always inspiring more ...

symrise

SHARING VALUES

Developing resources

FINANCIAL REPORT

2018

Five-year Financial Overview

€ million		2014	2015	2016	2017	2018
Group – Results of operations						
Sales		2,120	2,602	2,903	2,996	3,154
Share of sales in emerging markets	in %	47	46	43	44	43
EBITDA[1]		465	572	625	630	631
EBITDA margin[1]	in %	21.9	22.0	21.5	21.0	20.0
Net income[1,2]		212	247	266	270	275
Earnings per share[1,2]	in €	1.69	1.90	2.05	2.08	2.12
Dividends paid		97	104	110	114	117 [3]
Dividend per share	in €	0.75	0.80	0.85	0.88	0.90 [3]
Group – Financial position/net assets						
Operating cash flow		343	375	339	396	442
Investments (without M & A)		101	147	168	205	226
Balance sheet total[2] (as of December 31)		4,000	4,184	4,753	4,675	4,920
Capital ratio[2] (as of December 31)	in %	35.8	38.0	36.4	37.8	39.5
Net debt (incl. pension provisions and similar obligations) (as of December 31)		1,640	1,576	1,971	1,922	1,893
Employees (as of December 31)	FTE[4]	8,160	8,301	8,944	9,247	9,647
Scent & Care						
Sales		980	1,074	1,311	1,263	1,324
EBITDA[5]		223	231	258	248	254
EBITDA margin[5]	in %	22.7	21.5	19.7	19.6	19.2
Flavor						
Sales		1,140	980	1,016	1,102	1,191
EBITDA[6]		242	219	234	243	244
EBITDA margin[6]	in %	21.2	22.3	23.0	22.0	20.5
Nutrition						
Sales			548	576	631	639
EBITDA			122	134	139	132
EBITDA margin	in %		22.3	23.2	22.1	20.7

1 Figures for 2014 and 2016 normalized for transaction and integration costs as well as one-off valuation effects related to business combinations
2 Figures for 2016 restated due to finalisation of Purchase Price Allocation for Nutraceutix
3 proposal
4 not including apprentices and trainees; FTE = Full Time Equivalent
5 Figures for 2016 normalized for transaction and integration costs as well as one-off valuation effects related to business combinations
6 Figures for 2014 incl. six months Diana and normalized for transaction and integration costs as well as one-off valuation effects related to business combinations

Table of Contents

About This Report
This 2018 financial report contains the complete consolidated financial statements, the Group management report and all other legally required elements. Supplementary to it, a separate corporate report provides a comprehensive depiction of Symrise's performance in 2018 – both from a business perspective as well as from a sustainability standpoint. The corporate report can be viewed electronically and ordered in print form at www.symrise.com/investors.

The Symrise 2018 financial report was published simultaneously with the 2018 corporate report on March 13, 2019, and is available in German and English. The publication date of the financial report for the 2019 fiscal year is March 2020. Additional information on our company's activities can be found at www.symrise.com.

Group Management Report

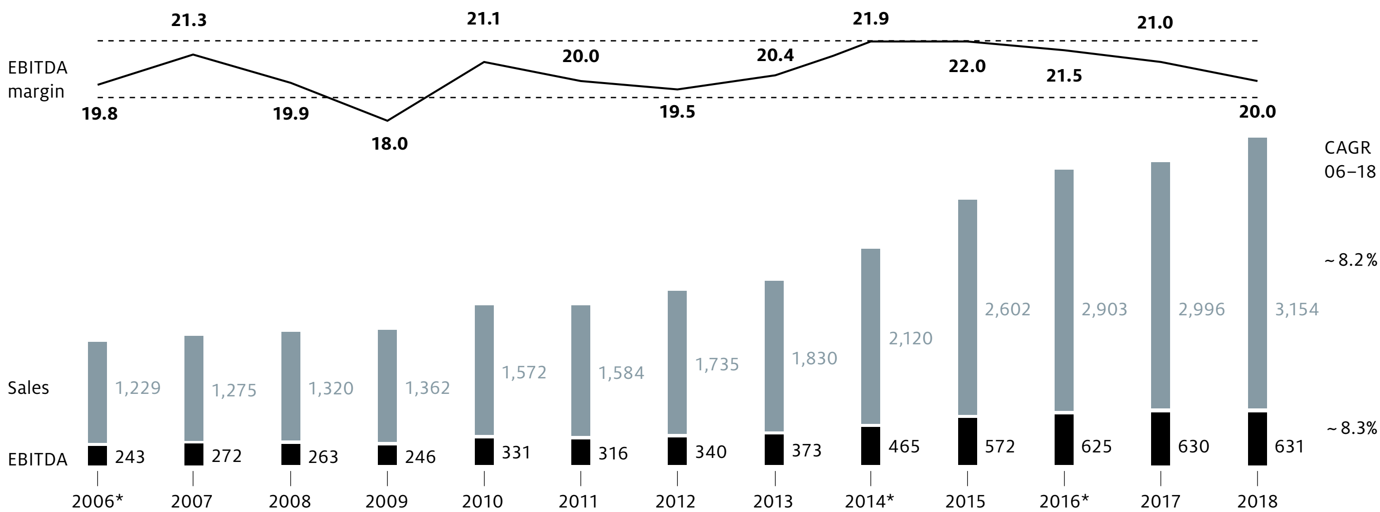
SYMRISE AG, HOLZMINDEN

January 1 to December 31, 2018

Highlights 2018

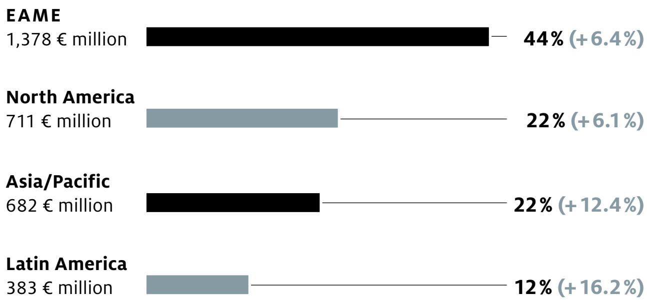
Strong sales growth with high profitability

DEVELOPMENT OF SALES/EBITDA Sales and EBITDA in € million, margin in %



* EBITDA adjusted for restructuring and integration expenses

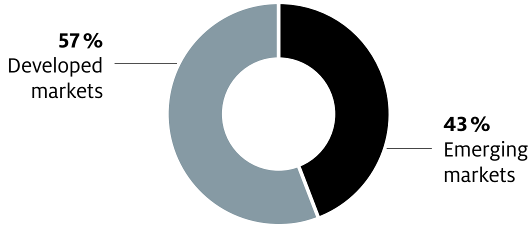
SALES BY REGION
As % of Group sales and organic growth in %



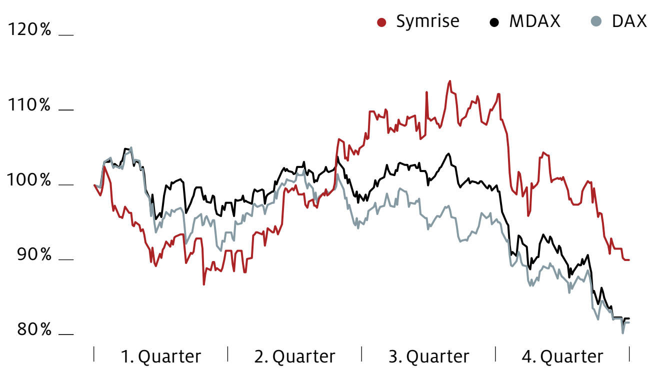
€ 2.12 Earnings per share

€ 0.90 Proposed dividend

SALES IN EMERGING MARKETS
% of Group sales



SHARE PRICE DEVELOPMENT
of the Symrise stock in 2018



Overview of the 2018 Fiscal Year

Global economic growth in 2018 was virtually unchanged from the previous year. For Symrise, 2018 was a demanding but successful year. The Group generated sales of € 3,154 million in the 2018 fiscal year (2017: € 2,996 million). Sales increased 8.8 % organically over the previous year. Sales increased by 5.3 % in the reporting currency, taking into account portfolio effects (Cobell and Citratus acquisitions) and exchange rate effects.

The share of sales generated in the emerging markets accounted for 43 % of Group sales, slightly below last year's mark of 44 %. At € 631 million, earnings before interest, taxes, depreciation and amortization (EBITDA) of the Symrise Group slightly exceeded the previous year (2017: € 630 million). The Group's EBITDA margin, as based on sales, was 20.0 % and therefore below the previous year's level of 21.0 %. This was mainly due to higher raw materials costs.

The **Scent & Care** segment generated sales of € 1,324 million in 2018. Sales rose organically by 8.9 % over the previous year. EBITDA amounted to € 254 million, € 6 million more than in the previous year (2017: € 248 million). The EBITDA margin therefore amounted to 19.2 % in 2018, compared to 19.6 % in 2017. **Flavor** increased its sales to € 1,191 million and achieved organic growth of 9.5 %. EBITDA for the segment was slightly higher than last year, amounting to € 244 million in 2018 (2017: € 243 million). The EBITDA margin was negatively affected primarily by high raw material costs and the full-year inclusion of Cobell in the consolidated financial statements and amounted to 20.5 %, compared with 22.0 % in the previous year. The **Nutrition** segment increased sales to € 639 million, which is equivalent to organic growth of 7.4 %. The segment generated an EBITDA of € 132 million in 2018. This was € 7 million below the previous year's level (2017: € 139 million) as a result of higher operating costs, mainly due to the construction of the new Diana Food site in the USA and on account of the lower earnings contribution from Probi. The EBITDA margin was 20.7 %, compared to 22.1 % in 2017.

Net income[1] for the Symrise Group rose 1.9 % compared to the previous year's figure, totaling € 275 million for the 2018 fiscal year. Earnings per share improved from € 2.08 in the previous year to € 2.12 in the reporting year. The Executive Board and Supervisory Board will propose to increase the dividend from € 0.88 to € 0.90 per share at the Annual General Meeting on May 22, 2019.

1 Exclusive non-controlling interests attributable to shareholders of Symrise AG

Cash flow from operating activities amounted to € 442 million in 2018, € 46 million more than in the previous year (€ 396 million). The Symrise Group's liquidity increased by € 50 million to € 280 million as of December 31. Net debt (including provisions for pensions and similar obligations) decreased € 29 million to € 1,893 million as of the end of the 2018 reporting period. On an annualized basis, the ratio of net debt (including provisions for pensions and similar obligations) to EBITDA was 3.0 as of the end of the reporting period on December 31, 2018, and is thus temporarily outside of the target corridor of Symrise of 2.0 to 2.5 due to acquisitions.

Basic Information on the Symrise Group

STRUCTURE AND BUSINESS ACTIVITIES

COMPANY PROFILE

Symrise is a global supplier of fragrances and flavorings, cosmetic active ingredients and raw materials, functional ingredients and product solutions for food production based on natural starting materials. Its clients include manufacturers of perfumes, cosmetics, food and beverages, the pharmaceutical industry and producers of nutritional supplements and pet food.

With sales of € 3.2 billion in the 2018 fiscal year and a market share of around 10 %, Symrise is one of the leading global suppliers in the flavors and fragrances market. Headquartered in Holzminden, Germany, the Group is represented by more than 100 locations in Europe, Africa, the Middle East, Asia, the United States and Latin America. The Symrise Group originally resulted from a merger between the German companies Haarmann & Reimer and Dragoco in 2003. The roots of Symrise date back to 1874 and 1919, when the two companies were founded. In 2006, Symrise AG entered the stock market with its initial public offering (IPO). Since then, Symrise shares have been listed in the Prime Standard segment of the German stock exchange. With a market capitalization of about € 8.4 billion at the end of 2018, Symrise shares are listed on the MDAX® index. Currently, about 94 % of the shares are in free float.

Operational business is the responsibility of the Flavor, Nutrition and the Scent & Care segments. Every segment has its areas such as research and development, purchasing, production, quality control, marketing and sales. This system allows processes to be accelerated. We aim to simplify procedures while making them customer-oriented and pragmatic. We place great value on fast and flexible decision-making.

The Flavor segment is made up of the business units Beverages, Savory and Sweet. The Nutrition segment consists of the Diana division with the business units Food, Pet Food, Aqua and Probi. The Scent & Care segment breaks down into the Fragrance, Cosmetic Ingredients and Aroma Molecules divisions.

The activity of the Group is also organized into four regions: Europe, Africa and Middle East (EAME), North America, Asia/Pacific and Latin America.

Additionally, the Group has a Corporate Center where the following central functions are carried out: Accounting, Controlling, Taxes, Corporate Communications, Investor Relations, Legal Affairs, Human Resources, Group Compliance, Corporate Internal Audit and Information Technology (IT). Other supporting functions such as technology, energy, safety, environment and logistics are bundled in independent Group companies. They also maintain business relationships with customers outside the Group.

Symrise AG's headquarters are located in Holzminden, Germany. At this site, the Group's largest, Symrise employs 2,418 people in the areas of research, development, production, marketing and sales as well as in the Corporate Center. The company has regional headquarters in the USA (Teterboro, New Jersey), Brazil (São Paulo), Singapore and France (Rennes, Brittany). Important production facilities and development centers are located in Germany, France, Brazil, Mexico, Singapore, China and the USA. Symrise has sales branches in more than 40 countries.

MANAGEMENT AND OVERSIGHT

Symrise is a German stock corporation with a dual management structure consisting of an Executive Board and a Supervisory Board.

Symrise AG's Executive Board has five members: Dr. Heinz Jürgen Bertram (CEO), Achim Daub (President Scent & Care Worldwide), Olaf Klinger (CFO), Dr. Jean-Yves Parisot (President Nutrition) and Heinrich Schaper (President Flavor). The Executive Board is responsible for managing the company with the primary aim of sustainably increasing the company's value.

Symrise AG's Supervisory Board has twelve members. It oversees and advises the Executive Board in the management of the company and regularly discusses business development, planning, strategy and risks with the Executive Board. In compliance with the German Codetermination Act, Symrise AG's Supervisory Board has an equal number of shareholder and employee representatives. The Supervisory Board has formed four committees to increase the efficiency of its work.

SYMRISE SITES 2018

● Global headquarters ● Regional headquarters • Symrise sites

Details on cooperation between the Executive and Supervisory Boards as well as on corporate governance at Symrise can be found in the Supervisory Board and corporate governance statements.

BUSINESS ACTIVITIES AND PRODUCTS

The value chain of Symrise

Symrise manufactures about 30,000 products from around 10,000 – mostly natural – raw materials such as vanilla, citrus products or flower and plant materials. The value chain of the three segments extends across research and development, purchasing, and production as well as the sale of products and solutions. The natural food ingredients, flavors, perfume oils and active ingredients are generally central functional components in our customers' end products and often play a decisive role in consumers' purchasing decisions. Along with the typical product characteristics such as fragrance and taste, our value creation lies in the development of products with additional benefits. Examples of how flavors and perfume oils are combined with other innovative components include flavorings that enable foods' sugar or salt content to be reduced or a moisturizing cosmetic ingredient that lowers the proportion of preservatives in care products. On the basis of these products, our customers can differentiate themselves from competitors with their tailor-made end products in the rapidly changing consumer goods market. The extensive research and development (R & D) undertaken at the company, which is supplemented by a wide-reaching external network of research institutes and scientific facilities, forms the basis of our product development. Given the strong differences in sensory preferences from region to region, comprehensive consumer research is also an important part of our R & D activities.

CORPORATE STRUCTURE

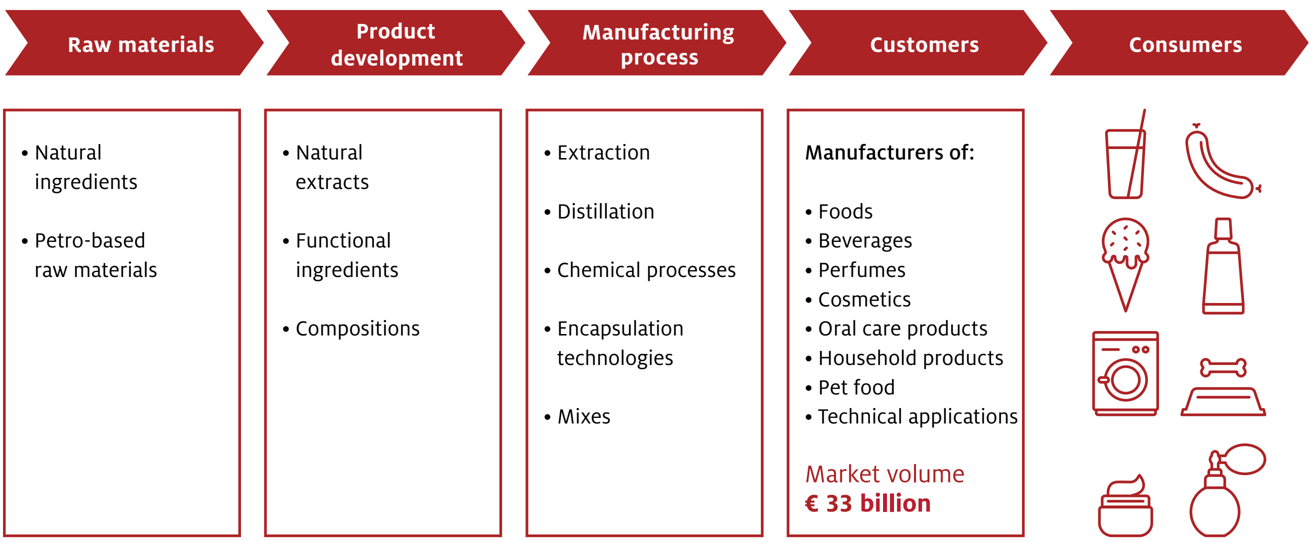
Our customers include large, multinational companies as well as important regional and local manufacturers of food, beverages, pet food, perfumes, cosmetics, personal care products and cleaning products as well as laundry detergents.

We manufacture our flavorings and fragrances at our own production plants, where we also develop solutions for food production. In some cases, we have longer-term delivery contracts for obtaining important raw materials. We maintain close ties with our suppliers and establish uniform standards to guarantee that the quality of our base materials remains the same.

Flavor

Flavor's range of products consists of approximately 13,000 items, which are sold in 146 countries. The flavorings we produce are used by customers to make foods and beverages and give the various products their individual tastes. Symrise supplies individual flavorings used in end products as well as complete solutions, which, apart from the actual flavor, can

SYMRISE'S VALUE CHAIN



Flavor

Flavor

- Beverages
- Sweet
- Savory
- Dairy
- Snack

Nutrition

Diana

- Pet Food
- Food
- Aqua
- Probi*

Scent & Care

Fragrance

- Fine Fragrances
- Beauty Care**
- Home Care**
- Oral Care

Cosmetic Ingredients

- Actives
- Micro Protection
- Hair Care
- Functionals
- Sun Protection
- Botanicals
- Color Solutions

Aroma Molecules

- Scent Components
- Menthol
- Cooling Substances

* Majority shareholder in the Swedish company Probi AB.

** Starting in January 2019, the Beauty Care and Home Care business units have been combined to form the Consumer Fragrances business unit.

contain additional functional ingredients or microencapsulated components. The segment has sites in more than 40 countries in Europe, Asia, North America, Latin America and Africa.

The **Flavor** division's flavorings and ingredients are used in three business units:

Beverages: With global competencies in non-alcoholic, alcoholic, dried and instant beverages, Symrise is setting new standards and trends in the national and international beverage industry through the authentic, innovative taste experiences Symrise delivers. Thanks to years of expertise, refined technologies and its comprehensive understanding of markets and consumers, the company is creating completely new prospects for the beverage industry while meeting individual customer needs.

Savory: Savory flavors are used in two categories: in the "Culinary" category with its taste solutions for soups, sauces, ready-made meals, instant noodles and meat products as well as in the "Snack Food" category with seasonings for snacks. Both areas focus on creating successful concepts for customers that meet consumers' constantly growing desire for authentic flavor, naturalness and convenience. Here, Symrise can rely on its sustainable core competencies in meat and vegetables as well as its cutting-edge food technology and research.

Sweet: In the Sweet business unit, Symrise creates innovative taste solutions based on its comprehensive understanding of the markets and consumers for sweets, chocolates, chewing gum, baked goods, cereals, ice cream and milk products as well as for the health care sector. Interdisciplinary teams bring together their ingenious creativity to meet customers' specific needs. A diversified product portfolio offers consumers exciting and unique taste experiences.

Nutrition

The Nutrition segment is the world leader in solutions for food production based on natural ingredients and has more than 35 sites in 25 countries. The product range in the **Nutrition** segment breaks down into four business units:

Food: This unit and its food ingredients comprises natural sensory product solutions such as taste, texture, color and functionality for foods and beverages. The unit also offers products for baby foods. The business unit processes carefully selected sustainable raw materials such as vegetables, fruits, meat and seafood, utilizing comprehensive backward integration. Diana places quality, traceability and food safety in the foreground.

Pet Food: This business unit offers numerous product solutions and services for improving taste and pets' acceptance of foods, achieving food safety of pet food, and for animal health. In addition, it develops innovative fragrance and care substances for pet care. The business unit maintains its own cat and dog panels for researching food acceptance, eating behaviors and interactions between pet owners and pets.

Aqua: This business unit develops and produces progressive natural and sustainable marine ingredients for aquacultures for improving nutrition and animal health in fish and shrimp farms.

Probi: All activities having to do with probiotics are pooled in this business unit. These activities are largely handled by the Swedish Symrise holding Probi. Probi develops probiotics for foods, beverages and nutritional supplements with health-promoting benefits.

The Nutrition segment also operates the Nova incubator for innovative applications in the areas of health and nutrition.

Scent & Care

The Scent & Care segment has sites in more than 30 countries and markets its nearly 15,000 products in 125 countries. **Scent & Care** is divided into three global divisions: Fragrance, Cosmetic Ingredients and Aroma Molecules. Their products are used in the following business units:

Fragrance: Our creative and composition business comprises the four global business units Fine Fragrances, Beauty Care[1], Home Care[1] and Oral Care. Perfumers combine aromatic raw materials like aroma chemicals and essential oils to make complex fragrances (perfume oils). Symrise's perfume oils are used in perfumes (Fine Fragrances business unit), in personal care products (Beauty Care business unit) and household products (Home Care business unit). Symrise also offers the entire product range of mint flavors and their intermediate products for use in toothpaste, mouthwash and chewing gum (Oral Care business unit). The objective of the division is to provide everyone who uses our products with "fragrances for a better life." The division employs more than 70 highly talented and respected perfumers of 14 different nationalities, who work at 11 creative centers around the world. Their com-

1 Starting in January 2019, the Beauty Care and Home Care business units have been combined to form the Consumer Fragrances business unit.

bined professional experience adds up to more than 1,300 years of perfumery expertise.

Cosmetic Ingredients: The portfolio of the Cosmetic Ingredients division includes active ingredients, modern solutions for product preservation, pioneering protection against solar radiation and negative environmental influences, innovative ingredients for hair care, inspiring plant extracts, high-performance functionals and tailor-made cosmetic colors. The division's unique approach is based on more than 100 years of experience in the development and marketing of cosmetic raw materials. In addition, the division is able to combine the best of nature, science and chemistry as well as skin and hair biology. Based on intensive consumer research, the division understands the needs of modern global consumers. The research centers in Holzminden and in São Paulo, Brazil, work closely with the respective regional sales and application technology teams to offer customers and consumers tailor-made solutions and products for different regional requirements. The Cosmetic Ingredients division is a recognized innovation leader that has received 29 innovation awards for new substances over the past ten years. During the same period, 99 patent applications were filed, 14 of them in 2018 alone.

Aroma Molecules: The division comprises the business units Menthols, Special Fragrance & Flavor Ingredients, Sensory & Terpene Ingredients and Fine Aroma Chemicals. In the Menthols business unit, Symrise manufactures nature-identical menthol, which is primarily used in manufacturing oral care products, chewing gum and shower gels. Special Fragrance & Flavor Ingredients and Fine Aroma Chemicals manufacture aroma chemicals (intermediate products for perfume oils) of particular quality. These aroma chemicals are used both in Symrise's own production of perfume oils as well as marketed to companies in the consumer goods industry and other companies in the fragrance and flavor industry. The Sensory & Terpene Ingredients business unit comprises the US company Renessenz LLC, acquired and integrated in 2016, and its terpene-based products made from renewable and sustainable raw materials.

MARKET AND COMPETITION

MARKET STRUCTURE

The Symrise Group is active in many different markets around the world. These include the traditional market for flavorings and fragrances (F & F market), whose volume amounted to € 26.2 billion in 2018, or about € 2 billion larger than previous market studies have assumed, according to the most recent calculations made by the IAL Consultants market research institute (11th issue, July 2018). In addition, with the Cosmetic Ingredients and Aroma Molecules divisions, the company is active in the market for aroma chemicals and cosmetic ingredients, which, according to the most recently published report from IAL (1st issue, December 2018) achieved sales in the reporting year of approximately € 7 billion, which is about € 1.5 billion larger than was reported in the previous year based on earlier market studies. The markets have many trends and characteristics in common. The market relevant for Symrise therefore has a total volume of € 33.2 billion, which is € 3.5 billion larger than assumed in the previous year (according to other sources), and is achieving average long-term growth of about 4 % per year according to our own estimates.

More than 500 companies are active in the market worldwide. The four largest providers, which include Symrise, together have a market share of 43 % (pro forma[1]: 47 %).

The F & F market is characterized worldwide by high barriers to entry. There is increasing customer demand for higher quality and more differentiated products with ever-shorter product life cycles. The majority of products and recipes are manufactured specially for individual customers. Furthermore, local taste preferences often dictate that there are many different recipes for a single end product that vary depending on the country in which it's marketed. Moreover, customer relations are often characterized by intensive cooperation in product development.

In addition to varying local taste preferences and consumer behaviors, there are other factors that also influence the demand for end products in which our products are used. The population's increasing income in emerging markets is having a positive impact on the development of demand for products containing fragrances and flavorings or cosmetic ingredients. Market growth also depends on more basic products that meet everyday needs and already have an established presence in the markets of industrialized nations. In the developed Western European, Asian and North American markets, consumer trends such as beauty, health, well-being, convenience and naturalness determine the growing demand for products containing Symrise ingredients.

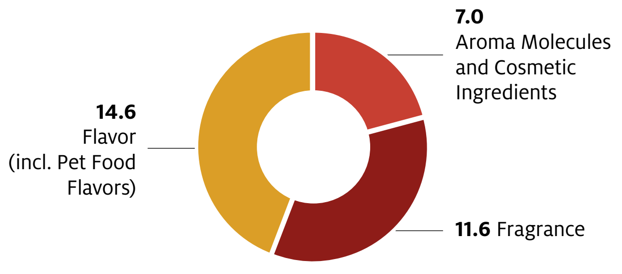
THE MARKET POSITION OF SYMRISE

Symrise is one of the largest companies in the F & F industry. In relation to the relevant market of € 33.2 billion, the market share of Symrise is roughly 10 % in terms of 2018 sales. Symrise has expanded the traditional segments to include even more

1 Pro forma: Joint business activity of the acquiring company and the acquired company, supposing that the business combinations had already occurred on January 1, 2018.

RELEVANT AFF MARKET SIZE 2018

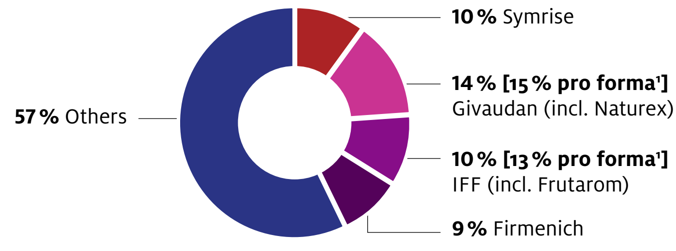
in € billion (approx. € 33.2 billion overall)



Sources: IAL (11th issue, FLA & FRA, July 2018), IAL (1st issue, AC/AM and CI, December 2018)

AFF MARKET SHARE 2018

in % (market volume approx. € 33.2 billion)



Source: corporate data and internal estimates

1 Pro forma: Joint business activity of the acquiring company and the acquired company, supposing that the business combinations had already occurred on January 1, 2018.

applications: for instance, with cosmetic ingredients in Scent & Care and pet foods and food ingredients within the Diana division of the Nutrition segment. On the basis of these more complex product solutions, greater value creation can be achieved. In submarkets such as food supplements, sun protection filters or other cosmetic ingredients, Symrise also stands in competition with companies or product segments of these companies that do not belong to the traditional F & F industry.

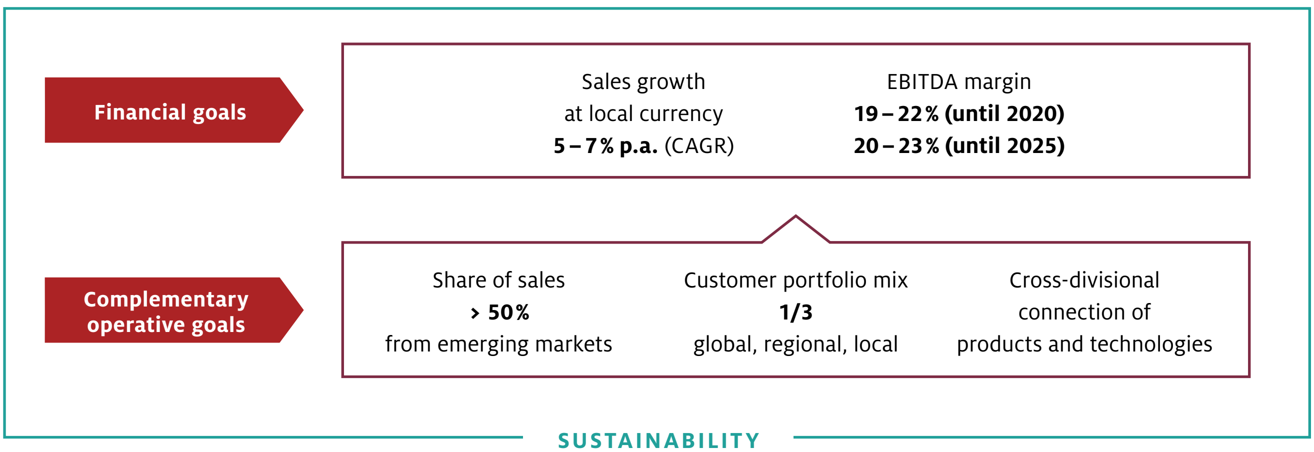
Symrise has leading positions in certain market segments worldwide, for example, in the manufacturing of nature-identical L-menthol as well as mint and vanilla flavor compositions. Symrise also holds a leading position in the segment of UV sun protection filters, fragrance ingredients, and in baby and pet food.

GOALS AND STRATEGY

GOALS

In the long term, we want to strengthen our market position and ensure the independence of Symrise. At the same time, we recognize our responsibility toward the environment, our employees and society at large. By increasing our sustainability regarding our footprint, innovation, sourcing and care, we minimize risk and promote the continued economic success of Symrise.

GOALS FOR 2025



- **Market position:** With long-term growth of 5 to 7 % per year at local currency (CAGR), our sales growth should exceed the long-term growth of the market, which is expanding by about 4 % per year on average. In this way, we will gradually increase the distance between us and smaller competitors and gain market share.

- **Value orientation:** We want to consistently be counted among the most profitable companies in the industry. We aim to achieve a sustainable average EBITDA margin of 19 to 22 % (by 2020) and 20 to 23 % (by 2025).

Performance results are described in greater detail in the corporate development section. We ensure that our shareholders have an appropriate share in the company's success. Our dividend policy is oriented toward the company's profitability.

STRATEGY

The corporate strategy of Symrise rests on three pillars: growth, efficiency and portfolio. It incorporates aspects of sustainability at all levels in order to enhance the company's value over the long term and minimize risks. In this way, we are making sustainability an integral part of our business model and turning it into a clear competitive advantage. The goal is a completely integrated corporate strategy.

- **Growth:** We strengthen our cooperation with our strategic customers around the world and expand our business in the emerging markets. We make sure that we remain innovation leaders in our core competencies. This ensures our continued growth.

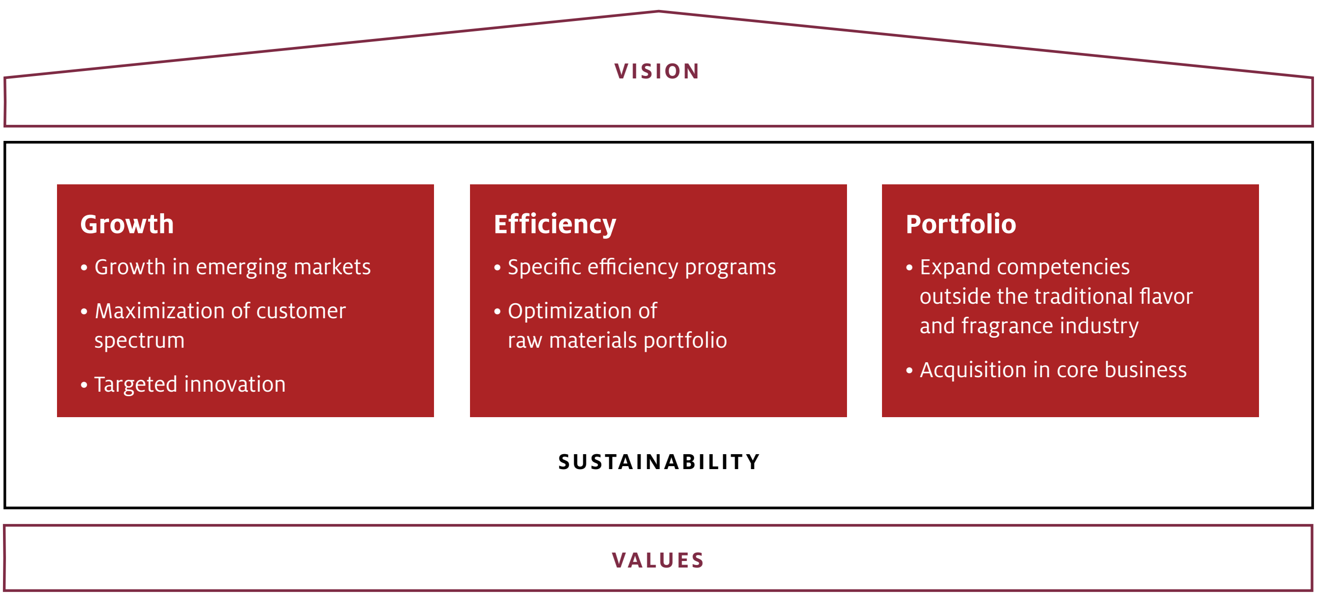
- **Efficiency:** We constantly work to improve our processes and concentrate on products with a high level of value creation. With backward integration for key raw materials, we ensure a consistent, high-quality supply of these materials in sufficient quantities and at set conditions. We work cost-consciously in every division. This ensures our profitability.

- **Portfolio:** We enhance our product portfolio and tap into new markets and segments. We continue to expand our expertise outside the traditional flavor and fragrances industry. This ensures our prominent market position.

Symrise grows organically. When it makes sense, we engage in expansive acquisitions or enter into strategic partnerships for product development. At the same time, we want to ensure that Symrise remains capable of taking advantage of any growth opportunities that arise without jeopardizing the company's financial stability.

VALUE-ORIENTED MANAGEMENT

Different variables are at play within the framework of value-oriented corporate governance. The EBITDA margin, for which we have defined an strategic target value of 19 to 22 % (by 2020) and 20 to 23 % (by 2025) on average, serves as an indicator of the company's profitability. Increasing the value of the



company is accounted for in the remuneration system for the Executive Board and selected managerial staff. In addition, the company introduced business free cash flow in 2018 as the primary internal control variable to assess its performance in order to strengthen its cash flow orientation. We aim to continuously increase the business free cash flow, which consists of EBITDA, investments and changes in working capital. In addition, we attach great importance to the company's financial stability. Management's focus, therefore, is guided by these financial control parameters. Non-financial benchmarks in the areas of environment, procurement, employees and innovation are covered separately in our Corporate Report.

RESEARCH AND DEVELOPMENT

GUIDELINES AND FOCUS AREAS

In research and development (R & D), Symrise aims to connect the individual components of product development, such as market and consumer research, R & D and creation, throughout the Group. Through the close linkup of R & D with marketing and business units, purchasing and manufacturing, product development, quality assurance and regulatory issues, we check early on to see whether new products and technologies can be implemented, digitized and if they are profitable, in addition to assessing their sustainability aspects. External cooperations and networks (Open Innovation) bring a considerable amount of additional approaches and ideas into the development process. Along with ideas from Open Innovation, Symrise also maintains a global project network with industrial, institutional and academic partners that covers every step of the innovative process – from basic research to marketing concepts. Furthermore, all R & D activities are geared to the guidelines of megatrends, consumer needs, customer requirements, naturalness & authenticity, sustainability, digitization, innovation and cost efficiency. The capitalization rate for research and development activities remained immaterial in 2018 as in the previous year as the conditions for capitalization are generally only met at the conclusion of a project. This meant that a majority of the development costs incurred were recognized with effect on profit or loss.

The R & D strategy of the **Scent & Care segment** concentrates on five research platforms in the areas of cosmetic ingredients, encapsulation and release systems, green chemistry, malodor management and oral care. Supporting platforms in the areas of sensory and analytical research, natural raw materials and byproducts, performance and receptor research form the basis for our capabilities and constant innovation process.

Exemplary research programs and product launches include our backward integration projects in Madagascar and the Brazilian Amazon region, which have the goal of producing high-quality natural products from sustainably grown raw materials while also fostering local community development. The products manufactured there are either marketed directly, used in new fragrance and active ingredient compositions with an improved efficacy profile or serve as natural starting materials for the manufacture of new, sustainable products. In addition, Symrise has developed EVERTRAIL, a new, unique olfactometer for detecting the development of fragrances in perfume oils and raw materials. Alongside comprehensive research programs that are aimed at the specific innovation requirements of the segments' respective business units, there are supplementary programs at Symrise that generate competitive advantages by expanding the company's portfolio of expertise. One example of this is Beauty+, which creates added value through the systematic, synergistic development of active cosmetic ingredients, fragrances and oral care solutions. In cooperation with Probi, major progress was made in the development of new probiotic-based active ingredients for oral care applications and care products for sensitive skin. Other new active and func-

CORE FUNCTIONS OF RESEARCH AND DEVELOPMENT AT SYMRISE

Basic research
- Products
- Technologies

Applied innovations
- Comprehensive product solutions

Application and process technologies
- Pilot scale

SUSTAINABILITY ASPECTS

tional products launched by the Cosmetic Ingredients division in 2018 serve, among other things, to care for oily skin, are used in personal hygiene, expand the range of active ingredients to protect cosmetic products against microbial contamination or improve the sensorial properties of cosmetic formulations. In the hair care sector, our Hair Care Innovation Center in São Paulo, Brazil, presented a new multifunctional product for hair care – SymHair® Shape & Color – at the In Cosmetics Brasil in 2018, which serves, for example, to preserve the original shape and bounce of curls. In addition, it protects colored hair from fading, strengthens the hair and reduces breakage. With the acquisition of Renessenz, Fragrance Research has access to new raw materials from renewable sources. In perfume creation, Symrise achieved a new milestone in 2018. In partnership with IBM Research, the company has developed a method of using artificial intelligence to create perfumes based on digital fragrance models.

With the intelligent and mutually complementary combination of technical innovations and sensory research – performed in close cooperation with Diana – we managed to notably enhance the acceptance of product solutions for masking malodors in pet food.

The **Flavor segment** handles the following topics based on certain technology platforms while maintaining special focus on sustainability:

- The development of sustainable and natural product solutions for the Symrise Code of Nature® platform for healthy food concepts with consumers' preferred ingredients.

- Natural and sustainable product platforms for reformulations, preferred by consumers because of their sensory qualities, of sugar-, salt- and fat-reduced food concepts.

- The development of energy-efficient and low-solvent methods for producing concentrates of natural plant-based extracts.

- Analytical profiling (metabolomics) and sensory measurement – for example, by using next level LC/MS and LC Taste® – of potentially interesting plant extracts.

- Targeted development and enrichment of natural high-impact flavor preparations based on food processing, fermentation and biocatalysis systems from byproducts of the food industry.

- Comprehensive work and initiatives to digitize and automate research and development in the areas of data mining, knowledge transfer, statistical design and evaluation of experiments, prediction of sensory and analytical qualities, formula management of complex natural raw materials, mixing robots, microsensors for stability measurement.

- Formulation technologies for the delivery and stabilization of flavors with reduced energy consumption, optimized substance-related loading and targeted release. In addition, these technologies are evaluated and systematically adapted to new food-grade carriers.

- Expansion of methods for accelerated stability measurement of food and beverages with integration of online sensor methods and predictive models.

- Development of methods for characterizing encapsulated flavors and their qualities in various food applications.

- Continued development and validation of innovative methods to prove the authenticity and origin of natural raw materials. One example is the increased use of combined metabolism typing and genotyping through DNA profiling of botanical raw materials or processed products.

- Scientifically sound selection and analytically supported cultivation of suitable varieties of selected botanical raw materials (vanilla, onion, red beet). The main focus of this work is using statistical methods to systematically investigate the influence of biotic and abiotic influencing factors and turning these findings into cultivation recommendations.

- Experiments on breeding, reproducing, in-field or indoor cultivating, harvesting and processing of crops not previously grown commercially to obtain innovative raw materials for the development of flavor solutions that optimize sweet tastes.

A further focus is development of sustainable, natural product solutions with excellent sensory properties as well as the replacement of scarce raw materials. For example, during the reporting year, several raw materials that are expected to become difficult to obtain due to climate conditions were replaced by newly developed alternative systems. In this process, development based on analytic and sensory data and driven by statistical data analysis methods, combined with automatic mixing systems, is playing an increasingly important role.

Other focus areas of our research activities continue to include flavor systems and technologies to increase the health benefits of foods – for instance, protein-rich foods and foods with reduced sugar, fat or salt. Substantial progress was made in particular with newly introduced products in the area of technologies for improving the taste of sugar-reduced beverages. The focus of the work, which in previous years was on pure sweetness intensity, is being placed on overall taste quality. In addition to researching and introducing new natural products, especially the data-driven combinatorics from the comprehensive raw material base that Symrise possesses is used to develop convincing taste solutions.

An increasingly important factor for the successful implementation of the Flavor division's research strategy is the ability to successfully combine highly developed tools from high-performance analytics, sensor technology, bio- and food technology, as well as processing and separation technology with established or new data-based procedures. These include semantic/ontological search algorithms, deep learning, neuronal networks or methods of chemoinformatics or bioinformatics. For example, semantic analyses of the original manuscripts of Chinese recipes carried out in cooperation with the partners Charité, Berlin, and Bicoll GmbH, Martinsried, in a project funded by the German Federal Ministry of Education and Research (BMBF), made it possible to find new methods for taste-modulating extracts. In another project, carried out with the University of Vienna, a system largely based on native cells was developed for identifying substances that mask bitter flavors. With this system, it was possible to predict and sensorially validate efficient taste modulators in the field of specific pharmaceutical substances.

In the field of agricultural research, important knowledge was gained in the area of systematic vanilla cultivation. First attempts at in-field and indoor cultivation methods for crops used to obtain innovative raw materials for the development of taste-modulating flavor solutions are delivering promising results and were intensively developed in 2018.

Symrise is making comprehensive efforts to significantly improve the taste of plant-based proteins used, in particular, in savory products and also in milk-based products. New kinds of masking systems are used to cover up negative taste notes and innovative formulation concepts for flavors are applied in plant-based food matrices.

The **Nutrition segment** is also strongly science-driven and innovation-oriented. Approximately 10 % of the segment's employees work in research and development and are primarily concerned with the aspect of health promotion through nutrition in the business units Diana Food, Diana Pet Food, Diana Aqua and Probi and in the incubator Diana Nova.

Consumers are increasingly looking for products that they can trust and that are produced responsibly from simple, traceable ingredients. Among other things, this requires new ways of using natural raw materials. In cooperation with colleagues from other Symrise business units, new technologies are being developed and implemented that transform important manufacturing processes – such as those used in the new meat production facility in the USA.

In its R & D strategy, the Food business unit focuses on platforms that concentrate its scientific expertise on product attributes that make a real difference to consumers around the world. These include:

- Culinary food ingredients with a high taste intensity, authenticity and complexity
- Natural plant color extracts of different origins for a broad range of applications
- Visual characteristics and consumer-oriented qualities that enhance the enjoyment and perception of naturalness
- Functional extracts with proven health benefits, supported by a deep understanding of how they work

Another important area of research is intestinal health. Both science and consumers are increasingly realizing that intestinal health is of central importance for general health. For this reason, the Food business unit is working together with micro, cell and molecular biology experts from the Cosmetic Ingredients business unit, researchers from the Probi business unit and external academic partners to examine the interactions between natural extracts and probiotics. Building on its long-term experience and expertise in polyphenolic substances and with the support of Diana Nova, Diana Food has launched a five-year research program in collaboration with the Institute of Nutraceuticals and Functional Food (INAF), Canada, and the University of Laval. This #phenobio program investigates the interactions between different polyphenolic substances such as prebiotics and probiotics and their effects on intestinal flora.

The Food R & D teams benefit not only from the Symrise Group's strong scientific performance, but also from external partnerships to develop innovative products for human health in the areas of intestinal flora, cognitive health, glucose metabolism, urinary tract and oral health and weak inflammation. Our most important partners include King's College, London, CRICO, the Institute of Nutraceuticals and Functional Foods (INAF), Inserm and the University of Laval.

The Pet Food business unit focuses its research on product solutions for pet food that improve taste and acceptance. Pet Food maintains five expert platforms to improve the properties of pet food. The business unit has its own cat and dog panels for gauging progress on its work improving sensory product characteristics.

For basic research in the Pet Food business unit, one of the main objectives is to create in vitro tools that mimic an animal's nose and/or tongue. This significantly increases the testing possibilities for molecules while reducing product development times. Many of the research projects are carried out with academic or business partners. This year, for example, the Pet Food business unit and its partner B.R.A.I.N. have discovered several novel molecules thanks to their access to high-throughput screening technologies. A new program for dogs was launched with academic partners working on Olfactory Receptors (OR) and Olfactory Binding Protein (OBP) to develop a screening platform for the selection of fragrances preferred by dogs.

In addition, the Pet Food business unit develops solutions to improve animal health and safety as well as innovative fragrance and care products for pets.

The Pet Food business unit has a vast worldwide scientific network with more than 50 active research collaborations. Its research activities always also emphasize the aspect of sustainability. The R & D teams focus on the procurement of alternative raw materials and sustainable process optimization in order to develop eco-design products. For instance, some exploratory studies with insects and algae were carried out and a first environmental impact assessment was made. Pet Food's innovations led to three new patent families.

The Aqua business unit concentrates its R & D activities on three platforms, all of which contribute to the development of a sustainable aquaculture and use of marine resources:

- Application of enzymatic hydrolysis on marine co-products to develop high-quality functional ingredients to improve the properties of feeds used in aquacultures and fish and shrimp farms. The aim is to increase the yield of proteins and fats from marine raw materials while maintaining a balanced peptide content in hydrolysates in order to achieve defined properties with regard to palatability, nutrition and health in fish and shrimp. In addition, our process engineers are working to further develop hydrolysis.

- Assessment of the effects of dietary functional hydrolysates on feed properties. This is particularly important in order to compare the products developed with those of competitors. For this purpose, Diana Aqua has its own test laboratories as well as a network of external partners. The investigation conditions are adapted as far as possible to the environmental conditions of aquaculture farms. Another focus is the development of new methods to measure product attractiveness and tastiness of shrimp.

- Characterization of the operative mechanisms of our products. This will provide insights into the interactions between product properties and animal metabolism. In a 2018 doctoral thesis, Diana Aqua examined the structural and functional properties of hydrolysates on fish. This has led to significant improvements in proteins and peptides. The results showed that the activity of the genes responsible for nutrition absorption and immune systems of fish increased when fish are fed with dietary hydrolysates. In addition, dietary shrimp hydrolysates improved the intestinal health of fish. The results were confirmed by two peer reviews, and a patent application was filed.

The Nova division serves as an incubator within the Diana Group to remove organizational barriers, make expertise and competencies available across divisions and accelerate development processes. Its activities are bundled in two platforms:

- The intestinal regulation platform develops science-based natural solutions that positively influence the intestinal flora of humans and animals.

- In Food Preservation, novel methods are being developed to improve the shelf life of foods in a natural way.

ORGANIZATION

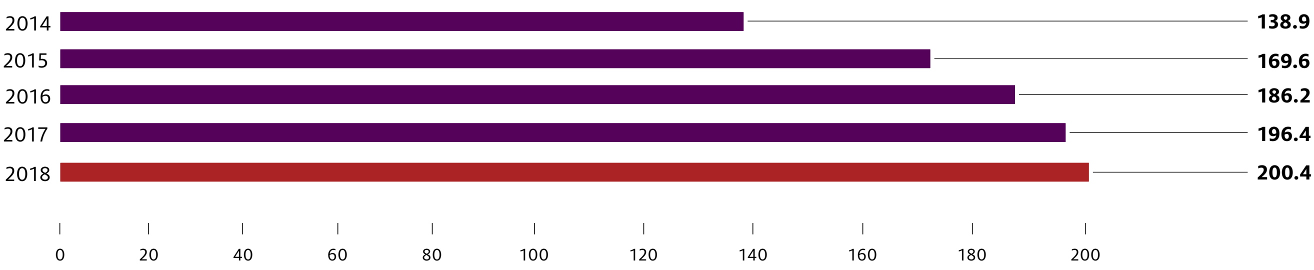
The three segments at Symrise each manage their own R & D activities due to the varying requirements of their respective markets and customers. At the same time, technologies, processes and findings are made available to all segments in order to achieve synergies. In 2018, for example, a new interdisciplinary platform was created to research the microbiome of the human skin, armpit, oral cavity and intestine. Multiple R & D centers around the world ensure that the regional activities of the segments are optimally supported. The R & D activities of the Scent & Care segment in Holzminden are primarily focused on researching fragrances and cosmetic ingredients as well as oral hygiene products in addition to implementing the principles of green chemistry in developing fragrances and cosmetic ingredients. Research in the Flavor segment in Holzminden focuses on the development of novel concepts for optimizing the taste of sugar-reduced foods and beverages. Another focus is on the development of natural substances and preparations with flavoring properties. In this context, natural and biotechnological processes for generating valuable substances, sustainable backward-integrated procurement of raw materials and the effective and energy-efficient extraction, separation and formulation technologies are of the utmost importance. Furthermore, there is a focus on developing new functional ingredients for application in foods as well as the increased digitization of research studies. A new focus was established in the field of agricultural research. Additional centers for development and application technologies for the segments are located in Teterboro (USA), Singapore, Tokyo (Japan), Chennai (India), Paris (France) and São Paulo (Brazil). In the Nutrition segment, R & D activities are organized according to the business units Food, Pet Food, Aqua and Probi. Most of the segment's R & D activities are concentrated in France. Focus areas for development in the Nutrition segment include the development of product solutions for foods and beverages for healthy nutrition as well as improving pets' acceptance of pet foods.

To network further within the scientific community, Symrise representatives participated in numerous scientific events, presenting the company's latest research. Examples include a presentation by representatives of the Scent & Care segment at the annual National Beauty Science Institute conference, which was held at the famous Louis Pasteur Institute in Paris in 2018. The main purpose of the conference was to provide around 500 students and representatives of the cosmetics industry with the latest information on sustainable chemistry ("green chemistry") and new findings and product solutions for protection against environmental factors such as solar radiation and environmental pollution. New results from cosmetic research were presented at other scientific congresses, such as the thirtieth IFSCC (International Federation of the Society of Cosmetic Chemists) conference in Munich, the eighth International Hair Conference on Applied Hair Science in Princeton, NJ (TRI Princeton), and the ninth International Conference on Skin Ageing and Challenges in Porto. At the FoChin in Münster and the Summer School on Sustainable Chemistry in Lüneburg, lectures were given on sustainable chemistry via renewable raw materials and green chemistry. At the world-renowned ACS Symposium in New Orleans in March 2018, results on smoke flavors were presented. In partnership with the University of Vienna, results were also presented at the ACS Symposium in Boston in August 2018 on the topic of bioactive flavoring substances and cell systems for identifying bitter-masking substances. At the EuroSense Conference in September 2018 in Verona, methods developed by Symrise scientists for the sensorial description of complex food matrices were presented, as were innovative biotechnological approaches to important taste modulators at the Bioflavour 2018 in Frankfurt/Main.

As in the past few years, Symrise research was recognized in 2018 for its high level of innovation with numerous awards from international trade fairs. Symrise received two of the coveted BSB Oscars for SymControl™ Care, a new product derived sustainably from microalgae for the care of oily skin, and for SymGuard® CD, a new active ingredient complex for use in hygiene products, such as soaps. In addition, the Cosmetic Ingredients division received the annual "Beauty Industry Award" from CosmeticsDesign for its new SymHair® Restore active ingredient complex for hair care.

Symrise participates in numerous scientific research projects that are supported by the German Federal Ministry of Education and Research (BMBF), the German Federal Ministry for Nutrition and Agriculture (BMEL), the German Society for International Cooperation (GIZ) and other public and private funding institutions. Here, subjects like sustainability, the targeted development of informational sources on the effect of plant raw materials, raw material sourcing and biotechnological processing, improving food ingredients as well as providing adding value in terms of health play an essential role. As part of funding from the Research Association of the German Food Industry (FEI) via the German Federation of Industrial Research Associations (AiF), Symrise is a leading partner in a number of projects, for instance on identifying and reducing the bad taste of plant-based proteins, developing new kinds of enzyme systems or creating added value from byproducts, for instance in the Brazilian fruit industry. Another project is examining the development of methods for testing the authenticity of fruit concentrates, spice extracts and foods containing protein.

R & D EXPENSES, in € million



From idea to marketable product, the innovation process at Symrise is organized around a uniform, stage gate process with decision filters, which has been implemented across the company. A business plan containing exact project descriptions, including the project's costs, sustainability parameters and resource usage, is developed for every project. The research and development projects are regularly evaluated based on criteria from the four pillars of the sustainability strategy (FISC) and prioritized accordingly. In 2018, an assessment of the relevance of the raw materials and activities subject to the Nagoya Protocol was introduced as an important, relevant additional criterion. In this context, a first "discovery permit" was issued in 2018 for a traditional raw material in South Africa.

Along with a high number of patent submissions, with 60 new applications in 2018, an external IP (intellectual property) assessment is also included when evaluating the innovation results and quality. The Patent Asset Index™ from PatentSight® evaluates global coverage and competitive impact. Symrise's IP portfolio is the most competitive position in the entire industry. With a share of about 34 % of the IP index, Symrise considerably outperforms its market share.

RESEARCH AND DEVELOPMENT EXPENSES

Total R & D expenditures amounted to € 200 million in the 2018 fiscal year (previous year: € 196 million), comprising 6.4 % of sales (previous year: 6.6 %). The expenses for R & D should remain at this level moving forward in order to further enhance Symrise's innovative strength.

EMPLOYEES

STRUCTURE OF THE WORKFORCE

As of December 31, 2018, the Symrise Group employed 9,647 people worldwide (not including trainees and apprentices). In comparison to December 31, 2017 (9,247 employees), this represents an additional 400 employees. The increase in the number of employees was largest in the Scent & Care segment (+ 196 employees), which was also partly due to the acquisition of Citratus. This segment employs 29 % of the Group's total workforce. 35 % of employees work in the Flavor segment and 26 % in the Nutrition segment. About 10 % of the Group's employees work in Corporate Services and the Corporate Center as well as in the separate Group companies Symotion and Tesium. The number of apprentices and trainees was the same as the previous year at 140. In particular, they

NUMBER OF EMPLOYEES BY SEGMENT

	December 31, 2017	December 31, 2018	Change in %
Flavor	3,293	3,350	+ 2
Nutrition	2,374	2,504	+ 6
Scent & Care	2,613	2,809	+ 8
Corporate functions and services	967	984	+ 2
Total (not including trainees and apprentices)	**9,247**	**9,647**	**+ 4**
Trainees and apprentices	140	140	± 0
Total	**9,387**	**9,787**	**+ 4**

Basis: Full-time equivalents (FTE), not including temporary workers

NUMBER OF EMPLOYEES BY FUNCTION

	December 31, 2017	December 31, 2018	Change in %
Production & Technology	4,216	4,398	+ 4
Sales & Marketing	2,163	2,286	+ 6
Research & Development	1,659	1,728	+ 4
Administration	786	798	+ 2
Service companies	423	437	+ 3
Total	**9,247**	**9,647**	**+ 4**

Basis: Full-time equivalents (FTE), not including apprentices, trainees or temporary workers

NUMBER OF EMPLOYEES BY REGION

	December 31, 2017	December 31, 2018	Change in %
Germany	2,669	2,737	+ 3
EAME not including Germany	2,063	2,135	+ 4
North America	1,358	1,458	+ 7
Asia/Pacific	1,441	1,476	+ 2
Latin America	1,716	1,841	+ 7
Total	**9,247**	**9,647**	**+ 4**

Basis: Full-time equivalents (FTE), not including apprentices, trainees or temporary workers

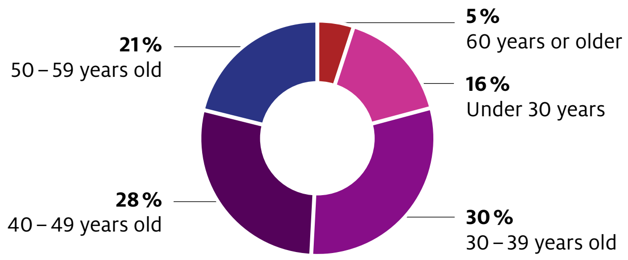
are being trained as chemical lab technicians and chemists, industrial clerks and business students (dual training with a Bachelor of Business Administration degree) as well as industrial mechanics.

From a functional perspective, the largest portion of the Symrise Group's workforce is employed in the area of production and technology (46 %). This area grew by 182 employees in 2018, which was the largest growth in the Group. 24 % of employees work in Sales & Marketing. 18 % of employees work in Research & Development.

Of the Group's 9,647 employees, about 28 % work at sites in Germany, while the EAME region as a whole accounts for 51 % of the workforce. 19 % of our employees work in the Latin America region, 15 % in Asia/Pacific and 15 % in North America.

In terms of age range, employees between the ages of 30 and 49 dominate the workforce at the Symrise Group, with a share of 58 %. We continually review the demographic development of our workforce. Development of demographics will be very steady over the next ten years. The annual reduction of the workforce due to retirement will be around 1 to 2 % per year until 2022.

AGE STRUCTURE OF THE WORKFORCE 2018 in %



39 % of the Symrise Group's employees have been with the company for at least ten years – at German sites, this group accounts for 64 % of the workforce. Our employee turnover rate remained very low in Germany, totaling 2.1 % in 2018. Globally, the figure was 5.3 %.

PERSONNEL STRATEGY

With our personnel strategy, we simultaneously support the growth of Symrise and the development of our employees. In the process, three factors play an important part: leadership, personal development of employee and working conditions such as remuneration, benefits, etc.

Leadership and manager development
In 2018 we set three areas of focus for manager development:

As part of our succession planning for key positions, we specifically evaluated managers on their leadership skills. Symrise follows the principle of filling key positions internally. For one thing, we want to use the existing know-how in the company and, for another, our promising managers should get the opportunity for further development. The assessment was carried out by an external consulting firm. Based on a detailed report, strengths, areas of development and development measures were discussed and agreed upon, as were further career paths.

This year, for the third time, we launched what we call our Symrise Future Generation Leadership Development Program for 25 promising managers who are still at the beginning of their careers. This group of young employees is made up of 14 women and 11 men. The program serves to support diversity at Symrise and to increase the share of female managers. The program began with a development center and detailed feedback provided to the participants about their results. This resulted in a detailed development plan for each individual participant. In addition, the first module on the topic "Transitioning to Leadership" took place. The program provides for intensive training over 18 months and ends in the spring of 2020.

The way Symrise sees it, managers are the first personnel developers and coaches for their employees. For example, in 2018 the focus was once again on the topic of personnel development planning and feedback. The contents of the module were the preparation of development plans for individual employees and rules for giving good feedback, even in difficult discussions.

Career development
With the development and introduction of a career concept in marketing and product development, Symrise has now completed the implementation of career paths for all of its functional areas. As with the previous concepts, managers and several employees were involved in developing the concept. It includes multiple seniority levels (for example, junior or senior marketing manager), which are defined in terms of a catalog of key areas of expertise. Following the presentation of the concept, each employee carries out a self-assessment, which is then discussed with their manager as well as the continuation of their career path and the training and coaching measures that might be necessary. With these concepts, Symrise is well positioned for the career expectations of the millennial generation.

Equitable remuneration for women and men at Symrise
Symrise pays its employees on the basis of collective wage agreements concluded with the respective labor unions. Each initial classification or later reclassification is subject to review by the works council. Through this double-checking, we make sure that gender plays no role in determining remuneration. In 2018, we carried out a gender-specific analysis of the wages for male and female employees at our major sites. The example of our site in Germany, which has the most employees, shows that the average remuneration of women does not significantly deviate from the average remuneration of men (statistically insignificant differences of less than 2 %). As part of this analysis, we adjusted the results to account for the personal decision of each employee working part time. The remaining, insignificant differences result from production-specific components of remuneration such as hardship allowances from activity-related wages such as foremen's or master craftsmen's allowances or are prescribed by the various remuneration levels specified by wage agreements for commercial or technical professions. Overall, we received five inquiries from female employees to review their remuneration under the German Transparency in Wage Structures Act. Gender-specific discrimination did not exist in any of these cases.

Education
Educating young people is of particular importance at Symrise. For this purpose, we recruit qualified young individuals who we specifically train with our company's needs in mind. And with this approach, we fulfill an obligation that society as a whole holds toward the next generation. As of December 31, 2018, a total of 140 apprentices and trainees were employed at our sites in Germany. This corresponds to a training rate of around 5.1 %.

Depending on the occupation, training lasts two to three years. All trainees are taken on at least temporarily after completing their training if they meet our minimum requirements regarding the success of their training. With our investment in training, we are meeting the demand for future specialists in chemical production and in the laboratories as well as in commercial, marketing and sales functions. Because of the need for trained specialists, Symrise has also been training two additional specialists for food technology since August 2018 in its Braunschweig plant.

We have structured our training capacity in a way that allows around 46 young people to begin their training at Symrise every year. Of these, 24 are trained for chemical-technical professions, another 10 for technical and logistics occupations and 12 young people for commercial occupations. In addition to initial training, we open up new perspectives by offering dual studies in both business administration (five employees are working toward a Bachelor of Business Administration) and in the chemical-technical field (two employees working toward a Bachelor of Science). Through our training activities, we are clearly working to mitigate the demographic change in our company.

In addition, we qualify our employees via comprehensive training measures. Lifelong learning is something our employees are always engaged in. German language instruction has played a particularly important role in integrating foreign employees. Furthermore, we offer English courses for our production employees and for employees of Tesium, among other things, so that they can use international work instructions. In the international range of training courses offered, occupational safety training and the handling of hazardous substances are given a wide scope of attention. Management training courses are also offered in all regions, supplemented by coaching and mentoring measures. In 2018, around 8,500 participants took part in internal and external training courses. Globally, the total number of hours for training courses amounted to around 66,500 hours, so that each participant received an average of 8 hours of training. In addition to traditional training programs, we also train our employees via international assignments. In 2018, the number of international assignments – around 120 employees deployed outside their home country – remained unchanged at a high level.

We spend about € 3.5 million annually for training and personal development measures.

At our flavorist and perfumer school, we are constantly training experts who can be trained on raw materials and their applications in our products over a period of around three years and then successfully inserted into our product development teams. In addition, our employees have diverse opportunities for completing a bachelor's, master's or doctoral degree alongside their work through cooperation agreements with universities, academies and institutes. In 2018, 20 Symrise employees were supported in such qualification measures.

Health management and demographic change

Work and health do not contradict but rather complement each other: Well-designed work creates meaning and provides affirmation. Symrise emphasizes these topics through initiatives concerned with the design of work tasks and processes that integrate and support the strengths of our employees. This includes diverse projects related to the topics of total productivity maintenance (which are mainly carried out in production), and lean management, where the tasks, procedures, IT support tools and other tools are analyzed in detail in workshops so that suggestions for improvement can be developed together in the team. In addition, possible psychological stresses that can come with the modern working environment are regularly analyzed in terms of occupational safety by means of checklists and in group discussions with employees, and remedies are carried out if necessary.

Our in-house health management organizes health days or health weeks twice a year, where employees can learn more about various aspects of health from healthy nutrition, healthy sleeping habits, movement and posture to how to deal with stress, such as resilience and mindfulness training.

Influenza vaccinations, which we offer worldwide at most of our company's sites, serve as preventive health protection. While we are convinced that our health management cannot prevent illnesses, we are equally certain that it can make a valuable contribution to alleviating the physical and mental strain on our employees at work.

PERSONNEL MEASURES

Remuneration and wage agreements

The remuneration policy at Symrise follows a simple principle: Wherever wage agreements are the norm, these are applied at Symrise. Wage agreements apply to about 65 % of our workforce worldwide. In places where no wage agreements apply, we use a globally standardized job grade concept. This ensures that every employee receives fair and competitive remuneration.

In Germany, Symrise uses the pay rates for the chemical industry. Accordingly, wages increased 2.9 % as of November 1, 2018. For the application of this increase at Symrise, we took into account our pioneering site safeguard agreement, which will remain in effect through the year 2020, and provides for salary reductions of 0.7 percentage points compared to the collective tariff.

In addition, in 2018, we were able to grant our employees covered by wage agreements in Germany a profit-sharing option of € 550 for full-time work (proportionately for part-time work). Employee performance should pay off at Symrise. With this profit-sharing scheme, outstanding performance at the German site was acknowledged.

The standardized remuneration model at Symrise, what we call our job grade concept, has been introduced in all regions. It is structured according to the function of the position and its respective contribution of value. It also includes a bonus concept. Our broadly formulated job grade concept makes remuneration transparent and highlights career possibilities within the company. The Symrise job grade concept includes specialist and manager tracks and allows for movement between both paths.

In addition, a separate Global Performance Bonus Plan ensuring that company goals are reached by means of variable remuneration geared toward results and performance applies to about 120 managers with global or regional responsibilities. In addition, our creative employees are also included in this management and incentive system.

Measures to safeguard competitiveness

The existing company wage agreement between Symrise and IG BCE (Mining, Chemical and Energy Industrial Union) makes an important contribution toward securing the company's competitive position. The agreement was extended until 2020 at the beginning of 2012. The essential elements of the agreement on the company's side are a guarantee of location and employment as well as investment commitments of over € 220 million for the German sites until 2020. At the same time, the agreement forms the basis for qualification measures and considerable cost savings through the retention of a working week of 40 hours and the gradual takeover of the IG BCE union wage rates with clearly defined reductions of currently 0.7 percentage points per year until 2020. The implementation of qualification measures, which foster and enhance the innovative ability of our employees, is an essential pillar of our personnel policy. With these concessions, the workforce is making a decisive contribution to internationally competitive personnel costs at our German sites. A key element of the collective bargaining agreement is the return of these discounts to employees if Symrise loses its independence. In this case, the chemical industry's general wage agreement automatically comes into effect six months after Symrise is acquired by a third party. This does not affect the site guarantee and the waiver of terminations for business reasons through 2020.

SUSTAINABILITY

For Symrise, business success and responsibility for the environment, its employees and society are inextricably linked. The corporate strategy of Symrise therefore incorporates aspects of sustainability at all levels in order to enhance the company's value over the long term and minimize risks. The business activity of Symrise involves the interests of many different stakeholder groups. Through active dialogue with these stakeholders, we continuously discuss their expectations and requirements and incorporate them at every stage of value creation in order to develop successful solutions. This allows us to create value for all our stakeholders.

The Symrise set of values forms the foundation of how we think and act and also determines our corporate culture. Our goal is a completely integrated corporate strategy. To further

OUR SUSTAINABILITY AGENDA

FOOTPRINT
Minimize our environmental footprint along the value chain

INNOVATION
Maximize positive social & environmental impacts of our products

SOURCING
Maximize the sustainability of our supply chain and raw materials

CARE
Improve well-being in our stakeholder communities

emphasize this goal, the new area of responsibility and position of Chief Sustainability Officer (CSO) was created for Symrise AG in 2016. The Executive Board is thereby accounting for the increasing strategic importance of sustainability issues. This strategic importance comprises both the internal coordination and innovation-related orientation of Symrise's sustainability objectives as well as their growing communication externally toward customers and with institutions focused on sustainability matters. Furthermore, the CSO is also tasked with implementing the strategy across all divisions and business units as well as monitoring the activities to ensure a consistent positioning of sustainability issues – both internally and externally. The CSO reports directly to the CEO of Symrise AG.

The successive, strategic integration of sustainability into our core and supporting processes is managed by a global, cross-business team – the Symrise Sustainability Board. It is made up of representatives from the Flavor, Nutrition and Scent & Care business segments and one representative each from Human Resources, Investor Relations and Corporate Communication. It defines common goals and ensures both the development and implementation of topics relevant for sustainability across the entire extended value chain as well as the consideration of the interests of key stakeholders. Implementation of the sustainability objectives set by the Sustainability Board lies directly with the segments. To this end, skilled sustainability teams were recruited for the Flavor, Nutrition and Scent & Care segments. We manage sustainability in corporate processes using our Integrated Management System. It is based on the international standards on quality (ISO 9001), environmental protection (ISO 14001), work safety (OHSAS 18001), sustainability (ISO 26000), energy (ISO 50001), social responsibility (SA 8000), the generally accepted audit standards of the Global Food Safety Initiative (GFSI) and other recognized local standards.

Symrise received a great amount of external recognition of its sustainability efforts in 2018. For example, Symrise was once again honored in December 2018 with the German Sustainability Award in the category "Germany's most sustainable large corporation 2019," which recognized the commitment of Symrise to climate protection and especially its efforts to preserve biodiversity and to support the living conditions of small-scale farmers along the supply chain. In the reporting period, Symrise also once again made an impressive showing in the CDP (formerly Carbon Disclosure Project) rating. Despite considerably higher requirements for CDP rating participants, Symrise ranked once again at the very top in the categories climate and forests with the rating of "A–". With the very good rating of "B", we also reached a position ahead of other well-known companies in the category water. Symrise's inclusion on the Ethibel Sustainability Index (ESI) Excellence Global was also confirmed for the fifth time in a row. With a further increase over the previous year to a total of 73 points, the rating agency EcoVadis awarded Symrise the Gold status for the sixth year in a row in recognition of its corporate social responsibility. In 2018, oekom-research again included Symrise in its coveted prime status. The continuous improvement of our processes over the years has led to Symrise receiving the coveted "Green Company" certificate for the fifth time in a row from DQS CFS, a company committed to sustainability and consumer protection. In our sustainability reporting, we comply with the guidelines of the Global Reporting Initiative (GRI) as amended by the "GRI Standards" (2016), and we immediately adopted the newly added Water and Effluents (GRI 303) and Occupational Health and Safety (GRI 403) indicators to improve our performance in the area of Environment, Health and Safety. In doing so, we conform to the highest application level "In accordance – Comprehensive," which means that we fully account for all the material topics. All information has been externally audited in accordance with the AA1000 Assurance Standard. The continuous expansion and integration of Symrise risk management into all processes led to a significantly better assessment in the Institutional Shareholder Services (ISS) Governance, Environmental and Social Quality Scores. Further information can be found in our Corporate Report. The separate non-financial statement in accordance with Section 289b of the German Commercial Code (HGB) is published on the Symrise AG website. The address is: **http://cr2018.symrise.com/sustainability/sustainability-record**.

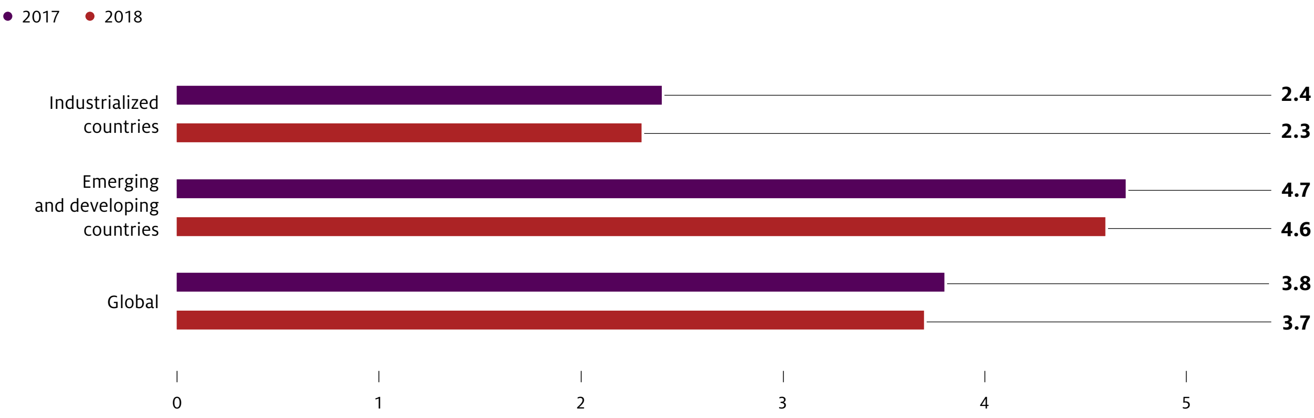
Economic Report

GLOBAL ECONOMIC AND INDUSTRY-RELATED CONDITIONS

GLOBAL ECONOMIC CONDITIONS

According to January 2019 estimates from the International Monetary Fund (IMF), the global economy grew by 3.7 % in 2018, almost unchanged from the expansion rate of 3.8 % in the previous year. While the growth rate of the US economy – stimulated by fiscal policy measures – increased slightly from 2.2 % in the previous year to 2.9 % in the reporting year, the increase in economic output in Europe flattened noticeably. The German gross domestic product grew by only 1.4 % in 2018, following growth of 2.2 % in the previous year. The problems of the automotive industry left their mark here, and private

GDP DEVELOPMENT 2017 / 2018 in %



Source: IMF

consumption also lost some of its momentum. In France, Italy and Spain, as well, the economic upswing eased. Overall, the economic performance of industrialized countries increased by 2.3 % in 2018, following a growth rate of 2.4 % in the previous year.

At 4.6 %, economic growth in emerging and developing countries also remained largely at the same level as in the previous year (4.7 %). In Asia – the world's fastest-growing region for years – growth was 6.5 % in both 2017 and 2018. At 6.6 % (previous year: 6.9 %), the increase in economic output in China was lower than in previous years. In contrast, the Indian economy accelerated its expansion from 6.7 % to 7.3 %. In general, however, the major emerging markets showed moderate economic growth in 2018 by their own standards; this applies to Brazil (1.3 %), Mexico (2.1 %), Nigeria (1.9 %), South Africa (0.8 %) and Russia (1.7 %).

When viewed as an isolated factor, overall economic development has varying influence on the course of business of Symrise:

- In the developed markets, economic fluctuations have very little effect on the demand for end products containing Symrise products if they cover basic needs – for example, in the nutrition, personal care or household segments.

- The demand for products in the "luxury segments" of Fine Fragrances and Beauty Care is significantly more dependent on the disposable income of private households.

- In the emerging markets, there is higher demand for products refined with flavorings and fragrances, in keeping with the dynamically increasing standard of living of the population.

- Symrise customer companies manage production and warehousing so that as little capital as possible is tied up. Uncertainties about future sales development lead to adjustments, including those that affect the amount of products purchased from Symrise.

Symrise benefited from its favorable market position in the emerging markets as well as a broadly diversified product and customer portfolio in the 2018 fiscal year.

DEVELOPMENT OF ESSENTIAL SALES MARKETS

The relevant market for the Symrise Group is growing about 4 % annually over the long term according to our own estimates. In 2018, the global market volume amounted to € 33.2 billion. The flavors and fragrances market segment and the market segment for aroma chemicals both also showed a similar development over the past fiscal year.

PRICE DEVELOPMENT AND AVAILABILITY OF RAW MATERIALS

Symrise uses about 10,000 different raw materials in production. Important examples are natural vanilla and citrus derivatives (juices, essential oils, etc.), citral and terpene derivatives and base chemicals derived from crude oil that are used in the value chain of Symrise as menthol intermediate products, solvents as well as raw materials for sun protection filters and special aromatic substances. As part of the integration of Renessenz LLC, the raw materials palette for Fragrance added a large number of sustainably produced raw materials based on crude sulphate turpentines (CST) and gum turpentines (GT) in 2016. In general, individual raw materials comprise only a very small part of the total requirement. Procurement costs for a number of raw materials in all three segments increased in the reporting year.

For natural raw materials, the shifting market environment, regulatory requirements (such as the EU directive on natural materials) and weather effects on harvests (such as the extreme drought in Europe) resulted in substantial fluctuations of harvest yields and quality, and therefore also to price distortions with continued high levels of volatility. Prices for vanilla and citrus-based raw materials such as juice concentrates and rind extracts continued to fluctuate at high levels. The limited availability of adequate qualities and quantities of vanilla beans continued to have a strong impact on the cost situation of the Flavor segment. For citrus-based products, availability was limited further due to the spread of citrus greening disease. With regards to important natural oils, which are used to manufacture fragrances and oral care products, the supply and cost situations remained tense in 2018. For the majority of the base chemicals, and specifically solvents, the price and supply situation intensified since the fourth quarter. In the Scent & Care segment especially, the supply of crucial raw materials has also been affected by several factors. New environmental regulations imposed by the government have caused Chinese producers to withdraw to a great extent from the raw materials market for perfume ingredients and their intermediate chemical products. The resulting shortage in the market has been further exacerbated by fire-related interruptions of services at multiple key suppliers to the fragrance industry. This has negatively impacted the supply of certain fragrance ingredients and intermediate chemical products. The effects of this raw material crisis on the entire perfume industry in 2018 can be estimated as relatively high. The REACH regulation for the EU causes both lower availability and rising prices for a large number of chemical raw materials due to the scarcity and costs of tests and registrations to be carried out by producers.

Symrise now produces some of the required raw materials itself. Here, our 2016 acquisition of the US company Renessenz/Pinova (now Symrise Jacksonville) proved to be very advantageous. For many years now, Symrise has been dedicated to a strategy of establishing and maintaining long-term collaborations to enhance supply security for important products. Examples of this are the collaboration with LANXESS in manufacturing synthetic menthols and the backward integration of vanilla with the inclusion of local farmers in Madagascar, the most important source country for bourbon vanilla. As part of our strategy of backward integration, we have worked together with growers for many years now to optimize the regional production of onions in the Weser Uplands. We require and support sustainable and eco-friendly cultivation methods, respect for and fair treatment of growers as well as economic stability in the supply chain. In doing so, we create added value through the highest level of supply security and raw materials quality at competitive raw materials prices. This was proven in the crucial harvest year of 2018 since Symrise experienced no supply interruptions or reductions in quality of the products it processes.

As part of the ongoing process optimizations of the Diana Group, purchasing activities were again optimized via joint purchasing and bilateral sourcing in 2018. This provides both increased long-term supply security and cost advantages in raw materials sourcing.

GENERAL POLITICAL AND REGULATORY CONDITIONS

The environment of the global registration and regulation of chemicals is also constantly changing. Emerging markets are enacting their own laws that are oriented to the European REACH regulation. This makes things more complex for our global customers, who are interested in formulas that can be applied internationally. The direct and indirect influence of local chambers of commerce on the implementation of such programs in these regions remains important. Regulatory implementations in places like Brazil, India and South Africa are so different that they cannot be handled with a standardized approach but instead require individual management and close cooperation with the supervisory agencies in the respective countries.

In the Global Regulatory unit, the implementation of a culture of constant improvement was continued in 2018 in order to offer our global customers optimal service. In the process, the focus was on the continued refinement of our service model in order to better meet the increasing requirements of our customers and the growing complexity of our services. In addition, the IT systems at Symrise were further automated for regulatory compliance.

The Flavor segment's products are primarily used in foods, beverages, pet food and pharmaceutical applications. The products in the Food and Probi business units in the Nutrition segment are also used in the same areas. Furthermore, the Pet Food business unit, which belongs to the Nutrition segment, supplies products for the pet food market. In the category of other flavoring substances, the use of two grill flavors and "rum ethers" were prohibited or limited for use to only a few categories of food in the EU after a transition period. Symrise implemented this change in compliance with the deadline, provided its customers with detailed information and offered them suitable replacement products.

As part of the assessment of pet food additives, more than 100 flavoring substances have been included in a new positive list issued by the EU. The labeling requirement for substances that exceed the recommended maximum dosage in feed was also implemented in our internal regulatory systems in compliance with the September 2018 deadline, so that our customers receive the corresponding information from labels and documentation.

In the Scent & Care segment, perfume oils and substances (aroma molecules) are mainly manufactured for use in the cosmetics industry, household products and pharmaceutical applications. Continuous monitoring of regulatory requirements remained a focal point of activities in this area in 2018 as well to secure competitive advantages. The pace of change further accelerated as additional countries expanded their chemical inventories and the corresponding control mechanisms require particular precision to ensure compliance along the entire development process. Particular care must be taken when implementing the appropriate control mechanisms to ensure compliance with requirements throughout the entire development process and supply chain. In addition, the introduction of IT-supported systems at regulatory authorities – such as Drug Master Files (DMF) at the US Food and Drug Administration (FDA) – require corresponding adjustment measures. For example, the FDA has exclusively accepted electronic transmission of DMFs since May 2018. The constantly changing regulatory environment and increasing customer requirements mean challenges and opportunities for the Regulatory Affairs Team. Since 2018, both aspects have been formally reported in accordance with ISO 9001 and ISO 14001 and must be assessed for all relevant processes by the Regulatory unit.

Another example of the strong global increase in regulation of chemicals are the reporting requirements in connection with the reform of the US Toxic Substances Control Act (TSCA), which is based on the European chemical regulation REACH. Currently, this is resulting in increasing regulation for chemicals in South Korea, Thailand, Mexico and Indonesia, among other places. This trend will continue over the next few years as more and more countries and regions introduce control systems for the safe handling of chemicals that are oriented toward the REACH regulation, while granularity is also increasing because of an increasing number of local control regimes. In order to meet these requirements, Symrise has founded a Global Substance Registration Team that works closely with regional regulation authorities. Moreover, Symrise has introduced a substance mapping program in order to identify and manage risks ahead of time.

The expectations of our customers in the Scent & Care segment regarding transparency initiatives significantly increased in 2018. Our customers must disclose the ingredients of their products. With the transparency guideline that Symrise introduced proactively in 2015, Symrise has played a pioneering role both at the association level and directly with our customers. We have strengthened this leading position with our flexible, economically and ecologically sensitive approach to recipes and process transparency. Finally, Symrise is leading the sector in making efforts to create a consistent industry-wide solution for transparency requirements.

All segments of the Symrise Group are carefully following the further development of the Nagoya Protocol that was implemented in European law in 2015. The agreement governs access to genetic resources and the balanced and fair division of their benefits resulting from their use. In addition, requirements in this area have increased since the Brazilian law on biodiversity requires the consideration of olfactory profiles in order to determine whether a substance falls under the scope of application of the law. This presents a key challenge for both perfumers and customers. Symrise is working on both topics with nongovernmental organizations that have practical know-how in this area to ensure continued compliance.

DIFFERENTIATED EFFECTS ON SYMRISE

Business development at Symrise is influenced by various factors in the company's environment. Regarding sales, general economic development plays a big role. The submarkets in which we are active show different degrees of fluctuation depending on economic developments. The large number of countries where Symrise is active on the market and the company's many various product markets, however, have a risk-mitigating effect on the Group.

In our manufacturing, we make use of about 10,000 natural and synthetic raw materials. On account of various factors, including the development of the economy, oil prices and harvests, these raw materials can be subject to larger price fluctuations. Furthermore, production can be affected by shortfalls in raw material supply due to political unrest in supplier countries, among other things.

The products of Symrise are used in a number of applications worldwide, such as the manufacture of food including baby food and pet food, in cosmetic and pharmaceutical end products and in household products. Worldwide use of our products requires that we observe national and internationally valid consumer protection guidelines and legal regulations. These regulations are in constant flux due to new findings in research, development and production technology, a growing need for safety and steadily increasing health and environmental awareness across the globe. We observe the regional and global development of the regulatory environment, ensuring that we can react quickly to changes in or tightening of regulations.

CORPORATE DEVELOPMENT

CURRENT DEVELOPMENTS WITHIN THE GROUP

Germany's most sustainable large corporation

In December 2018, Symrise was awarded first place in the category "Germany's most sustainable large corporation 2019." In addition to Symrise's commitment to climate protection, the decisive factors were mainly its efforts to preserve biodiversity and to support the living conditions of small-scale farmers along the supply chain which consistently meet the highest ecological and social standards. For the approximately 10,000 raw materials that Symrise uses, the company predominantly draws on plant-based materials. These come in part from sensitive ecosystems, such as the Amazon rainforest, which Symrise is helping to protect with its approach to sustainability. Projects of special note include the sustainable cultivation of vanilla in Madagascar and the extraction of biologically based cosmetic raw materials in the Amazon region of Brazil, in which the company supports 5,500 local small-scale farmers. In these and other regions, Symrise educates farmers in environmentally effective cultivation practices, grants microcredits and invests in educational and professional opportunities, all of which demonstrably improve the socioeconomic conditions of the small-scale farmers.

New site for natural ingredients inaugurated in Georgia, USA

On October 30, 2018, Symrise opened a plant for high-quality natural food ingredients in Banks County, Georgia, USA, near Atlanta. The company has invested € 50 million in the plant, which meets standards for state-of-the-art technology and sustainability. With this step, Symrise is strengthening its pioneering role in the US market and underscoring its desire to expand further in growth regions. The plant produces products for the application areas of food ingredients, flavors and pet food. The customers of Symrise use these natural ingredients in culinary dishes and premium pet food, for example. Symrise aims to grow further in the US market for natural food ingredients and will gradually expand its site in Georgia by 2020.

The start of the digital age for the perfume industry

In October 2018, Symrise presented a new approach to perfume creation. In partnership with IBM Research, the company has developed a method of using artificial intelligence (AI) to create perfumes based on digital fragrance models. Philyra, as the project is called, uses AI developed by IBM Research for product design technology. Philyra uses a data-driven approach and accesses a gigantic data bank consisting of fragrance formulas, data about fragrance families – fruity, Middle Eastern or flowery – as well as historical data. This method uses artificial intelligence and creates new fragrance creations from a treasure trove of data. The project combines human expertise with machine intelligence and accelerates the creative process of perfumers, who can now concentrate on refining the final products. The art of perfumery has a centuries-long tradition. Symrise makes use of this treasure trove. At the end of the nineteenth century, synthetic fragrances revolutionized the industry. With artificial intelligence, Symrise is crossing the next threshold.

GENERAL STATEMENT ON THE COURSE OF BUSINESS AND ON THE GROUP'S NET ASSETS, FINANCIAL POSITION AND RESULTS OF OPERATIONS

The Symrise Group generated sales of € 3,154 million in the 2018 fiscal year. Sales increased 5.3 % in the reporting currency over the previous year. Excluding portfolio effects, organic sales growth amounted to 8.8 %. The share of sales generated in the emerging markets accounted for 43.2 % of Group sales and was therefore slightly below last year's mark of 43.5 %. At a total of € 631 million, earnings before interest, taxes, depreciation and amortization (EBITDA) were slightly higher than the previous year (2017: € 630 million). This corresponds to a sales margin of 20.0 % (previous year: 21.0 %).

Net income for 2018 was up compared to the previous year, increasing by € 5 million to € 275 million. Earnings per share amounted to € 2.12 (2017: € 2.08). Given this positive development, Symrise AG's Executive Board will, in consultation with

ACHIEVEMENT OF TARGETS IN 2018

	Target at the Beginning of the Fiscal Year	Figure Achieved
Sales growth (at local currency)	Notably above market growth rate of 3 to 4 %	8.8 % (excluding portfolio and currency translation effects)
EBITDA margin	About 20.0 %	20.0 %
Net debt (incl. provisions for pensions and similar obligations) / EBITDA	Between 2.5 and 2.8	3.0

the Supervisory Board, propose raising the dividend from € 0.88 in the previous year to € 0.90 per share for the 2018 fiscal year at the Annual General Meeting on May 22, 2019.

A COMPARISON BETWEEN THE ACTUAL AND FORECAST COURSE OF BUSINESS

At the start of 2018, we expressed our goal of posting sales growth at local currency well beyond the average market growth rate (around 4 %) in all three segments– Flavor, Nutrition and Scent & Care. Over the course of the fiscal year, we had adjusted our sales expectations to initially greater than 7 % and then to greater than 8 %.

For 2018, we expected an EBITDA margin of around 20 % under the assumption of rising raw material costs and a strong euro against the US Dollar. Our debt, as measured in terms of the key figure net debt (including provisions for pensions and similar obligations) to EBITDA, should remain between 2.5 and 2.8. In the medium term, we are aiming for a return to the debt range of 2.0 to 2.5.

Achievement of targets in 2018

With sales growth of 8.8 % (excluding portfolio effects and currency translation effects), we have significantly exceeded our sales goals. The EBITDA margin of 20.0 % met the expected value for 2018. A net debt ratio to EBITDA of 3.0 was slightly higher than our expectations.

RESULT OF OPERATIONS

Group sales

For 2018 as a whole, the Symrise Group generated sales of € 3,154 million. Compared to the previous year, sales increased 5.3 % in the reporting currency. Adjusted for portfolio effects (additions of Cobell and Citratus) and exchange rate effects, Group sales in the reporting year organically increased by 8.8 %.

Regions: Business in the **EAME** region developed positively, organically increasing by 6.4 % compared to the previous year. In **North America**, organic sales growth was 6.1 %. The **Asia/ Pacific** region achieved double-digit sales growth of 12.4 % compared to the previous year. Sales development in **Latin America** was dynamic and recorded an increase of 16.2 % compared to the previous year.

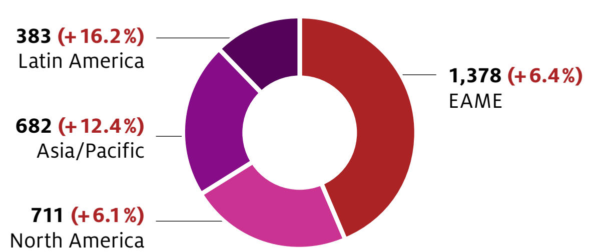
Flavor sales

The **Flavor** segment generated sales of € 1,191 million in the 2018 fiscal year. Compared to the previous year, this represents an increase of 8.1 % in the reporting currency. Adjusted for portfolio changes (Cobell) and exchange rate effects, this corresponds to organic growth of 9.5 %. All regions and business units were able to significantly expand sales in the past fiscal year.

Growth was particularly strong in the EAME region. Here, the segment achieved high single-digit percentage organic growth, primarily from applications for sweet and savory products in Western and Eastern Europe. The Beverages business unit also performed well in this region, posting solid organic growth, particularly in Western and Eastern Europe and in South Africa.

The Asia/Pacific region also posted particularly dynamic growth with a high double-digit percentage organic increase,

SALES BY REGION in € million
(Organic growth in %)



primarily in China, Indonesia and India. The Sweet and Savory business units showed the strongest growth in this region.

Sales development in North America was also positive. The Flavor segment generated strong growth, especially in the Sweet and Beverages business units with our global customers.

In Latin America, the segment also continued the successful development of recent years and achieved growth in the double-digit percentage range. The Beverages business unit achieved particularly strong growth in Uruguay, Brazil and Mexico.

Nutrition sales

In the 2018 fiscal year, the **Nutrition** segment generated sales of € 639 million. Compared to the previous year, this represents an increase of 1.2 %. Excluding portfolio and currency translation effects, organic sales growth amounted to 7.4 %.

The largest growth stimulus came from the Pet Food business unit, which achieved double-digit or high single-digit organic growth in particular in the regions of Latin America and Asia/Pacific. The main growth drivers here were our global and regional customers.

The Food business unit also performed well. The North America region in particular recorded double-digit growth.

The Aqua business unit also significantly expanded its sales and achieved double-digit growth in the EAME and Asia/Pacific regions.

In the Probi business unit, sales for 2018 as a whole were still slightly below the previous year's figure due to temporary reduction in demand from a major customer. However, Probi recorded significant growth in the second half of 2018, particularly in the North America and Asia/Pacific regions.

Scent & Care sales

The **Scent & Care** segment generated sales of € 1,324 million in the 2018 fiscal year. Compared to the previous year, this represents an increase of 4.8 % in the reporting currency. Adjusted for the portfolio effect of the Citratus acquisition and exchange rate effects, the segment grew 8.9 % organically.

The Cosmetic Ingredients division significantly increased its sales compared with the previous year and generated a double-digit organic growth rate. Most notably, the Asia/Pacific and Latin America regions recorded high growth rates. In particular, sales increased significantly in China, Brazil and Japan.

The Aroma Molecules division achieved high single-digit percentage growth. Positive growth drivers came primarily from the fragrance ingredients and menthols business units. The division recorded the highest growth in the USA, Mexico, India, Japan and Spain.

The Cosmetic Ingredients division also significantly increased its sales, achieving a good, single-digit organic growth rate. The strongest growth was seen in the Fine Fragrances business unit, with double-digit growth, especially in the USA and Brazil. The Beauty Care business unit was also able to achieve strong growth, especially in the Latin America and Asia/Pacific regions. In the Home Care business unit, growth was particularly strong due to new business with important regional customers in Latin America, Asia/Pacific and EAME. Only Oral Care recorded a moderate sales development and remained at the previous year's level.

Development of material line items in the income statement

On the whole, earnings performance was satisfactory in the 2018 fiscal year. The **cost of goods sold** rose 7.9 % in 2018 to € 1,913 million and therefore increased disproportionately to sales. This was primarily due to increased raw material costs. **Gross profit** increased by 1.4 % and amounted to € 1,241 million (2017: € 1,224 million). The **gross margin** was 39.4 %, which puts it 1.5 percentage points lower than in the previous year (40.9 %). **Selling and marketing expenses** grew 2.5 % over the previous year and totaled € 490 million (2017: € 478 million). The share of selling and marketing expenses in Group sales amounted to 15.5 % after 16.0 % in the previous year. **R & D expenses** rose 2.0 % to € 200 million (2017: € 196 million). The R & D rate therefore amounted to 6.4 % (previous year: 6.6 %) of sales. **Administration expenses** were 6.5 % higher than in the previous year at € 165 million (2017: € 155 million). As in the previous year, administration expenses as a share of Group sales amounted to 5.2 %. The increase in other operating income is primarily attributed to a tax refund in Brazil, government grants for investments and tax credits on research expenditure as well as reimbursements for REACH.

Earnings situation

Group: At € 631 million in the reporting year, **earnings before interest, taxes, depreciation and amortization (EBITDA)** were slightly higher than the previous year (2017: € 630 million). The **EBITDA margin** was 20.0 % in the reporting year, which was lower than in the previous year (2017: 21.0 %) mainly because of increased raw materials prices and start-up costs for new sites.

INCOME STATEMENT IN SUMMARY

€ million		2017	2018	Change in %
Sales		2,996	3,154	5.3
Cost of goods sold		– 1,772	– 1,913	7.9
Gross profit		**1,224**	**1,241**	**1.4**
Gross margin	in %	40.9	39.4	
Selling and marketing expenses		– 478	– 490	2.5
Research and development expenses		– 196	– 200	2.0
Administration expenses		– 155	– 165	6.5
Other operating income		38	51	33.3
Other operating expenses		– 2	– 3	61.2
Income from operations/EBIT		**432**	**434**	**0.6**

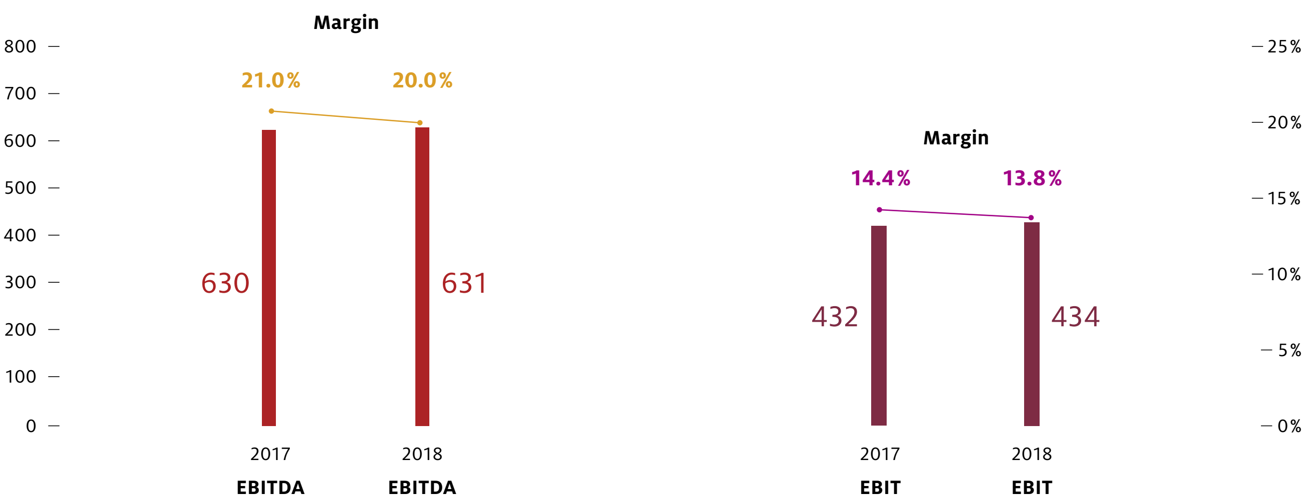
Scent & Care: Scent & Care generated an EBITDA of € 254 million in 2018, an increase in earnings of € 6 million compared to the previous year's figure of € 248 million (+ 2.6 %). The EBITDA margin therefore amounted to 19.2 %, compared to 19.6 % in 2017. The decrease in the margin compared to the previous year is essentially due to high raw materials costs.

Flavor: EBITDA of the Flavor segment amounted to € 244 million in the reporting year and slightly exceeded the figure from the previous year (2017: € 243 million). The EBITDA margin of 20.5 % was below the previous year's level (2017 EBITDA margin: 22.0 %), mainly due higher raw materials costs and to the full-year consolidation of Cobell.

Nutrition: The Nutrition segment generated an EBITDA of € 132 million in 2018. This was € 7 million below the previous year's level (2017: € 139 million) as a result of higher operating costs, mainly due to the construction of the new Diana Food site in the USA and the lower earnings contribution from Probi. The EBITDA margin was 20.7 %, compared to 22.1 % in 2017.

Financial result: The financial result of € – 45 million for 2018 is € 11 million higher than the result from 2017. This includes a year-on-year improvement of the net interest result (€ – 37 million; previous year: € – 49 million), which stemmed from the refinancing of the Eurobond by means of the issue of a con-

OVERVIEW OF EARNINGS in € million / in %



vertible bond, and of the other financial result (€ – 7 million; previous year: € – 8 million).

Taxes: In the 2018 fiscal year, tax expenses amounted to € 109 million (2017: € 100 million). The resulting tax rate of 28.1 % is higher than in the previous year (26.6 %), mainly due to the limited deductibility in the USA. An adequate provision for tax risk was made, as in previous years.

Net income and earnings per share: Symrise AG net income attributable to shareholders amounted to € 275 million and therefore was € 5 million, or 1.9 %, higher than the previous year. Earnings per share rose by 4 cents to € 2.12 (2017: € 2.08).

Dividend proposal for 2018: The Executive Board and Supervisory Board of Symrise AG will propose the distribution of a dividend of € 0.90 per share for the 2018 fiscal year at the Annual General Meeting on May 22, 2019.

FINANCIAL POSITION

Financial management

Main features and objectives: The Symrise Group's financial management pursues the aim of guaranteeing that the company's financial needs are covered at all times, of optimizing the financial structure and of limiting financial risks insofar as possible. Consistent, central management and the continuous monitoring of financial needs support these objectives.

In accordance with the Symrise Treasury department's guidelines, the financing of the Group is managed centrally. The financial needs of subsidiaries are ensured by means of internal Group financing within the framework of a cash pool, among other things. The surplus liquidity of individual European Group units is put into a central account, so that liquidity deficits of other Group units can be offset without external financing, and that internal financial capital can be used efficiently. If external credit lines are needed, they are safeguarded by guarantees from Symrise AG. The Group's financial liabilities are unsecured and connected to credit agreements (covenants) that are reviewed every quarter. The Group maintains good business relationships with a large number of banks and avoids becoming too dependent on individual institutes.

The Symrise Group safeguards against risks resulting from variable interest rates on financial liabilities by means of interest rate hedges, if need be. Here, the principle applies that interest derivatives can only be concluded on the basis of underlying transactions.

Symrise does business in different currencies and is thus exposed to currency risks. Exchange rate risks occur when products are sold in different currency zones than the ones in which the raw materials and production costs accrue. Within the framework of its global strategy, Symrise manufactures a large proportion of its products in the currency zones in which they are sold in order to achieve a natural hedge against exchange rate fluctuations. In addition, Symrise has implemented a risk management system, which, based on detailed cash flow planning, identifies open currency positions. These are hedged against fluctuations on a case-by-case basis.

With an equity ratio (including non-controlling interests) of 39.5 % as of December 31, 2018, Symrise has a solid foundation for driving future business development forward in a sustained manner.

Financing structure: The Symrise Group covers its financial needs from its good cash flow from operating activities and via short- and long-term financing.

Symrise fulfilled all of the contractual obligations resulting from loans (covenants) in the 2018 fiscal year.

In addition to the credit facility mentioned, bilateral, firmly pledged bank credit lines for € 89 million exist in the Group to cover short-term payment requirements. The interest rates agreed on for the credit facility are at the accepted market rate.

Cash flow and liquidity analysis

OVERVIEW OF CASH FLOW

€ million	2017	2018
Cash flow from operating activities	396	442
Cash flow from investing activities	– 219	– 239
Cash flow from financing activities	– 219	– 152
Cash and cash equivalents (Dec. 31)	230	**280**

Cash flow from operating activities amounted to € 442 million, € 46 million more than in the previous year (€ 396 million). The main reasons for this improvement are a lower increase in working capital and lower tax payments. The operating cash flow rate relative to sales was therefore 14.0 %.

Cash outflow from investing activities rose by € 20 million to € – 239 million. It was primarily used for investments in property, plant and equipment.

In the 2018 fiscal year, a cash outflow from financing activities of € – 152 million resulted on a net basis. A cash outflow of € – 219 million was posted in the previous year. Key components include the 2018 dividend paid out to shareholders for 2017 amounting to € 117 million, net repayments on bank borrowings and capital market liabilities in the amount of € 18 million and interest payments to financial institutes totaling € 22 million (previous year: € 38 million).

All payment obligations were fulfilled in the fiscal year. There were no shortfalls in liquidity during the year nor are any expected in the foreseeable future. The company has sufficient credit lines available, e.g., in the form of a revolving credit facility totaling € 300 million. As of December 31, 2018, € 30 million and USD 34 million of this line had been utilized.

Investments and acquisitions

The Symrise Group invested € 226 million in intangible assets and property, plant and equipment in the 2018 fiscal year, after spending € 205 million in the previous year.

€ 15 million were spent on intangible assets (2017: € 19 million). Here, the focus was on investments in software and patents as well as the registration of chemicals according to the European chemical directive (REACH). Investments in property, plant and equipment amounted to approximately € 211 million (previous year: € 186 million). The largest investment projects consisted of the new site for the production of fragrances and flavors in Nantong (China), the construction of a new production site for Diana Food in Banks County, GA (USA), and the expansion of production capacities for cosmetic ingredients and menthols in Charleston, SC (USA).

All of the projects were funded through operating cash flow. As of December 31, 2018, the Group had obligations to purchase property, plant and equipment amounting to € 72 million (December 31, 2017: € 58 million). This mainly relates to production facilities, hardware and office equipment. Most will come due during the course of 2019.

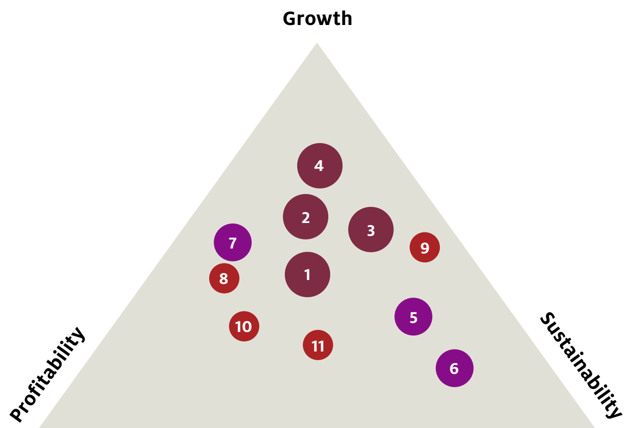
NET ASSETS

Select line items in the Statement of Financial Position

Total assets as of December 31, 2018, increased by € 246 million, or 5.3 %, to € 4,920 million over the previous year (December 31, 2017: € 4,675 million).

On the assets side, this was mainly due to an investment-related increase in **property, plant and equipment** (€ 1,036 million; December 31, 2017: € 902 million) and because of the significant increase in sales of **trade receivables** (€ 596 million; December 31, 2017: € 557 million) and **inventories** (€ 845 million; December 31, 2017: € 752 million). In contrast, **intangible assets** declined by € 53 million to € 1,912 million, mainly as a result of amortization. In addition to goodwill of € 1,206 million (December 31, 2017: € 1,183 million), intangible assets include customer bases, trademarks, software, patents and other rights of € 551 million (December 31, 2017: € 602 million) and recipes and technologies of € 129 million (December 31, 2017: € 157 million). These assets resulted almost entirely from business combinations. **Cash and cash equivalents and short-**

INVESTMENTS REINFORCE OUR STRATEGY



1 = Production of fragrances and flavors, Nantong/China
2 = Menthol production, Charleston/USA
3 = Production, Diana Food, Banks County/USA
4 = Production site for cosmetic ingredients, Charleston/USA
5 = Production for fragrance compositions and encapsulation technology, Holzminden/Germany
6 = Logistics center, Holzminden/Germany
7 = Production site for Diana Pet Food, Elven/France
8 = Production site for Diana Pet Food, Cervera/Spain
9 = Development center for perfume compositions, Shanghai/China
10 = Spray drying plant for flavors, Branchburg/USA
11 = Aroma Molecules: Production site for cooling substances, Holzminden/Germany

● up to € 10 million
● over € 10 million to € 20 million
● over € 20 million to € 50 million

term deposits amounted to € 280 million as of December 31, 2018, compared with € 230 million as of December 31, 2017.

The increase in the balance sheet total on the equity and liabilities side resulted – in addition to a € 175 million increase in equity (including non-controlling interests) to € 1,944 million – from slightly higher **trade payables** (€ 316 million; December 31, 2017: € 276 million) and **financial liabilities** (€ 1,659 million; December 31, 2017: € 1,628 million). **Provisions for pensions and similar obligations** decreased from € 523 million to € 513 million due to the increase in the discount rate for pension commitments granted in Germany from 1.7 % to 2.0 %.

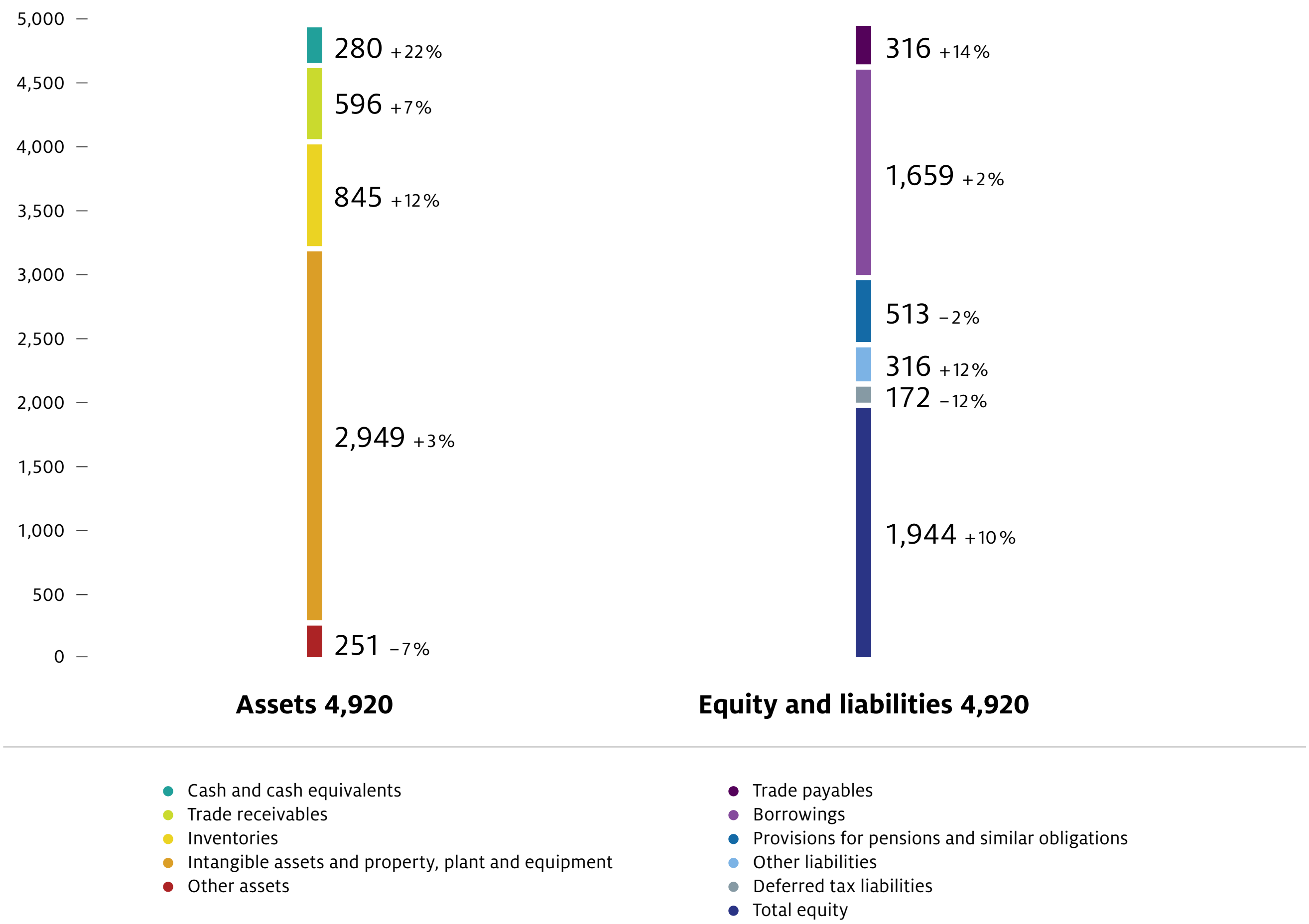
Equity (including non-controlling interests) amounted to € 1,944 million as of December 31, 2018 (December 31, 2017: € 1,769 million). A dividend of € 117 million was paid out in 2018 for the 2017 fiscal year. As of December 31, 2018, the equity ratio was 39.5 % (December 31, 2017: 37.8 %).

Net debt

€ million	2017	2018
Borrowings	1,628	1,659
Cash and cash equivalents	– 230	– 280
Net debt	**1,398**	**1,380**
Provisions for pensions and similar obligations	523	513
Net debt including provisions for pensions and similar obligations	**1,922**	**1,893**

The evaluation of compliance with the leverage covenants for the current and non-current borrowings is performed on the

OVERVIEW OF THE STATEMENT OF FINANCIAL POSITION AS OF DECEMBER 31, 2018 in € million
(Change compared to previous year's reporting date, in %)



CAPITAL STRUCTURE

€ million	2017	2017 in % of total equity and liabilities	2018	2018 in % of total equity and liabilities	Change in %
Equity	1,769	38	1,944	40	+ 9.9
Current liabilities	603	13	1,218	25	+ 101.9
Non-current liabilities	2,302	49	1,758	35	– 23.6
Liabilities	2,905	62	2,976	60	+ 2.4
Total assets	**4,675**	**100**	**4,920**	**100**	**+ 5.3**

basis of the specifications in the various credit agreements. The evaluation to determine the leverage covenants uses the ratio of net debt to the EBITDA of the last twelve months. This results in a net debt/EBITDA ratio of 2.2, which is relevant for loan agreements. The ratio of net debt including provisions for pensions and similar obligations/EBITDA amounted to 3.0.

We target a capital structure that allows us to cover our future potential financing needs at reasonable conditions by way of the capital markets. This provides us with a guaranteed high level of independence, security and financial flexibility. We will continue our earnings-oriented dividend policy and give our shareholders an appropriate share in the company's success. Furthermore, it should be ensured that acquisition plans can be accompanied by solid financing options.

Significant obligations not reflected on the balance sheet exist in the form of obligations for the purchase of goods amounting to € 192 million (2017: € 147 million) and obligations regarding the purchase of property, plant and equipment amounting to € 72 million (2017: € 58 million).

Symrise AG has service contracts with various providers regarding the outsourcing of its internal IT. Some service contracts already existed in previous years. The remaining total obligation toward these service providers amounts to € 25 million (December 31, 2017: € 35 million), accounting for extraordinary termination rights.

Miscellaneous other financial obligations amounted to € 15 million as of December 31, 2018 (December 31, 2017: € 21 million) and are mostly obligations from consulting, service and cooperation contracts (€ 8 million; December 31, 2017: € 14 million).

Opportunities and Risk Report

MANAGEMENT OF OPPORTUNITIES AND RISKS

The Symrise Group's business activities offer a range of opportunities and, at the same time, are continually exposed to a number of risks, just like any other corporate activity.

Opportunities relate to future developments or events that could lead to business performance exceeding the company's set forecasts or goals. Accordingly, risks relate to future developments or events that could lead to business performance that does not meet the company's forecasts or goals. Seizing opportunities, as well as recognizing and avoiding risks at an early stage, continues to be of key importance for the further development of Symrise in view of the increased size and complexity of the Group stemming from the acquisitions of the past years. In taking advantage of opportunities, it is important that an acceptable risk profile is maintained. By means of appropriate guidelines, we ensure that risk assessments are taken into account in the Executive Board's decision-making processes from the very beginning. Symrise uses its own guidelines and models to regulate the processes of risk management and provide employees with a firm foundation for dealing with risks.

As part of our risk management, Group companies periodically assess their risks. The risk report documents these risks accordingly and includes their evaluation, probability of occurrence and the measures taken to reduce or eliminate risk. To minimize the financial effects of remaining risks, we acquire insurance if this is deemed economically sensible.

The Symrise corporate culture attaches importance to entrepreneurial thinking and acting. We value a high degree of responsibility in our employees. Therefore, we encourage all

Symrise employees, including but also beyond the Executive Board, regardless of their area and scope of responsibility, to continuously seek and take advantage of opportunities. Group companies are urged to identify opportunities on an operative level which, for example, arise within the framework of operational activities or due to improved market conditions, and to realize these opportunities with the aim of achieving results that go beyond the scope of planning. Strategic opportunities are recorded in all segments and in the Corporate Center. They are evaluated and plans are made to take advantage of them. Symrise's Executive Board is also responsible for discussing strategic opportunities on a regular basis. With the established risk and rewards management system, the rewards observed in the various segments of the Group and integrated into strategic actions are systematically analyzed alongside the company risks. The taking advantage of and reporting on opportunities benefit the network of officials within the Group who have already been reporting the opportunities and risks in their segments for years as part of the opportunities and risk management system.

The following describes the opportunities and risks that could have a material impact on the Symrise Group's net assets, financial position and results of operations in greater detail. If no segment is explicitly highlighted, the reporting of opportunities and risks applies to all three segments equally.

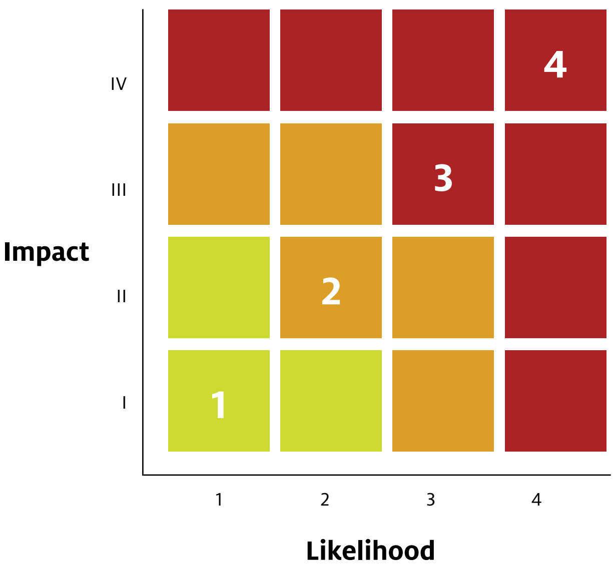
APPROACH TO EVALUATING OPPORTUNITIES AND RISKS

The risk management system at Symrise is based on the framework of generally recognized standards (ISO 31000) and extends across all Group companies and business units.

The Group-wide coordination of risk assessment occurs in the Corporate Center within the Risk Management department. Risk reports are drawn up for the individual companies and are then compiled to provide a current overview of the risk situation at the Group level. This Group risk report is submitted and presented to the Executive Board and Supervisory Board of Symrise AG twice a year. There, potential risks are identified and classified according to their effect on profit (net method) as well as the probability of their occurrence.

The risk management system and the method of calculation changed in the 2018 fiscal year. Whereas the risks at company level were previously calculated in terms of their impact on sales, and the impact on earnings was calculated overall at Group level, the classification of all individual risks at company level is now assessed directly according to the impact on earnings. The result of the impact on earnings and the probability of occurrence or likelihood assigned to the risk determines the level of the respective risk.

The chart shows how risks are ultimately classified depending on the combination of their impact and likelihood. For example, combinations with relatively low EBIT impact and low likelihood tend to be lower left; combinations of a relatively high



Impact

I	– low	up to € 10 million
II	– medium	> € 10–20 million
III	– high	> € 20–30 million
IV	– very high	> € 30 million

Likelihood

1	– low	0 to 24 %
2	– medium	25 to 49 %
3	– high	50 to 74 %
4	– very high	75 to 100 %

product of both variables are found upper right in the chart and thus describe a greater risk.

Furthermore, the risk profile includes adequate measures to avoid or minimize risks. As a result, it also forms the basis for managing risks, which is also something examined by the Group's Corporate Internal Audit. Additionally, the risk assessment is compared with the company's strategy and the goals it derived from that strategy. The Executive Board informs the Supervisory Board or the auditing committee of the Supervisory Board and decides on additional measures for handling risks.

Reporting thresholds for risks are oriented toward the financial effects on Group companies as well as the probability of the risk occurring. If a risk exceeds a certain reporting threshold, the Executive Board is informed immediately. These are risks that appear suddenly and could reduce the EBIT of the company concerned by at least 20 %, with a probability of at least 25 %. In the event of sudden risks that have a material effect on the continuation of business, the development of results and/or health and safety, the risk must be reported – regardless of the financial effects mentioned above.

MARKET- AND COMPETITION-RELATED OPPORTUNITIES AND RISKS

SALES MARKETS

Fierce competition continues in the industries served by Symrise. Accordingly, it remains probable that the trend toward consolidation in the customers for Symrise products will continue. As a result, there is the risk that Symrise could lose customers and thus market shares. We react to this, in particular, with increased marketing of the innovations and products from our divisions that offer added benefits compared to competitors' products.

Symrise is countering the increased volatility of the global economy as a whole and of a number of larger economies (such as Brazil, China, Turkey, Argentina) with a timely analysis of the effects on its operational business and with possible rapid corrections to the respective business model or local market presence.

Due to the global positioning of Symrise, with production facilities on all continents, possible trade restrictions not only entail risks but often also opportunities (the triad of the USA, China, and the EU; or in connection with Brexit). However, negative effects cannot be ruled out in the short term.

In certain countries, the possible risk of politically related default is continually observed. A dialogue with banks and customers serves to limit this risk. Political risks that arise in export countries, which mainly relate to losses of receivables, are countered through corresponding financial controls. In the past year, however, the affected markets (such as Venezuela) were not material to the economic results of Symrise.

Political unrest in countries and regions in which Symrise operates is observed very closely, particularly to protect the safety of the staff employed there. Nevertheless, a temporary loss of production and thus sales can occur in unfavorable cases.

PROCUREMENT MARKETS

Symrise procures its raw materials on a global scale and must therefore also manage the opportunities and risks of a sometimes complex value chain.

The procurement of natural raw materials from various regions of the world includes the harvest risk, political and currency risks in the growing country as well as the global market risk for the respective raw material (for example, vanilla). Various intermediate products must also be procured globally for chemical production.

A timely analysis as well as flexible and rapid action enable, for example, the exploitation of short-term opportunities or the avoidance of medium-term risks.

Dynamic demand and sourcing planning, taking into account the respective opportunity and risk profile, is one of the most important instruments of the Symrise supply chain.

Risks resulting from consolidations at the level of our suppliers exist inasmuch as the loss of a supplier's business could threaten the availability of intermediate products or affect the profitability of end products.

The backward integration of some raw materials and the possibility of producing precursors of chemical products significantly reduce market risks for raw materials for Symrise – in terms of availability and in terms of operating costs.

The supply of crucial raw materials for the Scent & Care segment was affected by several factors in 2018. New environmental regulations imposed by the government have caused Chinese producers to withdraw to a great extent from the raw materials market for perfume ingredients and their intermediate chemical products. The resulting shortage in the market was further exacerbated by a fire-related interruption of services at a key supplier to the fragrance industry. Here, our acquisition of the US company Renessenz (now Symrise Jacksonville) proved to be very advantageous. Additionally, a strategy for the partial or complete replacement of crucial raw materials is being applied within the framework of regulatory and olfactory possibilities, in close consultation with our customers. In this specific case, too, opportunity and risk are closely related for Symrise; on the one hand, for example, there is the risk of a shortfall in supply on the part of Symrise to its customers; on the other hand, if backward integration is successful, Symrise can utilize earnings potential in a tight market.

Similarly to the sales markets, procurement markets are also subject to the fact that possible trade restrictions may not only result in risks, but often also opportunities (triad of the USA, China, and the EU; or in connection with Brexit) due to the global positioning of Symrise with production sites on all continents. However, negative effects cannot be ruled out in the short term.

FINANCIAL MARKETS

Symrise uses the international financial markets to finance its ongoing business. Here, Symrise is exposed to various risks. Liquidity risk describes the danger of Symrise not being in a position to fulfill financial obligations to third parties. In the case of a deterioration in business development, there is the additional risk of not fulfilling obligations for existing credit covenants.

Symrise carries out continuous liquidity planning in order to recognize liquidity shortfalls early on. Parallel to this, the company possesses sufficient credit lines to cover payment claims. By continuously monitoring short and medium-term liquidity, liquidity problems can be avoided while at the same time minimizing refinancing costs through proactive management of financing instruments. We do not currently see a refinancing risk.

Currency risks are an inherent challenge of a globalized value chain. The risks are significantly reduced as a result of the many opposing payment flows in different currencies. Symrise also uses common currency hedging instruments to reduce the impact on its operating business as much as possible. Stringent and dynamic management of currency changes in operating business serves to reduce currency risks. This applies to both purchasing and sales markets.

As of the reporting date, there were currency forward contracts valued at € 165 million.[1]

In order to avoid fluctuations in the financial result due to changes in measurement, the currency transactions were classified as cash flow hedges in terms of hedge accounting.

Interest risks arise because rising interest rates can increase interest expenditure in variable financial instruments contrary to planning and thus have an adverse effect on the Group's result of operations. Overall, the ratio of fixed-rate debt amounted to 89 % of overall debt as of December 31, 2018. Symrise counters the remaining risk stemming from interest rates by means of contracted interest hedges.

Financial opportunities and risks associated with company pension commitments are limited at Symrise due to the long-term fixed parameters.

HUMAN RESOURCES MARKETS

Symrise counters personnel risks, which arise fundamentally from turnover of personnel in key positions, by means of suitable incentive systems, continuing professional development and programs advancing junior employees as well as a targeted succession planning. Symrise continues to work with various programs to improve its attractiveness as an employer and the external communication of these strengths; the focus here is on the younger generations in particular. A detailed description of the personnel strategy of Symrise can be found in the chapter about employees on page 19 seq. of the management report.

ECONOMIC PERFORMANCE OPPORTUNITIES AND RISKS

PRODUCTION

Technical disturbances can interrupt the Group's continuous operations and lead to a loss of income and corresponding return. The causes thereof can lie in the lacking safety of the energy supply, of the equipment and processes, in fire safety, in the quality and safety of materials and in their correct classification as well as the qualifications of the operational personnel. In addition, increasing demands and new country-specific labor regulations and environmental regulations as well as natural disasters can lead to interruptions in operations. We reduce such risks through maintenance, investments, occupational health and safety measures, insurance and corresponding guidelines, instructions and training courses. Changes in country-specific environmental regulations can

1 See also the notes to the consolidated financial statements TZ 31

result in fines or the temporary closure of production sites. For this reason, we continuously observe regulatory developments in the countries in which Symrise operates. Interruptions in operations can also arise due to errors in the course of operations, for example, due to foreign bodies that are contained in raw materials or that are introduced into intermediate or end products during processing, as well as due to incidents resulting from the usage of work equipment. Symrise minimizes these kinds of risks through appropriate guidelines (for example, foreign body policy), robust procedures (Total Productive Maintenance), training courses, emergency plans, alternative production sites, exchange on best practices and continuous improvements to operational processes. Errors in the course of operations can also have a negative influence on follow-up stages and products. In the worst possible case, such errors could lead to our products or those of our customers being recalled. The company is insured against these damages in an economically adequate manner so that the economic repercussions of possibly occurring production risks can largely be contained.

Hurricanes, which have occurred at regular intervals on the east coast of the USA in the past, are considered risks in risk reporting and increase operating risk. This type of storm has led to temporary work stoppages lasting several days over the past two years but did not endanger the existence of the affected Symrise Group companies in terms of their impact on the operating result. There are contingency plans within the Symrise Group for extreme cases which call for other Symrise companies to step in to ensure supplies.

INVESTMENTS

The implementation of growth projects with the help of investments in new production capacities involves the risk that the implementation within the set cost and time frame does not succeed, as well as the risk that the specified technology cannot be implemented according to plan.

The technical and financial planning process for larger projects is comprehensive and goes through several evaluation phases in a very disciplined manner. Not only new risks are identified; possible opportunities can also be identified. These reviews also build on a systematic follow-up of previous projects.

Symrise successfully implemented several major investment projects in recent years. For 2019, the kick-off of further growth projects is on the agenda, which will open up new sales potential.

HUMAN RESOURCES

Personnel risks are generally summed up in employees' potential to leave the company and the corresponding loss of competence as well as possible noncompliance with company guidelines, legal requirements or agreements made with employee representatives. Compliance with local laws and company guidelines is monitored via internal audits. Further, compliance with these requirements, which are based on international standards, is checked at regular intervals by external auditors. The initial training of new employees, together with later training sessions, ensures that every employee observes corporate guidelines such as the Code of Conduct. The constant dialogue with employee representatives serves the exchange of interests between employers and employees as well as a cooperative corporate culture. Ultimately, this also helps to avoid strikes and related interruptions to operations.

OPPORTUNITIES AND RISKS OF MERGERS & ACQUISITIONS

Active portfolio management has a high priority at Symrise and is an important instrument for implementing its strategy. Symrise has a systematic process in place to identify possible acquisition targets, assess possible transactions and implement the goals set after an acquisition has been made. The most important criteria are that the transaction fits the strategy, improves results and has future potential, on the one hand, and compliance with legal, environmental and financial requirements on the other. New Group companies are immediately integrated into the company-wide risk analysis.

In principle, all acquisitions involve the risk that the goals set cannot be achieved and that significant impairments will be necessary. The continuous monitoring of the implementation of the acquisition targets is intended to identify potential problems in good time and enable necessary corrections to be made.

If, despite various corrective measures, an existing business does not achieve the desired profitability or does not fit into the corporate strategy, Symrise evaluates external options. Here, too, there is a fundamental risk that a possible sale will not have the desired positive effect.

OPPORTUNITIES AND RISKS OF RESEARCH AND DEVELOPMENT

Opportunities for Symrise often arise from our market-oriented research and development, which we see as one of the most important drivers of profitable growth. Symrise has a well-filled innovation pipeline with a balanced mix of short, medium and long-term projects. On the one hand, Symrise is continuously seeking process improvements to increase efficiency, and on the other hand, Symrise is looking for new markets and technologies. The project portfolio is constantly reviewed with regard to the extent to which it conforms to the strategy. Likewise, aspects of digitization are becoming ever more important (IBM project for the development of fragrances with the help of artificial intelligence).

Symrise intently observes "megatrends", for example, the naturalness of food and body care products or sustainability along the entire value chain. In cooperation with its customers and suppliers, Symrise works permanently toward fulfilling requirements as well as implementing the goals set by the company for itself. Opportunities and risks can arise from this, for example, higher costs through the replacement of raw materials with new substitutes, or the creation of a competitive advantage through a temporally unique positioning in the market with a natural preservative for personal care products.

Opportunities and risks in the area of research and development are associated with the feasibility of planned product and process developments and their timely implementation. Symrise sees numerous further opportunities both in its existing product portfolio and in related areas.

LEGAL- AND COMPLIANCE-RELATED OPPORTUNITIES AND RISKS

COMPLIANCE, LAW AND REGULATORY FRAMEWORK

In our compliance management system, we differentiate between "technical compliance" and "legal compliance". Technical compliance activities focus on quality, environmental protection, health, work safety, energy, product safety and food safety.

In nearly all of these areas, Symrise's products are subject to strict government supervision worldwide. It is a matter of course for us that our products and processes comply with local regulations around the world.

Comprehensive know-how in the product-related regulatory area also makes it possible for Symrise to support customers in their regulatory problems and sell additional services. Furthermore, this expertise – also in combination with applications of artificial intelligence – opens up further opportunities in the area of recipe optimization and complexity reduction.

Legal compliance activities concentrate on competition and antitrust law, the prevention of corruption and money laundering, and export controls. Here, the focus of activity is on education and prevention. The implementation and further development of Group guidelines on these topics also fall into the category of "Legal Compliance."

As early as 2008, the Group Compliance office of Symrise installed an Integrity Hotline to ensure that Symrise employees can anonymously report violations of both legal regulations and internal company guidelines from anywhere in the world. Where necessary, investigations were initiated and corrective measures were applied on a case-by-case basis pursuant to the applicable legal system and Group-internal regulations. These can include disciplinary measures under labor law.

Currently, the Group considers its legal risks to be relatively minor. These risks typically result from the areas of product liability, warranty claims and environmental law. To counter these risks in an appropriate way and early on, we analyze potential risks comprehensively by incorporating our legal department and, if necessary, by engaging external specialists. Despite these measures, the outcome of current or future legal proceedings cannot be predicted with certainty. At present, only a few Group companies are affected by ongoing legal proceedings.

Therefore, we will only make reference to one type of legal procedure here: In the USA, the Group company Symrise Inc., along with many other companies, has been accused of selling flavors which, when industrially processed, can release harmful vapors if safety instructions are not adhered to. In none of these proceedings has a concrete monetary claim been made so far. Symrise believes that it can continue to rebut these legal accusations. Furthermore, it is not expected that the results of the individual proceedings will have a significant effect on the consolidated earnings.

IT SECURITY AND PROTECTION OF INTELLECTUAL PROPERTY/OPERATIONAL KNOW-HOW

IT risks arise from damage to the Group stemming from data misuse and potential interruptions in the exchange and processing of data, which can lead to an disruption of operational processes. Symrise maintains a number of integrated IT and telecommunications systems whose programs and data are saved on different storage media and constantly further developed. Existing, established protection measures are also continuously updated and expanded to ensure the integrity and security of IT processes and the protection of data.

Despite sophisticated protection measures, however, there is always a residual risk that attacks by institutions or third parties on our IT landscape may go unnoticed or negatively affect operational processes. Further IT risks arise from inadequate compliance with software licensing rules and from the availability of the IT infrastructure.

TAXES

Symrise gives the highest priority to the observance of local and global regulations as well as legal requirements in the area of taxes. The optimization of the tax burden is a constant focus, without creating excessive complexity for operating business.

Because of the complex business models and global reach of Symrise, there are ongoing income tax-related matters that have not yet been reviewed and conclusively assessed by the relevant local tax authorities. In some cases, provisions for these risks were made in preparation for possible additional tax obligations. On the whole, we feel that the necessary precautions have been taken for all tax risks we are aware of.

ENVIRONMENT (SAFETY, HEALTH, ENVIRONMENT AND QUALITY)

Symrise has imposed on itself the obligation to respect high ethical standards in order to increase business success, taking into account available resources, all employees and society. Compliance with local legal regulations is a matter of course for Symrise. These requirements also apply to all suppliers.

Symrise is committed to meeting internationally recognized standards for product safety, health, occupational safety and the environment at all its sites. Compliance is regularly checked by internal and external experts. This also applies to suppliers as part of regular audits.

The fragrances, flavorings and additives from Symrise are normally processed in products that end consumers consume as food or apply to their skin or hair. Therefore, there is a fundamental risk that our products can have a negative effect on consumers' health. To minimize this risk, the products are continually tested as part of our quality management on the basis of scientific research as well as on international standards and internal safety regulations.

Changes in a customer's technology can result in a situation where individual products can no longer be offered to this customer. Symrise has a diversified product portfolio to reduce this risk. Patent violations by competitors also pose a risk to our products. This is countered by means of adequate patent management.

PROCESS- AND ORGANIZATION-RELATED RISKS

Symrise sells a wide variety of products with different business models in numerous geographical markets. The dynamics of the sales and procurement markets may also require adjustments to internal processes or the organizational structure. The possible adjustments to internal structures can entail various opportunities and risks. In addition to efficiency gains through leaner structures or faster decision-making, there is also the risk that the intended improvement cannot be implemented technically or that the structural change may have a negative effect on the motivation of the workforce.

Symrise is constantly striving to improve the efficiency of its organization and processes. Possible organizational adjustments at Symrise are always accompanied by an experienced human resources team and comprehensive internal communication.

OVERALL ASSESSMENT OF OPPORTUNITY AND RISK SITUATION

The business model of Symrise is characterized by above-average potential for opportunity compared with other sectors of industry and companies.

Demand for Symrise products is driven in particular by rising global private consumption and growing prosperity. Many products serve to fulfill various basic human needs and desires, such as "health" and "youthful appearance", which exist in every part of the world. The dynamic growth and high profitability of Symrise show that these opportunities have been successfully taken advantage of. The acquisitions of recent years have broadened the category and technology base of Symrise and advanced backward integration. Above-average growth, rising margins and additional innovations are the result of the Group's expanded footprint.

We will continue to follow this strategy in the future.

Symrise is convinced that proactive and systematic monitoring of potential risks and opportunities is an important component of successful corporate governance. Risks can thus be minimized or compensated for in good time and opportunities can be successfully exploited.

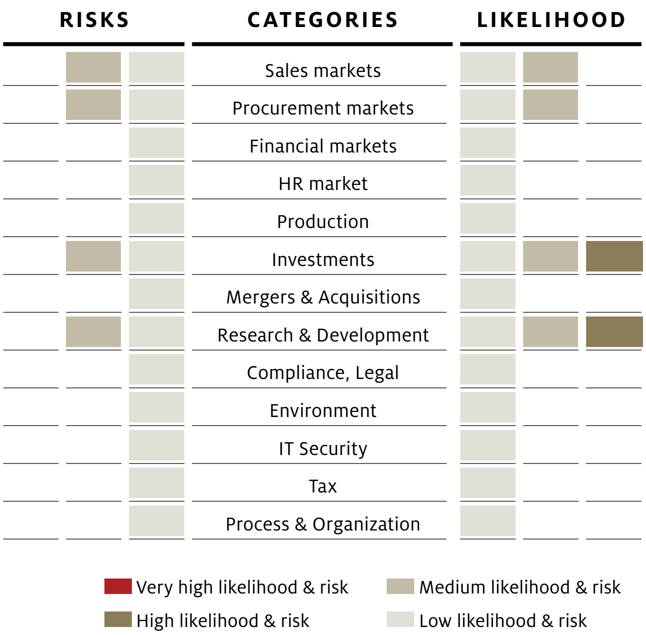
With the help of the risk management system, all relevant risks and opportunities are uniformly evaluated across the Group from a quantitative and qualitative perspective based on the degree of their impact on business operations, the Group's financial position and results of operations and their probability of occurrence – although working out these opportunities in a structured manner is unevenly difficult.

The evaluation and the handling of the risks are performed at the level of the individual company, as this corresponds to the decentralized business and management model of the Symrise Group. The Group risk assessment is aggregated at the level of the respective categories of qualification "low", "medium", "high", and "very high" and categorized according to the following scale:

- "Low" corresponds to an EBIT amount up to € 10 million
- "Medium" corresponds to an amount over € 10 million up to € 20 million
- "High" corresponds an EBIT amount over € 20 million up to € 30 million
- "Very high" corresponds to an EBIT amount greater than € 30 million

These bandwidths are to be understood as the product of sales impact, probability of occurrence and EBIT margin of risks, which corresponds to the methods described in the Risk Management section with respect to risks at the level of the individual companies.

The following risk profile for the Symrise Group in 2018 was established from the existing risk report and according to the methodology described:



For 2019, we expect more opportunities than risks. The unchanged high demand for our products will continue due to our strong focus on daily consumer goods, despite possibly slowing economic growth in some regions of the world. Additional capacity will be 2019 to better meet demand for our value-add products. The raw material markets will continue to be volatile, both in connection to the prices and the availability of particular ingredients. Based on the experience of the past few years, Symrise is convinced that these challenges will also be positively overcome from the operating business.

Based on the information currently available, we see no risk that could pose a threat to the continued existence of the company. Since the existing risk reporting and the Integrated Management System were supplemented by a system of integrated internal controls and effectiveness checks, the company expects to continue to meet all requirements in the future business environment and in view of changing legal regulations. The company will continue to take advantage of any opportunities that present themselves in the future.

Essential Features of the Accounting-Related Internal Control and Risk Management System

MAIN FEATURES AND OBJECTIVES

In accordance with the German Accounting Law Modernization Act (BilMoG), capital market-oriented corporations are obliged to describe the essential features of their internal accounting-related control and risk management system in the management report section of the annual report.

The accounting-related internal control system (ICS) guarantees proper and reliable financial reporting. By means of the accounting-related risk management system, measures are taken to identify and evaluate risks in order to ensure the preparation of consolidated financial statements in accordance with the regulations. The system consists of documenting possible risks, the accompanying processes and the control of these processes, and of examining these processes and controls. Opportunities are also documented within the framework of corporate planning. To guarantee that the ICS is effective, the Group-wide control mechanisms are analyzed at the level of the individual companies and the Group for suitability and functionality. Here, the Corporate Internal Audit department examines how effectively those responsible adhered to the planned control mechanisms at both the decentralized and centralized level. The efficiency of the ICS can be limited by unforeseen changes in the control environment, criminal activities or human error.

To define existing control processes in the company and to expand them where necessary, Symrise has established a process to support documentation and analysis within the scope of self-assessment measures in the Group's business units and companies. The principles for the accounting-related internal control system and the risk management system define requirements, document the process landscape and business processes, and regulate controls to be carried out. Additionally, employee training courses and collegial exchange help ensure that measures can be constantly adjusted to the changing risk environment.

ORGANIZATION AND PROCESS

The ICS in the Symrise Group comprises both centralized and decentralized areas of the company. It is geared to ISO 31000 and based on the COSO II Framework. Based on reports issued by the Group's units and companies, an aggregate Group risk report is presented to the Executive Board regularly. The Executive Board discusses the efficacy of the ICS with the Supervisory Board or with the Auditing Committee of the Supervisory Board, as appropriate.

The ICS is monitored regularly with respect to the up-to-dateness of documentation and the suitability and functionality of controls. Further, any weaknesses in the control system are identified and evaluated.

- **Accounting-related risk management:** Using a risk-oriented approach, the companies and processes which are essential for accounting are first of all identified. On the basis of the results, specific minimum requirements and objectives are defined to counteract the risks of financial reporting. The result is a centralized risk catalog that relates to financial reporting and that is simultaneously the basis of work for employees involved in financial reporting.

- **Accounting-related internal control system:** First, existing control activities in the essential companies are documented and updated. The controls defined by the accounting-related ICS should guarantee adherence to Group accounting guidelines, the accounting guidelines of the individual companies as well as the procedures and schedules of the individual accounting processes. The control mechanisms are regularly analyzed for their effectiveness in preventing risks through the use of random sampling by Corporate Internal Audit, among other things. Whenever weaknesses have been documented, the potential risks for the consolidated financial statements stemming from the reports from the Group's units and companies are evaluated. In another step, the individual risks are consolidated at the company level. The risks and their corresponding effects on financial reporting are reported to the Executive Board. These reports form the basis for reporting vis-à-vis the Supervisory Board's Auditing Committee. If control weaknesses are determined, measures for improvement are developed. The efficacy of the new control methods is then analyzed in the next examination cycle.

Subsequent Report

BUSINESS COMBINATIONS

On January 31, 2019, Symrise and the owners of the companies American Dehydrated Foods LLC, International Dehydrated Foods LLC and IsoNova Technologies LLC, based in Springfield, Missouri, USA, signed an agreement on the purchase of their group of companies. The companies are the leading suppliers of natural ingredients produced on the basis of meat and egg products, in particular for food and pet food. With this acquisition, Symrise is looking to expand its leading position in the area of pet food as well as its expertise in products that contribute to a whole-food diet, and thus broaden its activities in the Nutrition segment. The purchase price of USD 900 million will be financed through debt and equity. The completion of the transaction depends on the fulfillment of standard closing conditions.

CAPITAL INCREASE BASED ON AUTHORIZED CAPITAL

The capital increase was carried out with the authorization granted to the Executive Board at the Annual General Meeting on May 12, 2015, and with the exclusion of subscription rights. It was recorded in the commercial register on February 8, 2019. As part of an accelerated book-building method, the company placed 5,614,036 new shares with institutional investors. The shares were issued at an issue price of € 71.25 per share. Through the capital increase, the share capital of Symrise AG rose from € 129,812,574 to € 135,426,610. The new shares are dividend-entitled for 2018; they were authorized for trading on the stock exchange in the regulated market of the Frankfurt Securities Exchange and simultaneously added to the Prime Standard segment on February 11, 2019. They were included in the existing listing on February 12, 2019. Following the partial utilization, the authorized capital amounts to € 19,385,964.

The gross issue proceeds from the capital increase for Symrise amount to around € 400 million. Part of the net revenue from the capital increase will be used to refinance the bridge financing for the acquisition of ADF/IDF announced on January 31, 2019.

General Statement on the Company's Economic Situation

The Executive Board regards the Symrise Group's economic situation as positive. In 2018, the Group managed to once again substantially increase its sales with sustained high profitability. The company's financing is ensured for the medium term. Pending the passing of the resolution at the Annual General Meeting, Symrise AG shareholders will participate in the company's success by receiving a higher dividend than in the previous year.

Outlook

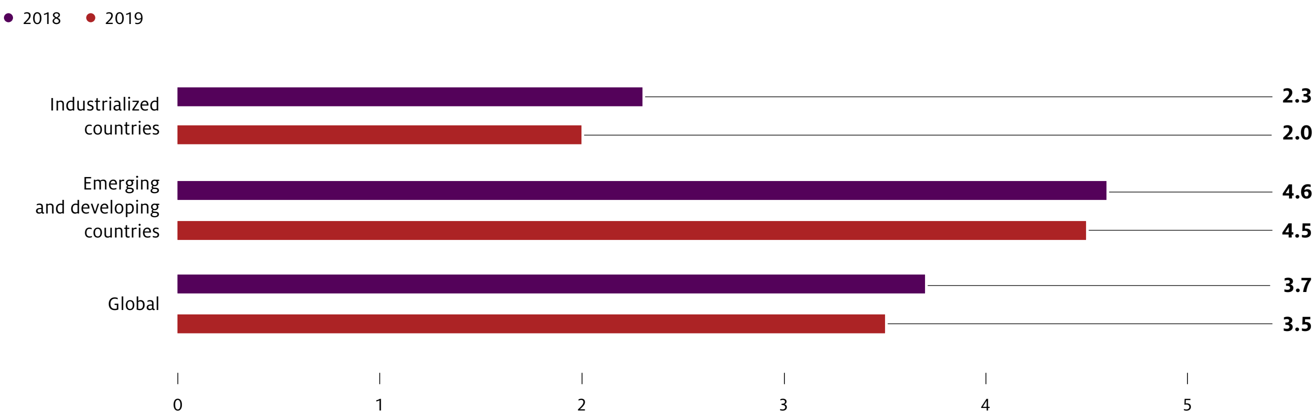
FUTURE GENERAL CONDITIONS

In 2019, the International Monetary Fund (IMF) expects global economic growth to slow from 3.7 % in the previous year to 3.5 % in the current year. A slowdown in growth will be particularly noticeable in industrialized nations, with an expected decline of 2.3 % to 2.0 %. Risks are beginning to materialize: International trade conflicts are dampening the development of exports, the United Kingdom's withdrawal from the European Union is weighing on the economy and unresolved structural problems are hampering the French and Italian economies. The forecast for the German economy also assumes that growth will slow to 1.3 %. Among the emerging and developing countries, China in particular is likely to have to accept a further slowdown in economic growth from 6.6 % in 2018 to 6.2 % in 2019. This development is also likely to have an impact on Chinese trading partners. By contrast, the International Monetary Fund expects an upswing in economic activity in large parts of Latin America and Africa in 2019. All in all, the economic performance of emerging and developing countries will increase by 4.5 % in 2019, after growth of 4.6 % in the previous year. Despite continuing risks, overall economic development in 2019 will have a neutral rather than a slowing effect on the business performance of the Symrise Group.

The AFF market relevant for Symrise reached a volume of € 33.2 billion in 2018. Of this amount – according to recent estimates by the market research institute IAL Consultants – the sub-market for flavorings and fragrances accounts for about € 26.2 billion, while the sub-market for aroma chemicals and cosmetic ingredients accounts for about € 7.0 billion.

The long-term estimate of Symrise is for an annual, average growth rate of around 4 % for the relevant AFF market. In view of the strong economic output of some countries in the Asia/Pacific region, demand for flavors and fragrances as well as for aroma chemicals and cosmetic ingredients should rise here most sharply, according to IAL estimates. This region will be followed by Latin America, the EAME region and North America.

GDP DEVELOPMENT 2018 / 2019 in %



Source: IMF

For the 2019 fiscal year, Symrise expects raw material costs to remain high and to continue rising in the Scent & Care segment. Generally, raw materials in the company can be broken down into natural, agricultural, and petroleum-based raw materials. The company's strategic focus is on natural raw materials that come from renewable sources. For important natural raw materials, the Group continues to pursue its backward integration approach. This means that Symrise cooperates closely with the growers of key agricultural-based products like vanilla, onions, beets and fruits. The goal is to achieve a consistently high quality and planning security via long-term agreements. The acquisition of Renessenz LLC was yet another milestone in the expansion of our raw materials basis via backward integration. For menthols, Symrise relies on its leading market position and long-term supplier loyalty with multinational brand manufacturers.

For the 2019 fiscal year, another moderate development in energy costs is expected. The reasons for this are low gas purchasing costs and the fact that the electricity supplied by the combined heat and power plant at the Holzminden site covers a large part of the electricity needs. These measures reduce oil consumption substantially; the same is true for CO_2 emissions. Additionally, producing our own energy also reduces energy costs.

With energy prices, when it comes to the baseline amount still being used, the slightly higher procurement prices on the EEX energy exchange are coupled with an EEG tax that is still rising as well as increased energy costs from the upstream network. Therefore, an increase is expected.

Symrise strives to positively influence the company's energy costs through various energy procurement measures and an established energy management system.

Impacts from the Brexit Referendum
Symrise established a task force to monitor and assess the impact of the United Kingdom's withdrawal from the European Union (Brexit). At the moment, the company does not expect the withdrawal of the United Kingdom from the European Union to have a significant impact on the Group, as the Group companies based in the United Kingdom have their own production facilities and primarily sell their products to local customers.

In addition, the acquisition of the Cobell Group has strengthened Symrise's presence in the British beverages market and opened up greater potential for British customers. Because it is not known whether a hard Brexit will take place and what its possible consequences might be, Symrise is actively working on developing mitigating measures, which includes building up inventories.

All key financing contracts are made with Symrise AG and are not subject to British law.

Effects from hyperinflationary countries
The hyperinflation currently taking place in Venezuela and Argentina is of minor significance for the Group's consolidated earnings.

GOALS FOR 2025

Financial goals

Sales growth
at local currency
5 – 7 % p.a. (CAGR)

EBITDA margin
19 – 22 % (until 2020)
20 – 23 % (until 2025)

Complementary operative goals

Share of sales
> 50 %
from emerging markets

Customer portfolio mix
1/3
global, regional, local

Cross-divisional
connection of
products and technologies

SUSTAINABILITY

FUTURE CORPORATE DEVELOPMENT

For 2019, Symrise is reaffirming its long-term growth and profitability goals. The Group remains confident that it will continue to grow at a faster pace than the relevant market for fragrances and flavors. According to our own estimates and corporate data, the AFF market is expected to grow by around 4 % worldwide in the current year. All segments, Scent & Care, Flavor and Nutrition, continue to expect sales growth at local currency notably above the market rate.

The disciplined cost management and focus on high-margin business will be continued to further increase earnings. This includes initiatives to reduce complexity of processes and workflows and the development of innovative, sustainable products and technologies. Assuming rising raw material costs and in view of the current strength of the Euro against the US Dollar, the Group again expects to achieve an EBITDA margin of around 20 % in all segments in 2019. Without the effects from possible acquisitions, the ratio of net debt (including provisions for pensions and similar obligations) to EBITDA should be somewhere between 2.5 and 2.8 at the end of 2019. In the medium term, the company is aiming for a return to the debt range of 2.0 to 2.5.

The company will continue its earnings-oriented dividend policy and give its shareholders an appropriate share in the company's success.

GENERAL STATEMENT ON THE COMPANY'S EXPECTED DEVELOPMENT

The Executive Board at Symrise AG sees the company as being optimally positioned to continue developing in every division and growth region. A proven strategy will be used to achieve the goals set. The three pillars of our strategy remain unchanged. They stand for the continued improvement of our competitive position and the sustainable expansion of our business:

- **Growth:** Close cooperation with select customers, particularly as a way to further expand the share of sales in emerging markets.

- **Efficiency:** The continuous improvement of processes and the expansion of backward integration with renewable raw materials.

- **Portfolio:** Tapping into new markets and market segments beyond flavors and fragrances.

Symrise aims to grow primarily organically. Where it is sensible and creates added value, the Group will make acquisitions or forge strategic alliances to ensure access to new technologies, new markets and customers or ensure that it can obtain sustainable, renewable raw materials.

Remuneration Report

The remuneration report explains the guidelines applicable for setting total remuneration for the Executive Board members and describes the structure and amount of the Executive Board members' remuneration. Furthermore, the guidelines and amounts of the remuneration for the Supervisory Board members are also described.

REMUNERATION OF THE EXECUTIVE BOARD

Pursuant to the Appropriateness of Executive Board Remuneration Act (VorstAG) and according to Section 1 (3) of the rules of procedure of the Supervisory Board of Symrise AG, the full Supervisory Board meeting advises, determines and regularly monitors the remuneration system for the Executive Board. It does this upon request of the Personnel Committee. The current remuneration system was last approved by a majority of the shareholders at the 2015 Annual General Meeting. It fulfills all of the recommendations of the German Corporate Governance Code in its version from February 7, 2017.

The system and amount of the Executive Board's remuneration are regularly reviewed by the Supervisory Board at its first meeting of the year with the support of the Personnel Committee. The last review took place during the Supervisory Board meeting in March 2018.

TARGET TOTAL REMUNERATION OF THE EXECUTIVE BOARD IS APPROPRIATE WITH A FACTOR OF 23

The appropriateness of the remuneration depends upon the responsibilities and personal achievements of the individual Executive Board member as well as the economic situation and market environment of the company as a whole. Further, the customary level of remuneration at peer companies and the internal Symrise remuneration structure are also considered. The Supervisory Board is of the opinion that remuneration for Executive Board members should be appropriate and that their set goals should be ambitious.

All members of the Executive Board receive a target total remuneration. This is comprised of a fixed remuneration, the annual variable component and a long-term variable component,

Target total remuneration	100% goal attainment	Maximum remuneration
Remuneration not based on performance	Fixed remuneration	
	Supplementary payments	
Performance-based remuneration	Annual variable remuneration (annual bonus)	150% of the annual bonus
	Multi-year variable remuneration (long-term incentive plan, or LTIP)	200% of the LTIP bonus

each at 100 % goal attainment. This target total remuneration is supplemented by a maximum remuneration for the annual bonus and the long-term incentive (cap).

In determining the target total remuneration, the Supervisory Board considers the global positioning, market environment and short and long-term success of the company. It employs a comparison in terms of national and international peer companies internally (managers and employees) and externally (market environment). The total target remuneration of all Executive Board members corresponds in a vertical remuneration comparison to around 28 times the average remuneration of Symrise employees in Germany and worldwide, and around 23 times the highest collective wage group in Germany.

For the variable remuneration, the goals and criteria for assessing goal attainment are in general more ambitious for Executive Board members than those applied to other managers. For instance, the bonus payment is completely voided if less than 85 % of the set goal is achieved (threshold). For managers, this threshold is set at less than 60 %.

FIXED REMUNERATION AND SUPPLEMENTARY PAYMENTS

Every Executive Board member receives their annual fixed remuneration in equal monthly payments. Supplementary payments mainly contain fringe benefits in the form of non-monetary benefits from the use of a company car and payments for insurance such as a group insurance.

ANNUAL VARIABLE REMUNERATION (BONUS)

The annual variable remuneration consists of a bonus based on the operational key indicators from the corresponding fiscal year.

The annual bonus particularly depends on attaining certain financial goals (so called key performance indicators, such as EBITDA, EBITDA margin, business free cash flow and EPS) as well as qualitative corporate goals. The annual variable remuneration is limited by a cap and can only reach a maximum of 150 % of the contractually agreed annual bonus. If the threshold of 85 % for a specific goal is not attained, the entire variable component for that goal is not paid out.

The goals for the annual variable remuneration were set by the Supervisory Board at the beginning of the 2018 calendar year individually for each member of the Executive Board, taking into account the annual business plan and the respective executive responsibility. Corresponding goals are also applied to the levels below the Executive Board along with other goals. This ensures the consistent pursuit of corporate goals adopted by the Supervisory Board within the company. The annual variable remuneration for the 2018 calendar year will be paid out in cash in the following year (2019) dependent on the degree of attainment on the basis of the approved consolidated financial statements for 2018. The Supervisory Board may consider extraordinary, unforeseen developments when assessing the achievement of goals, at its discretion. The payout cap of 150 % must not be exceeded.

Financial goals (80%)	Strategic/qualitative goals (20%)
50% EBITDA/EBITDA margin 15% Sales growth 15% Business free cash flow	10% Strategic growth projects 10% Sustainability projects
Goal attainment per goal 85% up to max. 150%	**Goal attainment per goal** 50% up to max. 100%
Total goal attainment Total performance indicator in %	
Payout amount of annual bonus Total performance indicator in % x 100% performance-based annual bonus in €	

MULTI-YEAR VARIABLE REMUNERATION (LONG-TERM INCENTIVE PLAN)

Multi-year variable remuneration (long-term incentive plan/ LTIP) is a revolving variable cash remuneration based on the long-term success of the company – expressed in the performance of the share price of Symrise – and is dependent upon the attainment of the goals subsequently listed over a period of three years. It serves to align the actions of the members of the Executive Board over the long-term with the performance of the share price in comparison to competitors and similar companies in the market ("peer group").

Regarding the incentive plans for 2016 – 2018, 2017 – 2019 and 2018 – 2020, performance is measured via a share-based index composed of listed companies in the fragrance and flavor industry as well as supplier companies in the food and cosmetics industry. The key indicator for measuring performance within the index peer group is the share price performance plus dividends or other payments (total investor return). The development of Symrise compared to the companies in the index is represented in the form of a percentile ranking. In order to ensure the best possible objectivity and transparency, the composition of the index and the determination of the percentile ranking are performed by an external consulting firm (Obermatt, Zurich). The index is calculated at daily prices. In the case of changes in the peer group (for example, through acquisition of a listed company), the Supervisory Board will make adjustments upon the recommendation of the external consultant.

For the incentive plans 2016 – 2018 and 2017 – 2019, a bonus will only be paid (threshold) if Symrise performs better than 50 % of the peer companies (at least a 50th percentile rank in the peer group) over three performance years. If this threshold is not met, the bonus is forgone without replacement or substitution. 100 % goal attainment (target amount of the overall income of a member of the Executive Board) would correspond to a 60th percentile rank.

If the Symrise share performs better than all of the companies represented in the index, meaning that Symrise had a 100th percentile rank for each of the three years, this would be rewarded with a doubling of the 100 % goal attainment bonus. In this sense, there is a cap of 200 % of the target amount.

With the incentive plan 2018 – 2020, for the first time a bonus will only be paid (threshold) if Symrise performs better than 25 % of the peer companies (at least a 25th percentile rank in the peer group) over three performance years. Beneath the 25th percentile, the bonus is forgone without replacement or substitution. 100 % goal attainment (target amount of the overall income of a member of the Executive Board) would correspond to a 50th percentile rank. Between the 50th and 75th percentile, the bonus is calculated linearly. This means that if the Symrise share performs better than all of the companies represented in the index and Symrise had a 75th percentile rank for each of the three years, this would be rewarded with a doubling of the 100 % goal attainment bonus. Here, too, there is a cap of 200 %.

Multi-year variable remuneration (long-term incentive plan/LTIP)

Measurement of price performance of the Symrise share (calculation of total investor return) in comparison to peer group (expressed in percentile)	
LTIP 2016–2018	Below the 50th percentile = 0% bonus 50th percentile = 75% bonus 60th percentile = 100% bonus 100th percentile = 200% bonus maximum
LTIP 2017–2019	Below the 50th percentile = 0% bonus 50th percentile = 75% bonus 60th percentile = 100% bonus 100th percentile = 200% bonus maximum
LTIP 2018–2020	Below the 25th percentile = 0% bonus 25th percentile = 25% bonus 50th percentile = 100% bonus 75th percentile = 200% bonus maximum
Calculation of the LTIP bonus (gross cash payment in €)	
Attainment of the average percentile value for each respective LTIP taking into account the three performance years (= average percentile value) x goal LTIP bonus	

For the LTIP offered in 2018, the multi-year variable remuneration awarded for 100 % goal attainment amounted to € 800,000 for Dr. Heinz-Jürgen Bertram. For Achim Daub, Olaf Klinger, Dr. Jean-Yves Parisot and Heinrich Schaper, it is € 500,000 each.

If an Executive Board member leaves the company at their own request before the performance period has ended, the member has essentially no entitlement to the ongoing long-term incentive programs, nor an entitlement to a pro rata payout. An exception exists if the Board member leaves because of retirement, inability to work or death (see Section "Early termination and expiration of employment contracts").

As in the previous year, no provisions were recognized for the LTIP programs 2016 – 2018 or 2017 – 2019 due to a failure to achieve the lower performance threshold. For the LTIP program 2018 – 2020, provisions of € 324,978 were recognized for Dr. Heinz-Jürgen Bertram and € 203,111 for Olaf Klinger, Achim Daub, Heinrich Schaper and Dr. Jean-Yves Parisot each as of the end of the reporting period.

Heinrich Schaper was granted a long-term incentive bonus of € 313,000 (= 100 %) in 2016 before his appointment to the Executive Board. The performance criteria for this correspond to those of a member of the Executive Board. However, due to a shortfall in the minimum target achievement, this will not be paid out.

INDIVIDUAL REMUNERATION IN ACCORDANCE WITH THE RECOMMENDATION FROM SECTION 4.2.5 (3) OF THE GERMAN CORPORATE GOVERNANCE CODE

The remuneration received by the Executive Board members Dr. Bertram, Mr. Daub, Mr. Klinger, Dr. Parisot and Mr. Schaper for the 2018 fiscal year correspond to those set by the resolution of the Supervisory Board and were reviewed in the meeting on March 7, 2018. Accordingly, the remuneration of the Executive Board members is determined against the background of the tasks and performance of the Executive Board members in addition to the general economic situation and the development of Symrise.

Table of financial contributions in the 2018 fiscal year

The following table of financial contributions in the 2018 fiscal year is based on the recommendations of the German Corporate Governance Code in its version from February 7, 2017. Here, values are provided for the minimum and maximum amount of remuneration that can be achieved.

ACTING EXECUTIVE BOARD MEMBERS IN THE 2018 FISCAL YEAR

Financial Contributions €	Dr. Heinz-Jürgen Bertram CEO since 2009				Olaf Klinger CFO since January 2016			
	FY 2017	FY 2018	FY 2018 (min)	FY 2018 (max)	FY 2017	FY 2018	FY 2018 (min)	FY 2018 (max)
Fixed remunerations*	676,670	800,000	800,000	800,000	441,255	500,000	500,000	500,000
Supplementary payments**	21,813	22,019	22,019	22,019	21,713	22,139	22,139	22,139
Total	**698,483**	**822,019**	**822,019**	**822,019**	**462,968**	**522,139**	**522,139**	**522,139**
Annual variable remuneration***	630,000	800,000	0	1,200,000	390,000	500,000	0	750,000
Multi-year variable remuneration (total)****	665,000	800,000	0	1,600,000	455,000	500,000	0	1,000,000
LTIP 2017 (covering 2017 to 2019)	665,000	–	–	–	455,000	–		
LTIP 2018 (covering 2018 to 2020)	–	800,000	0	1,600,000		500,000	0	1,000,000
Total	**1,993,483**	**2,422,019**	**822,019**	**3,622,019**	**1,307,968**	**1,522,139**	**522,139**	**2,272,139**
Service costs*****	35,330	34,648	34,648	34,648	0	0	0	0
Total remuneration (DCGK)	**2,028,813**	**2,456,667**	**856,667**	**3,656,667**	**1,307,968**	**1,522,139**	**522,139**	**2,272,139**

Financial Contributions €	Achim Daub President Scent & Care since 2006				Dr. Jean-Yves Parisot President Diana since October 2016			
	FY 2017	FY 2018	FY 2018 (min)	FY 2018 (max)	FY 2017	FY 2018	FY 2018 (min)	FY 2018 (max)
Fixed remunerations*	455,000	500,000	500,000	500,000	400,000	500,000	500,000	500,000
Supplementary payments**	24,377	19,464	19,464	19,464	137,707	225,146	225,146	225,146
Total	**479,377**	**519,464**	**519,464**	**519,464**	**537,707**	**725,146**	**725,146**	**725,146**
Annual variable remuneration***	390,000	500,000	0	750,000	300,000	500,000	0	750,000
Multi-year variable remuneration (total)****	455,000	500,000	0	1,000,000	400,000	500,000	0	1,000,000
LTIP 2017 (covering 2017 to 2019)	455,000	–	–	–	400,000	–		
LTIP 2018 (covering 2018 to 2020)	–	500,000	0	1,000,000	–	500,000	0	1,000,000
Total	**1,324,377**	**1,519,464**	**519,464**	**2,269,464**	**1,237,707**	**1,725,146**	**725,146**	**2,475,146**
Service costs*****	0	0	0	0	0	0	0	0
Total remuneration (DCGK)	**1,324,377**	**1,519,464**	**519,464**	**2,269,464**	**1,237,707**	**1,725,146**	**725,146**	**2,475,146**

Financial Contributions €	Heinrich Schaper President Flavor since October 2016			
	FY 2017	FY 2018	FY 2018 (min)	FY 2018 (max)
Fixed remunerations*	400,000	500,000	500,000	500,000
Supplementary payments**	22,630	24,299	24,299	24,299
Total	**422,630**	**524,299**	**524,299**	**524,299**
Annual variable remuneration***	300,000	500,000	0	750,000
Multi-year variable remuneration (total)****	400,000	500,000	0	1,000,000
LTIP 2017 (covering 2017 to 2019)	400,000	–		
LTIP 2018 (covering 2018 to 2020)	–	500,000	0	1,000,000
Total	**1,122,630**	**1,524,299**	**524,299**	**2,274,299**
Service costs*****	22,868	23,113	23,113	23,113
Total remuneration (DCGK)	**1,145,498**	**1,547,412**	**547,412**	**2,297,412**

* Increase in benefits for all Executive Board members by resolution of the Supervisory Board as of March 7, 2018.

** Supplementary payments include non-monetary benefits, for example, from the use of a company car and payments for insurances, such as group accident insurance, for all Executive Board members. For Dr. Jean-Yves Parisot, the corresponding amount includes statutory social security contributions (employer contributions) to French social security.

*** Annual variable remuneration contains the value for 100 % goal attainment. The "FY 2018 (max)" column shows the values for achieving the theoretical maximum bonus value of 150 %.

**** Multi-year variable remuneration contains the payments granted by the Supervisory Board in the respective fiscal year for 100 % goal attainment in the long-term incentive program. The "FY 2018 (max)" column shows the values for achieving the theoretical maximum bonus value of 200 %.

***** Service costs contain expenses pursuant to IAS 19 without interest expenses according to the recommendation of the German Corporate Governance Codex.

Table of accrued payments in the 2018 fiscal year

The following table shows the accrual of remuneration in or for the 2018 fiscal year. This is comprised of fixed remuneration, supplementary payments, annual variable remuneration and multi-year variable remuneration, differentiated according to the respective reference years and service costs.

Contrary to the table above, this table contains the actual value of multi-year variable remuneration for Executive Board appointments earned from previous years and paid out in the 2018 fiscal year.

ACTING EXECUTIVE BOARD MEMBERS IN THE 2018 FISCAL YEAR

Accruals €	Dr. Heinz-Jürgen Bertram CEO since 2009 FY 2017	FY 2018	Olaf Klinger CFO since January 2016 FY 2017	FY 2018	Achim Daub President Scent & Care since 2006 FY 2017	FY 2018
Fixed remunerations*	676,670	800,000	441,255	500,000	455,000	500,000
Supplementary payments**	21,813	22,019	21,713	22,139	24,377	19,464
Total	**698,483**	**822,019**	**462,968**	**522,139**	**479,377**	**519,464**
Annual variable remuneration***	855,000	1,159,120	561,000	726,150	450,000	677,300
Multi-year variable remuneration (total)****	0	0	0	0	0	0
LTIP 2015 (covering 2015 to 2017)	0	0	0	0	0	0
LTIP 2016 (covering 2016 to 2018)	0	0	0	0	0	0
Other*****	0	0	0	0	0	0
Total	**1,553,483**	**1,981,139**	**1,023,968**	**1,248,289**	**929,377**	**1,196,764**
Service costs******	35,330	34,648	0	0	0	0
Total remuneration (DCGK)	**1,588,813**	**2,015,787**	**1,023,968**	**1,248,289**	**929,377**	**1,196,764**

Accruals €	Dr. Jean-Yves Parisot President Diana since October 2016 FY 2017	FY 2018	Heinrich Schaper President Flavor since October 2016 FY 2017	FY 2018
Fixed remunerations*	400,000	500,000	400,000	500,000
Supplementary payments**	137,707	225,146	22,630	24,299
Total	**537,707**	**725,146**	**422,630**	**524,299**
Annual variable remuneration***	297,390	750,000	450,000	681,800
Multi-year variable remuneration (total)****	0	0	0	0
LTIP 2015 (covering 2015 to 2017)	0	0	0	0
LTIP 2016 (covering 2016 to 2018)	0	0	0	0
Other*****	150,000	0	50.000	0
Total	**985,097**	**1,475,146**	**922,630**	**1,206,099**
Service costs******	0	0	22,868	23,113
Total remuneration (DCGK)	**985,097**	**1,475,146**	**945,498**	**1,229,212**

* Increase in benefits for all Executive Board members by resolution of the Supervisory Board as of March 7, 2018.
** Supplementary payments include non-monetary benefits, for example from the use of a company car and payments for insurances, such as group accident insurance, for all Executive Board members. For Dr. Jean-Yves Parisot, the corresponding amount includes the statutory social security contributions (employer) for French social security.
*** Annual variable remuneration contains the accruals for the bonus corresponding to the respective fiscal year.
**** Multi-year variable remuneration contains the accrued payments for the respective fiscal year from the respective long-term incentive program based on actual goal attainment.
***** This line includes the accruals from the Diana long-term incentive plan, as laid out in the remuneration report. In addition, the line includes a special bonus for the conclusion of a significant customer contract.
****** Service costs contain expenses pursuant to IAS 19 without interest expenses according to the recommendation of the German Corporate Governance Codex.

DISCLOSURES PURSUANT TO SECTION 315A OF THE GERMAN COMMERCIAL CODE (HGB)

ACTING EXECUTIVE BOARD MEMBERS IN THE 2018 FISCAL YEAR

	Fixed components		Performance-based components		
€	Fixed remuneration	Supplementary payments*	Annual variable remuneration without long-term incentives**	Multi-year variable remuneration with long-term non-share-based incentives***	Total remuneration pursuant to Section 314 (1) no. 6a HGB
Dr. Heinz-Jürgen Bertram					
2018	**800,000**	**22,019**	**1,159,120**	**0**	**1,981,139**
2017	676,670	21,813	855,000	0	1,553,483
Olaf Klinger					
2018	**500,000**	**22,139**	**726,150**	**0**	**1,248,289**
2017	441,255	21,713	561,000	0	1,023,968
Achim Daub					
2018	**500,000**	**19,464**	**677,300**	**0**	**1,196,764**
2017	455,000	24,377	450,000	0	929,377
Dr. Jean-Yves Parisot					
2018	**500,000**	**225,146**	**750,000**	**0**	**1,475,146**
2017	400,000	137,707	297,390	150,000	985,097
Heinrich Schaper					
2018	**500,000**	**24,299**	**681,800**	**0**	**1,206,099**
2017	400,000	22,630	450,000	0	872,630

* Supplementary payments include non-monetary benefits, for example from the use of a company car and payments for insurances, such as group accident insurance, for all Executive Board members. For Dr. Jean-Yves Parisot, the corresponding amount includes the statutory social security contributions (employer) for French social security.
** One-year variable remuneration includes bonus provisions for the current year and bonus payments from the previous year where this deviates from the previous year amount, and for Heinrich Schaper, this includes the granting of a special bonus for the conclusion of a significant customer contract.
*** Multi-year variable remuneration contains the provisions as of 12/31/2018, for the LTIP program 2016 – 2018 and as of 12/31/2017, for the LTIP program 2015 – 2017 as well as the Diana LTIP for Dr. Parisot.

EXPANSION OF PENSIONS THROUGH PERSONAL CONTRIBUTIONS

Company-financed pensions are not granted by Symrise in new Executive Board member contracts. However, all members of the Executive Board have the possibility of accumulating deferred compensation benefits by converting their salaries. In 2018, Dr. Bertram, Mr. Klinger and Mr. Schaper made use of this option. There is no company contribution similar to the regulations applied to non-tariff employees and managers in connection with this “deferred compensation” arrangement.

In order to service future entitlements for the Executive Board members as part of a deferred compensation plan, Symrise made allocations to provisions for Dr. Bertram amounting to € 87,038 (previous year: € 128,909) as well as € 61,157 (previous year: € 139,638) for Mr. Klinger and € 93,338 (previous year: € 118,550) for Mr. Schaper based on actuarial computations in 2018.

Due to their prior employment contracts with Symrise, pension commitments exist for Dr. Bertram and Mr. Schaper, which were also offered to all other employees of the former Haarmann & Reimer GmbH. For these benefit obligations, the allocation to the provision for Dr. Bertram amounted to € 34,648 (previous year: € 35,330) while provision expenses of € 23,113 (previous year: € 22,868) was allocated to the provision for Mr. Schaper in the 2018 fiscal year.

As of December 31, 2018, the present value of the provisions for pensions or deferred compensation obligations for Dr. Bertram amount to € 2,458,075 (previous year: € 2,363,788), € 346,624 for Mr. Klinger (previous year: € 285,467) and € 1,314,022 for Mr. Schaper (previous year: € 1,206,715).

No provisions for pensions or deferred compensation obligations exist for Mr. Daub or Dr. Parisot.

CHANGE OF CONTROL

The employment contracts that form the basis for all Executive Board appointments include identical commitments for payments in case of an early termination of the Executive Board position resulting from a change of control.

In the case of a change of control, all Executive Board members have the right to terminate their employment contract.

In the case of a change of control and a corresponding termination by the employer or early recall by the Supervisory Board, all Executive Board members are to receive compensation for the remaining terms of their contracts with severance equal to at least three years' pay. The overall limit of payments to be made is set at 150 % of the severance payment cap for all Executive Board members according to the provisions of the German Corporate Governance Code of February 7, 2017 – in other words a maximum of three year's remuneration including supplementary payments.

Further, all the long-term incentive plans (LTIP) contain a special clause for the case of a change of control. If a member of the Executive Board is recalled as part of a change of control, this Executive Board member would receive all ongoing and not yet due multi-year variable remuneration paid out at the level of 100 % goal attainment.

EARLY TERMINATION AND EXPIRATION OF EMPLOYMENT CONTRACTS

The members of the Executive Board do not receive any special remuneration upon expiration of their contracts and do not receive any termination benefits. In the event of retirement or permanent disability, the long-term incentive programs running at the time of departure are paid out on a pro rata basis.

No termination benefits are provided if the termination of an Executive Board contract is done consensually upon the request of the Executive Board member.

A post-employment non-compete clause was agreed upon with all Executive Board members for twelve months, which the company may waive. In the event that it is utilized, the member concerned shall receive 50 % of his or her fixed remuneration for these twelve months as compensation.

D & O INSURANCE

While observing all legal requirements, Symrise AG took out a professional indemnity insurance (D & O insurance) for the members of the Executive Board with an appropriate deductible pursuant to Section 93 (2) sentence 3 of the German Stock Corporation Act (AktG).

REMUNERATION OF THE SUPERVISORY BOARD

The remuneration of the Supervisory Board was adjusted for the first time in five years in 2018. During this period, Symrise AG's market capitalization has more than doubled, sales rose from € 1.8 billion to around € 3 billion and the number of employees increased from around 6,000 to around 9,400. This has been accompanied by increased responsibility and a significantly increased workload for the Supervisory Board, not least due to the active M & A work of Symrise.

The members of the Supervisory Board have received an annual remuneration amounting to € 70,000 since the 2018 fiscal year. The Chairman of the Supervisory Board receives an additional annual remuneration amounting to € 70,000. The Vice Chairperson of the Supervisory Board and the Chairperson of the Auditing Committee each receive an additional annual remuneration of € 35,000.

Furthermore, the members of the Supervisory Board receive a stipend of € 1,000 for their participation in Supervisory Board sessions and those of its committees. This is, however, limited to a maximum of € 1,500 per calendar day. Supervisory Board members whose inclusion on the Board comprised less than a full year are to receive one-twelfth of their appointed remuneration for every commenced month of activity. This also applies to members of Supervisory Board committees.

Remuneration shall be paid upon the completion of the Annual General Meeting, which is formally responsible for discharging the members of the Supervisory Board for the respective fiscal year for which remuneration is due.

The company shall reimburse Supervisory Board members of reasonable expenses upon presentation of receipts. Value-added tax is to be reimbursed by the company insofar as the members of the Supervisory Board are authorized to separately invoice the company for value-added tax and exercise this right. A breakdown of the total remuneration for each Supervisory Board member is shown in the following table.

€	Remuneration	Stipends	Total remuneration as of December 31, 2018	Total remuneration as of December 31, 2017
Dr. Thomas Rabe (Chairman)	140,000	6,000	146,000	126,000
Regina Hufnagel (Vice Chairperson until August 31, 2018)	70,000	6,000	76,000	99,500
Harald Feist (Vice Chairman from September 20, 2018)	81,667	9,500	91,167	69,500
Dr. Michael Becker (until May 16, 2018)	43,750	4,000	47,750	98,500
Ursula Buck	70,000	8,500	78,500	68,500
Horst-Otto Gerberding	70,000	6,000	76,000	66,000
Bernd Hirsch (from May 16, 2018)	70,000	4,500	74,500	0
André Kirchhoff	70,000	5,000	75,000	65,000
Jeanette Kurtgil	70,000	6,000	76,000	65,000
Prof. Dr. Andrea Pfeifer	70,000	5,000	75,000	66,000
Andrea Püttcher (from September 20, 2018)	23,333	2,000	25,333	0
Dr. Winfried Steeger	70,000	7,500	77,500	67,500
Dr. Ludwig Tumbrink	70,000	5,500	75,500	65,000
Peter Winkelmann	70,000	9,500	79,500	69,500
	988,750	**85,000**	**1,073,750**	**926,000**

D & O INSURANCE

In conformity with the German Corporate Governance Code, a professional indemnity insurance (D & O insurance) with an appropriate deductible was also taken out for the members of the Supervisory Board.

Disclosures Pursuant to Section 315a of the German Commercial Code (HGB)

- The share capital of Symrise AG remains unchanged at € 129,812,574. It is divided into no-par-value shares with a nominal value of € 1. The associated rights and duties are set forth in the relevant provisions of the German Stock Corporation Act (AktG). There are no different types of shares with different rights and obligations. Nor do any special rights or rights of control exist for any shareholders.

- The announcement dated March 27, 2017, was made in connection with the declaration of independence of the Massachusetts Financial Services Company (MFS) and its subsidiaries made by Sun Life Financial Inc. of Toronto, Canada, in its own name and on behalf of its subsidiaries. Massachusetts Financial Services Company (MFS) and its subsidiaries continue to manage a stake in Symrise AG.

- The appointment and removal of members of the Executive Board is based on Sections 84 and 85 of the German Stock Corporation Act (AktG). Amendments to the articles of incorporation are based on Sections 133 and 179 of the German Stock Corporation Act (AktG).

- The Executive Board is authorized, subject to the consent of the Supervisory Board, to increase the share capital of the company until May 11, 2020, by up to € 25,000,000 million through one or more issuances of new, no-par-value shares against contribution in cash and/or in kind. The new shares may be underwritten by one or more financial institutions determined by the Executive Board in order for such shares to be offered to the shareholders (indirect subscription right). The Executive Board is authorized, subject to the consent of the Supervisory Board, to exclude the subscription rights of existing shareholders in the following instances:

  a) In the case of capital increases in return for assets in kind to grant shares for the purpose of acquiring companies, parts of companies or share interests in companies;

  b) For the purpose of issuing a maximum number of 1,000,000 new shares to employees of the company and affiliated companies, within the constraints imposed by law;

  c) Insofar as this is necessary in order to grant holders of warrants and convertible bonds issued by the company or its subsidiaries a right to subscribe for new shares to the extent that they would be entitled to such a right when exercising the warrants or options or when meeting obligations arising from the warrants or options;

  d) To exclude fractional amounts from subscription rights;

  e) In the case of capital increases against payment in cash, if, at the time of the final determination of the issue price by the Executive Board, the issue price of the new shares is not materially – within the meaning of Section 203 (1) and (2) of the German Stock Corporation Act (AktG) and Section 186 (3), Sentence 4 of the German Stock Corporation Act – less than the stock market price of shares already traded on the stock exchange of the same type and with the same attributes and the aggregate amount of the new shares for which subscription rights are excluded does not exceed 10 % of the share capital either at the time this authorization comes into force or at the time this authorization is exercised. This restriction is to include shares that were or will be sold or issued without subscription rights during the period of validity of this authorization, up to the time of its exercise, by reason of other authorizations in direct or corresponding application of Section 186, (3) Sentence 4 of the German Stock Corporation Act (AktG).

  The Executive Board is authorized, subject to the consent of the Supervisory Board, to determine the further particulars of the capital increase and its implementation including the scope of shareholder rights and the conditions for the issuing of shares.

  The company's share capital has been conditionally increased by up to € 20,000,000.00 through the issue of up to 20,000,000 new no-par value bearer shares. The conditional capital increase shall only be implemented to the extent that the holders of convertible bonds issued for cash or of warrants from option bonds issued for cash by the company or a Group company up until May 16, 2022, on the basis of the authorization granted to the Executive Board by the Annual General Meeting of May 17, 2017, exercise their conversion or option rights, or fulfill their obligations for exercising the option/conversion rights, or the company exercises its right to grant bondholders shares in the company in full or partial settlement of the cash amount that has become due, and as long as no other forms of settlement are used (conditional capital 2017). The new shares shall participate in the profits from the start of the fiscal year in which they are issued.

The Executive Board is authorized, with the consent of the Supervisory Board, to determine the further details regarding the implementation of the conditional capital increase. The Supervisory Board is authorized to amend Section 4 (6) of the articles of incorporation in accordance with the utilization of the conditional capital. The same applies if the authorization to issue convertible/option bonds is not exercised after the end of the authorization period and if the conditional capital is not utilized after the expiry of all conversion and option periods.

- Furthermore, the Executive Board is authorized to purchase treasury shares amounting up to 10 % of the current share capital until May 11, 2020. The purchased shares together with other treasury shares that are held by the company or are attributed to it according to Section 71 a et seq. of the German Stock Corporation Act (AktG) may not at any time exceed 10 % of the share capital. The authorization must not be used for the trade of treasury shares.

a) For one or more purposes, the authorization may be invoked by the company, or by third parties for the account of the company, in one total amount or in a number of partial amounts either singly or on several separate occasions.

b) The Executive Board has the choice of making the acquisition either through the stock exchange or in the form of a published purchase offer, or respectively, in the form of a published request for tender of such an offer.

aa) If the acquisition of shares is made through the stock exchange, the consideration per share paid by the company (excluding ancillary acquisition costs) may not exceed or undercut the opening auction price quoted on the XETRA trading system (or a comparable replacement system) on the day of the stock exchange trading by more than 5 %.

bb) If the acquisition is made in the form of a published purchase offer, or in the form of a published request for tender of a purchase offer, the purchase price offered per share, or the limits of the purchase price spread per share (excluding ancillary acquisition costs), may not exceed or undercut the average closing price quoted on the XETRA trading system (or a comparable replacement system) on the last three stock exchange trading days before the date of publication of the offer, or respectively, the date of publication of a request for tender of a purchase offer, by more than 10 %. If, following publication of the purchase offer, or respectively, following publication for tender of a purchase offer, significant fluctuations occur in the applicable reference price, then an adjustment may be made to the offer, or respectively, to the request for tender of such an offer. In such circumstances, reference will be made to the average price of the last three stock exchange trading dates before publication of any potential adjustment. The purchase offer, or respectively, the request for tender of such an offer may include further conditions. Inasmuch as the offer is oversubscribed, or respectively, in the case of a request for tender of an offer, inasmuch as not all equivalent offers can be accepted, then acceptance must occur on a quota basis. Preferential acceptance of small quantities of up to 100 shares on offer is permissible.

c) The Executive Board is authorized to use company shares that are acquired on the basis of this authorization for all permitted legal purposes but especially for the following purposes:

aa) The shares may be redeemed without the necessity for the redemption or its execution to be authorized by a further resolution of a general meeting of shareholders. In a simplified procedure, they may be redeemed without a formal reduction in capital by adjustment of the proportional amount applicable to the remaining no-par-value shares making up the company's share capital. The redemption may be limited to only a portion of the shares acquired. The authorization for redemption of shares may be invoked repeatedly. If the redemption is performed using the simplified procedure, then the Executive Board is authorized to adjust the number of no-par-value shares contained in the company's articles of incorporation.

bb) The shares may also be sold by means other than through the stock exchange or an offer to the shareholders if the shares are disposed of against payment in cash at a price that is not significantly less than the quoted stock exchange price at the time of disposal for shares of the same type.

cc) The shares may be sold in consideration for contributions in kind, particularly in connection with the acquisition of other entities, parts of entities or investments in entities as well as in connection with business mergers.

d) The authorizations listed under paragraph c) subparagraphs aa) to cc) above also cover the disposition of company shares that are acquired pursuant to Section 71 d sentence 5 of the German Stock Corporation Act (AktG).

e) The authorizations listed under c) above may be made use of singly or repeatedly, wholly or partly, individually or jointly; the authorizations under c) subparagraphs bb) and cc) may also be made use of by entities dependent on the company or by entities that are owned in the majority by the company, or for their account, or for the account of third parties acting on behalf of the company.

f) Shareholder subscription rights in respect of this treasury stock are excluded to the extent that these shares are disposed of in accordance with the aforementioned authorization contained in paragraph c) subparagraphs bb) and cc).

g) The Supervisory Board may prescribe that measures taken by the Executive Board based on this resolution by the Annual General Meeting of the shareholders may only be executed with its permission.

- The employment contracts for the members of the Executive Board at Symrise AG contain a change of control clause. The clause provides that Executive Board members, who are recalled without serious cause or mutually agree to resign from their Executive Board positions after a change of control, but before the end of their contract term, are entitled to a settlement for the time remaining on their employment contracts or at least termination benefits amounting to three years' worth of remuneration. Severance and settlement must not exceed the overall limit of 150 % of the severance payment cap pursuant to the provisions of the German Corporate Governance Code as from February 7, 2017, published in the official section of the Federal Gazette by the German Federal Ministry of Justice on April 24, 2017, and amended on May 19, 2017.

- A change of control resulting from a takeover bid could possibly have an impact on some of the long-term financing contracts of Symrise AG, which contain agreements on a change of control. These are standard change of control clauses, which may grant creditors the right to terminate their contracts prematurely in the event of a change of control.

No further disclosure requirements exist pursuant to Section 315a of the German Commercial Code (HGB).

Corporate Governance Statement

The Corporate Governance Statement has been made available on Symrise AG's website at: **https://www.symrise.com/corporate-governance-statement**.

Consolidated Financial Statements

SYMRISE AG, HOLZMINDEN

January 1 to December 31, 2018

CONSOLIDATED FINANCIAL STATEMENTS 2018

Consolidated Income Statement – January 1 to December 31, 2018

T€	Notes	2017	2018
Sales	4	2,996,294	3,154,032
Cost of goods sold	5	– 1,771,825	– 1,912,558
Gross profit		**1,224,469**	**1,241,474**
Selling and marketing expenses	7	– 478,129	– 489,941
Research and development expenses	8	– 196,432	– 200,441
Administration expenses	9	– 154,658	– 164,728
Other operating income	10	38,408	50,948
Other operating expenses		– 2,072	– 3,340
Income from operations/EBIT		**431,586**	**433,972**
Financial income		6,843	6,324
Financial expenses		– 62,981	– 51,253
Financial result	**11**	**– 56,138**	**– 44,929**
Earnings before income taxes		**375,448**	**389,043**
Income taxes	12	– 99,799	– 109,356
Net income		**275,649**	**279,687**
of which attributable to shareholders of Symrise AG		270,270	275,330
of which attributable to non-controlling interests		5,379	4,357
Earnings per share (€)	**14**		
basic		2.08	2.12
diluted		2.06	2.08

Consolidated Statement of Comprehensive Income

T€	Notes	2017	2018
Net income		**275,649**	**279,687**
of which attributable to shareholders of Symrise AG		270,270	275,330
of which attributable to non-controlling interests		5,379	4,357
Items that may be reclassified subsequently to the consolidated income statement			
Exchange rate differences resulting from the translation of foreign operations	2.5		
Exchange rate differences that occurred during the fiscal year	26	– 152,297	30,483
Gains/losses from net investments		– 6,978	– 3,604
Financial instruments measured at fair value			
Reclassification from financial instruments measured at fair value previously classified as financial assets available for sale to the consolidated income statement		17	0
Cash flow hedge (currency hedges)	26		
Gains/losses recorded during the fiscal year		2,691	– 2,091
Reclassification to the consolidated income statement		– 1,462	1,141
Income taxes payable on these components	12	1,771	– 1,540
Items that will not be reclassified to the consolidated income statement			
Remeasurement of defined benefit pension plans and similar obligations	25	8,576	23,879
Income taxes payable on these components	12	– 5,726	– 6,791
Other comprehensive income		**– 153,408**	**41,477**
Total comprehensive income		**122,241**	**321,164**
of which attributable to shareholders of Symrise AG		122,738	316,860
of which attributable to non-controlling interests		– 497	4,304

Consolidated Statement of Financial Position

T€	Notes	December 31, 2017	December 31, 2018
ASSETS			
Current assets			
Cash and cash equivalents	15	229,505	279,595
Trade receivables	16	557,436	596,396
Inventories	17	751,511	844,874
Other non-financial assets and receivables		77,507	81,018
Other financial assets		24,012	7,835
Income tax assets		25,538	25,741
		1,665,509	**1,835,459**
Non-current assets			
Intangible assets	18	1,965,890	1,912,455
Property, plant and equipment	19	901,620	1,036,093
Other non-financial assets and receivables		27,809	27,054
Other financial assets		7,623	22,866
Deferred tax assets	20	106,170	86,452
		3,009,112	**3,084,920**
TOTAL ASSETS		**4,674,621**	**4,920,379**

Consolidated Statement of Financial Position

T€	Notes	December 31, 2017	December 31, 2018
LIABILITIES			
Current liabilities			
Trade payables	21	276,229	315,806
Borrowings	22	88,974	623,341
Other non-financial liabilities	23	155,921	170,073
Other provisions	24	12,432	9,577
Other financial liabilities		7,186	5,348
Income tax liabilities		62,639	94,232
		603,381	**1,218,377**
Non-current liabilities			
Borrowings	22	1,538,764	1,036,018
Other non-financial liabilities		5,673	5,407
Other provisions	24	21,073	21,427
Provisions for pensions and similar obligations	25	523,368	513,292
Other financial liabilities		5,198	6,212
Deferred tax liabilities	20	195,861	171,975
Income tax liabilities		11,967	3,263
		2,301,904	**1,757,594**
TOTAL LIABILITIES		**2,905,285**	**2,975,971**
EQUITY	26		
Share capital		129,813	129,813
Capital reserve		1,405,085	1,405,085
Reserve for remeasurements (pensions)		– 178,783	– 161,694
Cumulative translation differences		– 213,838	– 189,413
Accumulated profit		567,234	705,668
Other reserves		3,235	2,533
Symrise AG shareholders' equity		**1,712,746**	**1,891,992**
Non-controlling interests	27	56,590	52,416
TOTAL EQUITY		**1,769,336**	**1,944,408**
LIABILITIES AND EQUITY		**4,674,621**	**4,920,379**

Consolidated Statement of Cash Flows

T€	Notes	2017	2018
Net income		**275,649**	**279,687**
Income taxes	12	99,799	109,356
Interest result	11	48,496	37,430
Depreciation, amortization and impairment of non-current assets	18, 19	198,718	196,549
Increase (+)/decrease (–) in other non-current liabilities		4,150	2,090
Increase (–)/decrease (+) in other non-current assets		619	– 13,234
Gains (–)/losses (+) from the disposal of property, plant and equipment		– 230	– 2,356
Loss on the net monetary position (hyperinflation)	11	0	3,219
Other non-cash expenses and income		15,076	5,711
Cash flow before working capital changes		**642,277**	**618,452**
Increase (–)/decrease (+) in trade receivables and other current assets		– 58,752	– 43,512
Increase (–)/decrease (+) of inventories		– 106,652	– 89,811
Increase (+)/decrease (–) in trade payables and other current liabilities		36,390	52,833
Income taxes paid		– 117,079	– 96,177
Cash flow from operating activities		**396,184**	**441,785**
Payments for business combinations, plus acquired cash equivalents, for subsequent contingent purchase price components as well as for investments in associated companies	29	– 22,290	– 21,696
Payments received from the sale of a subsidiary minus cash sold	29	6,527	6,365
Payments for investing in intangible assets		– 17,710	– 15,900
Payments for investing in property, plant and equipment		– 185,457	– 212,224
Payments for investing in non-current financial assets		– 2,775	– 1,795
Proceeds from the disposal of non-current assets		2,428	6,053
Cash flow from investing activities		**– 219,277**	**– 239,197**
Proceeds from (+)/redemption of (–) bank borrowings		– 162,182	18,127
Proceeds from (+)/redemption of (–) other borrowings		– 300,484	– 664
Issue of a convertible bond less transaction costs		397,062	0
Interest paid		– 40,445	– 24,800
Interest received		2,077	2,501
Dividends paid	29	– 113,427	– 116,955
Acquisition of non-controlling interests		0	– 29,137
Payments for finance lease liabilities		– 1,707	– 1,389
Cash flow from financing activities		**– 219,106**	**– 152,317**
Net change in cash and cash equivalents		– 42,199	50,271
Effects of changes in exchange rates		– 29,944	3,038
Loss on the net monetary position (hyperinflation)	11	0	– 3,219
Total changes		**– 72,143**	**50,090**
Cash and cash equivalents as of January 1		301,648	229,505
Cash and cash equivalents as of December 31	15	**229,505**	**279,595**

The consolidated statement of cash flows is explained in note 29.

Consolidated Statement of Changes in Equity

T€	Share capital	Capital reserve	Reserve for remeasurements (pensions)	Cumulative translation differences	Accumulated profit	Other reserves	Symrise AG shareholders' equity	Non-controlling interests	Total equity
January 1, 2017	**129,813**	**1,375,957**	**– 181,633**	**– 62,537**	**407,764**	**2,316**	**1,671,680**	**59,786**	**1,731,466**
Net income	–	–	–	–	270,270	–	**270,270**	5,379	**275,649**
Other comprehensive income	–	–	2,850	– 151,301	–	919	**– 147,532**	– 5,876	**– 153,408**
Total comprehensive income	**–**	**–**	**2,850**	**– 151,301**	**270,270**	**919**	**122,738**	**– 497**	**122,241**
Dividends paid	–	–	–	–	– 110,341	–	**– 110,341**	– 3,086	**– 113,427**
Other changes	–	29,128	–	–	– 459	–	**28,669**	387	**29,056**
December 31, 2017	**129,813**	**1,405,085**	**– 178,783**	**– 213,838**	**567,234**	**3,235**	**1,712,746**	**56,590**	**1,769,336**

T€	Share capital	Capital reserve	Reserve for remeasurements (pensions)	Cumulative translation differences	Accumulated profit	Other reserves	Symrise AG shareholders' equity	Non-controlling interests	Total equity
January 1, 2018	**129,813**	**1,405,085**	**– 178,783**	**– 213,838**	**567,234**	**3,235**	**1,712,746**	**56,590**	**1,769,336**
Net income	–	–	–	–	275,330	–	**275,330**	4,357	**279,687**
Other comprehensive income	–	–	17,089	25,143	–	– 702	**41,530**	– 53	**41,477**
Total comprehensive income	**–**	**–**	**17,089**	**25,143**	**275,330**	**– 702**	**316,860**	**4,304**	**321,164**
Dividends paid	–	–	–	–	– 114,235	–	**– 114,235**	– 2,720	**– 116,955**
Other changes	–	–	–	– 718	– 22,661	–	**– 23,379**	– 5,758	**– 29,137**
December 31, 2018	**129,813**	**1,405,085**	**– 161,694**	**– 189,413**	**705,668**	**2,533**	**1,891,992**	**52,416**	**1,944,408**

The other changes result from the acquisition of non-controlling interests.

Other equity developments are explained in note 26.

Notes

1. GENERAL INFORMATION

Symrise Aktiengesellschaft (Symrise AG, hereafter also referred to as “Symrise” or “we”) is a stock corporation under German law and the parent of the Symrise Group with its registered office at Muehlenfeldstrasse 1, 37603 Holzminden, Germany, and is registered in the commercial register of the District Court of Hildesheim under registration number HRB 200436. Symrise is a global supplier of fragrances and flavorings, cosmetic active ingredients and raw materials as well as functional ingredients and solutions that enhance the sensory properties and nutrition of various products. The shares of Symrise AG are authorized for trading on the stock exchange in the regulated market of the Frankfurt Securities Exchange in the Prime Standard segment. They are listed in the MDAX®.

The consolidated financial statements and the Group management report of Symrise AG for the fiscal year ending December 31, 2018, were prepared by the Executive Board on February 14, 2019, and subsequently submitted to the Supervisory Board’s Auditing Committee for review and approval.

The consolidated financial statements and the Group management report of Symrise AG have been prepared in accordance with the International Financial Reporting Standards (IFRS) of the International Accounting Standards Board (IASB), London, as well as the interpretations of the International Financial Reporting Interpretations Committee (IFRIC) as adopted by the European Union and the supplementary commercial law provisions of Section 315e (1) of the German Commercial Code (HGB or “Handelsgesetzbuch”) that were valid at the end of the reporting period. The following explanations include those disclosures and comments that are to be provided as notes to the consolidated financial statements in accordance with IFRS in addition to the information contained in the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of financial position, the consolidated statement of cash flows and the consolidated statement of changes in equity. They thus represent an essential component of these consolidated financial statements.

For the purposes of a clearer presentation, some reporting line items included in the consolidated income statement and the consolidated statement of financial position group together individual items. Supplementary information relating to such items is presented separately in the notes. The consolidated income statement has been prepared using the cost of sales method.

2. ACCOUNTING POLICIES

2.1 Basis of preparation of the financial statements

The consolidated financial statements are prepared on the basis of historical cost with the exception of derivative financial instruments, cash equivalents, securities and selected equity instruments, which are measured at fair value through profit or loss.

The consolidated financial statements are presented in Euros and amounts are rounded to the nearest thousand Euros (T€); in this process, rounding differences may arise. Deviations from this method are explicitly indicated. The separate financial statements of the companies included in the consolidation were prepared as of the reporting date of the consolidated financial statements.

2.2 Changes to accounting policies

The accounting policies adopted are generally consistent with those applied in the previous year.

The following new or revised standards and interpretations are mandatory from the 2018 fiscal year onwards:

- **IFRS 9 "Financial Instruments"** replaces IAS 39 "Financial Instruments: Recognition and Measurement" and harmonizes the requirements for the classification and measurement of financial assets as well as financial liabilities and introduces a new model for the impairment of financial assets. Symrise applied IFRS 9 "Financial Instruments" for the first time for the fiscal year beginning on January 1, 2018. As a result, we changed our accounting policies for financial instruments as described in note 2.5. As a result of the application of IFRS 9, Symrise also applies the changes to IAS 1 "Presentation of Financial Statements." Furthermore, the amendments to IFRS 7 "Financial Instruments: Disclosures" were applied to the reporting period. Since the initial application of IFRS 9 did not lead to any material adjustments within the Group, in the following we only present the requirements of IFRS 9 that are relevant to Symrise. The classification of financial assets is based on two criteria: The business model of the Group for managing assets and the question of whether contractual cash flows relating to the instruments exclusively represent interest and payments on the principal amount outstanding. The assessment of the Group's business model took place at the time of the initial application on January 1, 2018. The assessment of whether contractual cash flows relating to the instruments exclusively represent interest and payments on the principal amount outstanding was based on the facts and circumstances valid at the time of the initial recognition of financial assets. The following outlines the changes in the classification and measurement of the Group's financial assets and liabilities. The financial assets and liabilities, which were previously measured at amortized cost, continue to meet the criteria to be measured at amortized cost, according to our assessment. Bonds held to maturity at the end of the reporting period (December 31, 2017) are also to be measured at amortized cost in the future. Under IFRS 9, financial assets and liabilities held for trading purposes are still to be accounted at fair value through profit or loss. The aforementioned changes therefore have no effect on the consolidated financial statements. Fund shares previously classified as available-for-sale are still recognized in the statement of financial position at fair value, but any changes in measurement must now be recognized in profit or loss. The amount recognized in other comprehensive income as of December 31, 2017, totaled T€ 17. A future-oriented model based on IFRS 9 was introduced for the recognition of impairment losses in place of the model previously applied for losses incurred based on IAS 39. According to this new model, an allowance for expected credit losses must be recorded both for debt instruments not subsequently measured at fair value through profit or loss as well as for financial assets. With regard to the new impairment model, we chose the simplified accounting for trade receivables, where impairment is calculated based on the lifetime expected credit loss. We do not see any need for adjustment following our review of the actual allowances made, as the result of the approach adopted in the past coincides with a lifetime expected credit loss. For the other financial assets, we did not anticipate any credit defaults that will result in default events in the next 12 months as of the end of the reporting period on December 31, 2017. The "Expected Loss Model" in IFRS 9 therefore had no impact on our financial statements at initial application. The changes stemming from IFRS 9 had no impact on the cash flows from the operating, investing or financing activities of the Group or on the diluted and basic earnings per share. The hedging transactions designated in hedge accounting under IAS 39 at the end of the reporting period (December 31, 2017) also meet the requirements for hedge accounting under IFRS 9. The scope of currency hedging transactions is insignificant from the Group's point of view (market value on January 1, 2017: T€ 534, December 31, 2018: T€ 250), which is why the resulting effects at initial application were negligible (January 1, 2018: T€ 5; December 31, 2018: T€ 11). The changes resulting from the application of the new standards were applied retrospectively, but did not result in any adjustment to the opening balance sheet figures as of January 1, 2018, as described above. This excluded all hedging relationships designated in accordance with IAS 39 as of December 31, 2017, since they met the hedge accounting definition under IFRS 9 as of January 1, 2018, and are therefore classified as current hedging relationships. IFRS 9 was applied prospectively in this context. The changes in the measurement categories resulted in the following allocation of financial instruments in the statement of financial position; an adjustment of the carrying amounts was not necessary:

T€	Measurement category: Pursuant to IAS 39[1)]	Measurement category: Pursuant to IFRS 9[2)]	Carrying amounts: December 31, 2017	Carrying amounts: January 1, 2018
FINANCIAL ASSETS				
Current financial assets				
Cash and cash equivalents			229,505	229,505
of which cash	LaR	FAAC	214,843	214,843
of which cash equivalents with a maturity of up to three months	LaR	FVTPL	14,662	14,662
Trade receivables	LaR	FAAC	557,436	557,436
Other financial assets			24,012	24,012
of which cash equivalents with a term longer than three months and up to one year	AfS	FAAC	1,400	1,400
of which derivative financial instruments without hedge relationship	HfT	FVTPL	1,560	1,560
of which derivative financial instruments with hedge relationship	n.a.	n.a.	542	542
of which other	LaR	FAAC	20,510	20,510
			810,953	**810,953**
Non-current financial assets				
Other financial assets			7,623	7,623
of which securities	AfS	FVTPL	2,365	2,365
of which equity instruments	AfS	FAAC	1,700	14
		FVTPL		1,686
of which other	LaR	FAAC	3,558	3,558
			7,623	**7,623**
TOTAL FINANCIAL ASSETS			**818,576**	**818,576**

1) According to IAS 39, financial instruments are classified into the categories "loans and receivables (LaR)", "available-for-sale financial assets (AfS)", "held for trading (HfT)", "held to maturity (HtM)" or "financial liabilities measured at amortized cost (FLAC)".

2) According to IFRS 9, financial instruments are classified into the categories "Financial assets measured at amortized cost (FAAC)", "Measured at fair value through profit or loss (FVTPL)", "Measured at fair value through other comprehensive income (FVOCI)" or "Financial liabilities measured at amortized cost (FLAC)".

T€	Measurement category Pursuant to IAS 39[1]	Pursuant to IFRS 9[2]	Carrying amounts December 31, 2017	January 1, 2018
FINANCIAL LIABILITIES				
Current financial liabilities				
Trade payables	FLAC	FLAC	276,229	276,229
Borrowings	FLAC	FLAC	88,974	88,974
Other financial liabilities			7,186	7,186
of which derivative financial instruments without hedge relationship	HfT	FVTPL	939	939
of which derivative financial instruments with hedge relationship	n.a.	n.a.	8	8
of which liabilities from finance leases	n.a.	n.a.	1,087	1,087
of which other	FLAC	FLAC	5,152	5,152
			372,389	**372,389**
Non-current financial liabilities				
Borrowings	FLAC	FLAC	1,538,764	1,538,764
Other financial liabilities			5,198	5,198
of which liabilities from finance leases	n.a.	n.a.	4,760	4,760
of which other	FLAC	FLAC	438	438
			1,543,962	**1,543,962**
TOTAL FINANCIAL LIABILITIES			**1,916,351**	**1,916,351**

[1] According to IAS 39, financial instruments are classified into the categories “loans and receivables (LaR)”, “available-for-sale financial assets (AfS)”, “held for trading (HfT)”, “held to maturity (HtM)” or “financial liabilities measured at amortized cost (FLAC)”.
[2] According to IFRS 9, financial instruments are classified into the categories “Financial assets measured at amortized cost (FAAC)”, “Measured at fair value through profit or loss (FVTPL)”, “Measured at fair value through other comprehensive income (FVOCI)” or “Financial liabilities measured at amortized cost (FLAC)”.

- **IFRS 15 “Revenue from Contracts with Customers”** replaces the existing accounting standards for recognizing sales including IAS 11 “Construction Contracts,” IAS 18 “Revenue” and all other related interpretations. We have applied IFRS 15 “Revenue from Contracts with Customers” for the first time for the fiscal year beginning on January 1, 2018. Consequently, we have changed our accounting policies for revenue recognition as described in note 2.5.

IFRS 15 contains a five-step model for recognizing sales revenue that has to be applied to all contracts with customers. It determines the point in time (or period) at which and the amount of sales revenue to be recognized. The standard is accompanied by new, more comprehensive disclosures in the notes. Our review has shown that – due to the nature of our customer contracts and our business model – the initial application of IFRS 15 does not have a material impact on the consolidated financial statements. Sales revenue was previously recognized when the significant rewards and risks of ownership of the merchandise or products sold are transferred to the buyer. In the majority of cases, this is the point in time at which effective control is transferred to the buyer. This is determined according to the applicable INCOTERMs. Symrise did not find any discrepancies between the transfer of control and the transfer of rewards and risks. Expected variable price components, such as discounts granted, had already been recognized as a reduction in sales revenue. Under the new provisions, contractual liabilities from advance payments received from customers are generally to be recognized separately. As of December 31, 2018, these contractual liabilities amounted to T€ 556 (December 31, 2017: T€ 404) and are therefore not material. For this reason, we recognize these within other financial liabilities in the statement of financial position. The application of this new accounting standard is based on the modified retrospective approach, meaning that the cumulative effect of the initial application of IFRS 15 is recognized in equity as an adjustment to the opening balance sheet values as of January 1, 2018, for contracts that were not yet fulfilled as of January 1, 2018. As described above, there were no deviations in the date of the recognition of sales revenue or sales revenue amounts, so no such adjustment was required. Correspondingly, the comparative disclosures have not been adjusted and continue to be presented in accordance with IAS 18 and IAS 11.

- The **"Annual Improvements to IFRSs, 2014–2016 Cycle"** relate to IAS 28 "Investments in Associates and Joint Ventures", IFRS 1 "First-time Adoption of International Financial Reporting Standards" and IFRS 12 "Disclosure of Interests in Other Entities". Since Symrise does not hold any investments in associated companies[1], joint ventures or in other companies classified as non-current assets held for sale or companies classified as discontinued operations, there are no effects.

- Since Symrise does not hold any investment property, the **"Transfers of Investment Property (Amendments to IAS 40)"** have no effect.

- **IFRIC 22 "Foreign Currency Transactions and Advance Consideration"** clarifies the point in time to determine the exchange rate to use for translation of foreign currency transactions which contain advance consideration received or paid. This did not lead to any material effects.

The IASB has published the standards and interpretations listed below, which have already been endorsed by EU law but whose adoption is not mandatory until the 2019 fiscal year. Symrise is not adopting these standards and interpretations early.

- **IFRS 16 "Leases"** replaces IAS 17 "Leases" and its corresponding interpretations and introduces a unified accounting model where leases are generally to be recognized in the lessee's statement of financial position. With IFRS 16, accounting for lessees is based on a right-of-use model. According to this, a lease exists when a contract stipulates the right to control the use of an identified asset for a specific period in exchange for a consideration. The lessee is to recognize in the statement of financial position right-of-use assets for the leased property and liabilities for the payment obligations received. The previous expenses for operating leases are replaced by a depreciation for the right-of-use assets and interest expenses for the liabilities from the lease. The accounting for the lessor did not see such extensive changes through IFRS 16 as accounting for the lessee.

  The project to implement IFRS 16 in the Symrise Group, which was started at the beginning of 2018, is essentially completed when the annual financial statements are prepared. Based on the analysis of the lease contracts concluded by the Group companies, guidelines for future accounting and valuation have been developed. It has become apparent that lease agreements have essentially been concluded in which Symrise is the lessee; only in a few exceptional cases Symrise acts as lessor. These were largely contracts classified as operating leases; see note 32 for more information. A software solution is currently being implemented to determine IFRS 16-compliant accounting information.

  The option to also apply IFRS 16 to intangible assets or rights to use such assets is not being exercised. The exemption provided for leases that expire within twelve months of the date of first use and leases for low-value assets is being exercised. The lease payments for these two classes of assets are recognized as expenses. Low-value asset include small laboratory and research equipment, office equipment and furniture as well as other IT equipment. Separate lease components must be recognized and measured separately, and the option to apply the portfolio approach is not being used. The option to separate lease components from non-lease components is being exercised only for real estate and vehicle lease contracts. Typical non-lease components for these two asset classes are, for

[1] We did not separately disclose the investment in the associated company Therapeutic Peptides Inc. (USA) due to a lack of materiality. With regard to the inclusion of subsidiaries and associated companies, please refer to note 2.4.

example, operating or cleaning costs as well as maintenance and logistics services rendered. For all other lease contracts, there is no separation of lease from non-lease components. The lessees's incremental borrowing rate, which is used to measure the lease liability, consists of a country-specific base rate, the company-specific credit risk premium and asset-specific adjustments.

At first-time application, a reassessment of whether a lease exists in accordance with the criteria of IFRS 16 is waived. IFRS 16 is applied to all agreements that have been identified as leases under the previous regulations. The transition to IFRS 16 is based on the limited retrospective method, i.e., a right-of-use asset is capitalized for each identified lease and a corresponding lease liability is recognized under financial liabilities. Leases previously classified as finance leases are being recognized at their previous carrying amounts and developed in accordance with IFRS 16. The option not to include the lessee's initial direct costs in measuring the right-of-use asset for leases existing at the date of transition is being used. The simplified option to assess probabilities with regard to the exercise of past termination and extension options on the basis of current facts is also being used. A right-of-use asset and a corresponding lease liability are being recognized for leases expiring in the 2019 fiscal year. The option to refrain from carrying out an impairment test in accordance with IAS 36 at the transition date, and instead to determine based on provisions formed in accordance with IAS 37 whether the lease agreements constitute onerous contracts, is being exercised. On the basis of our current knowledge, we expect an increase in lease liabilities of € 93.5 million. Taking into account advance payments already made, the carrying amount of the right-of-use assets would amount to € 94.4 million at first-time application. Due to the contracts previously classified as finance leases, the liabilities named above would increase to € 97.8 million and the right-of-use assets to € 99.1 million. We do not expect any material effects on accumulated profit. After these adjustments, the equity ratio would be 37.7 % as of the date of initial application (as of December 31, 2018: 38.5 %).

- The amendments to **IFRS 9 "Prepayment Features with Negative Compensation"** contain a clarification about the classification and thus also the measurement of financial assets. Due to the narrow scope of application, there are no effects on the Symrise consolidated financial statements.

- **IFRIC 23 "Uncertainty over Income Tax Treatments"** clarifies requirements for the recognition and measurement of uncertain tax positions. Symrise operates in a multinational tax environment, so this interpretation could have an impact on the consolidated financial statements. The effects cannot yet be quantified precisely.

The IASB has published the standards and interpretations listed below, which were not yet mandatory to be applied in the 2018 fiscal year. These standards and interpretations have not yet been adopted by the EU and are not being applied by Symrise.

Description	Publication by IASB	Temporal scope of application[1]	Adoption into EU law[2]
IFRS 17 "Insurance Contracts"[3]	May 2017	01/01/2021	open
Amendments to IAS 28 "Investments in Associates and Joint Ventures"[3]	October 2017	01/01/2019	Q1 2019
Improvements to IFRS (2015–2017)[3]	December 2017	01/01/2019	Q1 2019
Amendments to IAS 19 "Plan Amendment, Curtailment or Settlement"[3]	February 2018	01/01/2019	Q1 2019
Amendments to the conceptual framework references in IFRS[3]	March 2018	01/01/2020	2019
Amendments to IFRS 3 "Definition of a Business"[3]	October 2018	01/01/2020	2019
Amendments to IAS 1 and IAS 8 "Definition of Material"[3]	October 2018	01/01/2020	2019

1) Early adoption is generally permitted. For details, see the provisions on the effective date and the transition requirements in the respective standards.
2) See EFRAG, The Endorsement Status Report, Position as of January 14, 2019, p. 1.
3) Due to the fact that this has not yet been adopted into EU law, reference is made to the effective date provided by IASB.

2.3 Estimates and assumptions

Preparation of the consolidated financial statements in accordance with IFRS makes it necessary for the Executive Board to make estimates and assumptions that influence the application of accounting policies, the amounts at which assets and liabilities are recognized and the manner in which contingent liabilities are disclosed at the end of the reporting period, as well as income and expenses. Our estimates and assumptions are based on historical information and planning data as well as information on economic conditions in the industries and regions where we and our customers actively operate. Changes to these factors could adversely impact our estimates and assumptions, which is why they are regularly reviewed. Although we believe our estimates of future developments to be reasonable in consideration of the underlying uncertainties, actual results can vary from the estimates and assumptions we provide. Any changes in value that result from such a review are recognized in the reporting period in which the corresponding change is made and in any other future reporting periods that are impacted.

Significant estimates and assumptions were made in particular in the following accounting policies as presented in note 2.5: assessing impairment of goodwill; determining the useful life of intangible assets as well as property, plant and equipment; recognition of internally generated intangible assets from development activities; recognition of current income taxes and deferred taxes, pensions and other post-employment benefits; measurement of trade receivables; recognition of provisions for litigation and long-term remuneration programs. Assumptions and estimates are also necessary for the measurement of other contingent liabilities, other provisions and derivatives.

In individual cases, the actual values can vary from the assumptions and estimates made, meaning that material adjustments to the carrying amounts of the affected assets or liabilities may need to be made as a result.

2.4 Consolidation principles and scope of consolidation

PRINCIPLES DETERMINING THE INCLUSION OF SUBSIDIARIES AND ASSOCIATED COMPANIES

Full consolidation

All subsidiaries are included in the consolidated financial statements and fully consolidated. Subsidiaries are those companies in which Symrise holds an actual or de facto majority of voting rights and over which it exercises power over business and financial policies in order to benefit from their activities and therefore possesses the opportunity for control. Symrise is also exposed to variable returns from its involvement with the investee or has rights to these companies and has the potential to affect the returns.

Additionally, the financial statements of the parent company Symrise AG and those of its subsidiaries are prepared as of the end of the reporting period using uniform accounting policies in the course of full consolidation. Adjustments are made to compensate for any differences in recognition and measurement deriving from local accounting policies. All internal balances, transactions and unrealized gains deriving from internal transactions are eliminated. Unrealized losses deriving from internal transactions are also eliminated unless Group cost cannot be recovered in the future. Subsidiaries are fully consolidated from the date of acquisition, i.e., from the date on which Symrise gains a controlling interest. Inclusion in the consolidated financial statements ceases on the date when the controlling influence ends. Assets, liabilities and contingent liabilities deriving from business combinations are generally recognized at fair value at the time of acquisition (purchase method). In circumstances where the acquisition cost relating to the business combination exceeds the proportionate share of the newly measured net asset value of the acquired object, the amount of such difference is recognized as goodwill. Non-controlling interests can be measured on admission at fair value or at the proportionate share of the identifiable net assets of the business acquired. Symrise uses the latter method. The expenses and income of any subsidiary companies that are acquired are included in the consolidated income statement from the point in time at which the subsidiary is acquired. Costs incurred in connection with the business combination are recognized as expenses.

The equity method of accounting

Investments in associated companies are accounted for using the equity method. An associated company is a company over which Symrise exercises significant influence over business and financial policies but that is not a subsidiary or joint venture.

SCOPE OF CONSOLIDATION

In addition to Symrise AG as parent, the scope of consolidation includes all domestic and foreign companies that Symrise AG directly or indirectly controls or where it has significant influence over their activities. In the 2018 fiscal year, the scope of consolidation developed as follows:

	December 31, 2017	Additions	Disposals	December 31, 2018
Fully consolidated subsidiaries				
Domestic	10	1	–	11
Foreign	91	2	3	90
Associated companies				
Foreign	1	–	–	1
Total	102	3	3	102

In the 2018 fiscal year, two companies were founded, one company was added as part of a business combination, one company ceased to exist as part of a merger, and two companies were liquidated. We did not separately disclose the interest in the associated company Therapeutic Peptides Inc. (USA) due to a lack of materiality.

Business combinations

CITRATUS

With the contract signed on November 24, 2017, Symrise Aromas e Fragrâncias Ltda. (Brazil) finalized a purchase agreement for the acquisition of all shares in Citratus Fragrâncias Indústria e Comércio Ltda., also a Brazilian company. The closing of this transaction and the acquisition of control occurred on January 17, 2018. Inclusion of the company in the Symrise consolidated financial statements will therefore occur from the 2018 fiscal year.

Citratus is a manufacturer of perfume oils with development and production facilities in Vinhedo near São Paulo and distribution centers throughout Brazil. With the acquisition of Citratus, Symrise will further strengthen its presence in the emerging markets and become the market leader for smaller and medium-sized customers in Brazil in the Scent & Care segment.

The final transaction volume amounts to BRL 82.7 million or € 21.0 million and consists of three components: In addition to the amount due on closing in cash and an amount deposited in a fiduciary account for guarantees and warranties, a variable remuneration component was agreed upon based on EBITDA and on sales generated with selected customers. The amount due in cash has already been paid, so that as of the reporting date on December 31, 2018, the partial amount of BRL 9.3 million held in the fiduciary account and the variable remuneration component of BRL 3.9 million remain outstanding.

The acquired assets and liabilities including contingent liabilities are recognized at the following fair values:

	Recognized fair value as of the acquisition date in TBRL	Recognized fair value as of the acquisition date in T€
Trade receivables	6,059	1,536
Inventories	8,482	2,150
Intangible assets	29,269	7,419
Property, plant and equipment	19,072	4,834
Other assets	2,536	643
Trade payables	– 5,176	– 1,312
Deferred tax liabilities	– 10,556	– 2,675
Other liabilities	– 4,579	– 1,162
Acquired net assets	**45,107**	**11,433**
Consideration transferred for acquiring the interests	**82,713**	**20,965**
Goodwill	**37,606**	**9,532**

The goodwill of BRL 37.6 million stems from synergy and earning potentials that are expected from the integration of the operating business into the Symrise Group. Of the recognized goodwill, none is deductible for tax purposes. Trade receivables include gross amounts outstanding of BRL 6.6 million, of which BRL 0.6 million were classified as presumably unrecoverable at the date of acquisition. No material acquisition-related costs were incurred for this transaction.

Due to the temporal proximity between the date on which the transaction was concluded and January 1, 2018, the contribution to earnings for the entire year 2018 was included in the consolidated net income for reasons of materiality.

2.5 Summary of significant accounting policies

FOREIGN CURRENCY TRANSLATION

The subsidiaries of Symrise AG maintain their accounting records in the respective functional currency. The functional currency is the currency that is predominantly used or generated as cash. As Group companies conduct their business independently for financial, commercial and organizational purposes, the functional currency is generally the local currency or, in one exceptional case, (2017: two exceptional cases) the US Dollar. Assets and liabilities of foreign subsidiaries whose functional currency is not the Euro are translated into Euros at the applicable closing rates. Expenses and income are translated at the average rate for the fiscal year. Any translation differences deriving from this process are recognized directly in equity as “cumulative translation differences.”

Insofar as the settlement of a monetary item representing an outstanding account receivable from or account payable to a foreign business operation is neither planned nor probable in the foreseeable future, such an item represents part of a net investment in this foreign business operation. Any translation differences resulting from such items are recognized directly in equity as “cumulative translation differences” and reclassified from other comprehensive income to the income statement at the time of the disposal or redemption of the net investment.

Equity components are translated at the historical exchange rates effective at the time they were treated as an addition from a Group perspective. Any translation differences resulting from this process are recognized directly in equity as "cumulative translation differences." When Group companies are removed from the scope of consolidation or interest is reduced through sale, capital reduction or liquidation, the "cumulative translation differences," which had been recognized directly in other comprehensive income, will be (proportionately) reclassified to the income statement in the same period.

Transactions designated in foreign currencies are translated by us into the respective functional currency of our subsidiaries at the exchange rate valid on the day of the transaction. Monetary assets and liabilities that are designated in foreign currencies are measured using the closing rate. Non-monetary items measured on the basis of historical cost in a foreign currency are translated at the exchange rate from the day on which the business transaction took place. Any currency translation effects resulting from operational activities are recorded within cost of goods sold, whereas any impacts resulting from financing activities are recorded within the financial result.

The following table shows the changes in exchange rates against the Euro for the most important currencies relevant to the Symrise Group:

		Closing rate = € 1		Average rate = € 1	
Currency		December 31, 2017	December 31, 2018	2017	2018
Brazilian Real	BRL	3.971	4.445	3.606	4.305
Chinese Renminbi	CNY	7.833	7.860	7.624	7.805
British Pound	GBP	0.887	0.897	0.877	0.885
Mexican Peso	MXN	23.607	22.520	21.336	22.708
US Dollar	USD	1.199	1.145	1.130	1.181

ACCOUNTING PRACTICES IN COUNTRIES WITH HYPERINFLATION

The financial statements of foreign subsidiaries whose functional currency is one of a country with hyperinflation are adjusted for the change in purchasing power arising from the inflation before conversion to Euros and before consolidation. Non-monetary items on the statement of financial position, which are measured using acquisition cost or amortized cost, as well as those amounts recognized in the income statement, are accounted for according to a general price index from the time of their initial recognition in the financial statements. Monetary items are not adjusted. All components of equity are corrected from the time of their allocation according to a general price index. An adjustment of the previous year's figures in the consolidated financial statements is not required pursuant to IAS 21.42 (b). All line items on the statement of financial position and those amounts recognized in the income statement are recalculated based on the closing rate.

RECOGNITION OF SALES REVENUE

Revenue from the sale of merchandise and products to customers is recognized at the fair value of the amount received or expected to be received less any returns, trade discounts and rebates as well as accruals for core list payments. Sales revenue is recognized when the customer has control over the goods and products and is therefore able to determine their use and to derive benefit from them (transfer of control) and the amount of the realizable sales revenue can be measured reliably. The date of transfer of control remains unchanged in accordance with the applicable INCOTERMs. The transaction prices and thus the amount of sales revenue are determined on the basis of the individual sale prices, taking into account the aforementioned variable considerations. No sales revenue is recognized if significant risks exist relating to receipt of consideration or relating to possible/probable return of the goods. Discounts and bonuses are estimated according to the most likely amount and monitored monthly. They are only recognized if it is highly unlikely that these components will be reversed in a later reporting period. Core list payments are recognized in profit or loss over the term of the core list agreement. With regard to a remaining contractual obligation, Symrise makes use of the exemption in accordance with IFRS 15.121 (a) as permissible for practical reasons, with an expected contract term of a maximum of twelve months.

GOVERNMENT GRANTS

Government grants are only recorded when reasonable certainty exists that the conditions attached to them will be complied with and that the grants will be received. Grants are recognized as other operating income in the period in which the expenses occur for which the grant is meant to compensate.

LEASES

A lease is an agreement whereby the lessor assigns to the lessee the right to use an asset for an agreed period of time in return for a payment or series of payments. Leases are classified as either finance leases or operating leases. Lease transactions that substantially transfer all rewards and risks incidental to ownership of the leased asset to the lessee are classified as finance leases. All other leases are classified as operating leases.

Where Symrise is the lessee in a finance lease, the leased asset is recognized in the statement of financial position at the lower of the fair value of the leased asset or the present value of the minimum lease payments at the commencement of the lease term and simultaneously recognized in financial liabilities. The minimum lease payments essentially comprise finance costs and the principal portion of the remaining obligation, which is determined according to the effective interest method. The leased asset is depreciated on a straight-line basis over its assumed useful life or the term of the lease, whichever is shorter. Payments Symrise makes as a lessee for operating leases are recognized as expenditure in the consolidated income statement on a straight-line basis over the term of the lease agreement.

INCOME TAXES

Income taxes comprise both current and deferred taxes. Income taxes are recognized in the consolidated income statement unless the expense relates to items that are recognized in other comprehensive income in equity or directly in equity.

Current taxes are taxes expected to be payable on taxable profits of the current fiscal year, measured using the tax rate applicable as of the end of the reporting period. Additionally, any adjustments to tax expense for previous years that may arise, for example, as a result of audits, are also included here.

Due to the international nature of Symrise's business activities, sales are generated in numerous countries outside of Germany and therefore are subject to the changing tax laws of the respective legal systems. Our ordinary business also consists of transactions where the final tax effects are uncertain, for example, regarding transfer prices and cost allocation contracts between Group companies. Furthermore, the income taxes paid by Symrise are inherently the object of ongoing audits by domestic and foreign tax authorities. For this reason, discretionary judgment is needed to determine our global income tax provisions. We have estimated the development of uncertain taxation assessments based on our interpretations of current tax laws. These discretionary judgments can have substantial impact on our income tax expense, income tax provisions and our profit after tax.

Deferred taxes result from temporally divergent valuation methods between the carrying amounts of assets, liabilities and tax losses carried forward in the IFRS consolidated financial statements and their tax base. They are calculated using the comprehensive balance sheet method and are based on the application of the tax rates expected in the individual countries at the time of realization. These are generally based on the legal regulations applicable at the end of the reporting period. No deferred taxes are recognized for differences arising from the initial recognition of goodwill, nor are they recognized for assets and liabilities that do not result from business combinations and do not affect consolidated income or taxable result. Deferred taxes are recognized for all taxable temporary differences involving holdings in subsidiaries (known as “outside basis differences”) except for the amount for which Symrise is able to manage the chronological course of the reversal of the temporary differences and in the case that it is likely that the temporary differences will not reverse in the foreseeable future. The effects of changes in tax rates on deferred taxes are recognized in the reporting period in which the legislative procedures for the tax changes are largely completed.

Current and deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current taxes receivable and payable and they relate to income taxes levied by the same tax authority on a company. Deferred tax assets are recognized to the extent that it is probable that taxable profits will be available in the future against which deductible temporary differences, unutilized tax loss carry forwards or unutilized tax credits can be offset. If an assessment of probability is not possible, deferred tax assets are diminished. This requires that we make estimates, judgments and assumptions about the tax gains of every Group company. In determining our ability to use our deferred tax assets, we consider all available information including taxable income generated in the past and forecast taxable income in the periods in which the deferred tax assets will likely be realized. In determining future taxable income, the expected market conditions as well as other facts and circumstances are considered. Every change to these underlying facts or to our estimates and assumptions can result in an adjustment to the balance of our deferred tax assets. Further information can be found in note 20.

EARNINGS PER SHARE

Basic earnings per share are calculated by dividing the net income attributable to the holders of the parent’s ordinary shares by the weighted average number of ordinary shares outstanding during the fiscal year.

As a result of the convertible bond issue in 2017, diluted earnings differ from the basic earnings. For the calculation of diluted earnings per share, the average number of shares issued is adjusted by the number of all dilutive potential shares. In this case, the maximum number of ordinary shares that are to be issued if all conversion rights are exercised from the convertible bond are taken into account. The consolidated net income attributable to the shareholders of Symrise AG is adjusted for the impact on earnings arising in connection with the convertible bond.

BUSINESS COMBINATIONS AND GOODWILL

Business combinations are accounted for using the purchase method. This comprises the recognition of identifiable assets (including intangible assets that were not previously accounted for) and liabilities (including contingent liabilities but not giving consideration to any future reorganization measures) of the acquired business operations at fair value.

Goodwill deriving from a business combination represents the excess fair value of the consideration transferred at the acquisition date of the business combination over the Group’s share in the fair value of the identifiable assets and liabilities acquired. Goodwill is not subject to amortization. An impairment test is performed at least once each year to determine whether impairment is needed. Any acquired goodwill is allocated at the acquisition date to the cash-generating units that are expected to benefit from the synergies deriving from the business combination. Acquisition-related costs incurred are recognized with effect on profit or loss.

OTHER INTANGIBLE ASSETS

Intangible assets are measured at cost at initial recognition. The cost of an intangible asset from a business combination corresponds to its fair value at the acquisition date. Internally generated intangible assets are recognized as assets at cost. Generation costs of an internally generated intangible asset comprise all directly attributable costs that are needed to design, manufacture and process the asset so that it is ready for use according to the purposes management intended.

For intangible assets, it must be determined whether they have a definite or indefinite useful life. This assessment is discretionary since the period of time in which the asset will likely provide economic value is estimated. The amortization period affects the expenses for amortizations recognized in the individual periods. Intangible assets with indefinite useful lives are not subject to amortization but rather are subject to an annual impairment test. As of the end of the reporting period, the Symrise Group holds no intangible assets with an indefinite useful life apart from goodwill. For intangible assets with a definite useful life, cost is amortized in the consolidated income statement on a straight-line basis over the term of useful life:

Intangible assets	Useful life
Software	2–10 years
Recipes	5–25 years
Trademarks	6–40 years
Customer base	6–15 years
Patents and other rights	1–40 years

The useful lives and amortization methods for intangible assets are reviewed annually for suitability and prospectively adjusted if necessary. In addition, the carrying amount of capitalized development costs is tested for impairment once per year if the asset is not yet in use or more frequently if indications for impairment arise during the course of the year. Intangible assets with a definite useful life are recognized at cost less accumulated amortization and impairment losses. Profits and losses deriving from the disposal of an intangible asset are recognized at the time of disposal as the difference between the proceeds from disposal and the carrying amount of the intangible asset in the consolidated income statement.

RESEARCH AND DEVELOPMENT EXPENSES

Research entails an independent and systematic search in the hope of gaining new scientific or technical knowledge. Expenses for research activities are recognized as expenses at their full amount. Development is the application of research results or other knowledge to a plan or design for the production of new and significantly improved materials, devices, products, processes, systems or services. Expenses for development activities are capitalized when certain precise requirements are fulfilled: Capitalization is always necessary if the development costs can be reliably determined, if the product is both technically and financially feasible and if future financial benefits that would cover the corresponding development costs are probable. In addition, Symrise must have the intention as well as sufficient resources to complete the development process and to use or sell the asset generated. Since internal development projects are often subject to government approval procedures and other unforeseeable circumstances, the conditions for capitalization are generally only met at the conclusion of a project. This meant that a majority of the development costs incurred were recognized with effect on profit or loss and the amount of capitalized costs was relatively small. Subsequent reclassification of expenses already recognized through profit or loss is not permitted.

The decision as to whether activities are to be considered research or development activities and whether the conditions for classification as an intangible asset have been met is associated with significant discretion. This requires assumptions regarding market conditions, customer demand and other future developments. The assessment as to whether the intangible asset can be used or sold falls to management, who must make the decision based on assumptions of the amounts of future cash flows from assets, the applicable interest rates and the period of inflow from expected future cash flows.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are recognized at cost less accumulated depreciation and impairment losses. If the cost of components for property, plant and equipment are material (in comparison to the total cost), then these components are recognized by Symrise as separate items and they are separately depreciated. Depreciation occurs on a straight-line basis in the consolidated income statement based on the following useful lives:

Property, plant and equipment	Useful life
Buildings	3–50 years
Plants and machinery	3–25 years
Equipment	2–30 years

The determination of useful life is discretionary since the period of time in which the asset will likely provide economic value is estimated. The amortization period affects the expenses for amortizations recognized in the individual periods.

Land is not depreciated insofar as it does not concern land used as part of a leasehold. Depreciation of leasehold improvements is determined based on their useful lives or the term of the lease, whichever is shorter. In determining the depreciation period applied, any lease extension options are considered if it is probable that they will be exercised. Gains and losses deriving from the disposal of property, plant and equipment are recognized in the consolidated income statement at the time of disposal as the difference between the proceeds from disposal and the carrying amount of the asset.

FINANCIAL INSTRUMENTS

General information

A financial instrument is a contract that simultaneously gives rise to a financial asset for one contractual partner and to a financial liability or an equity instrument for the other contractual partner.

Financial assets particularly include cash and cash equivalents, trade receivables, loans receivable and equity instruments in another company as well as derivative financial instruments with a positive market value. Financial assets are recognized in the consolidated statement of financial position if the reporting company has a contractual right to receive cash or other financial assets from another party. Financial assets are initially recognized at fair value plus transaction costs. Transaction costs arising in connection with the acquisition of financial assets at fair value through profit or loss are immediately recognized in the income statement. Non-interest-bearing receivables or receivables subject to lower interest rates are initially recognized at the present value of expected future cash flows. Income and expenses as well as gains and losses from financial assets contain impairments and reversals, interest income and expenses and dividends as well as gains and losses from the disposal of such assets. Dividend income is recognized when earned. Interest income is recognized using the effective interest method. With the disposal of an asset, neither dividends nor interest income are included in the calculation of the net gain or loss.

Financial liabilities generally give rise to a claim for a return of cash or another form of financial asset and comprise non-derivative liabilities and the negative fair values of derivative financial instruments. Non-derivative liabilities particularly comprise bank borrowings, liabilities toward institutional and private investors, trade payables and liabilities from finance lease agreements. Non-derivative liabilities are recognized in the consolidated statement of financial position if the reporting company has a contractual obligation to transfer cash or other financial assets to another party. Non-derivative financial liabilities are initially recognized at the fair value of the return service received or at the value of the cash received minus transaction costs incurred, if applicable.

The categorization of financial instruments in accordance with IAS 39 was completely replaced by IFRS 9. Under IFRS 9, financial instruments are now classified into the categories "measured at amortized cost (FAAC/FLAC)," "measured at fair value through other comprehensive income (FVOCI)" or "measured at fair value through profit or loss (FVTPL)." For a financial asset to meet the criteria for measurement at amortized cost or FVOCI, it must generate cash flows that are solely payments of principal and interest on the principal amount outstanding. This assessment is made at the level of the financial instrument. The classification depends on the business model under which the financial asset is held. The business model reflects how the reporting company manages its financial assets to generate cash flows. Depending on the business model, cash flows arise from the collection of contractual cash flows, the sale of financial assets or both. The business model is reviewed using scenarios that Symrise can reasonably expect to occur.

Symrise generally does not make use of the option to classify financial assets and liabilities that are principally to be measured at amortized cost as at fair value through profit or loss on initial recognition (conditional fair value option) or to classify equity instruments as at fair value through other comprehensive income on initial recognition (fair value option).

The subsequent measurement of financial assets and liabilities is made in accordance with the category to which they have been assigned: at amortized cost, at fair value through profit or loss or through other comprehensive income. Financial assets are derecognized if the contractual rights regarding payments from financial assets no longer exist or the financial assets are transferred with all of their fundamental rewards and risks. Financial liabilities are derecognized if the contractual obligations are settled, eliminated or expired.

Derivative financial instruments

Derivative financial instruments are recognized at fair value and are initially recorded at the time when the contract for the derivative financial instrument is entered into. Derivative financial instruments are still measured at fair value through profit or loss and recognized as financial assets or as financial liabilities. Derivative financial instruments held for trading are measured at fair value through profit or loss (FVTPL) under IFRS 9. The fair value of traded derivative financial instruments corresponds to their market value. If no market values exist, the present value is determined using recognized financial models. Derivative financial instruments are neither held nor issued for speculative purposes.

Cash flow hedge

Symrise employs derivative financial instruments to hedge currency risks resulting from its operating business and financing activities. Selected future cash flows from receivables and trade payables already recognized in the statement of financial position as well as selected future cash flows from highly probable planned transactions are hedged against currency risk through forward contracts. The hedging of currency risk occurs on a rolling basis over a period of up to nine months up to a maximum hedging ratio of 75 % of the open currency items of a company.

Insofar as the requirements of IFRS 9 for the application of cash flow hedge accounting are fulfilled, the cumulative measurement gains/losses will be initially recognized in the cash flow hedge reserve under other reserves and then reclassified to the consolidated income statement in the period in which the hedged underlying transaction influences the net profit or loss for the period. Measurement gains/losses from the derivative financial instrument will be reclassified to sales or cost of goods sold depending on the underlying transaction (trade payables or receivables in foreign currency). There they will be balanced out with the actual currency gains and losses from operating business. Measurement gains/losses are recognized in the financial result insofar as currency risk hedges are used to hedge financing activities.

Cash flow hedges are applied to mitigate the impact of exchange rate effects. The requirements of IFRS 9 for application of hedge accounting are met by Symrise as follows: When hedging measures are begun, both the relationship between the hedging instrument employed and the hedged item as well as the objective and strategy surrounding the hedge are documented. This includes both the concrete allocation of the hedging instrument to the expected foreign currency receivable/liability as well as the estimation of the degree of hedge effectiveness of the instrument implemented. The effectiveness of existing hedging measures is continuously monitored using the cumulative dollar offset method. When hedge relationships become ineffective, they are immediately reversed through profit or loss.

Even though some forward contracts are not presented as cash flow hedge accounting, these also represent a currency fluctuation hedge from a financial point of view. In such cases, the measurement effects of the derivative financial instrument balance out with the effects from the measurement of the foreign currency receivable or liability within the cost of goods sold.

If Symrise initiates the hedging measure with the economic goal of acquiring business operations, then this counts as non-financial circumstances. Upon conclusion of the acquisition, the valuation effects that have been accruing in other comprehensive income up to this point are offset against goodwill.

Trade receivables and other receivables

Trade and other receivables are measured, where applicable by applying the effective interest method, with their fair value at the date they arose less any impairment amount. Other non-current receivables are measured by applying the effective interest method at amortized cost.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances, balances on hand with banks and short-term liquid investments that can be converted into a fixed amount at any time and are subject to only insignificant fluctuations in value. Cash is principally measured at amortized cost and short-term deposits at fair value through profit or loss. Due to the external credit rating of the respective counterparty, Symrise considers its cash and short-term deposits to be low-risk.

Other financial assets

Debt instruments are measured at amortized cost if they are held as part of a business model whose objective is to hold assets in order to collect contractual cash flows, provided that the debt instrument also meets the cash flow condition. The cash flow condition is fulfilled if the cash flows represent solely payments of principal and interest on the principal amount outstanding. Debt instruments are measured at fair value through other comprehensive income (FVOCI) if they are held as part of a business model whose objective is to collect contractual cash flows and sell financial assets. The cash flow requirement must also be fulfilled. IFRS 9 requires debt instruments to be measured at fair value through profit or loss (FVTPL) if they are neither held as part of a business model whose objective is to hold assets in order to collect contractual cash flows nor as part of a business model whose objective is achieved when contractual cash flows are collected and financial assets are sold.

Equity instruments do not meet the cash flow conditions, as the cash flows resulting from such instruments do not exclusively represent solely payments of principal and interest on the principal amount outstanding. They are therefore measured at fair value through profit or loss, and changes in measurement are thus recognized in net income (FVTPL).

Other financial assets are recognized as either current or non-current assets according to management's plans regarding their sale.

Compound financial instruments

The components of a compound instrument issued by the company (convertible bond) are recognized separately as borrowings and equity instruments, in accordance with the economic content of the agreement and the definitions. At the time of issue, the fair value of the liability component is determined using the market interest rates applicable for comparable, non-convertible instruments. This amount is accounted as a financial liability based on amortized cost using the effective interest method until the conversion or maturity of the instrument. The conversion option classified as equity is determined by subtracting the fair value of the liability component from the total value of the convertible bond. The resulting value, less income tax effects, is recognized as part of equity and is not subsequently subject to any valuation. No gains or losses are incurred as a result of the exercise or expiration of the conversion option. Transaction costs related to the instrument are allocated to the liability and equity component in relation to the distribution of the net revenue. The transaction costs attributable to the equity component are recognized directly in equity, taking into account any taxes incurred. The transaction costs attributable to the liability component are contained in the carrying amount of the liability and are amortized over the term of the convertible bond using the effective interest method.

INVENTORIES

Inventories are measured at the lower of cost or net realizable value. Net realizable value is determined as the estimated selling price less any estimated cost of completion or any necessary selling and marketing expenses. Cost includes the cost of procuring the inventories, the manufacturing cost or the conversion cost and any other costs incurred to bring the inventories to their existing location and condition. Raw materials are measured at cost using the weighted average procurement cost. Finished goods, work in progress and services are measured using the cost of direct materials, direct labor and other direct costs and a reasonable proportion of manufacturing and material overheads, based on normal capacity utilization of production facilities, excluding borrowing costs.

PENSIONS AND OTHER POST-EMPLOYMENT BENEFITS

The companies within the Group have various pension schemes set up in accordance with the regulations and practices of the countries in which they operate. Additionally, agreements exist to provide additional post-employment health care benefits.

In the case of pension plans, a distinction is made between defined contribution and defined benefit plans. A defined contribution plan is a plan under whose terms a company pays fixed contributions to other entities until the termination of the employment relationship and has no further legal or constructive obligation to pay additional amounts. Obligations for contributions to defined contribution plans are recognized under the affected functional area in the consolidated income statement as they become due. Defined benefit plans comprise all pension plans other than defined contribution plans. Claims relating to defined benefit plans are calculated separately for each plan with the actuarially calculated present value of the earned benefit entitlement. This is done by estimating the future pension benefit amount that employees have become entitled to in return for their service in the current and prior periods; the amount of this pension benefit is discounted to determine its present value. The computation is performed annually by an actuary using the projected unit credit method.

The actuarial valuation is made on the basis of assumptions pertaining to discount rates, future wage and salary increases, mortality rates, future pension increases and the medical cost trend rate and is therefore associated with significant discretion. The discounting factors are to be based on the yields that could be obtained at the end of the reporting period for high-quality corporate bonds with a corresponding term and in the corresponding currency. If such yield information is not available, the discounting factors are based on market yields for government bonds. As a result of the fluctuating market and economic situation, the actual developments may differ from the underlying assumptions, which may have significant impact on pension and other post-employment benefit obligations. Due to the long-term nature of such plans, these estimates are subject to great uncertainty.

If claim entitlements are covered by plan assets, the fair value of these assets is offset with the present value. The net amount is recognized as either a pension liability or asset. If the plan assets exceed the corresponding obligation from pensions, the excess amount would be recognized in other receivables pursuant to the asset ceiling provision. Changes in the present value of a defined benefit obligation resulting from work performed (costs of service) are recognized immediately through profit or loss in the operating result. Expenses from interest accrued on pension liabilities as well as the income from plan assets based on the discount rate are recognized in the net financial result. Remeasurements of obligations include actuarial gains and losses resulting from changes in actuarial assumptions or differences between previous actuarial assumptions and actual developments, changes in the return on plan assets and changes in the asset ceiling. They are recognized in other comprehensive income and disclosed in equity in the reserve for remeasurements (pensions).

OTHER PROVISIONS

A provision is recognized when it is more likely than not that a present legal or constructive obligation due to a past event exists that makes it probable that an outflow of resources embodying economic benefits will be required, and when a reliable estimate of the amount of the obligation is possible. The amount of the provision is regularly adjusted if new knowledge becomes available or new conditions arise. The determination of provisions is associated with estimates to a substantial degree.

Symrise is confronted with legal action in various jurisdictions and regulatory suits. These suits can lead to criminal or civil sanctions, fines or disgorgements for Symrise. We monitor the status of every case at least once every quarter and determine the potential financial and business risk. It requires significant judgment to determine whether a provision for legal proceedings is necessary and, if so, how large it should be or whether it is necessary to declare a contingent liability. Due to the uncertainty relating to these cases, provisions are based on the best-possible information available at the time.

Symrise guarantees long-term remuneration programs with cash compensation. In estimating the fair value of our share-based programs, we rely on assumptions that are in part related to the expected volatility of a future stock index composed of comparable companies in the fragrance and flavor industry as well as suppliers and companies in the food and cosmetics industry. Furthermore, the amount of the final payout for these remuneration programs depends on the price of the Symrise share in comparison to this stock index as of the set target date. The assumptions of the option price model impact the determination of the fair value and therefore the amount and distribution of our expenses for long-term remuneration programs. Changes to these factors can significantly influence fair value estimates and future payments. Further information is available in the remuneration report of the management report.

Non-current provisions are recognized at the present value of the expected obligation amounts as of the end of the reporting period. Regularly updated interest rates for safe investments are used for discounting. Additions to provisions are generally recognized through profit or loss in the respective expense category of the affected functions. A positive or negative difference that resulted from the fulfillment of the obligation is recognized at its carrying amount under the corresponding functional expense. Where positive differences not relating to the period under review are concerned, these are recognized under other operating income.

IMPAIRMENTS

Trade receivables

With regard to the new impairment model, we chose the simplified accounting for trade receivables, where impairment is calculated based on the lifetime expected credit loss. The financial situation of individual customers is first considered when analyzing the impairment of trade receivables. Impairment losses for individual customer balances are recognized if it is probable that the contractually agreed receivable will not be paid. Following this, impairment losses for trade receivables based on homogeneous receivable classes are recognized that correspond to the associated risk of default, past receivable defaults as well as general market conditions such as trade embargoes or natural disasters. We create a general bad debt allowance for impairment considerations for a portfolio of receivables when we are of the opinion that the age of the receivables represents an indicator that it is probable that a loss has occurred or that we will not collect some or all of the amounts due.

Information used to establish an objectively verifiable impairment can include information on a debtor’s considerable financial difficulties, breaches of contract, concessions to customers due to economic or legal reasons in connection with the debtor’s financial difficulties, a (probable) insolvency or the need for a major restructuring of the debtor. Indications through observable data show that there is a measurable decrease in expected future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with an individual financial asset in the group (general bad debt allowance). If, in subsequent periods, the reasons for impairment no longer exist, a reversal will be recognized with effect on profit or loss. If a receivable becomes classified as unrecoverable, it will be derecognized accordingly as a result. Determining the likelihood of collecting receivables involves making estimates and judgments regarding whether a default will occur and what the default amount might be. Past receivable defaults are not necessarily representative. Changes to our estimates in relation to the valuation allowances on doubtful receivables can have considerable impact on the assets and expenses recognized in our consolidated financial statements.

Impairments of trade receivables are partially performed by applying value allowance accounts. Impairments are recognized under selling and marketing expenses. The decision as to whether a default is covered by an allowance account or through a direct reduction of the receivable depends on the degree of reliability with which the risk situation can be assessed. Due to differing operating segments and differing regional conditions, this decision is made by the individual financial expert responsible.

Other financial assets

Financial assets measured at amortized cost or at fair value in other comprehensive income are measured at each reporting date to determine whether there is an objective basis for increasing the default risk. This also applies for short-term deposits with a maturity of up to three months.

According to the general approach, an allowance for expected credit losses must be recorded based on two steps: For financial instruments whose credit risk has not increased significantly since their initial recognition, an allowance for credit losses expected to occur within the next twelve months must be recognized. For financial instruments for which the credit risk has increased significantly since initial recognition, an allowance for credit losses in the amount of the lifetime expected credit losses must be recognized. This is independent of when the default event occurs. An increase in the credit risk exists when there are objective indications that one or more events could have a negative influence on future cash flows deriving from the asset.

An impairment loss for financial assets recognized at amortized cost is determined as the difference between its carrying amount and the present value of the estimated future cash flows, discounted at the original effective interest rate. An impairment loss for financial assets measured at fair value through profit or loss is determined by fair value.

Individually significant financial assets are tested for possible impairment on an individual basis. All other financial assets are collected in groups that share similar default risk profiles and then measured.

Non-financial assets
At the end of each reporting period, the Group assesses whether indications exist that a non-financial asset is impaired. The carrying amount of the asset is reviewed for impairment when events or changes in circumstances indicate that the carrying amount of the asset is no longer covered by its recoverable amount. If such indications exist, or if a test for impairment of an asset needs to be made, the recoverable amount is estimated. The recoverable amount of an asset is the higher of the fair value of the asset less any costs to sell it (Level 3) and its value in use. The recoverable amount must be determined for each individual asset unless the asset itself does not generate any cash inflows that are largely independent of those generated by other assets or asset groups. If the carrying amount of the asset exceeds its recoverable amount, the asset is considered to be impaired, and an impairment loss is recorded, which means the asset is reduced to its recoverable amount. In order to determine the value in use, estimated future cash flows expected to be derived from the asset are discounted to their present value using a pre-tax discounting factor. Impairment losses are recorded in the expense categories that reflect the function of the impaired asset.

At the end of each reporting period, a review is made to check whether any indications exist that any impairment loss recognized in an earlier reporting period is no longer required or could be reduced. If such an indication exists, the recoverable amount of the asset is estimated. Any previously recognized impairment loss is reversed if the asset's recoverable amount now exceeds its carrying amount as a result of a change in its estimated value since the time when the impairment loss was originally recognized. The reversal of the impairment loss must not result in a carrying amount that exceeds the amortized cost of the asset that would have resulted if no impairment loss had been recognized in previous years. Such reversals are to be recognized directly in the net income for the period. Following the reversal of an impairment loss, the amortization or depreciation for future periods is adjusted as necessary in order to systematically spread the adjusted carrying amount of the asset less any expected future residual value over its remaining useful life.

Goodwill
In accordance with IAS 36, goodwill is tested for impairment at least once per year. Symrise normally carries out its annual impairment test for goodwill on September 30. If events or changes in circumstances indicate that an impairment loss may need to be recognized, then tests are carried out more frequently. For impairment tests, goodwill is to be allocated to the cash-generating unit within the Group that is intended to benefit from the synergies of the business combination. Every unit with goodwill allocated to it represents the lowest level within the Group at which goodwill is monitored for internal management purposes and is not larger than an operating segment as defined by IFRS 8. Three reportable segments and cash-generating units were identified within the Symrise Group: Scent & Care, Flavor and Nutrition.

Any impairment loss is ascertained by determining the recoverable amount attributable to the cash-generating unit to which the goodwill relates. The recoverable amount of a cash-generating unit is the higher of the fair value less any costs to sell (Level 3) and its value in use. Both values are based on the discounted cash flow method. If one of the two values exceeds its carrying amount, it is not necessary to determine both values. For Symrise, the determined fair value less costs to sell was higher than its carrying amount, so the value in use was not determined. The cash flows are derived from corporate planning and are mainly based on assumptions relating to future selling prices and/or sales volumes and costs while taking into account any changed economic circumstances. Net cash inflows outside of the planning period are determined on the basis of long-term business expectations using individual growth rates derived from the respective market information. The planning information is based on a detailed planning horizon for the fiscal years 2019 to 2023. A growth rate of 1.0 % (previous year: 1.0 %) was assumed for the measurement of perpetual annuity. The cash flows determined in this manner were discounted with a weighted average cost of capital factor (WACC) after taxes of 6.62 % for Scent & Care, 6.23 % for Flavor and 6.74 % for Nutrition (2017: 6.54 % for Scent & Care, 6.25 % for Flavor and 6.58 % for Nutrition). Cost of equity and borrowing costs were weighted with a capital structure based on a group of comparable companies. Capital market data and data from comparable companies were used in determining cost of equity and borrowing costs. For this reason, different assumptions and estimates of future cash flows are used, which are of a complex nature and are associated with considerable discretionary judgments and assumptions regarding future developments. Actual cash flows and values can therefore widely vary from the forecast future cash flows and values that were determined by means of the discounted cash flows. Although we believe that our assumptions and estimates made in the past were reasonable, differing assumptions and estimates could substantially impact our net assets, financial position and results of operations. Additionally, the results of the impairment tests for goodwill are influenced by the allocation of this goodwill to cash-generating units.

If the recoverable amount attributable to the cash-generating unit is less than its carrying amount, an impairment loss is recognized. Impairment losses on goodwill must not be reversed in future periods.

There were no indications of impairment for the fiscal year. In performing the impairment test, we have carried out various sensitivity analyses for reasonably possible changes to the WACC or projected sales. These variations in the measurement parameters also did not result in any required impairment of goodwill as it is currently recognized.

DETERMINING FAIR VALUE

Many accounting policies require that fair value is measured for financial and non-financial assets and liabilities. The fair values have been measured using the methods described below. Further information regarding the assumptions used to determine fair value is contained in the notes specific to the particular asset or liability.

Financial instruments – general principles

The input factors for determining the fair value are classified in three levels pursuant to IFRS 13 "Fair Value Measurement":

- Input factors of Level 1 are (unadjusted) quoted prices for identical assets or liabilities in active markets that the company can access at the measurement date.
- Input factors of Level 2 are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Input factors of Level 3 are unobservable inputs for the asset or liability.

Property, plant and equipment

The fair value for property, plant and equipment recognized as a result of a business combination is based on market values. The market value for real estate is based on the estimated value at which the real estate could be sold on the day of measurement under the presumption that this would represent a transaction between a willing buyer and a willing seller under the terms of which both parties operate knowledgeably, prudently and without compulsion and the transaction is preceded by adequate marketing activities. The market values of items of plant, equipment, fixtures and fittings are based on quoted prices for similar items.

Intangible assets

The fair value of intangible assets, such as recipes and technologies, customer bases or trademark rights, acquired as a result of a business combination is based on the discounted estimated royalty payments that were avoided as a result of the recipes and technologies or trademark rights becoming owned or is based on the discounted cash flows that are expected to derive from use of these assets.

Inventories

The fair value for inventories resulting from a business combination are determined on the basis of estimated sale price over the normal course of business minus estimated manufacturing costs and costs to sell as well as appropriate profit margins based on the required efforts for manufacturing and selling the inventories.

3. SEGMENT INFORMATION

DESCRIPTION OF REPORTABLE SEGMENTS

For internal reporting purposes, we present our business activities in a number of different ways, mainly based on segments and geographical regions. Based on this reporting information, the Executive Board, which carries responsibility as chief operating decision-maker for the success of the various segments and the allocation of resources, assesses the business activities from a number of angles. Operating segments are divided into divisions.
The organization of the three reportable segments, Scent & Care, Flavor and Nutrition, is based on our products. The **Scent & Care** segment develops, produces and sells fragrance ingredients and compositions, cosmetic ingredients and mint flavors as well as specific application processes for such substances. The products and application processes developed by Symrise in the Scent & Care segment are used by customers in manufacturing perfumes, personal care and cosmetic products, cleaning products, detergents, air fresheners and oral care products. The **Flavor** segment develops, produces and sells flavors and functional ingredients used in the production of foods (savory and sweet foods as well as milk products), beverages and health products. Alongside functional ingredients, the **Nutrition** segment develops, produces and sells tailored solutions from natural raw materials. These are found in foods and beverages, pet foods, aquacultures and cosmetics. The segment reporting by region is aligned to the location of assets. Sales to customers are reported in the geographical region in which the customer is located. Countries are grouped together for internal accounting and reporting purposes into the regions EAME (Europe, Africa, Middle East), North America, Asia/Pacific and Latin America.

MEASUREMENT CRITERIA FOR THE SEGMENTS

Internal reporting in the Symrise Group is based on the IFRS accounting principles detailed in note 2. Transactions are only conducted between the segments to an immaterial extent. These are transacted at market prices and have not been separately disclosed for materiality reasons. External sales represent the sales of the three segments to third parties and thus their sum equals consolidated sales of the Symrise Group. The revenue and expenditure of the Symrise Group's central units and functions are completely included in the three segments Scent & Care, Flavor and Nutrition based on performance-related, or utilization-related, criteria. The result-related determining factor for the management of the segments is the earnings before interest, taxes, depreciation and amortization (EBITDA). The depreciation and amortization charges that can be directly attributed to each segment are included in determining the segment contribution. The financial result is not included as the segments are mainly centrally financed. This is the reason why financial income and expenses are disclosed below at Group level and combined together in the form of the financial result. Taxes are treated in a similar manner so that net income after tax is reported combined to give the consolidated earnings. Capital investments made by a segment comprise all expenditure incurred during the reporting period for the purpose of acquiring property, plant and equipment and intangible assets. The Executive Board, which is the chief operating decision-maker, receives all information with respect to segment assets and liabilities in an aggregated form. The allocation of goodwill to segments is disclosed in note 18.

SEGMENT RESULTS

2017 T€	Scent & Care	Flavor	Nutrition	Segment total = Group total
External sales	1,263,066	1,101,916	631,312	**2,996,294**
Cost of goods sold	– 755,361	– 615,205	– 401,259	**– 1,771,825**
Gross profit	**507,705**	**486,711**	**230,053**	**1,224,469**
Selling and marketing expenses	– 192,141	– 180,191	– 105,797	**– 478,129**
Research and development expenses	– 94,812	– 70,805	– 30,815	**– 196,432**
Administration expenses	– 49,834	– 53,297	– 51,527	**– 154,658**
Other operating income	15,381	7,370	15,657	**38,408**
Other operating expenses	– 391	– 1,500	– 181	**– 2,072**
Income from operations/EBIT	**185,908**	**188,288**	**57,390**	**431,586**
Amortization and impairment of intangible assets	29,742	20,077	58,799	**108,618**
Depreciation and impairment of property, plant and equipment	32,405	34,533	23,162	**90,100**
EBITDA	**248,055**	**242,898**	**139,351**	**630,304**
Financial result				**– 56,138**
Earnings before income taxes				**375,448**
Income taxes				**– 99,799**
Net income				**275,649**
Other segment information				
Investments[1]				
Intangible assets	11,140	4,636	3,299	**19,075**
Property, plant and equipment	69,671	55,213	60,934	**185,818**

[1] Excluding additions related to the scope of consolidation.

2018 T€	Scent & Care	Flavor	Nutrition	Segment total = Group total
External sales	1,324,051	1,191,140	638,841	**3,154,032**
Cost of goods sold	– 806,724	– 698,052	– 407,782	**– 1,912,558**
Gross profit	**517,327**	**493,088**	**231,059**	**1,241,474**
Selling and marketing expenses	– 195,551	– 182,222	– 112,168	**– 489,941**
Research and development expenses	– 97,535	– 73,468	– 29,438	**– 200,441**
Administration expenses	– 52,595	– 56,718	– 55,415	**– 164,728**
Other operating income	21,156	14,583	15,209	**50,948**
Other operating expenses	– 1,055	– 2,060	– 225	**– 3,340**
Income from operations/EBIT	**191,747**	**193,203**	**49,022**	**433,972**
Amortization and impairment of intangible assets	28,896	16,451	58,765	**104,112**
Depreciation and impairment of property, plant and equipment	33,753	34,216	24,468	**92,437**
EBITDA	**254,396**	**243,870**	**132,255**	**630,521**
Financial result				**– 44,929**
Earnings before income taxes				**389,043**
Income taxes				**– 109,356**
Net income				**279,687**
Other segment information				
Investments[1)]				
Intangible assets	7,761	4,444	2,543	**14,748**
Property, plant and equipment	91,849	58,877	60,620	**211,346**

1) Excluding additions related to the scope of consolidation; for further information please see note 2.4.

No single customer accounted for more than 10 % of Group sales either in the reporting year or previous year.

RESULT BY REGION

	Sales by region (point of delivery)		Investments[1)]	
T€	2017	2018	2017	2018
EAME	1,286,539	1,378,505	77,586	61,481
North America	701,899	710,583	85,608	104,377
Asia/Pacific	631,328	681,972	23,857	35,682
Latin America	376,528	382,972	17,842	24,554
Total	**2,996,294**	**3,154,032**	**204,893**	**226,094**

1) Excluding additions related to the scope of consolidation; for further information please see note 2.4.

Sales in EAME were mainly generated in Germany (€ 285.7 million, 2017: € 272.7 million), France (€ 155.2 million, 2017: € 143.8 million), the United Kingdom (€ 126.1 million, 2017: € 78.7 million), Spain (€ 117.8 million, 2017: € 106.3 million) and Italy (€ 78.5 million, 2017: € 75.0 million). Sales in North America stem almost entirely from the USA (€ 675.0 million, 2017: € 670.5 million). Non-current assets – excluding financial instruments and deferred tax assets – of € 2,975.6 million (December 31, 2017: € 2,895.3 million) are mainly located in Germany with € 1,260.3 million (December 31, 2017: € 1,234.3 million).

ADDITIONAL DISCLOSURES ON THE CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

4. SALES

Regarding to the type of products sold and the breakdown of the resulting sales by segments and regions, please refer to the segment reporting in note 3 of the notes to the consolidated financial statements. In addition, sales growth by segment – based on the previous year's sales – is broken down into and reported as the components "organic growth," "portfolio effects" and "exchange rate effects." Uniform exchange rates are used to determine organic growth for the sales of the reporting year and the previous year. Portfolio-related changes include the effects of additions to and disposals from the scope of consolidation. The remaining change is due to exchange rate movements.

The following table shows these components for the three segments:

T€	Scent & Care	Flavor	Nutrition
Sales December 31, 2017	**1,263,066**	**1,101,916**	**631,312**
Organic growth	112,865	104,843	46,620
Portfolio effects	10,041	27,461	0
Exchange rate effects	– 61,921	– 43,080	– 39,091
Sales December 31, 2018	**1,324,051**	**1,191,140**	**638,841**

In 2018, 56.8 % (€ 1,791.7 million) of sales were generated in developed markets and 43.2 % (€ 1,362.3 million) in emerging markets. Our customers include large, multinational companies as well as important regional and local manufacturers of food, beverages, pet food, perfumes, cosmetics, personal care products and cleaning products as well as laundry detergents. Sales are recognized at a specific point in time and due within one year. Hyperinflationary adjustments are included in currency translation adjustments.

5. COST OF GOODS SOLD

Cost of goods sold mainly consists of expenses for raw materials as well as production costs. Amortization and impairment for recipes, technologies, other production-related intellectual property and currency translation effects from operational activities are also included. Please refer to the segment reporting information for a presentation of cost of goods sold by segment (see note 3).

6. PERSONNEL EXPENSES

T€	2017	2018
Wages and salaries	– 494,444	– 508,281
Social security expenses	– 106,396	– 112,124
Pension expenses (excluding interest expenses)	– 17,291	– 16,853
Other personnel expenses	– 3,461	– 4,348
Total	**– 621,592**	**– 641,606**

The rise in wages and salaries as well as social security expenses compared to the previous year is primarily due to the increase in the number of employees. Social security expenses include social security contributions that the organization is required to make by law. These include defined contribution plan benefits of € 20.6 million (2017: € 19.8 million).

Other personnel expenses include expenses for termination benefits and expenses for the multi-year performance-based remuneration of the Executive Board and selected employees. The annual bonuses and bonuses for other employees are recognized in wages and salaries.

The average number of employees employed within the Symrise Group amounts to the following:

Full-time equivalents (FTE)	2017	2018
Manufacturing & Technology	4,213	4,312
Sales & Marketing	2,148	2,243
Research & Development	1,642	1,686
Administration	770	779
Service companies	415	435
Number of employees	**9,188**	**9,455**
Apprentices and trainees	128	127
Total	**9,316**	**9,582**

7. SELLING AND MARKETING EXPENSES

Selling and marketing expenses from the period mainly include expenses for advertising and customer service as well as distribution and storage for finished products. They also contain transportation costs, expenses for commissions and licenses as well as amortization of customer bases and trademarks recognized as assets. The increase compared to the previous year is primarily attributed to increased personnel costs as well as sales-related freight and storage costs. Please refer to the segment reporting information for a presentation of selling and marketing expenses by segment (see note 3).

8. RESEARCH AND DEVELOPMENT EXPENSES

In addition to the costs of Symrise's own research departments, this item also includes costs for external research and development services and trial activities. Along with basic research, activities in this area include the development of products to generate sales revenue as well as new or improved processes to reduce the cost of goods sold. Such costs cannot be capitalized. The increase compared with the previous year is mainly due to higher personnel and trial costs as a result of expanded research and development activities – particularly in the Scent & Care and Flavor segments. Please refer to the segment reporting information for a presentation of research and development expenses by segment (see note 3).

9. ADMINISTRATION EXPENSES

Administration expenses mainly contain expenses for information technology, finances and human resources as well as for factory security, work safety and administration buildings. Administration expenses increased compared to the previous year, mainly due to higher expenses for information technology.

10. OTHER OPERATING INCOME

T€	2017	2018
Income from government subsidies	9,990	13,446
Income from the refund of value-added tax	0	12,039
Income from the reversal of provisions and liabilities	6,700	6,344
Income from service companies	5,276	5,746
Income from the disposal of Pinova Inc.	4,457	0
Miscellaneous other income	11,985	13,373
Total	**38,408**	**50,948**

Government subsidies were mainly granted in France to promote research projects. These refer to tax credits granted by the French government on research expenses (Crédit d'impôt recherche, CIR) as well as for competitiveness and employment (Crédit d'impôt pour la compétitivité et l'emploi, CICE).

In the reporting year, Symrise Brazil concluded a financial court proceeding to review the constitutionality of value-added tax in our favor. This decision follows the previous ruling of the Brazilian Supreme Federal Court on precisely this question. We have therefore recorded the amount previously recognized in a fiduciary account in profit or loss. On the other hand, expenses of € 1.2 million for attorney fees are included in administrative expenses.

Income from the reversal of provisions and liabilities affects such obligations where utilization is no longer expected or where it is certain it will not be utilized. Income from service companies results from services rendered by Group companies for third parties in the areas of logistics, technology and security. The item of miscellaneous other income comprises various individually immaterial cases that are not related to the sale of products.

11. FINANCIAL RESULT

T€	2017	2018
Interest income from bank deposits	3,256	1,906
Other interest income	2,151	2,741
Interest income	**5,407**	**4,647**
Other financial income	1,436	1,677
Financial income	**6,843**	**6,324**
Interest expenses from bank borrowings	– 2,928	– 2,844
Interest expenses from other borrowings	– 36,372	– 28,467
Other interest expenses	– 14,603	– 10,766
Interest expenses	**– 53,903**	**– 42,077**
Other financial expenses	– 9,078	– 9,176
Financial expenses	**– 62,981**	**– 51,253**
Financial result	**– 56,138**	**– 44,929**
of which interest result	– 48,496	– 37,430
of which other financial result	– 7,642	– 7,499

Interest expenses for liabilities from the Eurobond, the US private placement, the promissory note loan and the convertible bond are recognized under the interest expenses from other borrowings. The decrease is due to lower interest rate resulting primarily from the convertible bond issued in the previous year, which replaced the Eurobond that had a higher interest rate. Other interest expenses mainly comprise the compounding of provisions for pensions amounting to € 9.5 million (2017: € 9.1 million). Other financial expenses comprise predominantly currency translation effects. These mainly result from internal Group loans granted to foreign subsidiaries. Due to the very volatile nature of some currencies, there are regularly substantial changes in this position. It also includes, for the first time, the loss of € 3.2 million from the net monetary position resulting from hyperinflation in Venezuela and Argentina. For additional information, see note 26.

12. INCOME TAXES

Current taxes paid or owed in individual countries and deferred taxes are recognized as income taxes.

T€	2017	2018
Current income taxes	**– 122,084**	**– 127,010**
Deferred tax expense/income from losses carried forward	– 16,932	– 6,886
Deferred tax expense/income from temporary differences	39,217	24,540
Deferred tax expense/income	**22,285**	**17,654**
Income taxes	**– 99,799**	**– 109,356**

Income taxes in the reporting year increased by € 9.6 million to € 109.4 million. The tax rate increased compared to the previous year, amounting to 28.1 % (2017: 26.6 %).

The increase in current income taxes of € 4.9 million to € 127.0 million resulted from increases in the operating result. The change to deferred tax income primarily resulted from the scheduled amortization of intangible assets.

DERIVATION OF THE EFFECTIVE TAX RATE

The income taxes disclosed in the year reported, amounting to € 109.4 million (2017: € 99.8 million), can be reconciled to an expected income tax expense, which would have arisen if the statutory tax rates, giving consideration to different local tax rates, had been applied to consolidated net income before income taxes IFRS:

T€	2017	2018
Earnings before income taxes	**375,448**	**389,043**
Expected tax expense at local tax rates	– 106,303	– 99,785
Tax effect from previous periods	– 14,914	– 12,041
Tax effect from tax-free income	17,737	18,210
Tax effect from non-deductible expenses and taxable income	– 10,598	– 19,103
Non-recoverable withholding tax	– 4,594	– 4,899
Tax effect from value adjustments to deferred tax assets	2,629	3,765
Tax effect from change in tax rate	14,842	– 2,382
Other tax effects	1,402	6,879
Income tax expense	**– 99,799**	**– 109,356**

The resulting theoretical expected tax expense decreased compared to the previous year. This mainly resulted from the relatively high profit shares in countries with lower nominal tax rates. The tax effect from non-deductible expenses mainly arose from the tax reform introduced in the USA in 2018, commercial tax additions in Germany, the inclusion of effects from dividends received and other income-related local taxes. The positive effect from changes in the tax rate resulted in particular from the remeasurement of deferred taxes in the USA due to the tax reform resolved at the end of 2017. The effects of the reporting year totaling € 1.7 million result in particular from the further reduction in the tax rate in France approved in 2018. The proposed dividend for the 2018 fiscal year (see note 26) will not have any income tax consequences for Symrise. Future income and withholding taxes resulting from planned distributions of Group companies will be recognized under deferred tax liabilities.

The amount of income taxes directly charged or credited to other comprehensive income breaks down as follows:

			2017			2018
T€	Before taxes	Taxes	After taxes	Before taxes	Taxes	After taxes
Exchange rate differences resulting from the translation of foreign operations	– 159,275	2,230	– 157,045	26,879	– 1,730	25,149
Financial instruments measured at fair value previously classified as financial assets available for sale	17	0	17	0	0	0
Cash flow hedge (currency hedges)	1,229	– 356	873	– 950	280	– 670
Remeasurement of defined benefit pension plans	8,576	– 2,534	6,042	23,879	– 6,782	17,097
Change in tax rate	0	– 3,295	– 3,295	0	– 99	– 99
Other comprehensive income	**– 149,453**	**– 3,955**	**– 153,408**	**49,808**	**– 8,331**	**41,477**
of which current taxes		1,933			591	
of which deferred taxes		– 5,888			– 8,922	

13. AMORTIZATION AND DEPRECIATION

Amortization of intangible assets and depreciation of property, plant and equipment are shown in the movement summary in notes 18 and 19.

14. EARNINGS PER SHARE

	Unit	2017	2018
Consolidated net income attributable to shareholders of Symrise AG	**T€**	**270,270**	**275,330**
Weighted average number of ordinary shares	shares	129,812,574	129,812,574
Basic earnings per share	**€**	**2.08**	**2.12**

	Unit	2017	2018
Consolidated net income attributable to shareholders of Symrise AG	**T€**	**270,270**	**275,330**
Impact on net income from the convertible bond, after taxes	T€	2,061	3,919
Adjusted consolidated net income attributable to shareholders of Symrise AG	**T€**	**272,331**	**279,249**
Weighted average number of ordinary shares	shares	129,812,574	129,812,574
Dilutive potential shares	shares	4,354,476	4,354,476
Weighted average number of shares for diluted earnings	shares	132,122,865	134,167,050
Diluted earnings per share	**€**	**2.06**	**2.08**

ADDITIONAL DISCLOSURES ON THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

15. CASH AND CASH EQUIVALENTS

T€	December 31, 2017	December 31, 2018
Cash	214,843	272,281
Cash equivalents	14,662	7,314
Total	**229,505**	**279,595**

Cash and cash equivalents comprise cash balances, balances on hand with banks and short-term liquid investments that can be converted into a fixed amount at any time and are subject to only insignificant fluctuations in value. The amount of funds held fluctuates as of the reporting date.

16. TRADE RECEIVABLES

T€	December 31, 2017	December 31, 2018
Trade receivables	571,538	607,467
Allowance	– 14,102	– 11,071
Total	**557,436**	**596,396**

Trade receivables are not secured. The company therefore bears the risk of receivable defaults. So far, the company has experienced only insignificant cases of default.

The gross carrying amount of trade receivables in the reporting year comes to € 607.5 million (2017: € 571.5 million). Of this, € 533.7 million (2017: € 483.0 million) result from trade receivables that are not overdue and with no allowance set up, € 68.7 million (2017: € 64.5 million) result from trade receivables overdue with a partial allowance set up, and € 5.1 million (2017: € 24.0 million) from trade receivables that are not overdue but with a partial allowance set up. The impairment losses of € – 11.1 million (2017: € – 14.1 million) recognized in the reporting year can be divided into a specific bad debt allowance of € – 2.5 million (2017: € – 2.5 million) as well as a general bad debt allowance of € – 8.6 million (2017: € – 11.6 million).

The companies grant credit terms that are customary within the industry and the countries in which they operate.

Allowances for trade receivables during the reporting year developed as follows:

T€	2017	2018
January 1	**19,005**	**14,102**
Changes to the scope of consolidation	118	158
Allowances set up	6,977	4,975
Utilized in the reporting year	– 3,230	– 2,866
Reversals	– 8,120	– 4,950
Exchange rate differences	– 648	– 348
December 31	**14,102**	**11,071**

The risk of default for trade receivables is limited due to the large number of customers and their widely diversified activities in different markets.

17. INVENTORIES

T€	December 31, 2017	December 31, 2018
Raw materials	278,610	291,034
Unfinished products	214,452	289,518
Finished products	277,131	283,760
Allowance	– 18,682	– 19,438
Total	**751,511**	**844,874**

The cost of goods sold includes material costs without currency translation effects amounting to € 1,401.9 million (2017: € 1,264.4 million). The increase in unfinished products mainly resulted from the larger inventory of the raw material vanilla, which is already partially refined and therefore recognized as unfinished product. Inventories are solely subject to reservations of titles that are standard in the industry.

18. INTANGIBLE ASSETS

T€	Goodwill	Recipes[1] with definite useful lives	Other intangible assets[2] with definite useful lives	Capitalized development costs	Advance payments and intangible assets in development	Total
Costs						
January 1, 2017	**1,267,894**	**739,736**	**932,885**	**23,196**	**16,870**	**2,980,581**
Additions from business combinations	6,761	3,138	2,999	1,606	135	**14,639**
Additions from acquisitions	0	0	7,744	0	9,585	**17,329**
Additions from internal development	0	0	0	1,598	148	**1,746**
Disposals	0	0	– 1,689	– 7,817	– 106	**– 9,612**
Transfers	0	0	8,100	0	– 8,100	**0**
Exchange rate differences	– 48,937	– 30,808	– 29,563	– 189	326	**– 109,171**
December 31, 2017	**1,225,718**	**712,066**	**920,476**	**18,394**	**18,858**	**2,895,512**
Accumulated amortization and impairment losses						
January 1, 2017	**– 46,115**	**– 546,023**	**– 257,139**	**– 18,893**	**0**	**– 868,170**
Additions from business combinations	0	0	0	– 772	0	**– 772**
Amortization for the fiscal year	0	– 33,702	– 73,528	– 1,388	0	**– 108,618**
Disposals	0	0	1,689	7,817	0	**9,506**
Exchange rate differences	3,094	24,534	10,824	– 20	0	**38,432**
December 31, 2017	**– 43,021**	**– 555,191**	**– 318,154**	**– 13,256**	**0**	**– 929,622**
Carrying amounts						
January 1, 2017	1,221,779	193,713	675,746	4,303	16,870	**2,112,411**
December 31, 2017	**1,182,697**	**156,875**	**602,322**	**5,138**	**18,858**	**1,965,890**
of which finance leases	0	0	1,477	0	0	**1,477**

[1] Recipes mainly consist of production recipes and technologies.
[2] Other intangible assets mainly contain customer bases, trademarks, software, patents and other rights, as well as own IT developments.

T€	Goodwill	Recipes[1] with definite useful lives	Other intangible assets[2] with definite useful lives	Capitalized development costs	Advance payments and intangible assets in development	Total
Costs						
January 1, 2018	**1,225,718**	**712,066**	**920,476**	**18,394**	**18,858**	**2,895,512**
Additions from business combinations	9,532	927	6,492	0	0	**16,951**
Additions from acquisitions	0	0	4,336	0	9,240	**13,576**
Additions from internal development	0	0	0	722	450	**1,172**
Disposals	0	0	– 2,948	– 3,005	– 17	**– 5,970**
Transfers	0	0	6,763	284	– 7,047	**0**
Exchange rate differences	15,214	8,485	7,736	– 288	– 18	**31,129**
December 31, 2018	**1,250,464**	**721,478**	**942,855**	**16,107**	**21,466**	**2,952,370**
Accumulated amortization and impairment losses						
January 1, 2018	**– 43,021**	**– 555,191**	**– 318,154**	**– 13,256**	**0**	**– 929,622**
Amortization for the fiscal year	0	– 29,993	– 73,068	– 1,051	0	**– 104,112**
Disposals	0	0	2,948	3,005	0	**5,953**
Exchange rate differences	– 1,322	– 7,242	– 3,681	111	0	**– 12,134**
December 31, 2018	**– 44,343**	**– 592,426**	**– 391,955**	**– 11,191**	**0**	**– 1,039,915**
Carrying amounts						
January 1, 2018	1,182,697	156,875	602,322	5,138	18,858	**1,965,890**
December 31, 2018	**1,206,121**	**129,052**	**550,900**	**4,916**	**21,466**	**1,912,455**

[1] Recipes mainly consist of production recipes and technologies.
[2] Other intangible assets mainly contain customer bases, trademarks, software, patents and other rights, as well as own IT developments.

Please refer to note 2.4 for the additions from business combinations. The additions from acquisitions mostly relate to advance payments for software, primarily SAP applications, and to the registration of chemicals according to the European chemicals directive (REACH).

Capitalized development costs, including those currently in progress, amounted to € 5.4 million as of the end of the reporting period (December 31, 2017: € 5.4 million).

The amortization of recipes and technologies is allocated to production and is therefore included in the cost of goods sold. Amortization on customer bases and trademark rights is recognized in selling and marketing expenses; amortization on other intangible assets is allocated to the corresponding functional areas in the consolidated income statement.

GOODWILL ACCORDING TO SEGMENT

T€	December 31, 2017	December 31, 2018
Scent & Care	224,408	238,397
Flavor	530,610	535,242
Nutrition	427,679	432,482
Total	**1,182,697**	**1,206,121**

19. PROPERTY, PLANT AND EQUIPMENT

T€	Land and buildings	Plants and machinery	Equipment	Assets under construction	Total
Costs					
January 1, 2017	**521,477**	**760,697**	**237,915**	**130,179**	**1,650,268**
Additions from business combinations	1,563	501	320	0	**2,384**
Other additions	8,244	16,029	16,164	145,381	**185,818**
Disposals	– 1,444	– 5,315	– 10,509	– 270	**– 17,538**
Transfers	31,713	51,482	16,643	– 99,838	**0**
Exchange rate differences	– 22,119	– 41,297	– 13,364	– 11,955	**– 88,735**
December 31, 2017	**539,434**	**782,097**	**247,169**	**163,497**	**1,732,197**
Accumulated depreciation and impairment losses					
January 1, 2017	**– 214,545**	**– 422,751**	**– 155,594**	**0**	**– 792,890**
Additions from business combinations	0	0	– 14	0	**– 14**
Depreciation for the fiscal year	– 19,730	– 49,808	– 20,420	0	**– 89,958**
Impairment	0	– 112	– 30	0	**– 142**
Disposals	1,336	5,052	10,192	0	**16,580**
Transfers	92	– 51	– 41	0	**0**
Exchange rate differences	8,818	19,723	7,306	0	**35,847**
December 31, 2017	**– 224,029**	**– 447,947**	**– 158,601**	**0**	**– 830,577**
Carrying amounts					
January 1, 2017	306,932	337,946	82,321	130,179	**857,378**
December 31, 2017	**315,405**	**334,150**	**88,568**	**163,497**	**901,620**
of which finance leases	3,370	1,458	17	0	**4,845**

T€	Land and buildings	Plants and machinery	Equipment	Assets under construction	Total
Costs					
January 1, 2018	**539,434**	**782,097**	**247,169**	**163,497**	**1,732,197**
Additions from business combinations	3,401	198	209	1,026	**4,834**
Other additions	4,888	11,760	12,493	182,205	**211,346**
Disposals	– 2,389	– 6,454	– 10,531	– 139	**– 19,513**
Transfers	52,100	66,997	7,596	– 126,693	**0**
Exchange rate differences	6,218	12,383	1,544	3,867	**24,012**
December 31, 2018	**603,652**	**866,981**	**258,480**	**223,763**	**1,952,876**
Accumulated depreciation and impairment losses					
January 1, 2018	**– 224,029**	**– 447,947**	**– 158,601**	**0**	**– 830,577**
Depreciation for the fiscal year	– 20,776	– 50,972	– 20,689	0	**– 92,437**
Disposals	1,951	6,008	7,970	0	**15,929**
Exchange rate differences	– 2,292	– 6,134	– 1,272	0	**– 9,698**
December 31, 2018	**– 245,146**	**– 499,045**	**– 172,592**	**0**	**– 916,783**
Carrying amounts					
January 1, 2018	315,405	334,150	88,568	163,497	**901,620**
December 31, 2018	**358,506**	**367,936**	**85,888**	**223,763**	**1,036,093**
of which finance leases	3,578	1,090	8	0	**4,676**

Please refer to note 2.4 for the additions from business combinations. Other additions comprise investments in capacity expansions such as the expansion of production capacities for cosmetic ingredients and menthols in Charleston, SC (USA), the construction of the new site for the production of fragrances and flavors in Nantong (China) and the construction of a new production site for Diana Food in Banks County, GA (USA). Additions contain capitalized borrowing costs amounting to € 1.3 million (December 31, 2017: € 1.2 million). The underlying capitalization rate amounts to 1.53 % (December 31, 2017: 2.32 %).

20. DEFERRED TAX ASSETS/LIABILITIES

T€	December 31, 2017 Tax assets	December 31, 2017 Tax liabilities	December 31, 2017 Income (+)/ Expenses (–)	December 31, 2018 Tax assets	December 31, 2018 Tax liabilities	December 31, 2018 Income (+) / Expenses (–)
Intangible assets	6,708	187,372	36,089	8,101	171,284	20,505
Property, plant and equipment	8,185	59,017	12,387	7,399	64,939	– 6,708
Financial assets	1,011	8	– 146	774	10	– 239
Inventories	15,712	264	– 2,347	18,593	269	2,876
Trade receivables, prepayments and other assets	15,439	6,089	22,329	8,480	10,455	– 7,009
Provisions for pensions	79,524	0	4,329	74,083	0	705
Other provisions and other liabilities	23,293	19,647	– 35,124	27,145	8,089	15,410
Interests in subsidiaries	0	2,000	1,700	0	3,000	– 1,000
Losses carried forward	34,834	0	– 16,932	27,948	0	– 6,886
Subtotal	**184,706**	**274,397**	**22,285**	**172,523**	**258,046**	**17,654**
Offsetting	– 78,536	– 78,536	0	– 86,071	– 86,071	0
Total	**106,170**	**195,861**	**22,285**	**86,452**	**171,975**	**17,654**

Deferred tax income amounted to € 17.7 million in 2018 in contrast to a deferred tax income of € 22.3 million in 2017. The change to deferred tax income primarily resulted from the scheduled amortization of intangible assets and the use of loss carryforwards. In the previous year, deferred tax income was particularly influenced by the remeasurement of deferred taxes in the USA. Deferred tax income relating to trade receivables, prepayments and other assets is influenced by the changes to an internal borrowing in US Dollars and the corresponding currency valuation. With regard to the change in provisions for pensions and the related change in deferred taxes, please see note 12. Overall, corporation tax losses carried forward amounting to € 135.6 million (December 31, 2017: € 150.4 million) existed as of the end of the reporting period; deferred tax assets on corporation tax losses carried forward amounting to € 115.8 million were recognized. The use of tax losses carried forward compared with the previous year led to an increase in deferred tax expenses. The use of tax losses carried forward and therefore the measurement of the corresponding deferred tax assets are substantiated through tax planning. The change in the nonrecognition of deferred tax assets amounts to € 0.5 million (December 31, 2017: € – 2.6 million).

The calculation of foreign income taxes is based on the particular country's legal regulations. The tax rates of the individual companies range between 0 % and 40 %.

Pursuant to IAS 12 "Income Taxes", deferred tax liabilities are to be recognized on the difference between a subsidiary's proportional equity as recognized in the consolidated statement of financial position and the carrying amount of the investment in the subsidiary as recognized in the parent's tax accounts if realization is to be expected. (This amount is known as an outside-basis difference.) The cause of these differences is mainly undistributed profits from domestic and foreign subsidiaries. No deferred tax liabilities were recognized on these temporary differences of € 342.2 million in 2018 and € 335.0 million in 2017 since they will be reinvested for indefinite periods or are not subject to taxation. In the case of distributions from subsidiaries, these were subject to a dividend tax of 5 %. Distributions from foreign countries could trigger withholding taxes. As of December 31, 2018, deferred tax liabilities from shares in subsidiaries were recognized for planned dividend distributions of € 3.0 million (December 31, 2017: € 2.0 million).

21. TRADE PAYABLES

Trade payables are due within one year, as in the previous year.

22. CURRENT AND NON-CURRENT BORROWINGS

	December 31, 2017			December 31, 2018		
T€	Current	Non-current	Total	Current	Non-current	Total
Bank borrowings	81,245	23,907	**105,152**	116,126	7,685	**123,811**
Other borrowings	950	1,514,519	**1,515,469**	499,880	1,028,331	**1,528,211**
Accrued interest	6,779	338	**7,117**	7,335	2	**7,337**
Total	**88,974**	**1,538,764**	**1,627,738**	**623,341**	**1,036,018**	**1,659,359**

The obligations from the term loan, the utilization of the revolving credit facilities, the loan from the European Investment Bank (hereafter: EIB) and the loan from the Kreditanstalt für Wiederaufbau (repaid in 2018, ahead of time; carrying amount December 31, 2017: € 5.9 million) are part of the bank borrowings. Other borrowings include liabilities from the Eurobond, the convertible bond issued in 2017, the US private placement and the promissory note loan.

The increase in current liabilities to banks mainly results from the raising of a term loan (carrying amount December 31, 2018: € 30.0 million) in December 2018. The development of other liabilities resulted from the reclassification of the Eurobond due in 2019 (carrying amount December 31, 2018: € 499.4 million) from non-current financial liabilities to current financial liabilities.

The revolving credit facility EUR's value remains € 300.0 million with a residual term of four years. To date, no use has been made of the option to increase the volume to € 500.0 million. In addition to this credit line, other bilateral credit lines exist with various banks to cover short-term payment requirements. As of December 31, 2018, Symrise had unutilized lines of credit available totaling € 252.8 million (December 31, 2017: € 267.5 million), USD 29.0 million (December 31, 2017: USD 34.6 million) and SEK 86.0 million (equivalent to € 18.4 million, which was utilized in US Dollars in the previous year). New credit lines were also concluded in 2018 in the nominal amounts of MGA 168.0 billion (equivalent to € 42.0 million) and BRL 5.0 million (equivalent to € 1.1 million).

As part of the revolving credit facility EUR, the US private placement and the EIB loan, Symrise has entered into an obligation to keep the relationship between net debt and a contractually defined EBITDA (leverage covenant, see note 28) within defined limits. This ratio is reviewed on a quarterly basis for compliance and was consistently observed as in the previous year.

Financial liabilities contain carrying amounts in foreign currencies (USD, SEK and CAD) totaling € 220.7 million (December 31, 2017: € 205.8 million).

The liability component of the convertible bond issued via a private placement with institutional investors developed as follows in the fiscal year:

T€	December 31, 2018
Liability component as of January 1, 2018	365,718
Interest growth and amortized transaction costs	5,091
Liability component at the end of the reporting period	**370,809**

The equity component was recognized as part of the capital reserve when the convertible bond was issued.

	Maturity date	Nominal interest rate		Nominal amount in issue currency (T)
Symrise AG, Germany				
Term loan	January 2019	0.00%	fixed	30,000 EUR
Revolving credit facility EUR*	May 2022	0.45%	Euribor + 0.45%	30,000 EUR
Revolving credit facility USD*	May 2022	2.96%	Libor + 0.45%	34,000 USD
EIB loan	April 2020	2.59%	fixed	24,545 USD
Eurobond 2014	July 2019	1.75%	fixed	500,000 EUR
Convertible bond 2017	June 2024	0.24%	fixed	400,000 EUR
US private placement	November 2020	4.09%	fixed	175,000 USD
Promissory note loan (5Y)	December 2020	0.91%	fixed	122,500 EUR
Promissory note loan (5Y)	December 2020	0.70%	Euribor + 0.70%	38,500 EUR
Promissory note loan (7Y)	December 2022	1.34%	fixed	224,000 EUR
Promissory note loan (7Y)	December 2022	0.85%	Euribor + 0.85%	37,500 EUR
Promissory note loan (10Y)	December 2025	1.96%	fixed	67,500 EUR
Promissory note loan (10Y)	December 2025	1.10%	Euribor + 1.10%	10,000 EUR
Probi AB, Sweden				
Revolving credit facility SEK*	July 2020	1.40%	Stibor + 1.40%	119,000 SEK
Proteinas Del Ecuador Ecuaprotein SA, Ecuador				
Shareholder loan	September 2020	5.00%	fixed	3,981 USD
Diana Food Canada Inc., Canada				
Promotional loan	April 2023	0.00%	fixed	2,321 CAD
Scelta Umami B.V., Netherlands				
Term loan	September 2029	5.50%	fixed	542 EUR
Spécialités Pet Food SAS, France				
Promotional loan	June 2025	0.00%	fixed	503 EUR
Diana US Inc., USA				
Promotional loan	June 2019	0.00%	fixed	395 USD
Octopepper SAS, France				
Promotional loan	January 2022	4.90%	fixed	199 EUR
Term loan	December 2020	2.40%	fixed	271 EUR
Other borrowings				1,198 EUR

*The respective credit line used is stated as the nominal amount.

23. OTHER CURRENT NON-FINANCIAL LIABILITIES

T€	December 31, 2017	December 31, 2018
Employee-related liabilities	78,553	78,214
Other taxes	20,638	27,304
Liabilities to customers	20,259	24,502
Taxes on wages/salaries, social security contributions and other social benefits	15,965	16,706
Miscellaneous other liabilities	20,506	23,347
Total	**155,921**	**170,073**

Employee-related liabilities mainly contain annual bonuses and other bonuses as well as accruals for unused vacation time. Other taxes mainly consist of obligations for value-added taxes. Liabilities to customers contain accruals for rebates and bonuses as well as credits to customers.

Miscellaneous other current liabilities mainly derive from diverse administration, selling and marketing expenses that arise during the normal course of operations.

24. OTHER CURRENT AND NON-CURRENT PROVISIONS

T€	Personnel provisions	Provisions for restoration obligations	Provisions for litigation	Miscellaneous other provisions	Total
January 1, 2018	**20,867**	**4,804**	**4,048**	**3,786**	**33,505**
of which non-current	11,966	4,773	2,955	1,379	**21,073**
Change to the scope of consolidation	0	0	282	0	**282**
Increases	2,779	177	278	156	**3,390**
Utilization	– 1,889	0	– 621	– 332	**– 2,842**
Reversals	– 1,250	0	– 1,401	– 801	**– 3,452**
Interest expenses	322	4	4	5	**335**
Exchange rate differences	– 252	197	– 237	78	**– 214**
December 31, 2018	**20,577**	**5,182**	**2,353**	**2,892**	**31,004**
of which non-current	14,168	5,151	1,675	433	**21,427**

The personnel provisions mainly comprise those for jubilees (€ 12.4 million; December 31, 2017: € 12.0 million) and for termination benefits (€ 3.2 million; December 31, 2017: € 3.9 million). The jubilee obligations were discounted using an interest rate of 2.0 % in the reporting year compared to 1.7 % last year.

Provisions for restoration obligations comprise liabilities to lessors to restore leased objects to their condition before commencement of the lease. The present value of restoration obligations is recognized in the period in which the obligations originated. We generally assume that the corresponding cash outflow is due at the time of the termination of the respective lease contract, though the end of the lease and the amount due are estimates.

The provisions for litigation exist for pending proceedings in Latin America and France. All of these legal disputes are minor and will have no significant influence on the Group's economic situation.

Miscellaneous other provisions do not contain any material items, which is why a separate disclosure was not provided. We expect that the cash outflow for all current provisions will take place within the next few months and by the end of the year 2019 at the very latest.

25. PROVISIONS FOR PENSIONS AND SIMILAR OBLIGATIONS

Individual companies have established pension plans that are either financed through provisions or by making contributions to external investment fund companies outside the Group. The manner in which these benefits are provided to employees varies depending on the legal regulations and the fiscal and economic environments in the respective countries involved. In addition, in some cases, the Group has agreed to provide additional post-employment health care benefits to its employees. Retirement benefits and healthcare benefits are generally measured based on the wages or salaries of the employees and their respective years of service. The obligations relate to both existing retirees and also to the entitlements of future retirees.

With the pension plans, Symrise is not subject to any of the risks beyond standard actuarial risks such as longevity risks, interest rate risks and currency risks, or capital market risks usually associated with assets.

The characteristics of the core plans offered by Symrise are described below:

GERMANY

In Germany, Symrise grants pension benefits via benefit plans with employer-financed prior commitments (defined benefit plans) and various plans with deferred compensation (defined contribution and defined benefit plans).

The active participation of employees of the former Haarmann & Reimer GmbH, Germany, in the Bayer mutual pension fund VVaG was terminated with effect from March 31, 2003. The employees of Haarmann & Reimer GmbH who had already acquired pension rights as of this date automatically became passive members of the pension fund from April 1, 2003, onwards. Active members, who had unvested rights as of March 31, 2003, had the option to have their pension entitlement (excluding employer contributions) paid out at this date in the form of a capital sum and from that point in time ceased to be members of the Bayer pension fund. For all individuals in the Bayer pension fund who were active members as of March 31, 2003, a benefit scheme was introduced in Germany with effect from April 1, 2003, in the form of a direct benefit promise, which is financed through a deferred gross compensation arrangement (3 % up to the respective maximum income threshold for assessment of contributions as defined by the German State Pension Authority West). For those people with components of remuneration that exceed the respective income threshold for assessment of contributions, employer-financed retirement benefits up to a maximum amount are provided based on a benefit scheme. At the time that the new benefit scheme was introduced, the former Haarmann & Reimer employees were guaranteed that their benefits under the company retirement benefit scheme would not worsen as a result of the business combination. The benefits have to be maintained at the same level that existed before the business combination took place. This is assured under the new benefit scheme. As a consequence of this guarantee, the company has also offered those former Haarmann & Reimer GmbH employees – whose earnings are regulated by tariff agreement – a further voluntary deferred compensation scheme in the form of a direct benefit promise. The employee contribution and the employer top-up contribution taken together are limited to a maximum of 4 % of the respective income threshold for the assessment of contributions as defined by the German State Pension Authority West.

Former Dragoco employees who joined the organization before December 31, 1981, are the subject of an employer-financed retirement benefit scheme. The pension payments under this scheme are dependent upon the employee's length of service and their final monthly gross remuneration level.

All employees who did not belong to a retirement benefit scheme as of April 1, 2003, had the opportunity from this date onwards to participate in a retirement benefit scheme that was provided in the form of a direct benefit promise through deferral of compensation. This benefit scheme was closed effective December 31, 2010. The employee contribution and the employer top-up contribution taken together were limited to a maximum of 4 % of the respective income threshold for the assessment of contributions as defined by the German State Pension Authority West.

From January 1, 2010, onwards, all new Symrise employees with unlimited employment contracts at German locations are obliged to join the RPK ("Rheinische Pensionskasse" – an external German pension fund) from the seventh month of their employment onwards. Under the terms of this arrangement, the employee pays 2 % of his remuneration in the form of deferred gross compensation to the RPK (mandatory contribution); the organization makes a top-up contribution of the same amount. Voluntary contributions are also possible and are also made in the same amount by the organization. The employee contribution and the employer top-up contribution taken together are limited to a maximum of 4 % of the respective income threshold for the assessment of contributions as defined by the German State Pension Authority West. Effective as of January 1, 2011, individuals who were already employed in the organization but who – unlike the former Haarmann & Reimer employees or employees of Dragoco who joined before December 31, 1981 – did not belong to a benefit scheme were able to request membership to the RPK scheme on a voluntary basis up to September 30, 2010.

Furthermore, all non-tariff employees and managers have the possibility to build up additional retirement benefit components on a voluntary basis in the form of a direct benefit promise involving deferral of remuneration. There is no additional employer top-up contribution involved in connection with this "deferred compensation" arrangement.

The pension plan through RPK as an external benefit provider is classified as a defined contribution plan, and therefore no provisions for pensions have been established. All other obligations from benefit commitments are recognized as defined benefit plans and therefore accounted for in provisions for pensions. No plan assets exist for these provisions.

USA

In the USA, Symrise grants pension benefits through a defined benefit plan, known as a Mass Mutual Plan, as well as medical benefits. Both plans have been frozen, meaning that the plans have been closed for new entries as well as for further entitlements since 2012 and 2003, respectively. The amount of the benefits from the Mass Mutual Plan is determined by the average final salary as well as years of service to the company. The plan assets held for this benefit plan are retained in pooled separate accounts at the Massachusetts Mutual Life Insurance Company, which invests the assets in a diversified manner so as to minimize concentrations of risk. The investment decisions are made by an investment committee, the Benefit Oversight Committee, which is also responsible for the legal management and has fiduciary responsibility. It is composed of five Symrise employees. The legal and regulatory framework of both plans is based on the US Employee Retirement Income Security Act (ERISA). It stipulates the minimum financing level, which is based on an annual measurement. Plan participants do not make payments into the plan assets.

The net defined benefit liability recognized as provisions for pensions and similar obligations can be derived as follows:

T€	2017	2018
Present value of defined benefit obligations January 1	**566,425**	**565,637**
Reclassification of the effect of asset ceiling for plan assets[1]	0	– 638
Recognized in income statement		
Current service cost	17,291	16,920
Past service cost	0	– 67
Interest expenses (+)	10,504	10,930
Recognized in other comprehensive income		
Actuarial gains (–)/losses (+)		
arising from changes in demographic assumptions	– 4,512	5,610
arising from changes in financial assumptions	2,777	– 34,712
arising from experience-based adjustments	– 2,926	948
Exchange rate differences	– 9,139	3,138
Other		
Benefits paid	– 14,783	– 14,856
December 31	**565,637**	**552,910**
of which pension plans	554,095	542,030
of which post-employment healthcare benefits	11,542	10,880
Fair value of plan assets January 1	**– 43,873**	**– 42,269**
Recognized in income statement		
Interest income (–)	– 1,444	– 1,471
Recognized in other comprehensive income		
Gains (–)/losses (+) on plan assets excluding amounts already recognized as interest income	– 3,915	4,013
Exchange rate differences	5,228	– 1,959
Other		
Employer contributions	– 1,477	– 1,082
Benefits paid	3,212	2,193
December 31	**– 42,269**	**– 40,575**
of which pension plans	– 42,269	– 40,575
Consideration of the effect of asset ceiling for plan assets January 1[1]	**0**	**0**
Reclassification of the effect of asset ceiling for plan assets[1]	0	638
Recognized in income statement		
Interest expense (+)/interest income (–)	0	3
Recognized in other comprehensive income		
Recent/other changes	0	262
Exchange rate differences	0	54
December 31	**0**	**957**
of which pension plans	0	957
Net defined benefit liability		
January 1	522,552	523,368
December 31	**523,368**	**513,292**
of which pension plans	511,826	502,412
of which post-employment healthcare benefits	11,542	10,880

[1] The consideration of the effect of asset ceiling for plan assets was included in the present value of net defined benefit liability in 2017.

As of the end of the reporting year, the entire present value of the defined benefit obligation contains T€ 307,023 for active employees (December 31, 2017: T€ 315,304), T€ 48,542 for former employees with vested claim entitlements (December 31, 2017: T€ 48,483) and T€ 197,345 for retirees and their dependents (December 31, 2017: T€ 201,850). From this entire present value of the defined benefit obligation, T€ 542,206 (December 31, 2017: T€ 554,346) is allocated to vested claims, while the remaining T€ 10,704 (December 31, 2017: T€ 11,291) relates to non-vested claims.

The average weighted term for the present value of the defined benefit obligation from defined benefit plans amounts to a total of 19.3 years (December 31, 2017: 20.0 years). It breaks down with 22.6 years for active employees, 22.5 years for former employees with vested claim entitlements and 11.1 years for retirees and their surviving dependents.

The defined benefit plans are not covered by plan assets except for the pension schemes in the USA (Mass Mutual Plan), Japan and India. Plan assets secure a present value of the defined benefit obligation of T€ 53,163 (December 31, 2017: T€ 56,349) as of the end of the year. Financing for the obligations not covered by plan assets is made through the cash flow from operating activities of Symrise AG and its subsidiaries.

Plan assets of T€ 40,575 (December 31, 2017: T€ 42,269) are mainly used for provisions for pensions in the USA (T€ 35,043; December 31, 2017: T€ 36,625) and are invested in pooled separate accounts at the Massachusetts Mutual Life Insurance Company. Shares in fund assets are held in these accounts, which are invested in money market instruments and bonds as well as special growth and value-oriented securities. Price quotes for these shares are derived from active markets (Level 2). Plan assets also exist in Japan (T€ 5,201; December 31, 2017: T€ 5,345) and India (T€ 331; December 31, 2017: T€ 299). The assets in Japan are deposited at the Japan Master Trust Bank, which invested the assets in Japanese and foreign bonds and shares as of the end of 2018 – the prices of which were also derivable from active markets. It exceeds the net defined benefit liability and was limited to the asset ceiling. The plan assets in India are deposited in a life insurance policy for which there is no active market for estimating the price.

The net defined benefit liability breaks down according to region as follows:

T€	December 31, 2017	December 31, 2018
EAME	493,013	483,753
North America	24,985	23,944
Latin America	4,146	4,389
Asia/Pacific	1,224	1,206
Total	**523,368**	**513,292**

The actuarial measurements are based on the following assumptions:

%	2017	2018
Discount rate		
Germany	1.70	2.00
USA	3.64	4.31
Other countries	2.28	1.97
Salary trends		
Germany	2.25	2.25
Other countries	3.25	3.22
Pension trends		
Germany	1.70	1.70
Other countries	2.01	1.98
Medical cost trend rate		
USA	6.70	6.70
Other countries	8.76	8.27

The assumptions relating to mortality rates are based on published mortality tables. For the provisions for pensions established in Germany, the mortality rate is based on the reference tables 2018 G by Prof. Dr. Klaus Heubeck. Previously, this was calculated on the basis of mortality tables from 2005, which were updated in the reporting year. The update resulted in a loss from the change in demographic assumptions of T€ 5,549. The Mass Mutual Plan in the USA is unchanged, based on the reference table RP 2014 employee and retiree mortality. All other actuarial measurements outside of Germany are based on country-specific mortality tables.

The present value of the defined benefit obligation is dependent on the previously mentioned actuarial assumptions. The following table shows what the present value as of end of the corresponding reporting period, would have been if the actuarial assumptions had changed by one percentage point each:

	Change in present value of the defined benefit obligation			
	Increase		Decrease	
T€	2017	2018	2017	2018
Discount rate	– 102,232	– 97,099	134,085	126,340
Salary trends	19,991	18,892	– 17,666	– 17,020
Pension trends	68,427	64,425	– 56,869	– 54,725
Medical cost trend rate	1,410	1,336	– 1,162	– 1,106

To determine the sensitivity regarding life expectancy, the mortality rate for the beneficiaries covered by the plans was increased or reduced by 10.0 %. The reduction to the mortality rate results in an increase of life expectancy and is dependent on the ages of the individual beneficiaries. A 10.0 % increase to the mortality rate results in a reduction of the present value of the defined benefit obligation by T€ 21,328 (December 31, 2017: T€ 21,614). In comparison, a 10.0 % reduction results in an increase of the present value of the defined benefit obligation by T€ 23,350 (December 31, 2017: T€ 23,743).

A change of 1.0 percentage point in the assumption made for medical cost trend rates would have the following effect on current service costs:

	Change in current service costs			
	Increase		Decrease	
T€	2017	2018	2017	2018
Medical cost trend rate	76	70	– 61	– 56

The calculation of the sensitivity of the present value of the defined benefit obligation was performed using the same method used to determine the present value of the obligations from the provision for pensions (projected unit credit method). Increases or decreases to the discount rate, salary and pension trends as well as mortality rates lead to other absolute figures, particularly due to the effect of compound interest on the determination of the present value of the defined benefit obligation. If multiple assumptions are changed simultaneously, the result would not necessarily be the sum of the previous individual effects shown. The sensitivities only apply for the respective specific magnitude of the change to the assumption (for example, 1.0 percentage point for the discount rate). If the assumptions change in a manner other than those listed, the effect on the present value of the defined benefit obligation cannot be directly adopted.

26. EQUITY

SHARE CAPITAL

The share capital of Symrise AG continues to amount to € 129,812,574 and is fully paid in. It is divided into 129,812,574 no-par-value shares, each with a calculated nominal share value of € 1.00 per share.

AUTHORIZED CAPITAL

The Executive Board is authorized, subject to the consent of the Supervisory Board, to increase the share capital of the company until May 11, 2020, by up to € 25,000,000 million through one or more issuances of new, no-par-value shares against contribution in cash and/or in kind. The new shares may be underwritten by one or more financial institutions determined by the Executive Board in order for such shares to be offered to the shareholders (indirect subscription right). The Executive Board is authorized, subject to the consent of the Supervisory Board, to exclude the subscription rights of existing shareholders in the following instances:

- In the case of capital increases in return for assets in kind to grant shares for the purpose of acquiring companies, parts of companies or share interests in companies;
- For the purpose of issuing a maximum number of 1,000,000 new shares to employees of the company and affiliated companies, within the constraints imposed by law;
- Insofar as this is necessary in order to grant holders of warrants and convertible bonds issued by the company or its subsidiaries a right to subscribe for new shares to the extent that they would be entitled to such a right when exercising the warrants or options or when meeting obligations arising from the warrants or options;
- To exclude fractional amounts from subscription rights

- In the case of capital increases against cash contributions, if, at the time of the final determination of the issue price by the Executive Board, the issue price of the new shares is not materially – within the meaning of Section 203 (1) and (2) of the German Stock Corporation Act (AktG) and Section 186 (3), Sentence 4 of the German Stock Corporation Act – less than the stock market price of shares already traded on the stock exchange of the same type and with the same attributes and the aggregate amount of the new shares for which subscription rights are excluded does not exceed 10 % of the share capital either at the time this authorization comes into force or at the time this authorization is exercised. This restriction is to include shares that were or will be sold or issued without subscription rights during the period of validity of this authorization, up to the time of its exercise, by reason of other authorizations in direct or corresponding application of Section 186 (3) sentence 4 of the German Stock Corporation Act.

The Executive Board is authorized, subject to the consent of the Supervisory Board, to determine the further particulars of the capital increase and its implementation including the scope of shareholder rights and the conditions for the issuing of shares.

ACQUISITION OF TREASURY STOCK

The Executive Board is authorized until May 11, 2020 to purchase treasury shares amounting up to 10 % of the current share capital. The purchased shares together with other treasury shares that are held by the company or are attributed to it according to Section 71a et seqq. of the German Stock Corporation Act may not at any time exceed 10 % of the share capital existing at the time of the resolution. The authorization must not be used for the trade of treasury shares.

- For one or more purposes, the authorization may be invoked by the company, or by third parties for the account of the company, in one total amount or in a number of partial amounts either singly or on several separate occasions.

- The Executive Board has the choice of making the acquisition either through the stock exchange or in the form of a published purchase offer, or respectively, in the form of a published request for tender of such an offer.
  - If the acquisition of shares is made through the stock exchange, the consideration per share paid by the company (excluding ancillary acquisition costs) may not exceed or undercut the opening auction price quoted on the Xetra trading system (or a comparable replacement system) on the day of the stock exchange trading by more than 5 %.
  - If the acquisition is made in the form of a published purchase offer, or in the form of a published request for tender of a purchase offer, the purchase price offered per share, or the limits of the purchase price spread per share (excluding ancillary acquisition costs), may not exceed or undercut the average closing price quoted on the Xetra trading system (or a comparable replacement system) on the last three stock exchange trading days before the date of publication of the offer, or respectively, the date of publication of a request for tender of a purchase offer by more than 10 %. If, following publication of the purchase offer, or respectively, following publication for tender of a purchase offer, significant fluctuations occur in the applicable reference price, then an adjustment may be made to the offer, or respectively, to the request for tender of such an offer. In such circumstances, reference will be made to the average price of the last three stock exchange trading dates before publication of any potential adjustment. The purchase offer, or respectively, the request for tender of such an offer may include further conditions. Inasmuch as the offer is oversubscribed, or respectively, in the case of a request for tender of an offer, inasmuch as not all equivalent offers can be accepted, then acceptance must occur on a quota basis. Preferential acceptance of small quantities of up to 100 shares on offer is permissible.

- The Executive Board is authorized to use company shares that are acquired on the basis of this authorization for all permitted legal purposes but especially for the following purposes:
  - The shares may be redeemed without the necessity of the redemption or its execution being authorized by a further resolution of a general meeting of shareholders. In a simplified procedure, they may be redeemed without

a formal reduction in capital by adjustment of the proportional amount applicable to the remaining no-par-value shares making up the company's share capital. The redemption may be limited to only a portion of the shares acquired. The authorization for redemption of shares may be invoked repeatedly. If the redemption is performed using the simplified procedure, then the Executive Board is authorized to adjust the number of no-par-value shares contained in the company's articles of incorporation.

– The shares may also be sold by means other than through the stock exchange or an offer to the shareholders if the shares are disposed of against payment in cash at a price that is not significantly less than the quoted stock exchange price at the time of disposal for shares of the same type.
– The shares may be sold in consideration for contributions in kind, particularly in connection with the acquisition of other entities, parts of entities or investments in entities as well as in connection with business mergers.

- The authorizations listed also cover the disposition of company shares that are acquired pursuant to Section 71d sentence 5 of the German Stock Corporation Act.

- The authorizations listed may be made use of singly or repeatedly, wholly or partly, individually or jointly; the authorizations may also be made use of by entities dependent on the company, or by entities that are owned in the majority by the company, or for their account, or for the account of third parties acting on behalf of the company.

- Shareholder subscription rights in respect of this treasury stock are excluded to the extent that these shares are disposed of in accordance with the aforementioned authorization.

- The Supervisory Board may prescribe that measures taken by the Executive Board based on this resolution by the Annual General Meeting of the shareholders may only be executed with its permission.

CONDITIONAL CAPITAL

The company's share capital has been conditionally increased by up to € 20,000,000 through the issue of up to 20,000,000 new no-par value bearer shares. The conditional capital increase shall only be implemented to the extent that the holders of convertible bonds issued for cash or of warrants from option bonds issued for cash by the company or a Group company up until May 16, 2022, on the basis of the authorization granted to the Executive Board by the Annual General Meeting of May 17, 2017, exercise their conversion or option rights, or fulfill their obligations for exercising the option/conversion rights, or the company exercises its right to grant bondholders shares in the company in full or partial settlement of the cash amount that has become due, and as long as no other forms of settlement are used (conditional capital 2017). The new shares shall participate in the profits from the start of the fiscal year in which they are issued.

The Executive Board is authorized, with the consent of the Supervisory Board, to determine the further details regarding the implementation of the conditional capital increase. The Supervisory Board is authorized to amend Section 4 (6) of the articles of incorporation in accordance with the utilization of the conditional capital. The same applies if the authorization to issue convertible/option bonds is not exercised after the end of the authorization period and if the conditional capital is not utilized after the expiry of all conversion and option periods.

In the 2017 fiscal year, the Executive Board resolved, with the approval of the Supervisory Board, to make partial use of the aforementioned authorization and to issue a subordinated, unsecured convertible bond with a total volume of € 400,000,000.00 in denominations of € 100,000.00 and a coupon of 0.2375 % per year excluding shareholders' subscription rights pursuant to Sections 221 (4) sentence 2, 186 (3) sentence 4 AktG. The bonds issued may be converted into new and/or existing no-par value bearer shares of the company starting five years after the issue date of the convertible bond. The initial conversion price was set at € 91.8595 and the conversion ratio of the new convertible bond was set at 1,088.6190 shares per bond. The convertible bond was issued on June 20, 2017.

The bonds are convertible into up to a total of 4,600,000 shares with a pro rata amount of the share capital of € 1.00 each. If all bonds were converted, the share capital of the company would increase from the December 31, 2018, value of € 129,812,574.00 by € 4,600,000.00 to € 134,412,574.00. The total of the conversion rights allocated to the bonds into ordinary shares (4,600,000 shares) amounts to approximately 3.4 % of the increased share capital of the company and is thus less than 10 % of the share capital of the company.

The bonds have a term of seven years (unless they have already been bought back, converted or canceled). In accordance with the terms of the convertible bond, the company has the option to redeem the bonds at par value (plus accrued but unpaid interest) at any time (i) on or after July 11, 2021, if the price of the ordinary shares exceeds 130 % of the then valid conversion price during a certain period or (ii) if only a maximum of 20 % of the original total nominal value of the convertible bond is outstanding. Unless the bonds have matured prematurely, been repurchased or collected, the holders have the right to convert them into ordinary shares of the company after June 20, 2022. Otherwise, they will be repaid on final maturity, i.e. on June 20, 2024.

CAPITAL RESERVE AND OTHER RESERVES

The capital reserve mainly comprises the share premium that arose at the time of the capital increase that was carried out as part of the initial public offer as well as the two capital increases performed in the 2014 fiscal year. In addition, the equity component from the issue of the convertible bond in the 2017 fiscal year is taken into account.

Included in the reserve for remeasurements (pensions) are actuarial gains and losses from the change in present value of the net defined benefit liability, the return on plan assets excluding amounts included in net interest and effects from the asset ceiling.

Cumulative translation differences include exchange rate gains and losses from the currency translation of foreign subsidiaries at the beginning and end of the respective reporting period. In the 2018 fiscal year, there were significant effects from the translation of US Dollars into Euros. The adjustment to the financial statements required by IAS 29 “Financial Reporting in Hyperinflationary Economies” for companies whose functional currency is one from a country with hyperinflation is also included in cumulative translation differences. The subsidiary in Venezuela and, for the first time as of the 2018 fiscal year, the subsidiaries in Argentina were concretely affected by the adjustments in accordance with IAS 29. The financial statements for these companies are mainly based on the concept of historical cost. In 2018, these needed to be adjusted – once more in Venezuela and for the first time in Argentina – due to changes in the general purchasing power of the functional currency and are therefore expressed in the measuring unit valid at the end of the reporting period. As in the previous year, no official inflation rates had been published in Venezuela as of December 31, 2018. For the preparation of the consolidated financial statements, we have once again used the information that we consider to be the best estimate available (“Latin Focus Consensus”; previous year: “International Monetary Fund [IMF]”). Accordingly, a change in general purchasing power of 1,320,682.0 % (2017: 652.7 %) was assumed for 2018. As of December 31, 2018, the government of Argentina published the official inflation rates for the country, which foresee a change in general purchasing power of 47.6 % (2017: 24.8 %) for 2018. The loss from the net monetary position of the affected companies has been included in the consolidated net income and amounts to a total of € 3.2 million in the reporting year.

Other reserves contain the revaluation reserve and the cash flow hedge reserve. The revaluation reserve results from acquisitions in stages made in the past. The cash flow hedge reserve contains the effective part of the fair value changes from derivative financial instruments held for hedging currency risks. Reclassifications of ineffective parts from cash flow hedges into the profit or loss of the period did not occur in the 2018 fiscal year.

RECONCILIATION OF EQUITY COMPONENTS AFFECTED BY OTHER COMPREHENSIVE INCOME

2017 T€	Reserve for remeasurements (pensions)	Cumulative translation differences	Other reserves	Total other comprehensive income of Symrise AG shareholders	Non-controlling interests	Total other comprehensive income
Exchange rate differences resulting from the translation of foreign operations						
Exchange rate differences that occurred during the fiscal year	–	– 146,445	–	**– 146,445**	– 5,847	**– 152,292**
Gains/losses from net investments	–	– 4,753	–	**– 4,753**	–	**– 4,753**
Financial instruments measured at fair value previously classified as financial assets available for sale	–	–	17	**17**	–	**17**
Cash flow hedge (currency hedges)						
Gains/losses recorded during the fiscal year	–	–	1,824	**1,824**	151	**1,975**
Reclassification to the consolidated income statement	–	–	– 922	**– 922**	– 180	**– 1,102**
Remeasurement of defined benefit pension plans	6,042	–	–	**6,042**	–	**6,042**
Change in tax rate	– 3,192	– 103	–	**– 3,295**	–	**– 3,295**
Other comprehensive income	**2,850**	**– 151,301**	**919**	**– 147,532**	**– 5,876**	**– 153,408**

2018 T€	Reserve for remeasurements (pensions)	Cumulative translation differences	Other reserves	Total other comprehensive income of Symrise AG shareholders	Non-controlling interests	Total other comprehensive income
Exchange rate differences resulting from the translation of foreign operations						
Exchange rate differences that occurred during the fiscal year	–	27,715	–	**27,715**	– 69	**27,646**
Gains/losses from net investments	–	– 2,497	–	**– 2,497**	–	**– 2,497**
Cash flow hedge (currency hedges)						
Gains/losses recorded during the fiscal year	–	–	– 1,426	**– 1,426**	– 58	**– 1,484**
Reclassification to the consolidated income statement	–	–	739	**739**	75	**814**
Remeasurement of defined benefit pension plans	17,098	–	–	**17,098**	– 1	**17,097**
Change in tax rate	– 9	– 75	– 15	**– 99**	0	**– 99**
Other comprehensive income	**17,089**	**25,143**	**– 702**	**41,530**	**– 53**	**41,477**

DIVIDENDS

In accordance with the German Stock Corporation Act (AktG), the distributable dividend for shareholders of Symrise AG is to be determined with reference to the unappropriated profit calculated in accordance with the rules of German Commercial Code (HGB) and presented in the annual financial statements of Symrise AG. At the Annual General Meeting held on May 16, 2018, a resolution was passed to distribute a dividend for the 2017 fiscal year of € 0.88 for each ordinary share with a dividend entitlement (2016: € 0.85).

The Executive Board and the Supervisory Board recommend a dividend of € 0.90 per share based on Symrise AG's unappropriated net profit under commercial law as of December 31, 2018.

NON-CONTROLLING INTERESTS

This item contains the shareholdings of third parties in Group companies. The changes in other comprehensive income relating to non-controlling interests are shown in detail in the table above.

27. NON-CONTROLLING INTERESTS

The non-controlling interests mainly relate to the Probi Group. As of the end of the reporting period, Symrise holds 57.65 % (December 31, 2017: 51.40 %) of the shares of Probi Group, i.e., the shares attributable to non-controlling interests amount to 42.35 % (December 31, 2017: 48.60 %). Their proportion of net income in 2018 amounted to T€ 2,953 (2017: T€ 2,876); the carrying amount as of December 31, 2018, was T€ 41,635 (December 31, 2017: T€ 44,654). No dividends were distributed to the non-controlling interests in the reporting year (2017: T€ 575). The following table contains the summarized financial information on the Probi Group:

T€	December 31, 2017	December 31, 2018
Current assets	35,309	37,096
Non-current assets	87,592	85,591
Current liabilities	26,782	16,999
Non-current liabilities	1,866	1,756
Sales	63,546	58,897
Net income	6,681	6,973
Other comprehensive income	– 5,753	– 226

28. DISCLOSURES ON CAPITAL MANAGEMENT

The capital situation is monitored through the use of a number of key indicators. The relationship between net debt (including provisions for pensions and similar obligations) to EBITDA and the equity ratio are important key indicators for this purpose. The objectives, methods and processes in this regard have not changed from the previous year as of the end of the reporting period on December 31, 2018.

With an equity ratio (equity attributable to shareholders of Symrise AG in relation to total equity and liabilities) of 38.5 % (December 31, 2017: 36.6 %), Symrise has a solid capital structure. One of Symrise's fundamental principles is to maintain a strong capital basis in order to retain the confidence of investors, creditors and the market and to be able to drive future business development forward in a sustainable manner.

Net debt is determined as follows:

T€	December 31, 2017	December 31, 2018
Borrowings	1,627,738	1,659,359
Cash and cash equivalents	– 229,505	– 279,595
Net debt	**1,398,233**	**1,379,764**
Provisions for pensions and similar obligations	523,368	513,292
Net debt including provisions for pensions and similar obligations	**1,921,601**	**1,893,056**

The evaluation of compliance with the leverage covenants for the current and non-current borrowings is performed on the basis of the specifications in the various credit agreements. The evaluation to determine the leverage covenants uses the ratio of net debt to the contractually defined EBITDA of the last 12 months. This results in a ratio of net debt/EBITDA of 2.2. The non-relevant leverage for the credit agreements regarding net debt including provisions for pensions and similar obligations/EBITDA amounts to 3.0. Therefore, we are clearly below the maximum limit agreed.

We focus on a capital structure that allows us to cover our future potential financing needs at reasonable conditions by way of the capital markets. This provides us with a guaranteed high level of independence, security and financial flexibility. We will continue our attractive dividend policy and give our shareholders an appropriate share in the company's success. Furthermore, it should be ensured that solid financing options exist for acquisition opportunities.

The average interest rate for liabilities (including provisions for pensions and similar obligations) was 1.8 % (2017: 2.1 %).

29. ADDITIONAL DISCLOSURES ON THE STATEMENT OF CASH FLOWS

In accordance with IAS 7 "Statement of Cash Flows," the consolidated statement of cash flows for the reporting year 2018 and the previous year show the development of cash flows separated into cash inflows and outflows deriving from operating, investing and financing activities. Cash flows are calculated using the indirect method.

As in the previous year, the balance of cash and cash equivalents comprises cash balances, balances on hand with banks and short-term liquid assets with terms no longer than three months that can be converted into a fixed amount at any time and are only subject to insignificant fluctuations in value. It is equivalent to the line item "cash and cash equivalents."

CASH FLOW FROM OPERATING ACTIVITIES

Other non-cash expenses and income mainly contain non-cash currency translation effects.

CASH FLOW FROM INVESTING ACTIVITIES

Payments for business combinations (T€ 21,696) include subsequent purchase price payments for the 2016 acquisition of the companies Nutraceutix (T€ 4,304) and Nutra Canada (T€ 177) as well as purchase price components due immediately for the acquisition of Citratus in 2018 (T€ 17,616) minus cash and cash equivalents acquired (T€ 401).

The proceeds from the sale of a subsidiary (T€ 6,365) relate to the sale of Pinova Inc. in December 2016 and result from the payment of the last installment of the balance held in the fiduciary account.

CASH FLOW FROM FINANCING ACTIVITIES

Dividends of T€ 114,235 were paid to the shareholders of Symrise AG (2017: T€ 110,341), the remaining amount (T€ 2,720; 2017: T€ 3,086) was paid to non-controlling interests of subsidiaries.

A reconciliation between opening balance and closing balance for liabilities from financing activities is presented below:

T€	Current liabilities from financing activities	Non-current liabilities from financing activities	Total liabilities from financing activities
January 1, 2017	**537,716**	**1,219,308**	**1,757,024**
Cash-effective change	– 499,639	362,637	**– 137,002**
Non-cash-effective change	51,985	– 38,422	**13,563**
Change to the scope of consolidation	4,086	1,068	**5,154**
Transfers	17,657	– 17,657	**0**
Accrued interest	34,730	4,305	**39,035**
Exchange rate differences	– 4,488	– 26,138	**– 30,626**
of which with effect on other comprehensive income	– 734	– 690	**– 1,424**
of which with effect on profit or loss (financial result)	– 3,754	– 25,448	**– 29,202**
December 31, 2017	**90,062**	**1,543,523**	**1,633,585**

T€	Current liabilities from financing activities	Non-current liabilities from financing activities	Total liabilities from financing activities
January 1, 2018	**90,062**	**1,543,523**	**1,633,585**
Cash-effective change	– 7,916	0	**– 7,916**
Non-cash-effective change	541,847	– 503,847	**38,000**
Change to the scope of consolidation	33	20	**53**
Transfers	516,292	– 516,292	**0**
Accrued interest	24,358	6,738	**31,096**
Exchange rate differences	1,164	5,687	**6,851**
of which with effect on other comprehensive income	– 700	– 83	**– 783**
of which with effect on profit or loss (financial result)	1,864	5,770	**7,634**
December 31, 2018	**623,993**	**1,039,676**	**1,663,669**

30. ADDITIONAL INFORMATION ON FINANCIAL INSTRUMENTS AND THE MEASUREMENT OF FAIR VALUE

INFORMATION ON FINANCIAL INSTRUMENTS ACCORDING TO CATEGORY

		Value recognized under IAS 39			
December 31, 2017 T€	**Carrying amount**	**Amortized cost**	**Fair value in other comprehensive income**	**Fair value in profit or loss**	**Fair value**
TOTAL ASSETS					
Loans and receivables (LaR)	**811,009**	**811,009**	**–**	**–**	**811,009**
Cash and cash equivalents	229,505	229,505	–	–	229,505
Trade receivables	557,436	557,436	–	–	557,436
Other financial assets	24,068	24,068	–	–	24,068
Financial assets available for sale (AfS)	**5,465**	**–**	**5,465**	**–**	**5,465**
Securities	3,765	–	3,765	–	3,765
Other financial assets	1,700	–	1,700	–	1,700
Financial assets held for trading (FAHfT)	**1,560**	**–**	**–**	**1,560**	**1,560**
Derivative financial instruments without hedge relationship	1,560	–	–	1,560	1,560
Derivative financial instruments with hedge relationship (n.a.)	**542**	**–**	**542**	**–**	**542**
LIABILITIES AND EQUITY					
Financial liabilities at amortized cost (FLAC)	**1,909,557**	**1,909,557**	**–**	**–**	**2,004,299**
Trade payables	276,229	276,229	–	–	276,229
Borrowings	1,627,738	1,627,738	–	–	1,722,480
Other financial liabilities	5,590	5,590	–	–	5,590
Financial liabilities held for trading (FLHfT)	**939**	**–**	**–**	**939**	**939**
Derivative financial instruments without hedge relationship	939	–	–	939	939
Derivative financial instruments with hedge relationship (n.a.)	**8**	**–**	**8**	**–**	**8**
Liabilities from finance leases (n.a.)	**5,847**	**–**	**–**	**–**	**6,110**

January 1, 2018 T€	Carrying amount	Value recognized under IFRS 9 Amortized cost	Fair value in other comprehensive income	Fair value in profit or loss	Fair value
TOTAL ASSETS					
Financial assets at amortized cost (FAAC)	**797,761**	**797,761**	**–**	**–**	**797,761**
Cash	214,843	214,843	–	–	214,843
Trade receivables	557,436	557,436	–	–	557,436
Other financial assets	25,482	25,482	–	–	25,482
Financial assets at fair value through profit or loss (FVTPL)	**20,273**	**–**	**–**	**20,273**	**20,273**
Cash equivalents	14,662	–	–	14,662	14,662
Securities	2,365	–	–	2,365	2,365
Equity instruments	1,686	–	–	1,686	1,686
Derivative financial instruments without hedge relationship	1,560	–	–	1,560	1,560
Derivative financial instruments with hedge relationship (n.a.)	**542**	**–**	**542**	**–**	**542**
LIABILITIES AND EQUITY					
Financial liabilities at amortized cost (FLAC)	**1,909,557**	**1,909,557**	**–**	**–**	**2,004,299**
Trade payables	276,229	276,229	–	–	276,229
Borrowings	1,627,738	1,627,738	–	–	1,722,480
Other financial liabilities	5,590	5,590	–	–	5,590
Financial liabilities at fair value through profit or loss (FVTPL)	**939**	**–**	**–**	**939**	**939**
Derivative financial instruments without hedge relationship	939	–	–	939	939
Derivative financial instruments with hedge relationship (n.a.)	**8**	**–**	**8**	**–**	**8**
Liabilities from finance leases (n.a.)	**5,847**	**–**	**–**	**–**	**6,110**

December 31, 2018 T€	Carrying amount	Value recognized under IFRS 9 Amortized cost	Fair value in other comprehensive income	Fair value in profit or loss	Fair Value
TOTAL ASSETS					
Financial assets at amortized cost (FAAC)	**893,509**	**893,509**	**–**	**–**	**893,509**
Cash	272,280	272,280	–	–	272,280
Trade receivables	596,396	596,396	–	–	596,396
Other financial assets	24,833	24,833	–	–	24,833
Financial assets at fair value through profit or loss (FVTPL)	**13,127**	**–**	**–**	**13,127**	**13,127**
Cash equivalents	7,315	–	–	7,315	7,315
Securities	678	–	–	678	678
Equity instruments	3,371	–	–	3,371	3,371
Derivative financial instruments without hedge relationship	1,763	–	–	1,763	1,763
Derivative financial instruments with hedge relationship (n.a.)	**56**	**–**	**56**	**–**	**56**
LIABILITIES AND EQUITY					
Financial liabilities at amortized cost (FLAC)	**1,978,813**	**1,978,813**	**–**	**–**	**2,009,156**
Trade payables	315,806	315,806	–	–	315,806
Borrowings	1,659,359	1,659,359	–	–	1,689,702
Other financial liabilities	3,648	3,648	–	–	3,648
Financial liabilities at fair value through profit or loss (FVTPL)	**3,296**	**–**	**–**	**3,296**	**3,296**
Derivative financial instruments without hedge relationship	2,418	–	–	2,418	2,418
Other financial liabilities	878	–	–	878	878
Derivative financial instruments with hedge relationship (n.a.)	**306**	**–**	**306**	**–**	**306**
Liabilities from finance leases (n.a.)	**4,310**	**–**	**–**	**–**	**4,603**

The following describes the hierarchy levels pursuant to IFRS 13 for financial instruments that are measured at fair value on a recurring basis. The individual levels of this hierarchy are explained in note 2.5.

The short-term deposits and securities classified at fair value through profit or loss are assigned to Level 1 and the equity instruments to Level 3. The equity instruments include two holdings, one of which was acquired in the first half of 2018. The valuation and thus the present value of the expected benefit from these investments is based on a discounted cash flow calculation. Non-observable input factors were based on a weighted average cost of capital of 9.8 % or 16.6 % and a long-term growth rate of 1.0 %. The fair value of equity instruments increased from T€ 1,686 to T€ 3,371 as of the reporting date due to the addition and exchange rate effects. The other financial liabilities allocated to level 3 and measured at fair value through profit or loss include the contingent purchase price liability from the business combination of Citratus Fragrâncias Indústria e Comércio Ltda. The measurement method used is the present value of the payment associated with the obligation, taking into account the probability of occurrence (sales, EBITDA). The subsequent fair value changes relating to the contingent purchase price obligation are recognized in other operating income and expenses. Fair value changes arising as effects of interest accrued are recognized in the financial result. Due to a lack of materiality, a sensitivity analysis was not performed. The valid forward exchange rates are used as the valuation rates for the mark-to-market valuation of currency forward contracts in Level 2 for currency forwards. These are established by the interest difference of the currencies involved while accounting for term duration. The fair values were not adjusted for the components of counterparty-specific risk (CVA/DVA) and the liquidity premium for the respective foreign currency (cross currency basis spread – CCBS) for reasons of materiality. There were no transfers between Levels 1 and 2 during the period under review. The determination of fair values is unchanged.

The fair values of financial liabilities and liabilities arising from finance leases are determined as the present values of future payments relating to these financial liabilities based on the corresponding valid reference interest rates and are adjusted by a corresponding credit spread (risk premium). The determination of the fair values of other financial instruments is unchanged. This did not cause any considerable deviations between their carrying amount and fair value.

NET GAINS AND LOSSES ACCORDING TO VALUATION CATEGORY

T€	2017	2018
Financial assets at amortized cost (FAAC)	– 793	3,691
Financial assets at fair value through profit or loss (FVTPL)	3,793	– 5,264
Financial liabilities at amortized cost (FLAC)	– 13,759	– 41,225
Total	**– 10,759**	**– 42,798**

The net gains and losses recognized in the previous year under the categories LaR (T€ – 24), FAHfT and FLHfT (T€ 2,983), and AfS (T€ 41) were analogously allocated to the valuation categories FAAC and FVTPL as explained in note 2. The disclosures in the category FLAC did not need to be adjusted due to the new categorization. The total of the net gains and losses from the previous year remains unchanged despite the new categorization.

Changes in the value of assets categorized as FAAC, which were measured at amortized cost, are primarily due to interest rate effects, which were compensated in the previous year by strong countervailing exchange rate effects. The same applies to financial liabilities measured at amortized cost. The main reason for these changes was the performance of the US Dollar.

The net interest result of the two categories named above, e.g., for financial assets and financial liabilities that were not recognized at fair value through profit or loss, amounted to € – 28.2 million in 2018 (2017: € – 31.3 million).

OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES

Financial assets and liabilities, which are subject to a legally enforceable master netting agreement or a similar agreement, only arose with derivative financial instruments in the form of International Swaps and Derivatives Association (ISDA) master netting agreements or comparable agreements.

The ISDA agreements do not fulfill the criteria for offsetting in the statement of financial position. This is due to the fact that the Group currently does not have any legal right to offset the amounts recorded, since the right to an offset only exists with the occurrence of future events, such as a default on a bank loan or other credit events.

31. DISCLOSURES RELATING TO FINANCIAL INSTRUMENT RISK MANAGEMENT

Fluctuations in exchange and interest rates can result in significant risks to earnings and cash flows. For this reason, Symrise monitors these risks centrally and manages them proactively and occasionally with derivative financial instruments.

The management of risk is based on Group-wide guidelines in which objectives, principles, responsibilities and competencies are defined. These are monitored on a regular basis and adjusted to current market and product developments. Risk management has remained unchanged from the previous year.

INTEREST RISK

Interest risks exist due to potential changes to the market interest rate and can lead to a change in the fair value of fixed-rate financial instruments and fluctuations in interest payments for variable interest rate financial instruments. Since the overwhelming portion of financial instruments measured at amortized cost have fixed rates, there is no notable interest risk.

Market interest rate changes for borrowings with variable interest rate components have an effect on the net interest result, as the following table shows:

2017	Nominal	of which fixed	of which variable	of which unhedged	1.0 percentage point increase
T€	1,452,943	1,321,651	131,292	131,292	1,313
TUSD	244,852	221,193	23,659	23,659	237

2018	Nominal	of which fixed	of which variable	of which unhedged	1.0 percentage point increase
T€	1,462,713	1,345,676	117,037	117,037	1,170
TUSD	237,921	203,921	34,000	34,000	340
TSEK	119,000	0	119,000	119,000	1,190

An increase to all relevant interest rates of one percentage point would have resulted in T€ 1,583 less net income as of December 31, 2018 (December 31, 2017: T€ 1,511). A decline in the interest rates would have had no material effect on net income due to provisions on negative interest rates stipulated in the credit agreements. The changes in interest rates from financial instruments had no impact on equity.

CURRENCY RISK

Due to its global activities, Symrise is exposed to two types of currency risk. **Transaction risk** arises in the separate financial statements of Group companies through changes in future cash flows denoted in foreign currencies due to exchange rate fluctuations.

Translation risk describes the risk of changes in reporting items in the statement of financial position and the income statement of a subsidiary due to currency fluctuations when translating the local separate financial statements into the Group reporting currency. Changes deriving from translation of items recognized in the statement of financial position of these companies that are caused by currency fluctuations are recognized directly in Group equity. The resulting risks are not hedged.

The Symrise Group's global positioning results in supply relationships and payment flows in foreign currencies. These currency risks are systematically recorded and reported to the Group's headquarters. We use currency forward contracts primarily to hedge currency risk resulting from primary financial instruments and from planned transactions in US Dollars and other currencies.

The presentation of the existing currency risk as of the end of the reporting period is done in accordance with IFRS 7 using a **sensitivity analysis**. The foreign currency sensitivity is determined from the aggregation of all financial assets and liabilities that are denominated in a currency that is not the functional currency of the respective reporting company. The foreign currency risk determined by this analysis is measured at the closing rate and at a sensitivity rate that represents a 10 % appreciation/depreciation of the functional currency as compared to the foreign currency. The difference from this hypothetical measurement represents the effect on earnings before income taxes and on equity. This sensitivity analysis is based on the assumption that all variables other than a change in the foreign currency exchange rate remain constant. In the sensitivity analysis, currency risks from internal monetary items were included as far as they result in translation gains or losses that are not eliminated as part of consolidation. Effects from the currency translation of subsidiaries whose functional currency is not the same as that of the Symrise Group do not affect the cash flows in the local currency and are therefore not included in the sensitivity analysis.

A significant currency risk for the Symrise Group in the reporting year resulted primarily in relation to the US Dollar, British Pound, Chinese Renminbi and Japanese Yen. The foreign currency risk from hedging transactions at the end of the reporting period amounted to USD 35.7 million (December 31, 2017: USD 76.7 million), CNY 95.2 million (December 31, 2017: CNY 215.4 million), GBP 10.6 million (December 31, 2017: GBP 5.9 million) and JPY 1,298.6 million (December 31, 2017: JPY 9.9 million). The decrease in relation to the US Dollar and Chinese Renminbi results primarily from a lower level of internal Group borrowings in the respective currencies, which were largely secured via currency forward contracts. The increase in relation to the British Pound is due to a higher level of trade receivables in this currency. The increase in relation to the Japanese Yen results from a higher level of internal Group borrowings in this currency, which were largely secured via currency forward contracts.

T€	2017	2018
Sensitivity from a value increase/decrease in the EUR as compared to the USD of +/– 10 %		
Impact on profit/loss	+/– 5,387	+/– 4,356
Impact on equity	–/+ 2,709	–/+ 2,623
Total	**+/– 2,678**	**+/– 1,733**
Sensitivity from a value increase/decrease in the EUR as compared to the CNY of +/– 10 %		
Impact on profit/loss	+/– 4,519	+/– 1,211
Impact on equity	–/+ 0	–/+ 0
Total	**+/– 4,519**	**+/– 1,211**
Sensitivity from a value increase/decrease in the EUR as compared to the GBP of +/– 10 %		
Impact on profit/loss	+/– 257	+/– 454
Impact on equity	–/+ 0	–/+ 0
Total	**+/– 257**	**+/– 454**
Sensitivity from a value increase/decrease in the EUR as compared to the JPY of +/– 10 %		
Impact on profit/loss	+/– 1,337	+/– 325
Impact on equity	–/+ 0	–/+ 0
Total	**+/– 1,337**	**+/– 325**

Derivative financial instruments were used to reduce currency risk.

Currency forward contracts with positive market values amounted to T€ 1,819 as of the end of the reporting period (December 31, 2017: T€ 2,102), while currency forward contracts with negative market values totaled T€ 2,724 (December 31, 2017: T€ 99).

Further information on the positive and negative fair values for currency forward contracts with and without hedge relationships can be found in the table on financial instruments in note 30 as well as in the notes on liquidity risk.

We have established a task force to monitor and assess the impact of the United Kingdom's withdrawal from the European Union (Brexit). At the moment, we do not expect Brexit to have a significant impact on the Group, as the Group companies based in the United Kingdom have their own production facilities and primarily sell their products to local customers. In addition, the acquisition of the Cobell Group in 2017 has strengthened the presence of Symrise in the British beverages market and opened up greater potential for British customers. Because it is not known whether a hard Brexit will take place and what its possible consequences might be, we are actively working on developing mitigating measures. All key financing contracts are made with Symrise AG and are not subject to British law.

LIQUIDITY RISK

The liquidity risk – i.e., the risk that Symrise is unable to meet its financial obligations – is limited by creating the necessary financial flexibility within the existing financing arrangements and through effective cash management. Symrise manages the liquidity risk through the use of a 12-month rolling financial plan. This makes it possible to finance deficits that can be forecast under normal market conditions at normal market terms. Based on current planning, no liquidity risks are foreseen at the moment.

As of the reporting date, Symrise had access to credit lines that are explained in greater detail in note 22.

The following summary shows the contractually agreed interest and redemption payments for current and non-current non-derivative financial liabilities, including estimated interest payments for variable interest:

2017 T€	Carrying amount	Expected outgoing payments	Maturity dates for expected payments up to 1 year	over 1 year to 5 years	over 5 years
Borrowings	1,627,738	1,736,407	106,463	1,144,956	484,988
Trade payables	276,229	276,299	276,299	0	0
Other non-derivative financial obligations	5,590	5,590	5,152	438	0
Liabilities from finance leases	5,847	5,847	1,087	3,074	1,686

2018 T€	Carrying amount	Expected outgoing payments	Maturity dates for expected payments up to 1 year	over 1 year to 5 years	over 5 years
Borrowings	1,659,359	1,739,077	640,768	616,138	482,171
Trade payables	315,806	315,806	315,806	0	0
Other non-derivative financial obligations	4,526	4,526	1,973	2,553	0
Liabilities from finance leases	4,310	4,911	840	2,796	1,275

The fair value and the expected incoming and outgoing payments from derivative financial assets and liabilities are presented in the following table. The terms of the currency forward contracts generally cover twelve months. The interest and currency swaps expired in 2018.

T€	2017	2018
Currency forward contracts		
Assets	2,102	1,819
Liabilities	99	2,724
Expected incoming payments	69,410	165,115
Expected outgoing payments	67,407	166,020
Interest and currency swaps		
Liabilities	848	0
Expected incoming payments	19,436	0
Expected outgoing payments	20,257	0

DEFAULT AND CREDITWORTHINESS RISK

A credit risk is the unexpected loss of cash or income. This occurs when a customer is not able to meet their obligations as these become due. Receivables management, which employs guidelines that are globally valid, coupled with regular analysis of the aging structure of trade receivables, ensures that the risks are permanently monitored and limited. In this way, cases of default on receivables are minimized. Due to Symrise Group's wide-ranging business structure, there is no particular concentration of credit risks either in relation to customers or in relation to individual countries.

We only enter into financial contracts for cash investments with banks with an investment grade and that we consistently monitor. The Symrise Group is exposed to credit risks related to derivative financial instruments, which would arise from the contractual partner not fulfilling his obligations. This credit risk is minimized in that transactions are only entered into with contract partners whose credit standing is regularly evaluated by independent rating agencies and constantly monitored. The carrying amounts of the financial assets represent the maximum credit risk.

Impairment losses on financial assets recognized in the income statement are almost entirely accounted for trade receivables.

32. LEASE AGREEMENTS

OPERATING LEASE AGREEMENTS AS LESSEE

Payment obligations for operating leases mainly relate to agreements that were concluded for land and buildings as well as vehicles. They occasionally contain renewal options or price escalation clauses but rarely include purchase options and never include contingent rent. In the 2018 fiscal year, payments for leases recognized as expenses amount to € 23.1 million (2017: € 21.8 million).

The future net cash outflows from operating leases are phased as follows:

T€	2017	2018
Up to one year	18,314	20,049
Longer than one year and up to five years	44,679	50,005
Longer than five years	27,880	47,128
Total	**90,873**	**117,182**

FINANCE LEASE AGREEMENTS AS LESSEE

The net carrying amount of the assets accounted for as of the reporting date was € 4.7 million (December 31, 2017: € 6.3 million; see note 19) and mainly contains a rented production facility. Details on the future minimum lease payments for the finance lease agreements are shown in the following table arranged according to maturity:

	2017		
T€	Minimum lease payments	Interest	Present value of minimum lease payments
Up to one year	1,306	219	1,087
Longer than one year and up to five years	3,682	608	3,074
Longer than five years	1,726	40	1,686
Total	**6,714**	**867**	**5,847**

	2018		
T€	Minimum lease payments	Interest	Present value of minimum lease payments
Up to one year	840	188	652
Longer than one year and up to five years	2,796	403	2,393
Longer than five years	1,275	10	1,265
Total	**4,911**	**601**	**4,310**

The terms of the lease agreements are between four and twelve years. No agreements on contingent rent were made. For more information on fair value, see note 30.

33. CONTINGENT LIABILITIES AND OTHER FINANCIAL OBLIGATIONS

CONTINGENT LIABILITIES

Contingent liabilities relate to potential future events that, upon occurring, would result in an obligation. As of the end of the reporting period, the following contingent liabilities are seen as unlikely but cannot be completely ruled out.

Symrise is confronted with lawsuits and legal proceedings as a result of its normal business activities, which generally relate to the areas of labor law, product liability, warranty claims, tax law and intellectual property. We set up provisions for such cases where we see a probability of an obligation arising from past events, when the amount of the obligation can be measured with sufficient reliability and the settlement of which is expected to result in an outflow of resources embodying economic benefits. For all currently pending legal proceedings, we have set up provisions of € 2.4 million. We are currently of the opinion that all the lawsuits and proceedings brought against us, both individually and as a whole, will have no material negative influence on our business operations, net assets, financial position and results of operations. The recognized provisions are neither individually nor collectively material. The results of present and future proceedings are not foreseeable, meaning that legal or official decisions or settlement agreements could lead to expenses that are not or not completely covered by our insurance services and that could therefore have material effects on our business and its results. Many of our processes are, however, covered by insurance benefits relating to our product liability insurance.

OTHER FINANCIAL OBLIGATIONS

As of December 31, 2018, the Group has obligations to purchase property, plant and equipment amounting to € 72.1 million (December 31, 2017: € 58.1 million). This mainly relates to production facilities and laboratory and office equipment. Most are due during the course of 2019. Other obligations amounting to € 191.9 million (December 31, 2017: € 147.4 million) exist from not yet fulfilled commitments for purchases of goods.

Symrise AG has service contracts with various providers regarding the outsourcing of its internal IT. Some service contracts already existed in previous years. The remaining total obligation toward these service providers amounts to € 25.3 million (December 31, 2017: € 34.7 million), accounting for extraordinary termination rights. Miscellaneous other financial obligations amounted to € 15.3 million as of December 31, 2018 (December 31, 2017: € 21.1 million) and are mostly obligations from consulting, service and cooperation contracts (€ 8.1 million; December 31, 2017: € 13.6 million).

34. TRANSACTIONS WITH RELATED PARTIES

Consolidated companies and associated companies, the members of the Executive Board and Supervisory Board and their close relatives are considered related parties. The sales and purchases from related companies were completed under the same terms and conditions as though they had been transacted with third parties. As in the previous year, only a small amount of goods was purchased from associated companies in 2018. In addition to fixed remuneration and one-year variable remuneration, the members of the Executive Board also receive variable remuneration over several years (long-term incentive plan, LTIP). The individual remuneration components are explained in more detail in the remuneration report of the management report. In the 2018 fiscal year, members of the Executive and Supervisory Board received the following remuneration:

			2017			2018
T€	Executive Board	Supervisory Board	Total	Executive Board	Supervisory Board	Total
Short-term benefits	5,265	926	**6,191**	7,107	1,074	**8,181**
Other long-term benefits	0	0	**0**	1,103	0	**1,103**
Post-employment benefits	58	0	**58**	58	0	**58**
Total	**5,323**	**926**	**6,249**	**8,268**	**1,074**	**9,342**

The supplemental disclosures pursuant to Section 315e of the German Commercial Code (HGB) are as follows:

T€	2017	2018
Total remuneration for active members		
Executive Board	5,415	7,107
Supervisory Board	926	1,074
Total remuneration for former members and their surviving dependents		
Executive Board	314	342

Provisions for current pensions and pension entitlements contain contributions of € 11.4 million (December 31, 2017: € 12.1 million) for former members of the Executive Board and € 4.1 million (December 31, 2017: € 3.9 million) for current members of the Executive Board.

The individualized remuneration for members of the Executive Board and Supervisory Board is also disclosed in the remuneration report of the management report.

35. EXECUTIVE BOARD AND SUPERVISORY BOARD SHAREHOLDINGS

The direct or indirect total holding of shares in Symrise AG by all members of the Executive and Supervisory Boards as of December 31, 2018, amounted to more than 1 %. Of the 6.25 % of shares in Symrise AG held by members of the Executive and Supervisory Boards, 6.01 % is held by members of the Supervisory Board while 0.24 % is held by members of the Executive Board.

36. LONG-TERM OBJECTIVES AND METHODS FOR MANAGING FINANCIAL RISK

Please refer to the risk report, which is a component of the Group management report.

37. AUDIT OF FINANCIAL STATEMENTS

The Annual General Meeting of Symrise AG, held on May 16, 2018, appointed Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft as auditor for the 2018 fiscal year.

The following table provides an overview of the fees paid to the auditors:

T€	2017	2018
Audit of financial statements	718	711
Other audit assurance services	0	0
Tax advisory services	53	0
Other services	57	0
Total	**828**	**711**

A total of € 2.2 million (2017: € 2.1 million) was incurred worldwide in connection with the audit of the financial statements.

38. LIST OF INTERESTS IN ENTITIES

Fully consolidated subsidiaries as of December 31, 2018

Name and registered office of the entity	Share
Germany	
Busiris Vermögensverwaltung GmbH, Holzminden	100.00%
DrinkStar GmbH, Rosenheim	100.00%
Haarmann & Reimer Unterstützungskasse Gesellschaft mit beschränkter Haftung, Holzminden	100.00%
Schimmel & Co. Gesellschaft mit beschränkter Haftung, Holzminden	100.00%
Symotion GmbH, Holzminden	100.00%
Symrise Beteiligungs GmbH, Holzminden	100.00%
Symrise BioActives GmbH, Hamburg	100.00%
Symrise IP-Verwaltungs GmbH, Holzminden	100.00%
Symrise Financial Services GmbH, Holzminden	100.00%
Symrise US-Beteiligungs GmbH, Holzminden	100.00%
Tesium GmbH, Holzminden	100.00%
France	
Aromatics SAS, Clichy-la-Garenne	100.00%
Arôme de Chacé SAS, Chacé	100.00%
Diana Food SAS, Antrain	100.00%
Diana SAS, Saint Nolff	100.00%
Diana Trans SAS, Saint Nolff	100.00%
DianaNova SAS, Rennes	100.00%
Octopepper SAS, Bordeaux	57.93%
Société de Protéines Industrielles SAS, Berric	100.00%
Spécialités Pet Food SAS, Elven	100.00%
Symrise SAS, Clichy-la-Garenne	100.00%
Villers SAS, Villers Les Pôts	100.00%
Rest of Europe	
Cobell Limited, UK	100.00%
Diana Food Limited, UK	100.00%
OOO “Symrise Rogovo”, Russia	100.00%
Probi AB, Sweden	57.65%
Probi Feed AB, Sweden	57.65%
Probi Food AB, Sweden	57.65%
Scelta Umami B.V., Netherlands	60.00%
SPF DIANA España SLU, Spain	100.00%
SPF Hungary Kft, Hungary	100.00%
SPF RUS, Russia	100.00%
SPF UK Ltd, UK	60.00%
Symrise Group Finance Holding 1 BVBA, Belgium	100.00%
Symrise Group Finance Holding 2 CV, Belgium	100.00%
Symrise Holding Limited, UK	100.00%
Symrise Iberica S.L., Spain	100.00%
Symrise IP Holding GCV, Belgium	100.00%
Symrise Kimya Sanayi Ticaret Ltd., Sirketi, Turkey	100.00%
Symrise Limited, UK	100.00%

Rest of Europe (Continuation from page 128)	
Symrise Luxembourg S.a.r.l., Luxembourg	100.00 %
Symrise Spółka z ograniczoną odpowiedzialnością, Poland	100.00 %
Symrise S.r.l., Italy	100.00 %
Symrise US Holding BV, Netherlands	100.00 %
Symrise Vertriebs GmbH, Austria	100.00 %

North America	
Diana Food Canada Inc., Canada	100.00 %
Diana Food Inc., USA	100.00 %
Diana US Inc., USA	100.00 %
Probi US, Inc., USA	57.65 %
SPF Canada – Group Diana Inc, Canada	100.00 %
SPF North America Inc., USA	100.00 %
SPF USA Inc., USA	100.00 %
Symrise Holding Inc., USA	100.00 %
Symrise Holding II Inc., USA	100.00 %
Symrise Inc., USA	100.00 %
Symrise US LLC, USA	100.00 %

Latin America	
Aquasea Costa Rica, Costa Rica	100.00 %
Citratus Fragrâncias Indústria e Comércio Ltda., Brazil	100.00 %
Diana-Food Ecuador SA, Ecuador	100.00 %
Diana Food Chile SpA, Chile	100.00 %
Diana Pet Food Colombia, Colombia	100.00 %
Proteinas Del Ecuador Ecuaprotein SA, Ecuador	53.00 %
Spécialités Pet Food S.A. de C.V., Mexico	100.00 %
SPF Argentina, Argentina	100.00 %
SPF Do Brazil Indústria e Comércio Ltda, Brazil	100.00 %
Symrise Aromas e Fragrâncias Ltda., Brazil	100.00 %
Symrise C.A., Venezuela	100.00 %
Symrise Ltda., Colombia	100.00 %
Symrise S. de R.L. de C.V., Mexico	100.00 %
Symrise S.A., Chile	100.00 %
Symrise S.R.L., Argentina	100.00 %

Asia and Pacific	
Diana Group Pte (Singapore) Ltd, Singapore	100.00 %
Diana Naturals Private Ltd, India	100.00 %
P.T. Symrise, Indonesia	100.00 %
Probi Asia-Pacific Pte Ltd, Singapore	57.65 %
SPF (Chuzhou) Pet Food Co., Ltd, China	100.00 %
SPF (Qingdao) Trading Co., Ltd, China	100.00 %
SPF Thailand, Thailand	51.00 %
SPF Diana Australia Pty Ltd, Australia	100.00 %
Symrise (China) Investment Co. Ltd., China	100.00 %
Symrise Asia Pacific Pte. Ltd., Singapore	100.00 %
Symrise Flavors & Fragrances (Nantong) Co. Ltd., China	100.00 %
Symrise Holding Pte. Limited, Singapore	100.00 %
Symrise Inc., Philippines	100.00 %

Asia and Pacific (Continuation from page 129)	
Symrise K.K., Japan	100.00%
Symrise Limited, South Korea	100.00%
Symrise Ltd., Thailand	100.00%
Symrise Private Limited, India	100.00%
Symrise Pte. Ltd., Singapore	100.00%
Symrise Pty. Ltd., Australia	100.00%
Symrise SDN. BHD, Malaysia	100.00%
Symrise Shanghai Limited, China	100.00%

Africa and Middle East	
Origines S.a.r.L., Madagascar	100.00%
Specialites Pet Food South Africa, South Africa	100.00%
Symrise (Pty) Ltd., South Africa	100.00%
Symrise Middle East Ltd, Dubai	100.00%
Symrise Middle East FZ-LLC, Dubai	100.00%
Symrise Nigeria Limited, Nigeria	100.00%
Symrise Parsian, Iran	100.00%
Symrise S.A.E., Egypt	100.00%
Symrise S.a.r.L., Madagascar	100.00%

Associated companies as of December 31, 2018

Name and registered office of the entity	Share
Therapeutic Peptides Inc., USA	20.00%

39. EXEMPTION FROM THE OBLIGATION TO PREPARE ANNUAL FINANCIAL STATEMENTS PURSUANT TO SECTION 264 (3) OF THE GERMAN COMMERCIAL CODE (HGB)

Busiris Vermögensverwaltung GmbH, Symrise Financial Services GmbH, DrinkStar GmbH, Symrise IP-Verwaltungs GmbH, Symotion GmbH, Symrise US-Beteiligungs GmbH and Tesium GmbH are included in the consolidated financial statements of Symrise AG in accordance with the provisions applicable for corporate entities and have taken advantage of the exemption provisions covering the preparation, audit and publication of separate annual financial statements pursuant to Section 264 (3) of the German Commercial Code (HGB).

40. CORPORATE GOVERNANCE

The Declaration of Compliance pursuant to Section 161 of the German Stock Corporation Act (AktG) has been submitted for 2018 and has been made available to shareholders on an ongoing basis through our website www.symrise.com.

41. EVENTS AFTER THE REPORTING PERIOD

BUSINESS COMBINATIONS

On January 31, 2019, Symrise and the owners of the companies American Dehydrated Foods LLC, International Dehydrated Foods LLC and IsoNova Technologies LLC, based in Springfield, Missouri, USA, signed an agreement on the purchase of their group of companies. The companies are the leading providers of natural ingredients produced on the basis of meat and egg products, in particular for food and pet food. With the acquisition, Symrise leverages its leadership position in pet food, extending its palatability know-how towards the Nutrition segment. The purchase price of USD 900 million will be financed through equity and debt capital. The transaction is subject to satisfaction of customary closing conditions.

CAPITAL INCREASE BASED ON AUTHORIZED CAPITAL

The capital increase based on authorized capital, excluding shareholders' subscription rights, was carried out on the basis of the authorization granted to the Executive Board by the Annual General Meeting on May 12, 2015. It was recorded in the commercial register on February 8, 2019. In an accelerated bookbuilding procedure, the company placed 5,614,036 new shares with institutional investors at an issue price of € 71.25 per share. As a result of the capital increase, the share capital of Symrise AG increased from € 129,812,574 to € 135,426,610. The new shares are entitled to dividends as of the year 2018; they were authorized for trading on the stock exchange in the regulated market of the Frankfurt Securities Exchange and simultaneously added to the Prime Standard segment on February 11, 2019. The shares were included in the existing listing on February 12, 2019. Following the partial utilization, the authorized capital amounts to € 19,385,964.

The gross issue proceeds from the capital increase for Symrise amount to around € 400 million. The net proceeds will be used for the partial refinancing of the bridge facility in connection with the previously announced and described acquisition of the companies American Dehydrated Foods LLC, International Dehydrated Foods LLC and IsoNova Technologies LLC, Springfield, Missouri, USA.

Holzminden, Germany, February 14, 2019

Symrise AG

The Executive Board

Dr. Heinz-Jürgen Bertram | Olaf Klinger | Achim Daub

Dr. Jean-Yves Parisot | Heinrich Schaper

Statement of the Executive Board

To the best of our knowledge and in accordance with the applicable reporting principles for financial reporting, the consolidated financial statements give a true and fair view of the net assets, financial position and results of operations of the Group, and the Group management report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group.

Holzminden, Germany, February 14, 2019

Symrise AG

The Executive Board

Dr. Heinz-Jürgen Bertram

Olaf Klinger

Achim Daub

Dr. Jean-Yves Parisot

Heinrich Schaper

Independent auditor's report

To Symrise AG

Report on the audit of the consolidated financial statements and of the group management report

OPINIONS

We have audited the consolidated financial statements of Symrise AG, Holzminden, and its subsidiaries (the Group), which comprise the consolidated income statement and consolidated statement of comprehensive income for the fiscal year from 1 January 2018 to 31 December 2018, and the consolidated statement of financial position as at 31 December 2018, consolidated statement of cash flows, consolidated statement of changes in equity for the fiscal year from 1 January 2018 to 31 December 2018, and notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the group management report of Symrise AG for the fiscal year from 1 January 2018 to 31 December 2018.

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying consolidated financial statements comply, in all material respects, with the IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to Sec. 315e (1) HGB ["Handelsgesetzbuch": German Commercial Code] and, in compliance with these requirements, give a true and fair view of the assets, liabilities, and financial position of the Group as at 31 December 2018, and of its financial performance for the fiscal year from 1 January 2018 to 31 December 2018, and

- the accompanying group management report as a whole provides an appropriate view of the Group's position. In all material respects, this group management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development.

Pursuant to Sec. 322 (3) Sentence 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and of the group management report.

BASIS FOR THE OPINIONS

We conducted our audit of the consolidated financial statements and of the group management report in accordance with Sec. 317 HGB and the EU Audit Regulation (No 537/2014, referred to subsequently as "EU Audit Regulation") and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's responsibilities for the audit of the consolidated financial statements and of the group management report" section of our auditor's report. We are independent of the group entities in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Art. 10 (2) f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Art. 5 (1) of the EU Audit Regulation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions on the consolidated financial statements and on the group management report.

KEY AUDIT MATTERS IN THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the fiscal year from 1 January 2018 to 31 December 2018. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon; we do not provide a separate opinion on these matters.

Below, we describe what we consider to be the key audit matters:

1) IMPAIRMENT TESTING OF GOODWILL

Reasons why the matter was determined to be a key audit matter

As a result of acquisitions in the past, the Symrise Group presents significant amounts of goodwill in its consolidated statement of financial position. The Group is operated with the segments "Scent & Care," "Flavor" and "Nutrition." This is in line with internal management and the distribution of responsibilities within the Executive Board.

The result of the impairment test performed as of 30 September 2018 to determine whether an impairment loss has to be recognized on goodwill is highly dependent on the executive directors' estimate of future cash flows and the respective discount rates used.

In light of the materiality of goodwill in relation to total assets, the complexity of the valuation and the judgment exercised during valuation, the goodwill impairment test was a key audit matter.

Auditor's response

During our audit, among other things, we obtained an understanding of the methods used to carry out the impairment tests including an examination of the suitability of the procedure for performing an impairment test in accordance with IAS 36. In doing so, we analyzed the planning process and tested the operating effectiveness of the controls implemented therein. We discussed the significant planning assumptions with the executive directors and compared these with the results and cash inflows realized in the past.

With respect to the rollforward of the medium to the long-term plan, we examined in particular the assumptions on the growth rate. Our assessment of the results of the impairment tests as of 30 September 2018 was based among other things on a comparison with general and industry-specific market expectations underlying the expected cash inflows. Based on our understanding that even relatively small changes in the discount rates used can at times have significant effects on the amount of the business value calculated, we analyzed the inputs used to determine the discount rates and reperformed the calculation with regard to the relevant requirements of IAS 36. We also performed sensitivity analyses in order to estimate any potential impairment risk associated with a reasonably possible change in one of the significant assumptions used in the valuation.

We obtained evidence that the segments represent the lowest level within the Group at which independent cash inflows are generated and goodwill is monitored for internal management purposes.

As the Symrise Group carries out its impairment test as of 30 September each year, we performed additional procedures to ensure that there had been no significant changes as of the reporting date. This mainly involved analyzing the validity of the underlying valuation inputs and significant planning assumptions as of the reporting date.

Our procedures did not lead to any reservations relating to the valuation of goodwill.

Reference to related disclosures

With regard to the recognition and measurement policies applied for goodwill, refer to the disclosure on impairments in section "2.5 Summary of Significant Accounting Policies" of the notes to the consolidated financial statements. For the related disclosures on judgments by the executive directors and sources of estimation uncertainty as well as the disclosures on goodwill, refer to the disclosure in section "2.3 Estimates and Assumptions" and in note 18 "Intangible Assets" in the "Additional Disclosures on the Consolidated Statement of Financial Position" section of the notes to the consolidated financial statements.

2) RECOGNITION OF REVENUE FROM THE SALE OF PRODUCTS

Reasons why the matter was determined to be a key audit matter

Revenue from the sale of products is recognized in the consolidated financial statements of Symrise AG when control over the goods sold has been transferred to the customers.

The Symrise Group has a large number of customers and an extensive product range. This entails a large number of different contractual arrangements, calling for particular care in order to properly account for transactions, especially with regard to the correct application of the accrual basis accounting. In this light, revenue recognition was a key audit matter.

Auditor's response

The executive directors of Symrise AG have issued detailed accounting instructions and implemented processes for recognizing revenue from product sales. During our audit, we considered, based on the criteria defined in IFRS 15, the recognition and measurement requirements applied in the consolidated financial statements of Symrise AG for the recognition of revenue. Our response included an examination of whether control passed to the buyers upon the sale of the products. We analyzed the processes implemented by the Executive Board of Symrise AG and the recognition and measurement policies for the recognition of product sales. We tested the operating effectiveness of the controls relating to revenue recognition and the correct cut-off of revenue. We examined whether the significant revenue items for fiscal year 2018 correlate with the corresponding trade receivables and payments received and, based on analytical procedures defined group-wide, analyzed whether the revenue for fiscal year 2018 was recognized on an accrual basis. We analyzed the recognition of revenue based on the contractual arrangements on a sample basis with regard to the requirements of IFRS 15 for revenue recognition. We also obtained balance confirmations from customers.

Overall, our procedures relating to the recognition of revenue from the sale of products did not lead to any reservations.

Reference to related disclosures

With regard to the recognition and measurement policies applied for the recognition of revenue from the sale of products, refer to the disclosure on the recognition of revenue in section "2.5 Summary of Significant Accounting Policies" of the notes to the consolidated financial statements.

3) CURRENT AND DEFERRED INCOME TAXES

Reasons why the matter was determined to be a key audit matter

The Symrise Group operates in different legal jurisdictions with the resulting complexity of matters and the recognition of current and deferred income taxes, namely the transfer prices used, changes in tax legislation and intragroup financing. To calculate the provisions for tax obligations and deferred tax items, the executive directors of Symrise AG must exercise judgment in assessing tax matters, estimating tax risks and with regard to the realization of deferred taxes.

Auditor's response
The executive directors of Symrise AG regularly engage external tax experts to validate their own risk assessment. We called on our tax specialists to consider these tax assessments. Our specialists also analyzed the correspondence with the competent tax authorities and the assumptions used to calculate provisions for current taxes and deferred taxes, considering in particular the applicable transfer prices, based on their knowledge and experience of how the authorities and courts currently apply the relevant legal provisions. In addition, we involved tax specialists from our international network with the relevant knowledge of the respective local jurisdictions and regulations. We critically assessed the assumptions on the recoverability of deferred tax assets, in particular by analyzing the assumptions with respect to projected future taxable income and by comparing them to the internal business plan. Our response also included the disclosures in the notes to the consolidated financial statements of Symrise AG on current and deferred income taxes.

Our procedures did not lead to any reservations relating to the recognition of current and deferred income taxes.

Reference to related disclosures
With regard to the recognition and measurement policies applied for current and deferred income taxes, refer to the disclosure on income taxes in the "2.5 Summary of Significant Accounting Policies" section, in note 12 "Income Taxes" in the "Additional Disclosures on the Consolidated Statement of Comprehensive Income" section and in note 20 "Deferred Tax Assets/Liabilities" in the "Additional Disclosures on the Consolidated Statement of Financial Position" section of the notes to the consolidated financial statements.

OTHER INFORMATION
The Supervisory Board is responsible for the Report of the Supervisory Board. In all other respects, the executive directors are responsible for the other information. The other information comprises

- the responsibility statement pursuant to Sec. 297 (2) Sentence 4 HGB and Sec. 315 (1) Sentence 5 HGB contained in the "Statement of the Executive Board" section of the 2018 financial report,

- in the "Corporate Governance" section of the 2018 financial report

and in the other sections of the 2018 financial report and in the 2018 corporate report, except for the consolidated financial statements, the group management report and our related auditor's report.

Our opinions on the consolidated financial statements and on the group management report do not cover the other information, and consequently we do not express an opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information and, in so doing, to consider whether the other information

- is materially inconsistent with the consolidated financial statements, with the group management report or our knowledge obtained in the audit, or

- otherwise appears to be materially misstated.

RESPONSIBILITIES OF THE EXECUTIVE DIRECTORS AND THE SUPERVISORY BOARD FOR THE CONSOLIDATED FINANCIAL STATEMENTS AND THE GROUP MANAGEMENT REPORT
The executive directors are responsible for the preparation of the consolidated financial statements that comply, in all material respects, with IFRSs as adopted by the EU and the additional requirements of German commercial law

pursuant to Sec. 315e (1) HGB, and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position and financial performance of the Group. In addition, the executive directors are responsible for such internal control as they have determined 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 executive directors are responsible for assessing the Group's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

Furthermore, the executive directors are responsible for the preparation of the group management report that, as a whole, provides an appropriate view of the Group's position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, the executive directors are responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a group management report that is in accordance with the German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the group management report.

The Supervisory Board is responsible for overseeing the Group's financial reporting process for the preparation of the consolidated financial statements and of the group management report.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS AND OF THE GROUP MANAGEMENT REPORT

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 whether the group management report as a whole provides an appropriate view of the Group's position and, in all material respects, is consistent with the consolidated financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our opinions on the consolidated financial statements and on the group management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Sec. 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. 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 and this group management report.

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 and of the group management report, 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 opinions. 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 of the consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the group management report 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 these systems.

- Evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.

- Conclude on the appropriateness of the executive 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 the auditor's report to the related disclosures in the consolidated financial statements and in the group management report or, if such disclosures are inadequate, to modify our respective opinions. 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 be able 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 present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Sec. 315e (1) HGB.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express opinions on the consolidated financial statements and on the group management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinions.

- Evaluate the consistency of the group management report with the consolidated financial statements, its conformity with [German] law, and the view of the Group's position it provides.

- Perform audit procedures on the prospective information presented by the executive directors in the group management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the relevant independence requirements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and where applicable, the related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

OTHER LEGAL AND REGULATORY REQUIREMENTS

Further information pursuant to Art. 10 of the EU Audit Regulation

We were elected as group auditor by the Annual General Meeting on 16 May 2018. We were engaged by the Supervisory Board on 30 October 2018. We have been the group auditor of Symrise AG without interruption since fiscal year 2017.

We declare that the opinions expressed in this auditor's report are consistent with the additional report to the audit committee pursuant to Art. 11 of the EU Audit Regulation (long-form audit report).

GERMAN PUBLIC AUDITOR RESPONSIBLE FOR THE ENGAGEMENT

The German Public Auditor responsible for the engagement is Dr.Christian Janze.

Hanover, 15 February 2019

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

Ludwig	Dr. Janze
Wirtschaftsprüfer	Wirtschaftsprüfer
[German Public Auditor]	[German Public Auditor]

Corporate Governance

Corporate Governance Statement pursuant to Sections 289f, 315d of the German Commercial Code (HGB) and Corporate Governance Report

The actions of Symrise AG's management and oversight bodies are determined by the principles of good and responsible corporate governance. The Executive Board – also acting on behalf of the Supervisory Board – has issued the following Corporate Governance Statement pursuant to Sections 289f and 315d of the German Commercial Code for Symrise AG and the Symrise Group (hereinafter collectively referred to as "Symrise"). This includes (i) the Declaration of Compliance pursuant to Section 161 of the German Stock Corporation Act, (ii) relevant disclosures on corporate governance practices, (iii) a description of the working methods of the Executive Board and the Supervisory Board as well as the composition and working methods of their committees, (iv) target figures for the proportion of women in the Executive Board and for the two management levels below the Executive Board, together with deadlines for implementation, and (v) a description of the diversity concept with regard to the composition of the Executive Board and Supervisory Board.

Pursuant to the currently valid version of Section 3.10 of the Corporate Governance Code from February 7, 2017 ("DCGK 2017"), published in the official section of the Federal Gazette by the German Federal Ministry of Justice on April 24, 2017, and amended on May 19, 2017, the Corporate Governance Report, which is required to be issued annually by the Executive Board and the Supervisory Board, must be published together with the Corporate Governance Statement.

Due to the similarity of content between the Corporate Governance Report and the Corporate Governance Statement, we have once more decided to integrate the Corporate Governance Report in the meaning of Section 3.10 of the Corporate Governance Code 2017 into the Corporate Governance Statement pursuant to Sections 289f and 315d of the German Commercial Code in order to simplify orientation for the reader. By contrast, the remuneration report pursuant to Section 4.2.5 of the Corporate Governance Code 2017 is no longer part of the Corporate Governance Report. The remuneration report is part of the management report included on pages 45 to 53 of the 2018 financial report.

The Corporate Governance Statement pursuant to Sections 289f and 315d of the German Commercial Code is published on the Symrise website, together with the integrated Corporate Governance Report of the Executive Board and Supervisory Board. It can be found at: **https://www.symrise.com/corporate-governance-statement**.

DECLARATION OF COMPLIANCE PURSUANT TO SECTION 161 OF THE GERMAN STOCK CORPORATION ACT FROM DECEMBER 2018

Under Section 161 of the German Stock Corporation Act, the Executive Board and the Supervisory Board of a listed company must issue an annual declaration detailing whether the company was and is in compliance with the German Corporate Governance Code and providing its reasoning regarding any recommendations of the Code that have not been applied.

WORDING OF THE DECLARATION

On the basis of their deliberations, the Executive Board and the Supervisory Board of Symrise AG issued a new declaration of compliance on December 5, 2018, pursuant to Section 161 of the German Stock Corporation Act. The declaration is worded as follows:

"In accordance with Section 161 of the German Stock Corporation Act, the Executive and Supervisory Boards of Symrise AG state that:

Symrise AG has fully complied with all recommendations made by the Government Commission on the Corporate Governance Code (version: February 7, 2017) published by the German Federal Ministry of Justice on April 24, 2017, in the official part of the Federal Gazette (Bundesanzeiger) and amended on May 19, 2017, without exception and will continue to do so in the future."

The Declaration of Compliance has also been made publicly available on Symrise AG's website. It can be found at: **https://www.symrise.com/investors/corporate-governance/declaration-of-compliance**.

RELEVANT INFORMATION ON COMPANY PRACTICES

This part of the Corporate Governance Statement provides relevant information on corporate governance practices beyond the scope of legal requirements.

OUR CODE OF CONDUCT

We continue to adhere to the Code of Conduct, which was introduced in 2006 and fundamentally revised in 2016, in order to ensure uniform and exemplary action and conduct. This Code of Conduct applies to the Executive Board and the Supervisory Board and to all Symrise employees in Germany and abroad, i.e., to managers and all employees in the Group equally. The Code of Conduct – a binding fundamental principle – defines minimum standards and sets out behavior enabling all employees to cooperate in meeting these standards. The purpose of the Code of Conduct is to help all employees cope with the ethical and legal challenges of their everyday work and provide them with guidance in conflict situations. In the interest of all employees and the Group, noncompliance with standards will be investigated and their causes remedied. This means that misconduct will be consistently prosecuted in accordance with national laws.

Our Code of Conduct provides the framework for interactions with our key stakeholders: employees and colleagues, customers and suppliers, shareholders and investors, neighbors and society, national and local governments as well as government agencies, media and the public.

The Code of Conduct is based on our values and principles. By following it, we guarantee that every person is treated fairly and with respect, while ensuring that our behavior and business activities remain transparent, honest and consistent throughout the world.

Our Code of Conduct has been made permanently available on the Symrise website. It can be found at: **http://www.symrise.com/newsroom/publications/code-of-conduct/.**

OUR COMPLIANCE MANAGEMENT SYSTEM

INTRODUCTION

At Symrise, we understand "compliance" as an integrated organizational model ensuring adherence to legal regulations as well as intercompany guidelines and the corresponding processes and systems. This is considered an important management and monitoring task. Symrise has an integrated compliance management system that combines sustainable, risk- and value-oriented, and legal and ethical aspects and rules; we have made this into a fundamental principle for everything we do in business. We act on the basis of our understanding and conviction that adherence to these fundamental rules is an inalienable and non-negotiable component of our Symrise identity. Only a clearly defined and transparent framework of what type of conduct is allowed and what type of conduct is not allowed guarantees the success and sustainability of our business. At Symrise, compliance is a matter of course. Compliance concerns the attitude of each individual at Symrise.

Our principle is clear and applies to all countries: "Any business that cannot align with our fundamental principles is not business for Symrise."

The Group Compliance Officer as well as Internal Auditing report directly to the CFO. This ensures their independence and authority. The Group Compliance Officer and Internal Auditing report to the Auditing Committee of the Supervisory Board regularly at each of the committee's meetings.

TECHNICAL COMPLIANCE AND LEGAL COMPLIANCE

In our compliance management system, we differentiate between "technical compliance" and "legal compliance." Technical compliance activities focus on quality, environmental protection, health, work safety, energy, product safety and food safety. In nearly all of these areas, the products of Symrise are subject to strict government supervision worldwide. It is a matter of course for us that our products and processes comply with local regulations around the world. Legal compliance activities concentrate on competition and antitrust law, the prevention of corruption and money laundering, and export controls. Here, the focus of activity is on education and prevention. The implementation and further development of Group guidelines on these topics also fall into this category.

The results and insights from every area of compliance are collected by the Group Compliance Officer and reported to the Executive Board and the Auditing Committee of the Supervisory Board. As a result, any measures that may arise will now be coordinated more efficiently. Compliance violations are immediately remedied, their causes identified and corrective measures implemented if necessary.

The Executive Board of Symrise has explicitly expressed – in both internal and external contexts – its refusal to accept any form of compliance infringement. Infringements will not be tolerated at Symrise. Sanctions will be imposed upon involved employees wherever necessary and legally possible.

OUR INTEGRITY HOTLINE

The Integrity Hotline set up by the Group Compliance Office in the summer of 2008 continues to ensure that Symrise employees can anonymously report violations of both legal regulations and internal company guidelines from anywhere in the world. By means of this hotline, all our employees are able to contact the Group Compliance office using toll-free telephone numbers that have been specially set up in the individual countries. An intermediary service operator ensures that employees can retain anonymity where required and communicate in their native language. By entering an access code, employees can leave a message with the Group Compliance office. They receive a number that enables them to call back later and listen to the answer left for them by the Group

Compliance office. This procedure can be continued as long as one likes, enabling intensive communication between the Group Compliance office and the person providing the information while preserving the latter's anonymity. At the same time, abuses can be prevented through targeted queries. Since the fall of 2009, employees have been able to additionally contact Group Compliance office staff anonymously and leave messages via the online service of the Symrise Integrity Hotline.

As a result, it is no longer absolutely necessary to communicate with the Group Compliance office over the phone. Of course, all employees can also contact the Group Compliance office directly and personally at any time. In this way, we ensure that every case is processed and answered immediately.

In 2018, a small number of cases were reported via the Integrity Hotline worldwide. Several additional cases of irregularities were reported directly to the Group Compliance office. In all cases, investigations were initiated and corrective measures were applied on a case-by-case basis pursuant to the applicable legal system and Group-internal regulations. In one case, labor law sanctions were imposed. No material damage to third parties or to our company resulted from these cases.

TRAINING COURSES ON COMPLIANCE ISSUES

In order to ensure compliance with all compliance requirements on an ongoing basis, the need for training is regularly identified and suitable training courses are held in both the areas of "Technical Compliance" and "Legal Compliance." In addition to training courses where employees are present on site, internet-based training is also offered. This allows us to reach more employees in a shorter period. It also gives employees greater flexibility in terms of where and when they complete their training. Subsequent tests confirm not only that a training course has been completed, but that its content has also been understood.

In addition to the requirements of their position, new Symrise employees are given comprehensive training when they join the company on the fundamental principles of our Code of Conduct. All employees then take part in rolling training courses based on predefined schedules. Depending on whether they are basic, refresher or specialized training courses, these schedules cover a period of between one and three years.

CORPORATE GOVERNANCE

Corporate governance at Symrise is based on the German Corporate Governance Code 2017, which has established itself as the guideline and standard for good corporate governance in Germany. Today, we are convinced more than ever before that good corporate governance is a prerequisite and indispensable basis for the success of a company. This success depends especially on the trust of our business partners, financial markets, investors, employees and the public. Confirming and further strengthening this trust is a prioritized objective at Symrise. Achieving this objective calls for responsible leadership along with corporate management and control focused on creating sustainable value.

In the past, we have oriented ourselves toward internationally and nationally acknowledged standards of good and responsible corporate governance and will continue to do so in the future. In the 2018 fiscal year, the Executive and Supervisory Boards dealt intensively with all corporate governance issues on numerous occasions across all areas.

DESCRIPTION OF THE WORKING METHODS OF THE EXECUTIVE AND SUPERVISORY BOARDS

This part of the Corporate Governance Statement focuses on the working methods of the Executive Board, the Supervisory Board and of the committees formed by the Supervisory Board. The composition of these committees will also be briefly discussed. The Executive Board has not formed any committees.

DUAL MANAGEMENT SYSTEM

Symrise AG is a company under German law, which is influenced by the Corporate Governance Code 2017. One of the fundamental principles of German stock corporation law is the dual management system involving two bodies, the Executive Board and the Supervisory Board, each of which is entrusted with independent competencies. Symrise AG's Executive Board and Supervisory Board cooperate closely and in a spirit of trust in managing and overseeing the company.

EXECUTIVE BOARD

The Executive Board of Symrise AG currently has five members. All members of the Executive Board are appointed by the Supervisory Board. The Executive Board is responsible for managing the company's business operations in the interest of the company with a view to creating sustainable value.

The Executive Board develops the company's strategic direction, approves it with the Supervisory Board and is responsible for its implementation. The Executive Board provides the Supervisory Board with regular, prompt and comprehensive reports on all relevant issues of corporate planning and strategic development, on company performance, on the state of the Group, including a risk profile, and on risk management.

The reporting of the Executive Board also covers the compliance management system, i.e., the measures for adherence to legal regulations and internal corporate guidelines. The articles of incorporation specify reservations of consent of the Supervisory Board for significant business transactions. These reservations of consent are contained in identical form in rules of procedure for the Executive Board.

These provisions are available to the public on our website at **https://www.symrise.com/rules-of-procedure-executive-board**.

The Act on the Equal Participation of Women and Men in Executive Positions in the Public and Private Sectors, which was passed by the German Bundestag on February 6, 2015, and the Bundesrat on March 27, 2015, has the aim of increasing the share of female managers holding upper management positions at companies and contributing to gender equality in the long term. Symrise AG aims to achieve a 20 % share of women on the Executive Board in the long term. Measures related to specific persons have been agreed between the Supervisory Board and the Executive Board for this purpose. Nevertheless, we must respect current employment contracts and ensure continuity in the Executive Board. The current members of the Executive Board have contracts that extend into the years 2020 to 2024.

Symrise is a globally operating company with several high-level management positions outside of Germany. The basis for the quota for female managers at Symrise is therefore the global management structure at Symrise. The share of women at the first level of management beneath the Executive Board amounted to 27 % in 2018; the second level of management amounted to 42 %.

SUPERVISORY BOARD

The Supervisory Board advises and oversees the Executive Board in the management of the company. It is involved in strategy and planning as well as all other decisions of fundamental significance to the company. The chairman of the Supervisory Board coordinates the work in the Supervisory Board, chairs its meetings and externally represents the concerns of the body. An extraordinary Supervisory Board meeting may be convened if required when events of particular relevance occur. In the course of preparing for the Supervisory Board meetings, the representatives of shareholders and employees meet separately, if necessary. The Supervisory Board has adopted rules of procedure that find corresponding application in the committees of the Supervisory Board.

These rules have been made available on our website at **https://www.symrise.com/rules-of-procedure-supervisory-board**.

COMPOSITION OF THE SUPERVISORY BOARD

Pursuant to Section 8 (1) of the company's articles of incorporation in conjunction with Section 96 (1) of the German Stock Corporation Act (AktG) and Section 7 (1) sentence 1 number 1 of the German Codetermination Act of May 4, 1976, the Supervisory Board consists of twelve members. Six members are elected by the General Meeting and six by the company's employees in accordance with the provisions of the Codetermination Act. The period of office is identical for all members.

For listed companies subject to the Codetermination Act, Section 96 (2) sentence 1 of the German Stock Corporation Act (AktG) stipulates, inter alia, that the Supervisory Board must comprise at least 30 % women and at least 30 % men. In order to comply with this minimum gender distribution requirement, at least four seats on the company's Supervisory Board must be held by women and four seats by men. This minimum distribution is to be met by the Supervisory Board in total (what is known as total compliance), unless the shareholder or employee representatives on the Supervisory Board object to this by way of a resolution (Section 96 (2) sentence 3 of the German Stock Corporation Act (AktG)). Total compliance with this requirement was rejected by both the representatives of the shareholders as well as employees in accordance with Section 96 (2) sentence 3 of the German Stock Corporation Act (AktG). The group of shareholder representatives as well as of employee representatives on the Supervisory Board are each required to comply with the minimum distribution of 30 % for their group, so that the six representatives of each group include at least two women and men respectively. Both groups on the Supervisory Board currently meet this requirement.

The six employee representatives were chosen from among the German staff on February 24, 2016, in compliance with the legally prescribed election process.

The following employee representatives were elected to the Supervisory Board for the period lasting until the end of the Annual General Meeting that will decide on discharges for the 2020 fiscal year:

Dr. Thomas Rabe, Chief Executive Officer of Bertelsmann Management SE, Berlin; Ursula Buck, Managing Director of Top Management Consulting Buck Consult, Possenhofen; Horst-Otto Gerberding, Managing Partner at Gottfried Friedrichs (GmbH & Co.) KG, Holzminden and Prof. Dr. Andrea Pfeifer, Chief Executive Officer of AC Immune S. A., St. Légier, Switzerland.

Due to reaching the age limit, Dr. Winfried Steeger, Managing Director of Jahr GmbH, Hamburg, was elected to the Supervisory Board for a term that runs until the end of the Annual General Meeting that will decide on discharges for the 2019 fiscal year.

Due to his reaching the age limit, Dr. Becker's term of office ended at the conclusion of the General Meeting on May 16, 2018, and a new representative of the shareholders was elected to the Supervisory Board. Taking into account the goals and the competence profile for the composition of the Supervisory Board, Bernd Hirsch, Chief Financial Officer of Bertelsmann Management SE, Neuler, was elected to the Supervisory Board until the end of the Annual General Meeting that will decide on discharges for the fiscal year 2020.

In accordance with Section 5.4.3 sentence 3 of the German Corporate Governance Code 2017, mention was made of the intention to propose Dr. Thomas Rabe as a candidate for Chairman of the Supervisory Board in the event of his reelection.

The following six employee representatives were chosen from among the German staff on February 24, 2016, in compliance with the legally prescribed election process, until the end of the Annual General Meeting that will decide on discharges for the fiscal year 2020:

Harald Feist, Chairman of the works council and Chairman of the general works council of Symrise AG, Holzminden; Andrea Püttcher, Vice Chairperson of the works council and Vice Chairperson of the general works council of Symrise AG, Bevern; André Kirchhoff, independent member of the works council of Symrise AG, Bevern; Jeannette Kurtgil, IG BCE trade union secretary for the North region, Burgdorf; Dr. Ludwig Tumbrink, Vice President Compounding Flavor EAME at Symrise AG, Höxter; and Peter Winkelmann, Regional Head of the IG BCE district Alfeld, Alfeld.

When nominating candidates for election to the Supervisory Board, particular attention was paid to the knowledge, skills and professional experience required for the duties to be performed, as well as to the principle of diversity among the Supervisory Board's members. The current Supervisory Board at Symrise AG includes eight independent members and four women: Ms. Buck, Ms. Kurtgil, Prof. Dr. Pfeifer and Ms. Püttcher. The Supervisory Board will continue to attempt to implement the regulations specified in the Act on the Equal Participation of Women and Men in Management Positions in Private Economy and Public Service, which was passed by the German Bundestag on February 6, 2015, and the Bundesrat on March 27, 2015, insofar as it concerns the composition of the Supervisory Board and with the support of corresponding nominations regarding the election of the shareholder representatives by the Annual General Meeting and the election of employee representatives by the staff.

Bernd Hirsch, who joined the Supervisory Board on May 16, 2018, is the first member to have previously been a member of the Executive Board. There was a period of two years, four months and 15 calendar days between the end of Mr. Hirsch's activity on the Executive Board and his election to the Supervisory Board. This satisfied the conditions of Section 100 (2) number 4 of the German Stock Corporation Act (AktG) (the "cooling-off" period). A neutral and independent consulting and monitoring of the Executive Board continues to be ensured without restriction. At least one independent member has expertise in accounting or auditing.

OBJECTIVES OF THE SUPERVISORY BOARD IN RELATION TO ITS COMPOSITION

The Supervisory Board is to name specific goals for its composition pursuant to Section 5.4.1 (2) sentence 1 of the Corporate Governance Code 2017, that, in keeping with the company's specific situation, take account of (i) the company's international activity, (ii) potential conflicts of interest, (iii) the number of independent Supervisory Board members, (iv) an age limit for Supervisory Board members to be defined, (v) a maximum period for membership in the Supervisory Board to be determined and (vi) diversity, among other things.

With the support of corresponding nominations, the Supervisory Board seeks to ensure that in its future composition at least 30 % of its members are female. The "Act on Equal Participation of Women and Men in Executive Positions", passed by the German Bundestag on February 6, 2015, and the Bundesrat on March 27, 2015, was implemented in 2017.

Generally, at least seven independent members should always be represented in the Supervisory Board. Members of the Supervisory Board who are employed by Symrise AG are not regarded as independent members of the Supervisory Board. The necessary independence is particularly lacking when a Supervisory Board member has a personal or business relationship with Symrise AG, its corporate bodies, a controlling shareholder or an affiliated company which may give rise to a material, and not merely temporary, conflict of interest. This goal is currently being met. The independent members are: Dr. Thomas Rabe, Ursula Buck, Horst-Otto Gerberding, Bernd Hirsch, Jeannette Kurtgil, Prof. Dr. Andrea Pfeifer, Dr. Winfried Steeger and Peter Winkelmann.

Furthermore, the Supervisory Board strives to ensure that the share of Supervisory Board members from other nations does not fall below one-third. With regard to Symrise, this means that nationality is not the only focus. Rather, the decisive factor is that at least one-third of the members of the Supervisory Board have gained substantial experience in globally active groups in Germany and abroad. This goal is also currently being met.

The term of office for a Supervisory Board member must end at the conclusion of the Annual General Meeting following the member's 70th birthday. The maximum limit for membership in the Supervisory Board is four terms of office. These two goals are currently being met. Concerning future nominations, it will be ensured that the goals defined by the Supervisory Board continue to be fulfilled.

THE COMPETENCE PROFILE OF THE SUPERVISORY BOARD

Pursuant to Section 5.4.1 (1) of the Corporate Governance Code 2017, the Supervisory Board is to be composed in such a way that its members as a whole have the knowledge, skills and professional experience required for the proper performance of their duties. In accordance with Section 5.4.1 (2) sentence 1 of the Corporate Governance Code 2017, the Supervisory Board has prepared a competence profile for the entire Board, which was used for its current composition and will be applied in future election proposals to the Annual General Meeting to guarantee the competence profile of the entire Board. The competence profile of the Symrise Supervisory Board includes various parameters. Each of these parameters on its own is significant in the competence profile of the entire Board. However, it is only by interlocking and complementing all parameters that the competence profile of the entire Board, which is necessary to support the business success of Symrise, can be guaranteed. Skills are required in the areas of accounting, auditing, risk management, information technology, issues regarding the remuneration of the Executive Board and compliance. Furthermore, expertise in the fragrance and flavor industry is required. This comprises the production of flavors, food ingredients, fragrances and cosmetic ingredients. The required competencies also include experience in the chemical, consumer goods and food industries. Here, the focus is on knowledge of the respective markets, products, customer and supplier relationships. Expertise in production, research and development are also of paramount importance.

Other important parameters of the competence profile of the Symrise Supervisory Board are sufficient availability of time, a lack of conflicts of interest, the ability to work in a team, as well as management and development experience with regard to large organizations. This competence profile of the Symrise Supervisory Board is currently being fulfilled by the entire Board.

SUPERVISORY BOARD COMMITTEES

As in the past, the Supervisory Board formed a total of four committees to fulfill its responsibilities more efficiently. These committees draft the Supervisory Board's resolutions and prepare the agenda items to be addressed in the full meetings. To the extent that this is legally admissible, in individual cases the Supervisory Board delegates decision-making to its committees. The Supervisory Board established an Auditing Committee, an Arbitration Committee pursuant to Section 27 (3) of the Codetermination Act (MitbestG), a Personnel Committee and a Nominations Committee as permanent committees. The task of the latter is to recommend suitable candidates to represent the shareholders when new Supervisory Board elections are coming up. The Chairman of the Supervisory Board chairs all of the committees with the exception of the Auditing Committee. In the full meetings, the chairmen of the committees report regularly and comprehensively on the content and results of the committee meetings.

The Personnel Committee is responsible for matters pertaining to the Executive Board. These matters particularly include making resolution recommendations at the full Supervisory Board meetings regarding the appointment of Executive Board members or regarding components of Executive Board members' employment contracts. This committee is also responsible for succession planning at the Executive Board level. In this process, candidates who have the potential to take over a position on the Executive Board undergo an assessment which, with the help of an external service provider, leads directly from an individual analysis to an individual development plan. Even at this early stage, the goals for the future composition of the Executive Board are given appropriate consideration. The aim is to be able to fill all positions on the Executive Board internally and on short notice. The Personnel Committee deals with the development of the Executive Board remuneration system – specifying the amount of remuneration and the related target agreements and making corresponding recommendations at the full Supervisory Board meetings. The Personnel Committee additionally resolved to incorporate the criterion of diversity when appointing future Executive Board members, striving in particular to give appropriate consideration to women. The Personnel Committee currently has six members, of which three members are chosen by the shareholder representatives and three are chosen by the employee representatives in the Supervisory Board. The members are: Dr. Thomas Rabe (Chairman), Harald Feist, Horst-Otto Gerberding, Prof. Dr. Andrea Pfeifer, Dr. Ludwig Tumbrink and Peter Winkelmann. The Personnel Committee convened twice in the 2018 fiscal year. The Personnel Committee does not have its own rules of procedure. The rules of procedure of the Supervisory Board are applied accordingly.

The Auditing Committee mainly focuses on matters relating to the annual financial statements and consolidated financial statements, which includes monitoring the accounting process, the effectiveness of the internal controlling system, the risk management system, the internal auditing system and the audit of annual accounts. It also monitors the independence and qualifications of the auditor as well as additional services provided by the auditor. Furthermore, the Auditing Committee discusses the interim reports in detail and approves them before they are published. The Auditing Committee prepares the Supervisory Board's decision on the approval of the annual financial statements and its approval of the consolidated financial statements. To this end, it is responsible for pre-auditing the annual financial statements, the consolidated financial statements, the management reports and the proposal regarding appropriation of earnings. The regular agenda items also include the receipt of the reports from Internal Auditing and the Group Compliance office as well as the risk report. At least one member of the Auditing Committee must be independent and possess expertise in accounting or auditing. The Auditing Committee currently has six members. Three members are shareholder representatives on the Supervisory Board and three are employee representatives on the Supervisory Board. The members are: Bernd Hirsch (Chairman), Ursula Buck, Harald Feist, Jeannette Kurtgil, Dr. Winfried Steeger and Peter Winkelmann. The Auditing Committee convened five times in the 2018 fiscal year. The Auditing Committee prepared the Supervisory Board's proposal to the Annual General Meeting to nominate Ernst & Young GmbH, Wirtschaftsprüfungsgesellschaft, Hanover, as the new auditor. Furthermore, the Auditing Committee solicited a statement of independence from the auditor. It commissioned the auditor, established the main focuses of the audit and prepared the resolution for the Supervisory Board regarding the auditing fees. The Auditing Committee does not have its own rules of procedure. The rules of procedure of the Supervisory Board are applied accordingly. Additionally, the Auditing Committee drew up its own regulation regarding its concrete procedure.

Shareholders and employees are equally represented on the Arbitration Committee pursuant to Section 27 (3) of the Codetermination Act (MitbestG). It currently consists of four members: Dr. Thomas Rabe (Chairman), Ursula Buck, Harald Feist and Dr. Ludwig Tumbrink. Once again, it was not necessary to convene the Arbitration Committee during the 2018 fiscal year. The Arbitration Committee does not have its own rules of procedure. The rules of procedure of the Supervisory Board are applied accordingly.

The Nominations Committee consists exclusively of shareholder representatives from the Supervisory Board in accordance with the German Corporate Governance Code 2017. Its task is to recommend shareholder representatives to the Annual General Meeting who would be suitable Supervisory Board members for upcoming Supervisory Board elections. The current three members are: Dr. Thomas Rabe (Chairman), Horst-Otto Gerberding and Prof. Dr. Andrea Pfeifer. It was not necessary to convene the Nominations Committee during the 2018 fiscal year. The Nominations Committee does not have its own rules of procedure. The rules of procedure of the Supervisory Board are applied accordingly.

TRANSPARENCY

Pursuant to Section 19 of the EU Market Abuse Directive (previously Section 15a of the German Securities Trading Act), which came into force on July 3, 2016, the members of the Executive and Supervisory Boards of Symrise AG, as well as certain employees with management duties and persons with whom they have a close relationship, must disclose the purchase or sale of Symrise shares and related financial instruments. This duty of disclosure applies if the value of the transactions undertaken by one of the aforementioned persons reaches or exceeds the sum of € 5,000. Symrise immediately publishes disclosures on such transactions on its website and transmits this information to the German Federal Financial Supervisory Authority (Bundesanstalt für Finanzdienstleistung/BaFin) and the company register for retention. All of the reports received by Symrise AG as of December 31, 2018, are published on our website at **http://www.symrise.com/investors/corporate-governance/directors-dealings** . This includes all such reports since the IPO in December 2006, including any persons who have meanwhile left the Executive Board or the Supervisory Board.

CONFLICTS OF INTEREST

As in the previous year, conflicts of interest involving members of the Executive Board, which have to be disclosed to the Supervisory Board without delay, did not occur in fiscal year 2018. The only consultant or service agreements or other exchange contracts between members of the Supervisory Board and the company in the 2018 fiscal year involved Mr. Horst-Otto Gerberding.

Mr. Horst-Otto Gerberding is entitled to a pension from Symrise AG stemming from an employment and supply contract between him and the company that existed through the end of September 2003. The total sum is € 26,055.81 per month.

The direct or indirect total holding of shares in Symrise AG by all members of the Executive and Supervisory Boards as of December 31, 2018, was more than 1 %. Of the 6.25 % of shares in Symrise AG held by members of the Executive and Supervisory Boards, 6.01 % is held by members of the Supervisory Board while 0.24 % is held by members of the Executive Board (values are rounded).

A summary of the respective mandates outside of the Symrise Group for the members of the Executive Board and the Supervisory Board can be found on pages 158 to 160 of the 2018 Financial Report.

A report on relationships to related companies and parties can be found on pages 126 to 127 of the 2018 Financial Report.

RISK MANAGEMENT

Dealing with risks of all kinds responsibly has the utmost importance for the success of a company. For this reason, a comprehensive risk management system is a mandatory element of suitable corporate governance. The Executive Board ensures appropriate risk management and risk controlling throughout the Group. The risk management system is constantly being developed and adapted to changing conditions. A Group-wide survey, assessment and classification of potential risks takes place at least twice a year – performed by the officers assigned to each risk class. These surveys are consolidated at the Group level and flow into the risk report, which is the subject of the Auditing Committee's deliberations at least twice a year, and is presented to the Supervisory Board at least once a year in detail. The risk management system at Symrise AG, its security mechanisms, internal guidelines and monitoring instruments are checked by the internal Group auditors without prior notice. Risks identified in this manner are immediately reported to the Executive Board.

The early recognition system for risk in accordance with Section 91 (2) of the German Stock Corporation Act is monitored by auditors in Germany and abroad. Along with the audit of annual accounts and monitoring of accounting procedures, the Auditing Committee set up by the Supervisory Board also undertakes regular auditing and monitoring of the effectiveness of the internal control and risk management systems. This also includes, for example, regular reporting by Internal Auditing and the Group Compliance office at Symrise.

This overlapping mechanism allows risks to be identified and assessed at an early stage. The Executive Board regularly and continuously informs the Supervisory Board and Auditing Committee of existing risks and their development via the risk report. Specific measures are proposed and implemented right from this early stage to neutralize the identified risks.

The Group's internal auditors also check on the implementation of these new measures and the results are given a critical assessment. The risk profile is thereby constantly monitored and measures necessary to mitigate risks are introduced. Specific staff members are assigned responsibility for this and held accountable in their performance review.

SHAREHOLDERS AND ANNUAL GENERAL MEETING

Symrise shareholders exercise their codetermination and control rights at the Annual General Meeting, which takes place at least once each year. The Meeting makes decisions on all statutory matters that are binding for all shareholders and the company. For every decision, each share is entitled to one vote. All shareholders that register within the specified period are entitled to participate in the Annual General Meeting. Shareholders who are not able to attend the Meeting in person are entitled to have their voting rights exercised by a bank, a shareholder association, a voting proxy of Symrise who is bound by its instruments or another proxy of their own choosing.

Shareholders also have the possibility of voting online in the run-up to the Annual General Meeting or authorizing the voting proxy provided by the company on the web. Instructions on how voting rights are to be exercised may be given to a voting proxy before and during the Annual General Meeting on May 22, 2019, up until the end of the general debate. It is possible to transfer the voting rights to a voting proxy electronically up until 6:00 p.m. on the evening of May 21, 2019. The invitation to the Annual General Meeting and the reports and information required for the decisions are published according to stock corporation law and made available on the Symrise website in German and English.

It is our intention to provide our shareholders with quick, comprehensive and effective information before and during the Annual General Meeting and to make it easy for them to exercise their rights. The Corporate Report, the Financial Report and the invitation to the Annual General Meeting provide shareholders with comprehensive information on the past fiscal year and the individual agenda items for the upcoming Annual General Meeting. All documents and information pertaining to the Annual General Meeting are available on our website. The registration and legitimation process for the Annual General Meeting is simple, with the 21st day before the Meeting representing the deadline for shareholder registration. Subsequent to the Annual General Meeting, we also publish the attendance figures and voting results on our website.

INFORMATION SERVICE FOR OUR SHAREHOLDERS

Corporate communication is undertaken with the objective of guaranteeing the greatest possible transparency and equality of opportunities through timely and equal information to all target groups. All major press and capital market releases by Symrise are also published on the company's website in German and in English. The articles of incorporation as well as rules of procedure for the Executive and Supervisory Boards, the annual and consolidated financial statements and interim quarterly results can also be found on our website along with the annual and half-yearly financial reports.

We inform company shareholders, analysts, shareholder associations and the public of all important recurring dates through a financial calendar. This is published in the Corporate and Financial Report, the half-yearly financial report and the interim quarterly reports as well as on the company's website. Regular meetings with analysts and institutional investors are part of our investor relations activities. This includes an annual analysts' conference as well as conference calls for analysts and investors coinciding with the publication of our interim quarterly and half-yearly figures.

The most important presentations prepared for these and other events, such as the Annual General Meeting (**https://www.symrise.com/investors/annual-general-meeting**) and investor conferences, can also be viewed online. The locations and dates for investor conferences can also be found on our website at **https://www.symrise.com/investors/financial-calendar-and-presentations**.

OUR AUDITOR

With regard to the consolidated financial statements and the interim reports at Symrise, our accounting in the 2018 fiscal year was again based on the International Financial Reporting Standards (IFRS) as required to be applied in the European Union. The legally prescribed individual accounts of Symrise AG that are decisive for the payment of dividends have been prepared in accordance with the regulations of the German Commercial Code. Here, the 2018 annual financial statements, management report and consolidated annual financial statements of Symrise AG as well as the 2018 Group management report were audited by our auditors Ernst & Young GmbH, Wirtschaftsprüfungsgesellschaft, Hanover. An agreement is also in place with the auditors to promptly notify the chairman of the Auditing Committee of any grounds for disqualification or prejudice that are identified during the audit, insofar as such circumstances cannot immediately be rectified. The auditors are instructed to report without delay all findings and incidents of significance for the duties of the Supervisory Board that are identified during the audit to the Executive Board and the Supervisory Board. Moreover, the auditors are required to notify the Supervisory Board and make a note in the audit report if circumstances are identified during the audit that are incompatible with the Declaration of Compliance issued by the Executive Board and Supervisory Board in accordance with Section 161 of the German Stock Corporation Act.

DIVERSITY CONCEPT FOR THE EXECUTIVE BOARD AND SUPERVISORY BOARD

Sections 289f (2) number 6 and 315d of the German Commercial Code require Symrise to provide a description of the concept of diversity that is pursued with regard to the composition of the Executive Board and Supervisory Board in terms of aspects such as age, gender, educational or professional background, as well as the objectives of this concept of diversity, the manner in which it is implemented and the results achieved in the respective fiscal year. Symrise already has such a diversity concept due to the mandatory statutory regulations already in force for Symrise and the fact that all recommendations of the Corporate Governance Code 2017 have been implemented without exception. Consequently, Sections 289f (2) number 6 and 315d of the German Commercial Code have no further independent significance for Symrise. For a better understanding, we have summarized our concept of diversity in the following:

The "Act on Equal Participation of Women and Men in Executive Positions", passed by the German Bundestag on February 6, 2015, and the Bundesrat on March 27, 2015, was implemented in 2017. It seeks to increase the number of female executives in leading positions in business and to reach across-the-board gender equality in the long term, among other aims. Symrise

AG aims to achieve a 20 % share of women on the Executive Board in the long term. Measures related to specific persons have been agreed between the Supervisory Board and the Executive Board for this purpose. Nevertheless, we must respect current employment contracts and ensure continuity in the Executive Board. The current members of the Executive Board have contracts that extend into the years 2020 to 2024.

Symrise is a globally operating company with several high-level management positions outside of Germany. The basis for the quota for female managers at Symrise is therefore the global management structure at Symrise AG. The share of women at the first level of management beneath the Executive Board amounted to 27 % in 2018; the second level of management amounted to 42 %.

The Supervisory Board has named specific goals for its composition pursuant to Section 5.4.1 (2) sentence 1 of the Corporate Governance Code 2017, that, in keeping with the company's specific situation, take account of (i) the company's international activity, (ii) potential conflicts of interest, (iii) the number of independent Supervisory Board members, (iv) an age limit for Supervisory Board members to be defined, (v) a maximum period for membership in the Supervisory Board to be determined and (vi) diversity, among other things.

Generally, at least seven independent members should always be represented in the Supervisory Board. Members of the Supervisory Board who are employed by Symrise AG are not regarded as independent members of the Supervisory Board. The necessary independence is particularly lacking when a Supervisory Board member has a personal or business relationship with Symrise AG, its corporate bodies, a controlling shareholder or an affiliated company which may give rise to a material, and not merely temporary, conflict of interest. This goal is currently being met. Furthermore, the Supervisory Board strives to ensure that the share of Supervisory Board members from other nations does not fall below one-third. With regard to Symrise, this means that nationality is not the only focus. Rather, the decisive factor is that at least one-third of the members of the Supervisory Board have gained substantial experience in globally active groups in Germany and abroad. This goal is also currently being met. The term of office for a Supervisory Board member must end at the conclusion of the Annual General Meeting following the member's 70th birthday. The maximum limit for membership in the Supervisory Board is four terms of office. These two goals are currently being met.

In accordance with Section 5.4.1 (2) sentence 1 of the Corporate Governance Code 2017, the Supervisory Board has prepared a competence profile for the entire Board, which was used for its current composition and will be applied in future election proposals to the Annual General Meeting to guarantee the competence profile of the entire Board. This competence profile for members of the Supervisory Board of Symrise consists of different parameters. Each of these parameters on its own is significant in the competence profile of the entire Board. However, it is only by interlocking and complementing all parameters that the competence profile of the entire Board, which is necessary to support the business success of Symrise, can be guaranteed. Skills are required in the areas of accounting, auditing, risk management, information technology, issues regarding the remuneration of the Executive Board and compliance. Furthermore, expertise in the fragrance and flavor industry is required. This comprises the production of flavors, food ingredients, fragrances and cosmetic ingredients. The required competencies also include experience in the chemical, consumer goods and food industries. Here, the focus is on knowledge of the respective markets, products, customer and supplier relationships. Expertise in production, research and development are also of paramount importance. Other important parameters of the competence profile of the Symrise Supervisory Board are sufficient availability of time, a lack of conflicts of interest, the ability to work in a team, as well as management and development experience in large organizations. This competence profile of the Symrise Supervisory Board is currently being fulfilled by the entire Board.

Report of the Supervisory Board of Symrise AG

Dear Shareholders,

DR. THOMAS RABE, Chairman of the Supervisory Board of Symrise AG

International economic development in 2018 created a stable foundation for the business activity of our company. As in 2017, global economic output increased by 3.7 %; the same growth rate is expected for the current year. In many industrialized countries and emerging markets, private consumption provided important economic impetus, boosted by high employment and rising private incomes. With its attractive and diversified portfolio of products, Symrise benefits particularly from this international economic pattern. However, risks to global economic development have also increased noticeably over the past twelve months. The principles of free world trade for the benefit of all and of constructive political and economic cooperation across national borders, which have been uncontested for decades, are increasingly being called into question – including by important actors. Another field of uncertainty is the persistently high level of volatility of energy and raw material prices, which also affects the fragrance and flavoring industry. Symrise is counteracting this risk through targeted backward integration and long-term partnerships in sourcing. Our company's business model and strategy have proven themselves impressively since our IPO in 2006. This also applies to the 2018 fiscal year.

In this report, I would like to inform you about the key activities of the Supervisory Board. In 2018, the Supervisory Board again fulfilled its responsibilities under the law and according to the articles of incorporation with great care. In the meetings of the Supervisory Board and its committees, we again discussed and reached agreements on a number of matters and business transactions subject to our approval. We regularly provided consultation to the Executive Board and supervised the company management. We are convinced that the company's business complied with all legal and regulatory requirements. The Supervisory Board was directly and intensely involved in all decisions of fundamental significance to the company. The Executive Board comprehensively discussed and coordinated the strategic planning and orientation of the company with us. As in the previous fiscal years, the Supervisory and Executive Board held a separate meeting in 2018 to examine and evaluate the company's strategy.

Based on information received from the Executive Board, we intensively discussed and advised on all business transactions of significance to the company in our full assembly. To this end, the Executive Board provided us with regular, current and comprehensive reports in written and oral form on all aspects important to the company. This includes above all the development of the business and financial situation, the employment situation, ongoing and planned investments, basic corporate strategy and planning issues as well as the risk situation, risk management and the compliance management system. The Executive Board informed us of matters that, according to legal requirements and/or the articles of incorporation, are subject to our approval at an early stage and allowed us the time needed for making a decision. Wherever required by law or by the articles of association, we submitted our vote on the reports and proposed resolutions of the Executive Board after thorough analysis and discussion. In urgent special cases, decisions were made in consultation with the Chairman of the Supervisory Board, either by telephone or in writing.

The Executive Board provided us with a monthly report on all of the key financial figures. When there were any deviations in the course of business from the set plans and objectives, we received detailed explanations in written and oral form, enabling us to discuss the reasons for the deviations and targeted correction measures with the Executive Board.

Additionally, during the periods between the meetings of the Supervisory Board and its committees, the Chairman of the Supervisory Board and the Chairman of the Auditing Committee in particular were in close and continuous dialogue with the Executive Board. The still relatively restrained global economic growth, continued low interest rates, political crises (particularly in Brazil and Turkey) and their consequences for current and future business development were repeatedly a subject of our discussions with the Executive Board as was the status of essential projects and key business transactions in the three Group segments. This also applies to possible risks from what are being called trade wars, especially in the relationship between the United States and Europe, or between the USA and China or Russia. The economic impact of the withdrawal of the United Kingdom from the European Union and separatist movements, such as in Spain, on the future business development of our company was also repeatedly discussed.

As in the previous year, conflicts of interest of members of the Executive and Supervisory Boards, which must be disclosed to the Supervisory Board without delay and reported to the Annual General Meeting along with their underlying circumstances and a report of how they will be handled, did not occur in 2018.

THE SUPERVISORY BOARD'S WORK IN COMMITTEES

As in the past, the Supervisory Board formed a total of four committees to fulfill its responsibilities more efficiently. These committees draft the Supervisory Board's resolutions and prepare the agenda items to be addressed in the full meetings. To the extent that it was legally admissible, the Supervisory Board delegated decision-making to its committees in individual cases. This practice of delegation has proven successful in our experience. The Supervisory Board established an Auditing Committee, an Arbitration Committee pursuant to Section 27 (3) of the Codetermination Act (MitbestG), a Personnel Committee and a Nominations Committee as permanent committees. The task of the latter is to recommend suitable candidates as shareholder representatives on the Supervisory Board when new Supervisory Board elections are coming up. The Chairman of the Supervisory Board chairs all of the committees with the exception of the Auditing Committee.

In the Supervisory Board meetings, the chairmen of the committees report regularly and extensively on the content and results of the committee meetings. As a result, the Supervisory Board always has a comprehensive basis of information for its consultations.

The Personnel Committee is responsible for matters pertaining to the Executive Board. These matters particularly include making resolution recommendations at the full Supervisory Board meetings regarding the appointment of Executive Board members or regarding components of Executive Board members' employment contracts. It is also responsible for succession planning at the Executive Board level. In this process, candidates who have the potential to take over a position on the Executive Board undergo an assessment which, with the help of an external service provider, leads directly from an individual analysis to an individual development plan. Even at this early stage, the goals for the future composition of the Executive Board are given appropriate consideration. The aim is to be able to fill all positions on the Executive Board internally and on short notice. The Personnel Committee deals with the development of the Executive Board remuneration system, specifies the amount of remuneration including target agreements and makes corresponding recommendations at the full Supervisory Board meetings. The Personnel Committee additionally resolved to incorporate the criterion of diversity when appointing future Executive Board members, striving in particular to give appropriate consideration to women. In the long term, the share of women on the Executive Board should reach 20 %. The Personnel Committee currently has six members, of which three members are chosen by the shareholder representatives and three are chosen by the employee representatives in the Supervisory Board. The members are: Dr. Thomas Rabe (Chairman), Harald Feist, Horst-Otto Gerberding, Prof. Dr. Andrea Pfeifer, Dr. Ludwig Tumbrink and Peter Winkelmann.

The Personnel Committee convened twice in the 2018 fiscal year. All members were present for both meetings. Its agenda points included evaluating the Executive Board members' performance during the 2017 fiscal year, setting new goals for the 2018 fiscal year and reviewing the Executive Board members' remuneration. The focus of the review was on the multiyear remuneration program (LTIP) and its mode of action. The future development of the organization at the level of the Executive Board against the background of our quickly growing company was also a topic of discussion in the meetings.

The Auditing Committee mainly focuses on matters relating to the annual financial statements and consolidated financial statements, which includes monitoring the accounting process, the effectiveness of the internal controlling system, the risk management system, the internal auditing system, the audit of annual accounts and the compliance management system. It also monitors the independence and qualifications of the auditor as well as additional services provided by the auditor. To the extent that the auditor also provides tax advisory services for companies of the Symrise Group, these must be expressly approved in advance by the Auditing Committee. In total, the Auditing Committee approved a budget of € 250,000 for such tax advisory services by the auditor in the fiscal year 2018. Furthermore, the Auditing Committee discussed the interim reports in detail and approved them before they were published. The Auditing Committee prepares the Supervisory Board's decision on the approval of the annual financial statements and its approval of the consolidated financial statements. To this end, it is responsible for pre-auditing the annual financial statements, the consolidated financial statements, the management report and the proposal regarding appropriation of earnings. The non-financial statement required to be prepared for the fiscal year 2018 in accordance with Section 289b of the German Commercial Code (HGB) has not been dealt with separately by the Auditing Committee. The Supervisory Board meetings addressed this matter. The regular agenda items also include the receipt of the reports from Internal Auditing and the Group Compliance Officer as well as the risk report. At least one member of the Auditing Committee must be independent and possess expertise in accounting or auditing. The Auditing Committee currently has six members. Three members are shareholder representatives on the Supervisory Board and three are employee representatives on the Supervisory Board. The members are: Bernd Hirsch (Chairman), Ursula Buck, Harald Feist, Jeannette Kurtgil, Dr. Winfried Steeger and Peter Winkelmann. The Auditing Committee convened five times in the 2018 fiscal year, one of which was a conference call. One member of the Auditing Committee was unable to attend one meeting.

The CFO regularly attends the meetings of the Auditing Committee while the auditor, CEO and other guests, such as the head of Internal Auditing or the Compliance Officer, are present for individual agenda items when needed. This year, the Auditing Committee once again addressed risk reporting in detail. Another major point of discussion on this topic was the qualification of the global Symrise sites regarding certain risk aspects. The auditor reported in detail on all findings and incidents of significance to the duties of the Supervisory Board that were identified during the audit and reviews of the interim financial statements following the conclusion of the first half of the year.

The Auditing Committee prepared the Supervisory Board's proposal to the Annual General Meeting to nominate Ernst & Young GmbH, Wirtschaftsprüfungsgesellschaft, Hanover, as the auditor for the 2018 fiscal year. Furthermore, the Auditing Committee solicited the corresponding statement of independence from the auditor Ernst & Young. The Auditing Committee commissioned the auditor, agreed on a risk-oriented auditing approach and determined the main focuses of the audit for the 2018 fiscal year. It also made preparations for the decision of the Supervisory Board regarding auditing fees.

Shareholders and employees are equally represented on the Arbitration Committee pursuant to Section 27 (3) of the Codetermination Act (MitbestG). It currently consists of four members: Dr. Thomas Rabe (Chairman), Ursula Buck, Harald Feist and Dr. Ludwig Tumbrink. Once again, it was not necessary to convene the Arbitration Committee during the 2018 fiscal year.

The Nominations Committee consists exclusively of shareholder representatives from the Supervisory Board in accordance with the German Corporate Governance Code. Its task is to recommend shareholder representatives to the Annual General Meeting who would be suitable Supervisory Board members for upcoming Supervisory Board elections. The current three members are: Dr. Thomas Rabe (Chairman), Horst-Otto Gerberding and Prof. Dr. Andrea Pfeifer. It was not necessary to convene the Nominations Committee during the 2018 fiscal year.

TOPICS OF THE SUPERVISORY BOARD MEETINGS

The effects of various situations and developments on Symrise – such as various international crises, relatively slow global economic growth, persistently low interest rates, continuously volatile raw materials costs and high energy costs, all of which also affect our industry – represented the main focuses of our work and objects of regular discussions by the Supervisory Board once again. The ongoing European debt crisis, the threat of trade wars and the United Kingdom's withdrawal from the European Union and the possible impact of these factors on our company were also discussed. In light of these matters, we discussed with the Executive Board in detail the measures it had enacted as well as those planned for the future. Regular deliberations within the Supervisory Board also covered the development of sales, earnings and employment at Symrise and its three segments in the individual regions given the economic conditions present there. It also discussed the company's financial and liquidity situation as well as important investment projects and their development as measured against the planned objectives. In the 2018 fiscal year, the Supervisory Board held five ordinary sessions, two of which focused on specific topics. The first meeting on a specific topic centered around the company's strategy, its monitoring in view of the changing economic environment and the state of its implementation, while the second such meeting focused on the annual planning for 2019. No member of the

Supervisory Board was present at less than half of the meetings for the Supervisory Board or its committees.

In our meeting on March 7, 2018, we consulted and coordinated with the Executive Board on the approval of the annual financial statements and the consolidated financial statements for 2017. We also discussed the preparation for the Annual General Meeting 2018, the Corporate Governance Statement and the Corporate Governance report. The Executive Board explained details of the current raw material crisis. This impacts important starting materials for the production of fragrances. Suppliers from Asia, in particular, have disappeared from the market because of stricter environmental regulations. Fires at suppliers in Europe and Asia have led to a further shortage of important raw materials. We discussed suitable precautionary measures with the Executive Board at length. Once again, long-term partnerships in the area of sourcing and ongoing backward integration for important raw materials were main focal points of our work. In this meeting, we also discussed adjusting the remuneration for the Executive Board in light of changed market conditions. Remuneration of the Executive Board in line with market conditions is indispensable for ensuring members' willingness to perform and stability in the Executive Board. To make this comparison, we drew on a remuneration study conducted by an external remuneration consultant for remuneration in DAX and MDAX companies as well as on the development of salaries – both covered and not covered by wage agreements – at the Symrise Group. The Supervisory Board also dealt with the disclosure of non-financial and diversity-related information. This reporting obligation concerns two key issues. Firstly, the management report should be supplemented by a "non-financial statement" containing information on environmental, labor and social issues, respect for human rights and the fight against corruption. Secondly, companies have to provide information on their diversity concept in their Corporate Governance Statement. All members of the Supervisory Board and the auditor attended this meeting.

In our meeting on May 15, 2018, the Executive Board's report on the company's performance during the first quarter of 2018 and its outlook for the rest of the year represented the main focus of the meeting as did the impending Annual General Meeting. The Executive Board additionally informed the Supervisory Board on the status of ongoing investment projects. The status of the implementation of the European General Data Protection Regulation (GDPR) was another topic. One member of Supervisory Board did not attend this meeting.

In the meeting on August 7, 2018, the Supervisory Board focused on the report from the Executive Board on the company's performance during the second quarter and first half-year of 2018 and its update to the outlook for the rest of the 2018 fiscal year as well as the risk report and the Auditing Committee's report. All Supervisory Board members attended this meeting.

As in previous years, the meeting on September 20, 2018, was devoted entirely to the corporate strategy. We had an independent third party present a detailed analysis, from an external perspective, of our company and its strategy. Such an analysis is necessarily incomplete and, in parts, also incorrect. It nevertheless provided a good basis for our discussion with the Executive Board. The Executive Board highlighted the goals achieved as part of the strategy's continual development with a look back at 2018. Here, various strategies from other companies were used as a reference for comparison regarding their features and quality. Along with the diversification of the portfolio, we also discussed the growing competitive relevance of sustainability with the Executive Board. Our strategic deliberations were also largely influenced by the megatrends expected to develop in the future and their influence on the fragrance and flavor industry as well as the growing awareness of consumers regarding environmental and safety issues. The significant changes to consumer behavior will result in new and shifting innovation requirements from Symrise customers. The company will increasingly become a supplier of complex product solutions that must be authentic in order to be successful. This requires an understanding of natural processes, which allows us to offer customers the best of both nature and science. Natural taste solutions must be made from ingredients that consumers accept. Against this backdrop, technologies that allow for a sustainable recovery of natural flavors will continue to gain importance. In addition to these considerations, we discussed medium-term planning with the Executive Board, as well as investments projects planned in this context and their volume. One member of Supervisory Board did not attend this meeting.

The meeting on December 5, 2018, was devoted to the corporate planning for the upcoming 2019 fiscal year. The Supervisory Board approved the corporate planning for the 2019 fiscal year in this meeting. Together with the Executive Board, we submitted the annual Declaration of Compliance pursuant to Section 161 of the German Stock Corporation Act and confirmed the goals regarding the composition of the Supervisory Board, which were identical to the previous year. This also includes the competence profile of the Supervisory Board as a whole, which is to be compiled in accordance with Section 5.4.1 (2) sentence 1 of the German Corporate Governance Code. The Supervisory Board assessed the status of Corporate Governance at Symrise together with the Executive Board and coordinated the content of the Corporate Governance Report in the Corporate Governance Statement. As a result of the provision in Section 289b (1) of the German Commercial Code (HGB), Symrise is also obliged to publish a "non-financial statement" as part of the management report for the 2018 fiscal year. Here, Symrise is exercising the option provided for in Section 289b (3) of the German Commercial Code (HGB) and preparing a separate non-financial report for the 2018 fiscal year outside of the management report. This will be published at the same time as the annual financial statements for 2018 and can also be found on the Symrise website at **http://cr2018.symrise.com/sustainability/sustainability-record**.

Pursuant to Section 171 of the German Stock Corporation Act, the Supervisory Board is also responsible for verifying that the separate non-financial report complies with the legal requirements. In this regard, the Supervisory Board has exercised the option provided for in Section 111 (2) sentence 4 of the German Stock Corporation Act and has commissioned DQS CFS GmbH to examine the content of Symrise AG's separate non-financial report 2018 as external experts. All Supervisory Board members attended this meeting.

ANNUAL AND CONSOLIDATED FINANCIAL STATEMENTS 2018

The auditor Ernst & Young GmbH audited the annual financial statements for the fiscal year from January 1, 2018, to December 31, 2018, which were prepared by the Executive Board according to HGB (German Commercial Code) standards, as well as the Symrise AG management report. The Auditing Committee issued the order for the audit in accordance with the May 16, 2018, resolution of the Annual General Meeting. The auditor issued an unqualified audit opinion.

The Symrise AG consolidated financial statements were prepared in accordance with Sec. 315a HGB on the basis of the International Financial Reporting Standards (IFRS), as applicable in the European Union. The auditor Ernst & Young GmbH also certified the consolidated financial statements and the Group management report without qualification.

The auditor's report on these financial statements as well as additional auditing reports and documentation were delivered to all members of the Supervisory Board in a timely manner. They were discussed thoroughly in the meetings of the Auditing Committee of February 13 and March 5, 2019, and in the full meeting of the Supervisory Board of March 6, 2019. The auditors participated in the deliberations on the annual and consolidated financial statements in both committees. Here they reported on the key audit results and were available to the Auditing Committee and the Supervisory Board to answer any questions and provide additional information.

Following our own review of the annual financial statements, the consolidated financial statements, the management report and the Group management report, we accepted the findings of the auditor. In our meeting of March 6, 2019, we approved the annual financial statements and the consolidated financial statements upon the recommendation of the Auditing Committee. The annual financial statements are thereby approved. After examining it, we endorsed the proposal of the Executive Board for the use of the accumulated profit for the year. The Supervisory Board considers the proposal regarding the use of profits to be appropriate.

The content of the separate non-financial report prepared for the 2018 fiscal year was audited by DQS CFS GmbH. The audit did not lead to any reservations.

The separate non-financial report is available on the Symrise website at **http://cr2018.symrise.com/sustainability/sustainability-record**.

CORPORATE GOVERNANCE

Pursuant to Section 3.10 of the German Corporate Governance Code (DCGK), the Executive Board reports on corporate governance at Symrise AG, also on behalf of the Supervisory Board, once a year in connection with the publication of the Corporate Governance Statement pursuant to Sections 289f and 315d of the German Commercial Code. The Corporate Governance Statement includes (i) the Declaration of Compliance pursuant to Section 161 of the German Stock Corporation Act, (ii) relevant disclosures on corporate governance practices, (iii) a description of the working methods of the Executive Board and the Supervisory Board as well as the composition and working methods of their committees, (iv) target figures for the proportion of women in the Executive Board and for the two management levels below the Executive Board, together with deadlines for implementation, and (v) a description of the diversity concept with regard to the composition of the Executive Board and Supervisory Board. Pursuant to the currently valid version of Section 3.10 of the German Corporate Governance Code from February 7, 2017 ("DCGK 2017"), published in the official section of the Federal Gazette by the German Federal Ministry of Justice on April 24, 2017, and amended on May

19, 2017, the Corporate Governance Report, which is required to be issued annually by the Executive Board and the Supervisory Board, must be published together with the Corporate Governance Statement.

Due to the similarity of content between the Corporate Governance Report and the Corporate Governance Statement, we have once more decided to integrate the Corporate Governance Report in the meaning of Section 3.10 of the German Corporate Governance Code 2017 into the Corporate Governance Statement pursuant to Sections 289f and 315d of the German Commercial Code in order to simplify orientation for the reader. By contrast, the remuneration report pursuant to Section 4.2.5 of the German Corporate Governance Code 2017 is no longer part of the Corporate Governance Report. The remuneration report is now part of the management report included on pages 45 to 53 of the 2018 financial report.

The Corporate Governance Statement pursuant to Sections 289f and 315d of the German Commercial Code is published on the Symrise AG website, together with the integrated Corporate Governance Report of the Executive Board and Supervisory Board.

The address is **http://www.symrise.com/corporate-governance-statement**.

In 2018, we observed the refinement of corporate governance standards in Germany and abroad and will continue to do so in the future.

On December 5, 2018, the Executive Board and the Supervisory Board submitted an updated Declaration of Compliance according to Section 161 of the German Stock Corporation Act and made this permanently available to the shareholders on the company's website. It is also included in the Corporate Governance Statement. Symrise AG has fully complied with all recommendations made by the Government Commission on the German Corporate Governance Code (version: February 7, 2017) published by the German Federal Ministry of Justice on April 24, 2017, in the official part of the Federal Gazette (Bundesanzeiger) and amended on May 19, 2017, without exception and will continue to do so in the future.

CHANGES IN THE EXECUTIVE BOARD AND SUPERVISORY BOARD

There were no personnel changes in the Executive Board in the reporting year.

Regina Hufnagel, Deputy Chairperson of the Supervisory Board, retired at the end of August 31, 2018. Andrea Püttcher took over as her elected replacement representing employees. The Supervisory Board elected Harald Feist as Deputy Chairman of the Supervisory Board.

Dr. Becker retired from the Supervisory Board at the end of the Annual General Meeting on May 16, 2018 due to reaching the age limit. On the same day, the Annual General Meeting elected Bernd Hirsch as his successor representing shareholders.

The nearly 9,800 current employees of the Symrise Group around the world make a crucial contribution to the success of our company. The Supervisory Board would like to thank all of the members of the Executive Board, the Group's employees in Germany and abroad as well as all employee representatives for their commitment, their constructive and creative collaborations in service of our customers and their outstanding accomplishments in the 2018 fiscal year.

On behalf of the Supervisory Board,

Dr. Thomas Rabe
Chairman

Holzminden, Germany, March 5, 2019

Bodies and Mandates – Executive Board and Supervisory Board

EXECUTIVE BOARD:

DR. HEINZ-JÜRGEN BERTRAM
Chief Executive Officer

Membership in Legally Mandated Domestic Supervisory Boards None

Membership in Comparable Supervisory Bodies (Domestic and International) None

ACHIM DAUB
President Scent & Care

Membership in Legally Mandated Domestic Supervisory Boards None

Membership in Comparable Supervisory Bodies (Domestic and International)
- Phlur, Inc., Austin/Texas, USA, Member of the Supervisory Board

OLAF KLINGER
Chief Financial Officer

Membership in Legally Mandated Domestic Supervisory Boards None

Membership in Comparable Supervisory Bodies (Domestic and International) None

DR. JEAN-YVES PARISOT
President Nutrition (Diana)

Membership in Legally Mandated Domestic Supervisory Boards None

Membership in Comparable Supervisory Bodies (Domestic and International)
- Probi AB, Lund, Sweden, Chairman of the Supervisory Board
- VetAgroSup, Lyon, France, Chairman of the Supervisory Board

HEINRICH SCHAPER
President Flavor

Membership in Legally Mandated Domestic Supervisory Boards None

Membership in Comparable Supervisory Bodies (Domestic and International) None

SUPERVISORY BOARD:

DR. THOMAS RABE
Chief Executive Officer at Bertelsmann Management SE

Membership in Legally Mandated Domestic Supervisory Boards – all internal to Bertelsmann
- Symrise AG, Holzminden, Chairman of the Supervisory Board

Membership in Comparable Supervisory Bodies (Domestic and International)
- Bertelsmann Inc., Wilmington, USA, Chairman of the Supervisory Board (until November 30, 2018)
- RTL Group S.A., Luxembourg, Chairman of the Supervisory Board
- Penguin Random House LLC, UK, Chairman of the Supervisory Board (since January 1, 2018)
- Bertelsmann Learning LLC, New York, USA, Member of the Supervisory Board (until November 30, 2018)
- Relias Learning LLC, Cary, USA, Member of the Supervisory Board (until November 30, 2018)

DR. MICHAEL BECKER (UNTIL MAY 16, 2018)
Retired

Membership in Legally Mandated Domestic Supervisory Boards
- Symrise AG, Holzminden, Member of the Supervisory Board

Membership in Comparable Supervisory Bodies (Domestic and International) None

URSULA BUCK
Managing Director at Top Managementberatung BuckConsult

Membership in Legally Mandated Domestic Supervisory Boards
- Symrise AG, Holzminden, Member of the Supervisory Board

Membership in Comparable Supervisory Bodies (Domestic and International) None

HARALD FEIST
Chairman of the works council and Chairman of the general works council at Symrise AG

Membership in Legally Mandated Domestic Supervisory Boards
- Symrise AG, Holzminden, Vice Chairman of the Supervisory Board

Membership in Comparable Supervisory Bodies (Domestic and international) None

HORST-OTTO GERBERDING

Managing Partner at Gottfried Friedrichs (GmbH & Co.) KG

Membership in Legally Mandated Domestic Supervisory Boards

- Symrise AG, Holzminden, Member of the Supervisory Board

Membership in Comparable Supervisory Bodies (Domestic and International) None

BERND HIRSCH (SINCE MAY 16, 2018)

Chief Financial Officer at Bertelsmann Management SE

Membership of statutory supervisory boards of other German companies

- Symrise AG, Holzminden, Member of the Supervisory Board
- Evotec AG, Hamburg, Vice Chairman of the Supervisory Board

Membership of comparable supervisory bodies (in Germany or abroad)

- Bertelsmann Inc., Wilmington, USA, Member of the Supervisory Board
- Penguin Random House LLC, UK, Member of the Supervisory Board
- RTL Group S.A., Luxembourg, Member of the Supervisory Board

REGINA HUFNAGEL (UNTIL AUGUST 31, 2018)

Chairperson of the works council and Chairperson of the general works council at Symrise AG

Membership in Legally Mandated Domestic Supervisory Boards

- Symrise AG, Holzminden, Vice Chairperson of the Supervisory Board

Membership in Comparable Supervisory Bodies (Domestic and International) None

ANDRÉ KIRCHHOFF

Independent member of the works council at Symrise AG

Membership in Legally Mandated Domestic Supervisory Boards

- Symrise AG, Holzminden, Member of the Supervisory Board

Membership in Comparable Supervisory Bodies (Domestic and International) None

JEANNETTE KURTGIL

IG BCE trade union secretary for the North region

Membership in Legally Mandated Domestic Supervisory Boards

- Symrise AG, Holzminden, Member of the Supervisory Board

Membership in Comparable Supervisory Bodies (Domestic and International)

- Esco GmbH, Hanover, Member of the Advisory Board

PROF. DR. ANDREA PFEIFER

Chief Executive Officer at AC Immune S.A.

Membership in Legally Mandated Domestic Supervisory Boards

- Symrise AG, Holzminden, Member of the Supervisory Board

Membership in Comparable Supervisory Bodies (Domestic and international)

- Bio MedInvest AG, Basel, Switzerland, Chairperson of the Board of Directors
- AB2 Bio SA, Lausanne, Switzerland, Chairperson of the Board of Directors

ANDREA PÜTTCHER (SINCE SEPTEMBER 1, 2018)

Vice Chairperson of the works council and Vice Chairperson of the general works council at Symrise AG

Membership in Legally Mandated Domestic Supervisory Boards

- Symrise AG, Holzminden, Member of the Supervisory Board

Membership in Comparable Supervisory Bodies (Domestic and international) None

DR. WINFRIED STEEGER
Managing Director of Jahr Group

Membership in Legally Mandated Domestic Supervisory Boards
- Symrise AG, Holzminden, Member of the Supervisory Board
- Verwaltungsgesellschaft Otto mbH, Hamburg, Member of the Supervisory Board
- EUROKAI GmbH & Co. KGaA, Hamburg, Chairman of the Supervisory Board
- Blue Elephant Energy AG, Hamburg, Member of the Supervisory Board
- EUROGATE Geschäftsführungs-GmbH & Co. KGaA, Bremen, Member of the Supervisory Board

Membership in Comparable Domestic and Foreign Supervisory Bodies
- August Prien Verwaltung GmbH, Hamburg, Chairman of the Supervisory Board
- Familie Thomas Eckelmann Verwaltungsgesellschaft mbH, Hamburg, Vice Chairman of the Board of Directors
- Kurt F.W.A. Eckelmann GmbH, Hamburg, Vice Chairman of the Board of Directors
- Familie Thomas Eckelmann GmbH & Co. KG, Hamburg, Vice Chairman of the Board of Directors

DR. LUDWIG TUMBRINK
Vice President Compounding Flavor EAME at Symrise AG

Membership in Legally Mandated Domestic Supervisory Boards
- Symrise AG, Holzminden, Member of the Supervisory Board

Membership in Comparable Supervisory Bodies (Domestic and International) None

PETER WINKELMANN
Regional Head of the IG BCE district Alfeld

Membership in Legally Mandated Domestic Supervisory Boards
- Symrise AG, Holzminden, Member of the Supervisory Board
- amedes Holding GmbH, Hamburg, Vice Chairman of the Supervisory Board
- aenova Holding GmbH, Starnberg, Vice Chairman of the Supervisory Board

Membership in Comparable Supervisory Bodies (Domestic and International) None

Glossary

AFF
Aroma Molecules, Flavors & Fragrances

AKTG
Stock Corporation Act (Aktiengesetz)

AROMA
A complex mix of flavors and/or fragrances often based on aromatic compounds, which can be aromatics themselves

CAGR
Compound Annual Growth Rate

CORE LIST
List of preferred suppliers

COSO II
COSO (Committee of Sponsoring Organizations of the Treadway Commission) aims to improve financial reporting through ethical action, effective internal controls and good corporate governance. Published in 2004, COSO II is an expansion of the original control model

COVENANTS
Loan agreements (under the normal market conditions)

EAME
Europe, Africa and the Middle East

EBIT
Earnings before interest and taxes

EBITDA
Earnings before interest, taxes, depreciation and amortization on property, plant and equipment and intangible assets

F & F
Flavors & Fragrances

FLAC
Financial liabilities measured at amortized cost

GDP
Gross Domestic Product: A statistic used to measure the economic strength (goods and services) of a country

GREEN CHEMISTRY
Sustainable chemistry that reduces environmental pollution, saves energy and produces in an environmentally friendly way

HFT
Held for trading

HGB
German Commercial Code (Handelsgesetzbuch)

HTM
Held to maturity

IAL
An industrial and market research consultancy

IKS
Internal Controlling System

INCOTERMS
International Commercial Terms

INVESTMENT GRADE
Companies, institutions or securities with good to very good credit ratings

IP INDEX
Measure of global technological strength and innovation

ISO 31000
A standard that defines the framework for a risk management system

LAR
Loans and receivables

LTIP
Long Term Incentive Plan, a remuneration plan for staff, especially for managerial staff

OPEN INNOVATION
Opening up of the innovation process of organizations and thus the active strategic use of the external world for the expansion of innovative potential. The open innovation concept describes the purposeful use of knowledge flowing into and out of the company, while making use of internal and external marketing channels in order to generate innovations

OPERATING CASH FLOW
Cash generated from the operations of a company and defined as the revenues minus operating expenses (an important indicator of an enterprise's earning power)

REACH
European Union regulation for the registration, evaluation, authorization and restriction of chemicals

REVOLVING CREDIT FACILITY
Credit limits which the borrower can access at any time and offer very flexible repayment options

SUPPLY CHAIN
Process chain from procurement, through production and all the way to the sale of a product, including suppliers, manufacturers and end customers

US PRIVATE PLACEMENT
Non-public sale of debt securities to US investors, which is regulated, however, by the SEC (United States Securities and Exchange Commission)

WORKING CAPITAL
Financial indicator derived by subtracting current operating liabilities from current operating assets

Financial Calendar 2019

April 30, 2019
Trading Statement January – March 2019

May 22, 2019
Annual General Meeting, Holzminden

August 8, 2019
Interim Group Report January – June 2019

October 29, 2019
Trading Statement January – September 2019

Imprint

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Forward-Looking Statements
This Corporate Report contains forward-looking statements that are based on current assumptions and forecasts by Symrise AG. The future course of business and the results actually achieved by Symrise AG and its affiliates are subject to a large number of risks and uncertainties and may therefore differ substantially from the forward-looking statements. Many of these factors are outside of Symrise AG's sphere of influence and cannot be assessed in detail ahead of events. They include, for example, unfavorable development of the global economy, a change in consumer behavior, and changes to laws, regulations and official guidelines. Should one of these uncertainty factors, named or otherwise, occur or should the assumptions on which the forward-looking statements are based prove to be incorrect, the actual results may differ significantly from the results anticipated. Symrise undertakes no obligation to update forward-looking statements continuously and to adjust them to future events or developments.