Consolidated Financial Statements

SYMRISE AG, HOLZMINDEN
JANUARY 1 TO DECEMBER 31, 2019

CONSOLIDATED FINANCIAL STATEMENTS 2019

Consolidated Income Statement – January 1 to December 31, 2019

T€	Notes	2018	2019
Sales	4	3,154,032	3,407,854
Cost of goods sold	5	– 1,912,558	– 2,040,775
Gross profit		**1,241,474**	**1,367,079**
Selling and marketing expenses	7	– 489,941	– 531,526
Research and development expenses	8	– 200,441	– 213,349
Administration expenses	9	– 164,728	– 200,984
Other operating income	10	50,948	45,587
Other operating expenses		– 3,340	– 2,400
Result of companies accounted for using the equity method		–	– 221
Income from operations/EBIT		**433,972**	**464,186**
Financial income		6,324	6,147
Financial expenses		– 51,253	– 51,972
Financial result	**11**	**– 44,929**	**– 45,825**
Earnings before income taxes		**389,043**	**418,361**
Income taxes	12	– 109,356	– 113,224
Net income		**279,687**	**305,137**
of which attributable to shareholders of Symrise AG		275,330	298,308
of which attributable to non-controlling interests		4,357	6,829
Earnings per share (€)	**14**		
basic		2.12	2.21
diluted		2.08	2.17

Consolidated Statement of Comprehensive Income

T€	Notes	2018	2019
Net income		**279,687**	**305,137**
of which attributable to shareholders of Symrise AG		275,330	298,308
of which attributable to non-controlling interests		4,357	6,829
Items that may be reclassified subsequently to the consolidated income statement			
Exchange rate differences resulting from the translation of foreign operations			
Exchange rate differences that occurred during the fiscal year	28	30,483	– 3,708
Gains/losses from net investments		– 3,604	1,403
Cash flow hedge (currency hedges)	28		
Gains/losses recorded during the fiscal year		– 2,091	– 1,123
Reclassification to the consolidated income statement		1,141	1,423
Income taxes payable on these components	12	– 1,540	– 1,629
Items that will not be reclassified to the consolidated income statement			
Remeasurement of defined benefit pension plans and similar obligations	27	23,879	– 77,654
Income taxes payable on these components	12	– 6,791	22,156
Other comprehensive income		**41,477**	**– 59,132**
Total comprehensive income		**321,164**	**246,005**
of which attributable to shareholders of Symrise AG		316,860	238,904
of which attributable to non-controlling interests		4,304	7,101

Consolidated Statement of Financial Position

T€	Notes	December 31, 2018	December 31, 2019
ASSETS			
Current assets			
Cash and cash equivalents	15	279,595	445,900
Trade receivables	16	596,396	647,675
Inventories	17	844,874	889,239
Other non-financial assets and receivables		81,018	79,445
Other financial assets		7,835	11,919
Income tax assets	12	25,741	22,480
		1,835,459	**2,096,658**
Non-current assets			
Intangible assets	18	1,912,455	2,500,682
Property, plant and equipment	19	1,036,093	1,215,010
Other non-financial assets and receivables		27,054	17,817
Other financial assets		22,866	12,473
Investments in companies accounted for using the equity method	20	–	15,396
Deferred tax assets	21	86,452	99,173
		3,084,920	**3,860,551**
TOTAL ASSETS		**4,920,379**	**5,957,209**

Consolidated Statement of Financial Position

T€	Notes	December 31, 2018	December 31, 2019
LIABILITIES			
Current liabilities			
Trade payables	22	315,806	332,497
Borrowings	23	623,341	503,324
Lease liabilities	24	652	21,058
Other non-financial liabilities	25	170,073	192,470
Other provisions	26	9,577	10,857
Other financial liabilities		4,696	3,124
Income tax liabilities	12	94,232	79,531
		1,218,377	**1,142,861**
Non-current liabilities			
Borrowings	23	1,036,018	1,462,833
Lease liabilities	24	3,658	75,378
Other non-financial liabilities		5,407	5,033
Other provisions	26	21,427	29,212
Provisions for pensions and similar obligations	27	513,292	604,851
Other financial liabilities		2,554	1,597
Deferred tax liabilities	21	171,975	167,748
Income tax liabilities		3,263	3,263
		1,757,594	**2,349,915**
TOTAL LIABILITIES		**2,975,971**	**3,492,776**
EQUITY	**28**		
Share capital		129,813	135,427
Capital reserve		1,405,085	1,798,030
Reserve for remeasurements (pensions)		– 161,694	– 217,187
Cumulative translation differences		– 189,413	– 193,991
Accumulated profit		705,668	881,696
Other reserves		2,533	3,197
Symrise AG shareholders' equity		**1,891,992**	**2,407,172**
Non-controlling interests		52,416	57,261
TOTAL EQUITY		**1,944,408**	**2,464,433**
LIABILITIES AND EQUITY		**4,920,379**	**5,957,209**

Consolidated Statement of Cash Flows

T€	Notes	2018	2019
Net income		**279,687**	**305,137**
Result of companies accounted for using the equity method	20	0	221
Income taxes	12	109,356	113,224
Interest result	11	37,430	46,539
Depreciation, amortization and impairment of non-current assets	18, 19	196,549	226,689
Increase (+)/decrease (–) in non-current liabilities		2,090	9,541
Increase (–)/decrease (+) in non-current assets		– 13,234	21,350
Gains (–)/losses (+) from the disposal of property, plant and equipment		– 2,356	– 161
Loss on the net monetary position	11	3,219	3,195
Other non-cash expenses and income		5,711	– 17,393
Cash flow before working capital changes		**618,452**	**708,342**
Increase (–)/decrease (+) in trade receivables and other current assets		– 43,512	– 11,558
Increase (–)/decrease (+) of inventories		– 89,811	– 13,973
Increase (+)/decrease (–) in trade payables and other current liabilities		52,833	– 12,892
Income taxes paid	30	– 96,177	– 123,153
Cash flow from operating activities		**441,785**	**546,766**
Payments for business combinations, plus acquired cash equivalents, for subsequent contingent purchase price components as well as for investments in companies accounted for using the equity method	30	– 21,696	– 763,036
Payments received from the sale of a subsidiary minus cash sold		6,365	0
Payments for investing in intangible assets		– 15,900	– 23,310
Payments for investing in property, plant and equipment		– 212,224	– 151,095
Payments for investing in non-current financial assets		– 1,795	– 2,612
Proceeds from the disposal of non-current assets		6,053	58,165
Cash flow from investing activities		**– 239,197**	**– 881,888**
Proceeds from (+)/redemption of (–) bank borrowings		18,127	32,888
Proceeds from (+)/redemption of (–) other borrowings	23	– 664	248,228
Transaction costs related to debt financing	23	0	– 2,540
Issue of new shares/capital increase	23	0	400,000
Transaction costs related to equity financing	23	0	– 2,030
Interest paid		– 24,800	– 37,169
Interest received		2,501	2,067
Dividends paid by Symrise AG		– 114,235	– 121,884
Dividends paid to non-controlling interests		– 2,720	– 2,672
Acquisition of non-controlling interests		– 29,137	– 195
Principal portion of lease payments (2018: Principal portion of payments in connection with finance leases)		– 1,389	– 18,968
Cash flow from financing activities	**30**	**– 152,317**	**497,725**
Net change in cash and cash equivalents		50,271	162,603
Effects of changes in exchange rates		3,038	6,897
Loss on the net monetary position	11	– 3,219	– 3,195
Total changes		**50,090**	**166,305**
Cash and cash equivalents as of January 1		229,505	279,595
Cash and cash equivalents as of December 31	15	**279,595**	**445,900**

The consolidated statement of cash flows is explained in note 30.

Consolidated Statement of Changes in Equity

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

T€	Share capital	Capital reserve	Reserve for remeasurements (pensions)	Cumulative translation differences	Accumulated profit	Other reserves	Symrise AG shareholders' equity	Non-controlling interests	Total equity
January 1, 2019	**129,813**	**1,405,085**	**– 161,694**	**– 189,413**	**705,668**	**2,533**	**1,891,992**	**52,416**	**1,944,408**
Adjustment due to IFRS 16	–	–	–	3	136	–	**139**	73	**212**
January 1, 2019 (adjusted)	**129,813**	**1,405,085**	**– 161,694**	**– 189,410**	**705,804**	**2,533**	**1,892,131**	**52,489**	**1,944,620**
Net income	–	–	–	–	298,308	–	**298,308**	6,829	**305,137**
Other comprehensive income	–	–	– 55,493	– 4,575	–	664	**– 59,404**	272	**– 59,132**
Total comprehensive income	**–**	**–**	**– 55,493**	**– 4,575**	**298,308**	**664**	**238,904**	**7,101**	**246,005**
Dividends paid	–	–	–	–	– 121,884	–	**– 121,884**	– 2,672	**– 124,556**
Issue of new shares / capital increase minus transaction costs after taxes	5,614	392,945	–	–	–	–	**398,559**	–	**398,559**
Other changes	–	–	–	– 6	– 532	–	**– 538**	343	**– 195**
December 31, 2019	**135,427**	**1,798,030**	**– 217,187**	**– 193,991**	**881,696**	**3,197**	**2,407,172**	**57,261**	**2,464,433**

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

Other equity developments are explained in note 28.

Notes

1. GENERAL INFORMATION

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

The consolidated financial statements and the Group management report of Symrise AG for the fiscal year ending December 31, 2019, were prepared by the Executive Board on February 18, 2020, and subsequently submitted to the Supervisory Board’s Auditing Committee for review and approval.

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

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

2. ACCOUNTING POLICIES

2.1 Basis of preparation of the financial statements

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

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

2.2 Changes to accounting policies

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

The following new or revised standards and interpretations are mandatory from the 2019 fiscal year onwards:

- IFRS 16 “Leases”,
- IFRIC 23 “Uncertainty over income Tax Treatments”,
- Amendments to IFRS 9 – Prepayment features with negative compensation,
- Amendments to IAS 28 – Long-term Interests in Associates and Joint Ventures,
- Annual improvements to IFRS (2015 – 2017 cycle),
- Amendments to IAS 19 – Plan Amendment, Curtailment or Settlement.

IFRS 16 “Leases” replaces IAS 17 “Leases” and its corresponding interpretations and introduces a unified accounting model where leases are generally to be recognized in the lessee’s statement of financial position. Based on the analysis of the lease contracts concluded by Group companies, guidelines for future accounting and valuation were developed. With a few exceptions, these are contracts previously classified as operating leases where Symrise is the lessee; please see note 32 in the consolidated financial statements as of December 31, 2018.

The first-time application of IFRS 16 as of January 1, 2019, resulted in the following adjustments to the opening balance:

T€	December 31, 2018	Change	January 1, 2019
ASSETS			
Current assets	**1,835,459**	**– 362**	**1,835,097**
Other non-financial assets and receivables	81,018	– 362	80,656
Non-current assets	**3,084,920**	**89,144**	**3,174,064**
Property, plant and equipment	1,036,093	89,816	1,125,909
Other non-financial assets and receivables	27,054	– 648	26,406
Deferred tax assets	86,452	– 24	86,428
TOTAL ASSETS	**4,920,379**	**88,782**	**5,009,161**
LIABILITIES			
Current liabilities	**1,218,377**	**19,338**	**1,237,715**
Lease liabilities	652	19,338	19,990
Non-current liabilities	**1,757,594**	**69,232**	**1,826,826**
Other non-financial liabilities	5,407	– 215	5,192
Lease liabilities	3,658	69,447	73,105
TOTAL LIABILITIES	**2,975,971**	**88,570**	**3,064,541**
EQUITY			
Cumulative translation differences	– 189,413	3	– 189,410
Accumulated profit	705,668	136	705,804
Symrise AG shareholders’ equity	**1,891,992**	**139**	**1,892,131**
Non-controlling interests	52,416	73	52,489
TOTAL EQUITY	**1,944,408**	**212**	**1,944,620**
LIABILITIES AND EQUITY	**4,920,379**	**88,782**	**5,009,161**

The conversion to IFRS 16 was carried out according to the limited retrospective method, i.e., the comparative values of the previous periods were not adjusted. The effects of first-time application to be recognized in equity were not significant. As part of the first-time application of the new regulations, IFRS 16 was applied to all agreements that were already identified as leases under the previously applicable rules. Therefore, a reassessment of whether a lease exists in accordance with the criteria of IFRS 16 was waived. For each identified lease, a right-of-use asset was capitalized and a corresponding lease liability was recognized. Leases previously classified as finance leases were recognized at their previous carrying amounts and developed in accordance with IFRS 16. The option not to include the lessee's initial direct costs in measuring the right-of-use assets for leases existing at the date of transition was exercised. The practical expedient to assess probabilities with regard to the exercise of past termination and extension options on the basis of current facts was also used. Right-of-use assets and the corresponding lease liabilities were also recognized for leases expiring in the 2019 fiscal year. The option to refrain from carrying out an impairment test in accordance with IAS 36 "Impairment of Assets" at the transition date, and instead to determine based on provisions formed in accordance with IAS 37 "Provisions, Contingent Liabilities and Contingent Assets" whether the lease agreements constitute onerous contracts, is being exercised. Such onerous contracts were not identified at the time of initial application.

As part of the transition, right-of-use assets for leased property were recognized in the amount of T€ 98,637. This includes T€ 8,821 of already capitalized assets (including those from leasehold contracts) that were previously classified as finance leases. The lease liabilities at the initial application amounted to T€ 93,095, of which T€ 4,310 were previously recognized as finance lease liabilities. Based on the operating lease liabilities as of December 31, 2018, the reconciliation to the opening balance sheet value of the lease liabilities as of January 1, 2019, was as follows:

T€	Reconciliation
Payment obligations from operating leases as of December 31, 2018	**117,182**
Application simplification for short-term leases	– 1,566
Application simplification for leases on low-value assets	– 693
Other	– 679
Gross lease liabilities as of January 1, 2019	**114,244**
Discounting	– 25,459
Previous liabilities from finance leases	4,310
Lease liabilities as of January 1, 2019	**93,095**

The lease liabilities were discounted using the incremental borrowing rate as of January 1, 2019. The weighted average interest rate at the time of initial application was 3.93 %.

The following effects from the first-time application of IFRS 16 result in the consolidated income statement for the 2019 fiscal year from the leases existing on January 1, 2019: The income from operations (EBIT) improved by € 2.0 million, and interest expenses for lease contracts amounting to € 3.4 million are included in the financial result. Depreciation of right-of-use assets amounting to € 17.6 million results from contracts previously categorized as operating leases that existed at the time of initial application. The first-time application had no effect on basic earnings per share.

Similarly, the first-time application of IFRS 16 had a slightly positive effect on cash flow from operating activities. As a result of the new accounting standards, the previous expenses for operating leases are reported in cash flow from financing activities under the items "Interest paid" and "Principal portion of lease payments."

IFRIC 23 "Uncertainty over income Tax Treatments" clarifies requirements for the recognition and measurement of uncertain tax positions. The application of this interpretation had no material impact on the consolidated financial statements.

The other aforementioned changes had no impact on the consolidated financial statements.

The IASB published various standards and interpretations that were not yet mandatory to be applied in the 2019 fiscal year. These standards and interpretations are not being adopted early by Symrise. No material impacts are expected.

2.3 Estimates and assumptions

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

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

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

2.4 Consolidation principles and scope of consolidation

PRINCIPLES DETERMINING THE INCLUSION OF SUBSIDIARIES, JOINT VENTURES AND ASSOCIATED COMPANIES

Full consolidation

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

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

Applying the equity method

A joint venture is an agreement through which Symrise exercises joint control, whereby Symrise has rights to the net assets of the agreement instead of rights to its assets and obligations for its debts. Associated companies are companies over which Symrise exercises significant influence but not control or joint control over financial and operating policies.

Joint ventures and investments in associated companies are accounted for using the equity method. They are initially recognized at cost including transaction costs. After initial recognition, the consolidated financial statements include the Group’s share of the total comprehensive income of the investments accounted for using the equity method until the joint control or significant influence ends. The consolidated income statement includes the Group’s share of net income of the joint venture and the associated company.

Upon loss of joint control of the joint venture or significant influence over an associated company, the Group measures and recognizes any retained investment in the former joint venture or associated company at its fair value. Any differences between the carrying amount of the investment in the joint venture or associated company upon loss of joint control or significant influence and fair value of the retained investment and proceeds from disposal are recognized in the consolidated income statement.

Scope of consolidation

In the 2019 fiscal year, the scope of consolidation developed as follows:

	December 31, 2018	Additions	Disposals	December 31, 2019
Fully consolidated subsidiaries				
Domestic	11	–	1	**10**
Foreign	90	5	3	**92**
Joint ventures accounted for using the equity method				
Foreign	–	1	–	**1**
Associated companies accounted for using the equity method				
Foreign	1	2	–	**3**
Total	**102**	**8**	**4**	**106**

In the 2019 fiscal year, one company was founded and four companies were added as part of a business combination. Three companies ceased to exist due to mergers; one company was liquidated. A joint venture was added as part of a business combination. The addition of the associated companies resulted from foundations.

Business combinations

CUTECH S.R.L.

With the contract from May 2, 2019, Symrise S.r.l. (Italy) entered into a purchase agreement for the acquisition of all shares in the Italian company Cutech S.r.l., hereinafter referred to as "Cutech". The closing of this transaction and the acquisition of control occurred on May 29, 2019. Cutech is a biotech company specializing in unique preclinical screening services in the Scent & Care segment based on innovative proprietary ex vivo models for the skin, sebaceous glands and hair. In addition, Cutech contributes a portfolio of patented natural ingredients such as microalgae, which complements the product lines of Symrise. The final transaction volume amounts to € 9.2 million, of which € 7.2 million has already been settled in cash. The remaining amount of € 2.0 million as of the reporting date of December 31, 2019, is deposited in a fiduciary account for guarantees and warranties.

The assets and liabilities initially recorded in the consolidated statement of financial position were recognized at the following fair values:

T€	Fair value as of the acquisition date
Intangible assets	2,623
Property, plant and equipment	869
Other current assets	2,341
Current liabilities	– 191
Non-current liabilities	– 692
Deferred tax liabilities	– 630
Acquired net assets	**4,320**
Consideration transferred for acquiring the interests	**9,221**
Goodwill	**4,901**

The – for tax purposes non-deductible – goodwill results from synergy and earning potentials that are expected from the integration of the operating business into the Symrise Group. No material acquisition-related costs were incurred for this transaction.

ADF/IDF

On January 31, 2019, Symrise signed an agreement with the owners of American Dehydrated Foods, Inc. and International Dehydrated Foods, Inc. (ADF/IDF) on the purchase of their group of companies. The companies are the leading providers of natural ingredients produced on the basis of chicken and egg products, in particular for food and pet food. With the acquisition, Symrise is looking to expand its leadership position in pet food, extending its palatability know-how primarily toward the Nutrition segment.

Clearance of Justice for the acquisition of ADF/IDF was granted by the US Department of Justice on November 1, 2019. This is also the acquisition date. As a prerequisite of this clearance, Symrise was obligated to sell its production site in Banks, Georgia. This sale had no impact on the strategic objective of the ADF/IDF acquisition.

The purchase price of USD 860.4 million (€ 771.1 million) after assumption of existing liabilities was paid completely in cash, financed through debt and equity. A partial amount of USD 127.5 million (€ 114.3 million) has been deposited into fiduciary accounts for guarantees and warranties for a maximum term of 18 months. The fair value of the assets and liabilities obtained was not available for this financial statement due to the temporal proximity of the transaction with the end of the reporting period. Following the premise that these will be assumed at their carrying amount, the following difference results:

	Preliminary recognized fair value in TUSD as of the acquisition date	Preliminary recognized fair value in T€ as of the acquisition date
Cash and cash equivalents	22,683	20,332
Trade receivables	32,290	28,942
Inventories	27,133	24,321
Intangible assets	2,016	1,807
Property, plant and equipment	79,101	70,901
Investments in companies accounted for using the equity method	13,569	12,163
Other assets	6,833	6,125
Borrowings	– 26,237	– 23,518
Liabilities arising from transaction-related one-time payments	– 35,545	– 31,861
Trade payables	– 1,575	– 1,412
Other liabilities	– 15,314	– 13,726
Acquired net assets	**104,954**	**94,074**
Consideration transferred for acquiring the interests	**860,365**	**771,179**
Goodwill	**755,411**	**677,105**

The (preliminary) goodwill of USD 755.4 million (€ 677.1 million) stems from synergy and earning potentials that are expected from the integration of the operating business into the Symrise Group.

The first-time consolidation of the ADF/IDF group should be viewed as preliminarily and is based on estimates that are subject to adjustment in order to take into consideration facts and conditions that already existed as of the acquisition date.

In the Nutrition segment in 2019, one-time, non-recurring ancillary acquisition costs related to acquisition and integration and totaling € 16.3 million were recognized in the operating result in selling and marketing expenses (€ 1.1 million) and in administration expenses (€ 15.2 million). The financial result includes a positive special effect of € 10.4 million from hedging for the purchase of USD in connection with this acquisition.

From the acquisition date, the acquired companies contributed € 32.0 million to sales and € 5.9 million to consolidated net income. Under the assumption that the business combination had taken place by January 1, 2019, Group sales would have amounted to € 3,567.8 million and consolidated net income to € 334.5 million. The pro forma numbers were determined using estimates. Simplifying assumptions were used as the basis for these.

2.5 Summary of significant accounting policies

FOREIGN CURRENCY TRANSLATION

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

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

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

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

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

		Closing rate = € 1		Average rate = € 1	
Currency		December 31, 2018	December 31, 2019	2018	2019
Brazilian Real	BRL	4.445	4.516	4.305	4.415
Chinese Renminbi	CNY	7.860	7.819	7.805	7.734
British Pound	GBP	0.897	0.847	0.885	0.878
Mexican Peso	MXN	22.520	21.197	22.708	21.555
US Dollar	USD	1.145	1.123	1.181	1.120

ACCOUNTING PRACTICES IN COUNTRIES WITH HYPERINFLATION

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

RECOGNITION OF SALES REVENUE

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

GOVERNMENT GRANTS

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

LEASES

According to IFRS 16, a lease exists when a contract entitles the right to control the use of an identified asset for a specific period in exchange for a consideration. With IFRS 16, accounting for lessees is based on a right-of-use model. In the statement of financial position, the lessee is to recognize right-of-use assets for the leased asset and liabilities for the payment obligations incurred. The previous expenses for operating leases are replaced by a depreciation of the right-of-use assets and interest expenses for the liabilities from the lease. The accounting for the lessor did not see such extensive changes through IFRS 16 as accounting for the lessee.

Since January 1, 2019, Symrise, as the lessee, recognizes right-of-use assets for the leased asset and liabilities for payment obligations incurred at present value for all leases in the statement of financial position. These payment obligations include fixed payments less any lease incentives, de facto fixed payments, variable payments linked to an index or interest rate, payments based on residual value guarantees, the price of purchase options deemed reasonably certain to be exercised and any premature termination penalties. Lease payments are generally discounted at the incremental borrowing rate of the respective Group company. Its determination is based on a maturity-equivalent base rate. At Symrise, this is determined separately for maturities up to and including 30 years based on yield curves of government bonds (or comparable bonds from public institutions) of the respective country. If such information is not available, the corresponding base rate is derived individually using recognized financial models. In addition, the incremental borrowing rate includes a credit risk premium. Asset-specific adjustments, however, are not included at Symrise as they are generally uncommon in the current financing structure. Right-of-use assets are valued at amortized cost. The initial recognition includes the amount resulting from the initial measurement of the lease obligation. In addition, lease payments made on or before preparation less lease incentives, initial direct costs and dismantling obligations are taken into account. The right-of-use asset is depreciated on a straight-line basis, whereby the depreciation period is the shorter period from the lease term and the economic life of the underlying leased asset. Right-of-use assets are recognized under property, plant and equipment; these also include the right-of-use assets from contracts previously classified as finance leases. The exemption from accounting for leases that expire within twelve months from the date of first use and those from low-value assets is being exercised so that payments are instead recognized as straight-line expenses in the consolidated income statement. Separate lease components must be recognized and measured separately, and the option to apply the portfolio approach is not being exercised. The option to separate lease components from non-lease components is being exercised only for real estate and vehicle lease contracts. A number of leases include extension and termination options to provide the Group with the maximum operational flexibility. To determine the lease term, consideration is given to all facts and circumstances that determine the economic incentive to exercise or not exercise options. Term changes are only considered if they are reasonably certain. The option to also apply IFRS 16 to intangible assets or rights to use such assets is not being exercised.

Until December 31, 2018, leases were recognized and measured pursuant to the provisions of IAS 17. These are described below: a lease was defined as an agreement whereby the lessor assigned to the lessee the right to use an asset for an agreed period of time in return for a payment or series of payments. Leases were classified as either finance leases or operating leases. Lease transactions that substantially transfered all rewards and risks incidental to ownership of the leased asset to the lessee were classified as finance leases. All other leases were classified as operating leases. Where Symrise was the lessee in a finance lease, the leased asset was recognized in the statement of financial position at the lower of the fair value of the leased asset or the present value of the minimum lease payments at the commencement of the lease term and simultaneously recognized in financial liabilities. The minimum lease payments essentially comprised finance costs and the principal portion of the remaining obligation, which was determined according to the effective interest method. The leased asset was depreciated on a straight-line basis over its assumed useful life or the term of the lease, whichever was shorter. Payments Symrise made as a lessee for operating leases were recognized as expenditure in the consolidated income statement on a straight-line basis over the term of the lease agreement.

INCOME TAXES

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

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

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

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

Current and deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current taxes receivable and payable and they relate to income taxes levied by the same tax authority on a company. Deferred tax assets are recognized to the extent that it is probable that taxable profits will be available in the future against which deductible temporary differences, unutilized tax loss carry forwards or unutilized tax credits can be offset. If an assessment of probability is not possible, deferred tax assets are diminished. This requires Symrise to make estimates, judgments and assumptions about the tax gains of every Group company. In determining the ability to use deferred tax assets, Symrise considers all available information including taxable income generated in the past and forecast taxable income in the periods in which the deferred tax assets will likely be realized. In determining future taxable income, the expected market conditions as well as other facts and circumstances are considered. Every change to these underlying facts or to estimates and assumptions can result in an adjustment to the balance of deferred tax assets. Further information can be found in note 21.

EARNINGS PER SHARE

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

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

BUSINESS COMBINATIONS AND GOODWILL

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

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

OTHER INTANGIBLE ASSETS

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

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

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

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

RESEARCH AND DEVELOPMENT EXPENSES

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

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

PROPERTY, PLANT AND EQUIPMENT

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

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

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

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

FINANCIAL INSTRUMENTS

General information

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

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

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

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

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

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

Derivative financial instruments
Symrise holds derivative financial instruments to hedge against currency and interest risks. This also includes currency risks from business combinations. Derivative financial instruments are neither held nor issued for speculative purposes. Derivative financial instruments are recognized at fair value and are initially recorded at the time when the contract for the derivative financial instrument is entered into. As part of subsequent measurement, derivatives are measured at fair value. The resulting changes are generally recognized in the Group income statement.

Cash flow hedge
Symrise designates specific derivatives as hedging instruments to counter fluctuations in cash flows that are associated with the transactions most likely expected to result from changes, in particular from foreign currency rates. The hedging of currency risk occurs on a rolling basis over a period of up to twelve months up to a maximum hedging ratio of 75 % of the open currency items of a company.

Insofar as the requirements of IFRS 9 for the application of cash flow hedge accounting are fulfilled, the cumulative measurement gains/losses will be initially recognized in the cash flow hedge reserve under other reserves and then reclassified to the consolidated income statement in the period in which the hedged underlying transaction affects the net profit or loss for the period. Valuation gains/losses from the derivative financial instrument will be reclassified to sales or cost of goods sold depending on the underlying transaction (trade payables or receivables in foreign currency). There they will be balanced out with the actual currency gains and losses from operating business. Valuation gains/losses are recognized in the financial result insofar as currency risk hedges are used to hedge financing activities. If Symrise initiates the hedging measure with the economic goal of acquiring business operations, then this counts as non-financial circumstances. Upon conclusion of the acquisition, the valuation effects that have been accruing in other comprehensive income up to this point are offset against goodwill.

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

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

Trade receivables and other receivables

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

Cash and cash equivalents

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

Other financial assets

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

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

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

Compound financial instruments

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

INVENTORIES

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

PENSIONS AND OTHER POST-EMPLOYMENT BENEFITS

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

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

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

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

OTHER PROVISIONS

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

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

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

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

IMPAIRMENTS

Trade receivables

Symrise chose the simplified accounting for trade receivables, in which impairment is calculated based on the lifetime expected credit loss. The financial situation of individual customers is first considered when analyzing the impairment of trade receivables. Impairment losses for individual customer balances are recognized if it is probable that the contractually agreed receivable will not be paid. Following this, impairment losses for trade receivables based on homogeneous receivable classes are recognized that correspond to the associated risk of default, past receivable defaults as well as general market conditions such as trade embargoes or natural disasters. Symrise creates a general bad debt allowance for impairment considerations for a portfolio of receivables when Symrise is of the opinion that the age of the receivables represents an indicator that it is probable that a loss has occurred or that none or only some of the amounts due can be collected.

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

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

Other financial assets

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

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

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

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

Non-financial assets

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

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

Goodwill

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

Any impairment loss is ascertained by determining the recoverable amount attributable to the cash-generating unit to which the goodwill relates. The recoverable amount of a cash-generating unit is the higher of the fair value less any costs to sell (Level 3) and its value in use. Both values are based on the discounted cash flow method. If one of the two values exceeds its carrying amount, it is not necessary to determine both values. For Symrise, the determined fair value less costs to sell was higher than its carrying amount, so the value in use was not determined. The cash flows are derived from corporate planning and are mainly based on assumptions relating to future selling prices and/or sales volumes and costs while taking into account any changed economic circumstances. Net cash inflows outside of the planning period are determined on the basis of long-term business expectations using individual growth rates derived from the respective market information. The planning information is based on a detailed planning horizon for the fiscal years 2020 to 2024. A growth rate of 1.0 % (previous year: 1.0 %) was assumed for the measurement of perpetual annuity. The cash flows determined in this manner were discounted with a weighted average cost of capital factor (WACC) after taxes of 5.93 % for Scent & Care, 5.56 % for Flavor and 6.45 % for Nutrition (2018: 6.62 % for Scent & Care, 6.23 % for Flavor and 6.74 % for Nutrition). WACC before taxes was 7.75 % for Scent & Care, 7.08 % for Flavor and 8.06 % for Nutrition. Cost of equity and borrowing costs were weighted with a capital structure based on a group of comparable companies. Capital market data and data from comparable companies were used in determining cost of equity and borrowing costs. For this reason, different assumptions and estimates of future cash flows are used, which are of a complex nature and are associated with considerable discretionary judgments and assumptions regarding future developments. Actual cash flows and values can therefore widely vary from the forecast future cash flows and values that were determined by means of the discounted cash flows. Although Symrise believes that assumptions and estimates made in the past were reasonable, differing assumptions and estimates could substantially impact its net assets, financial position and results of operations. Additionally, the results of the impairment tests for goodwill are influenced by the allocation of this goodwill to cash-generating units.

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

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

DETERMINING FAIR VALUE

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

Financial instruments – General principles

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

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

Property, plant and equipment

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

Intangible assets

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

Inventories

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

3. SEGMENT INFORMATION

DESCRIPTION OF REPORTABLE SEGMENTS

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

MEASUREMENT CRITERIA FOR THE SEGMENTS

Internal reporting in the Symrise Group is based on the IFRS accounting principles detailed in note 2.5. Transactions are only conducted between the segments to an immaterial extent. These are settled at market prices and have not been separately disclosed for materiality reasons. External sales represent the sales of the three segments to third parties and thus their sum equals consolidated sales of the Symrise Group. The revenue and expenditure of the Symrise Group's central units and functions are completely included in the three segments Scent & Care, Flavor and Nutrition based on performance-related, or utilization-related, criteria. The result-related determining factor for the management of the segments is the earnings before interest, taxes, depreciation and amortization (EBITDA). The depreciation and amortization charges that can be directly attributed to each segment are included in determining the segment contribution. The financial result is not included as the segments are mainly centrally financed. This is the reason why financial income and expenses are disclosed below at Group level and combined together in the form of the financial result. Taxes are treated in a similar manner so that net income after tax is reported combined to give the consolidated earnings. Investments made by a segment comprise all expenditure incurred during the reporting period for the purpose of acquiring intangible assets and property, plant and equipment. The Executive Board, which is the chief operating decision-maker, receives all information with respect to segment assets and liabilities in an aggregated form. The allocation of goodwill to segments is disclosed in note 18.

SEGMENT RESULTS

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

[1] Without additions from business combinations.

2019 T€	Scent & Care	Flavor	Nutrition	Segment total = Group total
External sales	1,419,064	1,257,333	731,457	3,407,854
Cost of goods sold	– 852,151	– 711,424	– 477,200	– 2,040,775
Gross profit	**566,913**	**545,909**	**254,257**	**1,367,079**
Selling and marketing expenses	– 208,321	– 201,707	– 121,498	– 531,526
Research and development expenses	– 105,162	– 77,945	– 30,242	– 213,349
Administration expenses	– 60,614	– 64,492	– 75,878	– 200,984
Other operating income	10,830	9,845	24,912	45,587
Other operating expenses	– 312	– 1,703	– 385	– 2,400
Result of companies accounted for using the equity method[1]	– 24	– 486	289	– 221
Income from operations/EBIT	**203,310**	**209,421**	**51,455**	**464,186**
Amortization and impairment of intangible assets	29,925	14,756	58,490	103,171
Depreciation and impairment of property, plant and equipment	44,765	44,287	34,466	123,518
EBITDA	**278,000**	**268,464**	**144,411**	**690,875**
Financial result				– 45,825
Earnings before income taxes				418,361
Income taxes				– 113,224
Net income				305,137
Other segment information				
Investments[2]				
Intangible assets	15,114	9,294	1,573	25,981
Property, plant and equipment	83,121	45,240	47,893	176,254
of which from leases	12,637	4,323	3,652	20,612

[1] Allocation to the segments is still preliminary.
[2] Without additions from business combinations; for further information please see note 2.4.

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

RESULT BY REGION

T€	Sales by region (point of delivery) 2018	Sales by region (point of delivery) 2019	Investments[1)] 2018	Investments[1)] 2019
EAME	1,378,505	1,430,636	61,481	75,331
North America	710,583	808,647	104,377	74,445
Asia/Pacific	681,972	757,890	35,682	28,273
Latin America	382,972	410,681	24,554	24,186
Total	**3,154,032**	**3,407,854**	**226,094**	**202,235**

[1)] Without additions from business combinations; for further information please see note 2.4.

Sales are generated in various countries; Germany accounts for € 292.0 million (2018: € 285.7 million). Sales in North America were mainly generated in the USA (€ 765.0 million; 2018: € 675.0 million).

Investments in property, plant and equipment include effects from leases amounting to € 20.6 million. These account for € 13.0 million in North America, € 3.9 million in Asia/Pacific, € 3.0 million in EAME and € 0.7 million in Latin America. Non-current assets – excluding financial instruments as well as investments in companies accounted for using the equity method and deferred tax assets – of € 3,733.5 million (December 31, 2018: € 2,975.6 million) are mainly located in Germany with € 1,870.6 million (December 31, 2018: € 1,260.3 million).

ADDITIONAL DISCLOSURES ON THE CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

4. SALES

The customers of Symrise 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.

Symrise breaks down and reports sales growth by segment – based on the previous year's sales – as the components "organic growth," "portfolio effects" and "exchange rate effects." Comparable exchange rates are used as the basis to determine organic growth for the sales of the reporting year and the previous year. Portfolio-related changes include the effects of additions to and disposals from the scope of consolidation. The remaining change is due to exchange rate movements.

The following table shows these components for the three segments:

T€	Scent & Care	Flavor	Nutrition
Sales 2018	**1,324,051**	**1,191,140**	**638,841**
Organic growth	74,800	44,781	59,679
Portfolio effects	0	0	31,993
Exchange rate differences	20,213	21,412	944
Sales 2019	**1,419,064**	**1,257,333**	**731,457**

Sales are recognized at a specific point in time and due within one year. Portfolio effects in the current fiscal year resulted from the business combination of ADF/IDF group described in note 2.4. For a breakdown of sales by segments and regions, please see the segment reporting under note 3 of the notes to the consolidated financial statements as well as the explanations in the Group management report.

5. COST OF GOODS SOLD

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

6. PERSONNEL EXPENSES

T€	2018	2019
Wages and salaries	– 508,281	– 562,607
Social security expenses	– 112,124	– 119,473
Pension expenses (excluding interest expenses)	– 16,853	– 16,117
Other personnel expenses	– 4,348	– 7,928
Total	**– 641,606**	**– 706,125**

The increase in wages and salaries as well as social security expenses compared to the previous year is primarily due to a higher number of employees as well as regular salary adjustments. Social security expenses include social security contributions that the organization is required to make by law. These include defined contribution plan benefits of € 21.3 million (2018: € 20.6 million).

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

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

Full-time equivalents (FTE)	2018	2019
Manufacturing & Technology	4,312	4,539
Sales & Marketing	2,243	2,337
Research & Development	1,686	1,743
Administration	779	826
Service companies	435	446
Number of employees	**9,455**	**9,891**
Apprentices and trainees	127	127
Total	**9,582**	**10,018**

7. SELLING AND MARKETING EXPENSES

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

8. RESEARCH AND DEVELOPMENT EXPENSES

Besides basic research, research and development expenses include the development of products to generate sales revenue as well as new or improved processes to reduce the cost of goods sold. Such costs cannot be capitalized. The increase compared with the previous year is mainly due to higher personnel costs as a result of expanded research and development activities in the Scent & Care segment. Please refer to the segment reporting information for a presentation of research and development expenses by segment (see note 3).

9. ADMINISTRATION EXPENSES

Administration expenses mainly contain expenses for information technology, finances, human resources and legal as well as for factory security, work safety and administration buildings. Administration expenses increased compared to the previous year, mainly due to the acquisition and integration costs incurred in connection with the business combination of ADF/IDF (see note 2.4).

10. OTHER OPERATING INCOME

Other operating income includes items not related to the sale of products. This includes, for example, income from government grants to promote research projects (€ 9.2 million, 2018: € 13.4 million), income from service companies (logistics, technology, safety and environment) for services provided to third parties by Group companies (€ 7.2 million, 2018: € 5.7 million), and income from the reversal of provisions and liabilities where utilization is no longer expected or where it is certain it will not be utilized (€ 6.8 million, 2018: € 6.3 million). Other income includes gains from the disposal of non-current assets, income from research, development and other services rendered to third parties, insurance and other reimbursements as well as other non-periodic income.

11. FINANCIAL RESULT

T€	2018	2019
Interest income from bank deposits	1,906	2,646
Other interest income	2,741	2,241
Interest income	**4,647**	**4,887**
Other financial income	1,677	1,260
Financial income	**6,324**	**6,147**
Interest expenses from bank borrowings	– 2,844	– 3,537
Interest expenses from other borrowings	– 28,467	– 30,716
Other interest expenses	– 10,766	– 17,173
Interest expenses	**– 42,077**	**– 51,426**
Other financial expenses	– 9,176	– 546
Financial expenses	**– 51,253**	**– 51,972**
Financial result	**– 44,929**	**– 45,825**
of which interest result	– 37,430	– 46,539
of which other financial result	– 7,499	714

Other interest expenses mainly comprise the compounding of provisions for pensions amounting to € 11.0 million (2018: € 9.5 million) and interest expense for lease liabilities of € 3.2 million (2018: € 0.2 million within the framework for finance leases in accordance with IAS 17). Other financial expenses comprise predominantly currency translation effects. These mainly result from internal Group lending granted to foreign subsidiaries. Due to the very volatile nature of some currencies, there are regularly substantial changes in this position. Other financial expenses include a positive special effect of € 10.4 million from hedging for the purchase of USD in connection with the acquisition of the ADF/IDF group.

12. INCOME TAXES

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

T€	2018	2019
Current income taxes	**– 127,010**	**– 109,287**
Deferred tax expense/income from losses carried forward	– 6,886	6,967
Deferred tax expense/income from temporary differences	24,540	– 10,904
Deferred tax expense/income	**17,654**	**– 3,937**
Income taxes	**– 109,356**	**– 113,224**

Income taxes in the reporting year increased by € 3.9 million to € 113.2 million. The tax rate decreased compared with the previous year, amounting to 27.1 % (2018: 28.1 %).

The decrease in current income taxes of € 17.7 million to € 109.3 million is a result of increases in the operating result in countries with lower nominal tax rates as well as additional depreciation possibilities compared to the previous year. The change to the deferred tax result primarily results from the amortization of intangible assets.

DERIVATION OF THE EFFECTIVE TAX RATE

The income taxes disclosed in the year reported, amounting to € 113.2 million (2018: € 109.4 million), can be derived from an expected income tax expense, which would have arisen if the statutory tax rates, giving consideration to different local tax rates, had been applied to consolidated net income in accordance with IFRS before income taxes:

T€	2018	2019
Earnings before income taxes	**389,043**	**418,361**
Expected tax expense at local tax rates	– 99,785	– 105,080
Tax effect from previous periods	– 12,041	2,085
Tax effect from tax-free income	18,210	19,762
Tax effect from non-deductible expenses and taxable income	– 19,103	– 21,835
Non-recoverable withholding tax	– 4,899	– 4,756
Tax effect from value adjustments to deferred tax assets	3,765	– 4,987
Tax effect from change in tax rate	– 2,382	186
Other tax effects	6,879	1,401
Income tax expense	**– 109,356**	**– 113,224**

The resulting theoretical expected tax expense increased in absolute terms compared with the previous year, whereas the tax rate decreased. This mainly resulted from the relatively high profit shares in countries with lower nominal tax rates. The tax effect from non-deductible expenses mainly arose from non-deductible interest from the tax reform introduced in the USA in the year 2018, commercial tax additions in Germany, the inclusion of effects from dividends received and other local taxes not related to income. The proposed dividend for the 2019 fiscal year (see note 28) will not have any income tax consequences for Symrise. Future income and withholding taxes resulting from planned distributions of Group companies are recognized under deferred tax liabilities.

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

		2018			2019	
T€	Before taxes	Taxes	After taxes	Before taxes	Taxes	After taxes
Exchange rate differences resulting from the translation of foreign operations	26,879	– 1,730	25,149	– 2,305	– 1,996	– 4,301
Cash flow hedge (currency hedges)	– 950	280	– 670	300	– 89	211
Remeasurement of defined benefit pension plans	23,879	– 6,782	17,097	– 77,654	22,156	– 55,498
Change in tax rate	0	– 99	– 99	0	456	456
Other comprehensive income	**49,808**	**– 8,331**	**41,477**	**– 79,659**	**20,527**	**– 59,132**
of which current taxes		591			253	
of which deferred taxes		– 8,922			20,274	

13. AMORTIZATION AND DEPRECIATION

Amortization of intangible assets and depreciation of property, plant and equipment are shown in the statement of changes in fixed assets in notes 18 and 19.

14. EARNINGS PER SHARE

	Unit	2018	2019
Consolidated net income attributable to shareholders of Symrise AG	**T€**	**275,330**	**298,308**
Weighted average number of ordinary shares	shares	129,812,574	134,802,828
Basic earnings per share	**€**	**2.12**	**2.21**

	Unit	2018	2019
Consolidated net income attributable to shareholders of Symrise AG	**T€**	**275,330**	**298,308**
Impact on net income from the convertible bond, after taxes	T€	3,919	3,953
Adjusted consolidated net income attributable to shareholders of Symrise AG	**T€**	**279,249**	**302,261**
Weighted average number of ordinary shares	shares	129,812,574	134,802,828
Dilutive potential shares	shares	4,354,476	4,354,476
Weighted average number of shares for diluted earnings	shares	134,167,050	139,157,304
Diluted earnings per share	**€**	**2.08**	**2.17**

The new shares resulting from the capital increase in February 2019 are included pro rata temporis in the calculation to determine the basic earnings.

ADDITIONAL DISCLOSURES ON THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

15. CASH AND CASH EQUIVALENTS

T€	December 31, 2018	December 31, 2019
Cash	272,281	419,070
Cash equivalents	7,314	26,830
Total	**279,595**	**445,900**

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

16. TRADE RECEIVABLES

T€	December 31, 2018	December 31, 2019
Trade receivables	607,467	657,660
Allowance	– 11,071	– 9,985
Total	**596,396**	**647,675**

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

The gross carrying amount of trade receivables includes € 574.0 million of trade receivables that are not overdue and with no allowance set up (December 31, 2018: € 533.7 million), € 71.5 million of trade receivables overdue with a partial allowance set up (December 31, 2018: € 68.7 million) and € 12.2 million of trade receivables that are not overdue but with a partial allowance set up (December 31, 2018: € 5.1 million). The impairment losses of € 10.0 million (December 31, 2018: € 11.1 million) recognized in the reporting year can be divided into a specific bad debt allowance of € 2.1 million (December 31, 2018: € 2.5 million) as well as a general bad debt allowance of € 7.9 million (December 31, 2018: € 8.6 million).

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

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

T€	2018	2019
January 1	**14,102**	**11,071**
Changes to the scope of consolidation	158	328
Allowances set up	4,975	2,932
Utilized in the reporting year	– 2,866	– 4,005
Reversals	– 4,950	– 429
Exchange rate differences	– 348	88
December 31	**11,071**	**9,985**

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

17. INVENTORIES

T€	December 31, 2018	December 31, 2019
Raw materials	291,034	280,140
Unfinished products	289,518	295,519
Finished products	283,760	335,755
Allowance	– 19,438	– 22,175
Total	**844,874**	**889,239**

The cost of goods sold includes material costs without currency translation effects amounting to € 1,494.6 million (December 31, 2018: € 1,401.9 million). The increase in finished products is mainly due to inventories of companies acquired in 2019. Inventories are solely subject to reservations of titles that are standard in the industry.

18. INTANGIBLE ASSETS

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

[1] Other intangible assets mainly contain customer bases, trademarks, software, patents and other rights, as well as own IT developments.

T€	Goodwill	Recipes and technologies	Other intangible assets[1)]	Capitalized development costs	Advance payments and intangible assets in development	Total
Costs						
January 1, 2019	**1,250,464**	**721,478**	**942,855**	**16,107**	**21,466**	**2,952,370**
Additions from business combinations	682,006	307	3,937	0	187	**686,437**
Additions from acquisitions	0	0	10,189	0	12,291	**22,480**
Additions from internal development	0	0	0	466	3,035	**3,501**
Disposals	0	0	– 6,688	– 253	– 175	**– 7,116**
Transfers	0	0	11,624	263	– 11,887	**0**
Exchange rate differences	– 23,946	5,523	4,954	– 161	6	**– 13,624**
December 31, 2019	**1,908,524**	**727,308**	**966,871**	**16,422**	**24,923**	**3,644,048**
Accumulated amortization and impairment losses						
January 1, 2019	**– 44,343**	**– 592,426**	**– 391,955**	**– 11,191**	**0**	**– 1,039,915**
Amortization for the fiscal year	0	– 28,341	– 73,938	– 892	0	**– 103,171**
Disposals	0	0	6,652	253	0	**6,905**
Exchange rate differences	– 325	– 4,636	– 2,287	63	0	**– 7,185**
December 31, 2019	**– 44,668**	**– 625,403**	**– 461,528**	**– 11,767**	**0**	**– 1,143,366**
Carrying amounts						
January 1, 2019	1,206,121	129,052	550,900	4,916	21,466	**1,912,455**
December 31, 2019	**1,863,856**	**101,905**	**505,343**	**4,655**	**24,923**	**2,500,682**

1) Other intangible assets mainly contain customer bases, trademarks, software, patents and other rights, as well as own IT developments.

As of the end of the reporting period, the Symrise Group holds no intangible assets with an indefinite useful life apart from goodwill.

Please refer to note 2.4 for the additions from business combinations. The difference between the expected net assets and the consideration for the acquisition of the shares in the ADF/IDF group has been preliminarily capitalized as goodwill as of the end of the reporting period. The additions from acquisitions mostly relate to advance payments for software, primarily SAP applications, and to the registration of chemicals according to the European chemicals directive (REACH).

Capitalized development costs, including those currently in progress, amounted to € 5.1 million as of the end of the reporting period (December 31, 2018: € 5.4 million).

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

GOODWILL ACCORDING TO SEGMENT

T€	December 31, 2018	December 31, 2019
Scent & Care	238,397	237,532
Flavor	535,242	526,684
Nutrition	432,482	1,099,640
Total	**1,206,121**	**1,863,856**

19. PROPERTY, PLANT AND EQUIPMENT

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

T€	Land and buildings	Plants and machinery	Equipment	Assets under construction	Total
Costs					
January 1, 2019	**603,652**	**866,981**	**258,480**	**223,763**	**1,952,876**
Adjustment due to IFRS 16	81,873	77	7,866	0	**89,816**
January 1, 2019 (adjusted)	**685,525**	**867,058**	**266,346**	**223,763**	**2,042,692**
Additions from business combinations	25,761	41,020	2,266	2,723	**71,770**
Other additions	20,257	11,364	17,964	126,669	**176,254**
Disposals	– 23,519	– 29,995	– 12,963	– 154	**– 66,631**
Transfers	44,954	132,094	8,396	– 185,444	**0**
Exchange rate differences	6,020	7,740	2,036	3,176	**18,972**
December 31, 2019	**758,998**	**1,029,281**	**284,045**	**170,733**	**2,243,057**
Accumulated depreciation and impairment losses					
January 1, 2019	**– 245,146**	**– 499,045**	**– 172,592**	**0**	**– 916,783**
Depreciation for the fiscal year	– 37,562	– 58,967	– 26,989	0	**– 123,518**
Disposals	1,486	6,358	11,355	0	**19,199**
Exchange rate differences	– 1,980	– 3,921	– 1,044	0	**– 6,945**
December 31, 2019	**– 283,202**	**– 555,575**	**– 189,270**	**0**	**– 1,028,047**
Carrying amounts					
January 1, 2019 (adjusted)	440,379	368,013	93,754	223,763	**1,125,909**
December 31, 2019	**475,796**	**473,706**	**94,775**	**170,733**	**1,215,010**

Regarding the adjustment due to IFRS 16, please refer to note 2.2; regarding the additions from business combinations, please refer to note 2.4. Other additions contain investments in capacity expansions such as the construction of a new site for the production of fragrances and flavors in China, the expansion of production capacities for menthols in Charleston (USA), the modernization of the production for terpene ingredients in the Aroma Molecules division in Jacksonville (USA) the expansion of the Flavor spray-drying capacities in Branchburg (USA) and the construction of a logistics center in Holzminden. Additions contain capitalized borrowing costs amounting to € 1.6 million (December 31, 2018: € 1.3 million). The underlying capitalization rate amounts to 1.80 % (December 31, 2018: 1.53 %).

The following table shows the leases recognized in property, plant and equipment:

T€	Land and buildings	Plants and machinery	Equipment	Total
Amortized costs January 1, 2019	89,674	1,166	7,797	98,637
Additions from business combinations	880	0	0	880
Other additions	16,588	692	3,332	20,612
Depreciation	– 15,026	– 287	– 4,880	– 20,193
Carrying amounts December 31, 2019	92,501	1,571	6,269	100,341

The amortized costs as of January 1, 2019, include all rights of use of leased assets according to the provisions of IFRS 16 – including already capitalized assets from finance leases in accordance with IAS 17. Within real estate, Symrise mainly leases warehouses and office buildings as well as land as part of leaseholds. Equipment includes the leased vehicle fleet; the contract term is generally 48 months. Leases can include extension and termination options, in rare cases also purchase options. Since contract terms are negotiated individually, there are a large number of variations.

Disclosures on the corresponding lease liabilities can be found in note 24.

20. INVESTMENTS IN COMPANIES ACCOUNTED FOR USING THE EQUITY METHOD

Symrise holds shares in a range of joint ventures and associated companies that are not material on an individual basis. The following table breaks down the carrying amount and the profit share of these companies in an aggregated form.

T€	December 31, 2018	December 31, 2019
Carrying amount of investments in joint ventures and associated companies	–	15,396
Share in		
loss for the year	–	– 221
other comprehensive income	–	–
Share in total comprehensive income	**–**	**– 221**

A significant part of the carrying amount is attributable to the joint venture FITCO, L.L.C, which was added in the course of the acquisition of the ADF/IDF group (see note 2.4).

21. DEFERRED TAX ASSETS/LIABILITIES

T€	December 31, 2018 Tax assets	December 31, 2018 Tax liabilities	December 31, 2018 Income (+)/ Expenses (–)	December 31, 2019 Tax assets	December 31, 2019 Tax liabilities	December 31, 2019 Income (+)/ Expenses (–)
Intangible assets	8,101	171,284	20,505	8,927	148,204	24,535
Property, plant and equipment	7,399	64,939	– 6,708	7,146	103,206	– 38,520
Financial assets	774	10	– 239	378	2,908	– 3,294
Inventories	18,593	269	2,876	15,743	357	– 2,938
Trade receivables, prepayments and other assets	8,480	10,455	– 7,009	4,197	18,687	– 12,015
Provisions for pensions	74,083	0	705	96,907	0	810
Other provisions and other liabilities	27,145	8,089	15,410	47,279	7,705	20,518
Interests in subsidiaries	0	3,000	– 1,000	0	3,000	0
Losses carried forward	27,948	0	– 6,886	34,915	0	6,967
Subtotal	**172,523**	**258,046**	**17,654**	**215,492**	**284,067**	**– 3,937**
Offsetting	– 86,071	– 86,071	0	– 116,319	– 116,319	0
Total	**86,452**	**171,975**	**17,654**	**99,173**	**167,748**	**– 3,937**

Deferred tax expense amounted to € 3.9 million in the reporting year in contrast to a deferred tax income of € 17.7 million in the 2018 fiscal year. The change to deferred tax expense primarily resulted from the amortization of intangible assets, the use of losses carried forward, valuation differences from acquisitions, and the remeasurement of deferred taxes in Germany. Deferred tax expense relating to trade receivables, prepayments and other assets is influenced by the valuation of receivables and foreign currencies. With regard to the change in provisions for pensions and the related change in deferred taxes, please see note 12. Overall, corporation tax losses carried forward amounting to € 165.5 million (December 31, 2018: € 135.6 million) existed as of the end of the reporting date; deferred tax assets on corporation tax losses carried forward amounting to € 34.9 million were recognized. The increase of tax losses carried forward compared with the previous year led to an increase in deferred tax income. The use of tax losses carried forward and therefore the measurement of the corresponding deferred tax assets are substantiated through tax planning. The change in the nonrecognition of deferred tax assets as of December 31, 2019 amounts to € 2.0 million (December 31, 2018: € 0.5 million).

The calculation of foreign income taxes is based on the particular country’s legal regulations. The tax rates of the individual companies range between 0 % and 35 %.

Pursuant to IAS 12 “Income Taxes,” deferred tax liabilities are to be recognized on the difference between a subsidiary’s proportional equity as recognized in the consolidated statement of financial position and the carrying amount of the investment in the subsidiary as recognized in the parent’s tax accounts if realization is to be expected. (This amount is known as an outside-basis difference.) The cause of these differences is mainly undistributed profits from domestic and foreign subsidiaries. No deferred tax liabilities were recognized on these temporary differences of € 452.3 million in 2019 and € 342.2 million in the previous year since they will be reinvested for indefinite periods or are not subject to taxation. In the case of distributions from subsidiaries, these were subject to a dividend tax of 5 %. Distributions from foreign countries could trigger withholding taxes. As of December 31, 2019, deferred tax liabilities from shares in subsidiaries were recognized for planned dividend distributions of € 3.0 million (December 31, 2018: € 3.0 million).

22. TRADE PAYABLES

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

23. CURRENT AND NON-CURRENT BORROWINGS

	December 31, 2018			December 31, 2019		
T€	Current	Non-current	Total	Current	Non-current	Total
Bank borrowings	116,126	7,685	**123,811**	180,004	490	**180,494**
Other borrowings	499,880	1,028,331	**1,528,211**	317,463	1,462,342	**1,779,805**
Accrued interest	7,335	2	**7,337**	5,857	1	**5,858**
Total	**623,341**	**1,036,018**	**1,659,359**	**503,324**	**1,462,833**	**1,966,157**

The obligations from the term loan to finance the acquisition of the ADF/IDF group, the utilization of the revolving credit facilities, as well as the borrowings from the European Investment Bank (hereafter: EIB) are part of the bank borrowings. Other borrowings include liabilities from the Eurobond from 2019, the convertible bond, the US private placement and the promissory note loans.

The increase in other borrowings primarily resulted from the promissory note loan placed in the fiscal year (€ 250.0 million) and the Symrise AG bond received in the fiscal year (€ 500.0 million). The repayment of the Eurobond from 2014 (€ 500.0 million) had a counteractive effect.

The revolving credit facility EUR's value remains € 300.0 million with a residual term of two years. To date, no use has been made of the option to increase the volume to € 500.0 million. In addition to this credit line, other bilateral credit lines exist with various banks to cover short-term payment requirements. As of December 31, 2019, Symrise had unutilized credit lines available in nominal amounts of € 312.5 million (December 31, 2018: € 252.8 million), USD 19.0 million (December 31, 2018: USD 29.0 million), SEK 195.1 million (December 31, 2018: SEK 86.0 million) and MGA 68.1 billion (December 31, 2018: MGA 168.0 billion).

For two long-term borrowings, Symrise has entered into an obligation to keep the relationship between net debt and a contractually defined EBITDA (leverage covenant, see note 29) within defined limits. This ratio is reviewed on a half-year basis for compliance and was consistently met as in the previous year. Financial liabilities contain carrying amounts in foreign currencies (USD, MGA and CAD) totaling € 188.5 million (December 31, 2018: € 220.7 million).

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

T€	December 31, 2019
Liability component as of January 1, 2019	370,809
Compounding interest and amortized transaction costs	5,169
Liability component at the end of the reporting period	**375,978**

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

	Maturity date		Nominal interest rate	Nominal volume in issue currency (T)
Symrise AG, Germany				
EIB loan	April 2020	2.59%	fixed	8,182 USD
Term loan	October 2024	0.55%	Euribor + 0.55 %	150,000 EUR
Revolving credit facility EUR[1]	May 2021	0.45%	Euribor + 0.45 %	0 EUR
Revolving credit facility USD[1]	May 2021	2.96%	Libor + 0.45 %	0 USD
Eurobond 2019	November 2025	1.25%	fixed	500,000 EUR
Convertible bond 2017	June 2024	0.24%	fixed	400,000 EUR
US private placement	November 2020	4.09%	fixed	175,000 USD
Promissory note loan 2015 (5Y)	December 2020	0.91%	fixed	122,500 EUR
Promissory note loan 2015 (5Y)	December 2020	0.70%	Euribor + 0.70%	38,500 EUR
Promissory note loan 2015 (7Y)	December 2022	1.34%	fixed	224,000 EUR
Promissory note loan 2015 (7Y)	December 2022	0.85%	Euribor + 0.85%	37,500 EUR
Promissory note loan 2015 (10Y)	December 2025	1.96%	fixed	67,500 EUR
Promissory note loan 2015 (10Y)	December 2025	1.10%	Euribor + 1.10%	10,000 EUR
Promissory note loan 2019 (5Y)	March 2024	0.68%	fixed	16,000 EUR
Promissory note loan 2019 (7Y)	March 2026	0.75%	Euribor + 0.75%	10,000 EUR
Promissory note loan 2019 (7Y)	March 2026	1.02%	fixed	144,000 EUR
Promissory note loan 2019 (10Y)	March 2029	1.45%	fixed	80,000 EUR
Origines S.a.r.L., Madagascar				
Credit facility MGA	September 2020	8.50%	TTB – 6.9%	42,948,062 MGA
Symrise S.a.r.L., Madagascar				
Credit facility MGA	September 2020	8.50%	TTB – 6.9%	8,976,897 MGA
Symrise Inc., USA				
Credit facility USD	indefinite	4.75%	Libor + 1.50%	10,000 USD
Probi AB, Sweden				
Revolving credit facility SEK[1]	July 2020	1.40%	Stibor + 1.40%	0 SEK
Proteinas Del Ecuador Ecuaprotein SA, Ecuador				
Shareholder loan	September 2020	5.00%	fixed	2,810 USD
Diana Food Canada Inc., Canada				
Promotional loan	April 2023	0.00%	fixed	1,976 CAD
Spécialités Pet Food SAS, France				
Promotional loan	June 2025	0.00%	fixed	503 EUR
Scelta Umami B.V., Netherlands				
Term loan	September 2029	1.90%	fixed	490 EUR
Octopepper, France				
Promotional loan	January 2022	4.90%	fixed	153 EUR
Term loan	December 2020	2.40%	fixed	191 EUR
Other borrowings				1,354 EUR

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

24. LEASES

With a few exceptions, Symrise acts as lessee in the lease contracts concluded. With the implementation of IFRS 16 as of January 1, 2019, a right-of-use asset must be capitalized and a lease liability recognized for each identified lease. According to the accounting standards applicable until December 31, 2018, this was only required for finance leases.

The cash outflow for lease liabilities recognized as of January 1, 2019, amounted to € 21.6 million in the past fiscal year. Details of future cash outflows in connection with leases are shown in the following table:

T€	December 31, 2018[1)]	December 31, 2019
Up to one year	840	20,764
Over one year and up to five years	2,796	44,672
Over five years	1,275	51,504
Total	**4,911**	**116,940**

1) The disclosure for the 2018 fiscal year relates to future cash flows from finance leases in accordance with IAS 17.

In the 2019 reporting year, the following expenses are recognized directly in income from operations of the consolidated income statement:

T€	2019
Expenses for short-term leases	3,939
Expenses for leases on low-value assets	783
Expenses for variable lease payments	1,567

As of the end of the reporting period, there are obligations for future payments amounting to € 1.8 million from the leases concluded and classified as short-term.

For information on the effects of leases on property, plant and equipment, please see note 19, and on liabilities from leases, note 30.

25. OTHER CURRENT NON-FINANCIAL LIABILITIES

T€	December 31, 2018	December 31, 2019
Employee-related liabilities	78,214	94,529
Liabilities to customers	24,502	27,909
Other taxes	27,304	25,326
Taxes on wages/salaries, social security contributions and other social benefits	16,706	15,793
Miscellaneous other liabilities	23,347	28,913
Total	**170,073**	**192,470**

Employee-related liabilities mainly contain annual bonuses and other bonuses as well as accruals for unused vacation time. Liabilities to customers contain prepayments from customers. Other taxes mainly consist of obligations for value-added taxes. Miscellaneous other current liabilities mainly derive from diverse administration, selling and marketing expenses that arise during the normal course of operations.

26. OTHER CURRENT AND NON-CURRENT PROVISIONS

T€	Personnel provisions	Provisions for restoration obligations	Provisions for litigation	Miscellaneous other provisions	Total
January 1, 2019	**20,577**	**5,182**	**2,353**	**2,892**	**31,004**
of which non-current	14,168	5,151	1,675	433	**21,427**
Increases	8,599	1,175	1,747	93	**11,614**
Utilization	– 818	0	– 353	– 85	**– 1,256**
Reversals	– 824	0	– 827	– 430	**– 2,081**
Interest expenses	446	24	129	7	**606**
Exchange rate differences	203	137	– 396	238	**182**
December 31, 2019	**28,183**	**6,518**	**2,653**	**2,715**	**40,069**
of which non-current	19,952	6,487	2,255	518	**29,212**

The personnel provisions mainly comprise those for jubilees (€ 13.3 million; December 31, 2018: € 12.4 million) and for termination benefits (€ 3.8 million; December 31, 2018: € 3.2 million). The jubilee obligations were discounted using an interest rate of 1.2 % in the reporting year compared to 2.0 % last year.

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

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

Miscellaneous other provisions do not contain any material items, which is why a separate disclosure was not provided. Symrise expects that the cash outflow for all current provisions will take place within the next few months and by the end of the year 2020 at the very latest.

27. PROVISIONS FOR PENSIONS AND SIMILAR OBLIGATIONS

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

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

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

GERMANY

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

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

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

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

From January 1, 2010, onwards, all new Symrise employees with unlimited employment contracts at German locations are obliged to join the RPK ("Rheinische Pensionskasse" – an external German pension fund) from the seventh month of their employment onwards. Under the terms of this arrangement, the employee pays 2 % of their remuneration in the form of deferred gross compensation to the RPK (mandatory contribution); limited to 2 % of the income threshold for assessment of contributions as defined by the German State Pension Authority West. The organization makes a top-up contribution of the same amount, also limited to a maximum of 2 % of the respective income threshold for the assessment of contributions as defined by the German State Pension Authority West. Higher voluntary employee contributions are possible up to a maximum of 6 % of the income threshold for the assessment of contributions as defined by the German State Pension Authority West. The employer top-up contribution is, however, limited to 2 %, so that the employee contribution and the employer top-up contribution are limited to a maximum of 8 % of the respective income threshold for the assessment of contributions as defined by the German State Pension Authority West. Effective as of January 1, 2011, individuals who were already employed in the organization but who – unlike the former Haarmann & Reimer employees or employees of Dragoco who joined before December 31, 1981 – did not belong to a benefit scheme were able to request membership to the RPK scheme on a voluntary basis up to September 30, 2010.

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

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

USA

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

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

T€	2018	2019
Present value of defined benefit obligations		
January 1	**565,637**	**552,910**
Additions from business combinations	0	90
Reclassification of the effect of asset ceiling for plan assets	– 638	0
Recognized in income statement		
Current service cost	16,920	16,117
Past service cost	– 67	0
Interest expenses (+)	10,930	12,405
Recognized in other comprehensive income		
Actuarial gains (–)/losses (+)		
arising from changes in demographic assumptions	5,610	– 534
arising from changes in financial assumptions	– 34,712	82,958
arising from experience-based adjustments	948	953
Exchange rate differences	3,138	1,677
Other		
Benefits paid	– 14,856	– 15,053
December 31	**552,910**	**651,523**
of which pension plans	542,030	640,158
of which post-employment healthcare benefits	10,880	11,365
Fair value of plan assets		
January 1	**– 42,269**	**– 40,575**
Recognized in income statement		
Interest income (–)	– 1,471	– 1,455
Recognized in other comprehensive income		
Gains (–)/losses (+) on plan assets excluding amounts already recognized as interest income	4,013	– 6,085
Exchange rate differences	– 1,959	– 864
Other		
Employer contributions	– 1,082	– 1,107
Benefits paid	2,193	2,059
December 31	**– 40,575**	**– 48,027**
of which pension plans	– 40,575	– 48,027
Consideration of the effect of asset ceiling for plan assets		
January 1	**0**	**957**
Reclassification of the effect of asset ceiling for plan assets	638	0
Recognized in income statement		
Interest expense (+)/interest income (–)	3	4
Recognized in other comprehensive income		
Additions	262	362
Exchange rate differences	54	32
December 31	**957**	**1,355**
of which pension plans	957	1,355
Net defined benefit liability		
January 1	523,368	513,292
December 31	**513,292**	**604,851**
of which pension plans	502,412	593,486
of which post-employment healthcare benefits	10,880	11,365

As of the end of the reporting year, the entire present value of the defined benefit obligation contains T€ 370,838 for active employees (December 31, 2018: T€ 307,023), T€ 62,096 for former employees with vested claim entitlements (December 31, 2018: T€ 48,542) and T€ 218,589 for retirees and their dependents (December 31, 2018: T€ 197,345). From this entire present value of the defined benefit obligation, T€ 639,063 (December 31, 2018: T€ 542,206) is allocated to vested claims, while the remaining T€ 12,460 (December 31, 2018: T€ 10,704) relates to non-vested claims.

The average weighted term for the present value of the defined benefit obligation from defined benefit plans amounts to a total of 20.1 years (December 31, 2018: 19.3 years). It breaks down with 23.6 years for active employees, 22.8 years for former employees with vested claim entitlements and 11.5 years for retirees and their surviving dependents.

The defined benefit plans are not covered by plan assets except for the pension schemes in the USA (Mass Mutual Plan), Japan and India. Plan assets secure a present value of the defined benefit obligation of T€ 66,108 (December 31, 2018: T€ 53,163) as of the end of the year. Financing for the obligations not covered by plan assets is made through the cash flow from operating activities of Symrise AG and its subsidiaries.

Plan assets amounting to T€ 48,027 (December 31, 2018: T€ 40,575) are mainly used for provisions for pensions in the USA (T€ 42,117; December 31, 2018: T€ 35,043) and are invested in pooled separate accounts at the Massachusetts Mutual Life Insurance Company. Shares in fund assets are held in these accounts, which are invested in money market instruments and bonds as well as special growth and value-oriented securities. Price quotes for these shares are derived from active markets (Level 2). Plan assets also exist in Japan (T€ 5,529; December 31, 2018: T€ 5,201) and India (T€ 381; December 31, 2018: T€ 331). The assets in Japan are deposited at the Japan Master Trust Bank, which continued to invest the assets in Japanese and foreign bonds and shares as of the end of 2019 – the prices of which were also derivable from active markets. It exceeds the net defined benefit liability and was limited to the asset ceiling. The plan assets in India are deposited in a life insurance policy for which there is no active market for estimating the price.

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

T€	December 31, 2018	December 31, 2019
EAME	483,753	567,305
North America	23,944	30,183
Latin America	4,389	5,745
Asia/Pacific	1,206	1,618
Total	**513,292**	**604,851**

The actuarial measurements are based on the following assumptions:

%	2018	2019
Discount rate		
Germany	2.00	1.20
USA	4.31	3.01
Other countries	1.97	1.67
Salary trends		
Germany	2.25	2.25
Other countries	3.22	3.21
Pension trends		
Germany	1.70	1.50
Other countries	1.98	1.93
Medical cost trend rate		
USA	6.70	6.12
Other countries	8.27	8.37

The assumptions relating to mortality rates are based on published mortality tables. For the provisions for pensions established in Germany, the mortality rate is based on the reference tables 2018G by Prof. Dr. Klaus Heubeck. The Mass Mutual Plan in the USA is based on the reference table 2018 IRS 417(e) Mortality Table. All other actuarial measurements outside of Germany are based on country-specific mortality tables.

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

	Change in present value of the defined benefit obligation			
	Increase		Decrease	
T€	2018	2019	2018	2019
Discount rate	– 97,099	– 119,059	126,340	156,307
Salary trends	18,892	22,165	– 17,020	– 20,165
Pension trends	64,425	76,392	– 54,725	– 63,237
Medical cost trend rate	1,336	1,353	– 1,106	– 1,121

To determine the sensitivity regarding life expectancy, the mortality rate for the beneficiaries covered by the plans was increased or reduced by 10.0 %. The reduction to the mortality rate results in an increase of life expectancy and depends on the ages of the individual beneficiaries. A 10.0 % increase to the mortality rate results in a reduction of the present value of the defined benefit obligation by T€ 27,236 (December 31, 2018: T€ 21,328). In comparison, a 10.0 % reduction results in an increase of the present value of the defined benefit obligation by T€ 29,812 (December 31, 2018: T€ 23,350).

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

	Change in current service costs			
	Increase		Decrease	
T€	2018	2019	2018	2019
Medical cost trend rate	70	72	– 56	– 58

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

28. EQUITY

SHARE CAPITAL

The share capital of Symrise AG amounts to € 135,426,610 (December 31, 2018: € 129,812,574) and is fully paid in. It is divided into 135,426,610 no-par-value bearer shares, each with a calculated nominal share value of € 1.00 per share.

Based on the authorization granted to the Executive Board through the Annual General Meeting on May 12, 2015 and excluding the shareholder's subscription rights, a capital increase based on authorized capital in the amount of 5,614,036 new shares with a par value of € 1 was carried out and entered into the commercial register on February 8, 2019. 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. To calculate the earnings per share, the new shares are included in the calculation pro rata temporis.

AUTHORIZED CAPITAL

The Annual General Meeting on May 12, 2015 authorized the Executive Board, subject to the consent of the Supervisory Board, to increase the share capital of the company up until May 11, 2020, by up to € 25,000,000 through one or more issuances of new, no-par-value bearer shares against contribution in cash and/or in kind. In 2019, a capital increase based on authorized capital in the amount of 5,614,036 new shares with a par value of € 1 was carried out and entered into the commercial register on February 8, 2019. The authorized capital of € 19,385,964 remaining after this partial utilization would have expired on May 11, 2020. At the Annual General Meeting on May 22, 2019, it was decided to repeal the remaining authorized capital and to create new authorized capital. The Executive Board is now authorized, subject to the consent of the Supervisory Board, to increase the share capital of the company until May 21, 2024, by up to € 25,000,000 through one or more issuances of new, no-par-value bearer shares against contribution in cash and/or in kind.

ACQUISITION OF TREASURY STOCK

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

CONDITIONAL CAPITAL

At the Annual General Meeting on May 17, 2017, conditional capital for issuing option/convertible bonds amounting to € 20.0 million was authorized. The authorization to issue option/convertible bonds with or without term restrictions is limited to a nominal amount of € 1,500.0 million and expires on May 16, 2022 (“Conditional Capital 2017”).

On June 13, 2017, the company issued convertible bonds with a total nominal value of € 400.0 million using part of the aforementioned 2017 authorization. The bonds issued may be converted into new and/or existing no-par value bearer shares of the company starting five years after the issue date of the convertible bond. The initial conversion price was set at € 91.8595 and the conversion ratio of the new convertible bond was set at 1,088.6190 shares per bond. The share capital of the company is therefore conditionally increased by € 4,354,476.

At the Annual General Meeting on May 22, 2019, it was authorized to repeal the remaining Conditional Capital 2017 amounting to € 15,645,524 and to create new 2019 conditional capital. A corresponding 2019 conditional capital amounting to € 15,650,000 was authorized for issuing option/convertible bonds. The authorization to issue option/convertible bonds with or without term restrictions is limited to a nominal amount of € 1,500.0 million and expires on May 21, 2024 (“Conditional Capital 2019”).

CAPITAL RESERVE AND OTHER RESERVES

The capital reserve mainly comprises the share premium that arose as part of the initial public offering as well as three capital increases, two of which were performed in the 2014 fiscal year and one in the 2019 fiscal year. In addition, the equity component from the issue of the convertible bond in the 2017 fiscal year is taken into account. Since December 31, 2018, the capital reserve has increased by € 394,386,029 minus transaction costs of € 2,030,000 and the related taxes amounting to € 588,700 from € 1,405,084,800 to € 1,798,029,529.

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

Cumulative translation differences include exchange rate gains and losses from the currency translation of foreign subsidiaries at the beginning and end of the respective reporting period. In the 2019 fiscal year, there were significant effects from the translation of US Dollars into Euros. The adjustment to the financial statements required by IAS 29 “Financial Reporting in Hyperinflationary Economies” for companies whose functional currency is one from a country with hyperinflation is also included in cumulative translation differences. Specifically, the subsidiaries in Venezuela and Argentina were affected by the adjustments pursuant to IAS 29. The financial statements for these companies are mainly based on the concept of historical cost. In 2019, these needed to be adjusted due to changes in the general purchasing power of the functional currency and are therefore expressed in the measuring unit valid as of the end of the reporting period. Official inflation rates were published in Venezuela for the first time in the 2019 reporting year. Symrise used these for the preparation of the consolidated financial statements (source in the previous year: “Latin Focus Consensus”). Accordingly, a change in general purchasing power of 16,751.0 % (2018: 1,320,682.0 %) was assumed for 2019. As of December 31, 2019, the government of Argentina published the official inflation rates for the country, which assume a change in general purchasing power of 53.8 % (2018: 47.6 %) for 2019.

Other reserves contain the revaluation reserve and the cash flow hedge reserve. The revaluation reserve results from an acquisition in stages made in the past. The cash flow hedge reserve contains the effective part of the fair value changes from derivative financial instruments held for hedging currency risks. Reclassifications of ineffective parts from cash flow hedges into the consolidated income statement did not occur in 2019 fiscal year.

RECONCILIATION OF EQUITY COMPONENTS AFFECTED BY OTHER COMPREHENSIVE INCOME

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

2019 T€	Reserve for remeasure-ments (pensions)	Cumulative translation differences	Other reserves	Total other comprehen-sive income of Symrise AG shareholders	Non-controlling interests	Total other comprehen-sive income
Exchange rate differences resulting from the translation of foreign operations						
Exchange rate differences that occurred during the fiscal year	–	– 5,541	–	**– 5,541**	274	**– 5,267**
Gains/losses from net investments	–	966	–	**966**	–	**966**
Cash flow hedge (currency hedges)						
Gains/losses recorded during the fiscal year	–	–	– 701	**– 701**	– 97	**– 798**
Reclassification to the consolidated income statement	–	–	909	**909**	100	**1,009**
Remeasurement of defined benefit pension plans	– 55,493	–	–	**– 55,493**	– 5	**– 55,498**
Change in tax rate	–	–	456	**456**	–	**456**
Other comprehensive income	**– 55,493**	**– 4,575**	**664**	**– 59,404**	**272**	**– 59,132**

DIVIDENDS

In accordance with the German Stock Corporation Act (AktG), the distributable dividend for shareholders of Symrise AG is to be determined with reference to the unappropriated profit calculated in accordance with the rules of German Commercial Code (HGB) and presented in the annual financial statements of Symrise AG. At the Annual General Meeting held on May 22, 2019, a resolution was passed to distribute a dividend for the 2018 fiscal year of € 0.90 for each ordinary share with a dividend entitlement (2017: € 0.88).

The Executive Board and the Supervisory Board recommend a dividend of € 0.95 per share based on Symrise AG's unappropriated net profit under commercial law as of December 31, 2019.

For dividend distributions of more than € 0.90 per share, the terms of the convertible bond require an adjustment of the conversion price, which will change the number of potential shares. This impacts the calculation of the diluted earnings per share.

NON-CONTROLLING INTERESTS

The non-controlling interests mainly relate to the Probi group. The shares of Probi AB are authorized for trading on the Swedish Nasdaq Stockholm.

29. DISCLOSURES ON CAPITAL MANAGEMENT

The capital situation is monitored through the use of a number of key indicators. The relationship between net debt (including provisions for pensions and similar obligations) to EBITDA and the equity ratio are important key indicators for this purpose. The objectives, methods and processes in this regard have not changed from the previous year as of the end of the reporting period on December 31, 2019.

With an equity ratio (equity attributable to shareholders of Symrise AG in relation to total equity and liabilities) of 40.4 % (December 31, 2018: 38.5 %), Symrise has a solid capital structure. One of Symrise's fundamental principles is to maintain a strong capital basis in order to retain the confidence of investors, creditors and the market and to be able to drive future business development forward in a sustainable manner.

Net debt is determined as follows:

T€	December 31, 2018	December 31, 2019
Borrowings	1,659,359	1,966,157
Lease liabilities (according to IFRS 16)	–	96,436
Cash and cash equivalents	– 279,595	– 445,900
Net debt	**1,379,764**	**1,616,693**
Provisions for pensions and similar obligations	513,292	604,851
Net debt including provisions for pensions and similar obligations	**1,893,056**	**2,221,544**

To calculate the net debt/EBITDA ratio, the net debt – with or without provisions for pensions and, since 2019, in each case including lease liabilities – is applied to the EBITDA or normalized EBITDA, if reported, of the past twelve months. Based on normalized EBITDA, net debt as of December 31, 2019, is 2.3 or 3.1 including provisions for pensions. For information on normalized EBITDA, see the Group management report. The inclusion of lease liabilities increases the ratio by 0.1.

Symrise focuses on a capital structure that allows it to cover its future potential financing needs at reasonable conditions by way of the capital markets. This provides Symrise with a guaranteed high level of independence, security and financial flexibility. The attractive dividend policy will be continued and shareholders will continue to receive an appropriate share in the company's success. Furthermore, it should be ensured that acquisition opportunities are carried out through a solid financing structure.

The average interest rate for liabilities (including provisions for pensions and similar obligations) was 1.5 % (2018: 1.8 %).

30. ADDITIONAL DISCLOSURES ON THE STATEMENT OF CASH FLOWS

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

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

The change in non-current assets in the cash flow from operating activities results from a non-current receivable recognized in the previous year in connection with a tax court case pursued in Brazil to review the constitutionality of value-added tax. This case was concluded in the reporting year in favor of Symrise. The claim was settled in full in 2019. Other non-cash expenses and income mainly contain non-cash currency translation effects from external as well as intercompany transactions. The increase in income taxes paid compared with the previous year results from higher tax prepayments and tax payments for previous years and from exchange rate effects.

Cash flow from investing activities mainly includes payments for business combinations (T€ 763,036). These result from the purchase price for the acquisitions of the ADF/IDF group (T€ 771,179 minus acquired cash and cash equivalents amounting to T€ 20,332) as well as Cutech (T€ 9,221 minus acquired cash and cash equivalents amounting to T€ 2,029). Please refer to note 2.4 for the business combinations.

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

T€	Current financial liabilities	Non-current financial liabilities	Lease liabilities	Total liabilities from financing activities
January 1, 2018	**88,974**	**1,538,764**	**5,847**	**1,633,585**
Cash-effective change	– 6,131	0	– 1,785	**– 7,916**
Non-cash-effective change	540,498	– 502,746	248	**38,000**
Additions from business combinations	33	20	0	**53**
Transfers	515,179	– 515,179	0	**0**
Accrued interest	24,121	6,726	249	**31,096**
Exchange rate differences	1,165	5,687	– 1	**6,851**
of which without effect on other comprehensive income	– 699	– 83	– 1	**– 783**
of which with effect on profit or loss (financial result)	1,864	5,770	0	**7,634**
December 31, 2018	**623,341**	**1,036,018**	**4,310**	**1,663,669**

T€	Current financial liabilities	Non-current financial liabilities	Lease liabilities	Total liabilities from financing activities
January 1, 2019	**623,341**	**1,036,018**	**4,310**	**1,663,669**
Adjustment due to IFRS 16	0	0	88,785	**88,785**
January 1, 2019 (adjusted)	**623,341**	**1,036,018**	**93,095**	**1,752,454**
Cash-effective change	– 477,723	721,732	– 21,570	**222,439**
Non-cash-effective change	357,706	– 294,917	24,911	**87,700**
Additions from business combinations	5,713	17,804	880	**24,397**
Transfers	321,544	– 321,544	0	**0**
Accrued interest	27,135	7,118	3,173	**37,426**
Other additions	0	0	20,612	**20,612**
Exchange rate differences	3,314	1,705	246	**5,265**
of which without effect on other comprehensive income	– 570	101	113	**– 356**
of which with effect on profit or loss (financial result)	3,884	1,604	133	**5,621**
December 31, 2019	**503,324**	**1,462,833**	**96,436**	**2,062,593**

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

INFORMATION ON FINANCIAL INSTRUMENTS ACCORDING TO CATEGORY

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

December 31, 2019 T€	Carrying amount	Value recognized under IFRS 9 Amortized cost	Fair value through other comprehensive income	Fair value through profit or loss	Fair value
ASSETS					
Financial assets measured at amortized cost (FAAC)	**1,082,987**	**1,082,987**	**–**	**–**	**1,082,987**
Cash	419,070	419,070	–	–	419,070
Trade receivables	647,675	647,675	–	–	647,675
Other financial assets	16,242	16,242	–	–	16,242
Financial assets at fair value through profit or loss (FVTPL)	**34,880**	**–**	**–**	**34,880**	**34,880**
Cash equivalents	26,830	–	–	26,830	26,830
Securities	724	–	–	724	724
Equity instruments	5,520	–	–	5,520	5,520
Derivative financial instruments without hedge relationship	1,806	–	–	1,806	1,806
Derivative financial instruments with hedge relationship (n.a.)	**100**	**–**	**100**	**–**	**100**
LIABILITIES					
Financial liabilities at amortized cost (FLAC)	**2,302,618**	**2,302,618**	**–**	**–**	**2,433,716**
Trade payables	332,497	332,497	–	–	332,497
Borrowings	1,966,157	1,966,157	–	–	2,097,255
Other financial liabilities	3,964	3,964	–	–	3,964
Financial liabilities at fair value through profit or loss (FVTPL)	**497**	**–**	**–**	**497**	**497**
Derivative financial instruments without hedge relationship	497	–	–	497	497
Derivative financial instruments with hedge relationship (n.a.)	**260**	**–**	**260**	**–**	**260**

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

The short-term deposits and securities classified at fair value through profit or loss are assigned to Level 1 and the equity instruments to Level 3. The equity instruments include two holdings, one of which was increased by USD 2.0 million in the fiscal year. The valuation and thus the present value of the expected benefit from these investments is based on a discounted cash flow calculation. Non-observable input factors were based on a weighted average cost of capital of 9.5 % or 15.9 % and a long-term growth rate of 1.0 %. The fair value of equity instruments increased from T€ 3,371 to T€ 5,520 as of the reporting date due to the addition and exchange rate effects. Due to a lack of materiality, a sensitivity analysis was not performed. The valid forward exchange rates are used as the valuation rates for the mark-to-market valuation of currency forward contracts in Level 2 for currency forwards. These are established by the interest difference of the currencies involved while accounting for term duration. The fair values were not adjusted for the components of counterparty-specific risk (credit valuation adjustment – CVA/debt valuation adjustment – DVA) and the liquidity premium for the respective foreign currency (cross currency basis spread – CCBS) for reasons of materiality. There were no transfers between Levels 1 and 2 during the period under review. The determination of fair values is unchanged.

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

NET GAINS AND LOSSES ACCORDING TO VALUATION CATEGORY

T€	2018	2019
Financial assets at amortized cost (FAAC)	3,691	– 1,301
Financial instruments at fair value through profit or loss (FVTPL)	– 5,264	4,380
Financial liabilities at amortized cost (FLAC)	– 41,225	– 41,994
Total	**– 42,798**	**– 38,915**

Net gains and losses are mainly due to interest effects. The net interest result for financial assets and liabilities amounted to € 31.1 million (2018: € 27.2 million) in the fiscal year. Within financial instruments at fair value through profit or loss, gains (€ 10.4 million) from the valuation of derivatives that were concluded to hedge transactions from business combinations also made an impact. These were partially compensated for through opposing effects from currency forward contracts to hedge planned transactions.

OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES

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

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

32. DISCLOSURES RELATING TO FINANCIAL INSTRUMENT RISK MANAGEMENT

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

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

INTEREST RISK

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

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

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

2019	Nominal	of which fixed	of which variable	of which unhedged	1.0 percentage point increase
T€	1,802,691	1,555,443	247,248	247,248	2,472
TUSD	195,992	185,992	10,000	10,000	100
TMGA	51,924,959	0	51,924,959	51,924,959	519,250

An increase to all relevant interest rates of one percentage point would have resulted in T€ 2,687 less net income as of December 31, 2019 (December 31, 2018: T€ 1,583). A decline in the interest rates would have had no material effect on net income due to provisions on negative interest rates stipulated in the credit agreements. The changes in interest rates from financial instruments have no impact on equity.

CURRENCY RISK

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

Transaction risk arises in the separate financial statements of Group companies through changes in future cash flows denoted in foreign currencies due to exchange rate fluctuations.

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

In 2019, Symrise established an in-house bank to increase transparency and better manage the currency risks arising from internal supply relationships. Affiliated companies are given accounts with the in-house bank in their functional currency. This frees them from currency risks; only the in-house bank maintains balances in foreign currency. These are hedged centrally via currency forward contacts.

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

A significant currency risk for the Symrise Group in the reporting year resulted primarily in relation to the US Dollar, Chinese Renminbi and Japanese Yen. The foreign currency risk before hedging transactions at the end of the reporting period amounted to JPY 2,596.9 million (December 31, 2018: JPY 1,298.6 million), CNY 199.5 million (December 31, 2018: CNY 95.2 million) and USD 77.7 million (December 31, 2018: USD 35.7 million). The increase in relation to the Japanese Yen results from a higher level of internal Group borrowings in this currency, which were largely secured via currency forward contracts. The increase in relation to the Chinese Renminbi primarily results from a higher level of trade receivables and internal Group borrowings in this currency, which were largely secured via currency forward contracts. The increase in relation to the US Dollar results primarily from a higher level of internal Group borrowings in the respective currency, which were largely secured via currency forward contracts.

T€	2018	2019
Sensitivity from a value increase/decrease in the EUR as compared to the USD of +/− 10%		
Impact on earnings before income taxes	+/− 4,356	+/− 5,893
Impact on other comprehensive income before income taxes	−/+ 2,623	−/+ 1,165
Total	**+/− 1,733**	**+/− 4,728**
Sensitivity from a value increase/decrease in the EUR as compared to the CNY of +/− 10%		
Impact on earnings before income taxes	+/− 1,211	+/− 708
Impact on other comprehensive income before income taxes	−/+ 0	−/+ 0
Total	**+/− 1,211**	**+/− 708**
Sensitivity from a value increase/decrease in the EUR as compared to the JPY of +/− 10%		
Impact on earnings before income taxes	+/− 325	+/− 186
Impact on other comprehensive income before income taxes	−/+ 0	−/+ 0
Total	**+/− 325**	**+/− 186**

Derivative financial instruments were used to reduce currency risk.

Currency forward contracts with positive market values amounted to T€ 1,906 as of the end of the reporting period (December 31, 2018: T€ 1,819), while currency forward contracts with negative market values totaled T€ 757 (December 31, 2018: T€ 2,724).

Further information on the positive and negative fair values for currency forward contracts with and without hedge relationships can be found in the table on financial instruments in note 31 as well as in the notes on liquidity risk.

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, Symrise does not expect Brexit to have a significant impact on the Group, as the Group companies based in the United Kingdom have their own production facilities and primarily sell their products to local customers. Since the potential of a hard Brexit without a free trade agreement at the completion of the transition phase following the United Kingdom's withdrawal from the EU and the subsequent consequences cannot be assessed at this time, Symrise is actively working on mitigating measures. All key financing contracts are made with Symrise AG and are not subject to British law.

LIQUIDITY RISK

The liquidity risk – i.e., the risk that Symrise is unable to meet its financial obligations – is limited by creating the necessary financial flexibility within the existing financing arrangements and through effective cash management. Symrise manages the liquidity risk through the use of a 12-month rolling financial plan. This makes it possible to finance deficits that can be forecast under normal market conditions at normal market terms. Based on current planning, no liquidity risks are foreseen at the moment. As of the reporting date, Symrise had access to credit lines that are explained in greater detail in note 23.

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

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

2019 T€	Carrying amount	Expected outgoing payments	Maturity dates for expected payments up to 1 year	over 1 year to 5 years	over 5 years
Borrowings	1,966,157	2,091,118	526,880	735,517	828,721
Trade payables	332,497	332,497	332,497	0	0
Other non-derivative financial obligations	3,964	3,988	2,367	1,621	0

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

T€	2018	2019
Currency forward contracts		
Assets	1,819	1,906
Liabilities	2,724	757
Expected incoming payments	165,115	222,548
Expected outgoing payments	166,020	221,399

DEFAULT AND CREDITWORTHINESS RISK

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

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

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

33. CONTINGENT LIABILITIES AND OTHER FINANCIAL OBLIGATIONS

CONTINGENT LIABILITIES

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

Symrise is confronted with lawsuits and legal proceedings as a result of its normal business activities, which generally relate to the areas of labor law, product liability, warranty claims, tax law and intellectual property. Symrise sets up provisions for such cases when it is probable that an obligation arises from past events, when the amount of the obligation can be measured with sufficient reliability and the settlement of which is expected to result in an outflow of resources embodying economic benefits. For all currently pending legal proceedings, Symrise has set up provisions of € 2.7 million. Symrise is currently of the opinion that all the lawsuits and proceedings brought against the Group, both individually and as a whole, will have no material negative influence on business operations, net assets, financial position and results of operations. The recognized provisions are neither individually nor collectively material. The results of present and future proceedings are not foreseeable, meaning that legal or official decisions or settlement agreements could lead to expenses that are not or not completely covered by insurance services and that could therefore have material effects on the business and its results. Many of the processes are, however, covered by insurance benefits relating to product liability insurance.

OTHER FINANCIAL OBLIGATIONS

As of December 31, 2019, the Group has obligations to purchase property, plant and equipment amounting to € 41.2 million (December 31, 2018: € 72.1 million). This mainly relates to production facilities and laboratory and office equipment. Most are due during the course of 2020. Other obligations amounting to € 174.2 million (December 31, 2018: € 191.9 million) exist from not yet fulfilled commitments for purchases of goods.

Symrise AG has service contracts with various providers regarding the outsourcing of its internal IT. Some service contracts already existed in previous years. The remaining total obligation toward these service providers amounts to € 8.9 million (December 31, 2018: € 25.3 million), accounting for extraordinary termination rights. Miscellaneous other financial obligations amounted to € 12.4 million as of December 31, 2019 (December 31, 2018: € 15.3 million) and are mostly obligations from consulting, service and cooperation contracts (€ 7.7 million; December 31, 2018: € 8.1 million).

34. TRANSACTIONS WITH RELATED PARTIES

Consolidated companies, joint ventures and associated companies, the members of the Executive Board and Supervisory Board and their close relatives are considered related parties. The sales and purchases from related companies were completed under the same terms and conditions as though they had been transacted with third parties. As in the previous year, only a small amount of goods was purchased from joint ventures and associated companies in 2019. In addition to fixed remuneration and one-year variable remuneration, the members of the Executive Board also receive variable remuneration over several years (long-term incentive plan, LTIP). The individual remuneration components are explained in more detail in the remuneration report of the management report. In the 2019 fiscal year, members of the Executive and Supervisory Board received the following remuneration:

	2018			2019		
T€	Executive Board	Supervisory Board	Total	Executive Board	Supervisory Board	Total
Short-term benefits	7,107	1,074	**8,181**	8,234	1,081	**9,315**
Other long-term benefits	1,103	0	**1,103**	2,999	0	**2,999**
Post-employment benefits	58	0	**58**	58	0	**58**
Total	**8,268**	**1,074**	**9,342**	**11,291**	**1,081**	**12,372**

The supplemental disclosures pursuant to Section 315e of the German Commercial Code (HGB) are as follows:

T€	2018	2019
Total remuneration for active members		
Executive Board	7,107	8,234
Supervisory Board	1,074	1,081
Total remuneration for former members and their surviving dependents		
Executive Board	342	343

Provisions for current pensions and pension entitlements contain contributions of € 12.9 million (December 31, 2018: € 11.4 million) for former members of the Executive Board and € 5.2 million (December 31, 2018: € 4.1 million) for current members of the Executive Board.

The individualized remuneration for members of the Executive Board and Supervisory Board is also disclosed in the remuneration report of the management report.

35. EXECUTIVE BOARD AND SUPERVISORY BOARD SHAREHOLDINGS

The direct or indirect total holding of shares in Symrise AG by all members of the Executive and Supervisory Boards as of December 31, 2019, amounted to more than 1 %. Of the 5.46 % of shares in Symrise AG held by members of the Executive and Supervisory Boards, 5.23 % is held by members of the Supervisory Board while 0.23 % is held by members of the Executive Board.

36. LONG-TERM OBJECTIVES AND METHODS FOR MANAGING FINANCIAL RISK

Please refer to the risk report, which is a component of the Group management report.

37. AUDIT OF FINANCIAL STATEMENTS

The Annual General Meeting of Symrise AG, held on May 22, 2019, appointed Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft as auditor for the 2019 fiscal year.

The following table provides an overview of the fees paid to the auditors:

T€	2018	2019
Audit of financial statements	711	894
Other audit assurance services	0	91
Tax advisory services	0	9
Total	**711**	**994**

A total of € 2.8 million (2018: € 2.2 million) was incurred worldwide in connection with the audit of the financial statements.

38. LIST OF INTERESTS IN ENTITIES

Fully consolidated subsidiaries as of December 31, 2019

Name and registered office of the entity	Share
Germany	
Busiris Vermögensverwaltung GmbH, Holzminden	100.00 %
DrinkStar GmbH, Rosenheim	100.00 %
Haarmann & Reimer Unterstützungskasse Gesellschaft mit beschränkter Haftung, Holzminden	100.00 %
Schimmel & Co. Gesellschaft mit beschränkter Haftung, Holzminden	100.00 %
Symotion GmbH, Holzminden	100.00 %
Symrise Beteiligungs GmbH, Holzminden	100.00 %
Symrise BioActives GmbH, Hamburg	100.00 %
Symrise Financial Services GmbH, Holzminden	100.00 %
Symrise US-Beteiligungs GmbH, Holzminden	100.00 %
Tesium GmbH, Holzminden	100.00 %
France	
Aromatics SAS, Clichy-la-Garenne	100.00 %
Arôme de Chacé SAS, Chace	100.00 %
Diana Food SAS, Antrain	100.00 %
Diana SAS, Saint Nolff	100.00 %
Diana Trans SAS, Saint Nolff	100.00 %
Octopepper SAS, Bordeaux	57.93 %
Société de Protéines Industrielles SAS, Berric	100.00 %
Spécialités Pet Food SAS, Elven	100.00 %
Symrise SAS, Clichy-la-Garenne	100.00 %
Villers SAS, Villers Les Pots	100.00 %
Rest of Europe	
Cobell Limited, Exeter, UK	100.00 %
Diana Food Limited, Spalding, UK	100.00 %
OOO “Symrise Rogovo”, Rogovo, Russia	100.00 %
Probi AB, Lund, Sweden	57.79 %
Probi Feed AB, Lund, Sweden	57.79 %
Probi Food AB, Lund, Sweden	57.79 %
Scelta Umami B.V., Venlo, Netherlands	60.00 %
SPF Diana España SLU, Lleida, Spain	100.00 %
SPF Hungary Kft, Beled, Hungary	100.00 %
SPF RUS, Shebekino, Russia	100.00 %
SPF UK Ltd, Doncaster, United Kingdom	60.00 %
Symrise Group Finance Holding 1 BVBA, Brussels, Belgium	100.00 %
Symrise Holding Limited, Marlow Bucks, United Kingdom	100.00 %
Symrise Iberica S.L., Parets de Valles, Spain	100.00 %
Symrise IP Holding GCV, Brussels, Belgium	100.00 %
Symrise Kimya Sanayi Ticaret Ltd. Sirketi, Turkey	100.00 %
Symrise Limited, Marlow Bucks, United Kingdom	100.00 %
Symrise Luxembourg S.a.r.l., Luxembourg, Luxembourg	100.00 %
Symrise Spółka z ograniczoną odpowiedzialnością, Warsaw, Poland	100.00 %
Symrise S.r.l., Milan, Italy	100.00 %

Rest of Europe (Continuation from page 135)	
Symrise US Holding BV, Halle, Netherlands	100.00 %
Symrise Vertriebs GmbH, Vienna, Austria	100.00 %

North America	
American Dehydrated Foods, Inc., Springfield, USA	100.00 %
Diana Food Canada Inc., Champlain (Quebec), Canada	100.00 %
Diana Food Inc., Silverton, USA	100.00 %
Diana US Inc., Wilmington, USA	100.00 %
International Dehydrated Foods, Inc., Springfield, USA	100.00 %
IsoNova Technologies LLC, Springfield, USA	100.00 %
Probi US, Inc., Seattle, USA	57.79 %
SPF Canada – Groupe Diana Inc, Chemin (Quebec), Canada	100.00 %
SPF North America Inc., South Washington, USA	100.00 %
SPF USA Inc., Wilmington, USA	100.00 %
Symrise Holding Inc., Wilmington, USA	100.00 %
Symrise Holding II Inc., Wilmington, USA	100.00 %
Symrise Inc., Teterboro, USA	100.00 %
Symrise US LLC, Teterboro, USA	100.00 %

Latin America	
Aquasea Costa Rica, Canas, Costa Rica	100.00 %
Citratus Fragrâncias Indústria e Comércio Ltda., Vinhedo, Brazil	100.00 %
Diana Food Ecuador SA, Machala, Ecuador	100.00 %
Diana Food Chile SpA, Buin, Chile	100.00 %
Diana Pet Food Colombia, Buenos Aires, Colombia	100.00 %
Proteinas Del Ecuador Ecuaprotein SA, Duran, Ecuador	67.70 %
Spécialités Pet Food SA de C.V., El Marques queretato, Mexico	100.00 %
SPF Argentina, Buenos Aires, Argentina	100.00 %
SPF Do Brazil Indústria e Comércio Ltda, Sao Paulo, Brazil	100.00 %
Symrise Aromas e Fragrâncias Ltda., Sao Paulo, Brazil	100.00 %
Symrise C.A., Caracas, Venezuela	100.00 %
Symrise Ltda., Bogota, Colombia	100.00 %
Symrise S. de R.L. de C.V., San Nicolas de los Garza, Mexico	100.00 %
Symrise S.A., Santiago de Chile, Chile	100.00 %
Symrise S.R.L., Tortuguitas, Argentina	100.00 %

Asia and Pacific	
Diana Group Pte (Singapore) Ltd, Singapore, Singapore	100.00 %
Diana Petfood (Chuzhou) Company Limited, Chuzhou, China	100.00 %
Diana Naturals Private Ltd, Mumbai, India	100.00 %
P.T. Symrise, Jakarta, Indonesia	100.00 %
Probi Asia-Pacific Pte Ltd, Singapore, Singapore	57.79 %
SPF (Chuzhou) Pet Food Co. Ltd., Chuzhou, China	100.00 %
SPF (Qingdao) Trading Co., Ltd, Qingdao City, China	100.00 %
SPF Thailand, Bangkok, Thailand	51.00 %
SPF Diana Australia Pty Ltd, Beresfield, Australia	100.00 %
Symrise (China) Investment Co. Ltd., Nantong, China	100.00 %
Symrise Asia Pacific Pte. Ltd., Singapore, Singapore	100.00 %
Symrise Flavors & Fragrances (Nantong) Co. Ltd., Nantong, China	100.00 %
Symrise Holding Pte. Limited, Singapore, Singapore	100.00 %

Asia and Pacific (Continuation from page 136)	
Symrise Inc., Manila, Philippines	100.00%
Symrise K.K., Tokyo, Japan	100.00%
Symrise Limited, Seoul, South Korea	100.00%
Symrise Ltd., Bangkok, Thailand	100.00%
Symrise Private Limited, Chennai, India	100.00%
Symrise Pte. Ltd., Singapore, Singapore	100.00%
Symrise Pty. Ltd., Dee Why, Australia	100.00%
Symrise SDN. BHD, Petaling, Malaysia	100.00%
Symrise Shanghai Limited, Shanghai, China	100.00%

Africa and Middle East	
Origines S.a.r.L., Antananarivo, Madagascar	100.00%
Specialites Pet Food South Africa, Cape Town, South Africa	100.00%
Symrise (Pty) Ltd., Isando, South Africa	100.00%
Symrise Middle East Ltd, Dubai, United Arab Emirates	100.00%
Symrise Middle East FZ-LLC, Dubai, United Arab Emirates	100.00%
Symrise Nigeria Limited, Lagos, Nigeria	100.00%
Symrise Parsian, Tehran, Iran	100.00%
Symrise S.A.E., 6th of October City, Egypt	100.00%
Symrise S.a.r.L., Antananarivo, Madagascar	100.00%

Joint ventures as of December 31, 2019

Name and registered office of the entity	Share
Food Ingredients Technology Company L.L.C., Springfield, USA	50.00%

Associated companies as of December 31, 2019

Name and registered office of the entity	Share
Therapeutic Peptides Inc., Baton Rouge, USA	20.00%
Californulations, LLC, Columbus, USA	34.00%
VIDEKA, LLC, Kalamazoo, USA	49.00%

39. EXEMPTION FROM THE OBLIGATION TO PREPARE ANNUAL FINANCIAL STATEMENTS PURSUANT TO SECTION 264 (3) OF THE GERMAN COMMERCIAL CODE (HGB)

The following companies are included in the consolidated financial statements of Symrise AG in accordance with the provision applicable for corporate entities and have taken advantage of the exemption provisions covering the preparation, audit and publication of separate annual financial statements pursuant to Section 264 (3) of the German Commercial Code (HGB): Busiris Vermögensverwaltung GmbH, Symrise Financial Services GmbH, Symotion GmbH, Symrise US-Beteiligungs GmbH and Tesium GmbH (all headquartered in Holzminden), as well as DrinkStar GmbH (headquartered in Rosenheim).

40. CORPORATE GOVERNANCE

The Declaration of Compliance pursuant to Section 161 of the German Stock Corporation Act (AktG) has been submitted for 2019 and has been made permanently available to shareholders through our website www.symrise.com.

41. EVENTS AFTER THE REPORTING PERIOD

No events of significance have occurred since the end of the fiscal year.

Holzminden, Germany, February 18, 2020

Symrise AG

The Executive Board

Dr. Heinz-Jürgen Bertram | Olaf Klinger | Achim Daub

Dr. Jean-Yves Parisot | Heinrich Schaper

Statement of the Executive Board

To the best of our knowledge and in accordance with the applicable reporting principles, the consolidated financial statements give a true and fair view of the net assets, financial position and results of operations of the Group, and the Group management report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group.

Holzminden, Germany, February 18, 2020

Symrise AG

The Executive Board

Dr. Heinz-Jürgen Bertram

Olaf Klinger

Achim Daub

Dr. Jean-Yves Parisot

Heinrich Schaper

Independent auditor's report

To Symrise AG

Report on the audit of the consolidated financial statements and of the group management report

OPINIONS

We have audited the consolidated financial statements of Symrise AG, Holzminden, and its subsidiaries (the Group), which comprise the consolidated income statement and consolidated statement of comprehensive income for the fiscal year from 1 January 2019 to 31 December 2019, and the consolidated statement of financial position as at 31 December 2019, consolidated statement of cash flows, consolidated statement of changes in equity for the fiscal year from 1 January 2019 to 31 December 2019, and notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the group management report of Symrise AG for the fiscal year from 1 January 2019 to 31 December 2019. In accordance with the German legal requirements, we have not audited the content of the statement on corporate governance that is part of the group management report and was published on the website cited in the group management report.

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying consolidated financial statements comply, in all material respects, with the IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to Sec. 315e (1) HGB ["Handelsgesetzbuch": German Commercial Code] and, in compliance with these requirements, give a true and fair view of the assets, liabilities and financial position of the Group as at 31 December 2019, and of its financial performance for the fiscal year from 1 January 2019 to 31 December 2019, and

- the accompanying group management report as a whole provides an appropriate view of the Group's position. In all material respects, this group management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our opinion on the group management report does not cover the content of the group statement on corporate governance referred to above.

Pursuant to Sec. 322 (3) Sentence 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and of the group management report.

BASIS FOR THE OPINIONS

We conducted our audit of the consolidated financial statements and of the group management report in accordance with Sec. 317 HGB and the EU Audit Regulation (No 537/2014, referred to subsequently as "EU Audit Regulation") and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's responsibilities for the audit of the consolidated financial statements and of the group management report" section of our auditor's report. We are independent of the group entities in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Art. 10 (2) f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Art. 5 (1) of the EU Audit Regulation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions on the consolidated financial statements and on the group management report.

KEY AUDIT MATTERS IN THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the fiscal year from 1 January 2019 to 31 December 2019. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon; we do not provide a separate opinion on these matters.

Below, we describe what we consider to be the key audit matters:

1) IMPAIRMENT TESTING OF GOODWILL

Reasons why the matter was determined to be a key audit matter

As a result of acquisitions in the past, the Symrise Group presents significant amounts of goodwill in its consolidated statement of financial position. The Group is operated with the segments "Scent & Care," "Flavor" and "Nutrition." This is in line with internal management and the distribution of responsibilities within the Executive Board.

The result of the impairment test performed as of 30 September 2019 to determine whether an impairment loss has to be recognized on goodwill is highly dependent on the executive directors' estimate of future cash flows and the respective discount rates used.

In light of the materiality of goodwill in relation to total assets, the complexity of the valuation and the judgment exercised during valuation, the goodwill impairment test was a key audit matter.

Auditor's response

During our audit, among other things, we obtained an understanding of the methods used to carry out the impairment tests including an examination of the suitability of the procedure for performing an impairment test in accordance with IAS 36. In doing so, we analyzed the planning process and tested the operating effectiveness of the controls implemented therein. We discussed the significant planning assumptions with the executive directors and compared these with the results and cash inflows realized in the past.

With respect to the rollforward of the medium to the long-term plan, we examined in particular the assumptions on the growth rate. Our assessment of the results of the impairment tests as of 30 September 2019 was based among other things on a comparison with general and industry-specific market expectations underlying the expected cash inflows. Based on our understanding that even relatively small changes in the discount rates used can at times have significant effects on the amount of the business value calculated, we analyzed the inputs used to determine the discount rates and reperformed the calculation with regard to the relevant requirements of IAS 36. We also performed sensitivity analyses in order to estimate any potential impairment risk associated with a reasonably possible change in one of the significant assumptions used in the valuation.

We obtained evidence that the segments represent the lowest level within the Group at which independent cash inflows are generated and goodwill is monitored for internal management purposes.

As the Symrise Group carries out its impairment test as of 30 September each year, we performed additional procedures to ensure that there had been no significant changes as of the reporting date. This mainly involved analyzing the validity of the underlying valuation inputs and significant planning assumptions as of the reporting date.

Our procedures did not lead to any reservations relating to the valuation of goodwill.

Reference to related disclosures

With regard to the recognition and measurement policies applied for goodwill, refer to the disclosure on impairments in section "2.5 Summary of Significant Accounting Policies" of the notes to the consolidated financial statements. For the related disclosures on judgments by the executive directors and sources of estimation uncertainty as well as the disclosures on goodwill, refer to the disclosure in section "2.3 Estimates and Assumptions" and in note 18 "Intangible Assets" in the "Additional Disclosures on the Consolidated Statement of Financial Position" section of the notes to the consolidated financial statements.

2) RECOGNITION OF REVENUE FROM THE SALE OF PRODUCTS

Reasons why the matter was determined to be a key audit matter

Revenue from the sale of products is recognized in the consolidated financial statements of Symrise AG when control over the goods sold has been transferred to the customers.

The Symrise Group has a large number of customers and an extensive product range. This entails a large number of different contractual arrangements, calling for particular care in order to properly account for transactions, especially with regard to the correct application of the accrual basis accounting. In this light, revenue recognition was a key audit matter.

Auditor's response

The executive directors of Symrise AG have issued detailed accounting instructions and implemented processes for recognizing revenue from product sales. During our audit, we considered, based on the criteria defined in IFRS 15, the recognition and measurement requirements applied in the consolidated financial statements of Symrise AG for the recognition of revenue. Our response included an examination of whether control passed to the buyers upon the sale of the products. We analyzed the processes implemented by the Executive Board of Symrise AG and the recognition and measurement policies for the recognition of product sales. We tested the operating effectiveness of the controls relating to revenue recognition and the correct cut-off of revenue. To substantiate the existence of revenue, we examined whether it led to trade receivables and in turn, if payments were received in settlement of these receivables. In addition, based on analytical procedures defined group-wide, we analyzed whether the revenue for fiscal year 2019 was recognized on an accrual basis. We analyzed the recognition of revenue based on the contractual arrangements on a sample basis with regard to the requirements of IFRS 15 for revenue recognition. We also obtained balance confirmations from customers.

Overall, our procedures relating to the recognition of revenue from the sale of products did not lead to any reservations.

Reference to related disclosures

With regard to the recognition and measurement policies applied for the recognition of revenue from the sale of products, refer to the disclosure on the recognition of revenue in section "2.5 Summary of Significant Accounting Policies" of the notes to the consolidated financial statements.

OTHER INFORMATION

The Supervisory Board is responsible for the Report of the Supervisory Board. In all other respects, the executive directors are responsible for the other information. The other information comprises

- the statement on corporate governance referred to above,
- the "Report of the Supervisory Board" included in the 2019 financial report,

- the responsibility statement pursuant to Sec. 297 (2) Sentence 4 HGB and Sec. 315 (1) Sentence 5 HGB contained in the "Statement of the Executive Board" section of the 2019 financial report,

- the information obtained in the "Corporate Governance" section of the 2019 financial report,

- the "Sustainability and Responsibility" section of the 2019 corporate report

and in the other sections of the 2019 financial report and in the 2019 corporate report, except for the consolidated financial statements, the group management report and our related auditor's report.

Our opinions on the consolidated financial statements and on the group management report do not cover the other information, and consequently we do not express an opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information and, in so doing, to consider whether the other information

- is materially inconsistent with the consolidated financial statements, with the group management report or our knowledge obtained in the audit, or

- otherwise appears to be materially misstated.

RESPONSIBILITIES OF THE EXECUTIVE DIRECTORS AND THE SUPERVISORY BOARD FOR THE CONSOLIDATED FINANCIAL STATEMENTS AND THE GROUP MANAGEMENT REPORT

The executive directors are responsible for the preparation of the consolidated financial statements that comply, in all material respects, with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Sec. 315e (1) HGB, and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position and financial performance of the Group. In addition, the executive directors are responsible for such internal control as they have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the executive directors are responsible for assessing the Group's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

Furthermore, the executive directors are responsible for the preparation of the group management report that, as a whole, provides an appropriate view of the Group's position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, the executive directors are responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a group management report that is in accordance with the German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the group management report.

The Supervisory Board is responsible for overseeing the Group's financial reporting process for the preparation of the consolidated financial statements and of the group management report.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS AND OF THE GROUP MANAGEMENT REPORT

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the group management report as a whole provides an appropriate view of the Group's position and, in all material respects, is consistent with the consolidated financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our opinions on the consolidated financial statements and on the group management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Sec. 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and this group management report.

We exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements and of the group management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the group management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of these systems.

- Evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.

- Conclude on the appropriateness of the executive directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the group management report or, if such disclosures are inadequate, to modify our respective opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Sec. 315e (1) HGB.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express opinions on the consolidated financial statements and on the group management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinions.

- Evaluate the consistency of the group management report with the consolidated financial statements, its conformity with [German] law, and the view of the Group's position it provides.

- Perform audit procedures on the prospective information presented by the executive directors in the group management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the relevant independence requirements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and where applicable, the related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

OTHER LEGAL AND REGULATORY REQUIREMENTS

Further information pursuant to Art. 10 of the EU Audit Regulation

We were elected as group auditor by the Annual General Meeting on 22 May 2019. We were engaged by the Supervisory Board on 4 December 2019. We have been the group auditor of Symrise AG without interruption since fiscal year 2017.

We declare that the opinions expressed in this auditor's report are consistent with the additional report to the audit committee pursuant to Art. 11 of the EU Audit Regulation (long-form audit report).

GERMAN PUBLIC AUDITOR RESPONSIBLE FOR THE ENGAGEMENT

The German Public Auditor responsible for the engagement is Dr. Christian Janze.

Hanover, 19 February 2020

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

Ludwig	Dr. Janze
Wirtschaftsprüfer	Wirtschaftsprüfer
[German Public Auditor]	[German Public Auditor]