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Highlights 2018
Strong sales growth with high profitability

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

<table>
<thead>
<tr>
<th>Year</th>
<th>Sales</th>
<th>EBITDA</th>
<th>EBITDA margin</th>
</tr>
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<tr>
<td>2006*</td>
<td>1,229</td>
<td>243</td>
<td>19.8</td>
</tr>
<tr>
<td>2007</td>
<td>1,275</td>
<td>272</td>
<td>19.9</td>
</tr>
<tr>
<td>2008</td>
<td>1,320</td>
<td>263</td>
<td>21.3</td>
</tr>
<tr>
<td>2009</td>
<td>1,362</td>
<td>246</td>
<td>18.0</td>
</tr>
<tr>
<td>2010</td>
<td>1,572</td>
<td>331</td>
<td>21.1</td>
</tr>
<tr>
<td>2011</td>
<td>1,584</td>
<td>316</td>
<td>19.5</td>
</tr>
<tr>
<td>2012</td>
<td>1,735</td>
<td>340</td>
<td>20.4</td>
</tr>
<tr>
<td>2013</td>
<td>1,830</td>
<td>373</td>
<td>20.0</td>
</tr>
<tr>
<td>2014*</td>
<td>2,120</td>
<td>465</td>
<td>21.9</td>
</tr>
<tr>
<td>2015</td>
<td>2,602</td>
<td>572</td>
<td>22.0</td>
</tr>
<tr>
<td>2016*</td>
<td>2,903</td>
<td>625</td>
<td>21.5</td>
</tr>
<tr>
<td>2017</td>
<td>2,996</td>
<td>630</td>
<td>20.0</td>
</tr>
<tr>
<td>2018</td>
<td>3,154</td>
<td>631</td>
<td>21.0</td>
</tr>
</tbody>
</table>

CAGR 06–18

~ 8.2%

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

<table>
<thead>
<tr>
<th>Region</th>
<th>Sales</th>
<th>Organic Growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>EAME</td>
<td>1,378 € million</td>
<td>44% (+6.4%)</td>
</tr>
<tr>
<td>North America</td>
<td>711 € million</td>
<td>22% (+6.1%)</td>
</tr>
<tr>
<td>Asia/Pacific</td>
<td>682 € million</td>
<td>22% (+12.4%)</td>
</tr>
<tr>
<td>Latin America</td>
<td>383 € million</td>
<td>12% (+16.2%)</td>
</tr>
</tbody>
</table>

SALES IN EMERGING MARKETS
% of Group sales

- 57% Developed markets
- 43% Emerging markets

SHARE PRICE DEVELOPMENT of the Symrise stock in 2018

Earnings per share

€ 2.12

Proposed dividend

€ 0.90

Symrise  MDAX  DAX

120%  110%  100%  90%  80%  70%  60%  50%  40%  30%  20%  10%  0%  0%

1. Quarter  2. Quarter  3. Quarter  4. Quarter
Overview of the 2018 Fiscal Year

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

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

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

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

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

Basic Information on the Symrise Group

STRUCTURE AND BUSINESS ACTIVITIES

SYMRIS ITX GROUP

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

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

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

\(^1\) Exclusive non-controlling interests attributable to shareholders of Symrise AG
The Flavor segment is made up of the business units Beverages, Savory and Sweet. The Nutrition segment consists of the Diana division with the business units Food, Pet Food, Aqua and Probi. The Scent & Care segment breaks down into the Fragrance, Cosmetic Ingredients and Aroma Molecules divisions.

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

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

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

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

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

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

SYMRISE SITES 2018

- Global headquarters
- Regional headquarters
- Symrise sites

[Map of Symrise sites around the world with markers for global headquarters, regional headquarters, and Symrise sites]
Details on cooperation between the Executive and Supervisory Boards as well as on corporate governance at Symrise can be found in the Supervisory Board and corporate governance statements.

BUSINESS ACTIVITIES AND PRODUCTS

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

CORPORATE STRUCTURE

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

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

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

SYMRISE’S VALUE CHAIN

<table>
<thead>
<tr>
<th>Raw materials</th>
<th>Product development</th>
<th>Manufacturing process</th>
<th>Customers</th>
<th>Consumers</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Natural ingredients</td>
<td>• Natural extracts</td>
<td>• Extraction</td>
<td>Manufacturers of:</td>
<td></td>
</tr>
<tr>
<td>• Petro-based raw materials</td>
<td>• Functional ingredients</td>
<td>• Distillation</td>
<td>• Foods</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Compositions</td>
<td>• Chemical processes</td>
<td>• Beverages</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Encapsulation technologies</td>
<td>• Perfumes</td>
<td></td>
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<tr>
<td></td>
<td></td>
<td>• Mixes</td>
<td>• Cosmetics</td>
<td></td>
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<tr>
<td></td>
<td></td>
<td></td>
<td>• Oral care products</td>
<td></td>
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<tr>
<td></td>
<td></td>
<td></td>
<td>• Household products</td>
<td></td>
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<tr>
<td></td>
<td></td>
<td></td>
<td>• Pet food</td>
<td></td>
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<tr>
<td></td>
<td></td>
<td></td>
<td>• Technical applications</td>
<td></td>
</tr>
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</table>

Market volume € 33 billion
<table>
<thead>
<tr>
<th>Flavor</th>
<th>Nutrition</th>
<th>Scent &amp; Care</th>
</tr>
</thead>
<tbody>
<tr>
<td>Flavor</td>
<td>Diana</td>
<td>Fragrance</td>
</tr>
<tr>
<td>Beauty</td>
<td>Pet Food</td>
<td>Fine Fragrances</td>
</tr>
<tr>
<td>Care**</td>
<td>Food</td>
<td>Beauty Care**</td>
</tr>
<tr>
<td>Home</td>
<td>Aqua</td>
<td>Home Care**</td>
</tr>
<tr>
<td>Care**</td>
<td>Dairy</td>
<td>Oral Care</td>
</tr>
<tr>
<td>Snack</td>
<td>Probi*</td>
<td>Functionals</td>
</tr>
</tbody>
</table>

** Majority shareholder in the Swedish company Probi AB.**

** Starting in January 2019, the Beauty Care and Home Care business units have been combined to form the Consumer Fragrances business unit.**
contain additional functional ingredients or microencapsulated components. The segment has sites in more than 40 countries in Europe, Asia, North America, Latin America and Africa.

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

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

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

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

**Nutrition**

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

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

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

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

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

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

**Scent & Care**

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

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

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1 Starting in January 2019, the Beauty Care and Home Care business units have been combined to form the Consumer Fragrances business unit.
combined professional experience adds up to more than 1,300 years of perfumery expertise.

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

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

**MARKET AND COMPETITION**

**MARKET STRUCTURE**

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

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

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

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

**THE MARKET POSITION OF SYMRISE**

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

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1 Pro forma: joint business activity of the acquiring company and the acquired company, supposing that the business combinations had already occurred on January 1, 2018.
applications: for instance, with cosmetic ingredients in Scent & Care and pet foods and food ingredients within the Diana division of the Nutrition segment. On the basis of these more complex product solutions, greater value creation can be achieved. In submarkets such as food supplements, sun protection filters or other cosmetic ingredients, Symrise also stands in competition with companies or product segments of these companies that do not belong to the traditional F & F industry.

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

**GOALS AND STRATEGY**

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

**GOALS FOR 2025**

<table>
<thead>
<tr>
<th>Financial goals</th>
<th>Sales growth at local currency</th>
<th>EBITDA margin</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>5 – 7% p.a. (CAGR)</td>
<td>19 – 22% (until 2020)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>20 – 23% (until 2025)</td>
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</tbody>
</table>

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<thead>
<tr>
<th>Complementary operative goals</th>
<th>Share of sales &gt; 50% from emerging markets</th>
<th>Customer portfolio mix 1/3 global, regional, local</th>
<th>Cross-divisional connection of products and technologies</th>
</tr>
</thead>
</table>
• **Market position:** With long-term growth of 5 to 7% per year at local currency (CAGR), our sales growth should exceed the long-term growth of the market, which is expanding by about 4% per year on average. In this way, we will gradually increase the distance between us and smaller competitors and gain market share.

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

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

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

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

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

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

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

**VALUE-ORIENTED MANAGEMENT**
Different variables are at play within the framework of value-oriented corporate governance. The EBITDA margin, for which we have defined an strategic target value of 19 to 22% (by 2020) and 20 to 23% (by 2025) on average, serves as an indicator of the company’s profitability. Increasing the value of the...
company is accounted for in the remuneration system for the Executive Board and selected managerial staff. In addition, the company introduced business free cash flow in 2018 as the primary internal control variable to assess its performance in order to strengthen its cash flow orientation. We aim to continuously increase the business free cash flow, which consists of EBITDA, investments and changes in working capital. In addition, we attach great importance to the company’s financial stability. Management’s focus, therefore, is guided by these financial control parameters. Non-financial benchmarks in the areas of environment, procurement, employees and innovation are covered separately in our Corporate Report.

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

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

Exemplary research programs and product launches include our backward integration projects in Madagascar and the Brazilian Amazon region, which have the goal of producing high-quality natural products from sustainably grown raw materials while also fostering local community development. The products manufactured there are either marketed directly, used in new fragrance and active ingredient compositions with an improved efficacy profile or serve as natural starting materials for the manufacture of new, sustainable products. In addition, Symrise has developed EVERTRAIL, a new, unique olfactometer for detecting the development of fragrances in perfume oils and raw materials. Alongside comprehensive research programs that are aimed at the specific innovation requirements of the segments’ respective business units, there are supplementary programs at Symrise that generate competitive advantages by expanding the company’s portfolio of expertise. One example of this is Beauty+, which creates added value through the systematic, synergistic development of active cosmetic ingredients, fragrances and oral care solutions. In cooperation with Probi, major progress was made in the development of new probiotic-based active ingredients for oral care applications and care products for sensitive skin. Other new active and func-
tional products launched by the Cosmetic Ingredients division in 2018 serve, among other things, to care for oily skin, are used in personal hygiene, expand the range of active ingredients to protect cosmetic products against microbial contamination or improve the sensorial properties of cosmetic formulations. In the hair care sector, our Hair Care Innovation Center in São Paulo, Brazil, presented a new multifunctional product for hair care – SymHair® Shape & Color – at the In Cosmetics Brasil in 2018, which serves, for example, to preserve the original shape and bounce of curls. In addition, it protects colored hair from fading, strengthens the hair and reduces breakage. With the acquisition of Renessenz, Fragrance Research has access to new raw materials from renewable sources.

In perfume creation, Symrise achieved a new milestone in 2018. In partnership with IBM Research, the company has developed a method of using artificial intelligence to create perfumes based on digital fragrance models.

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

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


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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Another important area of research is intestinal health. Both science and consumers are increasingly realizing that intestinal health is of central importance for general health. For this reason, the Food business unit is working together with micro, cell and molecular biology experts from the Cosmetic Ingredients business unit, researchers from the Probi business unit and external academic partners to examine the interactions between natural extracts and probiotics. Building on its long-term experience and expertise in polyphenolic substances and with the support of Diana Nova, Diana Food has launched a five-year research program in collaboration with the Institute of Nutraceuticals and Functional Food (INAF), Canada, and the University of Laval. This #phenobio program investigates the interactions between different polyphenolic substances such as prebiotics and probiotics and their effects on intestinal flora.
The Food R & D teams benefit not only from the Symrise Group’s strong scientific performance, but also from external partnerships to develop innovative products for human health in the areas of intestinal flora, cognitive health, glucose metabolism, urinary tract and oral health and weak inflammation. Our most important partners include King’s College, London, CRICO, the Institute of Nutraceuticals and Functional Foods (INAF), Inserm and the University of Laval.

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

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

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

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

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

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

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

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

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

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

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

**ORGANIZATION**

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

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

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

Symrise participates in numerous scientific research projects that are supported by the German Federal Ministry of Education and Research (BMBF), the German Federal Ministry for Nutrition and Agriculture (BMLF), the German Society for International Cooperation (GIZ) and other public and private funding institutions. Here, subjects like sustainability, the targeted development of informational sources on the effect of plant raw materials, raw material sourcing and biotechnological processing, improving food ingredients as well as providing added value in terms of health play an essential role. As part of funding from the Research Association of the German Food Industry (FEI) via the German Federation of Industrial Research Associations (AiF), Symrise is a leading partner in a number of projects, for instance on identifying and reducing the bad taste of plant-based proteins, developing new kinds of enzyme systems or creating added value from byproducts, for instance in the Brazilian fruit industry. Another project is examining the development of methods for testing the authenticity of fruit concentrates, spice extracts and foods containing protein.
From idea to marketable product, the innovation process at Symrise is organized around a uniform, stage gate process with decision filters, which has been implemented across the company. A business plan containing exact project descriptions, including the project’s costs, sustainability parameters and resource usage, is developed for every project. The research and development projects are regularly evaluated based on criteria from the four pillars of the sustainability strategy (FISC) and prioritized accordingly. In 2018, an assessment of the relevance of the raw materials and activities subject to the Nagoya Protocol was introduced as an important, relevant additional criterion. In this context, a first “discovery permit” was issued in 2018 for a traditional raw material in South Africa.

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

**RESEARCH AND DEVELOPMENT EXPENSES**

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

**EMPLOYEES**

**STRUCTURE OF THE WORKFORCE**

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

**NUMBER OF EMPLOYEES BY SEGMENT**

<table>
<thead>
<tr>
<th>Segment</th>
<th>December 31, 2017</th>
<th>December 31, 2018</th>
<th>Change in %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Flavor</td>
<td>3,293</td>
<td>3,350</td>
<td>+2</td>
</tr>
<tr>
<td>Nutrition</td>
<td>2,374</td>
<td>2,504</td>
<td>+6</td>
</tr>
<tr>
<td>Scent &amp; Care</td>
<td>2,613</td>
<td>2,809</td>
<td>+8</td>
</tr>
<tr>
<td>Corporate functions and services</td>
<td>967</td>
<td>984</td>
<td>+2</td>
</tr>
<tr>
<td><strong>Total (not including trainees and apprentices)</strong></td>
<td><strong>9,247</strong></td>
<td><strong>9,647</strong></td>
<td><strong>+4</strong></td>
</tr>
<tr>
<td>Trainees and apprentices</td>
<td>140</td>
<td>140</td>
<td>±0</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>9,387</strong></td>
<td><strong>9,787</strong></td>
<td><strong>+4</strong></td>
</tr>
</tbody>
</table>

Basis: Full-time equivalents (FTE), not including temporary workers
are being trained as chemical lab technicians and chemists, industrial clerks and business students (dual training with a Bachelor of Business Administration degree) as well as industrial mechanics.

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

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

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

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

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

**Leadership and manager development**

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

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

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

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

**Career development**

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

**Equitable remuneration for women and men at Symrise**

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

**Education**

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

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

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

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

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

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

**Health management and demographic change**

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

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

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

**PERSONNEL MEASURES**

**Remuneration and wage agreements**

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

In Germany, Symrise uses the pay rates for the chemical industry. Accordingly, wages increased 2.9% as of November 1, 2018. For the application of this increase at Symrise, we took into account our pioneering site safeguard agreement, which will remain in effect through the year 2020, and provides for salary reductions of 0.7 percentage points compared to the collective tariff.
In addition, in 2018, we were able to grant our employees covered by wage agreements in Germany a profit-sharing option of €550 for full-time work (proportionately for part-time work). Employee performance should pay off at Symrise. With this profit-sharing scheme, outstanding performance at the German site was acknowledged.

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

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

**Measures to safeguard competitiveness**

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

**SUSTAINABILITY**

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

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

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**OUR SUSTAINABILITY AGENDA**

<table>
<thead>
<tr>
<th>FOOTPRINT</th>
<th>INNOVATION</th>
<th>SOURCING</th>
<th>CARE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Minimize our environmental footprint along the value chain</td>
<td>Maximize positive social &amp; environmental impacts of our products</td>
<td>Maximize the sustainability of our supply chain and raw materials</td>
<td>Improve well-being in our stakeholder communities</td>
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emphasize this goal, the new area of responsibility and position of Chief Sustainability Officer (CSO) was created for Symrise AG in 2016. The Executive Board is thereby accounting for the increasing strategic importance of sustainability issues. This strategic importance comprises both the internal coordination and innovation-related orientation of Symrise’s sustainability objectives as well as their growing communication externally toward customers and with institutions focused on sustainability matters. Furthermore, the CSO is also tasked with implementing the strategy across all divisions and business units as well as monitoring the activities to ensure a consistent positioning of sustainability issues – both internally and externally. The CSO reports directly to the CEO of Symrise AG.

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

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

Economic Report

GLOBAL ECONOMIC AND INDUSTRY-RELATED CONDITIONS

GLOBAL ECONOMIC CONDITIONS

According to January 2019 estimates from the International Monetary Fund (IMF), the global economy grew by 3.7 % in 2018, almost unchanged from the expansion rate of 3.8 % in the previous year. While the growth rate of the US economy – stimulated by fiscal policy measures – increased slightly from 2.2 % in the previous year to 2.9 % in the reporting year, the increase in economic output in Europe flattened noticeably. The German gross domestic product grew by only 1.4 % in 2018, following growth of 2.2 % in the previous year. The problems of the automotive industry left their mark here, and private
consumption also lost some of its momentum. In France, Italy and Spain, as well, the economic upswing eased. Overall, the economic performance of industrialized countries increased by 2.3% in 2018, following a growth rate of 2.4% in the previous year.

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

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

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

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

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

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

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

**DEVELOPMENT OF ESSENTIAL SALES MARKETS**

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

**PRICE DEVELOPMENT AND AVAILABILITY OF RAW MATERIALS**

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

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

Symrise now produces some of the required raw materials itself. Here, our 2016 acquisition of the US company Renessenz/Pinova (now Symrise Jacksonville) proved to be very advantageous. For many years now, Symrise has been dedicated to a strategy of establishing and maintaining long-term collabo-

rations to enhance supply security for important products. Examples of this are the collaboration with LANXESS in manufacturing synthetic menthols and the backward integration of vanilla with the inclusion of local farmers in Madagascar, the most important source country for bourbon vanilla. As part of our strategy of backward integration, we have worked together with growers for many years now to optimize the regional production of onions in the Weser Uplands. We require and support sustainable and eco-friendly cultivation methods, respect for and fair treatment of growers as well as economic stability in the supply chain. In doing so, we create added value through the highest level of supply security and raw materials quality at competitive raw materials prices. This was proven in the crucial harvest year of 2018 since Symrise experienced no supply interruptions or reductions in quality of the products it processes.

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

GENERAL POLITICAL AND REGULATORY CONDITIONS

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

In the Global Regulatory unit, the implementation of a culture of constant improvement was continued in 2018 in order to offer our global customers optimal service. In the process, the focus was on the continued refinement of our service model in order to better meet the increasing requirements of our customers and the growing complexity of our services. In addition, the IT systems at Symrise were further automated for regulatory compliance.
The Flavor segment’s products are primarily used in foods, beverages, pet food and pharmaceutical applications. The products in the Food and Probi business units in the Nutrition segment are also used in the same areas. Furthermore, the Pet Food business unit, which belongs to the Nutrition segment, supplies products for the pet food market. In the category of other flavoring substances, the use of two grill flavors and “rum ethers” were prohibited or limited for use to only a few categories of food in the EU after a transition period. Symrise implemented this change in compliance with the deadline, provided its customers with detailed information and offered them suitable replacement products.

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

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

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

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

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

**DIFFERENTIATED EFFECTS ON SYMRISE**

Business development at Symrise is influenced by various factors in the company’s environment. Regarding sales, general economic development plays a big role. The submarkets in which we are active show different degrees of fluctuation depending on economic developments. The large number of countries where Symrise is active on the market and the company’s many various product markets, however, have a risk-mitigating effect on the Group.
In our manufacturing, we make use of about 10,000 natural and synthetic raw materials. On account of various factors, including the development of the economy, oil prices and harvests, these raw materials can be subject to larger price fluctuations. Furthermore, production can be affected by shortfalls in raw material supply due to political unrest in supplier countries, among other things.

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

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

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

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

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

Net income for 2018 was up compared to the previous year, increasing by € 5 million to € 275 million. Earnings per share amounted to € 2.12 (2017: € 2.08). Given this positive development, Symrise AG’s Executive Board will, in consultation with
the Supervisory Board, propose raising the dividend from € 0.88 in the previous year to € 0.90 per share for the 2018 fiscal year at the Annual General Meeting on May 22, 2019.

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

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

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

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

Regions: Business in the EAME region developed positively, organically increasing by 6.4 % compared to the previous year.

In North America, organic sales growth was 6.1 %. The Asia/Pacific region achieved double-digit sales growth of 12.4 % compared to the previous year. Sales development in Latin America was dynamic and recorded an increase of 16.2 % compared to the previous year.

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

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

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

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

<table>
<thead>
<tr>
<th>Region</th>
<th>Sales (€ million)</th>
<th>Organic Growth</th>
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<tbody>
<tr>
<td>EAME</td>
<td>1,378 (+6.4%)</td>
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</tr>
<tr>
<td>Latin America</td>
<td>383 (+16.2%)</td>
<td></td>
</tr>
<tr>
<td>Asia/Pacific</td>
<td>682 (+12.4%)</td>
<td></td>
</tr>
<tr>
<td>North America</td>
<td>711 (+6.1%)</td>
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primarily in China, Indonesia and India. The Sweet and Savory business units showed the strongest growth in this region.

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

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

**Nutrition sales**

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

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

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

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

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

**Scent & Care sales**

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

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

**Development of material line items in the income statement**

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

**Earnings situation**

Group: At €631 million in the reporting year, earnings before interest, taxes, depreciation and amortization (EBITDA) were slightly higher than the previous year (2017: €630 million). The EBITDA margin was 20.0% in the reporting year, which was lower than in the previous year (2017: 21.0%) mainly because of increased raw materials prices and start-up costs for new sites.
Scent & Care: Scent & Care generated an EBITDA of € 254 million in 2018, an increase in earnings of € 6 million compared to the previous year’s figure of € 248 million (+ 2.6 %). The EBITDA margin therefore amounted to 19.2 %, compared to 19.6 % in 2017. The decrease in the margin compared to the previous year is essentially due to high raw materials costs.

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

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

Financial result: The financial result of € – 45 million for 2018 is € 11 million higher than the result from 2017. This includes a year-on-year improvement of the net interest result (€ – 37 million; previous year: € – 49 million), which stemmed from the refinancing of the Eurobond by means of the issue of a con-
vertible bond, and of the other financial result (€ – 7 million; previous year: € – 8 million).

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

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

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

**FINANCIAL POSITION**

**Financial management**

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

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

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

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

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

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

**Cash flow and liquidity analysis**

**OVERVIEW OF CASH FLOW**

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash flow from operating activities</td>
<td>396</td>
<td>442</td>
</tr>
<tr>
<td>Cash flow from investing activities</td>
<td>–219</td>
<td>–239</td>
</tr>
<tr>
<td>Cash flow from financing activities</td>
<td>–219</td>
<td>–152</td>
</tr>
<tr>
<td>Cash and cash equivalents (Dec. 31)</td>
<td>230</td>
<td>280</td>
</tr>
</tbody>
</table>

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

Cash outflow from investing activities rose by € 20 million to € – 239 million. It was primarily used for investments in property, plant and equipment.
In the 2018 fiscal year, a cash outflow from financing activities of € – 152 million resulted on a net basis. A cash outflow of € – 219 million was posted in the previous year. Key components include the 2018 dividend paid out to shareholders for 2017 amounting to € 117 million, net repayments on bank borrowings and capital market liabilities in the amount of € 18 million and interest payments to financial institutes totaling € 22 million (previous year: € 38 million).

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

**Investments and acquisitions**

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

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

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

**NET ASSETS**

Select line items in the Statement of Financial Position

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

On the assets side, this was mainly due to an investment-related increase in property, plant and equipment (€ 1,036 million; December 31, 2017: € 902 million) and because of the significant increase in sales of trade receivables (€ 596 million; December 31, 2017: € 557 million) and inventories (€ 845 million; December 31, 2017: € 752 million). In contrast, intangible assets declined by € 53 million to € 1,912 million, mainly as a result of amortization. In addition to goodwill of € 1,206 million (December 31, 2017: € 1,183 million), intangible assets include customer bases, trademarks, software, patents and other rights of € 551 million (December 31, 2017: € 602 million) and recipes and technologies of € 129 million (December 31, 2017: € 157 million). These assets resulted almost entirely from business combinations. Cash and cash equivalents and short-
term deposits amounted to € 280 million as of December 31, 2018, compared with € 230 million as of December 31, 2017.

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

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

### Net debt

<table>
<thead>
<tr>
<th>€ million</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Borrowings</td>
<td>1,628</td>
<td>1,659</td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>–230</td>
<td>–280</td>
</tr>
<tr>
<td>Net debt</td>
<td>1,398</td>
<td>1,380</td>
</tr>
<tr>
<td>Provisions for pensions and similar obligations</td>
<td>523</td>
<td>513</td>
</tr>
<tr>
<td>Net debt including provisions for pensions and similar obligations</td>
<td>1,922</td>
<td>1,893</td>
</tr>
</tbody>
</table>

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

### OVERVIEW OF THE STATEMENT OF FINANCIAL POSITION AS OF DECEMBER 31, 2018

(Change compared to previous year’s reporting date, in %)

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and cash equivalents</td>
<td>280 +22%</td>
<td>316 +14%</td>
</tr>
<tr>
<td>Trade receivables</td>
<td>596 +7%</td>
<td>1,659 +2%</td>
</tr>
<tr>
<td>Inventories</td>
<td>845 +12%</td>
<td>513 –2%</td>
</tr>
<tr>
<td>Intangible assets and property, plant and equipment</td>
<td>2,949 +3%</td>
<td>316 +12%</td>
</tr>
<tr>
<td>Other assets</td>
<td>251 –7%</td>
<td>172 –12%</td>
</tr>
<tr>
<td>Trade payables</td>
<td></td>
<td>1,944 +10%</td>
</tr>
<tr>
<td>Borrowings</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Provisions for pensions and similar obligations</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other liabilities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Deferred tax liabilities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total equity</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
basis of the specifications in the various credit agreements. The evaluation to determine the leverage covenants uses the ratio of net debt to the EBITDA of the last twelve months. This results in a net debt/EBITDA ratio of 2.2, which is relevant for loan agreements. The ratio of net debt including provisions for pensions and similar obligations/EBITDA amounted to 3.0.

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

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

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

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

Opportunities and Risk Report

MANAGEMENT OF OPPORTUNITIES AND RISKS

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

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

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

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

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

**Approach to Evaluating Opportunities and Risks**

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

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

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

The chart shows how risks are ultimately classified depending on the combination of their impact and likelihood. For example, combinations with relatively low EBIT impact and low likelihood tend to be lower left; combinations of a relatively high...
product of both variables are found upper right in the chart and thus describe a greater risk.

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

Reporting thresholds for risks are oriented toward the financial effects on Group companies as well as the probability of the risk occurring. If a risk exceeds a certain reporting threshold, the Executive Board is informed immediately. These are risks that appear suddenly and could reduce the EBIT of the company concerned by at least 20%, with a probability of at least 25%.

In the event of sudden risks that have a material effect on the continuation of business, the development of results and/or health and safety, the risk must be reported – regardless of the financial effects mentioned above.

MARKET- AND COMPETITION-RELATED OPPORTUNITIES AND RISKS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

1 See also the notes to the consolidated financial statements TZ 31
result in fines or the temporary closure of production sites. For this reason, we continuously observe regulatory developments in the countries in which Symrise operates. Interruptions in operations can also arise due to errors in the course of operations, for example, due to foreign bodies that are contained in raw materials or that are introduced into intermediate or end products during processing, as well as due to incidents resulting from the usage of work equipment. Symrise minimizes these kinds of risks through appropriate guidelines (for example, foreign body policy), robust procedures (Total Productive Maintenance), training courses, emergency plans, alternative production sites, exchange on best practices and continuous improvements to operational processes. Errors in the course of operations can also have a negative influence on follow-up stages and products. In the worst possible case, such errors could lead to our products or those of our customers being recalled. The company is insured against these damages in an economically adequate manner so that the economic repercussions of possibly occurring production risks can largely be contained.

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

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

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

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

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

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

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

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

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

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

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

**LEgal- And Compliance-Related Opportunities And Risks**

**Compliance, Law And Regulatory Framework**

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

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

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

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

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

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

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

**IT security and Protection of intellectual Property/Operational Know-How**

IT risks arise from damage to the Group stemming from data misuse and potential interruptions in the exchange and processing of data, which can lead to an disruption of operational processes. Symrise maintains a number of integrated IT and telecommunications systems whose programs and data are saved on different storage media and constantly further developed. Existing, established protection measures are also continuously updated and expanded to ensure the integrity and security of IT processes and the protection of data.
Despite sophisticated protection measures, however, there is always a residual risk that attacks by institutions or third parties on our IT landscape may go unnoticed or negatively affect operational processes. Further IT risks arise from inadequate compliance with software licensing rules and from the availability of the IT infrastructure.

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

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

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

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

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

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

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

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

OVERALL ASSESSMENT OF OPPORTUNITY AND RISK SITUATION
The business model of Symrise is characterized by above-average potential for opportunity compared with other sectors of industry and companies.

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

We will continue to follow this strategy in the future.

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

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

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

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

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

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

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

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

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

**Main Features and Objectives**

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

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

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

**ORGANIZATION AND PROCESS**

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

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

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

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

**Subsequent Report**

**BUSINESS COMBINATIONS**

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

**CAPITAL INCREASE BASED ON AUTHORIZED CAPITAL**

The capital increase was carried out with the authorization granted to the Executive Board at the Annual General Meeting on May 12, 2015, and with the exclusion of subscription rights. It was recorded in the commercial register on February 8, 2019. As part of an accelerated book-building method, the company placed 5,614,036 new shares with institutional investors. The shares were issued at an issue price of € 71.25 per share. Through the capital increase, the share capital of Symrise AG rose from € 129,812,574 to € 135,426,610. The new shares are dividend-entitled for 2018; they were authorized for trading on the stock exchange in the regulated market of the Frankfurt Securities Exchange and simultaneously added to the Prime Standard segment on February 11, 2019. They were included in the existing listing on February 12, 2019. Following the partial utilization, the authorized capital amounts to € 19,385,964.
The gross issue proceeds from the capital increase for Symrise amount to around € 400 million. Part of the net revenue from the capital increase will be used to refinance the bridge financing for the acquisition of ADF/IDF announced on January 31, 2019.

**General Statement on the Company’s Economic Situation**

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

**Outlook**

**Future General Conditions**

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

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

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

**GDP Development 2018/2019 in %**

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Industrialized countries</td>
<td>2.3</td>
<td>2.0</td>
</tr>
<tr>
<td>Emerging and developing countries</td>
<td>4.6</td>
<td>4.5</td>
</tr>
<tr>
<td>Global</td>
<td>3.7</td>
<td>3.5</td>
</tr>
</tbody>
</table>

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

For the 2019 fiscal year, another moderate development in energy costs is expected. The reasons for this are low gas purchasing costs and the fact that the electricity supplied by the combined heat and power plant at the Holzminden site covers a large part of the electricity needs. These measures reduce oil consumption substantially; the same is true for CO₂ emissions. Additionally, producing our own energy also reduces energy costs.

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

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

**Impacts from the Brexit Referendum**

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

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

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

**Effects from hyperinflationary countries**

The hyperinflation currently taking place in Venezuela and Argentina is of minor significance for the Group’s consolidated earnings.
**FUTURE CORPORATE DEVELOPMENT**

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

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

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

**GENERAL STATEMENT ON THE COMPANY’S EXPECTED DEVELOPMENT**

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

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

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

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

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

**Remuneration Report**

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

**REMNUNERATION OF THE EXECUTIVE BOARD**

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

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

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

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

All members of the Executive Board receive a target total remuneration. This is comprised of a fixed remuneration, the annual variable component and a long-term variable component,
each at 100% goal attainment. This target total remuneration is supplemented by a maximum remuneration for the annual bonus and the long-term incentive (cap).

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

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

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

### ANNUAL VARIABLE REMUNERATION (BONUS)
The annual variable remuneration consists of a bonus based on the operational key indicators from the corresponding fiscal year.

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

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

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

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

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

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

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

| LTIP 2016–2018 | Below the 50th percentile = 0% bonus
|                | 50th percentile = 75% bonus
|                | 60th percentile = 100% bonus
|                | 100th percentile = 200% bonus maximum |
| LTIP 2017–2019 | Below the 50th percentile = 0% bonus
|                | 50th percentile = 75% bonus
|                | 60th percentile = 100% bonus
|                | 100th percentile = 200% bonus maximum |
| LTIP 2018–2020 | Below the 25th percentile = 0% bonus
|                | 25th percentile = 25% bonus
|                | 50th percentile = 100% bonus
|                | 75th percentile = 200% bonus maximum |

Calculation of the LTIP bonus (gross cash payment in €)

 attainment of the average percentile value for each respective LTIP taking into account the three performance years

\[ \text{Calculation} = \frac{\text{attainment of the average percentile value for each respective LTIP taking into account the three performance years}}{\times \text{goal LTIP bonus}} \]
For the LTIP offered in 2018, the multi-year variable remuneration awarded for 100% goal attainment amounted to €800,000 for Dr. Heinz-Jürgen Bertram. For Achim Daub, Olaf Klinger, Dr. Jean-Yves Parisot and Heinrich Schaper, it is €500,000 each.

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

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

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

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

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**INDIVIDUAL REMUNERATION IN ACCORDANCE WITH THE RECOMMENDATION FROM SECTION 4.2.5 (3) OF THE GERMAN CORPORATE GOVERNANCE CODE**
The remuneration received by the Executive Board members Dr. Bertram, Mr. Daub, Mr. Klinger, Dr. Parisot and Mr. Schaper for the 2018 fiscal year correspond to those set by the resolution of the Supervisory Board and were reviewed in the meeting on March 7, 2018. Accordingly, the remuneration of the Executive Board members is determined against the background of the tasks and performance of the Executive Board members in addition to the general economic situation and the development of Symrise.
### ACTING EXECUTIVE BOARD MEMBERS IN THE 2018 FISCAL YEAR

<table>
<thead>
<tr>
<th>Financial Contributions</th>
<th>Dr. Heinz-Jürgen Bertram</th>
<th>Olaf Klinger</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>CEO since 2009</td>
<td>CFO since January 2016</td>
</tr>
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</table>

<table>
<thead>
<tr>
<th></th>
<th>FY 2017</th>
<th>FY 2018</th>
<th>FY 2018 (min)</th>
<th>FY 2018 (max)</th>
<th>FY 2017</th>
<th>FY 2018</th>
<th>FY 2018 (min)</th>
<th>FY 2018 (max)</th>
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<tr>
<td>Fixed remunerations*</td>
<td>676,670</td>
<td>800,000</td>
<td>800,000</td>
<td>800,000</td>
<td>441,255</td>
<td>500,000</td>
<td>500,000</td>
<td>500,000</td>
</tr>
<tr>
<td>Supplementary payments**</td>
<td>21,813</td>
<td>22,019</td>
<td>22,019</td>
<td>22,019</td>
<td>21,713</td>
<td>22,139</td>
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</tr>
<tr>
<td>Total</td>
<td>698,483</td>
<td>822,019</td>
<td>822,019</td>
<td>822,019</td>
<td>462,968</td>
<td>522,139</td>
<td>522,139</td>
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<tr>
<td>Annual variable remuneration***</td>
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<td>800,000</td>
<td>0</td>
<td>1,200,000</td>
<td>390,000</td>
<td>500,000</td>
<td>0</td>
<td>750,000</td>
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<tr>
<td>Multi-year variable remuneration (total)****</td>
<td>665,000</td>
<td>800,000</td>
<td>0</td>
<td>1,600,000</td>
<td>455,000</td>
<td>500,000</td>
<td>0</td>
<td>1,000,000</td>
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<tr>
<td>LTIP 2017 (covering 2017 to 2019)</td>
<td>665,000</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>455,000</td>
<td>–</td>
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<td>–</td>
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<tr>
<td>LTIP 2018 (covering 2018 to 2020)</td>
<td>–</td>
<td>800,000</td>
<td>0</td>
<td>1,600,000</td>
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<td>0</td>
<td>1,000,000</td>
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<tr>
<td>Total</td>
<td>1,993,483</td>
<td>2,422,019</td>
<td>822,019</td>
<td>1,307,968</td>
<td>1,522,139</td>
<td>522,139</td>
<td>2,272,139</td>
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</tr>
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<td>Service costs*****</td>
<td>35,330</td>
<td>34,648</td>
<td>34,648</td>
<td>34,648</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Total remuneration (DCGk)</td>
<td>2,028,813</td>
<td>2,456,667</td>
<td>856,667</td>
<td>1,307,968</td>
<td>1,522,139</td>
<td>522,139</td>
<td>2,272,139</td>
<td>–</td>
</tr>
</tbody>
</table>

| Fixed remunerations*     | 455,000 | 500,000 | 500,000       | 500,000       | 400,000 | 500,000 | 500,000       | 500,000       |
| Supplementary payments** | 24,377  | 19,464  | 19,464        | 19,464        | 137,707 | 225,146 | 225,146       | 225,146       |
| Total                    | 479,377 | 519,464 | 519,464       | 519,464       | 537,707 | 725,146 | 725,146       | 725,146       |
| Annual variable remuneration*** | 390,000 | 500,000 | 0             | 1,000,000     | 400,000 | 500,000 | 0             | 1,000,000     |
| Multi-year variable remuneration (total)**** | 455,000 | 500,000 | 0             | 1,000,000     | 400,000 | –       | –             | –             |
| LTIP 2017 (covering 2017 to 2019) | 455,000 | –       | –             | –             | 400,000 | –       | –             | –             |
| LTIP 2018 (covering 2018 to 2020) | –       | 500,000 | 0             | 1,000,000     | –       | 500,000 | 0             | 1,000,000     |
| Total                    | 1,324,377 | 1,519,464 | 519,464      | 2,269,464     | 1,237,707 | 1,725,146 | 725,146       | 2,475,146     |
| Service costs*****       | 0       | 0       | 0             | 0             | 0       | 0       | 0             | 0             |
| Total remuneration (DCGk) | 1,324,377 | 1,519,464 | 519,464      | 2,269,464     | 1,237,707 | 1,725,146 | 725,146       | 2,475,146     |

| Fixed remunerations*     | 400,000 | 500,000 | 500,000       | 500,000       | 400,000 | 500,000 | 500,000       | 500,000       |
| Supplementary payments** | 22,630  | 24,299  | 24,299        | 24,299        | 22,630  | 24,299  | 24,299        | 24,299        |
| Total                    | 422,630 | 524,299 | 524,299       | 524,299       | 422,630 | 524,299 | 524,299       | 524,299       |
| Annual variable remuneration*** | 300,000 | 500,000 | 0             | 750,000       | 300,000 | 500,000 | 0             | 750,000       |
| Multi-year variable remuneration (total)**** | 400,000 | 500,000 | 0             | 1,000,000     | 400,000 | –       | –             | –             |
| LTIP 2017 (covering 2017 to 2019) | 400,000 | –       | –             | –             | 400,000 | –       | –             | –             |
| LTIP 2018 (covering 2018 to 2020) | –       | 500,000 | 0             | 1,000,000     | –       | 500,000 | 0             | 1,000,000     |
| Total                    | 1,122,630 | 1,524,299 | 524,299      | 2,274,299     | 1,122,630 | 1,524,299 | 524,299       | 2,274,299     |
| Service costs*****       | 22,868  | 23,113  | 23,113        | 23,113        | 22,868  | 23,113  | 23,113        | 23,113        |
| Total remuneration (DCGk) | 1,145,498 | 1,547,412 | 547,412      | 2,297,412     | 1,145,498 | 1,547,412 | 547,412       | 2,297,412     |

---

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

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

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

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

***** Service costs contain expenses pursuant to IAS 19 without interest expenses according to the recommendation of the German Corporate Governance Codex.
Table of accrued payments in the 2018 fiscal year

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

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

### Acting Executive Board Members in the 2018 Fiscal Year

<table>
<thead>
<tr>
<th>Accruals</th>
<th>Dr. Heinz-Jürgen Bertram</th>
<th>Olaf Klinger</th>
<th>Achim Daub</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>CEO</td>
<td>CFO</td>
<td>President Scent &amp; Care</td>
</tr>
<tr>
<td></td>
<td>since 2009</td>
<td>since January 2016</td>
<td>since 2006</td>
</tr>
<tr>
<td>Fixed remunerations*</td>
<td>676,670</td>
<td>441,255</td>
<td>455,000</td>
</tr>
<tr>
<td></td>
<td>800,000</td>
<td>500,000</td>
<td>500,000</td>
</tr>
<tr>
<td>Supplementary payments**</td>
<td>21,813</td>
<td>21,713</td>
<td>24,377</td>
</tr>
<tr>
<td></td>
<td>22,019</td>
<td>22,139</td>
<td>19,464</td>
</tr>
<tr>
<td>Total</td>
<td>698,483</td>
<td>462,968</td>
<td>479,377</td>
</tr>
<tr>
<td></td>
<td>822,019</td>
<td>522,139</td>
<td>519,464</td>
</tr>
<tr>
<td>Annual variable remuneration***</td>
<td>855,000</td>
<td>561,000</td>
<td>450,000</td>
</tr>
<tr>
<td></td>
<td>1,159,120</td>
<td>726,150</td>
<td>677,300</td>
</tr>
<tr>
<td>Multi-year variable remuneration (total)*****</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td></td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>LTIP 2015 (covering 2015 to 2017)</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td></td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>LTIP 2016 (covering 2016 to 2018)</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td></td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Other*****</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td></td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Total</td>
<td>1,533,483</td>
<td>1,023,968</td>
<td>929,377</td>
</tr>
<tr>
<td>Service costs******</td>
<td>35,330</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td></td>
<td>34,648</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Total remuneration (DCGK)</td>
<td>1,588,813</td>
<td>1,023,968</td>
<td>929,377</td>
</tr>
<tr>
<td></td>
<td>2,015,787</td>
<td>1,248,289</td>
<td>1,196,764</td>
</tr>
</tbody>
</table>

| Accruals                                                                 | Dr. Jean-Yves Parisot | Heinrich Schaper |
|                                                                          | President Diana        | President Flavor |
|                                                                          | since October 2016     | since October 2016 |
| Fixed remunerations*                                                     | 400,000                | 400,000        |
|                                                                          | 500,000                | 500,000        |
| Supplementary payments**                                                 | 137,707                | 225,146        |
|                                                                          | 22,630                 | 24,299         |
| Total                                                                    | 537,707                | 422,630        |
|                                                                          | 725,146                | 524,299        |
| Annual variable remuneration***                                          | 297,390                | 450,000        |
|                                                                          | 750,000                | 681,800        |
| Multi-year variable remuneration (total)*****                            | 0                      | 0              |
|                                                                            | 0                      | 0              |
| LTIP 2015 (covering 2015 to 2017)                                       | 0                      | 0              |
|                                                                            | 0                      | 0              |
| LTIP 2016 (covering 2016 to 2018)                                       | 0                      | 0              |
|                                                                            | 0                      | 0              |
| Other*****                                                               | 150,000                | 50,000         |
|                                                                            | 0                      | 0              |
| Total                                                                    | 985,097                | 922,630        |
| Service costs******                                                     | 0                      | 22,868         |
|                                                                            | 0                      | 23,113         |
| Total remuneration (DCGK)                                                | 985,097                | 945,498        |
|                                                                          | 1,475,146              | 1,229,212      |

* Increase in benefits for all Executive Board members by resolution of the Supervisory Board as of March 7, 2018.
** Supplementary payments include non-monetary benefits, for example from the use of a company car and payments for insurances, such as group accident insurance, for all Executive Board members. For Dr. Jean-Yves Parisot, the corresponding amount includes the statutory social security contributions (employer) for French social security.
*** Annual variable remuneration contains the accruals for the bonus corresponding to the respective fiscal year.
**** Multi-year variable remuneration contains the accrued payments for the respective fiscal year from the respective long-term incentive program based on actual goal attainment.
***** This line includes the accruals from the Diana long-term incentive plan, as laid out in the remuneration report. In addition, the line includes a special bonus for the conclusion of a significant customer contract.
****** Service costs contain expenses pursuant to IAS 19 without interest expenses according to the recommendation of the German Corporate Governance Codex.
## DISCLOSURES PURSUANT TO SECTION 315A OF THE GERMAN COMMERCIAL CODE (HGB)

### ACTING EXECUTIVE BOARD MEMBERS
### IN THE 2018 FISCAL YEAR

<table>
<thead>
<tr>
<th>€</th>
<th>Fixed components</th>
<th>Performance-based components</th>
<th>Total remuneration pursuant to Section 314 (1) no. 6a HGB</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Fixed remuneration</td>
<td>Supplementary payments*</td>
<td>Annual variable remuneration without long-term incentives**</td>
</tr>
<tr>
<td><strong>Dr. Heinz-Jürgen Bertram</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2018</td>
<td>800,000</td>
<td>22,019</td>
<td>1,159,120</td>
</tr>
<tr>
<td>2017</td>
<td>676,670</td>
<td>21,813</td>
<td>855,000</td>
</tr>
<tr>
<td><strong>Olaf Klinger</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2018</td>
<td>500,000</td>
<td>22,139</td>
<td>726,150</td>
</tr>
<tr>
<td>2017</td>
<td>441,255</td>
<td>21,713</td>
<td>561,000</td>
</tr>
<tr>
<td><strong>Achim Daub</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2018</td>
<td>500,000</td>
<td>19,464</td>
<td>677,300</td>
</tr>
<tr>
<td>2017</td>
<td>455,000</td>
<td>24,377</td>
<td>450,000</td>
</tr>
<tr>
<td><strong>Dr. Jean-Yves Parisot</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2018</td>
<td>500,000</td>
<td>225,146</td>
<td>750,000</td>
</tr>
<tr>
<td>2017</td>
<td>400,000</td>
<td>137,707</td>
<td>297,390</td>
</tr>
<tr>
<td><strong>Heinrich Schaper</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2018</td>
<td>500,000</td>
<td>24,299</td>
<td>681,800</td>
</tr>
<tr>
<td>2017</td>
<td>400,000</td>
<td>22,630</td>
<td>450,000</td>
</tr>
</tbody>
</table>

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

** One-year variable remuneration includes bonus provisions for the current year and bonus payments from the previous year where this deviates from the previous year amount, and for Heinrich Schaper, this includes the granting of a special bonus for the conclusion of a significant customer contract.

*** Multi-year variable remuneration contains the provisions as of 12/31/2018, for the LTIP program 2016–2018 and as of 12/31/2017, for the LTIP program 2015–2017 as well as the Diana LTIP for Dr. Parisot.

### EXPANSION OF PENSIONS THROUGH PERSONAL CONTRIBUTIONS

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

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

Due to their prior employment contracts with Symrise, pension commitments exist for Dr. Bertram and Mr. Schaper, which were also offered to all other employees of the former Haarmann & Reimer GmbH. For these benefit obligations, the allocation to the provision for Dr. Bertram amounted to € 34,648 (previous year: € 35,330) while provision expenses of € 23,113 (previous year: € 22,868) was allocated to the provision for Mr. Schaper in the 2018 fiscal year.
As of December 31, 2018, the present value of the provisions for pensions or deferred compensation obligations for Dr. Bertram amount to € 2,458,075 (previous year: € 2,363,788), € 346,624 for Mr. Klinger (previous year: € 285,467) and € 1,314,022 for Mr. Schaper (previous year: € 1,206,715).

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

**D & O INSURANCE**

In conformity with the German Corporate Governance Code, a professional indemnity insurance (D & O insurance) with an appropriate deductible was also taken out for the members of the Supervisory Board.
Disclosures Pursuant to Section 315a of the German Commercial Code (HGB)

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

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

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

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

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

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

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

  d) To exclude fractional amounts from subscription rights;

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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