CONSUMER PRODUCTS RESIST RECESSION BEST

Our financial year ended June 30, 2009, was marked by the world’s worst economic and financial crisis since the 1930s. In particular, it saw consumers reduce their spending, especially on discretionary items, and manufacturers and retailers de-stock extensively to adapt to lower demand.

Within this context, Firmenich posted sales of CHF 2,641 million, a decline of 4.3% in local currencies. Consumer products linked to basic needs, like eating, drinking, washing and cleaning, were the most resistant to this environment, while discretionary Fine Fragrance suffered most.

As sales declined, we reduced our spending and preserved the financial strength of the Group, while maintaining key investments to respond to future client and consumer needs.

INNOVATION KEY

We focused more than ever not only on creating perfumes and flavors that inspire our clients and consumers worldwide, but on driving innovation and creative ideas.

We launched an internal portal in January 2009, giving our employees the opportunity to share new product, ingredient and technology ideas. At the same time, we continued to develop external partnerships to leverage great ideas wherever they may be. These included a new agreement with US start-up Senomyx to commercialize a novel sweet taste enhancer and research partnerships with universities in Switzerland, the US and China.

During the year, we filed a total of 32 new patent applications for new fragrance and flavor ingredients, unique delivery systems and original processes, to help do “more with less and better”.

PEOPLE & THE ENVIRONMENT CENTERSTAGE

We continued to drive sustainable business practices across our organization, in the knowledge that our people make all the difference.

In December 2008, we launched the Firmenich Code of Conduct, complementing the values expressed in our Firmenich Fundamentals, with more detailed guidance to help our staff conduct everyday business with the highest level of ethics and integrity.

Similarly, we introduced the Jean-Marc Bruel Award for Safety Excellence, recognizing our former Chairman’s dedication to safety in the workplace and aimed at supporting the integration of health, safety and environmental measures into the achievement of our business results. Firmenich also received external recognition for its safety programs, when it was attributed the prestigious DuPont Safety Award for “Felt Leadership” in October 2008.

During the year, our environmental programs further reduced our global footprint, diminishing energy use and hazardous waste, as well as carbon dioxide and VOC emissions, in line with our 2010 environmental goals.

FAMILY OWNED & SOLID

Firmenich remained fully owned by the Firmenich family and fully committed to its independence, ensuring the financial solidity of the Group in a challenging economic environment.

The undersigned, Vernon Sankey, was elected Chairman of the Board of Directors in October 2008, replacing Jean-Marc Bruel who did not seek to renew his mandate. We take this opportunity to extend our warm thanks to Jean-Marc Bruel for his considerable contribution to the Firmenich Group, as a Board member from 1995 and as Chairman from 2000 - 2008.

We also warmly thank our colleagues around the Firmenich world for their dedication and outstanding ability to adapt to exceptional global conditions, and our clients, suppliers and local communities for their continued confidence and support.
CONSUMERS CONTINUE TO EAT AND DRINK
Flavor sales declined overall for the first time in more than eight years, as the global recession weighed on consumer spending. Consumers nevertheless continued to eat and drink. The Sweet Goods segment resisted the crisis best, posting slightly higher sales, thanks in particular to nutritional and confectionary products, while Savory Foods and Beverages recorded modest declines. Beverages were affected in particular by changing habits, as consumers switched from bottled drinks to tap water, while Savory categories like snacks and soups posted growth. Geographically, although all markets were affected by the downturn, Western Europe and North America posted the weakest performance, while emerging markets posted continued growth, albeit at a slower pace. In this turbulent environment, we continued the integration of our Danisco acquisition and folded integration activities into ongoing operations at the end of the fiscal year, according to plan.

LEADING-EDGE INNOVATION
We continued to invest in innovation as a key to our future. As part of our efforts to support healthier diets, we reinforced our sweet taste enhancement program with the purchase of exclusive rights to a novel sweet enhancer developed by US start-up Senomyx. This will give our clients the opportunity to access flavors that reduce the need for sweeteners, without compromising on taste, and should offer consumers a significant reduction in calories in a cross-section of every-day staples, including dairy products, instant drinks and desserts. New flavor ingredients introduced during the year, included new fruity/tropical tastes and natural flavors for meat and savory applications.

PERSPECTIVES
At the end of the year, we had a healthy new product development pipeline. With most of the recession hopefully behind us, we look forward to leveraging our position as one of the most innovative Flavor companies in the world to take advantage of the recovery.
CONSUMERS CONTINUE TO WASH AND CLEAN

Overall, Perfumery sales were lower than our exceptional performance last year. Fragrances for Body Care and Home Care nevertheless proved more resilient to the crisis, posting single-digit growth, as consumers continued to wash and clean - taking care of themselves and keeping their homes spick and span. Sales growth was the strongest in laundry products and hair care. Fine Fragrance sales suffered from the recession, as consumers reduced spending on discretionary items and clients extensively de-stocked their inventories. Our Ingredients business also posted lower sales, mirroring overall activity in the fragrance market and our clients’ inventory reductions. Geographically, Latin America posted the strongest growth, followed by the emerging markets of Eastern Europe and Africa. Robust revenue growth with local and regional clients in Asia, partially offset sluggish results with some multinational customers. At the same time, sales were lower overall in Western Europe and, to a lesser extent, in North America.

CREATIVE IN CRISIS

The global recession did not dampen our creative talent, which was celebrated at various Fragrance award ceremonies around the world, as brands featuring Firmenich-created perfumes won recognition. Our innovation pipeline remained healthy and a key priority throughout the year. This enabled us to introduce a number of new perfume ingredients to inspire our perfumers in their creation of novel and high performing fragrances. New ingredients included several unique natural materials that added originality and variety to Firmenich Fine Fragrances, as we leveraged Firmenich technology and know-how, together with the expertise in naturals that came with our acquisition of Danisco’s Flavor & Fragrance Division in July 2007. Similarly, we further developed our innovative perfume delivery systems. These are a key part of our competitive advantage in releasing our fragrances at key moments of truth for the consumer, enabling our clients to win in the marketplace.

PERSPECTIVES

Although we remain cautious, we hope that the tentative signs of improvement at the end of the fiscal year will continue as we move forward. The downturn was an opportunity to refine our business and creative processes, and we look forward to leveraging these as the recovery unfolds.
Despite an economic slowdown, we continued to invest aggressively in innovation and creative ideas - an essential component for our future.

The Power of Innovation

We filed a total of 32 new patent applications during the year. At the same time, we continued to improve our existing delivery systems, which have become a hallmark of the Firmenich Group. Within this context, we developed a new generation of perfume delivery systems and significantly improved perfume performance in body care products. We also developed a totally new synthesis for a perfume ingredient, which enabled us to lower the cost of production and make it even more ecological – a win-win for our clients and ongoing improvements in environmental protection.

Where New Ideas Are Born

Driven by their passion for understanding smell and taste, our scientists made a breakthrough discovery when they demonstrated gender-specific differences in the development of body odor. The discovery will help us develop new ingredients for deodorants to better fight sweaty smells.

During the year, we signed a five-year partnership with Geneva University’s new Brain & Behavior Laboratory, with the aim of better understanding the effects of chemosensory perception on our emotions and preferences.

At the same time, we organized our fourth Chemosensory Perception Symposium in March 2009, bringing together the latest scientific progress across a variety of disciplines, including physiology and behavioral science, as they relate to smell and taste.

These initiatives reflected our commitment to boldly go wherever new ideas are born.
During the year, we made strategic investments, aimed at ensuring a sustainable future for our people, our business and the communities around us.

Sustainable Development

Investing in our future includes ensuring a business model that integrates sustainable attitudes, behaviors and decisions into our daily operations.

Within this context, we completed a fourth consecutive year of significant safety improvement, reflecting our ongoing focus on workplace safety across the Group. Our newly-created Jean-Marc Bruel Award for Safety Excellence was attributed for the first time in October 2008 to our affiliate in Newark, in the US, as our safety winner with a 95.0% reduction in safety incidents since 2001.

We achieved four new third-party certifications, during the year, three for occupational health and safety, OHSAS 18001, in China, the US and Norway, and a second in China for environmental care, ISO 14001.

At the same time, we continued to make steady progress towards our 2010 environmental goals, further reducing our energy use, CO2 and VOC emissions, and hazardous waste.

Europe

The deployment of our SAP-based Enterprise Resource Planning program progressed according to plan. The program aims to globally harmonize our business systems, building efficiency and supporting future growth. SAP was successfully launched at our key site in Geneva in December 2008 and we completed the roll-out in Eastern Europe in June 2009. Preparations also got underway for roll-outs in the rest of Europe, North America and Asia Pacific in 2010.

The Americas

In the US, we continued the construction of a major new Flavor facility, which is expected to begin production in early 2010.

Asia Pacific

In India, construction progressed on a new perfume ingredient plant that is set to start production by the end of 2009.
CORPORATE MANAGEMENT

From left to right:
Paul-Louis Gay, Donald Hartman, Robert Weinstein, Antoine Gautier, Patrick Firmenich, Friedrich Busse, Jean-Marc Mommer, Michel Bongi.

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CHIEF EXECUTIVE OFFICER
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