other than as a result of any change after the date it became a Noteholder under these Conditions in (or in the interpretation, administration, or application of) any law or double taxation treaty, or any published practice or concession of any relevant taxing authority; or

(e) presented for payment more than 30 days after the relevant payment becomes due, except to the extent that a Noteholder would have been entitled to Additional Amounts on presenting the same for payment on the last day of the period of 30 days assuming, whether or not such is in fact the case, that day to have been a Record Date; or

(f) if the payment could have been made without a Tax Deduction if the Noteholders had complied with Condition 10; or

(g) presented for payment by reason of any combination of (a) to (f) above.

7.2 **Additional Amounts**

Any reference in these Conditions to any amounts in respect of the Loan Notes shall be deemed also to refer to any Additional Amounts which may be payable under this Condition or under any undertakings given in addition to, or in substitution for, this Condition.

7.3 **FATCA**

Notwithstanding any other provision of the Conditions, any amounts to be paid on the Loan Notes by or on behalf of the Issuer, will be paid net of any deduction or withholding imposed or required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986, as amended (the "**Code**"), or otherwise imposed pursuant to Sections 1471 through 1474 of the Code (or any regulations thereunder or official interpretations thereof) or an intergovernmental agreement between the United States and another jurisdiction facilitating the implementation thereof (or any fiscal or regulatory legislation, rules or practices implementing such an intergovernmental agreement) (any such withholding or deduction, a "**FATCA Withholding**"). Neither the Issuer nor any other person will be required to pay any Additional Amounts in respect of FATCA Withholding.

7.4 **Documentation**

(a) Within 30 days of making either a Tax Deduction or a payment required in connection with a Tax Deduction, the Issuer shall deliver to the relevant Noteholder evidence satisfactory to that Noteholder (acting reasonably) that the Tax Deduction has been made or (as applicable) the appropriate payment has been paid to the relevant taxing authority.

(b) If the Issuer has to make a Tax Deduction and the relevant Noteholder (acting in good faith) determines that a Tax refund for such Tax Deduction is available to it and it has retained that Tax refund, that Noteholder shall pay within 10 Zurich business days after such Tax refund an amount to the Issuer which that Noteholder determines (in its sole discretion) will leave it (after that payment) in the same after-tax position as it would have been if the payment of the Additional Amounts or a payment at an interest rate recalculated in accordance with Condition 3.8 had not been required to be made by the Issuer.

8. **PRESCRIPTION**

Loan Notes will become void unless presented for payment within a period of 10 years (in the case of principal and premium) and five years (in the case of interest, including Deferred Interest Payments) from the date on which the relevant payment first becomes due, subject to the provisions of Condition 6.

9. **ENFORCEMENT EVENTS**

If a default is made by the Issuer for a period of five days or more in relation to the payment of principal or in respect of any interest (including any outstanding Deferred Interest Payments) in respect of the Loan Notes which is due and payable, then any Noteholder may (provided that such Noteholder does not contravene a previously adopted Extraordinary Resolution (if any)), at its sole discretion, institute proceedings for the winding-up of the Issuer and/or prove in the liquidation or winding-up of the Issuer and/or claim in the liquidation of the Issuer for such payment, in each case as permitted under applicable law, and in the event of a winding-up of the Issuer or liquidation (other than for the purposes of a Solvent Reorganisation), any Noteholder shall have a claim for all unpaid principal in respect of a Loan Note it holds together with any accrued and unpaid interest up to (but excluding) such date and any outstanding Deferred Interest Payments in respect of any such Loan Note, with such rights and claims subordinated as provided in Condition 2.2.

No remedy against the Issuer, other than referred to in this Condition 9, shall be available to the Noteholders, whether for the recovery of amounts owing in respect of the Loan Notes or in respect of any other breach by the Issuer of any of its other obligations under or in respect of the Loan Notes.

10. **TRANSFER AND EXCHANGE OF LOAN NOTES**

10.1 The Loan Notes may only be assigned or transferred, including upon an enforcement of a security granted in accordance with Condition 11 (a "**Transfer**", and "**Transferred**" shall be construed accordingly),

(a) in whole or in part, if the Transfer is to a Qualifying Bank, provided that in the case of a Transfer of the Loan Notes in part the Loan Notes may not be transferred to more than five Qualifying Banks, or

(b) in whole but not in part (except for parts of the Loan Notes held by Qualifying Banks at the time), if the Transfer is to a Permitted Non-Qualifying Lender,

provided that no Transfer under this Condition 10.1 may result in more than one Permitted Non-Qualifying Lender being a Noteholder.

Title to the Loan Notes passes only on due registration on the Register. The Definitive Loan Notes will bear a legend setting forth the applicable transfer restrictions.

10.2 A Noteholder may at any time require that the Issuer replaces, or procures the replacement of, such Noteholder's Definitive Loan Note representing its holding of Loan Notes with one or more replacement Definitive Loan Note(s) representing one or more Loan Note(s) in minimum denominations of €100,000. The Registrar shall authenticate such replacement Definitive Loan Note(s) and, if necessary, shall amend the Register accordingly.

10.3 Loan Notes may be Transferred in amounts of €100,000 and, integral multiples of €1,000 in excess thereof in accordance with the terms of this Condition 10.

10.4 Any Transfer of a Loan Note shall be recorded by the Registrar in the Register on production by the transferee at the registered office of the Registrar of:

(a) the relevant certificate representing the Loan Note with the form of transfer endorsed thereon duly executed by the transferor and the transferee and such form of transfer shall include a representation by the transferee that it is a Qualifying Bank or the Permitted Non-Qualifying Lender; and

(b) such other evidence as the Issuer may require to prove the authority of the person signing the form of transfer endorsed on the Definitive Loan Note representing the Loan Note or the transferee's status as a Qualifying Bank or the Permitted Non-Qualifying Lender.

10.5 Subject to this Condition 10, no Noteholder shall enter into any arrangement with another person under which such Noteholder transfers financial or credit exposure under the Loan Notes to that other person, unless under such arrangement throughout the life of such arrangement:

(a) the relationship between the Noteholder and that other person is that of a debtor and creditor (including in the bankruptcy or similar event of the Noteholder or the Issuer);

(b) the other person will have no proprietary interest in the benefit of the Loan Notes or in any monies received by the Noteholder under or in relation to the Loan Notes held by that Noteholder; and

(c) the other person will under no circumstances (other than by way of permitted Transfers under this Condition 10):

(i) be subrogated to, or substituted in respect of, the Noteholder's claims under his Loan Notes; and

(ii) otherwise have any contractual relationship with, or rights against, the Issuer under or in relation to the Loan Notes.

10.6 At the date hereof and for so long as the Loan Notes are outstanding the Issuer will ensure that it is in compliance with the Non-Bank Rules, provided that the Issuer will not be in breach of this Condition 10.6 if either of the Non-Bank Rules are exceeded solely by reason of a failure by one or more Noteholders to comply with their respective obligations under this Condition 10.

11. GRANTS OF SECURITY

Any Noteholder may, without the consent of the Issuer, at any time charge or create a security interest (other than those by way of Transfer) in all or any portion of its rights under any Loan Note to secure obligations of such Noteholder, provided that:

(a) no such charge or creation of security interest shall:

(i) release a Noteholder from any obligations and restrictions under the Loan Notes or substitute any such charge or holder of the benefit of such security interest for such Noteholder as Noteholder except in accordance with the provisions of Condition 10; or

(ii) require any payments to be made by the Issuer other than as required by the Loan Notes; and

(b) such charge or security interest shall in each case provide that upon any assignment or transfer of the security interest in the Loan Note or enforcement of such charge or security interest, any resulting assignment or transfer shall be in accordance with Condition 10; and

(c) the Noteholder promptly notifies the Principal Paying Agent of any such charge or security interest and the secured party's identity and status by delivering to the Principal Paying Agent a notification, which may comprise a copy of the notice of such charge or security, which notification the Principal Paying Agent shall promptly forward to the Issuer.

12. REPLACEMENT OF LOAN NOTES

Should any Loan Note be lost, stolen, mutilated, defaced or destroyed it may be replaced at the specified office of the Principal Paying Agent or the Registrar upon payment by the claimant of the expenses incurred in connection with the replacement and on such terms as to evidence and indemnity as the Issuer may reasonably require. Mutilated or defaced Loan Notes must be surrendered before replacements will be issued.

13. NOTICES

13.1 Notices to the Noteholders

All notices to the Noteholders will be delivered by the Issuer to the Registrar for communication by the Registrar to the Noteholders. Any such notice shall be deemed to be given to the Noteholders on the third day after the day on which the said notice was given to the Registrar.

13.2 Notices from the Noteholders

Notices to be given by any Noteholder shall be in writing and given by lodging the same, together with the related Loan Note or Loan Notes, with the Registrar.

14. SUBSTITUTION AND VARIATION

If, at any time on or after the Issue Date, one or more of a Tax Event, a Withholding Tax Event, a Rating Capital Event and/or an Accounting Event has occurred, the Issuer may without the consent of the Noteholders, either (a) substitute all outstanding Loan Notes (in whole but not in part) for Qualifying Securities, or (b) vary the terms of the Loan Notes with the effect that they remain or become, as the case may be, Qualifying Securities.

Upon expiry of the notice referred to in Condition 14(a) below, the Issuer shall either vary the terms of or, as the case may be, substitute the Loan Notes in accordance with this Condition 14.

Any such substitution or variation pursuant to this Condition 14 shall be subject to the following conditions:

(a) the Issuer giving not less than thirty (30) nor more than ninety (90) calendar days' notice (which shall be irrevocable) to the Noteholders in accordance with Condition 13 and to the Principal Paying Agent; and

(b) in the case of any substitution only, the Issuer paying any accrued but unpaid interest (including any Additional Amounts thereon) and Deferred Interest Payments in full prior to such substitution; and

(c) the terms of the substitution or variation not being prejudicial to the interests of the Noteholders, as certified for the benefit of the Noteholders by two directors of the Issuer, having consulted with an independent investment bank of international standing; and

(d) the issue of customary legal opinions for the benefit of the Issuer from one or more international law firms of good reputation selected by the Issuer confirming (i) that the Issuer has capacity to assume all rights and obligations under the substituted Loan Notes or varied Loan Notes and has taken all necessary corporate or other steps to assume all such rights and obligations, and (ii) the legality, validity and enforceability of the substituted Loan Notes or varied Loan Notes.

15. MEETINGS OF NOTEHOLDERS, MODIFICATION, WAIVER, AUTHORISATION AND DETERMINATION

15.1 **Single Noteholder**

For so long as there is no more than one Noteholder registered in the Register (a) no amendment, waiver, variation of the Loan Notes, the Agency Agreement or these Conditions may be made without the prior written consent of such Noteholder and parties to the Agency Agreement, and (b) the meeting quorum and voting provisions of Conditions 15.2 and 15.3 shall apply.

15.2 **Meetings of Noteholders**

The Agency Agreement contains provisions for convening meetings of Noteholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of any of these Conditions or any of the provisions of the Agency Agreement. Such a meeting may be convened by Noteholders holding not less than 10 per cent. in principal amount of the Loan Notes for the time being outstanding or the Issuer. The quorum for any meeting convened to consider an Extraordinary Resolution will be two or more persons holding or representing a clear majority in principal amount of the Loan Notes for the time being outstanding, or at any adjourned meeting, two or more persons being or representing Noteholders whatever the principal amount of the Loan Notes held or represented, unless the business of such meeting includes consideration of proposals, *inter alia*, (a) to modify the dates on which interest is payable in respect of the Loan Notes, (b) to reduce or cancel the principal amount of, any premium payable on redemption of, or interest or Interest Payments on or to vary the method of calculating the rate of interest on the Loan Notes, (c) to change the currency of payment of the Loan Notes, (d) to vary, amend or grant a waiver in relation to Condition 2, 4, 5 or 6, (e) to modify the subordination provisions set out in Condition 2, or (f) to modify the provisions concerning the quorum required at any meeting of Noteholders or the majority required to pass an Extraordinary Resolution, in which case the necessary quorum will be two or more persons holding or representing not less than 75 per cent. or at any adjourned meeting not less than 25 per cent., in principal amount of the Loan Notes for the time being outstanding. Any Extraordinary Resolution duly passed shall be binding on the Noteholders (whether or not they were present at the meeting at which such resolution was passed) and on all Noteholders.

The agreement or approval of the Noteholders shall not be required in the case of any Benchmark Amendments required by the Issuer pursuant to Condition 3.10, or any variation of these Conditions required to be made in the circumstances described in Condition 14 in connection with the substitution or variation of the terms of the Loan Notes so that they remain or become Qualifying Securities.

15.3 **Modification, Waiver, Authorisation and Determination**

The parties to the Agency Agreement may agree, without the consent of the Noteholders, to (a) any modification of any of the provisions of the Agency Agreement which is of a formal, minor or technical nature or which is made to correct a manifest error and (b) any other modification and any waiver or authorisation of any breach or proposed breach, of any of the provisions of the Agency Agreement which is in the opinion of such parties not materially prejudicial to the interests of the Noteholders. Any such modification, authorisation or waiver shall be binding on the Noteholders and such modification shall be notified to the Noteholders as soon as practicable.

15.4 **Notification to the Noteholders**

Any modification, abrogation, waiver, authorisation, determination or substitution shall be binding on the Noteholders and shall be notified by the Issuer to the Noteholders as soon as practicable thereafter in accordance with Condition 13.

16. **FURTHER ISSUES**

The Issuer is at liberty from time to time without the consent of the Noteholders to create and issue further notes or bonds (whether in bearer or registered form) either (a) ranking *pari passu* in all respects (or in all respects save for the first payment of interest thereon) and so that the same shall be consolidated and form a single series with the outstanding notes or bonds of any series (including the Loan Notes) or (b) upon such terms as to ranking, interest, conversion, redemption and otherwise as the Issuer may determine at the time of the issue.

17. GOVERNING LAW AND SUBMISSION TO JURISDICTION

17.1 Governing Law

The Agency Agreement and the Loan Notes (save for the provisions of Condition 2 which are governed by, and will be construed in accordance with, Swiss law), and any non-contractual obligations arising out of or in connection with them, are governed by, and will be construed in accordance with, English law.

17.2 Jurisdiction of English Courts

The Issuer irrevocably agree for the benefit of the Noteholders that the courts of England are to have non-exclusive jurisdiction to settle any disputes which may arise out of or in connection with the Loan Notes, and any non-contractual obligations arising out of or in connection with them, and accordingly have submitted to the non-exclusive jurisdiction of the English courts.

The Issuer waives any objection to the courts of England on the grounds that they are an inconvenient or inappropriate forum. The Noteholders may to the extent allowed by law take any suit, action or proceeding arising out of or in connection with the Loan Notes (together referred to as "**Proceedings**") against the Issuer in any other court of competent jurisdiction and concurrent Proceedings in any number of jurisdictions.

17.3 Appointment of Process Agent

The Issuer has irrevocably and unconditionally appointed Firmenich UK Limited at 4 Hayes Road, Hounslow, Southall UB2 5LZ, United Kingdom as its agent for service of process in England in respect of any Proceedings and has undertaken that in the event of such agent ceasing so to act it will appoint another person as its agent for that purpose.

18. RIGHTS OF THIRD PARTIES

No rights are conferred on any person under the Contracts (Rights of Third Parties) Act 1999 to enforce any term of the Loan Notes, but this does not affect any right or remedy of any person which exists or is available apart from that Act.

19. DEFINITIONS

In these Conditions, the following expressions shall have the following meanings:

"**5 Year Swap Rate**" means, in respect of any Reset Period, the mid-swap rate as displayed on the Reset Screen Page on the relevant Reset Interest Determination Date;

The "**5 Year Swap Rate Quotations**" means, in relation to any Reset Period, the arithmetic mean of the bid and offered rates for the annual fixed leg (calculated on a 30/360 Day Count basis) of a fixed-for-floating euro interest rate swap which (a) has a term of 5 years commencing on the relevant Reset Date, (b) is in an amount that is representative of a single transaction in the relevant market at the relevant time with an acknowledged dealer of good credit in the swap market, and (c) has a floating leg based on the 12-month EURIBOR rate (calculated on the basis of the actual number of days elapsed and a year of 360 days).

"**Accounting Event**" shall be deemed to occur if the Issuer has received, and notified the Noteholders in accordance with Condition 13 that it has so received, an opinion of a recognised accountancy firm of international standing stating that, as a result of a change in the accounting rules or methodology (or the application thereof) effective since the Issue Date, the Loan Notes may not or may no longer, from the implementation date of the relevant new International Financial Reporting Standards ("**IFRS**") or any other accounting standards that may replace IFRS, be recorded as "equity" in full pursuant to IFRS or any other accounting standards that may replace IFRS for the purposes of the annual, semi-annual or quarterly consolidated financial statements of the Issuer. The Issuer may give notice of the redemption of the Loan Notes as a result of the occurrence of an Accounting Event from (and including) the date on which the change in the relevant IFRS rules or any other accounting standards that may replace IFRS for the purposes of the consolidated financial statements of the Issuer (the "**Change**") is officially adopted, which may be before the Change has come into effect;

"**Additional Amounts**" has the meaning given to it in Condition 7.1;

"**Adjustment Spread**" means either a spread (which may be positive, negative or zero), or the formula or methodology for calculating a spread, in either case, which the Issuer, following consultation with the Independent Adviser and acting in good faith, determines is required to be applied to the Successor Rate or the Alternative Rate (as the case may be) and is the spread, formula or methodology which:

(a) in the case of a Successor Rate, is formally recommended in relation to the replacement of EURIBOR with the Successor Rate by any Relevant Nominating Body; or (if no such recommendation has been made, or in the case of an Alternative Rate);

(b) the Issuer determines, following consultation with the Independent Adviser and acting in good faith, is recognised or acknowledged as being the industry standard for over-the counter derivative transactions or is in customary market usage in the debt capital market for transactions which reference EURIBOR, where such rate has been replaced by the Successor Rate or the Alternative Rate (as the case may be); (or if the Issuer determines that no such industry standard is recognised or acknowledged); or

(c) the Issuer, in its discretion, following consultation with the Independent Adviser and acting in good faith, determines to be appropriate to reduce or eliminate, to the extent reasonably practicable in the circumstances, any economic prejudice or benefit (as the case may be) to Noteholders as a result of the replacement of EURIBOR with the Successor Rate or the Alternative Rate (as the case may be);

"**Affiliate**" means an entity that directly or indirectly controls, or is controlled by, or in under common control with, the Issuer;

"**Alternative Rate**" means an alternative benchmark or screen rate which the Issuer determines, following consultation with the Independent Adviser, has replaced EURIBOR in customary market usage in the international swap markets for the purposes of determining rates of interest (or the relevant component part thereof) for the same Interest Period and in euros;

"**Benchmark Amendments**" has the meaning given to it in Condition 3.10(e);

"**Benchmark Event**" means:

(a) EURIBOR ceasing be published for a period of at least 5 Business Days or ceasing to exist; or

(b) a public statement by the administrator of EURIBOR that it will cease publishing EURIBOR permanently or indefinitely (in circumstances where no successor administrator has been appointed that will continue publication of EURIBOR); or

(c) a public statement by the supervisor of the administrator of EURIBOR that EURIBOR has been or will be permanently or indefinitely discontinued; or

(d) a public statement by the supervisor of the administrator of EURIBOR that means EURIBOR will be prohibited from being used or that its use will be subject to restrictions or adverse consequences; or

(e) a public statement by the supervisor of the administrator of EURIBOR that, in the view of such supervisor, EURIBOR is no longer representative of an underlying market; or

(f) it has or will become unlawful for any paying agent, Agent Bank, the Issuer or other party to calculate any payments due to be made to any Noteholder using EURIBOR.

"**business day**" means, in relation to any place, a day (other than a Saturday or Sunday) on which commercial banks and foreign exchange markets are open for business in that place;

"**Business Day**" means a day on which the TARGET2 System is operating;

"**Calculation Amount**" has the meaning given to it in Condition 3.2;

"**Change in Tax Law**" means a change in, or proposed change in, or amendment or proposed amendment to, the laws or regulations of Switzerland or any political subdivision or any authority thereof or therein having the power to tax, including any treaty or convention to which Switzerland is a party, or any change in the application or interpretation of such laws or regulations or any such treaty or convention, including a decision of any court or tribunal, or any interpretation or pronouncement by any relevant tax authority that provides for a position with respect to such laws or regulations or interpretation thereof that differs from the previously generally accepted position in relation to similar transactions, which change or amendment becomes, or would become, effective on or after the Issue Date;

"**Change of Control**" has the meaning given to it in Condition 6.2;

"**Change of Control Event**" has the meaning given to it in Condition 6.2;

"**Change of Control Event Notice**" has the meaning given to it in Condition 6.2;

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

"**Code**" has the meaning given to it in Condition 7.3;

"**Compulsory Deferred Interest Settlement Event**" has the meaning given to it in Condition 4.3;

"**day-count fraction**" has the meaning given to it in Condition 3.2;

"**Deferral Notice**" has the meaning given to it in Condition 4.1;

"**Deferred Interest Payment**" has the meaning given to it in Condition 4.1;

"**Definitive Loan Notes**" has the meaning given to it in Condition 1;

"**Dividend Declaration**" has the meaning given to it in Condition 4.3;

"**Early Redemption Date**" means the date fixed for redemption of the Loan Notes and which is specified in the relevant notice given pursuant to Condition 6.2;

"**EURIBOR**" means the 12-month Euro Interbank Offered Rate administered by the European Money Markets Institute;

"**Event of Insolvency**" means the liquidation, dissolution, insolvency, composition or institution of other proceedings for the avoidance of insolvency of the Issuer;

"**FATCA Withholding**" has the meaning given to it in Condition 7.3;

"**First Call Date**" means 3 June 2025;

"**First Reset Date**" means 3 September 2025;

"**First Step-up Date**" means 3 September 2025;

"**Group**" means the Issuer and its Subsidiaries taken as a whole;

"**Guidelines**" means, together, the guideline "Interbank Loans" of 22 September 1986 (S-02.123) (*Merkblatt "Verrechnungssteuer auf Zinsen von Bankguthaben, deren Gläubiger Banken sind (Interbankguthaben)" vom 22. September 1986*), the guideline "Bonds" of April 1999 (S-02.122.1) (*Merkblatt "Obligationen" vom April 1999*), the guideline "Syndicated Loans" of January 2000 (S-0.128) (*Merkblatt "Steuerliche Behandlung von Konsortialdarlehen, Schuldscheindarlehen, Wechseln und Unterbeteiligungen" vom Januar 2000*); the circular letter "Deposits" of 26 July 2011 (1-034-V-2011) (*Kreisschreiben Kundenguthaben vom 26. Juli 2011*), and the circular letter No. 15 (1-015-DVS-2017) of 3 October 2017 in relation to bonds and derivative financial instruments as subject of Swiss federal income tax, Swiss federal withholding tax and Swiss federal stamp taxes (*Kreisschreiben Nr. 15 "Obligationen und derivative Finanzinstrumente als Gegenstand der direkten Bundessteuer, der Verrechnungssteuer und der Stempelabgaben" vom 3 Oktober 2017*) and each as issued, and as amended from time to time, by the Swiss federal tax authorities;

"**IFRS**" has the meaning given to it in the definition of "Accounting Event";

"**Independent Adviser**" means an independent financial institution of international repute or an independent financial adviser with appropriate expertise appointed by the Issuer at its expense under Condition 3.10 and notified in writing to the Agent Bank;

"**Initial Interest Rate**" has the meaning given to it in Condition 3.3;

"**Interest Amount**" has the meaning given to it in Condition 3.7;

"**Interest Payment**" means, in respect of an interest payment on an Interest Payment Date, the amount of interest payable for the relevant Interest Period in accordance with Condition 3;

"**Interest Payment Date**" has the meaning given to it in Condition 3.2;

"**Interest Period**" means the period beginning on (and including) the Issue Date and ending on (but excluding) the first Interest Payment Date and each successive period beginning on (and including) an Interest Payment Date and ending on (but excluding) the next succeeding Interest Payment Date;

"**Interest Rate**" means the Initial Interest Rate or the relevant Reset Interest Rate, as the case may be;

"**Issue Date**" means 3 June 2020;

"**Issuer**" means Firmenich International SA;

"**Junior Obligations**" means all present and future obligations of the Issuer, issued or incurred directly or indirectly by it, which rank or are expressed to rank junior to the Loan Notes, including Ordinary Shares;

"**Mandatory Settlement Date**" has the meaning given to it in Condition 4.3;

"**Margin**" means (a) 4.390 per cent. per annum from and including the First Step-up Date to but excluding the Second Step-up Date; and (b) 7.140 per cent. per annum from and including the Second Step-up Date;

"**Non-Bank Rules**" means the Ten Non-Bank Rule and the Twenty Non-Bank Rule;

"**Optional Deferred Interest Settlement Date**" has the meaning given to it in Condition 4.2;

"**Optional Redemption Date**" means (a) any Business Day from and including the First Call Date to and including the First Reset Date, and (b) each Interest Payment Date after the First Reset Date;

"**Ordinary Shares**" means any class of ordinary shares issued by the Issuer;

"**Parity Obligations**" means (a) any series of securities issued by the Issuer ranking, or expressed to rank, equally as to payments or other income with the Loan Notes, (b) any security issued by a Subsidiary of the Issuer which benefits from a guarantee or other contractual support undertaking of the Issuer which guarantee or contractual support undertaking ranks, or is expressed to rank, equally as to payments or other income with the Loan Notes, and (c) any other security, instrument or preferred security issued or guaranteed by the Issuer ranking, or expressed to rank, equally as to payments or other income with the Loan Notes;

"**Permitted Non-Qualifying Lender**" means one person or entity which is not a Qualifying Bank on the date it becomes a Noteholder and:

(a) which is initially ELM B.V., Amsterdam, The Netherlands ("**ELM**") (for so long as ELM continues to be Noteholder in accordance with these Conditions), or

(b) which, thereafter is a successor of ELM, or any subsequent successor thereof, by way of Transfer (as defined in Condition 10) of all but not some only of the Loan Notes held by ELM or such subsequent successor thereof (for so long as such successor of ELM, or any subsequent successor thereof, continues to be a Noteholder in accordance with these Conditions), which:

    (i) has, prior to its becoming a Noteholder, satisfied all obligations to be fulfilled by a new Permitted Non-Qualifying Lender according to Condition 10, provided that:

        (A) within ten (10) Zurich business days of notification to it by the existing Permitted Non-Qualifying Lender of the identity of such proposed Permitted Non-Qualifying Lender, the Issuer may (as a condition precedent to it becoming a Noteholder):

            (1) request from such proposed Permitted Non-Qualifying Lender a confirmation that it has disclosed to the Issuer all facts relevant to the determination as to whether it would be a Permitted Non-Qualifying Lender and would constitute one person only for the purposes of the Non-Bank Rules; and

            (2) irrespective of whether a request is made in accordance with paragraph (A)(1) above, request from such proposed Permitted Non-Qualifying Lender a copy of a tax ruling of the Swiss federal tax authorities (at the cost of the existing Permitted Non-Qualifying Lender or the proposed Permitted Non-Qualifying Lender), confirming to the Issuer's satisfaction that such proposed Permitted Non-Qualifying Lender does constitute one person only for the purposes of the Non-Bank Rules; and

        (B) the Issuer, acting reasonably, shall confirm within ten (10) Zurich business days of notification of all facts (if a request in accordance with paragraph (A)(1) has been made) or receipt of a tax ruling (if a request in accordance with paragraph (A)(2) has been made) whether or not such disclosure, or such tax ruling, as the case may be, is satisfactory and, in the absence of such confirmation, the Issuer shall be deemed to have confirmed such disclosure, or such tax ruling, as the case may be, is so satisfactory on the tenth Zurich business day after receipt hereof or thereof; and

    (ii) has, simultaneously with becoming a Noteholder, succeeded the existing Permitted Non-Qualifying Lender as "Permitted Non-Qualifying Lender" under all, but not some only, Loan Notes;

"**Prevailing Interest Rate**" means the rate of interest payable on the Loan Notes applicable from time to time pursuant to Condition 3;

"**Proceedings**" has the meaning given to it in Condition 17.2;

"**Qualifying Bank**" means any legal entity acting on its own account which is recognised as a bank by the banking laws in force in its jurisdiction of incorporation and, any branch of a legal entity, which is recognised as a bank by the banking laws in force in the jurisdiction where such branch is situated, and which, in each case, exercises as its main purpose a true banking activity, having bank personnel, premises, communication devices of its own and authority of decision making;

"**Qualifying Lender**" means a Noteholder which is a Qualifying Bank or the Permitted Non-Qualifying Lender;

"**Qualifying Securities**" means securities that contain terms not materially less favourable to Noteholders than the terms of the Loan Notes (as reasonably determined by the Issuer (in consultation with an independent investment bank or counsel of international standing)) and provided that a certification to such effect (and confirming that the conditions set out in (a) to (h) below have been satisfied) of two directors of the Issuer shall have been delivered to the Principal Paying Agent prior to the substitution or variation of the Loan Notes, provided that:

(a) they shall be issued by the Issuer or any wholly-owned direct or indirect finance Subsidiary of the Issuer with a guarantee of the Issuer; and

(b) they (and/or, as appropriate, the guarantee as aforesaid) shall rank at least *pari passu* on a winding-up of the Issuer with the Loan Notes; and

(c) they shall contain terms which provide for the same Interest Rate from time to time applying to the Loan Notes and preserve the same Interest Payment Dates; and

(d) they shall preserve the obligations (including the obligations arising from the exercise of any right) of the Issuer as to redemption of the Loan Notes, including (without limitation) as to timing of, and amounts payable upon, such redemption; and

(e) they shall preserve any existing rights under these Conditions to (i) any Deferred Interest Payments, and (ii) any accrued interest which has accrued to Noteholders and not been paid; and

(f) they shall not contain terms providing for loss absorption through principal write-down or conversion to Ordinary Shares; and

(g) they shall otherwise contain substantially identical terms (as reasonably determined by the Issuer) to the Loan Notes, save where (without prejudice to the requirement that the terms are not materially less favourable to Noteholders than the terms of the Loan Notes as described above) any modifications to such terms are required to be made to avoid the occurrence or effect of a Tax Event, a Withholding Tax Event, a Rating Capital Event and/or an Accounting Event; and

(h) they shall be listed on the Global Exchange Market of Euronext Dublin, or another internationally recognised stock exchange or securities market as selected by the Issuer;

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

a "**Rating Capital Event**" shall be deemed to occur if the Issuer has received (directly or via publication by such Rating Agency), and notified the Noteholders in accordance with Condition 13 that it has so received, confirmation from any Rating Agency that, due to any amendment to, clarification of, or change in hybrid capital methodology or a change in the interpretation thereof, in each case occurring or becoming effective after the Issue Date, all or any of the Loan Notes will no longer be eligible (or if the Loan Notes have been partially or fully re-financed since the Issue Date and are no longer eligible for equity credit in part or in full as a result, all or any of the Loan Notes would no longer have been eligible as a result of such amendment, clarification, change in methodology or change in the interpretation had they not been re-financed), in whole or in part, for the same or a higher amount of "equity credit" (or such other nomenclature that the relevant Rating Agency may then use to describe the degree to which an instrument exhibits the characteristics of an ordinary share) attributed to the Loan Notes at the Issue Date (or, if "equity credit" is not assigned to the Loan Notes by the relevant Rating Agency on the Issue Date, at the date on which "equity credit" is assigned by such Rating Agency for the first time);

"**Recalculation of Interest**" has the meaning given to it in Condition 3.8;

"**Record Date**" means the date that is 5 business days, in the place of the specified office of the Registrar, prior to the relevant Interest Payment Date or Early Redemption Date;

"**Redemption Amount**" means the principal amount of the Loan Notes together with accrued and unpaid interest, and any Deferred Interest Payments, to (but excluding) the relevant Early Redemption Date or Optional Redemption Date, as the case may be;

"**Register**" has the meaning given to it in Condition 1;

"**Relevant Announcement Date**" has the meaning given to it in Condition 6.2(b);

"**Relevant Nominating Body**" means, in respect of a benchmark or screen rate (as applicable):

(a) the central bank for the currency to which the benchmark or screen rate (as applicable) relates, or any central bank or other supervisory authority which is responsible for supervising the administrator of the benchmark or screen rate (as applicable); or

(b) any working group or committee sponsored by, chaired or co-chaired by or constituted at the request of (i) the central bank for the currency to which the benchmark or screen rate(as applicable) relates, (ii) any central bank or other supervisory authority which is responsible for supervising the administrator of the benchmark or screen rate (as applicable), (iii) a group of the aforementioned central banks or other supervisory authorities or (iv) the Financial Stability Board or any part thereof;

"**Relevant Potential Change of Control Announcement**" has the meaning given to it in Condition 6.2(b);

"**Reset Date**" means the First Reset Date and each fifth anniversary thereof;

"**Reset Interest Determination Date**" means the day falling two Business Days prior to the relevant Reset Date;

"**Reset Interest Rate**" has the meaning given to it in Condition 3.4;

"**Reset Period**" means each period beginning on and including a Reset Date and ending on but excluding the next succeeding Reset Date thereafter and "**relevant Reset Period**" shall be construed accordingly;

"**Reset Reference Bank Rate**" has the meaning given to it in Condition 3.2;

"**Reset Reference Banks**" has the meaning given to it in Condition 3.2;

"**Reset Screen Page**" means Reuters screen "ICESWAP2" or such other page as may replace it on that information service, or on such other equivalent information service as determined by the Agent Bank, for the purpose of displaying the annual swap rates for euro swap transactions with a five-year maturity;

"**Second Step-up Date**" means 3 September 2045;

"**Senior Obligations**" means (a) all unsubordinated obligations, and (b) all Subordinated Indebtedness of the Issuer, issued directly or indirectly by it, other than Parity Obligations and Junior Obligations;

"**Solvent Reorganisation**" means, with respect to the Issuer, a solvent reorganisation or restructuring where the surviving entity assumes all or substantially all of the assets and liabilities of the Issuer, including the obligations of the Issuer under the Loan Notes;

"**Subordinated Indebtedness**" means any obligation of the Issuer, whether or not having a fixed maturity, which is by its terms, or is expressed to be, or is pursuant to applicable Swiss law, subordinated in an Event of Insolvency of the Issuer to the claims of all unsubordinated obligations of the Issuer but senior to the Loan Notes or to the obligations of the Issuer in respect of Parity Obligations;

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

"**Substantial Repurchase Event**" means that seventy-five (75) per cent. or more of the aggregate principal amount of the Loan Notes has been previously redeemed or purchased and cancelled;

"**Successor Rate**" means a successor to or replacement of EURIBOR which is formally recommended by any Relevant Nominating Body;

"**TARGET2 System**" means the Trans-European Automated Real-Time Gross Settlement Express Transfer payment system, or any successor thereto;

"**Tax Deduction**" has the meaning given to it in Condition 3.8;

"**Tax Event**" means that an opinion of recognised independent tax counsel has been delivered to the Issuer on or after the Issue Date confirming that the Interest Payment on the next Interest Payment Date would not be deductible as an expense for tax purposes of the Issuer;

"**Taxes**" has the meaning given to it in Condition 7.1;

"**Ten Non-Bank Rule**" means the rule that the aggregate number of the Issuer's lenders under the Loan Notes which are not Qualifying Banks must not at any time exceed ten, all in accordance with the meaning of the Guidelines;

"**Transfer**" and "**Transferred**" have the meanings given to them in Condition 10.1;

"**Twenty Non-Bank Rule**" means the rule that the aggregate number of the Issuer's lenders (including Noteholders), other than Qualifying Banks, under all outstanding debts relevant for the classification of debenture (*Kassenobligation*) (within the meaning of the Guidelines) such as intra-group loans, facilities and/or private placements (including under the Loan Notes) must not at any time exceed twenty, all in accordance with the meaning of the Guidelines; and

"**Withholding Tax Event**" means that an opinion of a recognised independent tax counsel has been delivered to the Issuer on or after the Issue Date, confirming (a) the occurrence of a Recalculation of Interest; or (b) that the Issuer is required, pursuant to the Conditions, to pay Additional Amounts in respect of any Loan Notes (or would be required to pay Additional Amounts in respect of any Loan Notes that may be issued in the future) and, in each case, this cannot be avoided by the Issuer taking such reasonable measures as the Issuer (acting in good faith and in its sole discretion) deems appropriate.

The following paragraph does not form part of the Terms and Conditions of the Loan Notes.

The Issuer intends (without thereby assuming a legal obligation), that if it redeems the Loan Notes pursuant to Condition 6.2(a) or repurchases the Loan Notes, it will so redeem or repurchase the Loan

Notes only to the extent the aggregate principal amount of the Loan Notes to be redeemed or repurchased does not exceed such part of the net proceeds received by the Issuer or any Subsidiary of the Issuer from the sale or issuance by the Issuer or such Subsidiary to third party purchasers (other than members of the Group) of securities which are assigned by S&P an aggregate "equity credit" (or such similar nomenclature used by S&P from time to time) that is equal to or greater than the "equity credit" assigned to the Loan Notes at the time of their issuance (but taking into account any changes in hybrid capital methodology or the interpretation thereof since the issuance of the Loan Notes), unless:

(a) the issuer credit rating assigned by S&P to the Issuer is the same as or higher than the issuer credit rating assigned by S&P to the Issuer on the date of the last additional issuance (excluding refinancing) of hybrid securities which were assigned a similar "equity credit" by S&P (or such similar nomenclature then used by S&P) and the Issuer is of the view that such rating would not fall below this level as a result of such redemption or repurchase; or

(b) in the case of a repurchase, such repurchase is of less than (i) 10 per cent. of the aggregate principal amount of hybrid capital outstanding in any period of 12 consecutive months or (ii) 25 per cent. of the aggregate principal amount of hybrid capital outstanding in any period of 10 consecutive years; or

(c) the Loan Notes are not assigned an "equity credit" (or such similar nomenclature then used by S&P) at the time of such redemption or repurchase; or

(d) in the case of a repurchase, such repurchase is in an amount necessary to allow the aggregate principal amount of hybrid capital issued or guaranteed by the Issuer remaining outstanding after such repurchase to remain at or below the maximum aggregate principal amount of hybrid capital to which S&P would assign equity content under its prevailing methodology; or

(e) such redemption or repurchase occurs on or after 3 September 2045.

USE OF PROCEEDS

The net proceeds from the issue of the Loan Notes will be used by the Issuer for general corporate purposes, which may include refinancing existing indebtedness and/or acquisition finance.

DESCRIPTION OF FIRMENICH AND THE GROUP

Introduction

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

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

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

Overview of Industry Sector

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

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

Trends affecting this industry include:

- increased spending power of a growing population (in particular the growing middle class and urban population);
- increasing demand for convenience food;
- urbanisation and economic expansion in growing markets;

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

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

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

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

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

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

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

Group Strengths

Market leader with critical scale and competitive advantages

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

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

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

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

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

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

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

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

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

Firmenich's strong defensive characteristics are further enhanced by a strong intellectual property catalogue of more than 3,900 patents worldwide, with a proprietary creation and formulation system which includes tens of thousands of unique formulations. The Group employs a team of more than 450 scientists with leading

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

expertise in green chemistry, biotech, encapsulation technologies, olfactory science and taste modulation, among other areas. Also see "*Principal Activities - Research and Development*" section below.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Group Strategy

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

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

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

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

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

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

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

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

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

Strategic Acquisitions and Investments

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

Businesses	**% Acquired**	**Month & year of completion**
Essex Laboratories (USA)	75%	July 2016
Agilex Fragrances (USA)	100%	July 2017
Natural Flavors (USA)	100%	February 2018
Flavourome (South Africa)	100%	February 2018
Nelixia (Guatemala)	36%	May 2018
Fragrance West (USA)	100%	June 2018
Campus (Italy)	100%	August 2018
Senomyx (USA)	100%	November 2018
ArtSci Biology (China)	25%	June 2019
VKL Seasoning (India)	65%	July 2019
CO_2 Extraction Unit from Evonik (Germany)	100%	November 2019

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

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

Financial policies

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

Recent Developments

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

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

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

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

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

On 5 May 2020, Boet Brinkgreve, previously the Chief Supply Chain Officer, was appointed to the role of President of Ingredients effective 1 July 2020.

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

COVID-19 Developments

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

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

Management acknowledges however that it is difficult to gauge the full ramifications and consequences of the pandemic on the global economy or on the operations and results of Firmenich. However, for the period from 1 January 2020 to 30 April 2020, the Group has generated positive year-on-year revenue growth in local currency terms. The Group's performance calendar year to date through April reflects positive year-on-year revenue growth in local currency terms with better profitability than the equivalent period in 2019.

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

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

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

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

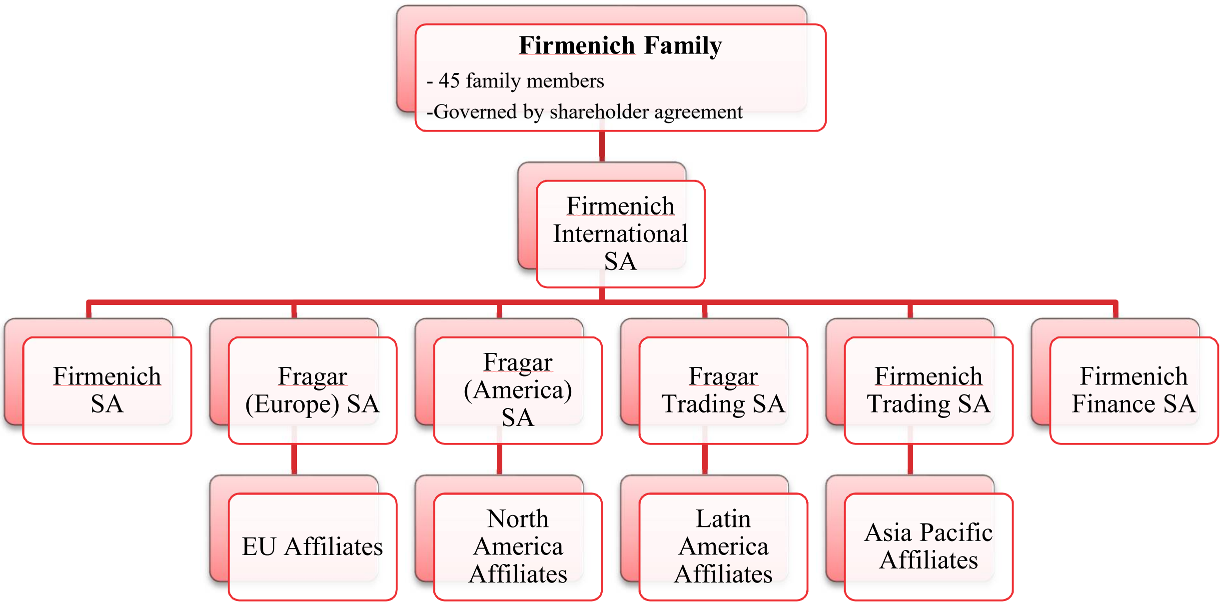
Management expects the Group’s EBITDA margin for the financial year ended 30 June 2020 to be comparable to its EBITDA margin for the same period in 2019.

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

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

Group structure

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



Principal Activities

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

Perfumery & Ingredients

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

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

Management estimates that its Perfumery & Ingredients business is tied for largest by revenue for the 2019 financial year amongst the entities it identifies as its key competitors[4]. The Group's growth strategy for the Perfumery & Ingredients division is primarily focused on increasing the agility and the efficiency across the organisation in response to the accelerating pace of new product launches in the perfumery industry. The Group is also focused on driving above-GDP growth by supporting clients in their efforts to grow in faster growing segments in developed markets, launching successful new products in growth markets as well as to launch products with unique and differentiating features, supported by Firmenich's portfolio of technologies, as well as aroma chemical, biotech and biodegradable ingredients. Management believes it has a leading position in each sub-division, ranking as a co-leader in Fine Fragrance, first in Ingredients and second in Personal, Body and Home Care among its competitors by revenues globally in each case[5]. Within

[4] Pro-forma adjusted to reflect the full-year impact of announced acquisitions.
[5] Source: Management estimates.

Ingredients, management intends to expand the ingredients offering and lead the market in sustainable and renewable ingredients.

Flavors

The Flavors division consists of the following sub-divisions:

- Sweet Goods
- Beverage
- Savory

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

Research and Development

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

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

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

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

Intellectual Property

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

The Group has a portfolio of IP rights including trade secrets, patents, designs and trademarks. It protects and maintain its IP rights in alignment with the Group's innovation strategy and business interests. Specific measures are in place to ensure the confidentiality and protection of trade secrets, including legal frameworks with employees, suppliers, and customers and protected systems. The Group patent portfolios cover a variety of ingredients, technologies and processes. The Group considers its IP assets as critical element of its innovation strategy.

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

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

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

Product safety compliance

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

Summary Financial Performance

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

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

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

*Revenue by division (CHF millions)**

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

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

*Revenue by region (CHF millions)**

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

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

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

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

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

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

[7] includes Turkey.
[8] includes Mexico.

Employees

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

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

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

Material litigation

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

Information on Firmenich's most recent business performance

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

Material changes since the most recent annual financial statements

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

Sustainability

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

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

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

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

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

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

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

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

CAPITALISATION

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

	Year ended 30 June	
	2019	**2018**
	CHF millions	
Cash and cash equivalents	**376.4**	**443.6**
Borrowings:		
Long-term bank borrowings	36.4	25.9
Short-term bank borrowings	523.2	578.0
Total Debt	**559.6**	**603.9**
Equity:		
729,000 Class A shares of CHF 50 each	36.45	36.45
810,000 Class B shares of CHF 5 each	4.05	4.05
Total share capital	40.5	40.5
Retained earnings and other reserves	3,389.4	3,075.1
Remeasurement of postemployment benefit obligations	(375.9)	(377.8)
Translation of foreign operations	(367.1)	(323.2)
Equity attributable to equity holders of the parent	**2,686.9**	**2,414.6**
Non-controlling interests	19.5	18.4
Total Equity	**2,706.4**	**2,433.0**
Total Capitalisation	**3,266.0**	**3,036.9**

MANAGEMENT

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

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

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

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

Board of Directors

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

Director Biographies

Patrick Firmenich

Patrick Firmenich is the Chairman of the Board of Firmenich. He has been serving in this capacity since October 2016, after first joining the Board in 2002 when he became CEO of Firmenich. He previously served as Vice Chairman of the Board from 2014 to 2016. He also serves as Chairman of the Nomination Committee.

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

Barbara Kux

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

André Pometta

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

Pierre Bouchut

Pierre Bouchut joined the Board of Firmenich in 2016. He is also Chairman of the Finance, Audit and Risk Committee, having held the position since 2016. Pierre was the chief operating officer for Europe and Indonesia and a member of the management board of Ahold Delhaize until January 2018. Prior to the merger of Ahold and Delhaize, Pierre was the executive vice president and chief financial officer of Delhaize Group having joined them in 2012. Before joining Delhaize Group, Pierre was chief financial officer and then executive director of growth markets at Carrefour, overseeing operations in Latin America, Turkey, India, Indonesia and Malaysia. He also oversaw Carrefour Personal Financial Services operations worldwide and was in charge of IT and Real Estate globally. Pierre also worked at the Schneider Group as chief financial officer, developing numerous initiatives in structured finance, risk management and external growth; was CEO of Casino group; worked at McKinsey & Company as a consultant in the corporate finance and integrated logistics practices; and prior to that, was with Citibank in Paris. Today, he is a board member of Hammerson Plc (a retail property investment company), Geopost SA (a subsidiary of the French Post Office) and Albioma SA (a company specialized in the production of "green" electricity) and GVC Holding PVC (a sport betting and gaming group). A graduate of HEC Paris, he holds a master's degree in applied economics from the University of Paris Dauphine.

Dr. Ajai Puri

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

Karen Jones Easton

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

Antoine Firmenich

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

Richard Ridinger

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

Michel Firmenich

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

Executive Committee

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

* Retiring effective 30 June 2020
** Currently Chief Supply Chain Officer, Ingredients President from 1 July 2020
*** Committee member from 2 March 2020, Perfumery President from 1 July 2020

Gilbert Ghostine

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

Eric Nicolas

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

Jane Sinclair

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

Mieke van de Capelle

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

Armand de Villoutreys

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

Boet Brinkgreve

Boet is currently Firmenich's Chief Supply Chain Officer and, from 1 July 2020, will be the President of Ingredients. Before this role, he was Head of the Ingredients Division, and drove growth in China for several years. Prior to joining Firmenich, and after having run two start-ups, Boet worked for DuPont in several business development roles. He holds a bachelor's degree in mechanical engineering at the Technical University of Eindhoven & HTS den Bosch in the Netherlands.

Emmanuel Butstraen

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

Geneviève Berger

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

Ilaria Resta

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

SHAREHOLDERS AND DIVIDEND POLICY

Ordinary Share Capital

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

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

Shareholders

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

Dividend Policy

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

SUMMARY SELECTED CONSOLIDATED FINANCIAL DATA OF FIRMENICH

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

Selected Consolidated Income Statement

Firmenich International SA

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

Selected Consolidated Statement of Financial Position

Firmenich International SA

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

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

Selected Consolidated Six Month Income Statement

Firmenich International SA

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

Selected Consolidated Six Month Statement of Financial Position

Firmenich International SA

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

ACQUISITION OF LES DÉRIVÉS RÉSINIQUES ET TERPÉNIQUES SAS

Introduction

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

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

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

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

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

History and Ownership of DRT

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

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

Operations of DRT

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

For the financial year ended 31 December 2019 DRT reported revenues of approximately €544.7 million and reported net EBITDA of approximately €98.6 million. Revenues were geographically split in the financial year ended 31 December 2018 with approximately 22% France, 42% Rest of Europe, 18% Americas, 17% Asia and 1% for the Rest of the World, with such figures being 19% France, 41% Rest of Europe, 23% Americas, 15% Asia and 2% for the Rest of the World for the financial year ended 31 December 2019. DRT had revenue growth of approximately 5% per year from 2014 to 2019.

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

Headquarters & Employees

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

Financial Statements of DRT

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

TAXATION

General

This following summary describes the principal tax consequences under the laws of Switzerland of the acquisition, ownership and disposal of Loan Notes for investors who are either Qualifying Banks or Permitted Non-Qualifying Loan Noteholders. This summary does however not address the tax treatment of any other investors.

This summary is based on the tax laws, regulations and regulatory practices of Switzerland, as in effect on the date hereof, which are subject to change (or subject to changes in interpretation), possibly with retroactive effect, and a tax ruling with the Swiss Federal Tax Administration.

Loan Noteholders or prospective Loan Noteholders are advised to consult their own tax advisers in light of their particular circumstances as to the Swiss tax laws, regulations and regulatory practices that could be relevant for them in connection with acquiring, owning and disposing of Loan Notes and receiving interest, principal or other payments under the Loan Notes.

Withholding Tax

Payments by the Issuer of interest on, and repayment of principal of, the Loan Notes, will not be subject to Swiss Federal Withholding Tax (currently levied at a rate of 35 per cent.), provided that the aggregate number of holders of Loan Notes who are not Qualifying Banks will not at any time while any Loan Notes are outstanding exceed ten, and the aggregate number of lenders to the Issuer (including holders of Loan Notes) under all of the Issuer's financial debt (including Loan Notes) who are not Qualifying Banks will not at any time while any Loan Notes are outstanding exceed twenty. The Terms and Conditions of the Loan Notes require the Issuer to comply at all times while any Loan Notes are outstanding with these limitations and require the Loan Noteholders to comply with the restrictions on transfer of Loan Notes and grants of security which, inter alia, limit the holders of Loan Notes to one single Permitted Non-Qualifying Loan Noteholder and Qualifying Banks.

Stamp Taxes

The issue and redemption of the Loan Notes by the Issuer are not subject to Swiss federal issuance stamp tax (*Emissionsabgabe*) or Swiss federal transfer stamp tax (*Umsatzabgabe*).

Provided that at all times while any Loan Notes are outstanding the Issuer complies with the Non-Bank Rules and the Loan Noteholders comply with the transfer restrictions provided for in the Terms and Conditions of the Loan Notes, no Swiss transfer stamp tax (*Umsatzabgabe*) will be payable on a potential transfer or assignment of the Loan Notes (see "*Withholding Tax*" above for a summary of the transfer restrictions).

Swiss Corporate Income Tax

Non-resident Holders

A Loan Noteholder who is a corporate entity and not resident in Switzerland (including the Permitted Non-Qualifying Loan Noteholder as defined in the Terms and Conditions of the Loan Notes) and who during the fiscal year has not engaged in a trade or business carried on through a permanent establishment or a fixed place of business in Switzerland to which the Loan Note is attributable is in respect of such Loan Note not subject to income tax in Switzerland (see "*Withholding Tax*" above for a summary on the Swiss Federal Withholding Tax).

Loan Notes held in Switzerland as Swiss business assets

Swiss resident corporate taxpayers and corporate taxpayers resident abroad holding Loan Notes through a permanent establishment or a fixed place of business in Switzerland are required to recognise the payments of interest and any capital gain or loss realised on the sale or other disposal of such Loan Note, in each case converted into Swiss francs at the exchange rate prevailing at the time of payment or sale, as applicable in their income statement for the respective tax period and are taxable on any net taxable earnings for such period.

TRANSFER RESTRICTIONS

General

Transfers of Loan Notes shall be made in accordance with the provisions of Condition 10. A Loan Note may only be assigned or transferred (a "**Transfer**" and "**Transferred**" shall be construed accordingly), in whole or in part, but only if the Transfer is:

(i) in whole or in part, if the Transfer is to a Qualifying Bank, provided that in the case of a Transfer of the Loan Notes in part, the Loan Notes may not be transferred to more than 5 (five) Qualifying Banks, or

(ii) in whole but not in part, if the Transfer is to a Permitted Non-Qualifying Noteholder, i.e. initially, a nominee of a custodian acting on behalf of ELM B.V., Prins Bernhardplein 200, 1097 JB Amsterdam, The Netherlands ("**ELM**") and a successor (or such successor's custodian or nominee of such custodian on its behalf) of ELM by way of Transfer of all of the Loan Notes

(in each case subject to the provisions set out in the Terms and Conditions of the Loan Notes).

Subject to a permitted Transfer, no Loan Noteholder shall transfer its credit exposure under the Loan Notes to third parties by way of entering into derivative transactions, sub-participations or similar instruments with such third parties, unless under such arrangement and at any time throughout the life of such arrangement:

(i) the relationship between the Loan Noteholder and that other person is that of debtor and creditor (including in the bankruptcy or similar event of the Loan Noteholder or the Issuer);

(ii) the other person will have no proprietary interest in the benefit of the Loan Notes or in any monies received by the Loan Noteholder under or in relation to the Loan Notes; and

(iii) the other person will under no circumstances, other than permitted Transfers (A) be subrogated to, or substituted in respect of, the Loan Noteholder's claims under the Loan Notes and (B) have otherwise any contractual relationship with, or rights against, the Issuer under or in relation to the Loan Notes.

For the avoidance of doubt, the granting of security in accordance with Condition 11 will not be subject to the foregoing limitations.

Title to the relevant Loan Note passes only on due registration in the Register. The Loan Notes will be issued in certificated, registered form, and will bear a legend setting forth the applicable transfer restrictions.

United States

The Loan Notes have not been and will not be registered under the Securities Act or the securities laws of any state or other jurisdiction of the United States and may not be offered, sold or resold in the United States (as defined in Regulation S under the Securities Act), except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable state or local securities laws. The Loan Notes are not being offered in the United States or to U.S. persons.

United Kingdom

Any invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000 (the "**FSMA**")) in connection with the issue or sale of the Loan Notes has only been communicated or caused to be communicated and will only be communicated or caused to be communicated in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer.

In addition, anything done in relation to the Loan Notes in, from or otherwise involving the United Kingdom must be done in compliance with all applicable provisions of the FSMA.

Prohibition of sales to EEA and UK retail investors

The Loan Notes may not be offered, sold or otherwise made available to any retail investor in the European Economic Area or the United Kingdom. For the purposes of this provision:

(a) the expression “retail investor” means a person who is one (or more) of the follow:

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

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

  (iii) not a qualified investor as defined in the Prospectus Regulation; and

(b) the expression “offer” includes the communication in any form and by any means of sufficient information on the terms of the offer and the Loan Notes to be offered so as to enable an investor to decide to purchase or subscribe the Loan Notes.

The Netherlands

The Loan Notes may not, directly or indirectly, be, (or announced to be) offered, sold, resold, delivered or transferred as part of their initial distribution or at any time thereafter to, or to the order of, or for the account of, any person anywhere in the world other than to:

(i) persons who do not form part of the “public”, as that term is interpreted by the applicable regulator pursuant to Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012; and who are

(ii) Qualified Investors (*gekwalificeerde beleggers*) within the meaning of Section 1:1 of the Financial Supervision Act (*Wet op het financieel toezicht*).

Switzerland

The Loan Notes may not be publicly offered, directly or indirectly, in Switzerland within the meaning of the Swiss Financial Services Act (“**FinSA**”) and no application has or will be made to admit the Loan Notes to trading on any trading venue (exchange or multilateral trading facility) in Switzerland. Neither this Information Memorandum nor any other offering or marketing material relating to the Loan Notes constitutes a prospectus pursuant to the FinSA, and neither this Information Memorandum nor any other offering or marketing material relating to the Loan Notes may be publicly distributed or otherwise made publicly available in Switzerland.

Italy

The offering of the Loan Notes will not be registered pursuant to Italian securities legislation and accordingly, no Loan Notes may be offered, sold or delivered, nor may copies of this Information Memorandum or any other document relating to the Loan Notes be distributed in the Republic of Italy, except:

(a) to qualified investors (*investitori qualificati*) (“**Qualified Investors**”), as defined under Article 34-ter, paragraph 1, letter b) of Regulation No. 11971 issued by CONSOB (the Italian Securities Exchange Commission) on 14 May 1999, as amended (the “**Regulation 11971/1999**”); or

(b) in circumstances which are exempted from the rules on offers of securities to be made to the public pursuant to Article 100 of Legislative Decree No. 58 of 24 February 1998, as amended (the “**Financial Services Act**”) and Article 34-ter, first paragraph, of Regulation 11971/1999.

Any offer, sale or delivery of the Loan Notes or distribution of copies of this Information Memorandum or any other document relating to the Loan Notes in the Republic of Italy under (a) or (b) above must be:

(i) made by an investment firm, bank or financial intermediary permitted to conduct such activities in the Republic of Italy in accordance with the Financial Services Act, CONSOB Regulation No. 20307 of 15 February 2018 and Legislative Decree No. 385 of 1 September 1993, as amended; and

(ii) in compliance with any other applicable laws and regulations.

In accordance with Article 100-bis of the Financial Services Act, where no exemption under (b) above applies, the subsequent distribution of the Loan Notes on the secondary market in Italy must be made in compliance with the rules on offers of securities to be made to the public provided under the Financial Services Act and the Regulation 11971/1999. Failure to comply with such rules may result, inter alia, in the sale of such Loan Notes being declared null and void and in the liability of the intermediary transferring the Loan Notes for any damages suffered by the investors.

Singapore

This Information Memorandum has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, the Loan Notes may not be offered, sold or made the subject of an invitation for subscription or purchase and this Information Memorandum or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Loan Notes may not be circulated or distributed, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor (as defined in Section 4A of the Securities and Futures Act, Chapter 289 of Singapore (the "**SFA**")) pursuant to Section 274 of the SFA, (ii) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1), or any person pursuant to Section 275(1A), and in accordance with the conditions specified in Section 275, of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Loan Notes are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

(a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or

(b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities (as defined in Section 239(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Loan Notes pursuant to an offer made under Section 275 of the SFA except:

(i) to an institutional investor or to a relevant person, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;

(ii) where no consideration is or will be given for the transfer;

(iii) where the transfer is by operation of law;

(iv) as specified in Section 276(7) of the SFA; or

(v) as specified in Regulation 32 of the Securities and Futures (Offers of Investments) (Shares and Debentures) Regulations 2005 of Singapore.

Singapore SFA Product Classification: In connection with Section 309B of the SFA and the Securities and Futures (Capital Markets Products) Regulations 2018 (the "**CMP Regulations**"), the Issuer has determined, and hereby notifies all relevant persons (as defined in Regulation 3(b) of the CMP Regulations) that the Loan Notes are "prescribed capital markets products" (as defined in the CMP Regulations) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

Restrictions Applicable in Other Jurisdictions

The distribution of this Information Memorandum in other jurisdictions may be restricted by law and persons into whose possession this Information Memorandum comes should inform themselves about, and observe any such restrictions. Any failure to comply with these restrictions may constitute a violation of U.S. securities laws or the laws of any such other jurisdictions.

GENERAL INFORMATION

Authorisations

The issuance of the Loan Notes has been authorised by resolutions of the board of directors of the Issuer passed on 12 February 2020.

No Material Adverse Change

Since the publication date of the latest financial statements included in this Information Memorandum, there has been no material change in the assets and liabilities, financial position or profits or losses of the Issuer. See also "*Description of Firmenich and the Group – Recent Developments – COVID-19 Developments*".

Litigation

The Issuer has not been involved in any litigation, governmental, or arbitration proceedings, including any such proceedings which are pending or threatened of which the Issuer is aware, during the 12 months preceding the date of this Information Memorandum which may have, or have had in the recent past, a significant effect on Firmenich's financial position.

Auditors

The statutory auditors of the Firmenich Group and the Issuer are KPMG SA, with their address at Esplanade de Pont-Rouge 6, CH-1211 Geneva, Switzerland. KPMG SA is a member of EXPERTsuisse.

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

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

FINANCIAL STATEMENTS

This section contains the following financial statements:

Issuer Financial Statements

- the audited consolidated financial statements of the Issuer and its subsidiaries (including the notes thereto) as at, and for the years ended 30 June 2019 and 2018 and related Auditor's Reports; and

- the unaudited consolidated interim financial information of the Issuer and its subsidiaries as at, and for the six months ended 31 December 2019.

DRT Financial Statements

- the audited consolidated financial statements of Alpha-Beta International which consolidates DRT and its subsidiaries (including the notes thereto) as at, and for the years ended 31 December 2019 and related Auditor's Report.

Firmenich International SA, Geneva

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

Consolidated Financial Statements FY2018

KPMG SA
Geneva, 4 September 2018
Ref. HB/JBC/lte

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Statutory Auditor's Report to the General Meeting of

Firmenich International SA, Geneva

Report on the Audit of the Consolidated Financial Statements

Opinion
We have audited the consolidated financial statements of Firmenich International SA and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 30 June 2018 and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended 30 June 2018, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 30 June 2018, and its consolidated financial performance and its consolidated cash flows for the year then ended 30 June 2018 in accordance with International Financial Reporting Standards (IFRS) and comply with Swiss law.

Basis for Opinion
We conducted our audit in accordance with Swiss law, International Standards on Auditing (ISAs) and Swiss Auditing Standards. Our responsibilities under those provisions and standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession, as well as the IESBA Code of Ethics for Professional Accountants, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information in the Annual Report
The Board of Directors is responsible for the other information in the annual report. The other information comprises all information included in the annual report, but does not include the consolidated financial statements, the stand-alone financial statements of the company and our auditor's reports thereon.

Our opinion on the consolidated financial statements does not cover the other information in the annual report and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information in the annual report and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibility of the Board of Directors for the Consolidated Financial Statements
The Board of Directors is responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRS and the provisions of Swiss law, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements
Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law, ISAs and Swiss Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Swiss law, ISAs and Swiss Auditing Standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

Report on Other Legal and Regulatory Requirements

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

We recommend that the consolidated financial statements submitted to you be approved.

KPMG SA

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

Geneva, 4 September 2018

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

Consolidated income statement

For the years ended June 30

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

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

Analysis of operating profit

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

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

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

Consolidated statement of comprehensive income

For the years ended June 30

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

Consolidated statement of financial position

As at June 30

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

Consolidated statement of changes in equity

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

(*) Refer to note 2 and 15

Consolidated statement of cash flows

For the years ended June 30

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

Notes to the consolidated financial statements

1. Accounting information and policies

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

Firmenich Group

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

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

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

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

The Group's consolidated financial statements are prepared in accordance with the accounting and reporting requirements of the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). These accounting policies have been consistently applied to all the years presented, unless otherwise stated. The consolidated financial statements are prepared on an accrual basis and using the historical cost convention, as modified by the revaluation of financial assets and financial liabilities (including derivative instruments) at fair value through income statement.

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

Critical accounting estimates and judgments

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

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

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

a) Impairment of goodwill

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

b) Pensions and other post-employment benefits

The Group operates various pension schemes and post-employment benefit programs. The calculations of the recognized assets and liabilities from such plans are based upon statistical and actuarial calculations and are impacted by assumptions on discount rates used to arrive at the present value of future pension liabilities, expected returns that will be made on existing pension assets, future salary increases as well as future pension increases and statistical based assumptions covering future withdrawals of participants from the plan and estimates of life expectancy. The actuarial assumptions used may differ materially from actual results due to changes in market and economic conditions, higher or lower withdrawal rates or longer or shorter life spans of participants and significantly impact the amount of pension costs and pension liabilities to be recognized (refer to note 16).

Notes to the consolidated financial statements

International Financial Reporting Standards – Revised standards

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

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

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

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

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

Changes in accounting policies and IFRS

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

The new and revised international financial reporting standards are:

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

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

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

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

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

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

Notes to the consolidated financial statements

Group significant accounting policies

Principles of consolidation

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

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

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

Inter-company balances, transactions and profits are eliminated.

The Group's interests in jointly controlled entities and associates are accounted for using the equity method. Under this method, these investments are shown in the statement of financial position at the Group's share of the net assets of the companies and the movement for the year in these investments is shown in the income statement.

Foreign currencies

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

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

Revenue

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

Non-recurring items

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

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

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

2. Business combinations

2.1 Businesses acquired

2.1.a Businesses acquired in 2018

The following table summarises the businesses acquired in 2018:

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

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

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

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

2.1.b Business acquired in 2017

The following table summarises the business acquired in 2017:

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

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

2.2 Assets and liabilities recognised at the date of acquisition

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

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

The goodwill reflects the expected revenue growth and synergies.

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

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

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

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

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

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

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

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

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

2.3 Cash flow on acquistions

2.3.a Cash flow on acquisitions in 2018

The cash flow made on the acquisitions is summarised below :

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

2.3.b Cash flow on acquisitions in 2017

The cash flow made on the acquisitions is summarised below :

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

3. Goodwill and intangible assets

Amortization

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

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

Impairment

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

Impairment test for goodwill

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

Impairment test for goodwill

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

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

No impairment loss resulted from the impairment tests for goodwill.

Customer base

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

Technology and formulas

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

Brand, software and other

Software

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

Patents, licenses, brands and trademarks

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

Research and development

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

Construction in progress

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

Intangible assets not yet available for use

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

In millions of CHF	Goodwill	Customer base	Technology and formulas	Brand, software and other	Construction in progress	Total
COST						
Opening balance 2017	**315.5**	**173.1**	**219.3**	**369.3**	**37.0**	**1 114.2**
Additions	-	-	-	0.1	25.1	25.2
Disposals	-	-	-	(1.4)	-	(1.4)
Transfers *	-	-	24.4	11.4	(34.4)	1.4
Acquisition of businesses	10.8	-	5.4	0.1	-	16.3
Currency translation adjustment	(3.3)	-	(0.1)	(0.7)	-	(4.1)
Closing balance 2017	**323.0**	**173.1**	**249.0**	**378.8**	**27.7**	**1 151.6**
Additions	0.4	-	-	0.1	36.9	37.4
Transfers *	-	-	14.9	15.8	(31.1)	(0.4)
Acquisition of businesses	280.6	184.2	24.3	47.6	-	536.7
Currency translation adjustment	14.6	5.8	1.0	2.7	-	24.1
Closing balance 2018	**618.6**	**363.1**	**289.2**	**445.0**	**33.5**	**1 749.4**
ACCUMULATED AMORTIZATION						
Opening balance 2017		**103.8**	**189.9**	**328.4**		**622.1**
Charge of the year		11.5	7.1	19.8		38.4
Disposals		-	-	(1.4)		(1.4)
Currency translation adjustment		0.1	(0.1)	(0.6)		(0.6)
Closing balance 2017		**115.4**	**196.9**	**346.2**		**658.5**
Charge of the year		19.1	7.4	20.6		47.1
Impairment losses		-	-	1.0		1.0
Transfers		0.6	-	(1.6)		(1.0)
Currency translation adjustment		0.1	0.2	1.0		1.3
Closing balance 2018		**135.2**	**204.5**	**367.2**		**706.9**
NET BOOK VALUE						
Closing balance 2017	**323.0**	**57.7**	**52.1**	**32.6**	**27.7**	**493.1**
Closing balance 2018	**618.6**	**227.9**	**84.7**	**77.8**	**33.5**	**1 042.5**

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

4. Property, plant and equipment

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

Impairment

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

Depreciation and amortization

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

Buildings	25 to 50 years
Infrastructure	10 to 20 years
Equipment	3 to 20 years

Land is not depreciated. The assets’ residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

Gains and losses on disposal of buildings, infrastructure and equipment are determined by reference to their carrying amount and are taken into the income statement.

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

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

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

Impairment loss

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

In prior year, there was no significant impairment loss.

Property, plant and equipment under finance leases

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

Guarantee

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

5. Financial investments and loans

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

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

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

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

For the year ended June 30, 2018, long-term financial investments consist of investments held at fair value through income statement. They include funds of a deferred compensation scheme of CHF 44.0 (2017: CHF 35.1) that are restricted to employee benefits use only. Assets are invested mainly in various mutual funds to cover the company’s obligations under deferred compensation arrangements (also refer to note 17).

6. Associates and joint ventures

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

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

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

June 30, 2018

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

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

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

June 30, 2017

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

(*) Prolitec Inc is an associated company

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

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

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

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

7. Deferred income taxes

The Group takes advantage of local fiscal possibilities to make appropriations to untaxed reserves in the individual affiliated companies' financial statements prepared for fiscal purposes. Given the fact that timing differences are created between local books and reporting submitted, deferred income tax impacts have to be taken into account.

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

Deferred income tax assets are recognized to the extent that it is probable that future taxable income will be available against which the temporary difference can be utilized.

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

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

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

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

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

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

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

8. Inventories

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

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

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

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

9. Trade accounts receivable

Trade accounts receivable

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

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

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

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

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

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

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

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

10. Other receivables and prepaid expenses

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

11. Financial instruments

Derivative financial instruments

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

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

12. Financial investments

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

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

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

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

13. Share capital

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

Ordinary share

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

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

14. Earnings per share

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

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

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

Dividend distribution

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

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

15. Non-controlling interests

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

June 30, 2018

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

June 30, 2017

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

16. Pension plans and other post-employment benefit obligations

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

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

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

The liability recognised in the statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligation.

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

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

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

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

Other post-employment benefits and similar obligations also comprise healthcare benefits, jubilees, long-service leaves and similar obligations whenever requested by local laws or circumstances. The entitlement to healthcare benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment using the same accounting methodology as used for defined benefit pension plans. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise.

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

PENSION PLANS

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

OTHER POST-EMPLOYMENT BENEFITS

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

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

In millions of CHF	2018	2017
OBLIGATIONS		
Defined pension benefits	434.7	437.7
Other post-employment benefits	111.0	94.8
Liability in statement of financial position	**545.7**	**532.5**
INCOME STATEMENT CHARGES		
Defined pension benefits	53.5	60.0
Other post-employment benefits	6.2	7.0
Total included in income statement	**59.7**	**67.0**
REMEASUREMENT		
Defined pension benefits	(14.1)	(98.4)
Other post-employment benefits	14.2	(0.7)
Total remeasurement included in other comprehensive income	**0.1**	**(99.1)**

Following non-recurring items (refer to analysis of operating profit) were incurred:

Past service cost	(2.8)	7.1

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

Defined contribution plans

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

Defined benefit pension plans

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

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

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

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

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

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

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

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

The table below outlines the funding situation by geographic area:

June 30, 2018

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

June 30, 2017

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

Key financial actuarial assumptions

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

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

Sensitivity analysis

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

In millions of CHF	Change in assumption	Increase in assumption	Decrease in assumption
Discount rate	0.50%	(102.5)	115.5
Future salary increases	0.50%	11.0	(10.9)
Future pension increases	0.50%	83.9	(4.4)
Life expectancy	1 year	43.9	(43.6)

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

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

Main defined benefit pension plans description

Switzerland

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

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

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

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

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

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

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

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

Under IAS19 employee benefits, the pension plans are classified as defined benefit plans due to the promises and underlying benefits guarantees. Consequently the pension obligation is calculated by using the projected unit credit method.

The Group expects to contribute CHF 24.0 to these plans during the year ended June 30, 2019.

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

International Pension Plan

The purpose of the plan is to ensure that key international employees obtain a level of benefits in case of disability, death, retirement or termination of employment close to those they would have had if they were covered by the Swiss pension system applicable to the employees of Firmenich SA, taking of course into account any local coverage that these employees may have abroad. The benefit, if any, can only be paid as a lump-sum to the Participant or the Beneficiary.

This plan is intended to be an unfunded and unsecured plan maintained primarily for the purpose of providing pension benefits for key international employees.

The weighted average duration of the defined benefit obligation is 7.8 years.

United States of America

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

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

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

The Group expects to contribute CHF 8.7 to these plans during the year ended June 30, 2019.

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

United Kingdom

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

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

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

Under IAS 19 employee benefits, the defined benefit pension obligations in the Firmenich Wellingborough Employee Benefits Plan are calculated by using the projected unit credit method.
During the year ended June 30, 2016, the pension obligations in respect of the Firmenich Pension Scheme were settled and any surplus used to cover the cost of winding up the scheme. The wind up of this scheme was finalised in 2018.

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

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

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

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

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

Asset - liability management and funding arrangement

Plan trustees or General Assemblies are responsible for determining the mix of asset classes and target allocations of the plans with the support of investment advisors. Periodical reviews of the assets mix are made by mandating external consultants to perform asset-liability matching analyses. Such analyses aim at comparing dynamically the fair value of assets and the liabilities in order to determine the most adequate strategic asset allocation.

The overall investment policy and strategy for the Group's funded defined benefit plans is guided by the objective of achieving an investment return which, together with the contributions paid, is sufficient to maintain reasonable control over the various funding risks of the plans. As those risks evolve with the development of capital markets and asset management activities, the Group addresses the assessment and control process of the major investment pension risks. In order to protect the Group's defined benefit plans funding ratio and to mitigate the financial risks, protective measures on the investment strategies are in force. To the extent possible, the risks are shared equally amongst the different stakeholders.

Risks related to defined benefit plans

The Group is exposed to a number of risks in relation to operating defined benefit plans. The most significant risks are life expectancy as well as market and liquidity risks. In order to minimize these risks, the Group regularly reviews related assumptions. When and where feasible, measures to reduce or transfer the risks are considered.

Other post-employment benefits

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

Other post-retirement benefits are not funded.

MOVEMENT OVER THE YEAR

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

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

Key financial actuarial assumptions

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

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

Sensitivity analysis

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

In millions of CHF	Change in assumption	Increase in assumption	Decrease in assumption
Discount rate	0.5%	(7.7)	8.4
Life expectancy	1 year	2.8	(2.8)
Medical cost trend rate	1.0%	13.2	(8.1)

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

The table below outlines the funding situation by geographic area.

As at June 30, 2018

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

As at June 30, 2017

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

Other postemployment benefits - description

Switzerland

Other post-employment benefits comprise healthcare benefits, long-service leaves, compensations in relation to state pensions for early retirements and other compensations in relation to retirement of corporate management, as well as monthly pensions provided to a limited number of beneficiaries. The entitlement to these other post-employment benefits is usually conditional on the employee remaining in service up to retirement age.

The weighted average duration of the defined benefit obligation is 17.3 years.

United States of America

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

The weighted average duration of the defined benefit obligation is 7.8 years.

17. Provisions

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

Significant judgment is required by the management in determining the various provisions. A range of possible outcomes are determined to make reliable estimates of the obligation that is sufficient for the recognition of a provision.

The estimates and underlying assumptions are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Differences between the final obligations and the estimates impact the income statement in the period in which such determination is made.

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

PROVISIONS - NON CURRENT

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

PROVISIONS - CURRENT

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

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

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

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

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

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

Deferred compensation

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

Product warranty liability

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

Provision for litigation

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

18. Bank borrowings and other long-term liabilities

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

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

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

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

19. Other payables and accrued expenses

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

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

20. Expenses by nature

Significant expense items by nature within operating expenses include:

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

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

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

21. Employee benefits

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

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

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

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

22. Financing costs

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

23. Net other financial income / (expenses)

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

24. Income tax expense

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

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

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

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

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

25. Financial risk management

Financial risk factors

The Group, as a result of its financing activities, is exposed to a variety of risks, including the effects of volatility of foreign currency exchange rates and interest rates, which may adversely affect its results of operations and financial conditions. In seeking to minimize the risks and costs associated with such activities, the Group manages exposure to changes in foreign currency exchange rates, interest rates and commodity prices, when deemed appropriate, through the use of derivative financial instruments. The instruments utilized include: forward contracts, currency options, commodity options, interest rate swaps. The Group does not use financial instruments for speculative or trading purposes.

Financial risk management is carried out by a central treasury department (Group Treasury) under Group policies and principles as described in Treasury manual. Group Treasury identifies, evaluates and hedges financial risks in close co-operation with the operating units. Group policies also cover areas such as (net debt) /net cash management and bank relationship management.

Financial instruments category

Cash and cash equivalents

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

Financial assets

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

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

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

Loans and receivables

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

Financial assets at fair value through income statement

Marketable securities are classified into the category at fair value through income statement. Marketable securities are mainly composed of short-term deposits over 48 hours and equity and debt securities, which are traded in liquid markets. They are classified as current assets as they are potentially realizable within twelve months of the reporting date.

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

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

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

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

June 30, 2018

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

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

June 30, 2017

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

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

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

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

Market risk

a) Foreign exchange risk

Derivative financial instruments and hedging activities

The Group, as a result of its financing activities, is exposed to changes in interest rates that may adversely affect its results of operations and financial conditions. In seeking to minimize the risks and costs associated with such activities, the Group manages exposure to changes in foreign currency exchange rates, interest rates, and commodity prices when deemed appropriate, through the use of derivative financial instruments. The instruments utilized include: forward contracts, currency options, commodity options and interest rate swaps. The Group does not use financial instruments for speculative or trading purposes.

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

Certain derivative transactions, while providing effective economic hedges under the Group’s risk management policies, do not qualify for hedge accounting under the specific rules in IAS 39. Changes in the fair value of derivative instruments that do not qualify for hedge accounting under IAS 39 are recognized immediately in the income statement.

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

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

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

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

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

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

It is the Group's policy to enter into derivative transactions to hedge current and forecasted foreign currency transactions. While these are hedges related to underlying business transactions, the Group applies hedge accounting on selected transactions.

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

Currency exposure

June 30, 2018

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

+ long position; - short position

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

June 30, 2017

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

+ long position; - short position

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

Sensitivity analysis

The following table summarizes the Group's sensitivity to transactional currency exposures of the main currencies. The sensitivity is based on the net exposure after hedging at June 30 and based on assumptions, which have been deemed reasonable by the management, showing the impact on income before taxes. To determine the reasonable change, the Group uses historical volatilities of the below currency pairs.

June 30, 2018

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

June 30, 2017

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

In the exposure calculations the intra-Group positions are included.

b) Price risk

The Group is exposed to equity and bond securities price risk because of investments held by the Group (refer to note 12). To manage its price risk arising from investments in equity and bond securities, the Group diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Group.

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

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

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to equity and bond price risks at the reporting date. The equity portfolio of the Group includes alternative investments. The sensitivity analysis is based on the historical volatility.

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

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

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

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

c) Interest rate risk

Cash flow interest rate risk arises when the Group invests or borrows funds at floating rates whereas exposure to fair value interest rate risk arises when the Group invests or borrows funds at fixed rates.

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

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

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

Sensitivity analysis

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

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

Credit risk

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

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

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

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

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

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

Ratings shown are assigned by international credit-rating agencies

Liquidity risk

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

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

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

The following table analyzes the Group's remaining contractual maturity for financial assets and financial liabilities and derivative financial instruments. The amounts disclosed in the table are the contractual undiscounted cash flows.

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

June 30, 2018

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

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

June 30, 2017

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

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

Fair value measurements recognized in the consolidated statement of financial position

The following table presents the Group's assets and liabilities that are measured at fair value at June 30, 2018, Grouped into levels 1 to 3 on the degree to which the fair value is observable:

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

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

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

June 30, 2018

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

June 30, 2017

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

Reconciliation of movements in Level 3 valuations

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

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

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

Fair value estimation

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

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

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

The fair values of the financial assets and liabilities are defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Methods and assumptions used to estimate the fair values are consistent with those used in the year ended June 30, 2018.

Capital risk management

The objective of the Group when managing capital is to maintain the ability to continue as a going concern in order to maximize shareholder value through an optimal balance of debt and equity and to optimize the cost of capital. The objective is to ensure a lasting A-credit rating (as defined by Standard & Poor's).

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

26. Risk assessment

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

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

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

27. Operating segments

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

28. Contingent assets and liabilities

Assets

The Group has no contingent asset.

Liabilities

From time to time and in varying degrees, the Group operations and earnings continue to be affected by political, legislative, fiscal and regulatory developments, including those relating to environmental protection, in the countries in which it operates. The activities in which the Group is engaged are also subject to risks of various kinds. The nature and frequency of these developments and events, not all which are covered by insurance contracts, as well as their effects on future operations and earnings are not predictable.

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

29. Commitments

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

Commitments resulting from contractual obligations

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

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

Operating lease commitments

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

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

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

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

Capital commitments

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

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

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

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

Finance lease commitments

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

30. Restrictions on the titles to assets

At the closing date, there is no material restriction on the title to assets, except those disclosed in note 5 (deferred compensation scheme) and note 12 (Fondation de prévoyance).

31. Government grants

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

32. Subsequent events

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

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

33. Exchange rates

The following major exchange rates are used to establish the consolidated financial statements:
- closing rates for the consolidated statement of financial position correspond to the exchange rates prevailing at June 30, 2018 and 2017.
- average rates for the consolidated income statement account and the statement of cash flows.

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

34. List of main entities of the Group

The consolidated financial statements include the following main entities.

Country	Entity name	Share in percentage	Currency	Share capital in thousands
Switzerland	Firmenich SA	100	CHF	30 000
	Firmenich Finance SA	100	CHF	100
	Fondation de Prévoyance	100	CHF	-
Argentina	Firmenich S.A.I.C. y F.	100	ARS	5 452
Australia	Firmenich Limited	100	AUD	2 780
Austria	Firmenich Ges.m.b.H	100	EUR	37
Belgium	Firmenich Belgium SA	100	EUR	1 240
Brazil	Firmenich & Cia Ltda.	100	BRL	83 115
Canada	Firmenich of Canada Ltd.	100	CAD	1
China	Kunming Firmenich Aromatics Co. Ltd.	80	CNY	167 281
	Firmenich Aromatics (Shanghai) Co. Ltd.	100	CNY	4 139
	Firmenich Aromatics (China) Co. Ltd.	100	CNY	108 336
Colombia	Firmenich S.A.	100	COP	8 163 346
Denmark	Firmenich Denmark APS	100	DKK	11 625
France	Firmenich & Cie SAS	100	EUR	5 000
	Firmenich Productions SAS	100	EUR	13 600
	Firmenich Grasse SAS	100	EUR	25 756
Germany	Firmenich GmbH	100	EUR	6 300
India	Firmenich Aromatics Production (India) Private Limited	100	INR	2 277 400
	Firmenich Aromatics (India) Pvt Ltd.	100	INR	45 000
Indonesia	PT Firmenich Indonesia	85	IDR	5 305 000
	Firmenich Aromatics Indonesia	100	IDR	45 097 500
Italy	Firmenich S.p.A.	100	EUR	103
Japan	Nihon Firmenich K.K.	100	JPY	90 000
Korea	Firmenich Co. Ltd.	100	KRW	500 000
Mexico	Firmenich de Mexico S.A. de C.V.	100	MXN	103 827
	Firmenich Servicios de Mexico S.A .de C.V.	100	MXN	500
Nigeria	Firmenich Western Africa Limited	100	NGN	10 000
Norway	Firmenich Bjørge Biomarin AS	100	NOK	125 250
Philippines	Firmenich (Philippines) Inc.	100	PHP	13 075
Poland	Firmenich Sp. Z.o.o.	100	PLN	2 000
Russia	Firmenich LLC	100	RUB	44 481
Singapore	Firmenich Aromatics Pte Ltd.	100	SGD	500
	Firmenich Asia Pte Ltd.	100	SGD	6 000
South Africa	Firmenich (Pty) Ltd.	100	ZAR	113 500
	Flavourome (Pty) Ltd.	90	ZAR	370 000
Spain	Firmenich S.A.	100	EUR	300
Sweden	Firmenich Sweden AB	100	SEK	15 000
Thailand	Firmenich Thailand Ltd.	100	THB	100 000
Turkey	Firmenich Dis Ticaret Limited Sirketi	100	TRY	166
UAE	Firmenich FZ-LLC	100	USD	400
UK	Firmenich UK Ltd.	100	GBP	7 000
USA	Firmenich Inc.	100	USD	31 350
	Chem-Fleur Inc.	100	USD	27 641
	Intercit Inc.	100	USD	567
	MCP Food Inc. MN	100	USD	-
	MCP Food Inc. CA	100	USD	5 000
	Essex Laboratories LLC	75	USD	9 637
	Agilex Holdings, Inc.	100	USD	163 603
Vietnam	Firmenich Vietnam LLC	100	VND	6 308 700

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

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

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

Firmenich International SA, Geneva

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

Consolidated Financial Statements FY2019

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

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Statutory Auditor's Report to the General Meeting of

Firmenich International SA, Geneva

Report on the Audit of the Consolidated Financial Statements

Opinion
We have audited the consolidated financial statements of Firmenich International SA and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 30 June 2019 and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 30 June 2019, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and comply with Swiss law.

Basis for Opinion
We conducted our audit in accordance with Swiss law, International Standards on Auditing (ISAs) and Swiss Auditing Standards. Our responsibilities under those provisions and standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession, as well as the IESBA Code of Ethics for Professional Accountants, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information in the Annual Report
The Board of Directors is responsible for the other information in the annual report. The other information comprises all information included in the annual report, but does not include the consolidated financial statements, the stand-alone financial statements of the company and our auditor's reports thereon.

Our opinion on the consolidated financial statements does not cover the other information in the annual report and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information in the annual report and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibility of the Board of Directors for the Consolidated Financial Statements

The Board of Directors is responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRS and the provisions of Swiss law, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law, ISAs and Swiss Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Swiss law, ISAs and Swiss Auditing Standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

— Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

— Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

Report on Other Legal and Regulatory Requirements

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

We recommend that the consolidated financial statements submitted to you be approved.

KPMG SA

Martin Rohrbach	Jean-Baptiste Choulay
Licensed Audit Expert	*Licensed Audit Expert*
Auditor in Charge	

Geneva, 03 September 2019

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

Consolidated income statement

For the years ended June 30

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

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

Analysis of operating profit

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

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

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

Consolidated statement of comprehensive income

For the years ended June 30

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

Consolidated statement of financial position

As at June 30

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

Consolidated statement of changes in equity

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

(*) Refer to note 2 and 14

Consolidated statement of cash flows

For the years ended June 30

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

Notes to the consolidated financial statements

1. Accounting information and policies

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

Firmenich Group

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

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

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

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

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

The FIRMENICH INTERNATIONAL SA Board of Directors approved for issue these consolidated financial statements on September 3, 2019 that are subject to the approval by the Annual General Meeting on October 8, 2019.

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

Critical accounting estimates and judgments

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

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

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

a) Impairment of goodwill

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

b) Pensions and other post-employment benefits

The Group operates various pension schemes and post-employment benefit programs. The calculations of the recognized assets and liabilities from such plans are based upon statistical and actuarial calculations and are impacted by assumptions on discount rates used to arrive at the present value of future pension liabilities, expected returns that will be made on existing pension assets, future salary increases as well as future pension increases and statistical based assumptions covering future withdrawals of participants from the plan and estimates of life expectancy. The actuarial assumptions used may differ materially from actual results due to changes in market and economic conditions, higher or lower withdrawal rates or longer or shorter life spans of participants and significantly impact the amount of pension costs and pension liabilities to be recognized (refer to note 15).

Changes in significant accounting policies

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

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

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

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

Standards issued but not yet effective

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

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

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

Group significant accounting policies

Principles of consolidation

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

I. Business combination

The Group accounts for business combination using the acquisition method when control is transferred to the Group. The Group 'controls' an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Group measures goodwill at the acquisition date as the fair value of the consideration transferred (the assets given up, shares issued or liabilities undertaken at the date of acquisition).
Transaction costs are recognized in the income statement, except if related to the issue of debt or equity securities. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group’s share of the identifiable net assets acquired is recorded as goodwill, which is tested annually for impairment. If the cost of acquisition is less than the fair value of the net assets of the affiliated company acquired, a bargain purchase gain is recognized directly in the income statement.

Notes to the consolidated financial statements

II. Subsidiaries

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

III. Non-controlling interests (NCI)

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

IV. Loss of control

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

V. Interests in jointly controlled entities and associates

Associates are those entities in which the Group has significant influence, but not control or joint control, over the financial and operating policies. A joint venture is an arrangement in which the Group has joint control, whereby the Group has rights to the net assets of the arrangement, rather than rights to its assets and obligations for the liabilities.
Interests in jointly controlled entities and associates are accounted for using the equity method. They are initially recognised at cost, which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include the Group's share of profit or loss and OCI of jointly controlled entities and associates, until the date on which joint control or significant influence ceases. Under this method, these investments are shown in the statement of financial position at the Group's share of the net assets of the companies and the movement for the year in these investments is shown in the income statement.

VI. Transactions eliminated on consolidation

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

Foreign currencies

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

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

Revenue

The Group has initially applied IFRS 15 from July 1, 2018. The effect of applying IFRS 15 is described above.
The Group generates revenue from contracts with customers for the sale of fragrance and flavour products. The performance obligation is satisfied when control over a good is transferred to the customer. Revenue is recognized at that point in time based on the price specified in the contract, net of the estimated volume discounts provided that it is highly probable that a significant reversal will not occur.
No element of financing is deemed present as the sales are made with a short-term credit term.
In financial year 2019, 63.5 % (2018: 64.3%) of sales were generated for fragrances and 36.5 % (2018: 35.7%) for flavor.

Non-recurring items

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

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

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

2. Business combinations

2.1 Businesses acquired

The following tables summarise the businesses acquired :

2.1.a Businesses acquired in 2019

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

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

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

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

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

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

2.1.b Businesses acquired in 2018

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

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

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

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

2.2 Assets and liabilities recognised at the date of acquisition

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

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

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

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

2.3 Cash flow on acquistions

The cash flow made on the acquisitions is summarized below :

2.3.a Cash flow on acquisitions in 2019

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

2.3.b Cash flow on acquisitions in 2018

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

3. Goodwill and intangible assets

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

Amortization of intangible assets

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

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

Impairment

At each reporting date, the Group reviews the carrying amounts of its intangible assets (including goodwill) to determine whether there is an indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.
For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.
The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell.
An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount.

Goodwill

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

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

No impairment loss resulted from the impairment tests for goodwill.

Notes to the consolidated financial statements

Customer base

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

Technology and formulas

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

Brands and trademarks

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

Software and other

Software

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

Patents, licenses

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

Research and development

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

Construction in progress

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

Intangible assets not yet available for use

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

In millions of CHF	Goodwill	Customer base	Technology and formulas	Brands and trademarks	Software and other	Construction in progress	**Total**
COST							
Opening balance 2018	**323.0**	**173.1**	**249.0**	**7.0**	**371.8**	**27.7**	**1 151.6**
Additions	0.4	-	-	-	0.1	36.9	37.4
Transfers *	-	-	14.9	-	15.8	(31.1)	(0.4)
Acquisition of businesses	280.6	184.2	24.3	47.6	(0.0)	-	536.7
Currency translation adjustment	14.6	5.8	1.0	-	2.7	-	24.1
Closing balance 2018	**618.6**	**363.1**	**289.2**	**54.6**	**390.4**	**33.5**	**1 749.4**
Additions	0.0	-	-	-	1.7	31.0	32.7
Transfers/reclassification *	-	-	-	0.0	23.3	(22.6)	0.7
Acquisition of businesses	182.7	13.4	65.4	13.8	4.4	0.9	280.6
Currency translation adjustment	(15.4)	(4.0)	(2.2)	(2.1)	(0.4)	0.1	(23.9)
Closing balance 2019	**785.9**	**372.5**	**352.4**	**66.3**	**419.4**	**42.9**	**2 039.5**
ACCUMULATED AMORTIZATION							
Opening balance 2018		**115.4**	**196.9**	**3.7**	**342.5**		**658.5**
Charge of the year		19.1	7.4	4.0	16.6		47.1
Impairment losses		-	-	-	1.0		1.0
Transfers *		0.6	-	-	(1.6)		(1.0)
Currency translation adjustment		0.1	0.2	-	1.0		1.3
Closing balance 2018		**135.2**	**204.5**	**-**	**367.2**		**706.9**
Charge of the year		20.3	13.4	5.0	18.4		57.2
Transfers/reclassification *		1.9	-	(0.0)	(1.9)		0.0
Currency translation adjustment		(0.5)	(0.1)	(0.3)	(0.7)		(1.6)
Closing balance 2019		**157.0**	**217.8**	**12.4**	**375.4**		**762.5**
NET BOOK VALUE							
Closing balance 2018	**618.6**	**227.9**	**84.7**	**54.6**	**23.2**	**33.5**	**1 042.5**
Closing balance 2019	**785.9**	**215.5**	**134.6**	**53.9**	**44.1**	**42.9**	**1 276.9**

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

4. Property, plant and equipment

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

Impairment

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

Depreciation

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

Buildings	25 to 50 years
Infrastructure	10 to 20 years
Equipment	3 to 20 years

Land is not depreciated. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

Gains and losses on disposal of buildings, infrastructure and equipment are determined by reference to their carrying amount and are taken into the income statement.

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

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

Impairment loss

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

Property, plant and equipment under finance leases

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

Guarantee

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

5. Financial investments and loans

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

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

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

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

For the year ended June 30, 2019, long-term financial investments consist of investments held at fair value through income statement. They include funds of a deferred compensation scheme of CHF 47.0 (2018: CHF 44.0) that are restricted to employee benefits use only. Assets are invested mainly in various mutual funds to cover the company's obligations under deferred compensation arrangements (also refer to note 16).

6. Associates and joint ventures

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

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

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

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

June 30, 2019

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

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

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

June 30, 2018

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

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

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

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

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

7. Inventories

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

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

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

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

8. Trade accounts receivable

Trade accounts receivable

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

Starting July 1, 2018 the Group applies the IFRS 9 simplified approach to measuring expected credit losses (ECL) which uses a lifetime expected credit loss allowance for all trade receivables. ECL's are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive). ECLs are discounted at the effective interest rate of the financial asset. The practice previously applied for measuring the loss allowance was not materially affected by the new expected credit loss model.

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

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

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

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

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

9. Other receivables and prepaid expenses

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

10. Financial instruments

Derivative financial instruments

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

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

11. Financial investments

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

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

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

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

12. Share capital

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

Ordinary share

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

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

13. Earnings per share

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

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

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

Dividend distribution

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

14. Non-controlling interests

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

June 30, 2019

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

June 30, 2018

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

15. Employee benefit obligations

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

A) Pension plans and other post-employment benefit obligations

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

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

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

The net defined liability recognised in the statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows in respect of prior service using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligation.

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

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

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

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

Other post-employment benefits and similar obligations also comprise healthcare benefits, jubilees, long-service leaves and similar obligations whenever requested by local laws or circumstances. The entitlement to healthcare benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment using the same accounting methodology as used for defined benefit pension plans. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise.

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

PENSION PLANS

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

OTHER POST-EMPLOYMENT BENEFITS

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

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

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

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

Defined contribution plans

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

Defined benefit pension plans

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

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

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

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

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

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

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

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

The table below outlines the funding situation by geographic area:

June 30, 2019

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

June 30, 2018

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

Key financial actuarial assumptions

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

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

Sensitivity analysis

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

In millions of CHF	Change in assumption	Increase in assumption	Decrease in assumption
Discount rate	0.50%	(101.6)	113.9
Future salary increases	0.50%	10.5	(10.0)
Future pension increases	0.50%	83.4	(3.2)
Life expectancy	1 year	43.2	(42.8)

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

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

Main defined benefit pension plans description

Switzerland

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

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

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

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

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

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

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

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

Under IAS19 employee benefits, the pension plans are classified as defined benefit plans due to the promises and underlying benefits guarantees. Consequently the pension obligation is calculated by using the projected unit credit method.

The Group expects to contribute CHF 23.9 to these plans during the year ending June 30, 2020.

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

International Pension Plan

The purpose of the plan is to ensure that key international employees obtain a level of benefits in case of disability, death, retirement or termination of employment close to those they would have had if they were covered by the Swiss pension system applicable to the employees of Firmenich SA, taking of course into account any local coverage that these employees may have abroad. The benefit, if any, can only be paid as a lump-sum to the Participant or the Beneficiary.

This plan is intended to be an unfunded and unsecured plan maintained primarily for the purpose of providing pension benefits for key international employees.

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

United States of America

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

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

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

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

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

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

United Kingdom

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

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

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

Under IAS 19 employee benefits, the defined benefit pension obligations in the Firmenich Wellingborough Employee Benefits Plan are calculated by using the projected unit credit method.
During the year ended June 30, 2016, the pension obligations in respect of the Firmenich Pension Scheme were settled and any surplus used to cover the cost of winding up the scheme. The wind up of this scheme was finalised in 2018.

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

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

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

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

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

Asset - liability management and funding arrangement

Plan trustees or General Assemblies are responsible for determining the mix of asset classes and target allocations of the plans with the support of investment advisors. Periodical reviews of the assets mix are made by mandating external consultants to perform asset-liability matching analyses. Such analyses aim at comparing dynamically the fair value of assets and the liabilities in order to determine the most adequate strategic asset allocation.

The overall investment policy and strategy for the Group's funded defined benefit plans is guided by the objective of achieving an investment return which, together with the contributions paid, is sufficient to maintain reasonable control over the various funding risks of the plans. As those risks evolve with the development of capital markets and asset management activities, the Group addresses the assessment and control process of the major investment pension risks. In order to protect the Group's defined benefit plans funding ratio and to mitigate the financial risks, protective measures on the investment strategies are in force. To the extent possible, the risks are shared equally amongst the different stakeholders.

Risks related to defined benefit plans

The Group is exposed to a number of risks in relation to operating defined benefit plans. The most significant risks are life expectancy as well as market and liquidity risks. In order to minimize these risks, the Group regularly reviews related assumptions. When and where feasible, measures to reduce or transfer the risks are considered.

Other post-employment benefits

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

Other post-retirement benefits are not funded.

MOVEMENT OVER THE YEAR

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

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

Key financial actuarial assumptions

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

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

Sensitivity analysis

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

In millions of CHF	Change in assumption	Increase in assumption	Decrease in assumption
Discount rate	0.5%	(8.7)	10.0
Life expectancy	1 year	2.9	(2.9)
Medical cost trend rate	1.0%	11.7	(9.5)

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

The table below outlines the funding situation by geographic area.

As at June 30, 2019

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

As at June 30, 2018

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

Other postemployment benefits - description

Switzerland

Other post-employment benefits comprise healthcare benefits, long-service leaves, compensations in relation to state pensions for early retirements and other compensations in relation to retirement of corporate management, as well as monthly pensions provided to a limited number of beneficiaries. The entitlement to these other post-employment benefits is usually conditional on the employee remaining in service up to retirement age.

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

United States of America

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

The weighted average duration of the defined benefit obligation is 7.3 years.

B) Other employee benefits

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

Long-term incentives

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

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

Deferred compensation

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

NON CURRENT

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

CURRENT

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

MOVEMENT ON DEFERRED COMPENSATION AND PROVISIONS FOR LONG-TERM INCENTIVES

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

16. Provisions

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

Judgment is required by the management in determining the various provisions. A range of possible outcomes are determined to make reliable estimates of the obligation that is sufficient for the recognition of a provision.

The underlying assumptions are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Differences between the final obligations and the estimates impact the income statement in the period in which such determination is made.

PROVISIONS - NON CURRENT

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

PROVISIONS - CURRENT

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

MOVEMENT OF DEFERRED COMPENSATION AND OTHER PROVISIONS

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

Provision for litigation

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

Product warranty liability

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

17. Bank borrowings and other long-term liabilities

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

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

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

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

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

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

18. Other payables and accrued expenses

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

19. Expenses by nature

Significant expense items by nature within operating expenses include:

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

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

20. Employee benefits

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

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

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

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

21. Financing costs

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

22. Net other financial income / (expenses)

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

23. Taxes

Income tax expense

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

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

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

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

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

Deferred taxes

The Group takes advantage of local fiscal possibilities to make appropriations to untaxed reserves in the individual affiliated companies' financial statements prepared for fiscal purposes. Given the fact that temporary differences are created between local books and reporting submitted, deferred tax impacts have to be taken into account.

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

Deferred tax assets are recognized to the extent that it is probable that future taxable income will be available against which the temporary difference can be utilized.

Current and deferred tax assets and liabilities are offset when the income tax expense is levied by the same taxation authority and when there is a legally enforceable right to offset them. Determination of deferred income tax expenses / income is based on present enacted tax rate or substantively enacted income tax rate.

In millions of CHF	2019	2018
DEFERRED TAXES		
Deferred tax assets	115.4	103.7
Deferred tax liabilities	(123.6)	(119.3)
Net deferred tax (liabilities)/assets	**(8.2)**	**(15.6)**

	Deferred tax assets		Deferred tax liabilities		Net deferred tax	
In millions of CHF	2019	2018	2019	2018	2019	2018
ASSOCIATED WITH:						
Intangible assets	0.3	0.3	(99.0)	(84.6)	(98.7)	(84.3)
Property, plant and equipment	2.1	1.9	(20.3)	(16.1)	(18.2)	(14.2)
Long-term assets	0.1	0.2	(1.0)	(1.2)	(0.9)	(1.0)
Inventories	31.1	33.7	(16.5)	(10.0)	14.6	23.7
Provisions	83.6	85.3	(9.6)	(21.7)	74.0	63.6
Tax loss carry forwards	12.9	0.8	-	-	12.9	0.8
Other assets	2.4	0.5	(4.9)	(14.1)	(2.5)	(13.6)
Other liabilities	11.8	9.6	(1.0)	(0.2)	10.8	9.4
Deferred tax assets/(liabilities)	**144.2**	**132.3**	**(152.4)**	**(147.8)**	**(8.2)**	**(15.6)**
Set off tax	(28.8)	(28.6)	28.8	28.6	-	-
Net deferred tax assets/(liabilities)	**115.4**	**103.7**	**(123.6)**	**(119.3)**	**(8.2)**	**(15.6)**

Deferred tax liabilities on intangible assets are mainly relating to customer base and extraction technology resulting from acquisitions.

Deferred tax assets on provisions are mainly relating to provision for defined benefit pension plans and other post-employment benefits in Switzerland and United States of America.

The movement in deferred tax assets and liabilities during the current year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is charged / (credited) to the income statement (refer to note 24), except for deferred tax assets relating to post-employment benefit obligations for which an amount of CHF -4.6 (2018: -1.2) of deferred taxes is credited to other comprehensive income with no material amount of currency translation adjustments.

In millions of CHF	2019	2018
Amount of tax losses available	57.4	3.9
Amount of tax losses considered to accrue deferred tax assets	57.4	3.9

24. Financial risk management

Financial risk factors

The Group, as a result of its financing activities, is exposed to a variety of risks, including the effects of volatility of foreign currency exchange rates and interest rates, which may adversely affect its results of operations and financial conditions. In seeking to minimize the risks and costs associated with such activities, the Group manages exposure to changes in foreign currency exchange rates, interest rates and commodity prices, when deemed appropriate, through the use of derivative financial instruments. The instruments utilized include: forward contracts, currency options, commodity options, interest rate swaps. The Group does not use financial instruments for speculative or trading purposes.

Financial risk management is carried out by a central treasury department (Group Treasury) under Group policies and principles as described in Treasury manual. Group Treasury identifies, evaluates and hedges financial risks in close co-operation with the operating units. Group policies also cover areas such as (net debt) /net cash management and bank relationship management.

Financial instruments

Classification and measurement of financial assets and liabilities

IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, measured at fair value through other comprehensive income (FVOCI) and measured at fair value through profit and losses (FVTPL). The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. IFRS 9 eliminates the previous IAS 39 categories of held to maturity, loans and receivables and available for sale. Under IFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never separated. Instead, the hybrid financial instrument as a whole is assessed for classification. IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities. The adoption of IFRS 9 has not had a significant effect on the Group's accounting policies related to financial liabilities and derivative financial instruments.

See below for an explanation of how the Group classifies and measures financial instruments.

Cash and cash equivalents

Cash and cash equivalents comprise petty cash, cash on hand, bank balances and short-term deposits at 48 hours. The same definition is applied to cash and cash equivalents as disclosed in the statement of cash flows. Bank overdrafts are included in short-term bank borrowings in current liabilities.

Financial assets

Until June 30, 2018, the Group classified its financial assets in the following measurement categories:
- financial assets at fair value through income statement,
- loans and receivables, and
- held-to-maturity investments.

The classification depended on the purpose for which the financial assets were acquired.

From July 1, 2018, the Group classifies its financial assets in the following measurement categories:
- those to be measured subsequently at fair value, and
- those to be measured at amortised cost.

The classification depends on the business model for managing the financial assets and the contractual terms of the cash flows. Management determines the classification of its financial assets at initial recognition.

Until June 30, 2018, the Group assessed at the end of each reporting period whether there was an objective evidence that any financial asset was impaired as a result of one or more events that had an impact on the estimated future cash flows that could be reliably estimated.

From July 1, 2018, the Group recognises loss allowances for expected credit losses (ECLs) only on financial assets measured at amortised cost. The Group measures loss allowances at an amount equal to lifetime ECLs except for debt securities and bank balances, which are measured at 12-month ECLs in case of low credit risk or non significant evolution of the credit risk since initial recognition. Loss allowances for trade receivable are always measured at an amount equal to lifetime ECLs. Lifetime ECLs result from all possible default events over the expected life of a financial instrument. 12-month ECLs are the portion that result from default events that are possible within the 12 months after the reporting date.

Financial assets at amortised cost

The Group classifies its financial assets as at amortised cost only if both of the following criteria are met:
- the asset is held within a business model whose objective is to collect the contractual cash flows, and
- the contractual terms give rise to cash flows that are solely payments of the principal and interest.

Financial assets at amortised cost comprise loans, trade account receivable, other receivable in the statement of financial position. They are included in current assets, except for maturities exceeding 12 months after the end of the reporting period, which are classified as non-current assets.

Financial assets at fair value through income statement

All financial assets not classified as measured at amortised cost are measured at fair value through income statement. On initial recognition the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost as at fair value through income statement if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets at fair value through income statement comprise marketable securities and derivative financial assets not designated as hedging instruments. Marketable securities are mainly composed of short-term deposits over 48 hours and equity and debt securities, which are traded in liquid markets. They are classified as current assets as they are potentially realizable within twelve months of the reporting date.

All purchases and sales of marketable securities are recognized on the trade date, which is the date that the Group commits to purchase, or sell the asset. Marketable securities are initially recorded at cost and subsequently carried at fair value. Fair value is determined by reference to share exchange quoted selling prices and net asset values determined and communicated by hedge fund managers at close of business on the reporting date.

Realized and unrealized gains and losses arising from changes in the fair value of financial assets at fair value through income statement are included in the income statement in the period in which they arise.

Financial liabilities

Financial liabilities are classified as measured at amortised cost or fair value through income statement. A financial liability is classified as at fair value through income statement if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in the income statement. Any gain or loss on derecognition is also recognised in the income statement.

The accounting policies for financial instruments have been applied to the line items below:

June 30, 2018	New IFRS 9 classification	**At amortised cost**			**At fair value through income statement**		
In millions of CHF	Former IAS 39 classification	Loans and receivables	Held to maturity	Liabilities at amortized cost	Financial assets at fair value through income statement	Derivatives at fair value through income statement	**Total**
ASSETS							
Financial long-term investments and loans	Note 5	24.7	14.3		49.5		**88.5**
Trade accounts receivable	Note 8	845.5					**845.5**
Other receivables	Note 9	116.8					**116.8**
Derivative financial instruments	Note 10					31.0	**31.0**
Short-term financial investments	Note 11		72.1		101.3		**173.4**
Cash and cash equivalents		443.6					**443.6**
Total assets according to IFRS 9 classification		**1 517.1**			**181.8**		**1 698.9**
LIABILITIES							
Long-term bank and other borrowings				27.2			**27.2**
Short-term bank borrowings	Note 17			578.0			**578.0**
Trade and other payables (*)	Note 17			614.6			**614.6**
Derivative financial instruments						5.7	**5.7**
Total liabilities according to IFRS 9 classification	Note 10	**1 219.8**			**5.7**		**1 225.6**

(*) Accrued expenses that are not financial liabilities (CHF 95.3) are not included.

June 30, 2019

In millions of CHF	At amortised cost	At fair value through income statement	Liabilities at amortised cost	**Total**
ASSETS				
Long-term financial investments and loans (note 5)	36.3	54.9		**91.2**
Trade accounts receivable (note 8)	841.0			**841.0**
Other receivables (note 9)	152.4			**152.4**
Derivative financial instruments (note 10)		13.7		**13.7**
Short-term financial investments (note 11)	57.6	15.0		**72.6**
Cash and cash equivalents	376.4			**376.4**
LIABILITIES				
Long-term bank and other borrowings (note 17)			37.4	**37.4**
Short-term bank borrowings (note 17)			523.2	**523.2**
Trade and other payables (*)			590.7	**590.7**
Derivative financial instruments (note 10)		3.1		**3.1**

(*) Accrued expenses that are not financial liabilities (CHF 95.7) are not included.

June 30, 2018

In millions of CHF	At amortised cost	At fair value through income statement	Liabilities at amortised cost	**Total**
ASSETS				
Long-term financial investments and loans (note 5)	39.0	49.5		**88.5**
Trade accounts receivable (note 8)	845.5			**845.5**
Other receivables (note 9)	116.8			**116.8**
Derivative financial instruments (note 10)		31.0		**31.0**
Short-term financial investments (note 11)	72.1	101.3		**173.4**
Cash and cash equivalents	443.6			**443.6**
LIABILITIES				
Long-term bank and other borrowings (note 17)			27.2	**27.2**
Short-term bank borrowings (note 17)			578.0	**578.0**
Trade and other payables (*)			614.6	**614.6**
Derivative financial instruments (note 10)		5.7		**5.7**

(*) Accrued expenses that are not financial liabilities (CHF 95.3) are not included.

Comparative figure has been adjusted for CHF 31.9 to reflect change in classification of the accrual for holiday pay from “provisions” to “other payables and accrued expenses" (note 18).

Except where mentioned in the relevant notes, the carrying amount of each class of financial assets and financial liabilities disclosed in the above tables approximates the fair value.

Impairment of financial assets

IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' (ECL) model. The new impairment model applies to financial assets measured at amortised cost, contract assets and debt investments at FVOCI, but not to investments in equity instruments. Under IFRS 9, credit losses are recognised earlier than under IAS 39.

Until June 30, 2018, the Group assessed at the end of each reporting period whether there was an objective evidence that any financial asset was impaired as a result of one or more events that had an impact on the estimated future cash flows that could be reliably estimated.
From July 1, 2018, the Group recognises loss allowances for expected credit losses (ECLs) only on financial assets measured at amortised cost. The Group measures loss allowances at an amount equal to lifetime ECLs except for debt securities and bank balances, which are measured at 12-month ECLs in case of low credit risk or non significant evolution of the credit risk since initial recognition.

Loss allowances for trade receivable and other short-term financial assets are always measured at an amount equal to lifetime ECLs.
The result of the calculation of the impairment of financial assets on the date of initial application of IFRS 9 is not materially different than the prior calculation as per IAS 39.
When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.
The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due. The Group considers a financial asset to be in default when the borrower is unlikely to pay its credit obligations to the Group in full or the financial asset is more than 90 days past due.

Credit impaired financial assets
At each reporting date, the Group assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.
Evidence that a financial asset is credit-impaired includes the following observable data:
- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 90 days past due;
- the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
- it is probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

Write-off
The gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. The Group expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.
Additional information about how the Group measures the allowance for impaiment is described below under "Credit risk".

Market risk

a) Foreign exchange risk

Derivative financial instruments and hedging activities

The Group, as a result of its financing activities, is exposed to changes in interest rates that may adversely affect its results of operations and financial conditions. In seeking to minimize the risks and costs associated with such activities, the Group manages exposure to changes in foreign currency exchange rates, interest rates, and commodity prices when deemed appropriate, through the use of derivative financial instruments. The instruments utilized include: forward contracts, currency options, commodity options and interest rate swaps. The Group does not use financial instruments for speculative or trading purposes.

Derivative financial instruments are classified as at fair value through income statement and initially recognized in the statement of financial position at fair value including directly attributable transaction cost and subsequently remeasured at their fair value based on quoted market prices at the reporting date. On the date a derivative contract is entered into, the Group designates certain derivatives as cash flow hedges.

Certain derivative transactions, while providing effective economic hedges under the Group's risk management policies, do not qualify for hedge accounting under the specific rules in IFRS 9. Changes in the fair value of derivative instruments that do not qualify for hedge accounting under IFRS 9 are recognized immediately in the income statement.

Gains and losses, realized or unrealized, from forward exchange contracts and currency options used to hedge potential exchange rate exposures are included in the year's results. Interest differentials under swap arrangements used to manage interest rate exposures are recognized by adjustments to interest expenses.

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures primarily with respect to US Dollar, Euro and to a lesser extent to Asian and Latin American currencies.

Therefore, exchange rate fluctuations have a significant impact in the form of both translation risk and transaction risk on the Group's income statement and other comprehensive income statement. Transaction risk arises when future commercial transactions or recognized assets or liabilities are denominated in a currency that is different from the functional currency. Translation risk arises from the conversion of net assets of the Group's foreign operations to the presentation currency.

The major foreign exchange transaction risk is managed centrally by Group Treasury by entering into forward contracts as well as currency options. The use of these instruments is limited to the hedging of the underlying position.

Only residual foreign exchange risk being foreign exchange exposure not covered either by Group Treasury hedging activity or by bank overdraft/credit lines representing natural hedges in terms of amount and currency is managed by local Group companies under supervision of Group Treasury.

The Group manages its currency exposures on current and forecasted transactions. Group Treasury centrally monitors the exposures on a regular basis and takes appropriate actions. The Group has set up currency limits for the current exposures.

It is the Group's policy to enter into derivative transactions to hedge current and forecasted foreign currency transactions.

Currency exposure

June 30, 2019

In millions of CHF	EUR / CHF	USD / CHF	SGD/CHF	IDR/CHF	CHF/MXN	USD / IDR
Currency exposure without hedge	+180.9	+151.8	-54.8	+19.8	+26.7	-10.5
Hedged amount (*)	-160.0	-175.1	+54.1	-20.5	-35.5	+17.4
Currency exposure including hedge	**+20.9**	**-23.3**	**-0.7**	**-0.7**	**-8.8**	**+6.8**

+ long position; - short position

(*) EUR/CHF hedged amount includes CHF -138.4 of foreign exchange forward contract and CHF -21.6 of currency options maturing within three to twelve months. USD/CHF hedged amount includes CHF -117.5 of foreign exchange forward contracts and CHF -57.6 of currency options maturing within three to twelve months.

June 30, 2018

In millions of CHF	EUR / CHF	USD / CHF	INR/CHF	IDR/CHF	CHF/MXN	USD / IDR
Currency exposure without hedge	+55.5	+142.8	+17.9	+21.1	+35.8	-20.6
Hedged amount (*)	-8.4	-127.5	-18.0	-20.4	-35.8	+9.0
Currency exposure including hedge	**+47.1**	**+15.3**	**-0.1**	**+0.7**	**0.0**	**-11.6**

+ long position; - short position

(*) EUR/CHF hedged amount includes CHF 11.3 of foreign exchange forward contract and CHF -19.7 of currency options maturing within three to twelve months. USD/CHF hedged amount includes CHF -53.4 of foreign exchange forward contracts and CHF -74.1 of currency options maturing within three to twelve months.

Sensitivity analysis

The following table summarizes the Group's sensitivity to transactional currency exposures of the main currencies. The sensitivity is based on the net exposure after hedging at June 30 and based on assumptions, which have been deemed reasonable by the management, showing the impact on income before taxes. To determine the reasonable change, the Group uses historical volatilities of the below currency pairs.

June 30, 2019

In millions of CHF	EUR / CHF	USD / CHF	SGD/CHF	IDR/CHF	CHF/MXN	USD / IDR
Reasonable shift in %	5%	5%	10%	15%	15%	15%
Impact on net income if underlying currency strengthens	1.7	(0.7)	(0.1)	(0.1)	(1.3)	1.0
Impact on net income if underlying currency weakens	(1.7)	0.7	0.1	0.1	1.3	(1.0)

June 30, 2018

In millions of CHF	EUR / CHF	USD / CHF	INR/CHF	IDR/CHF	CHF/MXN	USD / IDR
Reasonable shift in %	5%	5%	10%	15%	15%	15%
Impact on net income if underlying currency strengthens	2.9	3.0	(0.0)	0.1	-	(1.7)
Impact on net income if underlying currency weakens	(2.9)	(3.0)	0.0	(0.1)	-	1.7

In the exposure calculations the intra-Group positions are included.

b) Price risk

The Group is exposed to equity and bond securities price risk because of investments held by the Group (refer to note 11). To manage its price risk arising from investments in equity and bond securities, the Group diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Group.

The Group is indirectly impacted by oil price evolution, as it influences the cost of certain chemical products used as raw materials.

In prior year, the Group decided to enter into a hedge on oil. This commodity has been identified as the exposure having potentially a more significant impact on the future cost of our raw materials. Therefore, the Group entered into call option contracts maturing between 2017 and 2020 (refer to note 10). This hedge on oil does not qualify for hedge accounting.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to equity and bond price risks at the reporting date. The equity portfolio of the Group includes alternative investments. The sensitivity analysis is based on the historical volatility.

If equity prices had been 5% higher / lower, the current net income for the year would have increased / decreased by CHF 0.1 (2018: CHF 0.9) as a result of gains / losses on equity securities classified as at fair value through income statement.

The hedge fund portfolio of the Group includes USD funds. The benchmark for the reasonable change in the index (LIBOR USD 3 months + 3%) is a historical volatility of 5%.

If hedge fund price had been 5% higher / lower, the total value for the year ended June 30, 2019, would have respectively increased / decreased by CHF 0.0 (2018: CHF 0.1).

If the hedge on oil had been 5% higher / lower, the current net income for the year would have increased / decreased by CHF 0.4 as a result of gains / losses on commodity options (2018: CHF 0.7).

c) Interest rate risk

Cash flow interest rate risk arises when the Group invests or borrows funds at floating rates whereas exposure to fair value interest rate risk arises when the Group invests or borrows funds at fixed rates.

The Group uses credit lines and other financial facilities granted by third party financial institutions to finance part of its activity. Most of these borrowings are short-term credit lines and therefore subject to fluctuations on interest rates when rolled-over.

Interest rate hedging is managed in full by Group Treasury which transacts in the name and for the account of the holding company, in which the risk is located. The use of these instruments is limited to the hedging of the underlying position and no leverage is authorized.

Group Treasury is also entitled to obtain long-term credit lines from first quality financial institutions.

Sensitivity analysis

The analysis below shows the sensitivity of the Group to interest rate changes. The sensitivity is based on the exposure at June 30 and based on assumptions, which have been deemed reasonable by the management, showing the impact on income before taxes and equity.

In millions of CHF	2019	2018
Reasonable shift	150 basis points	
Impact on net income if interest rate increase	(7.6)	(8.6)
Impact on net income if interest rate decrease	7.6	8.6

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and investments in debt securities. Credit risk is managed by affiliates and controlled on a Group basis.
The carrying amounts of financial assets and contract assets represent the maximum credit exposure.

Trade accounts receivable are subject to a policy of active risk management which focuses on the assessment of country risk, credit limits, ongoing credit evaluation and account monitoring procedures.

The Group is exposed to credit risk on cash and cash equivalents, fixed-term deposits and derivative financial instruments. The Group has minimized financial counterpart risk by concentrating core financing needs with high quality banks having significant experience and reputation in the field of the related deals.

There are no significant concentrations within trade accounts receivable of counter-party credit risk, due to the large number of customers that the Group deals with and their wide geographical spread. Country risk limits and exposures are continuously monitored.

The following table presents the Group’s credit risk exposure to individual financial institutions:

	2019	2018
UBS	A-	A-
BNP	A+	A
CITI	BBB+	BBB+
BCV	AA	AA
ZKB	AAA	AAA
Credit Suisse	BBB+	BBB+

Ratings shown are assigned by international credit-rating agencies

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and short-term financial investments, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, Group Treasury maintains flexibility in funding by maintaining availability under committed and uncommitted credit lines.

Group Treasury monitors and manages cash at Group level and defines the maximum cash level at affiliate level. If necessary, inter-company loans within the Group provide for short-term cash needs; excess local cash is repatriated in the most appropriate manner.

The Group invests in short-term deposits with high quality banks and in bonds and other interest rate instruments issued by a high quality issuer, where the amount issued allows high liquidity when dealing. Furthermore, the Group is also invested in low liquidity assets (namely Hedge Funds), which are subject to delayed fund availability when sold. These "illiquid assets" are limited to a proportion, which should not affect the global liquidity of the Group.

The following table analyzes the Group’s remaining contractual maturity for financial assets and financial liabilities and derivative financial instruments. The amounts disclosed in the table are the contractual undiscounted cash flows.

There is no significant amount of cash and cash equivalents held by the Group that is not available for use.

June 30, 2019

In millions of CHF	Up to 6 months	6 up to 12 months	1 up to 2 years	More than 2 years
Financial investments	72.3	0.3	-	-
Cash and cash equivalents	376.4	-	-	-
Total current assets	**448.7**	**0.3**	-	**-**
Short-term debt	523.2	-	-	-
Accounts payable - trade and other (*)	590.7	-	-	-
Gross derivative financial instruments - outflows	(1 535.8)	(37.5)	(8.5)	-
Gross derivative financial instruments - inflows	1 356.1	37.5	4.9	-
Total current liabilities	**934.2**	**0.0**	**(3.6)**	**-**
Long-term bank borrowings	-	-	13.8	22.6
Total long-term liabilities	**0.0**	**0.0**	**13.8**	**22.6**
Net liquidity	**(485.5)**	**0.3**	**(10.2)**	**(22.6)**

(*) Accrued expenses that are not financial liabilities (CHF 95.7) are not included.

June 30, 2018

In millions of CHF	Up to 6 months	6 up to 12 months	1 up to 2 years	More than 2 years
Financial investments	171.1	2.4	-	-
Cash and cash equivalents	443.6	-	-	-
Total current assets	**614.7**	**2.4**	**-**	**-**
Short-term debt	578.0	-	-	-
Accounts payable - trade and other (*)	614.6	-	-	-
Gross derivative financial instruments - outflows	(1 030.1)	(56.5)	-	-
Gross derivative financial instruments - inflows	1 019.5	53.7	-	-
Total current liabilities	**1 182.2**	**(2.7)**	**-**	**-**
Long-term bank borrowings	-	-	18.8	7.1
Total long-term liabilities	**0.0**	**0.0**	**18.8**	**7.1**
Net liquidity	**(567.5)**	**5.1**	**(18.8)**	**(7.1)**

(*) Accrued expenses that are not financial liabilities (CHF 95.3) are not included.

Fair value measurements recognized in the consolidated statement of financial position

The following table presents the Group's assets and liabilities that are measured at fair value at June 30, 2019, Grouped into levels 1 to 3 on the degree to which the fair value is observable:

Level 1: fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices);

Level 3: fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

June 30, 2019

In millions of CHF	Notes	Level 1	Level 2	Level 3	Total
FINANCIAL ASSETS					
Non-current assets	5				
Financial investments		48.6	0.3	6.0	54.9
Current assets - derivatives	10				
Forward foreign exchange contract and options			13.7		13.7
Current financial investments	11				
Fixed term deposits		13.8	43.8	-	57.6
Hedge funds				0.3	0.3
Equity securities		2.7	-		2.7
Bonds and debentures		12.0	-	-	12.0
FINANCIAL LIABILITIES					
Current liabilities - derivatives	10				
Forward foreign exchange contract and options			3.1		3.1

June 30, 2018

In millions of CHF	Notes	Level 1	Level 2	Level 3	Total
FINANCIAL ASSETS					
Non-current assets	5				
Financial investments		45.6	0.5	3.4	49.5
Current assets - derivatives	10				
Forward foreign exchange contract and options			31.0		31.0
Current financial investments	11				
Fixed term deposits		50.2	21.9	-	72.1
Hedge funds				2.4	2.4
Equity securities		17.6	-		17.6
Bonds and debentures		81.3	-	-	81.3
FINANCIAL LIABILITIES					
Current liabilities - derivatives	10				
Forward foreign exchange contract and options			5.7		5.7

Reconciliation of movements in Level 3 valuations

In millions of CHF	2019	2018
Opening balance	5.8	5.5
Gains and losses recognised in income statement	(0.7)	0.3
Purchases and new issues	2.6	0.1
Sales and settlements	(1.4)	(0.1)
Closing balance	**6.3**	**5.8**

There is no financial asset movement with counterpart in other comprehensive income.

Fair value estimation

The fair value of financial instruments traded in active markets is determined by reference to share exchange quoted selling prices at the close of business on the reporting date.

The fair value of financial instruments that are not traded in active markets is determined by reference to observable market transactions and on valuations provided by reputable financial institutions and hedge fund managers.

The carrying value less allowance for doubtful debts of trade accounts receivable and payable are assumed to approximate fair values, due to their short-term nature. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group.

The fair values of the financial assets and liabilities are defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Methods and assumptions used to estimate the fair values are consistent with those used in the year ended June 30, 2018.

Capital risk management

The objective of the Group when managing capital is to maintain the ability to continue as a going concern in order to maximize shareholder value through an optimal balance of debt and equity and to optimize the cost of capital. The objective is to ensure a lasting A-credit rating (as defined by Standard & Poor's).

In millions of CHF	Notes	2019	2018
Short-term bank borrowings		(523.2)	(578.0)
Long-term bank borrowings	17	(36.4)	(25.9)
Cash and cash equivalents and short-term financial investments		449.0	617.0
Net cash		**(110.6)**	**13.1**

25. Risk assessment

Corporate management (the "Direction Générale", abbreviated "DG") is responsible for enterprise risk management, whereas the Group's Board of directors provides oversight and discusses with Corporate management the status of corporate risks on an annual basis.

According to Board of directors request, a bi-annual assessment of corporate risks is led by Corporate audit and risk management and involves the participation of senior management ("DG", "DG-1" and selected "DG-2" levels) for all divisions and all regions. The scope of risk is an holistic view of all corporate risks that would prevent the company to reach its strategic objectives or that would lead to losing significant assets.

Following that assessment, mitigation strategies are defined for significant risk exposures, corporate risks analysis is integrated into the strategic plans, and the annual internal audit plan is derived from the findings of the latest risk assessment.

26. Operating segments

As a private company, the Group is not subject to IFRS 8; operating segments reporting is therefore not included in the notes to the financial statements.

27. Contingent assets and liabilities

Assets

The Group has no contingent asset.

Liabilities

From time to time and in varying degrees, the Group operations and earnings continue to be affected by political, legislative, fiscal and regulatory developments, including those relating to environmental protection, in the countries in which it operates. The activities in which the Group is engaged are also subject to risks of various kinds. The nature and frequency of these developments and events, not all which are covered by insurance contracts, as well as their effects on future operations and earnings are not predictable.

Our US company continues to be named as a defendant in some butter flavor lawsuits brought against flavor houses in the United States. There are 64 remaining cases, involving 79 plaintiffs.

28. Commitments

As of June 30, 2019 the Group has several commitments resulting from contractual obligations, finance and operating lease commitments as well as capital commitments.

Commitments resulting from contractual obligations

In millions of CHF	2019	2018
Commitments resulting from contractual obligations	6.3	5.7

Contractual commitment include an agreement to finance sustainable agriculture projects with Livelihoods Fund For Family Farming.

Operating lease commitments

Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalized at the inception of the lease at the lower of the fair value of the leased asset or the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are recorded as liability. The interest element of the finance cost is charged to the income statement over the lease period. Leased property, plant and equipment are depreciated on a straight-line basis over the expected useful lives of the assets.

Leases of property, plant and equipment where a significant portion of risks and rewards of ownership are retained by the lessor are classified as operating leases. Lease rental payments made under operating leases are charged to the income statement over the period of the lease.

In millions of CHF	2019	2018
FUTURE MINIMUM PAYMENTS SPLIT (NON-CANCELLABLE LEASES)		
Within 1 year	36.9	32.9
Between 1 and 5 years	81.6	92.8
Over 5 years	24.7	59.9
Future minimum payments under non-cancellable leases	**143.2**	**185.6**
Total annual expenses for all operating leases	**45.9**	**41.0**

Operating leases are mainly relating to lease and renting of buildings and equipment. The most significant building leases are located in Paris, France and New-York, USA.

Capital commitments

Capital expenditure contracted for at the end of the reporting period but not yet incurred is as follows:

In millions of CHF	2019	2018
Property, plant and equipment	42.8	74.4
Intangible assets	3.4	7.6
Total	**46.2**	**82.0**

Capital commitments are mainly related to the new office in Geneva, Switzerland.

Finance lease commitments

In millions of CHF	Notes	2019	2018
PRESENT VALUE SPLIT			
Within 1 year		0.5	0.7
Between 1 and 5 years		0.3	0.3
Over 5 years		0.2	0.3
Present value of finance leases	17	**1.0**	**1.3**

29. Restrictions on the titles to assets

At the closing date, there is no material restriction on the title to assets, except those disclosed in note 5 (deferred compensation scheme) and note 11 (Fondation de prévoyance).

30. Government grants

Government grants relating to the purchase of fixed assets are included in liabilities as deferred income and are credited to the income statement on a straight-line basis over the expected lives of the related assets (refer to note 17).

31. Subsequent events

On July 31, 2019 Firmenich acquired 60% of the share capital of VKL Seasoning Private Limited, an Indian based producer of seasonings and flavors for a purchase price of CHF 66. VKL is an Indian savory and QSR (Quick Service Restaurant) solutions platform making spices, flavors and other food ingredients for the Indian market. This acquisition has no impact on the 2019 consolidated financial statements.

32. Exchange rates

The following major exchange rates are used to establish the consolidated financial statements:
- closing rates for the consolidated statement of financial position correspond to the exchange rates prevailing at June 30, 2019 and 2018.
- average rates for the consolidated income statement account and the statement of cash flows.

		2019		2018	
ISO code	Units	Closing rate	Average rate	Closing rate	Average rate
USD	1	0.975	0.994	0.993	0.969
EUR	1	1.110	1.136	1.156	1.155
CNY	1	0.142	0.146	0.150	0.149
SGD	1	0.721	0.728	0.728	0.722
GBP	1	1.239	1.289	1.305	1.306
JPY	100	0.905	0.894	0.897	0.879

33. List of main entities of the Group

The consolidated financial statements include the following main entities.

Country	Entity name	Share in percentage	Currency	Share capital in thousands
Switzerland	Firmenich International SA	100	CHF	40 500
	Firmenich SA	100	CHF	30 000
	Firmenich Finance SA	100	CHF	100
	Fondation de Prévoyance	100	CHF	-
Argentina	Firmenich S.A.I.C. y F.	100	ARS	5 452
Australia	Firmenich Limited	100	AUD	2 780
Austria	Firmenich Ges.m.b.H	100	EUR	37
Belgium	Firmenich Belgium SA	100	EUR	1 240
Brazil	Firmenich & Cia Ltda.	100	BRL	83 115
Canada	Firmenich of Canada Ltd.	100	CAD	1
China	Kunming Firmenich Aromatics Co. Ltd.	80	CNY	167 281
	Firmenich Aromatics (Shanghai) Co. Ltd.	100	CNY	4 139
	Firmenich Aromatics (China) Co. Ltd.	100	CNY	108 336
	Firmenich Aromatics(ZhangjiaGang) Co., Ltd	100	CNY	160 060
Colombia	Firmenich S.A.	100	COP	8 163 346
Denmark	Firmenich Denmark APS	100	DKK	11 625
France	Firmenich & Cie SAS	100	EUR	5 000
	Firmenich Productions SAS	100	EUR	13 600
	Firmenich Grasse SAS	100	EUR	25 756
Germany	Firmenich GmbH	100	EUR	6 300
India	Firmenich Aromatics Production (India) Private Limited	100	INR	2 277 400
	Firmenich Aromatics (India) Pvt Ltd.	100	INR	45 000
Indonesia	PT Firmenich Indonesia	85	IDR	5 305 000
	Firmenich Aromatics Indonesia	100	IDR	45 097 500
Italy	Firmenich S.p.A.	100	EUR	103
	Firmenich Holding (Italy) SPA	100	EUR	30 000
	Campus S.r.l.	100	EUR	501
Japan	Nihon Firmenich K.K.	100	JPY	90 000

Country	Entity name	Share in percentage	Currency	Share capital in thousands
Korea	Firmenich Co. Ltd.	100	KRW	500 000
Mexico	Firmenich de Mexico S.A. de C.V.	100	MXN	103 827
	Firmenich Servicios de Mexico S.A .de C.V.	100	MXN	500
	Campus Italia de Mexico S. de R.L. de C.V.	100	MXN	91 123
Nigeria	Firmenich Western Africa Limited	100	NGN	10 000
Norway	Firmenich Bjørge Biomarin AS	100	NOK	125 250
	Campus Scandinavia AS	100	NOK	100
Philippines	Firmenich (Philippines) Inc.	100	PHP	13 075
Poland	Firmenich Sp. Z.o.o.	100	PLN	2 000
Russia	Firmenich LLC	100	RUB	44 481
Singapore	Firmenich Aromatics Pte Ltd.	100	SGD	500
	Firmenich Asia Pte Ltd.	100	SGD	6 000
	Food Ingredients Technology Pte, Ltd	100	SGD	41
South Africa	Firmenich (Pty) Ltd.	100	ZAR	113 500
	Flavourome (Pty) Ltd.	90	ZAR	370 000
Spain	Firmenich S.A.	100	EUR	300
Thailand	Firmenich Thailand Ltd.	100	THB	100 000
Turkey	Firmenich Dis Ticaret Limited Sirketi	100	TRY	166
UAE	Firmenich FZ-LLC	100	USD	400
UK	Firmenich UK Ltd.	100	GBP	7 000
USA	Firmenich Inc.	100	USD	31 350
	Chem-Fleur Inc.	100	USD	27 641
	Intercit Inc.	100	USD	567
	MCP Food Inc. MN	100	USD	-
	MCP Food Inc. CA	100	USD	5 000
	Essex Laboratories LLC	75	USD	9 637
	Agilex Holdings, Inc.	100	USD	163 603
Vietnam	Firmenich Vietnam LLC	100	VND	6 308 700

The consolidated financial statements recognize the following associates and joint ventures.

Country	Entity name	Share in percentage	Currency	Share capital in thousands
France	Fider SA	50	EUR	2 500
Switzerland	InnovAroma SA	50	CHF	100
Czech Republic	Novali A.S.	50	CZK	2 000
Israel	Negev Aroma (Ramat Hovav) Ltd.	50	NIS	35 000
India	Jasmine Concrete Exports Private Limited	49	INR	17 382
China	Artsci Biology Technologies Co Ltd	25	CNY	20 000
USA	Prolitec Inc	26	USD	26 679
Panama	The Nelixia Company SA	36	USD	17

The voting rights are the same as the share in percentage for all entities.

KPMG

Firmenich International SA, Satigny

Independent Auditor's Report on the Review of Consolidated Interim Financial Information

Consolidated Interim Financial Information as at 31 December 2019

Independent Auditor's Report on the Review of Consolidated Interim Financial Information

To the Board of Directors of Firmenich International SA, Satigny

Introduction

We have been engaged to review the accompanying consolidated statement of financial position of Firmenich International SA as at 31 December 2019 and the related consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the six-month period then ended, and selected explanatory notes (the consolidated interim financial information). The Board of Directors is responsible for the preparation and presentation of this consolidated interim financial information in accordance with International Accounting Standard 34 *Interim Financial Reporting*. Our responsibility is to express a conclusion on this consolidated interim financial information based on our review.

Scope of Review

We conducted our review in accordance with the International Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity.* A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying consolidated interim financial information as at 31 December 2019 is not prepared, in all material respects, in accordance with International Accounting Standard 34 *Interim Financial Reporting*.

KPMG SA

Martin Rohrbach Licensed Audit Expert	Jean-Baptiste Choulay Licensed Audit Expert

Geneva, 12 February 2020

Enclosure:
- Consolidated interim financial information (consolidated statement of financial position and related consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows and selected explanatory notes)

Consolidated income statement

For the six months ended

In millions of CHF	Notes	December 31, 2019	December 31, 2018
Revenue	10	**1 904.3**	**1 884.6**
Cost of goods sold	6	(1 049.1)	(1 050.6)
Gross profit		**855.2**	**834.0**
as % of revenue		*44.9%*	*44.3%*
Distribution expenses	6	(43.2)	(43.4)
Research and development expenses	6	(184.5)	(169.2)
Commercial and marketing expenses	6	(192.6)	(177.8)
Administration expenses	6	(129.6)	(114.7)
Other operating income	6	9.9	15.7
Operating profit		**315.2**	**344.6**
as % of revenue		*16.6%*	*18.3%*
Financing costs	7	(17.1)	(15.3)
Net other financial expenses	8	(24.6)	(36.3)
Share of (loss)/profit of jointly controlled entities and associates, net of taxes		(5.0)	0.3
Income before taxes		**268.5**	**293.3**
Income tax expense		(46.2)	(53.8)
Net income for the period		**222.3**	**239.5**
Attributable to:			
Non-controlling interests		0.2	0.4
Equity holders of the parent		**222.1**	**239.1**
as % of revenue		*11.7%*	*12.7%*
Basic and diluted earnings per A share (in CHF)	4	274.19	295.22
Basic and diluted earnings per B share (in CHF)	4	27.42	29.52

References in the income statement, statement of comprehensive income, statement of financial position, statement of changes in equity and statement of cash flows relate to notes 2 to 11, which form an integral part of the interim consolidated financial statements.

Consolidated statement of comprehensive income

For the six months ended

In millions of CHF	Notes	December 31, 2019	December 31, 2018
Net income for the period		**222.3**	**239.5**
Items that may be reclassified subsequently to the income statement			
Exchange differences on translating foreign operations		(31.1)	(30.3)
Exchange differences on translating foreign operations in jointly controlled entities and associates		(1.6)	(0.7)
Items that will not be reclassified to the income statement			
Remeasurement of post-employment benefit obligations		(7.1)	(1.5)
Equity investments at fair value through other comprehensive income	9	15.6	-
Deferred income taxes on remeasurement of post-employment benefit obligations		2.0	0.3
Deferred income taxes on remeasurement on fair value through other comprehensive income		(2.1)	-
Total other comprehensive income for the period, net of tax		**(24.3)**	**(32.2)**
Total comprehensive income for the period		**198.0**	**207.3**
Attributable to:			
Non-controlling interests		(0.2)	(0.1)
Equity holders of the parent		198.2	207.4

Consolidated statement of financial position

At period ended

In millions of CHF	Notes	December 31, 2019	June 30, 2019
Assets			
Goodwill and intangible assets	2	1 319.1	1 276.9
Property, plant and equipment	3	1 201.8	1 023.6
Financial investments and loans	9	572.0	91.2
Investments in jointly controlled entities and associates		72.4	79.2
Deferred tax assets		114.9	115.4
Total non-current assets		**3 280.2**	**2 586.3**
Inventories		754.5	669.1
Trade accounts receivable		804.5	841.0
Other receivables and prepaid expenses		139.1	185.0
Derivative financial instruments assets	9	11.3	13.7
Current income tax assets		81.2	82.2
Financial investments	9	74.3	72.6
Cash and cash equivalents		209.7	376.4
Total current assets		**2 074.6**	**2 240.0**
Total assets		**5 354.8**	**4 826.3**
Equity and liabilities			
Share capital	4	40.5	40.5
Retained earnings and other reserves		3 359.2	3 389.4
Remeasurement of post-employment benefit obligations		(381.0)	(375.9)
Translation of foreign operations		(401.5)	(367.1)
Equity attributable to equity holders of the parent		**2 617.2**	**2 686.9**
Non-controlling interests		27.0	19.5
Total equity		**2 644.2**	**2 706.4**
Employee benefit obligations		605.4	606.9
Provisions		12.5	14.9
Deferred tax liabilities		135.2	123.6
Long-term borrowings	5	182.8	36.4
Other long-term liabilities	2/5/9	76.9	21.7
Total non-current liabilities		**1 012.8**	**803.5**
Trade accounts payable		261.6	227.9
Other payables and accrued expenses		358.9	458.5
Derivative financial instruments liabilities	9	77.3	3.1
Employee benefit obligations		19.6	26.6
Provisions		6.0	6.3
Current income tax liabilities		66.1	70.8
Short-term borrowings	5	908.3	523.2
Total current liabilities		**1 697.8**	**1 316.4**
Total liabilities		**2 710.6**	**2 119.9**
Total equity and liabilities		**5 354.8**	**4 826.3**

Consolidated statement of changes in equity

For the six months ended

In millions of CHF	Share capital	Retained earnings and other reserves	Remeasure-ment of post-employment benefit obligations	Fair value reserve **	Translation of foreign operations	Attributable to equity holders of the parent	Non-controlling interests	**Total Equity**
Balance as at July 1, 2018	**40.5**	**3 075.1**	**(377.8)**		**(323.2)**	**2 414.6**	**18.4**	**2 433.0**
Net income for the period		239.1				239.1	0.4	239.5
Other comprehensive income for the period		0.5	(1.2)		(31.0)	(31.7)	(0.5)	(32.2)
Total comprehensive income for the period		**239.6**	**(1.2)**		**(31.0)**	**207.4**	**(0.1)**	**207.3**
Dividends		(210.6)				(210.6)	(0.7)	(211.3)
Net change in other equity items		**(210.6)**				**(210.6)**	**(0.7)**	**(211.3)**
Balance as at December 31, 2018	**40.5**	**3 104.1**	**(379.0)**		**(354.2)**	**2 411.4**	**17.6**	**2 429.0**
Balance as at July 1, 2019	**40.5**	**3 389.4**	**(375.9)**	-	**(367.1)**	**2 686.9**	**19.5**	**2 706.4**
Net income for the period		222.1				222.1	0.2	222.3
Other comprehensive income for the period		2.1	(5.1)	13.5	(34.4)	(23.9)	(0.4)	(24.3)
Total comprehensive income for the period		**224.2**	**(5.1)**	**13.5**	**(34.4)**	**198.2**	**(0.2)**	**198.0**
Dividends		(210.6)				(210.6)	(0.8)	(211.4)
Acquisition of subsidiary with non-controlling interests *		(57.3)				(57.3)	8.5	(48.8)
Net change in other equity items		**(267.9)**				**(267.9)**	**7.7**	**(260.2)**
Balance as at December 31, 2019	**40.5**	**3 345.7**	**(381.0)**	**13.5**	**(401.5)**	**2 617.2**	**27.0**	**2 644.2**

(*) Refer to note 2, (**) refer to note 9

Consolidated statement of cash flows

For the six months ended

In millions of CHF	Notes	December 31, 2019	December 31, 2018
Cash flows from operating activities			
Net income for the period		222.3	239.5
Income tax expense		46.2	53.8
Income before taxes		**268.5**	**293.3**
Depreciation of property, plant and equipment	6	64.9	40.5
Amortization of intangible assets	6	32.3	26.9
Impairment losses on property, plant and equipment	6	0.4	-
Release of government grants	6	(1.1)	(1.1)
Changes in provisions and employee benefits		(15.4)	(0.4)
Unrealized net gain on investment at fair value through income statement		1.2	20.9
Share of loss/(profit) of jointly controlled entities and associates		5.0	(0.3)
Foreign exchange differences and other non cash items		1.4	7.6
Net interests		15.1	13.3
Adjustment for non-cash items		**103.8**	**107.4**
Changes in inventories		(93.5)	(61.7)
Changes in trade and other receivables		71.9	7.7
Changes in trade and other payables		(66.0)	(71.1)
Changes in working capital		**(87.6)**	**(125.1)**
Interests paid		**(16.2)**	**(14.4)**
Income tax paid		**(50.6)**	**(41.3)**
Cash flows from operating activities		**217.9**	**219.9**
Cash flows used in investing activities			
Purchase of property, plant and equipment		(60.2)	(69.7)
Purchase of intangible assets		(8.8)	(13.4)
Disposal of intangible assets, property, plant and equipment		1.4	7.8
Government grants received		0.4	0.4
Net investments		**(67.2)**	**(74.9)**
Acquisition of subsidiaries (net of cash)	2	(64.3)	(304.0)
Acquisition of jointly controlled entities and associates (net of cash)		-	(2.3)
(Acquisition)/proceeds of short-term financial investments		(3.5)	120.1
Acquisition of long term financial investments		(386.2)	(1.5)
Interests received		2.0	2.1
Cash flows used in investing activities		**(519.2)**	**(260.5)**
Cash flows from / (used in) financing activities			
Long-term borrowings increase	5	8.6	7.3
Long-term borrowings decrease	5	(11.9)	(2.0)
Short-term borrowings increase	5	456.1	14.9
Short-term borrowings decrease	5	(104.2)	(51.4)
Other long-term debt		(0.8)	(0.2)
Dividend payment to equity holders of the parent		(210.6)	(210.6)
Dividend paid to non-controlling interests		(0.8)	(0.7)
Cash flows from / (used in) financing activities		**136.4**	**(242.7)**
Net decrease in cash and cash equivalents		**(164.9)**	**(283.3)**
Cash and cash equivalents			
Cash and cash equivalents at beginning of period		376.4	443.6
Net effect of currency translation on cash and cash equivalents		(1.8)	(1.3)
Cash and cash equivalents at end of period		209.7	159.0
Cash and cash equivalents variation		**(164.9)**	**(283.3)**

Notes to the interim consolidated financial statements

1. Accounting information and policies

Firmenich Group

FIRMENICH INTERNATIONAL SA is incorporated and domiciled in Switzerland (7, rue de la Bergère, 1242 Satigny, Canton of Geneva). These interim consolidated financial statements comprise FIRMENICH INTERNATIONAL SA and its subsidiaries (the Group).

The Firmenich Group operates worldwide and has affiliated companies and representative offices in over 30 countries. The Group is a global supplier of fragrances and flavors.

FIRMENICH INTERNATIONAL SA is controlled by Sentarom SA. The ultimate controlling party is the Firmenich family.

The financial year 2020 covers the period from July 1, 2019 to June 30, 2020.

Basis of accounting

These financial statements are the interim consolidated financial statements of the Group for the six months period ended December 31, 2019. They have been prepared in accordance with IAS 34 Interim Financial Reporting and should be read in conjunction with the Group's last annual consolidated financial statements as at and for the year ended June 30, 2019 ('last annual financial statements'). They do not include all of the information required for a complete set of IFRS financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance since the last annual financial statements.

This is the first set of the Group's financial statements in which IFRS 16 has been applied. Changes to significant accounting policies are described in the notes below.

The Group operates in markets where no significant seasonal or cyclical variations in revenue are experienced during the financial year.

The FIRMENICH INTERNATIONAL SA Board of Directors approved these interim consolidated financial statements on February 12, 2020.

In the following notes all amounts are shown in millions of CHF unless otherwise stated.

Critical accounting estimates and judgements

In preparing these interim financial statements, management has made judgements and estimates that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those described in the last annual financial statements, except for the new significant judgements related to lessee accounting under IFRS 16, which are described below.

Changes in significant accounting policies

The accounting policies adopted are consistent with those of the annual financial statements for the year ended June 30, 2019, as described in the 2019 consolidated financial statements with the exception of the adoption as of July 1, 2019, of the standards and interpretations described below.

The Group has initially adopted IFRS 16 Leases from July 1, 2019. A number of other new standards are effective from July 1, 2019 but they do not have a material effect on the Group's financial statements.

IFRS 16 introduced a single, on-balance sheet accounting model for lessees. As a result, the Group, as a lessee, has recognized right-of-use assets representing its rights to use the underlying assets and lease liabilities representing its obligation to make lease payments.

The Group has applied IFRS 16 on July 1, 2019, using the modified retrospective approach with no restatement of comparative information.

On transition to IFRS 16, the Group elected to apply the practical expedient to grandfather the assessment of which transactions are leases. It applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed. Therefore, the definition of a lease under IFRS 16 has been applied only to contracts entered into or changed on or after July 1, 2019.

Right-of-use assets are disclosed in the line Property, plant and equipment. The lease liability is disclosed in the lines Short-term borrowings and Long-term borrowings and interest expenses are included in the line Financing costs.

The Group recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, and subsequently at cost less any accumulated depreciation and impairment losses, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payments made.

It is remeasured when there is a change in future lease payments arising from a change in an index or rate, a change in the estimate of the amount expected to be payable under a residual value guarantee, or as appropriate, changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

The Group has applied judgement to determine the lease term for some lease contracts in which it is a lessee that include renewal options. The assessment of whether the Group is reasonably certain to exercise such options impacts the lease term, which significantly affects the amount of lease liabilities and right-of-use assets recognized.

At transition, for leases classified as operating leases under IAS 17, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Group's incremental borrowing rate as at July 1, 2019. Right-of-use assets are measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments – the Group applied this approach to all other leases.

The following table reconciles the operating lease disclosures for the year ended June 30, 2019 and the lease liabilities recognized at July 1, 2019.

	July 1, 2019
Operating lease commitment at June 30, 2019 as disclosed in the Group's consolidated financial statements	143.2
Discounted using the incremental borrowing rate at July 1, 2019	129.8
Finance lease liabilities recognized at June 30, 2019	1.0
Extension and termination options reasonably certain to be exercised	55.2
Lease liabilities recognized at July 1, 2019	**186.0**

When measuring lease liabilities for leases that were classified as operating leases, the Group discounted lease payments using its incremental borrowing rate at July 1, 2019. The weighted average rate applied is 2%.

2. Business combinations

On July 31, 2019, Firmenich acquired 60% of the shares and voting interests of VKL Seasoning Private Limited (VKL) for a purchase price of CHF 65.8. Founded in 1996, VKL is recognized for its strong understanding of taste and its leading reputation in India. From July 31, 2019, the acquisition contributed CHF 17.2 to revenue. The identifiable assets and liabilities of VKL are recorded at fair value at the date of acquisition. The resulting goodwill of CHF 52.9 is attributable to the revenue growth and synergies expected to be achieved by developing the Group's presence on the Indian market. Firmenich entered into a put option agreement to purchase the remaining shares owned by non-controlling interests. This agreement is expected to be exercised within 5 years from completion. A redemption liability of CHF 57.3 was recognized accordingly under Other long-term liabilities.

If new information obtained within one year of the date of acquisition about facts and circumstances that existed at the date of acquisition identifies adjustments to the above amounts, or any additional provisions that existed at the date of acquisition, then the accounting for this acquisition will be revised.

2.1 Assets and liabilities recognized at date of acquisition

	VKL	Other	Total
Non-current assets			
Intangible assets	28.3	-	**28.3**
Property, plant and equipment	11.9	3.2	**15.1**
Financial investments and loans	4.0	1.0	**5.0**
Current assets			
Cash and cash equivalents	1.0	1.3	**2.3**
Inventories	5.9	1.0	**6.9**
Trade accounts receivable	5.8	-	**5.8**
Other receivables and prepaid expenses	1.7	-	**1.7**
Non-current liabilities			
Provisions	(0.4)	(5.0)	**(5.4)**
Deferred tax liabilities	(10.0)	(0.6)	**(10.6)**
Long-term borrowings	(4.8)	-	**(4.8)**
Current liabilities			
Trade accounts payable	(5.5)	-	**(5.5)**
Other payables and accrued expenses	(4.9)	(0.3)	**(5.2)**
Short-term borrowings	(11.6)	-	**(11.6)**
Total identifiable net assets acquired at fair value	**21.4**	**0.6**	**22.0**
Non-controlling interests at the proportionate share of the acquiree's net assets	(8.5)	-	**(8.5)**
Goodwill arising on acquisition	52.9	0.2	**53.1**
Consideration transferred	**65.8**	**0.8**	**66.6**

2.2 Cash flow on acquisitions

	VKL	Other	Total
Cash consideration	65.8	0.8	66.6
Cash and cash equivalents acquired	1.0	1.3	2.3
Net cash outflow	**64.8**	**(0.5)**	**64.3**

3. Property, plant and equipment

With the first adoption of IFRS 16, the carrying values of right-of-use assets amount to CHF 186.0 at July 1, 2019 and CHF 172.1 at December 31, 2019.

4. Share capital and earnings per share

At period ended	December 31, 2019	June 30, 2019
SHARE CAPITAL - ORDINARY SHARES		
Registered A shares		
Number	729 000	729 000
Nominal value (in CHF)	50.0	50.0
Total A shares (in millions of CHF)	**36.45**	**36.45**
Registered B shares		
Number	810 000	810 000
Nominal value (in CHF)	5.0	5.0
Total B shares (in millions of CHF)	**4.05**	**4.05**
Share capital (in millions of CHF)	**40.5**	**40.5**

Ordinary share

Each share carries the right to one vote. When a dividend on ordinary share is declared, holders of A shares are entitled to a preferential dividend equivalent to 10% of the nominal share value in priority to other dividend payments.

The ordinary share capital of Firmenich International SA has been authorized, issued and fully paid.

Earnings per share

Basic earnings per share is calculated by dividing the net income attributable to shareholders by the weighted average number of ordinary shares in issue during the year.

For the six months ended, in millions of CHF (except for earnings per share)	December 31, 2019	December 31, 2018
Net income attributable to Firmenich International SA	222.1	239.1
A shares part of share capital in %	90.0%	90.0%
A shares part of net income from ordinary activities	199.9	215.2
B shares part of share capital in %	10.0%	10.0%
B shares part of net income from ordinary activities	22.2	23.9
Earnings per A share (in CHF)	**274.19**	**295.22**
Earnings per B share (in CHF)	**27.42**	**29.52**

The Group has not issued share capital related instruments that could have affected earnings per share.

Dividend distribution

At the General meeting held in October 2019, a distribution on financial year 2019 net income of CHF 260.0 gross per A share and CHF 26.0 gross per B share was approved.
The dividend has been paid in October 2019.

5. Borrowings and other long-term liabilities

At period ended		December 31, 2019	June 30, 2019
BORROWINGS AND OTHER LONG-TERM LIABILITIES BY CATEGORY			
Long-term bank borrowings		43.6	36.4
Short-term bank borrowings		874.2	523.2
Long-term lease liabilities		139.2	-
Short-term lease liabilities		34.1	-
Other long-term liabilities		76.9	21.7
Borrowings and other long-term liabilities		**1 168.0**	**581.3**

In millions of CHF	Long-term borrowings	Short-term borrowings	Total
BORROWINGS MOVEMENTS			
Opening balance July 1, 2019	**36.4**	**523.2**	**559.6**
Acquisition	4.8	11.6	16.4
Lease liabilities recognized at July 1	150.1	35.9	186.0
Cash flows	(3.3)	351.9	348.6
Reclassification	(0.7)	0.7	-
Currency translation adjustment	(4.5)	(15.0)	(19.5)
Closing balance December 31, 2019	**182.8**	**908.3**	**1 091.1**

6. Expenses by nature

Significant expense items by nature within operating expenses include:

For the six months ended, in millions of CHF	December 31, 2019	December 31, 2018
COST OF GOODS SOLD AND OPERATING EXPENSES BY NATURE		
Raw material and consumables used	789.0	802.9
Employee benefits	465.0	435.9
Supplies	49.7	45.7
Services	188.0	200.2
Depreciation, amortization and impairment of assets	96.5	66.3
Loss / (gain) on property, plant and equipment	2.5	(4.1)
Operating taxes	8.3	8.8
Other operating income	(9.9)	(15.7)
Total expenses	**1 589.1**	**1 540.0**

Other operating income mainly consists in indemnities related to business interruption.

7. Financing costs

For the six months ended, in millions of CHF	December 31, 2019	December 31, 2018
FINANCING COSTS		
Interest expenses	14.6	12.4
Interest on net defined benefit liability	2.5	2.9
Financing costs	**17.1**	**15.3**

8. Net other financial expenses

For the six months ended, in millions of CHF	December 31, 2019	December 31, 2018
Interest and dividend income	0.2	0.1
Fair value gains / (losses)	0.4	(6.3)
Gains on sale on financial investments	-	5.8
Losses on derivative financial instruments	-	(0.1)
Losses on commodity options	(1.2)	(16.5)
Results on investments held at fair value through income statement	(0.6)	(17.0)
Other interest and dividend income	1.9	2.0
Net exchange losses	(10.6)	(12.4)
Net exchange losses on currency options and contracts	(9.6)	(2.6)
Net of cash discount received and (granted), (bank charges and other financial charges)	(5.7)	(6.3)
Net other financial expenses	**(24.6)**	**(36.3)**

9. Financial risk management

Financial risk factors

The Group, as a result of its financing activities, is exposed to a variety of risks, including the effects of volatility of foreign currency exchange rates and interest rates, which may adversely affect its results of operations and financial conditions. In seeking to minimize the risks and costs associated with such activities, the Group manages exposure to changes in foreign currency exchange rates, interest rates and commodity prices, when deemed appropriate, through the use of derivative financial instruments. The instruments utilized include: forward contracts, currency options, commodity options, interest rate swaps. The Group does not use financial instruments for speculative or trading purposes.

Notes to the interim consolidated financial statements

Financial risk management is carried out by a central treasury department (Group Treasury) under Group policies and principles as described in Treasury manual. Group Treasury identifies, evaluates and hedges financial risks in close cooperation with the operating units. Group policies also cover areas such as (net debt) /net cash management and bank relationship management.

Financial instruments

The Group introduced a new classification category for financial assets in financial year 2020: Financial assets at fair value through other comprehensive income.

In the first half of the financial year, Firmenich acquired 21.61% of Robertet SA's share interests, representing 11.26% of voting rights for a total price of CHF 389.0 (EUR 357.1). This equity instrument is a long-term strategic investment (not held for trading). On initial recognition, the Group irrevocably elected to present subsequent changes in the investment's fair value in other comprehensive income.

Fair value measurements recognized in the consolidated statement of financial position

The following table presents the carrying amounts and fair values of financial assets and financial liabilities, including their fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value. Trade and other receivables and trade and other payables as well as short-term borrowings are not included in the table below. Their carrying amount is a reasonable approximation of fair value.

Level 1: fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices);

Level 3: fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

December 31, 2019

In millions of CHF	Level 1	Level 2	Level 3	Total
FINANCIAL ASSETS				
Non-current assets				
Financial investments	530.2	0.3	5.9	536.4
Current assets - derivatives				
Forward foreign exchange contract and options	-	11.3	-	11.3
Current financial investments				
Fixed term deposits	29.3	39.5	-	68.8
Hedge funds			0.3	0.3
Equity securities	3.0	-	-	3.0
Bonds and debentures	2.2	-	-	2.2
FINANCIAL LIABILITIES				
Non-current liabilities				
Redemption liability	-	-	57.3	57.3
Current liabilities - derivatives				
Forward foreign exchange contract and options	-	77.3	-	77.3

June 30, 2019

In millions of CHF	Level 1	Level 2	Level 3	Total
FINANCIAL ASSETS				
Non-current assets				
Financial investments	48.6	0.3	6.0	54.9
Current assets - derivatives				
Forward foreign exchange contract and options	-	13.7	-	13.7
Current financial investments				
Fixed term deposits	13.8	43.8	-	57.6
Hedge funds	-	-	0.3	0.3
Equity securities	2.7	-	-	2.7
Bonds and debentures	12.0	-	-	12.0
FINANCIAL LIABILITIES				
Current liabilities - derivatives				
Forward foreign exchange contract and options	-	3.1	-	3.1

Fair value estimation

The fair value of financial instruments traded in active markets is determined by reference to share exchange quoted selling prices at the close of business on the reporting date.

The fair value of financial instruments that are not traded in active markets is determined by reference to observable market transactions and on valuations provided by reputable financial institutions and hedge fund managers.

The carrying value less allowance for doubtful debts of trade accounts receivable and payable are assumed to approximate fair values, due to their short-term nature. The valuation model for other financial liabilities considers the present value of expected payments, discounted using a risk-adjusted discount rate.

The fair values of the financial assets and liabilities are defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Methods and assumptions used to estimate the fair values are consistent with those used in the year ended June 30, 2019.

10. Operating segments

Business segment information

For management purposes, the Group is organized into divisions based on products and has two reportable segments as follows :

Perfumery & Ingredients

The perfumery and ingredients segment manufactures and sells fragrances into three global business units: fine fragrance, functional perfumery and ingredients.

Flavor

The flavor segment develops, manufactures and sells products used in the production of foods (savory and sweet) and beverages.

The Corporate management monitors operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment.

Group financing (including financial income and expenses) and income taxes are managed on a Group basis and are not allocated to operating segments.

Inter segment sales are not significant.

For the six months ended, in millions of CHF	Perfumery & Ingredients December 31, 2019	Perfumery & Ingredients December 31, 2018	Flavor December 31, 2019	Flavor December 31, 2018	Total December 31, 2019	Total December 31, 2018
Revenue	**1 218.3**	**1 199.2**	**686.0**	**685.4**	**1 904.3**	**1 884.6**
EBITDA	**265.4**	**257.5**	**146.3**	**153.4**	**411.7**	**410.9**
Depreciation and amortization	(51.0)	(37.2)	(45.5)	(29.1)	(96.5)	(66.3)
Operating profit	**214.4**	**220.3**	**100.8**	**124.3**	**315.2**	**344.6**
Financing costs					(17.1)	(15.3)
Net other financial expenses					(24.6)	(36.3)
Share of (loss)/profit of jointly controlled entities and associates, net of taxes					(5.0)	0.3
Income before taxes					**268.5**	**293.3**
Income tax expense					(46.2)	(53.8)
Net income for the period					**222.3**	**239.5**

Capital expenditure

Purchase of property, plant, equipment and intangibles	**39.2**	**44.7**	**29.8**	**38.4**	**69.0**	**83.1**

Geographical information

For the six months ended December 31, 2019	Europe	North America	Latin America	India, Middle East and Africa	South East Asia	North and East Asia	Total
Revenue	**593.4**	**465.7**	**249.3**	**210.2**	**226.3**	**159.4**	**1 904.3**

For the six months ended December 31, 2018	Europe	North America	Latin America	India, Middle East and Africa	South East Asia	North and East Asia	Total
Revenue	**602.6**	**486.0**	**245.3**	**194.0**	**202.4**	**154.3**	**1 884.6**

11. Subsequent events

Firmenich entered into a deal with the Gülçiçek family to acquire Gülçiçek Kimya ve Uçan Yaglar Sanayi ve Ticaret A.S. (MG International Fragrance Company). MG International is a family-owned leading middle-market Fragrance company based in Turkey with an extensive reach across its broader region. The total purchase consideration is expected to amount to CHF 192.0, including an earn-out of CHF 9.0. The deal is structured in three phases, the first of which expected to close in the third quarter of the financial year. This acquisition has no impact on these interim consolidated financial statements.

Alpha-Beta International

ANNUAL REPORT

2019

Company: Alpha-Beta International

Registered with the Dax trade and companies register under number 833 883 770

Contents

I. CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

In € thousands	2019 (12 months)	2018 (9 months)	Notes
Revenue	**544,652**	**413,398**	**V.6.1**
Other business income	9,956	4,922	V.6.1
Income from ordinary activities	**554,607**	**418,320**	**-**
Selling expense	(24,822)	(18,942)	V.6.2
Variable expense	(297,118)	(243,433)	V.6.4.4
Contribution margin	**232,667**	**155,946**	**-**
Direct non-proportional expense	(85,937)	(57,088)	V.6.5
Gross profit	**146,731**	**98,858**	**-**
General and administrative expense	(38,065)	(26,263)	V.6.5
R&D expense	(10,088)	(7,863)	V.6.5
Net provision expense	(313)	(351)	V.9.2
Depreciation and amortisation	(67,744)	(45,594)	V.8.2
Other operating income and expense	(75)	32	V.6.12
Recurring operating income	**30,446**	**18,818**	**-**
Other operating income and expense	(17,989)	(7,404)	V.6.6
Operating income	**12,457**	**11,414**	**-**
Share in the net income of equity affiliates	748	310	V.6.9
Net financial items	(50,109)	(40,418)	V.11.1.4.2
Income tax	1,210	(6,181)	V.12.1.5
Net income from continuing operations	**(35,694)**	**(34,876)**	**-**
Net income from discontinued operations	(9)	(204)	V.6.10
Net income	**(35,703)**	**(35,080)**	**-**
Of which net income attributable to non-controlling interests	3,406	3,879	-
Of which net income attributable to equity holders of the parent	(39,109)	(38,958)	-
EBITDA	**98,578**	**64,732**	**-**

The income statement above reflects the Group's activities over the full 12 months of 2019, as compared with the period from April to December in 2018.

The Group defines EBITDA as follows: recurring operating income plus net additions to depreciation, amortisation and provisions, along with other operating income and expense (not material).

II. CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Assets (in € thousands)	31/12/2019	31/12/2018	Notes
Goodwill	251,961	252,090	V.8.1
Intangible assets	346,883	369,633	V.8.1
Property, plant and equipment	355,640	322,565	V.8.2
Investments in companies accounted for under the equity method	3,128	2,380	V.6.9
Deferred tax assets	7,281	5,851	V.12.2.1
Other non-current assets	12,480	14,089	V.11.1.1
Non-current assets	**977,374**	**966,608**	**-**
Inventories	173,080	145,814	V.6.4.2
Trade receivables	48,556	106,954	V.6.3.1
Current tax assets	-	-	-
Other current assets	20,244	19,563	V.11.1.2
Cash and cash equivalents	24,209	26,485	V.11.4
Current assets	**266,090**	**298,816**	**-**
Total assets	**1,243,464**	**1,265,424**	**-**

Equity and liabilities (in € thousands)	31/12/2019	31/12/2018	Notes
Share capital	193,469	193,256	V.10.1.1
Share premiums and reserves	9,488	65,433	IV
Other comprehensive income	1,099	5,119	V.10.3
Net income for the year	(39,109)	(38,958)	-
Equity attributable to equity holders of the parent	**164,946**	**224,850**	**-**
Non-controlling interests	26,962	26,678	IV
Equity	**191,908**	**251,527**	**-**
Convertible bonds	169,911	249,236	V.10.1.2
Provisions for retirement and other employee benefit obligations	9,407	7,810	V.7.7
Other non-current provisions	-	-	-
Long-term borrowings and debt	583,518	477,105	V.11.3
Deferred tax liabilities	119,192	128,069	V.12.2.1
Other non-current liabilities	3,550	352	V.6.11
Non-current liabilities	**715,667**	**613,336**	**-**
Current provisions	127	459	V.9.1
Short-term borrowings and debt	70,126	44,796	V.11.3
Trade payables	69,146	66,077	V.11.1.3
Current tax liabilities	41	1,731	V.12.1.7
Other current liabilities	26,538	38,263	V.6.11
Current liabilities	**165,978**	**151,325**	**-**
Total liabilities	**1,243,464**	**1,265,424**	**-**

III. CONSOLIDATED STATEMENT OF CASH FLOWS

In € thousands	2019	2018 (9 months)
Net income from consolidated companies	**(35,703)**	**(35,080)**
Net income from discontinued operations	9	204
Income tax expense	(1,210)	6,181
Financial expense	50,109	40,418
Share in the net income of equity affiliates	(748)	(310)
Operating income	**12,457**	**11,413**
Depreciation and amortisation	67,744	45,594
Additions to/(releases from) provisions	65	(270)
Additions to/(releases from) provisions for asset impairment	-	-
Losses/(gains) on sales of non-current assets	205	315
Investment subsidies taken to income	(356)	(237)
Other	654	(1,489)
Operating cash flow	**80,769**	**55,326**
Change in inventories	(27,266)	1,930
Change in trade and other receivables	58,398	(7,822)
Change in trade and other payables	3,069	(12,218)
Change in social security and tax liabilities	(1,691)	(578)
Change in other receivables and payables	(8,455)	(6,421)
Funds from operations	**104,824**	**30,217**
Interest paid	(39,134)	(16,961)
Other financial income and expense paid	58	(1,188)
Income tax paid	(6,096)	(15,042)
Cash flow from operating activities	**59,652**	**(2,975)**
Purchases of intangible assets and property, plant and equipment	(70,686)	(36,378)
Purchases of non-current financial assets	-	(769,223)
Disposals of intangible assets and property, plant and equipment	-	594
Disposals of non-current financial assets	3,060	-
Cash flow from investing activities	**(67,626)**	**(805,007)**
Financing surplus (requirement)	**(7,974)**	**(807,982)**
Capital increase (decrease)	(1,430)	196,189
Increase in bond borrowings	-	283,811
(Decrease) in bond borrowings	(123,581)	-
Increase in debt	140,993	477,000
(Decrease) in debt	(31,118)	(146,017)
Shareholder loans	-	-
Cash flow from financing activities	**(15,136)**	**810,983**
Change in net cash	(23,110)	3,002
Net cash at start of period	**9,684**	**9,684**
Change in net cash	(23,110)	3,002
Net cash at end of period	**(10,424)**	**12,686**

IV. STATEMENT OF CHANGES IN CONSOLIDATED EQUITY

In € thousands	Share capital	Share premiums and reserves	Net income for the period	Other comprehensive income	Non-controlling interests	Total equity
31/12/2018	**193,256**	**65,433**	**(38,958)**	**5,119**	**26,678**	**251,527**
Change in scope	-	-		-	-	0
Comprehensive income for the period	-	(38,958)	38,958	-	3,406	(35,703)
Capital increase	340	(340)		-	-	0
Capital decrease	(127)	(1,303)		-	-	(1,430)
Convertible bonds	-	(30,015)		-	-	(30,015)
Other movements	-	14,670		(4,020)	(3,122)	7,529
Transactions with ABI's owners	**-**	**-**		**-**	**-**	**0**
31/12/2019	**193,469**	**9,488**	**(39,109)**	**1,009**	**26,962**	**191,908**

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

On 10 April 2018, the Company indirectly acquired all the capital and voting rights of Les Dérivés Résiniques et Terpéniques (DRT), a simplified joint-stock corporation *(société par actions simplifiée)* with capital of €19,961,200, whose registered office is located at 30 rue Gambetta, 40100 Dax and which is registered with the Dax trade and companies register under number 985 520 154, and of its direct and indirect subsidiaries and affiliates.

V.1 KEY EVENTS IN THE PERIOD

- Partial redemption and repurchase of financial instruments in July 2019:
  Because of the Group's strong performance, in July 2019 it carried out transactions to redeem and repurchase a portion of the fixed-income financial instruments subscribed by various investors including new investors, particularly convertible bonds and cumulative preferred shares issued by the Company on 10 April 2018 ("Category A Shares") in an amount of around €125,000,000. The transaction was financed by (i) the use of part of the Group's available liquidity, arising in particular from DRT's factoring programme, via a special distribution of reserves in an amount of €63,610,000 and (ii) the arrangement of an Additional Senior Facility for Alpha-Beta Participation in a principal amount of €60,000,000 (the "Additional Facility") on terms set out in the "Additional Facility Notice" signed in July 2019 by Alpha-Beta Participation.

  Accordingly, on 23 July 2019, the Group carried out the following transactions:

  - Redemption of 38.9% of the convertible bonds in a principal amount of €110,503,712 and €13,077,013 of interest, making a total of €123 million.
  - Reduction in the Company's share capital for purposes other than absorbing losses, in a nominal amount of €126,902, through the repurchase of 126,902 Category A Shares with par value of €1 each at their real value, i.e. €11.18 each, in order to cancel them.

  The aim of this financing transaction was to take advantage of favourable conditions in the external debt market, with that external debt replacing more costly borrowings from shareholders and therefore having a positive impact for the Group.

- Previously, on 10 April 2019, the Chairman, under a delegation of authority granted by the Shareholders on 10 April 2018, formally noted an increase in the Company's share capital amounting to €340,000 through the issue of 340,000 ADP 1 preferred shares, in accordance with articles L. 225-129-1 and L. 227-1 of the French Commercial Code.

- Expansion of the tax consolidation group: on 15 March 2019, Alpha-Beta International, in accordance with and in the form required by article 223 A of the French General Tax Code, decided to expand the scope of the tax consolidation group of which it is the head company, to include DRT, Action Pin, SBS, Resineland and Resimmo, from 1 January 2019. All subsidiaries gave their agreement, in accordance with and in the form required by the same provisions, to become members of the tax consolidation group.

- Transfer of registered office: the Chairman, through a decision on 10 April 2019, transferred the Company's registered office from 20 place Vendôme, 75001 Paris to 30 rue Gambetta, 40100 Dax and made the corresponding changes to the articles of association.

V.2. POST-BALANCE SHEET EVENTS

- In January 2020, DRT signed an agreement to sell its shares in the Crown Chemicals joint venture in India (CCPL) to the other partner, Anthea, which became the owner of all shares in that company. On 4 March 2020, Firmenich officially announced its plan to acquire the DRT group, including Alpha-Beta International and Alpha-Beta Participation. At the time of writing of this report, that plan was proceeding and notification procedures with respect to the competition authorities were ongoing.

- The Group's exposure to risks relating to Covid-19:

  In the context of Covid-19 and the containment measures introduced by the French authorities since mid-March, our first priority is to protect our employees and we are paying particular attention to risk management by putting in place real-time information and monitoring systems. The Group is paying close attention to how the pandemic is affecting consumption trends in its various markets and to the containment measures being adopted, which are causing an economic slowdown. At the time of writing, the financial impact is expected to be limited given the geographical diversity of the markets in which the Group operates. All appropriate actions are being examined in order to minimise the potential impact. The Group's purchasing and activities at its production sites have little exposure to the countries in which Covid-19 has spread the most. The temporary indirect consequences of a downturn in the global economy or in international travel are also limited at the moment. However, that could change depending on how the coronavirus situation develops around the world.

V.3 KEY INDICATORS

12-month business activity of Alpha-Beta International and its subsidiaries as shown by consolidated IFRS figures - comparison between 2019 and 2018:

The indicators below show a different presentation of the income statement items reported in section I, and allow their content to be detailed by type of income or expense.

In € millions	2019	2018	Difference (%)
Sales	**548.2**	**551.4**	**(0.6%)**
Rebates, allowances and discounts	(3.6)	(4.1)	(12.2%)
Selling expense	(24.8)	(23.7)	4.6%
Net revenue	**519.8**	**523.6**	**(0.6%)**
Variable expense	(298.9)	(316.3)	(5.5%)
Revenue minus variable expense	**220.9**	**207.3**	**6.6%**
Other business revenue and income	12.8	18.6	(31.2%)
Maintenance	(17.2)	(19.4)	(11.3%)
Insurance (general)	(5.2)	(4.2)	23.8%
Advertising and communication	(3.3)	(3.3)	0.0%
Other external services	(20.8)	(20.8)	0.0%
Added value	**187.2**	**178.2**	**5.0%**
Levies	(6.4)	(5.3)	20.7%
Personnel expense	(92.1)	(89.5)	2.9%
Work performed by the company for itself	9.9	8.3	19.3%
EBITDA (IFRS)	**98.6**	**91.7**	**7.5%**
Revenue minus variable expense/net revenue	**42.5%**	**39.6%**	
EBITDA/net revenue	**19.0%**	**17.5%**	

V.4 GENERAL ACCOUNTING PRINCIPLES

Alpha-Beta International (ABI) is a company incorporated in France and whose registered office is located at 30 rue Gambetta, Dax. Alpha-Beta International's consolidated financial statements for the period ended 31 December 2019 include the parent company and its subsidiaries (together referred to as the "Group" or "ABI") and the Group's interests in associated companies. ABI's main business activity is the processing of pine resin. The Group's consolidated financial statements for the year ended 31 December 2019 are available on request from the Group's registered office.

V.4.1 First-time adoption of IFRSs

The first set of financial statements prepared by the Group in accordance with IFRSs were for the period ended 31 December 2018, with a transition date of 1 January 2017. IFRS 1 provides for exemptions to the retrospective application of IFRSs on the transition date. The exemptions adopted by the Group included the following:

- Non-controlling interests: there was no change in the identified scope of consolidation;
- Business combinations: No retrospective application of IFRS 3 to any past business combination.

V.4.2 Accounting standards applied

In accordance with Regulation (EC) no. 1606/2002 of 19 July 2002, as amended by Regulation (EC) no. 297/2008 of 11 March 2008, the consolidated financial statements for the period have been prepared in accordance with International Financial Reporting Standards (IFRSs) as endorsed by the European Union.

Those standards are available on the European Union's website:

http://ec.europa.eu/internal_market/accounting/ias/index_fr.htm

V.4.3 New standards, amendments and interpretations in force within the European Union and applicable to accounting periods starting on or after 1 January 2019

The Group has applied amendments of standards and interpretations that came into force on 1 January 2019 and have been endorsed by the European Union, particularly IFRS 16 "Leases":

The Group has applied IFRS 16 "Leases" since 1 January 2019. This standard replaces IAS 17 and its related interpretations (IFRIC 4, SIC 15 and SIC 27). The first-time adoption arrangements and their impact are described in section V.7.3 "Leases".

The IASB has also published the following standards, amendments and interpretations, endorsed by the European Union and mandatorily applicable as of 1 January 2019:

- Annual improvements to IFRSs, 2015-2017 cycle – various provisions
- Amendment to IAS 19: Plan Amendment, Curtailment or Settlement;
- Amendment to IAS 28: Long-term Interests in Associates and Joint Ventures;
- Amendment to IFRS 9: Prepayment Features with Negative Compensation";
- IFRIC 23: Uncertainty over Income Tax Treatments.

These texts published by the IASB have not had any material impact on the Group's financial statements.

V.4.4 Changes to the accounting standards applicable to the Group

The Group did not apply early any other standards, amendments or interpretations applicable to periods starting after 31 December 2019, whether or not they have been endorsed by the European Union.

V.4.5 Functional currency and presentation

The consolidated financial statements are reported in euros, which is ABI's functional and reporting currency. All financial data presented in euros are rounded to the nearest thousand euros.

V.4.6 Use of estimates and judgement

When preparing the consolidated financial statements, the Group's management uses its judgement to define the accounting treatment of certain transactions where the standards and interpretations in force do not precisely address the accounting issues concerned.

V.4.7 Information allowing comparisons between financial statements

The ABI group has prepared its consolidated financial statements in accordance with IFRSs since 10 April 2018, when it acquired its stake in the DRT group. The 2019 income statement represents 12 months of activity. The comparative information relates to a 9-month period from 1 April to 31 December 2018. By convention, the first 10 days of April have been included in income for the period to take account the most recent financial information available dating from 31 March 2018.

To present comparative 12-month data, proforma consolidated income statements have been prepared for 2018 and 2019 and are shown in note V.3 "Key indicators".

V.4.8 Changes in accounting policies

As stated in note V.4.3 "New standards [...] applicable to accounting periods starting on or after 1 January 2019", the Group has applied IFRS 16 "Leases" since 1 January 2019. The first-time adoption arrangements are described in section V.7.3 "Leases". This change resulted in a €7,828 thousand increase in property, plant and equipment and long-term debt at 31 December 2019 and a €4,128 thousand positive impact on Group EBITDA in 2019, with the cancellation of lease payments presented mainly as a decrease in variable expense.

The presentation of the Group's consolidated financial statements for 2019 is identical to that of the consolidated financial statements for 2018 with the exception of the following items.

- Foreign exchange gains and losses associated with an underlying operating exposure:
  to make the financial statements easier to understand, foreign exchange gains and losses resulting from purchases of raw materials and sales of finished products, along with the results of settled capital market transactions associated with those cash flows have, since 2019, been recognised under variable income/expense (foreign exchange gain of €3.5 million). They were presented in other operating income and expense in 2018 (foreign exchange gain of €4.4 million).

- Reclassification of the provision resulting from category 1 preferred ("ADP 1") shares:
  the provision resulting from category 1 preferred ("ADP 1") shares – which amounted to €2.7 million at 31 December 2018, recognised under other operating income and expenses and classified under "Current liabilities" – was reclassified under "Non-current liabilities". At 31 December 2019, it amounted to €3.2 million.

V.4.9 Finalisation of the financial statements

The financial statements and management report of the Group and Company were finalised by the Chairman on 2 April 2020.

V.5 SCOPE OF CONSOLIDATION

V.5.1 Consolidation principles

Subsidiaries

A subsidiary is an entity controlled by the Company. Control exists where the Company has the power to govern directly or indirectly the financial and operating policies of the entity in order to derive benefit from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date the control starts until the date the control ends.

Interests in equity affiliates

Entities over which the Group has significant influence, directly or indirectly, are accounted for using the equity method. The equity method consists of substituting, for the carrying amount of the shares held in an associate or jointly controlled entity, the cost of purchasing the shares adjusted for the Group's share of the change in the entity's net assets since its acquisition.

Transactions eliminated in the consolidated financial statements

Balance-sheet balances along with transactions, income and expense resulting from intragroup transactions are eliminated. Gains resulting from transactions with equity affiliates are eliminated under investments in equity affiliates in line with the Group's interest in the entities concerned. Losses are eliminated in the same way as gains, but only to the extent that they do not represent impairment losses.

V.5.2 Foreign currency translation methods

Transactions in foreign currencies

The recognition and measurement of transactions denominated in foreign currencies are defined by IAS 21 "Effects of changes in foreign exchange rates". Transactions denominated in currencies other than the euro are translated at the exchange rate on the transaction date. At period-end, monetary assets and liabilities denominated in foreign currencies are translated at the period-end exchange rate. The resulting translation differences are recognised as foreign-exchange income/(expenses) under "net financial items". Where assets and liabilities are related to trade receivables and payables, the resulting exchange difference was recognised under other operating income expense until 2018 but is now recognised under variable expense (see section V.3.8 "Changes in accounting policies").

Financial statements of foreign activities

The functional currencies of foreign companies are their local currencies, in which most of their transactions are denominated. Their balance sheets are translated into euros on the basis of exchange rates on the accounts closing date. Income statements and cash flow statements are translated at the average exchange rate for the period. Differences resulting from the translation of those subsidiaries' financial statements are recorded under "Exchange differences" under "Other comprehensive income" in the consolidated financial statements for the portion attributable to the Group and under "Non-controlling interests" for the portion not directly or indirectly attributable to the Group. Exceptionally, some companies may have a functional currency that differs from their local currency.

V.5.3 Business combinations

All business combinations are accounted for using the purchase method. Business combinations are measured and recognised in accordance with IFRS 3 revised: the transferred consideration (acquisition cost) is measured as the fair value of assets transferred, equity issued and liabilities assumed on the date of the acquisition. The identifiable assets and liabilities of the acquired company are measured at their fair value on the acquisition date. Expenses that are directly attributable to the acquisition are recognised as expenses, except for costs related to the issue of equity instruments.

V.5.4 Scope of consolidation at 31 December 2019

Alpha-Beta Participation, which held 100% of DRT's shares, sold 150 of its shares to DRT's employee savings mutual fund (FCPE DRT) on 7 June 2019, reducing its control over and interest in DRT to 99.70%.

In addition, to streamline and simplify the structure of the companies controlled by DRT, while also reducing administrative and commercial management costs, Resineland was merged with DRT. That decision was approved on 22 July 2019 by the shareholders of DRT and Resineland, which also formally noted the winding-up of Resineland by operation of law.

Consolidated companies at 31 December 2019:

Company	Registered office	Country	SIREN number	% control	% interest
Alpha-Beta International SAS (ABI)	30 Rue Gambetta Dax 40100		833 883 770		
Alpha-Beta Participation SASU (ABP)	30 Rue Gambetta Dax 40100		831 987 961	100%	100%
Action Pin SA (Action Pin)	30 Rue Gambetta Dax 40100		399 412 683	99.70%	99.70%
Action Pin SPRL	10 Rue du Follet Boite 004 7540 Kain		BE 0646.828.365	99.70%	99.70%
Action Pin SARL	Lachenal Rue du Rhône 65 1204 Geneva		CHE-234.052.409	99.70%	99.70%
Ahlborn & Bartelt Gmbh	Lippeltstr. 1 Hamburg 20097		10193431	99.70%	99.70%
Crown Chemicals Pvt. Limited (CCPL)	E 87, E 88/1, E 88/2, Tarapur MIDC, Palghar – 401506		U24110MH1984PTC033855	49.85%	49.85%
DRT America Inc. (DRT America)	400 Governor Treutlen Dr Rincon, Georgia, 31326		91-1873489	99.70%	99.70%
DRT America Limited Liability Company (DRT America LLC)	400 Governor Treutlen Dr Rincon, Georgia, 31326		47-1590006	99.70%	99.70%

DRT Anthea Aroma Chemicals Pvt. Limited (DRT Anthea)	502, Fifth Floor, Sigma It Park, Plot No 203 And 204, Midc Rabale - Navi Mumbai, Mahārāshtra, 400701		U24110MH2008PTC179684	49.85%	49.85%
DRT Approvisionnement Biomasse SAS (DRT AB)	30 Rue Gambetta Dax, Landes, 40100		797,590,288	64.09%	64.09%
DRT Comercio Internacional Ltda (DCI)	Avenida Coronel Santa Rita, 2677 – Sala 2 - Rocio Paranaguá - PR 83221-675		CEP 01.242-000	99.70%	99.70%
DRT India LLP	19, Adi Murzban Path, Ballard Estate, Fort, Mumbai, Mahārāshtra, 400001		AAMFD5550A	99.30%	99.30%
DRT Specialty Chemicals Wuxi Co. Ltd (DRT Wuxi)	No.100, Meiyu Road, Lot B31-E, State Hi-Tech Industrial Developm Wuxi, Jiangsu, 214028		9132021478236425W	99.70%	99.70%
Fider SA (Fider)	30 Rue Gambetta Dax, Landes, 40100		391 317 625	49.85%	49.85%
Les Dérivés résiniques et Terpéniques (DRT)	30 Rue Gambetta Dax, Landes, 40100		985 520 154	99.70%	99.70%
Pinova Inc. (Pinova)	2801 Cook St Brunswick, Georgia, 31520-6160		27-1224226	99.70%	99.70%
Purextract	No.100, Meiyu Road, Lot B31-E, State Hi-Tech Industrial Developm Wuxi, Jiangsu, 214028		913202140915203424	99.70%	99.70%
Resimmo SCI	30 Rue Gambetta Dax, Landes, 40100		815 063 037	99.70%	99.70%
Société béarnaise de synthèse SASU (SBS)	30 Rue Gambetta Dax, Landes, 40100		407 724 426	99.70%	99.70%
Suomen Tarpatti Oy (STO)	Saarikorventie 12, 33420 Tampere,		2555936-1	99.70%	99.70%
Tecnal Corp.	9056 North Texas Road, Anacortes, WA 98221		91-1564866	99.70%	99.70%
Watt Burgas OOD (Watt Burgas)	56 Zar Simeon STR 8000 Burgas		201721158	79.76%	79.76%
Watt Burgas OOD KD (Watt Burgas)	56 Zar Simeon STR 8000 Burgas		201726739	79.76%	79.76%
Willers Engel & Co GmbH (WECO)	Grimm 8		17/081/01652	99.70%	99.70%

	Hamburg, 20457				

All consolidated companies have a 31 December financial year-end except for DRT-Anthea Aroma Chemicals and Crown Chemicals, which have a 31 March year-end. Their figures were consolidated on the basis of information determined and certified as at 31 December.

Companies accounted for under the equity method:

Company	Registered office	SIREN number	% control	% interest
Sapiranguy S.A	33 Avenida Federico Boyd Panama	219120	37.69%	37.69%
Biomass Energy Solutions VSG SAS (BESVSG)	18 Rue Thomas Edison 33610 Canéjan	789 648 912	36.88%	36.88%

V.5.5 Off-balance sheet commitments related to the scope of consolidation

Type of commitment	Beneficiary	Amount in euros
Guarantee	Customs office	176,004
Guarantee	DREAL (regional department for the environment, town planning and housing)	4,720,333
Guarantee	Agence de l'Eau Adour-Garonne (Adour-Garonne water authority)	897,845
Total		**5,794,182**

- Guarantees granted to the customs office cover customs clearance fees relating to the import/export operations of French companies.
- Guarantees granted to DREAL are intended to cover the French state against the possibility of the Group failing to pay expenses related to supervising and ensuring the safety of facilities in the event of exceptional circumstances that may affect the environment, and to action taken in the event of an accident or pollution at the French production sites of Vielle Saint Girons, Castets, Lesperon, Action Pin and SBS.
- The guarantee granted to Agence de l'Eau Adour-Garonne is intended to cover the beneficiary against any failure to repay the advance provided.
- In addition, there are the guarantees and pledges made as part of the "Senior Facilities Agreement": as a prior condition for providing the Additional Facility, the Additional Facility Notice provides that certain assets of the Company and Alpha-Beta Participation (i.e. the securities account held by Alpha-Beta Participation in the Company's name, the securities account held by DRT in the name of Alpha-Beta Participation, bank accounts in France and Alpha-Beta Participation's intragroup receivables) are pledged to lenders under the Additional Facility and, as the case may be, to the hedging banks ranking after the pledges dated 10 April 2018 on the same assets ("Second-Ranking Security Documents").

V.5.6 Related parties

The parent company's transactions with Group subsidiaries and related parties

Transactions between consolidated companies are eliminated in the consolidation process. In addition, in its normal course of business, the Group maintains business relationships with certain non-consolidated or equity-accounted companies. DRT has granted a loan to BESVSG, in which the Group owns a 36.88% stake. The outstanding amount of that loan was €2,101,970 at 31 December 2019. It bears interest at 5% per year. No repayment of principal or interest took place during the period.

No arm's length transactions took place.

In 2019, the wholly owned French companies DRT, Action Pin, SBS and Resimmo joined the tax consolidation group formed by ABI and ABP in 2018.

V.6 OPERATING ACTIVITY

V.6.1 Income from ordinary activities

Income from ordinary activities consists of revenue and other business income. It was recorded over a period of 12 months in 2019 and 9 months in 2018, i.e. from 1 April to 31 December 2018.

Revenue

Revenue is measured as the fair value of the consideration received or receivable with respect to goods sold as part of the Group's business activities. It is recognised net, after the deduction of any rebates, allowances and discounts offered to customers. Revenue include sales of finished products and services related to those products, sales of merchandise and invoiced transport costs. Revenue is recognised when the risks and rewards incidental to ownership of the goods, as well as control, have been transferred to the buyer.

In € thousands	2019	2018
Sales of manufactured goods	521,052	372,531
Sales of merchandise	23,600	40,867
Revenue	**544,652**	**413,398**

Other business income

Other business income corresponds to the fair value of the consideration received or receivable with respect to services sold as part of the Group's business activities. Those services include sales of waste, the letting of real estate, sales commissions, subsidies, sales of letters of access to studies that belong to the Group under the REACH system, industrial processing services and miscellaneous services.

Under IAS 12, the portion of the CIR research tax credit covering R&D expense is recognised under other business income.

In € thousands	2019	2018
Sales of waste	319	188
Letting of real estate	21	41
Commissions on sales	38	63
Subsidies	724	419
Sales of letters of access	2,504	3,062 *
CIR tax credit	1,591	1,149
Industrial processing	2,504	-
Miscellaneous services	2,171	-
Other business income	**9,956**	**4,922**

(*) This includes sales of letters of access, miscellaneous services and industrial processing.

V.6.2 Selling expense

Selling expense comprises expense incurred by the Group in selling goods and merchandise, i.e. transport costs, commissions and accounts receivable insurance premiums.

In € thousands	2019	2018
Transport costs	(22,823)	(17,645)
Commissions	(1,345)	(927)
Credit insurance	(654)	(369)
Other business income	**(24,822)**	**(18,942)**

V.6.3 Trade and other receivables

Trade receivables are current financial assets that are initially recognised at fair value and subsequently at amortised cost less any impairment losses. The Group strives to collect the maximum amount of trade receivables, using reverse factoring and accounts receivable insurance. In addition, under IFRS 9 and as part of the first-time adoption of IFRSs, the Group's credit risk was assessed as not material.

V.6.3.1 Net value of trade and other receivables

DRT entered into a factoring agreement with BNP Paribas Factor on 27 May 2019. Under that agreement, DRT assigns without recourse its trade receivables from debtors previously approved by BNP Paribas Factor. Approval depends on coverage under the credit insurance policy, the purpose of which is to cover against the risk of non-payment. Assigned receivables amounted to €41 million at 31 December 2019, and the maximum authorised amount under the agreement is €90 million.

After assessing the characteristics of the agreement, which transfers substantially all the risks and benefits associated with the assigned receivables, the Company took the view that those receivables should be deconsolidated.

As a result, assigned receivables due after 31 December 2019, in relation to which substantially all the risks and benefits have been transferred and so no longer feature on the asset side of the balance sheet, along with the corresponding funding, are as follows:

In € thousands	31/12/2019
Funding	40,983
Guarantee fund	(3,020)
Cash received as consideration for the assignment of receivables excluding factoring expenses and interest	37,963
Assigned receivables and amounts deducted from assets	(40,983)

The remaining trade receivables break down as follows:

In € thousands	2019	2018
Trade receivables	49,882	107,353
Receivables from related parties	464	1,273
Advances paid and credit notes to be raised	(1,790)	(1,672)
Other operating items	-	-
Total	**48,556**	**106,954**

V.6.3.2 Change in impairment of trade and other receivables

In € thousands	2018	Increase	Decrease	Other movements	2019
Provisions for trade receivables	80	13	73	-	20
Provisions for other operating receivables	-	-	-	-	-
Total	**80**	**13**	**73**	**0**	**20**

V.6.4 Inventories and purchases consumed

V.6.4.1 Inventories

In the consolidated financial statements, inventories are measured at the lower of cost and net realisable value in accordance with IAS 2 "Inventories". The cost of inventories is generally determined using the weighted average cost method. The cost of manufactured product inventories includes the cost of raw materials, direct labour and an allocation, based on normal production capacity, of indirect production costs and depreciation. Start-up costs and general and administrative expenses are not included in the cost price of manufactured product inventories. Net realisable value is the estimated selling price in the ordinary course of business less estimated completion and selling costs.

V.6.4.2 Net value of inventories

In € thousands	2019	2018
Raw materials and packaging	24,475	31,429
Semi-finished products, work in progress and recoverable waste	18,362	16,059
Finished goods	127,034	94,687
Merchandise	1,134	1,498
Supplies of spare parts	2,075	2,141
Total	**173,080**	**145,814**

V.6.4.3 Change in impairment of inventories

In € thousands	2018	Increase	Decrease	2019
Raw materials and packaging	-	-	-	-
Semi-finished products	-	-	-	-
Finished products	1,356	1,882	1,071	2,167
Merchandise	-	-	-	-
Supplies of spare parts	36	-	-	36
Total	**1,392**	**1,882**	**1,071**	**2,203**

V.6.4.4 Variable expense

Variable expense includes raw materials, reagents, packaging, utilities and consumable materials consumed, associated transport and storage costs, and the cost of processing waste arising directly from operations. This item includes cost variance, including variance in industrial costs and in the purchasing prices of raw materials, along with changes in semi-finished and finished product inventories during the period.

In addition, under IFRS 9, currency translation gains and losses directly relating to sales of finished products or purchases of raw materials in foreign currencies are now recorded under variable expense so that the contribution margin reflects the actual exchange rate at which foreign-currency purchases and sales were translated. Those transactions were previously included under other operating income and expense.

In € thousands	2019	2018
Consumption of raw materials, subcontracting and energy	(334,339)	(227,827)
Change in inventories of semi-finished and finished products	34,468	(15,606)
Translation gains (losses) on commercial transactions	2,752	-
Total	**(297,118)**	**(243,433)**

V.6.5 Fixed costs

For accounting purposes, insurance, external costs, personnel costs, maintenance and improvement costs, advertising and communication costs, miscellaneous income and expense transfers are regarded as fixed costs that are not proportional to business activity. The income statement groups these cost elements by functional category. Given the Group's business activities, three categories have been adopted:

- Direct non-proportional costs, which comprise all the above expenses that are directly attributable to manufacturing activities.
- Research and development (R&D) costs, which comprise costs attributable to the R&D laboratories.

- General and administrative costs, which comprise costs attributable to support, administrative, commercial, marketing, human resources, finance and IT services.

V.6.6 Other operating income and expense

Other operating income and expense includes components of income that, due to their nature, amount or frequency, cannot be considered as forming part of the Group's recurring business activities and operating income.
It includes:

- Costs related to changes in scope (fees relating to the purchase of shares, remeasurement of shares held before the purchase, gains/losses on disposals of consolidated companies etc.);
- Restructuring costs related to a material reorganisation of business activities (reduction in production capacity, market closure);
- Material and non-recurring litigation;
- Impairment of trademarks and goodwill;
- Capital gains/(losses) on material disposals of non-current assets;
- Any external event temporarily affecting the continuation of manufacturing activity.

In € thousands	**2019**	**2018**
Financial restructuring costs	(354)	(11,867)
Change in the fair value of exchange-rate and interest-rate financial instruments (see note on changes in presentation)	-	6,017
Translation gain/loss on the settlement of commercial transactions (see note on changes in presentation)	-	(1,660)
Disposals of industrial and financial assets	(205)	106
Special staff bonuses, contributions related to the employee savings mutual fund, other staff benefits	(2,241)	-
Jobworks India	(6,000)	
Weather effects	(4,463)	
Non-recurring fees	(4,559)	
Other	(167)	106
Other operating income and expenses	**(17,989)**	**(7,404)**

- The "Jobworks India" item corresponds to the loss of gross profit resulting from subcontracting arrangements to ensure the continuity of deliveries to the Group's customers following the fire at the Roha production site in India in February 2018.
- The "Weather effects" item includes costs and the loss of gross margin resulting from stoppages at the Brunswick and Rincon plants in the United States following Hurricane Dorian in September 2019.
- The "Non-recurring fees" item corresponds to the cost of studies, services and occasional and non-recurring assignments not directly linked to recurring operating activities.

V.6.7 Segment reporting

In accordance with IFRS 8 “Operating segments” and taking into account the Group’s internal management and reporting organisation, the Group carries out segment reporting by business sector. Assets are not organised by market but by entity and geographical zone. It is therefore not possible to draw up balance sheets for each operating segment. DRT’s operating segments are as follows: fragrances, adhesives, chemical intermediates, coatings-elastomers, chewing gum, health and nutrition, agriculture, Action Pin, energy and other.

In € thousands	**Fragrances**	**Adhesives**	**Chemical intermediates**	**Coatings-elastomers**	**Chewing gum**	**Health and nutrition**	**Agriculture**	**Action Pin**	**Energy**	**Other**	**Total**
Revenue	174,472	124,402	24,253	59,612	40,597	23,335	12,393	43,405	15.1178	27,004	544,652
Other business income	3,115	2,221	433	1,064	725	417	221	1,006	271	482	9,956
Income from ordinary activities	**177,586**	**126,623**	**24,686**	**60,676**	**41,322**	**23,751**	**12,615**	**44,412**	**15,449**	**27,486**	**554,607**
Selling expense	(8,278)	(5,902)	(1,151)	(2,828)	(1,926)	(1,107)	(588)	(1,040)	(720)	(1,281)	(24,822)
Variable expense	(101,600)	(62,317)	(15,462)	(32,939)	(22,463)	(5,096)	(6,003)	(18,830)	(9,034)	(23,374)	(297,118)
Contribution margin	**67,708**	**58,404**	**8,073**	**24,909**	**16,933**	**17,548**	**6,024**	**24,542**	**5,695**	**2,831**	**232,667**

The geographic breakdown of revenue is as follows:

In € thousands	**2019**		**2018**	
France	102,917	19%	120,230	22%
Europe excluding France	222,470	41%	145,564	42%
Asia	83,412	15%	68,520	17%
Americas	125,158	23%	75,705	18%
Rest of the world	10,694	2%	3,379	1%
Total	**544,652**	**100%**	**413,398**	**100%**

The table below summarises revenue by delivered customers’ geographical zone. Europe remains the main zone in which the Group makes deliveries to customers, with revenue totalling €325 million in 2019, 60% of the total. Only the Firmenich group represents more than 10% of the Group’s consolidated revenue.

V.6.8 Investments in companies accounted for under the equity method

The Group owns 36.88% of Biomass Energy Solutions Vielle Saint-Girons (BESVSG) and 37.69% of Sapiranguy, which were accounted for under the equity method in an amount of €2,128,000 at the end of 2019.

V.6.9 Associates

In € thousands	2019				2018			
	% stake	Value under the equity method	Share of income (loss)	Revenue	% stake	Value under the equity method	Share of income (loss)	Revenue
Sapiranguy	37.69	-	-	-	37.90	-	-	-
BESVSG	36.88	3,128	748	21,316	36.90	2,380	310	17,619
TOTAL		**3,128**	**748**	**21,316**		**2,380**	**310**	**17,619**

Brazilian company Sapiranguy makes citronella and cabreuva essential oil. Its financial statements are in USD and were converted at the exchange rate on 31 December 2019. The value of the Group's stake is measured at €426,000. The company has been dormant for several years and the value of the Group's stake has been written down in full.

Biomass Energy Solutions Vielle Saint-Girons (BESVSG) operates a combined heat and power biomass boiler in Vielle Saint-Girons. It produces steam that is used in the plant operated by DRT and electricity that is fed into the ERDF/Enedis grid as part of the CRE 4 programme. The fuel comes from biomass residues from DRT's industrial activities and pine trees from the Landes forest.

The value of the Group's stake in BESVSG has been replaced on the asset side of the consolidated balance sheet by the portion of its remeasured net equity, if any, attributable to the Group.

V.6.10 Net income from discontinued operations

The Group owns 70% of Ixxi, which specialises in producing and selling cosmetic products based on active ingredients extracted from pine trees. Given heavy losses and in view of the considerable investment required to achieve long-term financial balance, the executive committee met on 13 September 2017 and decided to discontinue all of the company's activities on a permanent basis. Its assets were sold and administrative work on the closure continued in 2019. Under IFRS 5, Ixxi's income statement items were recorded as a loss of €9,000 in the "Net income from discontinued operations" item.

V.6.11 Other liabilities

Investment subsidies are recognised under "Other liabilities" (current or non-current) and subsequently taken to income under "Other business income" on a straight-line basis over the useful life of the asset concerned. Operating subsidies are taken directly to income in the same item. Similarly, CIR research tax credits are recorded under "Other current liabilities" and subsequently taken to income under "Other business income" on a straight-line basis over five years, at the same rate as the amortisation of capitalised R&D expenses.

Liabilities to employees are broken down between other current and non-current liabilities depending on whether they are due in the short term or in more than one year.

The provision resulting from category 1 preferred ("ADP 1") shares – which amounted to €2.7 million at 31 December 2018, recognised under other operating income and expenses and classified under "Current liabilities" – was reclassified under "Non-current liabilities". At 31 December 2019, it amounted to €3.2 million.

In € thousands	2019	2018
Other non-current liabilities		
Investment subsidies	400	352
Liabilities to employees	3,150	
Total other non-current liabilities	**3,550**	**352**
Other current liabilities		
Liabilities to employees	7,880	8,498
Mandatory employee profit-sharing	2,813	5,190
Liabilities to employee benefit organisations	9,725	13,024
Prepaid CIR research tax credit	2,954	2,678
Liabilities to the State	1,990	3,533
Fair value of exchange-rate and interest-rate financial instruments	1,002	2,279
Miscellaneous liabilities	173	3,061
Total other current liabilities	**26,538**	**38,263**
Total other liabilities	**30,088**	**38,615**

V.6.12 Other operating income and expense

In € thousands	2019	2018
Patent royalty expense	(13)	(38)
Impairment of receivables not provided for	(24)	(141)
Other recurring income and expense	(38)	211
Other operating income and expense	**(75)**	**32**

V.6.13 Greenhouse gas emission quotas

Phase 3 of France's national quota allocation plan (NQAP), pursuant to the Kyoto protocol signed by the French State in 1997, is currently in force for the 2013-2020 period. The Saint-Girons site was given a free allocation of 47,013 tonnes of CO_2 by the State in 2019. Transactions are recorded in the financial statements according to accounting rules in force.
The table below summarises movements in phase 3.

(tonnes)	2013	2014	2015	2016	2017	2018	2019
CO_2 emissions	29,466	29,869	12,183	12,502	15,457	20,431	14,313
Allocated quotas	52,653	51,738	50,813	49,878	48,933	47,979	47,013
Unused quotas	23,187	21,869	38,630	37,376	33,476	27,548	32,700
Quotas left over from phase 2	41,902	-	-	-	-	-	-
Sales of quotas	-	20,000	20,000	-	-	60,000	140,000
Purchases of quotas	-	-	-	20,000	-	-	-

Cumulative unused quotas	65,089	66,958	85,588	142,964	176,440	143,988	36,688

Quotas allocated with respect to 2020, the last year of NQAP phase 3, totalled 46,043 tonnes.
So far, DRT has received free allocations of quotas from the government that have exceeded its requirements as the table above shows.

The cumulative balance of unused quotas at end-2019 was 36,688 tonnes. No value is assigned to them on the balance sheet because their cost was nil.

V.7 EMPLOYEE EXPENSE AND BENEFITS

V.7.1 Employee benefits

Employee benefits are measured in accordance with IAS 19 revised, which has been applicable since 1 January 2014. They consist of short-term and long-term benefits. Group employees enjoy short-term benefits such as paid leave, sick leave, bonuses and termination benefits payable within 12 months of the end of the period during which they provided the corresponding services. Those benefits are recognised under current liabilities and recorded as expenses in the period in which the employee provided the service.

There are two categories of long-term employee benefits:

- Post-employment benefits such as payments upon retirement and supplementary pension payments;
- Other long-term benefits (during employment) including long-service benefits.

The expected cost of those benefits is recognised under employee expenses throughout the time the employee works for the company ("current service cost").

In € thousands	**2019**	**2018**
Wages and salaries	66,949	47,298
Social security expenses	23,952	18,317
Mandatory employee profit-sharing	522	2,644
Current service cost	690	459
Employee expenses	**92,113**	**68,718**

V.7.2 Provisions for pensions and similar obligations

As stated in the note on "Employee benefits", long-term benefits relating to defined-benefit plans create an obligation that is recognised under provisions for pensions and similar obligations. Provisions for pensions equal the present value of the obligations minus the fair value of any assets paid into funds intended to finance them. A surplus of assets is only recognised where it represents future economic benefits that are effectively available to the Group. The provision for other long-term benefits equals the present value of obligations.

These provisions are based on valuations carried out by independent actuaries according to the projected unit credit method and based on final salaries. These valuations also factor in macroeconomic assumptions specific to each country in which the Group operates (discount rate, rate of salary increase) and demographic assumptions (staff turnover rate, retirement age, life expectancy). Discount rates are determined with reference to the yields on top-quality corporate bonds with maturities equivalent to those of the obligations on the measurement date.

Actuarial gains and losses arise when differences are observed between actual figures and previous estimates, or following changes in actuarial assumptions. Actuarial gains and losses are recognised in the statement of comprehensive income, net of deferred tax.

Where plan benefits change, or if a plan is curtailed, the impact associated with employees' past service or the gain or loss related to the plan curtailment is recognised immediately in income. The Group recognises gains and losses relating to the settlement of a defined-benefit plan at the time the settlement occurs.

Actuarial calculations of employee benefits are carried out by an independent actuary and recognised as follows:

- On the balance sheet
  The amount of liabilities recognised with respect to defined benefits appears under "Employee benefits" and equals:
    - The present value of the defined-benefit obligation at the balance sheet date,
    - Less the fair value at the balance sheet date of plan assets used solely to pay for or finance obligations,
    - Less payments made.
- The other components of the change in provisions are recognised in the following items of the income statement:
    - Current and past service cost: employee expenses (recurring operating income),
    - Net interest expense on the net liability (financial expense).

V.7.3 Description of benefit plans

Under these plans, contributions are made periodically to external organisations, which carry out the administrative and financial management of the plans. These plans free the employer from any subsequent obligation. The organisation has the responsibility to pay employees the amounts to which they are entitled (basic social security plan, complementary ARRCO and AGIRC plans, defined-benefit pension funds for certain foreign subsidiaries).

The Group's payments are recognised as expenses as follows:

In € thousands	**2019**	**2018**
Pension contributions	5,194	3,198

The Group's employee benefit plans mainly consist of the following.

- Post-employment benefits:
    - End-of-career bonuses (in France), which are one-off benefits based on the employee's length of service and his/her annual salary at the time of retirement, required under the chemical industry's national collective agreement.
- Other long-term benefits:
    - Long-service benefits in France. However, this item was deemed non-material when the Group adopted IFRSs.

V.7.4 Main actuarial assumptions used in valuations

Actuarial valuations are based on a certain number of long-term assumptions. These assumptions are reviewed annually, and are as follows:

France	2019	2018
Retirement age		
Executives and senior management	65	65
Non-managerial staff	62 years	62 years
Discount rate for end-of-career bonuses	0.80%	1.70%
Rate of salary increase (*)	2%	2%

(*) Not inflation-adjusted

The TGHF 2005 mortality table is used for obligations concerning France. The discount rate is based on the iBoxx € Corporates AA10+ and AA7-10 indices (depending on the maturity of obligations estimated on the valuation date). The index is based on a basket of bonds issued by financial and non-financial corporations.

V.7.5 Sensitivity of liabilities to the discount rate

A change of +/- 0.50 points in the discount rate has the following effect on the present value of accumulated rights at 31 December:

Pension liabilities in France (in € millions)	2019	2018
0.50-point increase	(791,609)	(649,394)
0.50-point decrease	866,010	708,496

A change of +/- 0.50 points in the rate of salary increase has the following effect on the present value of accumulated rights at 31 December:

Pension liabilities in France (in € millions)	2019	2018
0.50-point increase	851,029	702,781
0.50-point decrease	(786,417)	(650,672)

V.7.6 Summary of benefit plans' financial position

The breakdown of plan assets and the rate of return are as follows:

French companies	2019	2018
Bonds	0	0

Equities	0	0
Real estate	0	0
Other assets (*)	3,696,909	3,149,521
Cash	0	0
Interest rate for assets	1.70%	1.70%

(*) Mainly insurance policies.

V.7.7 Details of and changes in obligations

Changes in the main benefits during 2018 and 2019 were as follows:

In € thousands	Payments on retirement	
	2019	2018
Gross obligations		
Start of period	10,959	10,441
Current service cost	690	459
Gain on plan settlements	0	0
Benefits paid out	(497)	(467)
Interest expense	197	122
Restructuring and asset sales	0	0
Expense in the period	**390**	**114**
Change in scope	0	0
Exchange differences	0	0
Actuarial loss/(gain)	1,659	404
End of period	13,008	10,959
Market value of assets allocated to plans		
Start of period	3,150	3,414
Expected return on plan assets	51	37
Employer contributions	833	0
Benefits paid out	(337)	(322)
Income for the period	0	0
Actuarial loss/(gain)	0	21
End of period	3,697	3,150
Liabilities relating to pensions and other benefits	**9,311**	**7,809**

After two retirement savings plans were merged in late 2018, €833,000 was transferred to plan assets and is presented above under employer contributions in 2019. Those employer contributions, initially recognised as expenses in previous periods (and so not taken into account in the market value of assets allocated to the end-of-career bonus plan in 2018), were recognised in line with their initial recognition through income for the period and a deduction from current service cost in the period.

V.8 PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

V.8.1 Goodwill and other intangible assets

V.8.1.1 Goodwill

Goodwill is initially recognised at the time of a business combination as described in the note on "Business combinations". After initial recognition, goodwill is not amortised but is subject to impairment tests whenever any indication of impairment appears, and at least once a year.

V.8.1.2 Patents and licences

Patents and licences are amortised on a straight-line basis over their legal protection period. Software is amortised on a straight-line basis over its useful life, which is between 1 and 10 years.

V.8.1.3 Development costs

In accordance with IAS 38 "Intangible assets", development costs are capitalised if the company can demonstrate:

- The technical feasibility of completing the intangible asset so that it will be available for use or sale;
- Its intention to complete the intangible asset and use or sell it,
- Its ability to use or sell the intangible asset,
- How the intangible asset will generate probable future economic benefits,
- The availability of adequate technical, financial and other resources to complete the development,
- Its ability to measure reliably the expenditure attributable to the intangible asset during its development.

Research and development costs that do not meet the above criteria are recognised as expenses in the period in which they are incurred. Capitalised development costs that meet the above criteria are recognised as assets on the balance sheet. They are amortised on a straight-line basis over their useful lives.

Expenditure thus capitalised includes direct labour costs and an appropriate proportion of overheads.

Capitalised development costs are recognised at cost less accumulated amortisation and less any impairment losses.

V.8.1.4 Trademarks

The method for valuing acquired trademarks, such as those of Action-Pin, Pinova and DRT, is the relief from royalty method.

V.8.1.5 Customer portfolio

The value of the customer portfolio corresponds to the income that is likely to be generated from that portfolio in the future. "Portfolio" is a fairly broad concept: in particular, the portfolio being valued does not correspond solely to signed contracts, but to the overall relationships that the Group maintains with its customers. However, the customer portfolio does relate solely to existing customers.

To value the Group's customer portfolio, the "excess profit" method is used. On that basis, and based on the methodology used, the value of the customer portfolio was measured at €363 million. This intangible asset is amortised over 15 years.

V.8.1.6 CIR research tax credits

The portion of CIR tax credits based on expenditure that meets IAS 38 criteria is recorded as a deduction from development expenses and added to "other business income" at the same rate as the rate of amortisation for developed assets.

V.8.1.7 REACH

The term "REACH" refers to "Registration, Evaluation, Authorization and restriction of CHemicals". It is the name of a regulation of the European Parliament and of the Council adopted on 18 December 2006, which modernises European legislation regarding chemicals substances and introduces a single integrated system for the registration, evaluation and authorisation of chemicals in the European Union.

Based on IAS 38 and the lack of specific interpretations by the IFRS IC on this matter, the Group has adopted the following policies:

- Where most tests required to compile the registration dossier are performed by a third party, the Group recognises a right-of-use asset under intangible assets;
- Where work on compiling dossiers is mainly carried out in-house or subcontracted, the Group recognises development costs as intangible assets where they meet the criteria of IAS 38.

Changes in goodwill and other intangible assets are analysed below:

In € thousands	Goodwill	Development costs, trademarks and patents	Customer portfolio	Software and software development	Other intangible assets	Total
Gross value at 31/12/2018	**252,349**	**31,681**	**363,395**	**9,764**	**144**	**657,333**
Change in scope	-	-	-	-	-	0
Acquisitions	-	6,458	-	2,961	-	9,419
Disposals	-	(171)	-	(27)	-	(198)
Other movements	-	-	-	-	-	0
Gross value at 31/12/2019	**252,349**	**37,968**	**363,395**	**12,698**	**144**	**666,554**
Cumulative amortisation and impairment at 31/12/2018	**(259)**	**(15,010)**	**(18,170)**	**(2,124)**	**(47)**	**(35,610)**
Change in scope	-	-	-	-	-	0
Additions to amortisation	(129)	(6,010)	(24,226)	(1,066)	-	(31,431)
Reductions in amortisation	-	-	-	-	-	0
Impairment of intangible assets	-	-	-	-	-	-
Other movements	-	(667)	-	-	-	(667)
Cumulative amortisation and impairment at 31/12/2019	**(388)**	**(21,687)**	**(42,396)**	**(3,190)**	**(47)**	**(67,708)**
Net value at 31/12/2019	**251,961**	**16,281**	**320,999**	**9,508**	**97**	**598,844**

V.8.2 Property, plant and equipment

In accordance with IAS 16 "Property, plant and equipment", only items controlled by the company whose cost can be determined reliably, from which it is probable that future economic benefits will flow to the Group and which are used for a period of more than one accounting period are recognised as property, plant and equipment. Items of property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Property, plant and equipment are depreciated in line with the rate at which the expected economic benefits are consumed in each asset category, on the basis of purchase cost. The Group has not adopted any residual value for its property, plant and equipment. Most of the Group's industrial assets are intended to be used until the end of their useful lives and there is generally no intention to sell them.

In addition, the Group has analysed all of its industrial processes, and has isolated the major components of its industrial equipment that require a specific depreciation plan. As part of this work, the effective useful lives of industrial assets have been reviewed. This component-based approach has also been applied to buildings. As a result, there is no longer any need to book provisions for major maintenance work. Major repairs are now treated as a component of the asset's value. Property, plant and equipment is depreciated on a straight-line basis over the expected useful life for each type of asset or component. The periods used are as follows:

- Buildings 15-50 years
- Plant and tools 5-30 years
- Transportation equipment 3-5 years

Within the carrying value of an item of property, plant and equipment, the Group recognises the cost of replacing a component of the item at the moment the cost is incurred if it is probable that the future economic benefits associated with the asset will flow to the Group and if its cost can be measured reliably. All maintenance costs are recognised as expenses at the time at which they are incurred.

Changes in property, plant and equipment are analysed below:

In € thousands	Land and improvements	Buildings and improvements	Plant, equipment and tools	Other property, plant and equipment	Property, plant and equipment in progress	Total
Gross value at 31/12/2018	**19,018**	**93,634**	**479,939**	**23,066**	**47,189**	**662,846**
Change in scope	-	-	-	-	-	0
Acquisitions	479	5,865	57,194	37	9,422	72,997
Disposals	-	-	-	-	-	0
Other movements	(308)	10,494	9,779	(12,354)	-	7,611
Gross value at 31/12/2019	**19,189**	**109,993**	**546,912**	**10,749**	**56,611**	**743,454**
Cumulative depreciation and impairment at 31/12/2018	**(5,639)**	**(43,223)**	**(273,290)**	**(18,129)**	**0**	**(340,281)**
Change in scope	-	-	-	-	-	0
Additions to depreciation	(82)	(4,073)	(31,978)	(179)	-	(36,312)
Reductions in depreciation	-	-	-	-	-	0
Impairment of intangible assets	-	-	-	-	-	0
Other movements	-	-	(22,559)	11,338	-	(11,221)
Cumulative depreciation and impairment at 31/12/2019	**(5,721)**	**(47,296)**	**(327,827)**	**(6,970)**	**0**	**(387,814)**
Net value at 31/12/2019	**13,468**	**62,697**	**219,085**	**3,779**	**56,611**	**355,640**

The gross value and depreciation included in the "Other movements" item correspond to:

- Reclassifications of assets from one asset category to another;
- The recognition of leased equipment as assets under IFRS 16;
- The retirement of non-recoverable equipment and buildings following the fire at the Roha plant.

The "additions to amortisation/depreciation" item breaks down as follows:

In € thousands	2019	2018
Additions to amortisation of intangible assets: recurring operating income	31,431	21,089
Additions to amortisation of intangible assets: other operating income and expense	-	-
Additions to amortisation of intangible assets	**31,431**	**21,089**
Additions to depreciation of property, plant and equipment: recurring operating income	36,313	24,504
Additions to depreciation of property, plant and equipment: other operating income and expense	-	-
Additions to depreciation of property, plant and equipment	**36,313**	**24,504**
Additions to amortisation and depreciation	**67,744**	**45,594**

Of the Group's property, plant and equipment, €205 million are in France, €110 million in the United States, €37 million in India and the remainder in China.

V.8.3 Leases

The Group leases IT hardware (servers, PCs, printers and licences), vehicles, industrial equipment such as lift trucks, lifting equipment, goods trucks, tanks, storage facilities and laboratory equipment. Leases are negotiated individually and may include various terms and conditions. Lease terms vary widely, from 2 to 10 years, and are generally renewable.

Until 31 December 2018, the Group classified its leases as operating or finance leases depending on its assessment of whether the lessor retained substantially all the risks and rewards of ownership of the asset. IFRS 16 is the new accounting standard on leases, replacing IAS 17 and its associated interpretations. IFRS 16 removes the distinction between operating leases and finance leases. It has introduced a single model for recognising leases on the lessee's balance sheet, i.e. an asset representing the right to use the leased asset and a liability consisting of the obligation to make lease payments.

The Group has applied IFRS 16 retrospectively from 1 January 2019, but has not restated the comparative information relating to 2018, as allowed by IFRS 16's specific transitional provisions ("simplified retrospective approach"). As a result, reclassifications and adjustments resulting from the first-time adoption of IFRS 16 are recognised in the opening balance sheet at 1 January 2019.

The simplification measures taken are as follows:

- Exclusion of leases with a term of less than 12 months;
- Exclusion of leases relating to assets with a value of less than $5,000 when new.

The lease expense relating to those leases is still recognised in the income statement.

On the date of first-time adoption:

- The lease liability is measured as the value of lease payments remaining due, discounted at the debt interest rate on the date of first-time adoption. The discount rate is the marginal borrowing interest rate corresponding to the lease term and determined on a country-by-country basis;
- The asset equals lease liabilities adjusted for lease payments paid in advance or still payable on the date of first-time adoption.

The Group has opted to present non-current assets by underlying asset category.

The impact of applying IFRS 16 to the Group's consolidated financial statements at 1 January 2019, the date of first-time adoption, is summarised below:

In € thousands	31/12/2018 IAS 17	IFRS 16	01/01/2019 IAS 17/IFRS 16	31/12/2019
Gross property, plant and equipment	17,401	28,401	45,802	44,448
Depreciation	(12,613)	(21,928)	(34,541)	(34,305)
Sub-total, assets	**4,788**	**6,473**	**11,261**	**10,143**
Debt	4,788	6,473	11,261	9,557
Discounting of liabilities				586
Sub-total, liabilities	**4,788**	**6,473**	**11,261**	**10,143**

The first-time adoption of IFRS 16 in relation to operating leases had the following impact:

- A €6.5 million increase in property, plant and equipment and long-term liabilities at 1 January 2019;
- A €7.8 million increase in property, plant and equipment and long-term liabilities at 31 December 2019;
- A €4.1 million increase in EBITDA following the neutralisation of the year's lease payments, initially recognised under variable expense.

The overall impact of restating finance and operating leases at 31 December 2019 was as follows:

- A €10.1 million increase in property, plant and equipment and long-term liabilities at 31 December 2019;
- An €8.1 million increase in the Group's EBITDA;
- An interest expense of €296 thousand relating to lease liabilities.

There was an unadjusted lease expense of €4,521 thousand relating to short-term leases, variable lease payments, leases relating to low-value assets and leases including other services.

To determine the present value of lease payments, the Group uses its marginal debt interest rate on the lease start date where the lease's implied interest rate cannot easily be determined. The marginal debt interest rate is the rate that the lessee would pay to finance an asset of an identical value, in a similar economic environment, over a similar term and with similar guarantees. A rate of 2% was used for assets located in France and 4% for those in the United States.

The sensitivity of the discounted debt figure to the interest rate was tested, varying the interest rate by steps of 0.50%. There was little change in the debt figure, i.e. plus or minus €100,000 depending on the interest-rate assumptions used.

V.8.4 Impairment of assets

In accordance with IAS 36 "Impairment of assets", intangible assets with an indefinite useful life and intangible assets that are not yet ready for use are subject to impairment tests at every period-end and every time an indication arises that a significant loss of value has occurred. Carrying amounts of other assets: intangible assets with definite useful lives – mainly patents and software – and property, plant and equipment, are also subject to impairment tests when events or changes in the market environment indicate the risk of a loss of value in these assets.

V.8.5 CGUs and goodwill

A CGU is defined as the smallest identifiable group of assets whose continued use generates cash inflows that are largely independent of cash inflows generated by other assets or groups of assets. The identification of CGUs consisting of an asset or group of assets must be consistent from one period to the next, unless a change is justified.

V.8.6 Impairment tests

Impairment tests consist of comparing the recoverable amount of a non-current asset with its net carrying amount. The recoverable amount of an asset or group of assets is the higher of its fair value less costs to sell and its value in use.

If no fair value figure based on market prices is available, the recoverable value of assets is determined on the basis of value in use. Value in use corresponds with the value of the expected future economic benefits of using and selling the assets. In practice, value in use is the sum of the present values of future cash flows generated by the tested asset, taking into account a terminal value based on a long-term cash flow growth rate. Projections are made over a 5-year period and result from business plans based on economic assumptions and expected conditions adopted by management. If the carrying amount is higher than the recoverable amount, the corresponding asset is written down to its recoverable amount by recognising an impairment loss.

This impairment loss is recorded under “Other operating income and expense” and is charged first and foremost to goodwill. Impairment losses relating to property, plant and equipment and intangible assets with a definite useful life (such as patents and software) are reversible and may be reversed subsequently if the recoverable value becomes higher than the net carrying value, up to the limit of the impairment loss initially recognised. Goodwill impairment losses are irreversible. Any impairment losses remaining after the maximum has been charged to goodwill are charged to the net value of property, plant and equipment and intangible assets in proportion to the carrying value of each asset within the unit. This method of charging impairment losses reduces the basis for depreciation and amortisation and therefore reduces the amount of depreciation and amortisation in subsequent years.

V.8.6.1 Details of impairment tests

The Group has organised its assets into six Cash Generating Units (CGUs):

- Pine Derivatives: DRT, Fider, SBS, DRT Wuxi, DRT AB, Willers Engel and STO
- India: companies whose industrial production takes place in India (DRT Anthea and CCPL)
- USA: companies located in the United States (Pinova, DRT America Inc. and DRT America LLC)
- Action Pin: Action Pin and its subsidiaries (Action Pin SARL and SPRL)
- Solar: photovoltaic power generation activities (Watt Burgas)
- Real estate: the Group’s real-estate activities, consisting of Resimmo

The first impairment test on 31 December 2019 did not reveal any indication of an impairment loss capable of leading to a write-down of intangible assets.

V.8.7 Off-balance sheet commitments relating to operating activities

The Group does not have any off-balance sheet commitments relating to operating activities other than those indicated in Note I.5.2.5 (“Off-balance sheet commitments related to the scope”).

V.9 PROVISIONS AND CONTINGENT LIABILITIES

In accordance with IAS 37 "Provisions, contingent liabilities and contingent assets", provisions are recorded when the Group is under an obligation to a third party at the end of the financial year that is likely to trigger an outflow of resources to the third party that do not represent future economic benefits for the Group.

This obligation may be statutory, regulatory or contractual. It may also derive from the Group's business practices or from its public commitments where the Group has created a legitimate expectation among such third parties that it will assume certain responsibilities.

The estimate of the amount provisioned corresponds to the outflow of resources that the Group is likely to bear to extinguish its obligation. If no reliable estimate of the amount of the obligation can be made, no provision is booked, and a disclosure is made in the notes.

Contingent liabilities consist of:

- Potential obligations resulting from past events, the existence of which will only be confirmed by the occurrence of uncertain future events that are not under the Group's control,
- Present obligations resulting from past events but that are not recognised since it is not probable that an outflow of resources representing economic benefits will be necessary to extinguish the obligation and since the amount of the obligation cannot be reliably measured.

In the event of restructuring, an obligation is recognised when the restructuring has been announced and has been the subject of a detailed plan or has commenced before the period-end.

V.9.1 Provisions on the balance sheet

In € thousands	31/12/2018	Total additions	Total releases	Reclassification	Exchange difference	31/12/2019
Non-current provisions	**0**	**0**	**0**	**0**	**0**	**0**
Provisions for litigation	353	-	353	-	-	-
Job protection plan provisions	9	-	9	-	-	-
Environmental provisions	97	-	-	-	-	97
Other	-	152	122	-	-	30
Current provisions	**459**	**152**	**484**	**0**	**0**	**127**
Total	**459**	**152**	**484**	**0**	**0**	**127**

All provisions recorded under liabilities on the balance sheet are regarded as current.

The litigation between the Group and a former agent of Action Pin has been settled. Aside from certain provisions that are not individually material, there remains only the abandonment provision under the technological risk prevention plan for the Vielle Saint Girons site.

To the company's knowledge, there is no other litigation that may have or have recently had a significant impact on the Group's activity, results, financial position or assets.

V.9.2 Changes in provisions on the income statement

Additions to and releases from provisions related to the Group's recurring activities are stated on the face of the income statement: additions to and releases from non-current provisions are included in "Other operating income and expense". These two categories of provisions are detailed in the table below:

2019 (in € thousands)	**(Additions)**	**Releases**	**Net**
Provisions for inventories	(1,518)	1,071	(447)
Provisions for receivables	(12)	73	61
Provisions for operating expenses	(1)	75	74
Provisions in recurring operating income	**(1,530)**	**1,219**	**(313)**
Litigation	-	353	353
Other	(236)	131	(105)
Provisions in other operating income and expense	**(236)**	**484**	**248**
Provisions in operating income	**(1,766)**	**1,703**	**(63)**

V.9.3 Breakdown of additions to/releases from contingency and loss provisions by type

The table below breaks down provisions that have been released after being used and those that have been released unused:

In € thousands	**Total releases**	**Provisions used = Expense**	**Provisions released unused**
Provisions for litigation	353	(406)	-
Other	131	(131)	-
Total provisions released in 2019	**484**	**(537)**	**-**

V.10 EQUITY AND EARNINGS PER SHARE

V.10.1 Equity

V.10.1.1 Share capital and premiums

At 31 December 2019, the share capital totalled €193,469,032. It was divided into:

- 192,529,997 ordinary shares with par value of €1 each, fully paid up,
- 199,035 category A preferred shares (ADP) with par value of €1 each, fully paid up,
- 340,000 category 1 preferred shares (ADP 1) with par value of €1 each,
- 400,000 category 2 preferred shares (ADP 2) with par value of €1 each, fully paid up.

Alpha-Beta International carried out a €340,000 capital increase through the capitalisation of reserves, issuing 340,000 ADP 1 preferred shares with par value of €1 each, paid up through the capitalisation of issue premiums, following a decision on 10 April 2019. As a result, the share capital rose from €193,255,934 to €193,595,934.

Alpha-Beta International reduced its capital by repurchasing and cancelling 126,902 ADP preferred shares with par value of €1 each following a decision on 26 August 2019. As a result, the share capital fell from €193,595,934 to €193,469,032.

V.10.1.2 Convertible bonds

Alpha-Beta International issued €284 million of convertible bonds in April 2018. The convertible bonds entitle holders to remuneration at a fixed rate of 9% per year. According to the issuance agreement, the convertible bonds constitute subordinated debt, ranking below senior debt. According to IAS 32.29, a bond that can be converted by the holder into a specific number of the entity's ordinary shares is an instrument comprising a financial liability and an equity instrument. Accordingly, the initial debt component was €231 million and the equity component €53 million.

Through a private agreement formed unanimously by the shareholders, a decision was made to partially redeem the convertible bonds in an amount of €110,503,712 in principal and €13,077,013 in interest. Under IAS 32.29, this reduced the debt component to €170 million and the equity component to €31 million.

In € thousands	**2019**	**2018**
Financial liabilities related to convertible bonds	140,586	230,646
Capitalised interest on convertible bonds	29,325	18,590
Total	**169,911**	**249,236**

V.10.2 Appropriation of income

The loss for 2018 was charged in full to the "Premiums and reserves" account, which amounted to €9,487,700 at 31 December 2019.

V.10.3 Other comprehensive income

The table below shows the components of other comprehensive income:

In € thousands	2019	2018
Actuarial gains and losses	(2,080)	(353)
Changes in fair value related to capital market transactions	(108)	(859)
Exchange difference	3,287	6,331
Total	**1,099**	**5,119**

V.10.4 Earnings per share

Earnings per share are calculated in accordance with IAS 33 "Earnings per share".

Basic earnings per share are calculated by dividing net income for the period attributable to holders of ordinary shares by the weighted average number of paid-up ordinary shares.

	2019	2018
Net income attributable to equity holders of the parent (in € thousands)	(39,109)	(38,958)
Number of paid-up ordinary shares	192,529,997	192,529,997
Diluted earnings per share (in €)	**(0.20)**	**(0.20)**

V.11 FINANCING AND FINANCIAL INSTRUMENTS

V.11.1 Financial assets and liabilities

Financial assets and liabilities are measured and recognised in accordance with IFRS 9 "Financial instruments", IAS 32 "Financial instruments: presentation" and IFRS 7 "Financial instruments: disclosures".

Financial assets include financial assets at fair value through profit or loss held for trading, financial assets designated as at fair value through profit or loss, available-for-sale assets, assets relating to derivative instruments, and loans and receivables.
Initially, financial assets are measured at their fair value plus transaction costs where the assets concerned are not subsequently measured at fair value through profit or loss. For assets measured at fair value through profit or loss, transaction costs are taken directly to income. Those financial assets are measured at fair value, except for loans and receivables, which are measured at amortised cost.

An impairment loss on a financial asset measured at amortised cost corresponds to the difference between its carrying amount and the value of expected future cash flows discounted at the asset's original effective interest rate. Losses are taken to income and recorded in an impairment account as a deduction from loans and receivables or held-to-maturity investments. Interest on an impaired asset continues to be recognised. Where an event takes place after impairment that reduces the amount of the impairment loss, that reduction is released to income.

The Group derecognises a financial asset where the contractual rights to cash flows generated by the asset expire, or where it transfers contractual rights to receive cash flows from the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred.

Financial liabilities include borrowings, other bank financing and overdrafts and liabilities relating to derivative instruments.

Borrowings and other financial liabilities are measured at amortised cost, and derivative instruments (assets and liabilities) at fair value less transaction costs, then at amortised cost using the effective interest-rate method.

V.11.1.1 Other non-current assets

Other non-current assets consist solely of financial assets. The non-current assets listed below represent long-term investments relating to the Group's operations.

In € thousands	**2019**	**2018**
Value of shares in ATTIS 2	5,903	5,903
Value of the 45,126 shares in Gascogne	166	165
Shares in 11 non-trading real-estate companies and investment trusts (SCIs and SCPIs)	1,100	1,090
Fair value of life insurance policies (endowment policies)	2,420	2,430
Loan to BESVSG	2,219	3,075
Loan to Logicator	-	775
Other	672	651
Total	**12,480**	**14,089**

- The Group's investment in ATTIS 2 represents 12.80% of the capital of the company that owns 70.60% of Gascogne SA.

- The Group has a holding-company activity, investing in carefully selected real-estate projects through shares in listed non-trading real-estate companies and investment trusts (SCIs and SCPIs) with a long-term horizon.

- The loan to equity affiliate BESVSG is proportional to the Group's stake in the company.

- DRT has granted an interest-bearing loan to Swedish company Logicator, its local logistics provider, so that it could invest in a storage facility in the port of Helsingborg, in order to facilitate the transportation of raw materials to the Group. The portion of the services invoiced monthly by Logicator representing leasing of the storage facility has been restated under IFRS 16 and under the agreement between DRT and Logicator. The loan granted has been deducted from the liability recognised in respect of the obligation to make future lease payments.

V.11.1.2 Other current assets

In € thousands	**2019**	**2018**
VAT and GST to be reclaimed	8,840	6,534
Insurance compensation to be received	5,645	7,104
Prepaid expenses	1,467	1,886
BNP Paribas Factor guarantee fund	3,020	-
Miscellaneous accrued income	1,272	4,039
Total	**20,244**	**19,563**

- VAT in France and GST (Goods and Services Tax) in India are indirect taxes based on revenue. They are levied on the basis of local tax law. Recoverable French VAT amounts to €2,941,000 and recoverable Indian GST amounts to €5,899,000.
- Insurance compensation to be received relates to the remaining operating losses and cost of rebuilding industrial facilities following the fire at DAACPL's Roha 2 plant in an amount of €5,148,567, and operating losses suffered by Fider following the shutdown of peracetic acid column C23 at the Castets plant in an amount of €496,000.
- Prepaid expenses relate to service agreements and annual subscriptions whose periods overlap the year-end. The portion of these expenses already paid in relation to 2020 is recognised in this item.
- In relation to factoring and to guarantee the repayment of sums that it could come to owe to BNP Paribas Factor as a result of dilution and its interest obligations, DRT has set aside money in a guarantee fund corresponding to 6% of the receivables assigned to the factor. That fund does not produce interest.

V.11.1.3 Trade payables

Trade payables amount to €69 million. This sum includes amounts payable to suppliers of raw materials, services and non-current assets. Foreign currency amounts are converted into euros at the period-end exchange rate.

V.11.1.4 Fair value of financial assets and liabilities

V.11.1.4.1 Balance sheet

The following table provides information on financial assets and liabilities presented according to accounting categories defined by IFRS 9:

2019 **(in € thousands)**	**Financial assets and liabilities designated as at fair value through profit or loss**	**Financial assets and liabilities at fair value held for trading**	**Assets (loans and receivables) and liabilities measured at amortised cost**	**Available-for-sale financial assets**	**Derivatives designated as hedges**	**Total net carrying amount of financial assets and liabilities**	**Non-financial instruments (*)**	**Total net carrying amount**
Value of ATTIS 2 shares	-	-	5,903	-	-	5,903	-	5,903
Value of Gascogne shares	-	-	166		-	166	-	166
Shares in 11 non-trading real-estate companies and investment trusts (SCIs and SCPIs)	-	-	1,100	-	-	1,090	-	1,090
Fair value of life insurance policies	-	-	2,420		-	2,430	-	2,430
Loan to BESVSG	-	-	2,219	-	-	2,219	-	2,219
Other	-	-	-	-	-	-	672	672
Non-current assets	**0**	**0**	**11,808**	**0**	**0**	**11,808**	**672**	**12,480**
Trade receivables	-	-	48,556	-	-	48,556	-	48,556
BNP Paribas Factor guarantee fund	-	-	3,020	-	-	3,020	-	3,020
Other current assets	-	-	-	-	-	-	-	-
Interest-rate, exchange rate and commodity derivatives	-	-	-	-	-	-	-	-
Cash and cash equivalents	-	-	24,209	-	-	24,209	-	24,209
Current assets	**0**	**0**	**75,785**	**0**	**0**	**75,785**	**0**	**75,785**
TOTAL ASSETS	**0**	**0**	**87,593**	**0**	**0**	**87,593**	**672**	**88,265**
Long-term borrowings and debt	-	-	583,518	-	-	583,518	-	583,518
Non-current liabilities	**0**	**0**	**583,518**	**0**	**0**	**583,518**	**0**	**583,518**
Short-term borrowings and debt	-	-	70,126	-	-	70,126	-	70,126
Trade and other payables	-	-	69,146	-	-	69,146	-	69,146
Interest-rate and exchange-rate derivatives	-	-	-	-	1,002	1,002	-	1,002
Other current liabilities	-	-	-	-	-	-	23,373	23,373
Current liabilities	**0**	**0**	**139,272**	**0**	**1,002**	**140,274**	**23,373**	**163,647**
TOTAL LIABILITIES	**0**	**0**	**722,790**	**0**	**1,002**	**723,792**	**23,373**	**747,165**

(*) Including liabilities related to employees, social security charges and prepaid CIR research tax credits.

V.11.1.4.2 Income statement

The following table provides information on 2019 gains and losses by financial asset/liability accounting category:

In € thousands	2019	2018
Interest income on cash and cash equivalents (*)	356	316
Dividends received on available-for-sale assets	63	46
Change in fair value of cash-flow hedging instruments	-	-
Net foreign exchange gains	-	-
Accretion income on redeemed convertible bonds	2,706	
Other	253	137
Financial income	**3,378**	**499**
Interest expense on convertible bonds	(22,364)	(18,590)
Interest expense and issuance costs relating to financial liabilities measured at amortised cost	(27,746)	(21,550)
Net foreign exchange losses	(1,314)	(150)
Accretion expense (IAS 19)	(1,449)	(122)
Factoring costs	(337)	
Other	(277)	(505)
Financial expense	**(53,487)**	**(40,917)**
Net financial expense	**(50,109)**	**(40,418)**

(*)Financial assets at fair value through profit or loss

- Interest expense includes interest related to the use of the Term Loan B and the Revolving Credit Facility along with commitment and non-use fees relating to those facilities, interest on all short- and medium-term bilateral financing and interest included in lease payments restated under IFRS 16.
- Net foreign exchange losses concern financing transactions and exchange differences relating to foreign companies that account in foreign currencies.

V.11.2 Fair value

The methods of determining fair value figures in the table on the next page are described below.

- Investments in equity securities: the fair value of available-for-sale financial assets is determined with reference to their listed price on an active market on the closing date. If an active market does not exist and if fair value cannot be estimated reliably using measurement methods, these securities are measured at cost less cumulative impairment.

- Loans and receivables: the fair value of trade receivables and loans is considered to be equal to their carrying amounts since most of those financial assets have an element of credit risk taken into account via impairment and the interest-rate risk is limited.

- Derivatives: the fair value of interest-rate hedges is based on figures quoted by the financial institutions with which the hedging transactions are arranged. Forward foreign exchange contracts, options and currency option derivatives existing at the closing date are measured using the pricer on the Fairways Change platform provided by advisory firm Finance Active. This method has the benefit of applying consistent market conditions across all positions and all institutions. The result is compared with figures received from each bank, and material discrepancies are analysed on a case-by-case basis.

- Non-derivative financial liabilities: fair value corresponds to future cash flows generated by the repayment of the principal and interest, discounted at the market interest rate on the closing date, adjusted by the credit spread defined by the Group. The fair value of trade payables and trade receivables corresponds to the carrying value on the balance sheet. The discounting of cash flows does not have a material impact given the shortness of payment and settlement times.

Financial instruments at fair value through profit or loss are classified as follows:

- Level 1: financial instruments quoted in an active market;
- Level 2: financial instruments measured using valuation techniques based on observable data;
- Level 3: financial instruments measured using valuation techniques based partly or fully on non-observable data.

The table below sets out the fair value of financial assets and liabilities, along with their carrying value on the balance sheet:

In € thousands	2019		2018	
	Net carrying amount	**Fair value**	**Net carrying amount**	**Fair value**
Loan	3,850	3,850	3,850	3,850
Listed securities	2,586	2,586	2,595	2,595
Unlisted securities	7,003	7,003	6,993	6,993
Trade receivables	48,556	48,556	106,954	106,954
Other assets	672	672	651	651
Cash and cash equivalents	24,209	24,209	26,485	26,485
Fixed-rate borrowings	(23,068)	(23,397)	(14,245)	(14,448)
Floating-rate borrowings	(585,800)	(585,800)	(489,911)	(489,911)
Lease liabilities	(10,143)	(10,143)	(4,788)	(4,788)
Bank overdrafts	(34,633)	(34,633)	(12,957)	(12,957)
Trade payables and other operating payables	(69,146)	(69,146)	(66,677)	(66,677)
Interest-rate and exchange-rate derivatives	(1,002)	(1,002)	(2,279)	(2,279)
Other liabilities	(23,373)	(23,373)	(29,390)	(29,390)
NET TOTAL	**(660,289)**	**(660,618)**	**(472,719)**	**(472,922)**

At 31 December 2019, the classification of financial instruments at fair value was as follows:

2019 (in € thousands)	**Level 1**	**Level 2**	**Level 3**
Value of ATTIS 2 shares	-	5,903	

Value of Gascogne shares	166	-	-
Shares in 11 non-trading real-estate companies and investment trusts (SCIs and SCPIs)	-	1,100	-
Fair value of life insurance policies	2,420	-	-
Loans	-	2,219	
Other assets	-	672	
Non-current assets	**2,586**	**9,894**	**0**
Trade receivables	-	48,556	
BNP Paribas Factor guarantee fund		3,020	
Cash and cash equivalents		24,209	-
Current assets	**0**	**75,785**	**0**
Total assets	**2,586**	**85,679**	**0**

Long-term borrowings and debt	-	583,518	-
Non-current liabilities	**0**	**583,518**	-
Short-term borrowings and debt	-	70,126	-
Trade and other payables	-	69,146	-
Interest-rate and exchange-rate derivatives	1,002	-	-
Other current liabilities	-	23,373	-
Current liabilities	**1,002**	**162,645**	-
Total liabilities	**1,002**	**746,163**	-

V.11.3 Debt

In € thousands	31/12/2018	Exchange difference	Increase	Decrease	Change in cash and cash equivalents	Reclassifications	Other changes	31/12/2019
Convertible bonds	249,236	-	23,812	(123,581)	-	20,444	-	169,911

Long-term borrowings and debt								
Senior debt	455,000	-	60,000	-	-	-	-	515,000
Revolving Credit Facility	12,000	-	45,000	(23,000)	-	-	-	34,000
Bilateral bank borrowings	4,613	-	20,623	(1,227)	-	-	-	24,009
Other debts	704	-	-	(338)	-	-	-	366
Lease liabilities	4,788	-	10,143	(4,788)	-	-	-	10,143
Total	**477,105**	**0**	**135,766**	**(29,353)**	**0**	**0**	**0**	**583,518**
Short-term borrowings and debt								
Bilateral bank borrowings	6,112	-	1,227	(1,729)	-	-	-	5,610
Commercial paper	21,500	-	4,000	-	-	-	-	25,500
Accrued interest	3,722	-	3,963	(3,722)	-	-	-	3,963
Cash facilities	12,957	-	-	-	21,676	-	-	34,633
Debt securities	505	-	-	(85)	-	-	-	420
Total	**44,796**	**0**	**9,190**	**(5,536)**	**21,676**	**0**	**0**	**70,126**
Total borrowings and debt	**521,901**	**0**	**144,956**	**(34,889)**	**21,676**	**0**	**0**	**653,644**
Cash and cash equivalents								
Cash	25,110	-	-	-	(2,326)	-	-	22,784
Securities	1,375	-	-	-	50	-	-	1,425
Total cash and cash equivalents	**26,485**	**0**	**0**	**0**	**(2,276)**	**0**	**0**	**24,209**
Net debt	**495,415**	**0**	**144,956**	**(34,889)**	**23,952**	**0**	**0**	**629,435**

The portion of borrowings from credit institutions due in more than one year includes the senior debt agreement entered into by Alpha-Beta Participation on 10 April 2018 in an amount of €455 million and with a 7-year maturity, increased by €60 million on 23 July 2019. This agreement also includes a Revolving Credit Facility (RCF) with a maximum amount of €100 million. At 31 December 2019, the Group had drawn €34 million of the RCF.

Bank overdrafts in the "Cash facilities" item are classified under "Short-term borrowings and debt" on the balance sheet in an amount of €34.6 million (the cash flow statement shows a cash position net of cash facilities).

By convention, lease liabilities relating to finance and operating leases are all classified under long-term debt.

V.11.4 Cash and cash equivalents

Cash and equivalents include cash at hand, sight deposits and investments in money-market funds constituting short-term, highly liquid investments that are readily convertible into known amounts of cash and that are subject to an insignificant risk of changes in value.

V.11.4.1 Reconciliation with the cash position stated in the cash flow statement

In € thousands	2019	2018
Cash	22,784	25,110

Securities	1,425	1,375
Other, loans to shareholders	-	-
Assets included in the cash position	**24,209**	**26,485**
Bank overdrafts	(34,633)	(12,957)
Other, loans from shareholders	-	(842)
Liabilities included in the cash position	**(34,633)**	**(13,799)**
Net cash position shown in the cash flow statement	**(10,424)**	**12,686**

V.11.4.2 Change in cash position

In € thousands	2019	2018
Net cash at start of period	**12,686**	**9,684**
Change in net cash	(23,110)	3,002
Other movements	-	-
Net cash at end of period	**(10,424)**	**12,686**

V.11.5 Derivative financial instruments (e.g. exchange-rate and interest-rate hedges)

To protect against movements in foreign-exchange markets, interest rates and CO_2 prices, the Group uses hedging techniques based on forward or option-based instruments. DRT has sole responsibility for managing financial risks for all of the Group's French companies. Positions outstanding at 31/12/2019 have been identified. Each contract is measured at its mark-to-market value at 31 December 2019. Changes in value of forward contracts regarded as certain hedging instruments are recognised under other comprehensive income in accordance with IFRS 9. Changes in value of forward contracts not regarded as hedges under IFRS 9 are taken to income under the item of the underlying asset.

In € thousands	Fair value of contracts	
	31/12/2019	31/12/2018
Interest-rate hedges on Term Loan B	-1,086	-1,027
Forward currency transactions	-309	-1,196
Accumulators	269	172
Targets	-	-209
Option-based instruments	122	-20
TOTAL	**-1,002**	**-2,280**

Changes in fair value relating to interest-rate hedges and forward currency transactions regarded as firm and certain hedges are recorded under "Other comprehensive income".

V.11.6 Risk management policy

V.11.6.1 Credit risk

The Group does not have any investments that would expose it to material counterparty risk.

Credit risk now only exists in relation to non-assigned receivables since the arrangement of factoring by DRT and Pinova. Insurance programmes have been arranged to cover the Group's other main companies against the risk of non-payment for financial or political reasons. They include the insurance policy taken out with Atradius to cover 90% of Action Pin's trade receivables, both those specifically stated and in aggregate for the smallest amounts.

V.11.6.2 Liquidity risk

In addition to the 7-year Senior Facilities Agreement, which includes a Term Loan B for €515 million and a Revolving Credit Facility for €100 million, the Group's finances its operating activities mainly through:

- Medium- and long-term borrowings
- A revolving credit facility
- Short-term financing (commercial paper and cash facilities)
- Medium-term bilateral credit facilities that are used by issuing notes

There are also leases of IT, laboratory, transport and storage equipment that include a financing component.

V.11.6.3 Interest-rate risk

As part of the credit agreement, the initial €455 million of Euribor-linked senior debt taken out by DRT and ABP is subject to a €318.5 million interest-rate hedge for the period from 30 April 2018 to 14 May 2022. Since interest is initially paid every six months, the hedge sets a maximum interest rate protecting the two borrowing companies against 6-month Euribor rising above an annual rate varying from 0% to 0.75% over time. The premium is paid in equal instalments every six months.

V.11.6.4 Exchange-rate risk

The Group's only exchange-rate risk relates to the US dollar as part of its purchases of raw materials and sales of goods in the United States, Asia and also Europe for ingredients whose price is set in USD. The Group's banks have granted it credit facilities that suit its purposes in terms of the exchange-rate hedging strategy described in section 1.5.10.5.

V.11.6.5 Commodity risks

The Group had not entered into any commodity risk hedging contracts at 31 December 2019.

V.11.7 Off-balance sheet commitments relating to the Group's financing

The Senior Facilities Agreement, consisting of a €455 million Term Loan B (increased by €60 million in July 2019) and a €100 million Revolving Credit Facility, has given rise to:

- A subordination agreement;
- A securities account pledge agreement;
- A bank account balance pledge agreement;
- A receivables pledge agreement.

V.12 INCOME TAX

V.12.1 Income tax

V.12.1.1 Current income tax

Current tax comprises the estimated amount of tax due (or receivable) with respect to the taxable income (or loss) for a period, and any adjustment of current tax with respect to previous periods. It is calculated on the basis of the tax rates enacted or substantively enacted on the balance sheet date.

V.12.1.2 CIR research tax credit

Under IAS 12 and IAS 38, R&D costs included in the calculation of the CIR tax credit are capitalised and amortised over five years. The resulting CIR tax credit is recorded as prepaid income under "other business income" at a rate of one fifth per year for five years.

V.12.1.4 Local economic contribution (CET)

France's local economic contribution (CET) levy has two components:

- The business property contribution (CFE), which is recorded under fixed costs;
- The value-added levy on businesses (CVAE), which is recorded under income tax.

V.12.1.5 Income tax (expense)/income

In € thousands	2019	2018
Current tax (expense)/income	(4,145)	(8,875)
Deferred tax (expense)/income	5,355	2,694
Income tax benefit/(expense)	**1,210**	**(6,181)**

V.12.1.6 Reconciliation of theoretical tax expense with the total tax expense on the income statement

In € thousands	2019	2018
Net income from consolidated companies	(35,703)	(35,080)
- net income from discontinued operations	9	204
(-) share in the net income of equity affiliates	(748)	(310)
Net income from fully-consolidated companies	(36,442)	(35,186)
Income tax expense/(income) (a)	1,210	(6,181)
Theoretical tax expense/(income) based on tax rates in force in each country (b)	12,303	8,317
Difference (a) - (b)	**(11,093)**	**(14,498)**
Analysis of the difference:		
Impact of unused net tax losses	(15,788)	(11,098)
Differences in tax rates	671	1,148
Impact of timing differences and other consolidation adjustments	416	(6,895)
Impact related to the recognition of the CVAE and CIR	3,607	3,494
Total	**(11,093)**	**(14,498)**

The tax rates used are as follows:

- France: 28% for deferred tax
- India: 25%
- Germany: 15%
- Brazil: 25%
- United States: 21%
- China: 25%
- Bulgaria: 10%
- Switzerland: 24%
- Finland: 20%

Tax loss carryforwards within the tax consolidation group headed by ABI are not capitalised for reasons of prudence in the context of the disposal mentioned above under “Post-balance sheet events”.

V.12.1.7 Income tax recoverable and payable

In € thousands	2019	2018
Income tax recoverable	2,296	1,553
Income tax payable	(2,255)	(3,284)
Net income tax asset/(liability)	**(41)**	**(1,731)**

Recoverable income tax mainly consists of payments on account made in March 2019 in excess of the income tax provision recorded in the income statement.

V.12.2 Deferred taxes

Deferred tax is calculated on the temporary differences that exist between the carrying value of assets and liabilities and their tax basis. Deferred tax assets and liabilities are measured using the liability method,

i.e. at the tax rates that are expected to apply to the period when the asset is realised or the liability settled, based on tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date.
The following items do not give rise to the recognition of deferred tax:

- Goodwill that is not tax-deductible,
- Initial recognition of an asset or liability that does not result from a business combination and that affects neither accounting profit nor taxable profit,
- Temporary differences related to equity stakes in subsidiaries to the extent that they will not be reversed in the foreseeable future.

The Group discloses deferred taxes on the consolidated balance sheet separately from other assets and liabilities. Deferred tax assets are recognised on the balance sheet to the extent that it is probable that they will be recovered in subsequent periods. Deferred tax assets and liabilities are not discounted.
Deferred tax assets and liabilities are netted when there is a legally enforceable right to net payable tax assets and liabilities, when they concern income taxes levied by a single tax authority and when the Group has the intention to settle them based on their net amount.

V.12.2.1 Deferred tax on the balance sheet

In € thousands	2019	2018
Deferred tax assets	7,281	5,851
Deferred tax liabilities	(119,192)	(128,069)
Net deferred tax assets (liabilities)	**(111,911)**	**(122,218)**

Deferred tax liabilities mainly correspond to the difference arising from the recognition of the value of the customer portfolio, i.e. €363 million of assets in relation to the allocation of goodwill in 2018. This intangible asset is being amortised over 15 years, as is the corresponding deferred tax liability calculated at a rate of 25% based on the reversal schedule.

V.12.2.2 Change in deferred taxes

In € thousands	2019	2018
Amount at start of period	**(122,218)**	**0**
Change in scope	-	(128,908)
Impact on income	5,355	6,224
Impact on equity	4,952	460
Other impacts from exchange differences	-	-
Amount at end of period	**(111,911)**	**(122,218)**

V.13 POST-BALANCE SHEET EVENTS

Post-balance sheet events are described in section V.2. "Post-balance sheet events" at the start of this report. They concern:

- DRT's sale of its shares in the Crown Chemicals joint venture in India;
- The planned acquisition of DRT by Firmenich announced in early March;
- The consequences of the Covid-19 crisis.

V.14 STATUTORY AUDITORS' FEES

In € thousands	KPMG - USA		EY - France		B&B - France		ACQS - France	
	2019	2018	2019	2018	2019	2018	2019	2018
Audit of the financial statements	152	122	317	97	93	80	56	29
Other services	61	-	801	421	-	-	-	-
TOTAL	**213**	**122**	**1,118**	**518**	**93**	**80**	**56**	**29**

B & B Associés | Ernst & Young Audit

Alpha-Beta International

Year ended 31 December 2019

Statutory Auditors’ report on the consolidated financial statements

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1, allée Robinson
64200 Biarritz
S.A.R.L. (limited-liability company) with capital of €8,000
Registered with the Bayonne trade and companies register under number 412 653 131

Statutory Auditor
Member of the Pau regional association of statutory auditors

Ernst & Young Audit
Hangar 16, Entrée 1
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33070 Bordeaux cedex
S.A.S. (simplified joint-stock corporation) with variable capital
Registered with the Nanterre trade and companies register under number 344 366 315

Statutory Auditor
Member of the Versailles regional association of statutory auditors

Alpha-Beta International
Year ended 31 December 2019

Statutory Auditors' report on the consolidated financial statements

To the shareholders of Alpha-Beta International,

Opinion

In accordance with our appointment as statutory auditors by the sole shareholder, we have audited the accompanying consolidated financial statements of Alpha-Beta International for the year ended 31 December 2019. The financial statements were finalised by the chairman on 2 April 2020 based on information available at that date against the background of the rapidly developing Covid-19 crisis.

In our opinion, the consolidated financial statements give a true and fair view of the financial position, the assets and liabilities, and the results of the group formed by the persons and entities included in the consolidation, in accordance with the International Financial Reporting Standards as endorsed by the European Union.

Basis of our opinion

■ Audit

We conducted our audit in accordance with professional standards applicable in France. We believe that the information that we collected provides a sufficient and appropriate basis for our opinion.

Our responsibilities under those standards are stated in the "Responsibilities of the Statutory Auditors in relation to auditing the consolidated financial statements" section of this report.

■ Independence

We conducted our audit in accordance with the independence rules applicable to us between 1 January 2019 and the date on which we issued our report, and in particular we did not provide any services forbidden by the code of conduct of the statutory auditors' profession in France.

Comments

Without prejudice to the opinion expressed above, we draw your attention to the following matters set out in the notes to the consolidated financial statements:

► note V.4.7 “Information allowing comparisons between financial statements” stating that the comparative information relates to a 9-month period from 1 April to 31 December 2018. To present comparative 12-month data, proforma consolidated income statements have been prepared for 2018 and 2019, and are shown in note V.3 “Key indicators”.

► note V.4.8 “Changes in accounting policies” describes the impact of applying IFRS 16 “Leases” from 1 January 2019 and the impact arising from changes in presentation.

Substantiation of our opinion

In accordance with the requirements of articles L. 823-9 and R. 823-7 of the French Commercial Code relating to the substantiation of our opinion, we confirm that the most important assessments we made, using our professional judgement, related to the appropriateness of the accounting principles used, the reasonableness of the material estimates adopted and the overall presentation of the financial statements.

Those assessments were made in the context of our audit of the consolidated financial statements taken as a whole, finalised as described above, and in the formation of our opinion stated above. We express no opinion on items of the consolidated financial statements taken in isolation.

Specific verifications

In accordance with professional standards applicable in France, we also carried out specific verifications, as required by statutory and regulatory provisions, of information provided in the chairman’s report on the Group’s management, dated 2 April 2020. As regards events occurring and information coming to light after the accounts closing date in relation to the Covid-19 crisis, management has informed us that it will make a statement on them in the shareholders’ general meeting convened to vote on the financial statements.

We have no comments to make as to the information’s fair presentation and its consistency with the consolidated financial statements.

Responsibilities of management and persons involved in corporate governance in relation to the consolidated financial statements

Management is responsible for preparing consolidated financial statements that present a true and fair view, in accordance with IFRSs as endorsed by the European Union, and for setting up the internal controls it deems necessary for preparing consolidated financial statements that do not contain any material misstatements, whether due to fraud or error.

When preparing the consolidated financial statements, management is responsible for assessing the company’s ability to continue as a going concern, for presenting in those statements any necessary information relating to its status as a going concern, and for applying the accounting concept of going concern, except where there is a plan to liquidate the company or discontinue its operations.

The consolidated financial statements have been approved by the chairman.

Responsibilities of the Statutory Auditors in relation to auditing the consolidated financial statements

Our responsibility is to prepare a report on the consolidated financial statements. Our objective is to obtain reasonable assurance about whether the consolidated financial statements, taken as a whole, are free of material misstatement. Reasonable assurance means a high level of assurance, although there is no guarantee that an audit conducted in accordance with professional standards will systematically detect all material misstatements. Misstatements may arise from fraud or error, and are regarded as material when they can reasonably be expected, individually or together, to influence the economic decisions that users of the financial statements take on the basis of those statements.

As stated by article L. 823-10-1 of the French Commercial Code, our audit assignment does not involve guaranteeing the viability of your company or the quality of its management.

When conducting an audit in accordance with professional standards in France, statutory auditors use their professional judgement throughout the audit.

In addition:

► they identify and assess the risks that the consolidated financial statements contain material misstatements, whether through fraud or error, define and implement audit procedures to address those risks, and collect information that they regard as sufficient and appropriate as the basis for their opinion. The risk of not detecting a material misstatement resulting from fraud is higher than the risk of not detecting a material misstatement resulting from error, because fraud may involve collusion, falsification, voluntary omissions, false statements or the circumvention of internal controls;

► they familiarise themselves with the internal controls relevant to the audit, in order to define audit procedures appropriate to the situation in hand, and not in order to express an opinion on the effectiveness of internal control;

► they assess the appropriateness of accounting policies adopted and the reasonableness of accounting estimates made by management, along with information about those estimates provided in the consolidated financial statements;

► they assess whether management has applied appropriately the going concern convention and, based on information collected, whether or not there is a material uncertainty arising from events or circumstances likely to call into question the company's ability to continue as a going concern. That assessment is based on information collected until the date of the auditors' report, although it should be borne in mind that subsequent circumstances or events may call into question the company's status as a going concern. If the auditors conclude that there is a material uncertainty, they draw the attention of those reading their report to information provided in the consolidated financial statements in relation to that uncertainty or, if that information is not provided or is not relevant, they certify the financial statements with reservations or refuse to certify them;

► they assess the overall presentation of the consolidated financial statements and assess whether the consolidated financial statements reflect the underlying operations and events so that they give a true and fair view;

► regarding financial information relating to persons or entities included in the scope of consolidation, they collect the information that they regard as sufficient and appropriate to express an opinion on the consolidated financial statements. The auditors are responsible for managing, supervising and conducting the audit of the consolidated financial statements and for the opinion expressed on those financial statements.

Biarritz and Bordeaux, 10 April 2020

The Statutory Auditors

B & B Associés	Ernst & Young Audit
Pierre-Damien Blandino	Laurent Chapoulaud

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