Consolidated Financial Statements

SYMRISE AG, HOLZMINDEN

January 1 to December 31, 2018

CONSOLIDATED FINANCIAL STATEMENTS 2018

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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 remeasure-ments (pensions)	Cumulative translation differences	Accumu-lated profit	Other reserves	Symrise AG share-holders' 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 remeasure-ments (pensions)	Cumulative translation differences	Accumu-lated profit	Other reserves	Symrise AG share-holders' 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]	 Pursuant to IFRS 9[2]	Carrying amounts December 31, 2017	 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 appli-

cable 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 instru-

ments 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

	December 31, 2017			December 31, 2018		
T€	Tax assets	Tax liabilities	Income (+)/ Expenses (–)	Tax assets	Tax liabilities	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 remeasure-ments (pensions)	Cumulative translation differences	Other reserves	Total other comprehen-sive income of Symrise AG shareholders	Non-controlling interests	Total other comprehen-sive 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 remeasure-ments (pensions)	Cumulative translation differences	Other reserves	Total other comprehen-sive income of Symrise AG shareholders	Non-controlling interests	Total other comprehen-sive 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

December 31, 2017 T€	Carrying amount	Value recognized under IAS 39 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

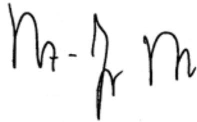
The capital increase based on authorized capital, excluding shareholders' subscription rights, was carried out on the basis of the authorization granted to the Executive Board by the Annual General Meeting on May 12, 2015. It was recorded in the commercial register on February 8, 2019. In an accelerated 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

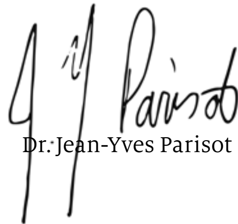
The Executive Board



Dr. Heinz-Jürgen Bertram

Olaf Klinger

Achim Daub



Dr. Jean-Yves Parisot

Heinrich Schaper

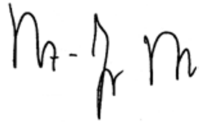
Statement of the Executive Board

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

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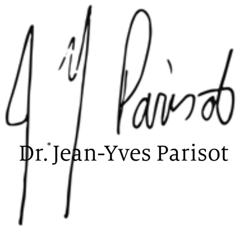
Achim Daub


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]