Consolidated Financial Statements

January 1 to December 31, 2017

Consolidated Income Statement – January 1 to December 31, 2017

T€	Notes	2016 adjusted*	2017
Sales	4	2,903,187	2,996,294
Cost of goods sold	5	– 1,718,170	– 1,771,825
Gross profit		**1,185,017**	**1,224,469**
Selling and marketing expenses	7	– 469,555	– 478,129
Research and development expenses	8	– 186,152	– 196,432
Administration expenses	9	– 158,312	– 154,658
Other operating income	10	35,090	38,408
Other operating expenses		– 2,475	– 2,072
Income from operations/EBIT		**403,613**	**431,586**
Financial income		4,186	6,843
Financial expenses		– 50,059	– 62,981
Financial result	**11**	**– 45,873**	**– 56,138**
Earnings before income taxes		**357,740**	**375,448**
Income taxes	12	– 97,160	– 99,799
Net income		**260,580**	**275,649**
of which attributable to shareholders of Symrise AG		252,363	270,270
of which attributable to non-controlling interests		8,217	5,379
Earnings per share (€)	**14**		
basic		1.94	2.08
diluted		1.94	2.06

* Regarding the details of the adjustment, please refer to note 2.1.

Consolidated Statement of Comprehensive Income

T€	Notes	2016 adjusted*	2017
Net income		**260,580**	**275,649**
of which attributable to shareholders of Symrise AG		252,363	270,270
of which attributable to non-controlling interests		8,217	5,379
Items that may be reclassified subsequently to the consolidated income statement			
Exchange rate differences resulting from the translation of foreign operations	2.5		
Exchange rate differences that occurred during the fiscal year	26	– 3,847	– 152,297
Gains/losses from net investments		5,679	– 6,978
Reclassification to the consolidated income statement		1,878	0
Financial assets available for sale			
Change in the fair value of financial assets available for sale		5	17
Cash flow hedge (currency hedges)	26		
Gains/losses recorded during the fiscal year		– 1,553	2,691
Reclassification against goodwill		507	0
Reclassification to the consolidated income statement		882	– 1,462
Income taxes payable on these components	12	– 2,830	1,771
Items that will not be reclassified to the consolidated income statement			
Remeasurement of defined benefit pension plans and similar obligations	25	– 63,869	8,576
Income taxes payable on these components	12	18,625	– 5,726
Other comprehensive income		**– 44,523**	**– 153,408**
Total comprehensive income		**216,057**	**122,241**
of which attributable to shareholders of Symrise AG		207,531	122,738
of which attributable to non-controlling interests		8,526	– 497

* Regarding the details of the adjustment, please refer to note 2.1.

Consolidated Statement of Financial Position

T€	Notes	December 31, 2016 adjusted*	December 31, 2017
ASSETS			
Current assets			
Cash and cash equivalents	15	301,648	229,505
Trade receivables	16	528,353	557,436
Inventories	17	680,431	751,511
Other non-financial assets and receivables		71,992	77,507
Financial assets		29,147	24,012
Income tax assets		23,567	25,538
		1,635,138	**1,665,509**
Non-current assets			
Intangible assets	18	2,112,411	1,965,890
Property, plant and equipment	19	857,378	901,620
Other non-financial assets and receivables		19,001	27,809
Financial assets		23,575	7,623
Investments in associated companies		2,000	0
Deferred tax assets	20	103,221	106,170
		3,117,586	**3,009,112**
TOTAL ASSETS		**4,752,724**	**4,674,621**

* Regarding the details of the adjustment, please refer to note 2.1.

Consolidated Statement of Financial Position

T€	Notes	December 31, 2016 adjusted*	December 31, 2017
LIABILITIES			
Current liabilities			
Trade payables	21	254,383	276,229
Borrowings	22	536,336	88,974
Other non-financial liabilities	23	152,785	155,921
Other provisions	24	14,394	12,432
Other financial liabilities		12,510	7,186
Income tax liabilities		57,590	62,639
		1,027,998	**603,381**
Non-current liabilities			
Borrowings	22	1,213,545	1,538,764
Other non-financial liabilities		6,932	5,673
Other provisions	24	22,462	21,073
Provisions for pensions and similar obligations	25	522,552	523,368
Other financial liabilities		11,846	5,198
Deferred tax liabilities	20	203,956	195,861
Income tax liabilities		11,967	11,967
		1,993,260	**2,301,904**
TOTAL LIABILITIES		**3,021,258**	**2,905,285**
EQUITY	**26**		
Share capital		129,813	129,813
Capital reserve		1,375,957	1,405,085
Reserve for remeasurements (pensions)		– 181,633	– 178,783
Cumulative translation differences		– 62,537	– 213,838
Accumulated profit		407,764	567,234
Other reserves		2,316	3,235
Symrise AG shareholders' equity		**1,671,680**	**1,712,746**
Non-controlling interests	27	59,786	56,590
TOTAL EQUITY		**1,731,466**	**1,769,336**
LIABILITIES AND EQUITY		**4,752,724**	**4,674,621**

* Regarding the details of the adjustment, please refer to note 2.1.

Consolidated Statement of Cash Flows

T€	Notes	2016 adjusted*	2017
Net income		**260,580**	**275,649**
Income taxes	12	97,160	99,799
Interest result	11	49,362	48,496
Depreciation, amortization and impairment of non-current assets	18, 19	202,941	198,718
Increase (+)/decrease (–) in other non-current liabilities		347	4,150
Increase (–)/decrease (+) in other non-current assets		– 2,944	619
Other non-cash expenses and income		– 13,400	14,846
Cash flow before working capital changes		**594,046**	**642,277**
Increase (–)/decrease (+) in trade receivables and other current assets		– 50,900	– 58,752
Increase (–)/decrease (+) of inventories		– 88,043	– 106,652
Increase (+)/decrease (–) in trade payables and other current liabilities		3,941	36,390
Income taxes paid		– 120,273	– 117,079
Cash flow from operating activities		**338,771**	**396,184**
Payments for business combinations plus acquired cash equivalents, for subsequent contingent purchase price components as well as for investments in associated companies	29	– 261,870	– 22,290
Payments received from the sale of a subsidiary minus cash sold	29	114,049	6,527
Payments for investing in intangible assets		– 12,696	– 17,710
Payments for investing in property, plant and equipment		– 152,920	– 185,457
Payments for investing in non-current financial assets		– 593	– 2,775
Proceeds from the disposal of non-current assets		2,990	2,428
Cash flow from investing activities		**– 311,040**	**– 219,277**
Proceeds from (+)/redemption of (–) bank borrowings		– 43,779	– 162,182
Proceeds from (+)/redemption of (–) other borrowings		162,306	– 300,484
Issue of a convertible bond less transaction costs		0	397,062
Interest paid		– 39,640	– 40,445
Interest received		1,242	2,077
Dividends paid	29	– 108,118	– 113,427
Payments from minority interests from capital increases after transaction costs and taxes		30,664	0
Payments for finance lease liabilities		– 921	– 1,707
Cash flow from financing activities		**1,754**	**– 219,106**
Net change in cash and cash equivalents		29,485	– 42,199
Effects of changes in exchange rates		– 6,015	– 29,944
Total changes		**23,470**	**– 72,143**
Cash and cash equivalents as of January 1		278,178	301,648
Cash and cash equivalents as of December 31	15	**301,648**	**229,505**

* Regarding the details of the adjustment, please refer to note 2.1.

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

Consolidated Statement of Changes in Equity

T€	Share capital	Capital reserve	Reserve for remeasurements (pensions)	Cumulative translation differences	Accumulated profit	Other reserves	Symrise AG shareholders' equity	Non-controlling interests	Total equity
January 1, 2016	**129,813**	**1,375,957**	**– 136,389**	**– 62,707**	**259,210**	**2,448**	**1,568,332**	**19,903**	**1,588,235**
Net income	–	–	–	–	252,363	–	**252,363**	8,217	**260,580**
Other comprehensive income	–	–	– 45,244	544	–	– 132	**– 44,832**	309	**– 44,523**
Total comprehensive income	**–**	**–**	**– 45,244**	**544**	**252,363**	**– 132**	**207,531**	**8,526**	**216,057**
Dividends paid	–	–	–	–	– 103,850	–	**– 103,850**	– 4,268	**– 108,118**
Other changes	–	–	–	– 374	41	–	**– 333**	35,625	**35,292**
December 31, 2016 adjusted*	**129,813**	**1,375,957**	**– 181,633**	**– 62,537**	**407,764**	**2,316**	**1,671,680**	**59,786**	**1,731,466**

* Regarding the details of the adjustment, please refer to note 2.1.

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

Equity developments are explained in note 26.

Notes

1. GENERAL INFORMATION

Symrise Aktiengesellschaft (Symrise AG, hereafter also referred to as “Symrise” or “we”) is a stock corporation under German law and the parent of the Symrise Group with its registered office at Muehlenfeldstrasse 1, 37603 Holzminden, Germany, and is registered in the commercial register of the District Court of Hildesheim under registration number HRB 200436. Symrise is a global supplier of fragrances and flavorings, cosmetic active ingredients and raw materials as well as functional ingredients and solutions that enhance the sensory properties and nutrition of various products.

The shares of Symrise AG are authorized for trading on the stock exchange in the regulated market of the Frankfurt Securities Exchange in the Prime Standard segment. They are listed in the MDAX®.

The consolidated financial statements and the Group management report of Symrise AG for the fiscal year ending December 31, 2017, were prepared by the Executive Board on February 15, 2018, 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 statement of financial position and the consolidated income statement 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, which are measured at fair value and recognized with effect on profit or loss, as well as financial assets available for sale, which are measured at fair value with no effect on profit or loss.

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

The purchase price allocation for the Nutraceutix business combination, which took place at the beginning of October 2016, was completed in the first half of 2017 (see note 2.4). Pursuant to IFRS 3.45, the provisional amounts set out in the consolidated financial statements as of December 31, 2016, are to be corrected retrospectively and the new information taken into account as if they had already been known at the time of the acquisition. The changes resulted from the amortization on the intangible assets that were retrospectively recognized for the fourth quarter of 2016 after the deduction of taxes. The consolidated income statement and consolidated statement of financial position were adjusted as follows:

CONSOLIDATED INCOME STATEMENT

T€	December 31, 2016 published	Changes	December 31, 2016 adjusted
Cost of goods sold	– 1,717,718	– 452	– 1,718,170
Gross profit	**1,185,469**	**– 452**	**1,185,017**
Selling and marketing expenses	– 468,791	– 764	– 469,555
Administration expenses	– 158,492	180	– 158,312
Income from operations/EBIT	**404,649**	**– 1,036**	**403,613**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

T€	December 31, 2016 published	Changes	December 31, 2016 adjusted
ASSETS			
Non-current assets	**3,117,959**	**– 373**	**3,117,586**
Intangible assets	2,113,200	– 789	2,112,411
Goodwill	1,272,883	– 51,104	1,221,779
Recipes with definite useful lives	183,882	9,831	193,713
Other intangible assets with definite useful lives	635,262	40,484	675,746

The translation of the adjusted financial statement from the reporting currency of US Dollar to the Group currency of the Euro resulted in slight currency translation effects. The same applies to further adjustments and changes to be made in the presentation of the opening balance. Cash flow from operating activities was not affected by this adjustment in total.

2.2 Changes to Accounting Policies

The accounting policies adopted are generally consistent with those applied in the previous year. The new or revised standards and interpretations to be applied from the 2017 fiscal year onwards had no effect with the following exception:

The **“Amendments to IAS 7 – Disclosure Initiative”** have the objective of improving information provided about changes to a company’s liabilities. Pursuant to these, a company must provide disclosures on changes in liabilities arising from financial activities as well as corresponding financial assets whose payments made and received are recognized in the statement of cash flows under cash flow from financing activities. The disclosures are to become mandatory in the fiscal year beginning on or after January 1, 2017. In order to meet the new disclosure requirements, changes in these liabilities arising from financial activities are shown as a reconciliation between the opening and closing balance in note 29.

The following accounting standards published by the IASB are not yet mandatory:

- **IFRS 9 "Financial Instruments"** harmonizes the requirements for the classification and measurement of financial assets and financial liabilities and introduces a new model for the impairment of financial assets. In addition, the new regulations on hedge accounting already published in November 2013 were adopted in the final version of IFRS 9. IFRS 9 was endorsed into EU law with the directive (EU) 2016/2067 from November 22, 2016, and is to be applied for the first time in fiscal years that begin on or after January 1, 2018. These replace the existing requirements from IAS 39.

  The financial assets and liabilities, which are currently measured at amortized cost, continue to meet the criteria for measurement at amortized cost according to our assessment. Bonds held to maturity at the end of the reporting period are also to be measured at amortized cost in the future. Under IFRS 9, financial assets and liabilities held for trading purposes are still to be accounted at fair value through profit or loss. The above-mentioned changes have no effect on the consolidated financial statements. Fund shares classified as available-for-sale are still recognized in the statement of financial position at fair value, but any changes in measurement must now be recognized in profit or loss. The amount recognized in other comprehensive income as of December 31, 2017, totaled T€ 17. With regard to the new impairment model, we choose the simplified accounting approach for trade receivables, where impairment is calculated based on the lifetime expected credit loss. We do not see any need for adjustment following our review of the actual allowances made, as the approach adopted in the past coincides with a lifetime expected credit loss. For the other financial assets, we do not anticipate any credit defaults that will result in default events in the next 12 months as of the end of the reporting period on December 31, 2017. The "Expected Loss Model" defined in IFRS 9 therefore has no impact on our financial statements at initial application. The hedging transactions designated in hedge accounting under IAS 39 at the end of the reporting period also meet the requirements for hedge accounting under IFRS 9. The scope of currency hedging transactions is insignificant from the Group's point of view (market value on December 31, 2017: T€ 534), which is why the resulting effects are currently negligible (T€ 5). The changes resulting from the application of the new standards are applied retrospectively, but do not result in any adjustment to the opening balance sheet figures as of January 1, 2018, as described above. This excludes all hedging relationships designated in accordance with IAS 39 as of December 31, 2017, since they meet the hedge accounting definition under IFRS 9 as of January 1, 2018, and are therefore classified as current hedging relationships. IFRS 9 is applied prospectively in this context.

- **IFRS 15 "Revenue from Contracts with Customers"** regulates the recognition of sales and replaces IAS 11 "Construction Contracts," IAS 18 "Revenue" and all other related interpretations. IFRS 15 was endorsed into EU law with the directive (EU) 2016/1905 from September 22, 2016, and is to be applied for the first time in fiscal years that begin on or after January 1, 2018. The standard contains a five-step model for recognizing sales revenue that has to be applied to all contracts with customers. It determines the point in time (or period) in which and the amount of sales revenue to be recognized. The standard is accompanied by new, comprehensive disclosures in the notes. Our review has shown that, due to the nature of our customer contracts and our business model, the first-time application of IFRS 15 as of the end of the reporting date on December 31, 2017, does not have a material impact on the consolidated financial statements at initial application: Sales revenue is currently recognized when the significant rewards and risks of ownership of the merchandise or products sold are transferred to the buyer. In the majority of cases, this is the point in time at which effective control is transferred to the buyer. At this point in its analysis, Symrise has not found any discrepancies between the transfer of control and the transfer of rewards and risks. Expected variable price components such as discounts granted are already currently recognized as a reduction in sales revenue. Under the new provisions, contractual liabilities from advance payments received from customers are generally to be disclosed separately. As of December 31, 2017, these contractual liabilities amounted to T€ 404 and are therefore not significant. We will therefore disclose these within other financial liabilities on the statement of financial position. The application of this new accounting standard is based on the modified retrospective approach, meaning that the cumulative effect of the first-time application of IFRS 15 is recognized in equity as an adjustment to the opening balance sheet values as of January 1, 2018, for contracts that have not yet been fulfilled as of January 1, 2018. As described above, there are no deviations in the date of the recognition of sales revenue or sales revenue amounts, so no such adjustment is required.

- IFRS 16 "Leases" replaces IAS 17 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. IFRS 16 was endorsed into EU law with the directive (EU) 2017/1986 from October 31, 2017, and is to be applied for the first time for fiscal years that begin on or after January 1, 2019. With IFRS 16, accounting for lessees is based on a right-of-use model. According to this, a lease exists when a contract stipulates the right to control the use of an identified asset for a specific period in exchange for a consideration. The lessee is to recognize in the statement of financial position right-of-use assets for the leased property and liabilities for the payment obligations received. Furthermore, more comprehensive qualitative and quantitative disclosures will also be required in the future.

  Symrise mainly concludes contracts classified as operating leases. Under the new rules, the minimum lease payments from such contracts previously recognized as part of financial obligations will lead to an increase in non-current assets due to the recognition of rights of use and a corresponding increase in borrowings. The previously straight-line expenses for operating leases are replaced by a depreciation for the rights of use and interest expenses for the liabilities from the lease. In addition, IFRS 16 requires the repayment portion of lease payments to be shown as part of the cash flow from financing activities, which will result in an improvement for the cash flow from operating activities. We have set up a Group-wide project to implement IFRS 16. The quantitative effects cannot yet be stated precisely. For an estimate of the volume involved, please refer to note 32.

The other published, revised standards and interpretations, which partly have not yet been endorsed by the EU, are not expected to have a material impact on the Group's net assets, financial position and results of operations. Should the EU endorse these standards, which are to be applied to future fiscal years, Symrise does not expect to embrace early application.

2.3 Key Judgments and Estimates as well as Sources of Estimation Uncertainty

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

In the following sections we list the discretionary decisions made most often and accounting policies affected by judgments, estimates and assumptions that can have a material impact on the figures presented in the report. Recognizing these uncertainties is necessary for a clear assessment of the net assets, financial position and results of operations.

ASSESSING IMPAIRMENT OF GOODWILL

Goodwill itself is not amortized on a scheduled basis. At least once a year, Symrise tests whether goodwill is impaired. This requires an estimate of the recoverable amounts of the cash-generating units to which goodwill is allocated. In order to estimate the recoverable amount, the Symrise Group has to estimate expected future cash flows deriving from these cash-generating units and also choose a suitable discount rate in order to calculate the present value of these cash flows. To do this, 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. These can be influenced by a number of factors, for example, through changes to our internal forecasts or the weighted average cost of capital (WACC). Actual cash flows and values can therefore widely vary from the forecast future cash flows and values that were determined by means of the discounted cash flows. Although we believe that our assumptions and estimates made in the past were reasonable, differing assumptions and estimates could substantially impact our net assets, financial position and results of operations. Additionally, the results of the impairment tests for goodwill are influenced by the allocation of this goodwill to cash-generating units. Further information can be found in note 2.5.

DETERMINING THE USEFUL LIFE OF INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT

All intangible assets (excluding goodwill) and property, plant and equipment (excluding land) have a definite useful life. That is why acquisition cost is to be systematically allocated over the respective useful life of intangible assets and property, plant and equipment. Discretionary judgment is required for determining the useful life of an intangible asset or property, plant or equipment since Symrise estimates the period in which the asset will likely provide economic value. The amortization period affects the expenses for amortizations recognized in the individual periods. Further information can be found in note 2.5.

RECOGNITION OF INTERNALLY GENERATED INTANGIBLE ASSETS FROM DEVELOPMENT ACTIVITIES

Intangible assets generated internally through development are capitalized according to the accounting principles presented in note 2.5. The decision as to whether an internally generated intangible asset is to be recognized as an intangible asset in the statement of financial position is connected with considerable discretion. Particularly important are the decisions as to whether the activities are to be considered research or development activities and whether the conditions for classification as an intangible asset have been met. This requires assumptions regarding market conditions, customer demand and other future developments. The decision 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. Further information can be found in note 18.

RECOGNITION OF CURRENT INCOME TAXES AND DEFERRED TAXES

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

Every year, we assess whether it is likely that the tax loss carried forward can be used and offset with future tax gains in a reasonable period. Whenever this is not possible, deferred tax assets are diminished. This requires that we make estimates, judgments and assumptions about the tax gains of every Group company. In determining our ability to use our deferred tax assets, we consider all available information including taxable income generated in the past and forecast taxable income in the periods in which the deferred tax assets will likely be realized. In determining future taxable income, the expected market conditions as well as other facts and circumstances are considered. Every change to these underlying facts or to our estimates and assumptions can result in an adjustment to the balance of our deferred tax assets. Further information can be found in note 20.

PENSIONS AND OTHER POST-EMPLOYMENT BENEFITS

The expenses deriving from defined benefit pension plans and the obligation to provide additional post-employment healthcare benefits are determined on the basis of actuarial calculations. 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. External advisors are regularly consulted for the complex actuarial calculations. Further information can be found in note 25.

MEASUREMENT OF TRADE RECEIVABLES

Determining the likelihood of collecting receivables involves making estimates and judgments that are based on the financial standing of the respective customer, current economic developments and the analysis of historical defaults on a portfolio basis. These factors are subject to considerable changes. This applies to both individual receivables as well as the entire portfolio. In this manner, we must judge whether it is probable that a default will occur and whether the default amount can be reliably estimated. The determination of general individual valuation allowances for the remaining receivables on the basis of previous default is associated with significant discretion since the past is not necessarily representative of future developments. 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.

RECOGNITION OF PROVISIONS FOR LITIGATION

The determination of provisions is associated with estimates to a substantial degree. Symrise is confronted with legal action in various jurisdictions and regulatory suits. These suits can lead to criminal or civil sanctions, fines or disgorgements for Symrise. We monitor the status of every case at least once every quarter and determine the potential financial and business risk. It requires significant judgment to determine whether a provision 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.

LONG-TERM REMUNERATION PROGRAMS

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

ASSUMPTIONS AND ESTIMATES REGARDING OTHER ITEMS ON THE STATEMENT OF FINANCIAL POSITION

Assumptions and estimates are also necessary for the measurement of other contingent liabilities, other provisions and derivatives.

The assumptions and their corresponding estimates are explained in note 2.5. 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 will then need to be made.

2.4 Principles Determining the Inclusion of Subsidiaries and Associated Companies in the Consolidated Financial Statements and Development of the Scope of Consolidation

PRINCIPLES DETERMINING THE INCLUSION OF SUBSIDIARIES AND ASSOCIATED COMPANIES

Full Consolidation

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

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

The Equity Method of Accounting

Investments in associated companies are accounted for using the equity method. Associated companies are companies over which Symrise AG exercises significant influence over business and financial policies but that are not subsidiaries or joint ventures.

These investments are initially recognized at cost including transaction costs. After the acquisition date, the share of the net profit or loss of the associated company is recognized in the consolidated income statement. The share of any changes to equity that do not impact profit or loss is recognized directly in other comprehensive income under Group equity. Any accumulated post-acquisition changes accordingly increase or decrease the carrying amount of the investment in the associated company. Goodwill arising from the initial consolidation is disclosed in the carrying amount of the investment in the associated company and not amortized. If the corresponding indicators arise, carrying amounts for associated companies accounted for using the equity method are subjected to an impairment test. Profits and losses deriving from transactions between the Symrise Group and associated companies are eliminated in proportion to the share of the profit or loss of the associated company. If the financial statements for an associated company are not available in time, the carrying amount of the investment in the associated company is updated according to the best possible estimate.

SCOPE OF CONSOLIDATION

In addition to Symrise AG as parent, the scope of consolidation includes all domestic and foreign companies that Symrise AG directly or indirectly controls or where it has significant influence over their activities. In the 2017 fiscal year, the scope of consolidation developed as follows:

	December 31, 2016	Additions	Disposals	December 31, 2017
Fully consolidated subsidiaries				
Domestic	10	–	–	**10**
Foreign	88	6	3	**91**
Associated companies				
Foreign	2	–	1	**1**
Total	**100**	**6**	**4**	**102**

In the 2017 fiscal year, two companies were founded and three companies were added as part of a business combination. The stake in the previously associated company Octopepper SAS was increased from 26.28 % to 57.93 % of the shares. As a result, there was a change in status from associated company to subsidiary. As a result of mergers, the number of fully consolidated companies decreased by three companies. Due to these changes, the number of fully consolidated companies increased to 101 while the number of associated companies decreased to one company. We did not separately disclose our investment in the associated company Therapeutic Peptides Inc. (USA) due to a lack of materiality.

Business Combinations

NUTRACEUTIX

The transaction was described in the previous consolidated financial statements in the notes under note 2.4 (Scope of Consolidation). Therefore, the following merely shows the changes from the previous description.

The final transaction volume remained unchanged at USD 106.5 million. The payment to be made in advance consisted of an underlying component, which was adjusted on the acquisition date by contractually fixed items in the statement of financial position. At the time of payment, preliminary figures underlay the amount. Based on the now final figures, the purchase price slightly increased by TUSD 22. This amount has already been paid, so that no outstanding payment remains as of the reporting date of December 31, 2017, with the exception of the installment of USD 5.3 million held in the fiduciary account.

The purchase price allocation for this transaction has since been completed. The preliminary goodwill of USD 87.6 million recognized in the consolidated financial statements as of December 31, 2016, changed by the intangible assets identified. Furthermore, there were still adjustments and changes to be made in the presentation of the opening balance. These, however, had only a minor impact on the whole. More exact information on business development that had already taken place by the acquisition date but that was not yet fully known to us as of reporting date for the consolidated financial statements of December 31, 2016, made adjustments necessary. The recognized goodwill is fully deductible for tax purposes.

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

TUSD	Recognized fair value as of the acquisition date
Trade receivables	5,079
Inventories	6,605
Intangible assets	58,362
Property, plant and equipment	4,306
Other assets	227
Other liabilities	– 1,748
Acquired net assets	**72,831**
Consideration transferred for acquiring the interests	**106,473**
Goodwill	**33,642**

COBELL GROUP

With the contract dated May 12, 2017, Symrise Limited entered into a purchase agreement to acquire 100 % of the shares in Cobell International Limited, as the parent of two operating companies, Cobell Limited and Frut Drinks Limited, all located in the UK. The closing of this transaction and the acquisition of control occurred on July 1, 2017. The Cobell Group is the largest supplier of fruit and vegetable juices in the UK and is one of the leading suppliers in Europe. Cobell complements the activities of Symrise in the Flavor segment, increases its local presence and provides greater proximity to its customers.

The purchase price consists of an underlying component of GBP 12.0 million that was to be adjusted to contractually stipulated figures in the statement of financial position as of the acquisition date. At the closing, preliminary figures underlay the amount (GBP 11.2 million). Based on the now final figures, the purchase price was increased to a total of GBP 11.4 million. This amount was fully remunerated in cash, with no outstanding payment remaining at the end of the reporting date on December 31, 2017. The purchase price allocation for this transaction was finalized in December 2017. The preliminary fair values at the acquisition date recognized as carrying amounts in the interim report from June 30, 2017, were replaced with the now final fair values of the assets and liabilities including contingent liabilities as of the acquisition date:

TGBP	Recognized fair value as of the acquisition date
Cash and cash equivalents	17
Trade receivables	10,112
Inventories	4,123
Intangible assets	5,392
Property, plant and equipment	2,079
Other assets	202
Borrowings	– 3,864
Trade payables	– 6,201
Other liabilities	– 2,806
Acquired net assets	**9,054**
Consideration transferred for acquiring the interests	**11,375**
Goodwill	**2,321**

Trade receivables cover gross amounts of TGBP 10,189, of which TGBP 77 were classified as presumably unrecoverable at the date of acquisition. The goodwill results from synergy and earning potential that are expected from the integration of the operating business into the Symrise Group. Of the recognized goodwill, none is deductible for tax purposes. No notable ancillary acquisition costs were incurred for this acquisition.

Under the assumption that the purchase of the Cobell Group had taken place as of January 1, 2017, Group sales would have been € 3,023.4 million and consolidated net income € 270.9 million.

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 exceptional cases, the US Dollar. Assets and liabilities of foreign subsidiaries whose functional currency is not the Euro are translated into Euros at the applicable closing rates, irrespective of whether they have been hedged or not. Expenses and income are translated at the average rate for the period. 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 the 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 rates of exchange effective at the time they were treated as an addition from a Group perspective. Any translation differences resulting from this process are recognized directly in equity as "cumulative translation differences." When Group companies are removed from the scope of consolidation or interest is reduced through sale, capital reduction or liquidation, the "cumulative translation differences," which had been recognized directly in other comprehensive income, will be (proportionately) reclassified to the income statement in the same period.

Transactions designated in foreign currencies are translated by us into the respective functional currency of our subsidiaries at the exchange rate valid on the day of the transaction. Monetary assets and liabilities that are designated in foreign currencies are measured using the closing rate. 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, 2016	December 31, 2017	2016	2017
Brazilian Real	BRL	3.437	3.971	3.855	3.606
Chinese Renminbi	CNY	7.325	7.833	7.347	7.624
British Pound	GBP	0.859	0.887	0.820	0.877
Mexican Peso	MXN	21.842	23.607	20.678	21.336
US Dollar	USD	1.056	1.199	1.107	1.130

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). In these cases, all line items on the statement of financial position and those amounts recognized in the income statement are recalculated based on the closing rate.

RECOGNITION OF SALES REVENUE

Revenue from the sale of merchandise and products is recognized at the fair value of the amount received or expected to be received less any returns, trade discounts and rebates. Sales revenue is recognized when the significant rewards and risks of ownership of the merchandise or products sold have been transferred to the buyer and the amount of sales revenue realized can be reliably measured. No sales revenue is recognized if significant risk exists relating to receipt of consideration or relating to possible return of the goods. The transfer of rewards and risks to the buyer is determined in accordance with INCOTERMS.

GOVERNMENT GRANTS

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

LEASES

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

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

INCOME TAXES

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

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

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.

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. At least one impairment test is performed each year to determine whether impairment is needed. Any acquired goodwill is allocated at the acquisition date to the cash-generating units that are expected to benefit from the synergies deriving from the business combination. Ancillary acquisition costs incurred are recognized with effect on profit or loss.

BORROWING COSTS

In accordance with IAS 23, borrowing costs are included in the cost of an asset as far as the requirements for qualifying non-current assets are met, meaning assets for which a substantial period of time is required to prepare them for their intended use or sale. Borrowing costs also include any supplementary costs incurred from the borrowing of funds, in addition to interest.

OTHER INTANGIBLE ASSETS

Intangible assets are measured at cost for the purpose of 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. 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 were recognized with effect on profit or loss and the amount of capitalized costs was relatively small. Subsequent reclassification of expenses already recognized through profit or loss is not permitted.

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

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 Symrise has a contractual right to receive cash or other financial assets from another party. This means that normal market purchases or sales of financial assets, i.e., purchases or sales for which delivery of the financial asset must be made within the period stipulated by conventions or the market in which trading takes place, are accounted for on the date of trading. 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. These are recognized in the consolidated statement of financial position if a contractual obligation exists to transfer cash or other financial assets to another party. Non-derivative financial liabilities are initially recognized at the fair value of the return service received or at the value of the cash received minus transaction costs incurred, if applicable.

Financial instruments are classified into the categories "loans and receivables (LaR)," "financial asset or financial liability at fair value through profit or loss (aFVtPL)," "financial assets held to maturity (HtM)," "financial assets available for sale (AfS)" and "financial liabilities at amortized cost (FLAC)." In principle, Symrise does not take advantage of the option to classify financial assets and liabilities at fair value through profit or loss (the fair value option) upon initial recognition. 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 recognized through other comprehensive income or in the income statement. 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 risks and rewards. Financial liabilities are derecognized if the contractual obligations are settled, eliminated or expired.

Derivative Financial Instruments

Derivative financial instruments are recognized at fair value and are initially recorded at the time when the contract for the derivative financial instrument is entered into. Instruments that are not to be used for hedging purposes are classified by the company as "held for trading (HfT)" in accordance with IAS 39. Derivative financial instruments are measured at fair value through profit or loss and recognized as financial assets or as financial liabilities. The fair value of traded derivative financial instruments corresponds to their market value. If no market values exist, the present value is determined using recognized financial models. Derivative financial instruments are neither held nor issued for speculative purposes.

Cash Flow Hedge

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

Insofar as the requirements of IAS 39 for the application of cash flow hedge accounting are fulfilled, the cumulative measurement gains/losses will be initially recognized in the cash flow hedge reserve under other reserves and then reclassified to the consolidated income statement in the period in which the hedged underlying transaction influences the net profit or loss for the period. Measurement gains/losses from the derivative financial instrument will be reclassified to sales or cost of goods sold depending on the underlying transaction (trade payables or receivables in foreign currency). There they will be balanced out with the actual currency gains and losses from operating business. Measurement gains/losses are recognized in the financial result insofar as currency risk hedges are used to hedge financing activities.

Cash flow hedges are applied to mitigate the impact of exchange rate effects. The requirements of IAS 39 for application of hedge accounting are met by Symrise as follows: When hedging measures are begun, both the relationship between the hedging instrument employed and the hedged item as well as the objective and strategy surrounding the hedge are documented. This includes both the concrete allocation of the hedging instrument to the expected foreign currency receivable/liability as well as the estimation of the degree of hedge effectiveness of the instrument implemented. The effectiveness of existing hedging measures is continuously monitored using the cumulative dollar offset method. When hedge relationships become ineffective, they are immediately reversed through profit or loss.

Even though some forward contracts are not presented as cash flow hedge accounting, these also represent a currency fluctuation hedge from a financial point of view. In such cases, the measurement effects of the derivative financial instrument balance out with the effects from the measurement of the foreign currency receivable or liability within the cost of goods sold. If Symrise initiates the hedging measure with the economic goal of acquiring business operations, then this counts as non-financial circumstances. Upon conclusion of the acquisition, the valuation effects that have been accruing in other comprehensive income up to this point are offset against goodwill.

Trade Receivables and Other Receivables

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

Cash and Cash Equivalents

Cash and cash equivalents comprise cash balances, balances on hand with banks and short-term liquid investments that can be converted into a fixed amount at any time and are subject to only insignificant fluctuations in value. Cash and cash equivalents are principally measured at amortized cost.

Financial Assets Available for Sale

Financial assets available for sale (AfS) are non-derivative financial instruments that were designated as available for sale or that cannot be classified in any other valuation category. They are recognized at fair value plus any directly attributable transaction costs. After their initial recognition, they are recognized at fair value if this can be directly ascertained based on market data. Otherwise the measurement occurs at amortized cost. Unrealized gains and losses are recognized in other comprehensive income taking into account deferred taxes. The reclassification of changes in measurement not recognized in the income statement to net income occurs at the time of disposal. If the fair value of financial assets available for sale falls below acquisition cost significantly or over a longer period of time, the impairment loss is immediately recognized through profit or loss. If the reasons for the impairment cease to exist, the reversal of the impairment loss is recognized in the subsequent periods. Financial assets available for sale are recognized as either current or non-current assets according to management's plans regarding the sale.

Compound Financial Instruments

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

INVENTORIES

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

PENSIONS AND OTHER POST-EMPLOYMENT BENEFITS

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

In the case of pension plans, a distinction is made between defined contribution and defined benefit plans. A defined contribution plan is a plan under whose terms a company pays fixed contributions to other entities until the termination of the employment relationship and has no further legal or constructive obligation to pay additional amounts. Obligations for contributions to defined contribution plans are recognized under the affected functional area in the consolidated income statement as they become due. Defined benefit plans comprise all pension plans other than defined contribution plans. Claims relating to defined benefit plans are calculated separately for each plan with the actuarially calculated present value of the earned benefit entitlement. This is done by estimating the future pension benefit amount that employees have become entitled to in return for their service in the current and prior periods; the amount of this pension benefit is discounted to determine its present value (defined benefit obligation, DBO). The discount rate is determined as the yield at the end of the reporting period on high-quality corporate bonds that have maturity dates that approximate to the payment terms of the Group's obligations and that are denominated in the same currency as the pension benefits are expected to be paid. The computation is performed annually by an actuary using the projected unit credit method. 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 (service cost) 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 immediately 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. 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

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 and natural disasters. We create a general bad debt allowance for impairment considerations for a portfolio of receivables when we are of the opinion that the age of the receivables represents an indicator that it is probable that a loss has occurred or that we will not collect some or all of the amounts due.

Information used to establish an objectively verifiable impairment can include information on a debtor's considerable financial difficulties, breaches of contract, concessions to customers due to economic or legal reasons in connection with the debtor's financial difficulties, a (probable) insolvency or the need for a major restructuring of the debtor. Indications through observable data show that there is a measurable decrease in expected future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with an individual financial asset in the group (general bad debt allowance). If, in subsequent periods, the reasons for impairment no longer exist, a reversal will be recognized with effect on profit or loss. If a receivable becomes classified as unrecoverable, it will be derecognized accordingly as a result.

Impairments of trade receivables are partially performed by applying value allowance accounts. 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. Impairments are recognized under selling and marketing expenses. Due to differing operating segments and differing regional conditions, this decision is made by the individual financial expert responsible.

Other Financial Assets

Financial assets are measured at each reporting date to determine whether there is any objective evidence of impairment. An impairment loss is recorded for financial assets if objective indications exist 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 held as available for sale 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.

Gains and losses deriving from the measurement of financial assets that are classified as available for sale are generally recognized in other comprehensive income. As far as an indication of an impairment for assets classified as available for sale exists, the cumulative loss is reclassified from other comprehensive income to the consolidated income statement. Impairment losses for equity instruments classified as available for sale that were once recognized in the consolidated income statement are not reversed but recognized in other comprehensive income. Any gains or losses previously recognized in other comprehensive income are reclassified to the consolidated income statement at the time of disposal.

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 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 separate segments and cash-generating units were identified within the Symrise Group: Scent & Care, Flavor and Nutrition.

Any impairment loss is ascertained by determining the recoverable amount attributable to the cash-generating unit to which the goodwill relates. The recoverable amount of a cash-generating unit is the higher of the fair value less any costs to sell (Level 3) and its value in use. The fair value less its costs to sell corresponds to the amount obtainable from the sale of an asset at normal market conditions, less its costs to sell, and is determined by Symrise on the basis of the estimated future cash flow using a discounted cash flow method. The value in use is generally determined on the basis of the estimated future cash flows from the use and disposal of an asset using a discounted cash flow method. 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 2018 to 2022. 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 of 6.54 % for Scent & Care, 6.25 % for Flavor and 6.58 % for Nutrition (2016: 7.03 % for Scent & Care, 6.86 % for Flavor and 6.86 % 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. There were no indications of impairment for the fiscal year. In performing the impairment test, we have carried out various sensitivity analyses for reasonably possible changes to the WACC or projected sales. These variations in the measurement parameters also did not result in any required impairment of goodwill as it is currently recognized.

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.

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:

- 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, customer bases and 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 recipe becoming owned or is based on the discounted cash flows that are expected to derive from use of these assets.

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

3. SEGMENT INFORMATION

DESCRIPTION OF REPORTABLE SEGMENTS

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

MEASUREMENT CRITERIA FOR THE SEGMENTS

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

SEGMENT RESULTS

2016 T€	Scent & Care	Flavor	Nutrition adjusted*	Segment total = Group total
External sales	1,311,302	1,015,856	576,029	**2,903,187**
Cost of goods sold	– 813,294	– 545,611	– 359,265	**– 1,718,170**
Gross profit	**498,008**	**470,245**	**216,764**	**1,185,017**
Selling and marketing expenses	– 194,761	– 176,070	– 98,724	**– 469,555**
Research and development expenses	– 89,730	– 65,953	– 30,469	**– 186,152**
Administration expenses	– 58,961	– 51,212	– 48,139	**– 158,312**
Other operating income	11,783	7,355	15,952	**35,090**
Other operating expenses	– 631	– 1,480	– 364	**– 2,475**
Income from operations/EBIT	**165,708**	**182,885**	**55,020**	**403,613**
Amortization and impairment of intangible assets	35,620	20,112	57,523	**113,255**
Depreciation and impairment of property, plant and equipment	37,758	30,809	21,119	**89,686**
EBITDA	**239,086**	**233,806**	**133,662**	**606,554**
Financial result				**– 45,873**
Earnings before income taxes				**357,740**
Income taxes				**– 97,160**
Net income				**260,580**
Other segment information				
Investments[1])				
Intangible assets	10,460	2,967	3,261	**16,688**
Property, plant and equipment	61,151	55,586	34,353	**151,090**

1) Excluding additions related to the scope of consolidation; for further information please see note 2.4.
* Regarding the details of the adjustment, please refer to note 2.1.

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

1) Excluding additions related to the scope of consolidation

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

RESULT BY REGION

	Sales by region (point of delivery)		Investments[1]	
T€	**2016**	**2017**	**2016**	**2017**
EAME	1,198,347	1,286,539	82,760	77,586
North America	732,261	701,899	40,146	85,608
Asia/Pacific	622,566	631,328	29,663	23,857
Latin America	350,013	376,528	15,209	17,842
Total	**2,903,187**	**2,996,294**	**167,778**	**204,893**

1) Investments in intangible assets and property, plant and equipment do not include additions from business combinations. For further information, please refer to note 2.4.

Sales of € 272.7 million (2016: € 262.0 million) were generated in Germany and € 670.5 million (2016: € 697.0 million) in the USA. Non-current assets – excluding financial instruments and deferred tax assets – of € 2,895.3 million (December 31, 2016: € 2,990.8 million) are mainly located in Germany with € 1,234.3 million (December 31, 2016: € 1,162.8 million).

ADDITIONAL DISCLOSURES ON THE CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

4. SALES

Sales revenue results primarily from the sale of products. Please refer to the segment reporting information for a presentation of sales by segment and region (see note 3).

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 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€	2016	2017
Wages and salaries	– 468,529	– 494,444
Social security expenses	– 96,710	– 106,396
Pension expenses (excluding interest expenses)	– 15,032	– 17,291
Other personnel expenses	– 7,163	– 3,461
Total	**– 587,434**	**– 621,592**

The rise in wages and salaries as well as social security expenses compared to the previous year is primarily due to the increase in the number of employees. Social security expenses include social security contributions that the organization is required to make by law. These include defined contribution plan benefits of € 19.8 million (2016: € 19.3 million).

Other personnel expenses include expenses for termination benefits. In the previous year, expenses for the multi-year performance-based remuneration of the Executive Board and selected employees were also included. 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)	2016	2017
Manufacturing & Technology	4,150	4,213
Sales & Marketing	2,052	2,148
Research & Development	1,564	1,642
Administration	736	770
Service companies	395	415
Number of employees	**8,897**	**9,188**
Apprentices and trainees	135	128
Total	**9,032**	**9,316**

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 primarily relates to increased personnel, freight and storage costs as well as the inclusion of the Cobell Group in the consolidated financial statements. Please refer to the segment reporting information for a presentation of selling and marketing expenses by segment (see note 3).

8. RESEARCH AND DEVELOPMENT EXPENSES

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

9. ADMINISTRATION EXPENSES

Administration expenses mainly contain expenses for information technology, finances and human resources as well as for factory security, work safety and administration buildings. In the previous year, this figure included a one-time effect of € 9.0 million from the acquisition of the Pinova Group. Excluding this, administration expenses increased compared with the previous year, mainly due to higher expenses for information technology as a result of the expansion of the network and related services.

10. OTHER OPERATING INCOME

T€	2016	2017
Income from government subsidies	7,838	9,990
Income from the reversal of provisions and liabilities	8,933	6,700
Income from service companies	5,120	5,276
Income from the disposal of Pinova Inc.	3,522	4,457
Miscellaneous other income	9,677	11,985
Total	**35,090**	**38,408**

Government subsidies were mainly granted in France to promote research projects. These refer to tax credits granted by the French government on research expenses (Crédit d'impôt recherche, CIR) as well as for competitiveness and employment (Crédit d'impôt pour la compétitivité et l'emploi, CICE). Income from the reversal of provisions and liabilities affects such obligations where utilization is no longer expected or where it is certain it will not be utilized. Income from service companies results from services rendered by Group companies for third parties in the areas of logistics, technology and security. There was a subsequent purchase price payment in the 2017 fiscal year in connection with the sale of Pinova Inc. in December 2016. At the conclusion of the transaction, provisional values were used for a variable purchase price component, which was calculated and settled on the basis of final values in the 2017 reporting year.

The item of miscellaneous other income comprises various individually immaterial cases that are not related to the sale of products.

11. FINANCIAL RESULT

T€	2016	2017
Interest income from bank deposits	2,772	3,256
Other interest income	1,213	2,151
Interest income	**3,985**	**5,407**
Other financial income	201	1,436
Financial income	**4,186**	**6,843**
Interest expenses from bank borrowings	– 4,520	– 2,928
Interest expenses from other borrowings	– 35,716	– 36,372
Other interest expenses	– 13,111	– 14,603
Interest expenses	**– 53,347**	**– 53,903**
Other financial expenses	3,288	– 9,078
Financial expenses	**– 50,059**	**– 62,981**
Financial result	**– 45,873**	**– 56,138**
of which interest result	– 49,362	– 48,496
of which other financial result	3,489	– 7,642

Interest expenses for liabilities from the Eurobond, the US private placement, the promissory note loan and the convertible bond are recognized under the interest expenses from other borrowings. Other interest expenses mainly comprise the compounding of provisions for pensions amounting to € 9.1 million (2016: € 11.2 million). 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.

12. INCOME TAXES

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

T€	2016 adjusted*	2017
Current income taxes	**– 115,412**	**– 122,084**
Deferred tax expense/income from losses carried forward	– 16,598	– 16,932
Deferred tax expense/income from temporary differences	34,850	39,217
Deferred tax expense/income	**18,252**	**22,285**
Income taxes	**– 97,160**	**– 99,799**

* Regarding the details of the adjustment, please refer to note 2.1.

Income taxes in the year under review increased by € 2.6 million to € 99.8 million. The tax rate decreased slightly from the previous year, amounting to 26.6 % (2016: 27.2 %).

The increase in current income taxes of € 6.7 million to € 122.1 million resulted from increases in the operating result. The change to deferred tax income primarily resulted from the scheduled amortization of intangible assets.

DERIVATION OF THE EFFECTIVE TAX RATE

The income taxes disclosed in the year reported, amounting to € 99.8 million (2016 adjusted: € 97.2 million), can be reconciled to an expected income tax expense, which would have arisen if the statutory tax rates, giving consideration to different local tax rates, had been applied to Group earnings before income taxes according to IFRS:

T€	2016 adjusted*	2017
Earnings before income taxes	**357,740**	**375,448**
Expected tax expense at local tax rates	– 86,672	– 106,303
Tax effect from previous periods	– 13,590	– 14,914
Tax effect from tax-free income	19,855	17,737
Tax effect from non-deductible expenses and taxable income	– 16,522	– 10,598
Non-recoverable withholding tax	– 4,252	– 4,594
Tax effect from value adjustments to deferred tax assets	– 491	2,629
Tax effect from change in tax rate	6,034	14,842
Other tax effects	– 1,522	1,402
Income tax expense	**– 97,160**	**– 99,799**

* Regarding the details of the adjustment, please refer to note 2.1.

The resulting theoretical expected tax expense increased compared to the previous year. This mainly resulted from the relatively high profit shares in countries with higher nominal tax rates. Tax effects from previous years resulted primarily from adjustments related to ongoing tax audits and the consideration of effects from continuing risk assessment. The tax effect from non-deductible expenses mainly arose from commercial tax additions in Germany, the inclusion of effects from dividends received and other income-related local taxes. The previous year's effect was influenced by the recognition of a taxable income from a disposal. The effect of value adjustments to deferred tax assets resulted, among other causes, from the first-time utilization of losses at a Latin American company. The positive effect from changes in the tax rate resulted in particular from the remeasurement of deferred taxes in the USA due to the tax reform resolved at the end of 2017 as well as from remeasurements in France due to the reduction of the tax rate, which becomes effective January 1, 2019. The proposed dividend for the 2017 fiscal year (see note 26) will not have any income tax consequences for Symrise. Future income and withholding taxes resulting from planned distributions of Group companies will be recognized under deferred tax liabilities.

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

	2016 adjusted*			2017		
T€	Before taxes	Taxes	After taxes	Before taxes	Taxes	After taxes
Exchange rate differences resulting from the translation of foreign operations	3,710	– 2,872	838	– 159,275	2,230	– 157,045
Financial assets available for sale	5	0	5	17	0	17
Cash flow hedge (currency hedges)	– 164	45	– 119	1,229	– 356	873
Remeasurement of defined benefit pension plans	– 63,869	18,625	– 45,244	8,576	– 2,534	6,042
Change in tax rate	0	– 3	– 3	0	– 3,295	– 3,295
Other comprehensive income	**– 60,318**	**15,795**	**– 44,523**	**– 149,453**	**– 3,955**	**– 153,408**
of which current taxes		– 893			1,933	
of which deferred taxes		16,688			– 5,888	

* Regarding the details of the adjustment, please refer to note 2.1.

13. AMORTIZATION AND DEPRECIATION

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

14. EARNINGS PER SHARE

	Unit	2016 adjusted*	2017
Consolidated net income attributable to shareholders of Symrise AG	T€	252,363	270,270
Weighted average number of ordinary shares	shares	129,812,574	129,812,574
Basic earnings per share	**€**	**1.94**	**2.08**

	Unit	2016 adjusted*	2017
Consolidated net income attributable to shareholders of Symrise AG	**T€**	**252,363**	**270,270**
Impact on net income from the convertible bond, after taxes	T€	0	2,061
Adjusted consolidated net income attributable to shareholders of Symrise AG	**T€**	**252,363**	**272,331**
Weighted average number of shares issued	shares	129,812,574	129,812,574
Dilutive potential shares	shares	0	4,354,476
Weighted average number of shares for diluted earnings	shares	129,812,574	132,122,865
Diluted earnings per share	**€**	**1.94**	**2.06**

* Regarding the details of the adjustment, please refer to note 2.1.

ADDITIONAL DISCLOSURES ON THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

15. CASH AND CASH EQUIVALENTS

T€	December 31, 2016	December 31, 2017
Cash	193,801	214,843
Cash equivalents	107,847	14,662
Total	**301,648**	**229,505**

In the course of selling Pinova Inc. in December 2016, higher cash equivalents were available over that year end.

16. TRADE RECEIVABLES

T€	December 31, 2016 adjusted*	December 31, 2017
Trade receivables	547,358	571,538
Allowance	– 19,005	– 14,102
Total	**528,353**	**557,436**

* Regarding the details of the adjustment, please refer to note 2.1.

Trade receivables are not secured. The company therefore bears the risk of receivable defaults. However, only insignificant cases of default have arisen with individual customers in the past. The carrying amount of the trade receivables approximately represents their fair value.

The maturity dates for trade receivables as of the end of the reporting period therefore have developed as follows:

T€	December 31, 2016 adjusted*	December 31, 2017
Carrying amount (gross)	**547,358**	**571,538**
Not overdue and no allowance set up	452,079	483,007
Overdue with partial allowance set up	68,719	64,551
Overdue for 1–30 days	39,242	41,769
Overdue for 31–90 days	12,846	11,307
Overdue for 91–360 days	6,989	3,949
Overdue for more than 1 year	9,642	7,526
Not overdue but with a partial allowance set up	26,560	23,980
Specific allowance set up	**– 19,005**	**– 14,102**
Specific bad debt allowance	– 10,646	– 2,452
General bad debt allowance	– 8,359	– 11,650
Total	**528,353**	**557,436**

* Regarding the details of the adjustment, please refer to note 2.1.

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€	2016	2017
January 1	**13,701**	**19,005**
Changes to the scope of consolidation	27	118
Allowances set up	7,127	6,977
Utilized in the reporting year	– 1,103	– 3,230
Reversals	– 1,391	– 8,120
Exchange rate differences	644	– 648
December 31	**19,005**	**14,102**

The risk of default for trade receivables is limited due to the large number of customers and their widely diversified activities in different markets. The expenses deriving from the setup of allowances for doubtful trade receivables and debt writeoffs are disclosed under selling and marketing expenses.

17. INVENTORIES

T€	December 31, 2016	December 31, 2017
Raw materials	259,204	278,610
Unfinished products	199,000	214,452
Finished products	250,560	277,131
Allowance	– 28,333	– 18,682
Total	**680,431**	**751,511**

The cost of goods sold includes material costs without currency translation effects amounting to € 1,264.4 million (2016: € 1,207.2 million).

Inventories are solely subject to reservations of titles that are standard in the industry.

18. INTANGIBLE ASSETS

T€	Goodwill	Recipes[1] with definite useful lives	Other intangible assets[2] with definite useful lives	Capitalized development costs	Advance payments and intangible assets in development	Total
Costs						
January 1, 2016	**1,169,426**	**722,508**	**837,147**	**21,285**	**10,530**	**2,760,896**
Additions from business combinations	105,454	34,374	127,645	1,949	101	**269,523**
Disposals of subsidiaries	– 13,299	– 22,189	– 40,291	– 1,906	0	**– 77,685**
Additions from acquisitions	0	0	4,794	0	10,237	**15,031**
Additions from internal development	0	0	0	1,657	0	**1,657**
Disposals	0	0	– 2,283	0	– 102	**– 2,385**
Transfers	0	0	3,487	433	– 3,920	**0**
Exchange rate differences	6,313	5,043	2,386	– 222	24	**13,544**
December 31, 2016 adjusted*	**1,267,894**	**739,736**	**932,885**	**23,196**	**16,870**	**2,980,581**
Accumulated amortization and impairment losses						
January 1, 2016	**– 45,035**	**– 508,146**	**– 185,956**	**– 16,270**	**0**	**– 755,407**
Disposals of subsidiaries	0	1,490	2,681	142	0	**4,313**
Scheduled amortization for the fiscal year	0	– 35,609	– 74,831	– 1,648	0	**– 112,088**
Impairment	0	0	0	– 1,167	0	**– 1,167**
Disposals	0	0	1,558	0	0	**1,558**
Exchange rate differences	– 1,080	– 3,758	– 591	50	0	**– 5,379**
December 31, 2016 adjusted*	**– 46,115**	**– 546,023**	**– 257,139**	**– 18,893**	**0**	**– 868,170**
Carrying amounts						
January 1, 2016	1,124,391	214,362	651,191	5,015	10,530	**2,005,489**
December 31, 2016 adjusted*	**1,221,779**	**193,713**	**675,746**	**4,303**	**16,870**	**2,112,411**
of which finance leases	0	0	1,821	0	0	**1,821**

1) Recipes mainly consist of production recipes and technologies.
2) Other intangible assets mainly contain customer bases, trademarks, software, patents and other rights, as well as own IT developments.
* Regarding the details of the adjustment, please refer to note 2.1.

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

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

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

Capitalized development costs, including those currently in progress, amounted to € 5.4 million as of the end of the reporting period (December 31, 2016: € 4.2 million).

The amortization of recipes 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, 2016 adjusted*	December 31, 2017
Scent & Care	245,488	224,408
Flavor	539,932	530,610
Nutrition	436,359	427,679
Total	**1,221,779**	**1,182,697**

* Regarding the details of the adjustment, please refer to note 2.1.

19. PROPERTY, PLANT AND EQUIPMENT

T€	Land and buildings	Plants and machinery	Equipment	Assets under construction	Total
Costs					
January 1, 2016	**476,988**	**616,459**	**211,040**	**91,708**	**1,396,195**
Additions from business combinations	26,436	102,720	1,132	7,338	**137,626**
Disposals of subsidiaries	– 9,335	– 23,346	– 1,374	– 6,022	**– 40,077**
Other additions	4,877	17,200	16,199	112,814	**151,090**
Disposals	– 1,890	– 7,830	– 6,086	– 585	**– 16,391**
Transfers	18,891	45,626	12,391	– 76,908	**0**
Exchange rate differences	5,510	9,868	4,613	1,834	**21,825**
December 31, 2016 adjusted*	**521,477**	**760,697**	**237,915**	**130,179**	**1,650,268**
Accumulated depreciation and impairment losses					
January 1, 2016	**– 195,083**	**– 370,711**	**– 139,996**	**– 270**	**– 706,060**
Additions from business combinations	– 564	– 4,050	– 71	0	**– 4,685**
Disposals of subsidiaries	507	2,124	234	0	**2,865**
Scheduled depreciation for the fiscal year	– 18,954	– 51,222	– 18,207	0	**– 88,383**
Impairment	0	– 605	– 698	0	**– 1,303**
Disposals	1,553	6,835	5,818	270	**14,476**
Transfers	26	– 2	– 24	0	**0**
Exchange rate differences	– 2,030	– 5,120	– 2,650	0	**– 9,800**
December 31, 2016 adjusted*	**– 214,545**	**– 422,751**	**– 155,594**	**0**	**– 792,890**
Carrying amounts					
January 1, 2016	281,905	245,748	71,044	91,438	**690,135**
December 31, 2016 adjusted*	**306,932**	**337,946**	**82,321**	**130,179**	**857,378**
of which finance leases	5,917	1,759	31	0	**7,707**

* Regarding the details of the adjustment, please refer to note 2.1.

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

Please refer to note 2.4 for the additions from business combinations. Other additions contain investments in capacity expansions such as in spray drying in the USA and the new research and development center in Singapore. Additions contain capitalized borrowing costs amounting to € 1.2 million (December 31, 2016: € 0.7 million). The underlying capitalization rate amounts to 2.32 % (December 31, 2016: 2.71 %).

20. DEFERRED TAX ASSETS/LIABILITIES

	December 31, 2016 adjusted*			December 31, 2017		
T€	Tax assets	Tax liabilities	Income (+)/ Expenses (–)	Tax assets	Tax liabilities	Income (+)/ Expenses (–)
Intangible assets	3,825	219,981	26,184	6,708	187,372	36,089
Property, plant and equipment	9,204	72,423	– 1,134	8,185	59,017	12,387
Financial assets	1,157	8	– 6	1,011	8	– 146
Inventories	18,108	313	1,081	15,712	264	– 2,347
Trade receivables, prepayments and other assets	4,089	17,011	– 5,543	15,439	6,089	22,329
Provisions for pensions	85,782	0	1,725	79,524	0	4,329
Other provisions and other liabilities	41,621	2,851	12,543	23,293	19,647	– 35,124
Interests in subsidiaries	0	3,700	0	0	2,000	1,700
Losses carried forward	51,766	0	– 16,598	34,834	0	– 16,932
Sub-total	**215,552**	**316,287**	**18,252**	**184,706**	**274,397**	**22,285**
Offsetting	– 112,331	– 112,331	0	– 78,536	– 78,536	0
Total	**103,221**	**203,956**	**18,252**	**106,170**	**195,861**	**22,285**

* Regarding the details of the adjustment, please refer to note 2.1.

Deferred tax income amounted to € 22.3 million in 2017 in contrast to a deferred tax income of € 18.3 million in 2016. The change to deferred tax income primarily resulted from the scheduled amortization of intangible assets and the use of loss carryforwards. In addition, the remeasurement of deferred taxes, particularly in the USA and France, led to a net deferred tax income. Deferred tax income relating to trade receivables, prepayments and other assets is influenced by the changes to an internal borrowing in US Dollars and the corresponding currency valuation. With regard to the change in provisions for pensions and the related change in deferred taxes, please see note 12. Overall, corporation tax losses carried forward amounting to € 150.4 million (December 31, 2016: € 176.6 million) existed as of the end of the reporting period. Of the corporation tax losses, € 0.4 million are subject to time limits. The increased use of tax losses carried forward compared with the previous year led to an increase in deferred tax expenses. The use of tax losses carried forward and therefore the measurement of the corresponding deferred tax assets are substantiated through tax planning. The change in the nonrecognition of deferred tax assets amounts to € – 2.6 million as of the reporting date (December 31, 2016: € 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 40 %.

Pursuant to IAS 12 (Income Taxes), deferred tax liabilities are to be recognized on the difference between a subsidiary's proportional equity as recognized in the consolidated statement of financial position and the carrying amount of the investment in the subsidiary as recognized in the parent's tax accounts if realization is to be expected. (This amount is known as an outside-basis difference.) The cause of these differences is mainly undistributed profits from domestic and foreign subsidiaries. No deferred tax liabilities were recognized on these temporary differences of € 335.0 million in 2017 and € 223.0 million in 2016 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, 2017, deferred tax liabilities from shares in subsidiaries were recognized for planned dividend distributions of € 2.0 million (December 31, 2016: € 3.7 million).

21. TRADE PAYABLES

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

22. CURRENT AND NON-CURRENT BORROWINGS

	December 31, 2016			December 31, 2017		
T€	Current	Non-current	Total	Current	Non-current	Total
Bank borrowings	227,085	45,683	**272,768**	81,245	23,907	**105,152**
Other borrowings	300,404	1,167,650	**1,468,054**	950	1,514,519	**1,515,469**
Accrued interest	8,847	212	**9,059**	6,779	338	**7,117**
Total	**536,336**	**1,213,545**	**1,749,881**	**88,974**	**1,538,764**	**1,627,738**

The obligations from the loan from the European Investment Bank (hereafter: EIB), the loan from the Kreditanstalt für Wiederaufbau (hereafter: KfW) and the utilization of the revolving credit facility are part of the bank borrowings. Other borrowings primarily include liabilities from the Eurobond, the US private placement, the promissory note loan and the convertible bond agreed on in 2017.

The decrease in borrowings is mainly due to the repayment of the Eurobond maturing in 2017 (carrying amount as of December 31, 2016: € 299.5 million) and the term loans maturing in 2017 (total carrying amount as of December 31, 2016: € 179.9 million), which are offset by the convertible bond issued in the past fiscal year (carrying amount as of December 31, 2017: € 365.7 million).

On June 20, 2017, via private placement with institutional investors, Symrise issued a convertible bond with a total nominal value of € 400.0 million, a nominal interest rate of 0.2375 % and a maturity of seven years. Initial conversion is generally planned for after five years. Under certain conditions, which are not at the discretion of the issuer and the convertible bond holder, early conversion of the bond is possible. If the conversion right is not exercised, the convertible bond will be repaid at its nominal value on June 20, 2024. Interest will be paid annually on June 20 until the conversion right is exercised or the borrowing is repaid. The effective interest rate of the financial liability at the time of receipt is 1.5376 % per annum. The detailed breakdown of the nominal volume and the transaction costs to liabilities and equity is shown below:

T€	
Nominal value convertible bond	400,000
of which liability component at date of issue	365,737
of which equity component	34,263
Transactions costs	– 2,938
of which liability component at date of issue	– 2,687
of which equity component	– 251
Net revenue	**397,062**
of which liability component at date of issue	363,050
of which equity component	34,012

T€	December 31, 2017
Liability component at date of issue	363,050
Interest growth and amortized transaction costs	2,668
Liability component at the end of the reporting period	**365,718**

The equity component is recognized as part of the capital reserve (see note 26).

In this fiscal year, loans with a nominal value of € 45.0 million (December 31, 2016: € 5.0 million) were drawn from the revolving credit facility EUR. Its volume remains € 300.0 million with a residual term of four years. To date, no use has been made of the option to increase the volume to € 500.0 million.

In addition to this credit line, other bilateral credit lines exist with various banks to cover short-term payment requirements. Accordingly, as of December 31, 2017, Symrise had unutilized lines of credit available totaling € 267.5 million (December 31, 2016: € 307.5 million) and USD 34.6 million (December 31, 2016: USD 40.0 million).

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

Borrowings contain carrying amounts in foreign currencies (USD, CAD) totaling € 205.8 million (December 31, 2016: € 251.3 million).

	Maturity date	Nominal interest rate		Nominal amount in issue currency (T)
Symrise AG				
Revolving credit facility EUR*	May 2021	0.45%	Euribor + 0.45%	45,000 EUR
EIB loan	April 2020	2.59%	fixed	40,909 USD
KfW loan	September 2019	1.45%	fixed	5,866 EUR
Eurobond 2014	July 2019	1.75%	fixed	500,000 EUR
Convertible bond	June 2024	0.24%	fixed	400,000 EUR
US private placement	November 2020	4.09%	fixed	175,000 USD
Promissory note loan (5Y)	December 2020	0.91%	fixed	122,500 EUR
Promissory note loan (5Y)	December 2020	0.70%	Euribor + 0.70%	38,500 EUR
Promissory note loan (7Y)	December 2022	1.34%	fixed	224,000 EUR
Promissory note loan (7Y)	December 2022	0.85%	Euribor + 0.85%	37,500 EUR
Promissory note loan (10Y)	December 2025	1.96%	fixed	67,500 EUR
Promissory note loan (10Y)	December 2025	1.10%	Euribor + 1.10%	10,000 EUR
Probi AB, Sweden				
Revolving credit facility USD*	June 2019	3.09%	Libor + 1.40%	21,500 USD
Ecuaprotein SA, Ecuador				
Shareholder loan	September 2020	5.00%	fixed	3,988 USD
Term loan	December 2018	8.00%	fixed	301 USD
Diana Food Inc., Canada (previously Nutra Canada Inc.)				
Promotional loan	April 2023	0.00%	fixed	2,606 CAD
Symrise Inc., USA				
Revolving credit facility USD*	January 2018	4.75%	Libor + 1.50%	2,159 USD
Diana US Inc., USA				
Promotional loan	June 2019	0.00%	fixed	995 USD
Scelta Umami BV, Netherlands				
Term loan	September 2029	5.50%	fixed	667 EUR
Octopepper SAS, France				
Promotional loan	January 2022	4.90%	fixed	264 EUR
Term loan	December 2020	2.40%	fixed	279 EUR
Spécialités Pet Food SAS, France				
Promotional loan	June 2025	0.00%	fixed	503 EUR
Other borrowings				364 EUR

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

23. OTHER CURRENT NON-FINANCIAL LIABILITIES

T€	December 31, 2016 adjusted*	December 31, 2017
Employee-related liabilities	78,382	78,553
Other taxes	20,838	20,638
Liabilities to customers	21,638	20,259
Taxes on wages/salaries, social security contributions and other social benefits	15,049	15,965
Miscellaneous other liabilities	16,878	20,506
Total	**152,785**	**155,921**

* Regarding the details of the adjustment, please refer to note 2.1.

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

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

24. OTHER CURRENT AND NON-CURRENT PROVISIONS

T€	Personnel provisions	Provisions for restoration obligations	Provisions for litigation	Miscellaneous other provisions	Total
January 1, 2017	**25,268**	**3,782**	**2,721**	**5,085**	**36,856**
of which non-current	14,483	3,633	1,865	2,481	**22,462**
Change to the scope of consolidation	107	–	–	–	**107**
Increases	1,529	1,475	2,545	1,226	**6,775**
Utilization	– 4,888	–	– 506	– 1,390	**– 6,784**
Reversals	– 949	– 110	– 459	– 854	**– 2,372**
Interest expenses	487	105	107	8	**707**
Exchange rate differences	– 687	– 448	– 360	– 289	**– 1,784**
December 31, 2017	**20,867**	**4,804**	**4,048**	**3,786**	**33,505**
of which non-current	11,966	4,773	2,955	1,379	**21,073**

The personnel provisions mainly comprise those for jubilees (€ 12.0 million; December 31, 2016: € 12.2 million) and for termination benefits (€ 3.9 million; December 31, 2016: € 3.8 million). The jubilee obligations were discounted using an interest rate of 1.7 % in the fiscal year compared to 1.6 % last year.

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

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

Miscellaneous other provisions do not contain any material items, which is why a separate disclosure was not provided. We expect that the cash outflow for all current provisions will take place within the next few months and by the end of the year 2018 at the very latest.

25. PROVISIONS FOR PENSIONS AND SIMILAR OBLIGATIONS

Individual companies have established pension plans that are either financed directly 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, and capital market risks usually associated with assets.

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

GERMANY

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

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

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

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

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

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

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

USA

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

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

	Present value of defined benefit obligations		Fair value of plan assets		Net defined benefit liability	
T€	2016	2017	2016	2017	2016	2017
January 1	**486,554**	**566,425**	**– 41,902**	**– 43,873**	**444,652**	**522,552**
Recognized in income statement						
Current service cost	15,032	17,291	–	–	15,032	17,291
Interest expense (+)/interest income (–)	12,652	10,504	– 1,417	– 1,444	11,235	9,060
Recognized in other comprehensive income						
Remeasurements						
Actuarial gains/losses						
arising from changes in demographic assumptions	1,068	– 4,512	–	–	1,068	– 4,512
arising from changes in financial assumptions	59,169	2,777	–	–	59,169	2,777
arising from experience-based adjustments	4,459	– 2,926	–	–	4,459	– 2,926
Return on plan assets (excluding amounts included in net interest)	–	–	– 827	– 3,915	– 827	– 3,915
Exchange rate differences	2,032	– 9,139	– 1,486	5,228	546	– 3,911
Other						
Employer contributions	–	–	– 548	– 1,477	– 548	– 1,477
Benefits paid	– 14,541	– 14,783	2,307	3,212	– 12,234	– 11,571
December 31	**566,425**	**565,637**	**– 43,873**	**– 42,269**	**522,552**	**523,368**
of which pension plans	553,776	554,095	– 43,873	– 42,269	509,903	511,826
of which post-employment healthcare benefits	12,649	11,542	–	–	12,649	11,542

As of the end of the year under review, the entire present value of the defined benefit obligation contains T€ 315,304 for active employees (December 31, 2016: T€ 323,955), T€ 48,483 for former employees with vested claim entitlements (December 31, 2016: T€ 50,658) and T€ 201,850 for retirees and their dependents (December 31, 2016: T€ 191,812). From this entire present value of the defined benefit obligation, T€ 554,346 (December 31, 2016: T€ 554,420) is allocated to vested claims, while the remaining T€ 11,291 (December 31, 2016: T€ 12,005) 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 20.0 years (December 31, 2016: 19.5 years). It breaks down with 24.5 years for active employees, 23.5 years for former employees with vested claim entitlements and 11.7 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€ 56,349 (December 31, 2016: T€ 61,090) as of the end of the year. Financing for the obligations not covered by plan assets is made through the cash flow from operating activities of Symrise AG and its subsidiaries.

Plan assets of T€ 42,269 (December 31, 2016: T€ 43,873) are mainly used for provisions for pensions in the USA (T€ 36,625; December 31, 2016: T€ 38,070) 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 (fair value hierarchy Level 2). Plan assets also exist in Japan (T€ 5,345; December 31, 2016: T€ 5,517) and India (T€ 299; December 31, 2016: T€ 286). The assets in Japan are deposited at the Japan Master Trust Bank, which invested the assets in Japanese and foreign bonds and shares as of the end of 2017 – 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 effect of this is insignificant (T€ 90) and recognized under remeasurements within return on plan assets. The plan assets in India are deposited in a life insurance policy for which there is no active market for estimating the price. In 2018, Symrise expects contribution payments of T€ 113 (expectation in 2016 for 2017: T€ 141) into the plan assets.

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

T€	December 31, 2016	December 31, 2017
EAME	488,089	493,013
North America	29,106	24,985
Latin America	4,056	4,146
Asia/Pacific	1,301	1,224
Total	**522,552**	**523,368**

The actuarial measurements are based on the following assumptions:

%	2016	2017
Discount rate		
Germany	1.60	1.70
USA	4.02	3.64
Other countries	2.11	2.28
Salary trends		
Germany	2.25	2.25
Other countries	2.99	3.25
Pension trends		
Germany	1.50	1.70
Other countries	2.01	2.01
Medical cost trend rate		
USA	7.20	6.70
Other countries	8.25	8.76

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 2005 G by Prof. Dr. Klaus Heubeck. The Mass Mutual Plan in the USA is based on the reference table RP 2014 employee and retiree mortality. All other actuarial measurements outside of Germany are based on country-specific mortality tables.

The present value of the defined benefit obligation is dependent on the previously mentioned actuarial assumptions. The following table shows what the present value as of the respective reporting date 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€	2016	2017	2016	2017
Discount rate	– 98,788	– 102,232	130,645	134,085
Salary trends	15,749	19,991	– 14,507	– 17,666
Pension trends	70,573	68,427	– 58,545	– 56,869
Medical cost trend rate	1,624	1,410	– 1,334	– 1,162

To determine the sensitivity regarding life expectancy, the mortality rate for the beneficiaries covered by the plans was increased or reduced by 10.0 %. The reduction to the mortality rate results in an increase of life expectancy and is dependent on the ages of the individual beneficiaries. A 10.0 % increase to the mortality rate results in a reduction of the present value of the defined benefit obligation by T€ 21,614 (December 31, 2016: T€ 21,236). In comparison, a 10.0 % reduction results in an increase of the present value of the defined benefit obligation by T€ 23,743 (December 31, 2016: T€ 23,604).

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€	2016	2017	2016	2017
Medical cost trend rate	84	76	– 67	– 61

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

26. EQUITY

SHARE CAPITAL

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

AUTHORIZED CAPITAL

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

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

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

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

- To exclude fractional amounts from subscription rights;

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

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

ACQUISITION OF TREASURY STOCK

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

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

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

- The Executive Board is authorized to use company shares that are acquired on the basis of this authorization for all permitted legal purposes but especially for the following purposes:
  – The shares may be redeemed without the necessity of the redemption or its execution being authorized by a further resolution of a general meeting of shareholders. In a simplified procedure, they may be redeemed without a formal reduction in capital by adjustment of the proportional amount applicable to the remaining no-par-value shares making up the company's share capital. The redemption may be limited to only a portion of the shares acquired. The authorization for redemption of shares may be invoked repeatedly. If the redemption is performed using the simplified procedure, then the Executive Board is authorized to adjust the number of no-par-value shares contained in the company's articles of incorporation.
  – The shares may also be sold by means other than through the stock exchange or an offer to the shareholders if the shares are disposed of against cash contribution at a price that is not significantly lower than the quoted stock exchange price at the time of disposal for shares of the same type.
  – The shares may be sold in consideration for contributions in kind, particularly in connection with the acquisition of other entities, parts of entities or investments in entities as well as in connection with business mergers.

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

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

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

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

CONDITIONAL CAPITAL

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

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

CAPITAL RESERVE AND OTHER RESERVES

Previously, the capital reserve mainly comprised the share premium that arose at the time of the capital increase that was carried out as part of the initial public offer as well as the two capital increases performed in the 2014 fiscal year. It increased from € 1,375,957,215 to € 1,405,084,800 as a result of the convertible bond issue on December 31, 2016. The change resulted from the equity component of € 34,263,319 less the transaction costs of € 251,683 and the related taxes of € 72,988. In addition, the equity component recognized in the capital reserves decreases by the amount of deferred tax liabilities of € 4,957,039, which is attributable to the temporary difference.

Included in the reserve for remeasurements (pensions) are actuarial gains and losses from the change in present value of the defined benefit obligation, 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 fiscal year 2017, there were significant effects from the translation of US Dollars into Euros. The adjustment to the financial statements required by IAS 29 for companies whose functional currency is one from a country with hyperinflation is also included in cumulative translation differences. The subsidiary in Venezuela was specifically affected by the adjustments pursuant to IAS 29. The financial statements for this company are mainly based on the concept of historical cost. In 2017, these again 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 at the end of the reporting period. As in the previous year, no official inflation rates had been published as of December 31, 2017. For the preparation of the consolidated financial statements, we have therefore once again used the information from the "International Monetary Fund (IMF) – World Economic Outlook," which we consider to be the best estimate available. Accordingly, a change in general purchasing power of 652.7 % is assumed for 2017. The effect of the adjustment on the income statement is negligible. No adjustments were necessary in Argentina during the past fiscal year. However, we continue to keep a close eye on developments on the situation.

Other reserves contain the revaluation reserve, the fair value reserve and the cash flow hedge reserve. The revaluation reserve results from acquisitions in stages made in the past. The fair value reserve comprises changes in the value of financial instruments that have been allocated to the "financial assets available for sale" category. The cash flow hedge reserve contains the effective part of the fair value changes from derivative financial instruments held for hedging currency risks. Reclassifications of ineffective parts from cash flow hedges into the profit or loss for the period did not occur in 2017.

RECONCILIATION OF EQUITY COMPONENTS AFFECTED BY OTHER COMPREHENSIVE INCOME

2016 adjusted* 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	–	– 4,141	–	– 4,141	294	– 3,847
Gains/losses from net investments	–	2,807	–	2,807	–	2,807
Reclassification to the consolidated income statement	–	1,878	–	1,878	–	1,878
Financial assets available for sale	–	–	5	5	–	5
Cash flow hedge (currency hedges)						
Gains/losses recorded during the fiscal year	–	–	– 1,118	– 1,118	15	– 1,103
Reclassification against goodwill	–	–	507	507	–	507
Reclassification to the consolidated income statement	–	–	477	477	–	477
Remeasurement of defined benefit pension plans	– 45,244	–	–	– 45,244	–	– 45,244
Change in tax rate	–	–	– 3	– 3	–	– 3
Other comprehensive income	**– 45,244**	**544**	**– 132**	**– 44,832**	**309**	**– 44,523**

* Regarding the details of the adjustment, please refer to note 2.1.

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

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 17, 2017, a resolution was passed to distribute a dividend for the 2016 fiscal year of € 0.85 for each ordinary share with a dividend entitlement (2015: € 0.80); the total amount of the dividend was T€ 110,341 (2015: T€ 103,850).

The Executive Board and the Supervisory Board recommend a dividend of € 0.88 per share based on Symrise AG's unappropriated net profit under commercial law as of December 31, 2017. This amounts to dividends of T€ 114,235.

NON-CONTROLLING INTERESTS

This item contains the shareholdings of third parties in Group companies. The changes in other comprehensive income relating to non-controlling interests stem mostly from currency translation.

27. NON-CONTROLLING INTERESTS

The non-controlling interests mainly relate to the Probi Group. As of the end of the reporting period, Symrise holds 51.40 % of the shares of Probi Group, i.e., the shares attributable to non-controlling interests amount to 48.60 %. Their proportion of net income in 2017 amounted to T€ 2,876 (2016 adjusted: T€ 5,414); the carrying amount as of December 31, 2017, was T€ 44,654 (December 31, 2016 adjusted: T€ 48,106). Dividends of T€ 575 were distributed to the non-controlling interests in 2017 (2016: T€ 468). The following table contains the summarized financial information on the Probi Group:

T€	December 31, 2016 adjusted*	December 31, 2017
Current assets	30,446	35,309
Non-current assets	107,681	87,592
Current liabilities	32,605	26,782
Non-current liabilities	7,038	1,866
Sales	46,406	63,546
Net income	11,141	6,681
Other comprehensive income	275	– 5,753

* Regarding the details of the adjustment, please refer to note 2.1.

28. DISCLOSURES ON CAPITAL MANAGEMENT

The capital situation is monitored through the use of a number of key indicators. The relationship between net debt (including provisions for pensions and similar obligations) to EBITDA and the equity ratio are important key indicators for this purpose. The objectives, methods and processes in this regard have not changed from the previous year as of the end of the reporting period on December 31, 2017.

With an equity ratio (equity attributable to shareholders of Symrise AG in relation to total equity and liabilities) of 36.6 % (December 31, 2016: 35.2 %), 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, 2016	December 31, 2017
Borrowings	1,749,881	1,627,738
Cash and cash equivalents	– 301,648	– 229,505
Net debt	**1,448,233**	**1,398,233**
Provisions for pensions and similar obligations	522,552	523,368
Net debt including provisions for pensions and similar obligations	**1,970,785**	**1,921,601**

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

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

The average interest rate for liabilities (including provisions for pensions and similar obligations) was 2.1 % (2016: 2.3 %).

Neither the company itself nor its subsidiaries are subject to externally imposed capital requirements.

29. ADDITIONAL DISCLOSURES ON THE STATEMENT OF CASH FLOWS

In accordance with IAS 7, the consolidated statement of cash flows for the reporting year 2017 and the previous year shows the development of cash flows separated into cash inflows and outflows deriving from operating, investing and financing activities. Cash flows are calculated using the indirect method.

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

CASH FLOW FROM OPERATING ACTIVITIES

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

CASH FLOW FROM INVESTING ACTIVITIES

In addition to subsequent purchase price payments of T€ 8,186 for the Pinova Group acquired in 2016, payments for business combinations (T€ 22,290) include the purchase price components due immediately for the 2017 acquisition of the Cobell Group amounting to TGBP 11,375 (T€ 12,946) and the acquisition of further shares in the formerly associated company Octopepper SAS amounting to T€ 1,929 minus cash and cash equivalents acquired (T€ 771).

The proceeds from the sale of a subsidiary (T€ 6,527) relate to the sale of Pinova Inc. in December 2016 and result from the subsequent adjustment of a variable purchase price component (TUSD 5,035 or T€ 4,445), which is based on a working capital clause, as well as from the transfer of a first installment of the balance held in the fiduciary account (TUSD 2,500 or T€ 2,082).

CASH FLOW FROM FINANCING ACTIVITIES

Dividends of T€ 110,341 were paid to the shareholders of Symrise AG (2016: T€ 103,850), the remaining amount (T€ 3,086; 2016: T€ 4,268) was paid to non-controlling interests of subsidiaries.

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

T€	Current borrowings	Non-current borrowings	Lease liabilities	Total liabilities from financing activities
January 1, 2017	**536,336**	**1,213,545**	**7,143**	**1,757,024**
Cash-effective change	– 497,932	362,637	– 1,707	**– 137,002**
Non-cash-effective change	50,570	– 37,418	411	**13,563**
Change to the scope of consolidation	3,956	1,068	130	**5,154**
Transfers	16,616	– 16,616	0	**0**
Accrued interest	34,485	4,267	283	**39,035**
Exchange rate differences	– 4,487	– 26,137	– 2	**– 30,626**
of which with effect on other comprehensive income	– 733	– 689	– 2	**– 1,424**
of which with effect on profit or loss (financial result)	– 3,754	– 25,448	0	**– 29,202**
December 31, 2017	**88,974**	**1,538,764**	**5,847**	**1,633,585**

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

INFORMATION ON FINANCIAL INSTRUMENTS ACCORDING TO CATEGORY

		Value recognized under IAS 39			
December 31, 2016 adjusted* T€	Carrying amount	Amortized cost	Fair value in other comprehensive income	Fair value in profit or loss	Fair value
TOTAL ASSETS					
Loans and receivables (LaR)	**866,826**	**866,826**	**–**	**–**	**866,826**
Cash and cash equivalents	299,396	299,396	–	–	299,396
Trade receivables	528,353	528,353	–	–	528,353
Other financial assets	39,077	39,077	–	–	39,077
Financial assets available for sale (AfS)	**14,549**	**–**	**14,549**	**–**	**14,549**
Cash and cash equivalents	2,252	–	2,252	–	2,252
Securities	12,283	–	12,283	–	12,283
Other financial assets	14	–	14	–	14
Financial assets held for trading (FAHfT)	**1,233**	**–**	**–**	**1,233**	**1,233**
Derivative financial instruments without hedge relationship	1,233	–	–	1,233	1,233
Derivative financial instruments with hedge relationship (n.a.)	**115**	**–**	**115**	**–**	**115**
LIABILITIES AND EQUITY					
Financial liabilities at amortized cost (FLAC)	**2,019,770**	**2,019,770**	**–**	**–**	**2,067,637**
Trade payables	254,383	254,383	–	–	254,383
Borrowings	1,749,881	1,749,881	–	–	1,797,748
Other financial liabilities	15,506	15,506	–	–	15,506
Financial liabilities held for trading (FLHfT)	**966**	**–**	**–**	**966**	**966**
Derivative financial instruments without hedge relationship	966	–	–	966	966
Derivative financial instruments with hedge relationship (n.a.)	**741**	**–**	**741**	**–**	**741**
Liabilities from finance leases (n.a.)	**7,143**	**–**	**–**	**–**	**7,638**

* Regarding the details of the adjustment, please refer to note 2.1.

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

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.

Securities classified as available-for-sale are allocated to Level 1 and other financial assets to Level 3. Other financial assets mainly include an investment acquired in 2017, the fair value of which amounts to T€ 1,686 as of the reporting date. The valuation and thus the present value of the expected benefit from this investment is based on a discounted cash flow calculation. Non-observable input factors were based on a weighted average cost of capital of 9.6 % and a long-term growth rate of 1.0 %. 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 of borrowings and liabilities arising from finance leases are determined as the present values of future payments relating to these financial liabilities based on the corresponding valid reference interest rates and are adjusted by a corresponding credit spread (risk premium). These fair values are therefore classified in Level 2 of the fair value hierarchy.

Due to the fact that most of the financial instruments are short-term in nature, their carrying amounts, except for borrowings and liabilities from finance leases, are only immaterially different from their fair values.

There were no transfers between Levels 1 and 2 during the period under review. The determination of fair values is unchanged.

In the first half of 2017, a financial asset that had been completely written-off as of December 31, 2016, was sold. This resulted in a gain from the sale amounting to T€ 217 , which was recognized under other financial income.

NET GAINS AND LOSSES ACCORDING TO VALUATION CATEGORY

T€	2016	2017
Loans and receivables (LaR)	11,994	– 24
Financial assets and liabilities held for trading (FAHfT and FLHfT)	– 1,323	2,983
Financial assets available for sale (AfS)	– 1,359	41
Financial liabilities at amortized cost (FLAC)	– 50,405	– 13,759
Total	**– 41,093**	**– 10,759**

Changes in the value of assets categorized as loans and receivables, which were measured at amortized cost, are primarily due to exchange rates. The same applies to financial liabilities measured at amortized cost. In addition to the development of the Egyptian Pound, the main reason for these changes was the development of the US Dollar.

The net interest result of the two categories named above, e.g. for financial assets and liabilities that were not recognized at fair value through profit or loss, amounted to € – 31.3 million in 2017 (2016: € – 38.4 million).

OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES

Financial assets and liabilities, which were 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.

As in the previous year, the amounts offset in connection with recognized financial instruments are immaterial, due to the large variety of transactions with various counterparties.

31. DISCLOSURES RELATING TO FINANCIAL INSTRUMENT RISK MANAGEMENT

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

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

INTEREST RISK

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

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

2016	Nominal	of which fixed	of which variable	of which unhedged	1.0 percentage point increase
T€	1,495,573	1,284,573	211,000	211,000	2,110
TUSD	263,543	238,543	25,000	25,000	250

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

An increase to all relevant interest rates of one percentage point would have resulted in T€ 1,511 less net income as of December 31, 2017 (December 31, 2016: T€ 2,347). A further 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 sensitivity of equity toward interest rate changes is of an immaterial extent.

CURRENCY RISK

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

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

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

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

A significant currency risk for the Symrise Group resulted primarily in relation to the US Dollar, both for this fiscal year and the previous year. The foreign currency risk before hedging transactions amounted to USD 76.7 million as of the reporting date (December 31, 2016: USD 109.0 million). The decrease mainly resulted from a lower level of internal Group borrowings in US Dollars, which were largely secured via currency forward contracts.

T€	2016	2017
Sensitivity from a value increase/decrease in the EUR as compared to the USD of +/− 10%		
Impact on profit/loss	+/− 6,188	+/− 5,387
Impact on equity	−/+ 2,057	−/+ 2,709
Total	**+/− 4,131**	**+/− 2,678**

Derivative financial instruments were used to reduce currency risk.

Currency forward contracts with positive market values amounted to T€ 2,102 as of the end of the reporting period (December 31, 2016: T€ 1,348), while currency forward contracts with negative market values totaled T€ 99 (December 31, 2016: T€ 1,083).

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

Symrise does not expect the withdrawal of the United Kingdom from the European Union to have a significant impact on the Group as the Group companies based in the United Kingdom have their own production facilities and primarily sell their products to local customers. In addition, the acquisition of the Cobell Group has strengthened Symrise's presence in the British beverages market and opened up greater potential for British customers. All key financing contracts are made with Symrise AG and are not subject to British law.

LIQUIDITY RISK

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

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

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

2016 adjusted* 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	1,749,881	1,857,270	565,997	941,778	349,495
Trade payables	254,383	254,383	254,383	0	0
Other non-derivative financial obligations	15,506	15,506	10,038	5,468	0
Liabilities from finance leases	7,143	7,143	1,380	3,454	2,309

* Regarding the details of the adjustment, please refer to note 2.1.

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

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 have terms lasting until September 2018 at the latest.

T€	2016	2017
Currency forward contracts		
Assets	1,348	2,102
Liabilities	1,083	99
Expected incoming payments	71,370	69,410
Expected outgoing payments	71,105	67,407
Interest and currency swaps		
Liabilities	624	848
Expected incoming payments	30,062	19,436
Expected outgoing payments	30,556	20,257

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 his obligations as these become due. Receivables management, which employs guidelines that are globally valid, coupled with regular analysis of the aging structure of trade receivables, ensures that the risks are permanently monitored and limited. In this way, cases of default on receivables are minimized. Due to Symrise Group's wide-ranging business structure, there is no particular concentration of credit risks either in relation to customers or in relation to individual countries.

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

32. LEASE AGREEMENTS

OPERATING LEASE AGREEMENTS AS LESSEE

Payment obligations for operating leases mainly relate to agreements that were concluded for land and buildings as well as vehicles. They occasionally contain renewal options or price escalation clauses but rarely include purchase options and no contingent rent. In the current fiscal year, payments for leases recognized as expenses amount to € 21.8 million (2016: € 19.0 million).

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

T€	2016	2017
Up to one year	15,773	18,314
Longer than one year and up to five years	38,443	44,679
Longer than five years	24,546	27,880
Total	**78,762**	**90,873**

FINANCE LEASE AGREEMENTS AS LESSEE

The net carrying amount of the assets accounted for as of the reporting date was € 6.3 million (December 31, 2016: € 9.5 million; see notes 18 and 19) and mainly contains buildings as well as land used as part of leaseholds. Details on the future minimum lease payments for the finance lease agreements are shown in the following table arranged according to maturity:

			2016
T€	Minimum lease payments	Interest	Present value of minimum lease payments
Up to one year	1,625	245	1,380
Longer than one year and up to five years	4,227	773	3,454
Longer than five years	2,436	127	2,309
Total	**8,288**	**1,145**	**7,143**

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

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

33. CONTINGENT LIABILITIES AND OTHER FINANCIAL OBLIGATIONS

CONTINGENT LIABILITIES

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

Symrise is confronted with diverse lawsuits and legal proceedings as a result of its normal business activities, which generally relate to the areas of labor law, product liability, warranty claims, tax law and intellectual property. We set up provisions for such cases where we see a probability of an obligation arising from past events, when the amount of the obligation can be measured with sufficient reliability and the settlement of which is expected to result in an outflow of resources embodying economic benefits. For all currently pending legal proceedings, we have set up a provision of € 4.0 million. We are currently of the opinion that all the lawsuits and proceedings brought against us, both individually and as a whole, will have no material negative influence on our business operations, net assets, financial position and results of operations. The recognized provisions are neither individually nor collectively material. The results of present and future proceedings are not foreseeable, meaning that legal or official decisions or settlement agreements could lead to expenses that are not or not completely covered by our insurance services and that could therefore have material effects on our business and its results. Many of our processes are, however, covered by insurance benefits relating to our product liability insurance.

OTHER FINANCIAL OBLIGATIONS

As of December 31, 2017, the Group has obligations to purchase property, plant and equipment amounting to € 58.1 million (December 31, 2016: € 65.5 million). This mainly relates to production facilities and laboratory and office equipment. Most are due during the course of 2018. Other obligations amounting to € 147.4 million (December 31, 2016: € 150.0 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 € 34.7 million (December 31, 2016: € 55.5 million), accounting for extraordinary termination rights. Miscellaneous other financial obligations amounted to € 21.1 million as of December 31, 2017 (December 31, 2016: € 16.6 million) and are mostly obligations from consulting, service and cooperation contracts (€ 13.6 million; December 31, 2016: € 8.0 million).

34. TRANSACTIONS WITH RELATED PARTIES

Consolidated companies and associated companies, the members of the Executive Board and Supervisory Board and their close relatives are considered related parties. The sales and purchases from related companies were completed under the same terms and conditions as though they had been transacted with third parties. As in the previous year, only a small amount of goods were purchased from associated companies in 2017. 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 2017 fiscal year, members of the Executive and Supervisory Board received the following remuneration:

	2016			2017		
T€	Executive Board	Supervisory Board	Total	Executive Board	Supervisory Board	Total
Short-term benefits	3,274	964	**4,238**	5,265	926	**6,191**
Other long-term benefits	429	0	**429**	0	0	**0**
Post-employment benefits	51	0	**51**	58	0	**58**
Total	**3,754**	**964**	**4,718**	**5,323**	**926**	**6,249**

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

T€	2016	2017
Total remuneration for active members		
Executive Board	4,285	5,415
Supervisory Board	964	926
Total remuneration for former members and their surviving dependents		
Executive Board	306	314

Provisions for current pensions and pension entitlements contain contributions of € 12.1 million (December 31, 2016: € 12.0 million) for former members of the Executive Board and € 3.9 million (December 31, 2016: € 3.4 million) for current members of the Executive Board.

The individualized remuneration for members of the Executive Board and Supervisory Board is disclosed in the Group 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, 2017, was more than 1 %. Of the 6.24 % of shares in Symrise AG held by members of the Executive and Supervisory Boards, 6.01 % is held by members of the Supervisory Board while 0.23 % 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 our Group management report.

37. AUDIT OF FINANCIAL STATEMENTS

The Annual General Meeting of Symrise AG, held on May 17, 2017, appointed Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft as auditor for the 2017 fiscal year.

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

T€	2016 KPMG AG	2017 E & Y GmbH
Audit of financial statements	826	718
Other audit assurance services	24	0
Tax advisory services	393	53
Other services	0	57
Total	**1,243**	**828**

A total of € 2.1 million was incurred worldwide in connection with the audit of the financial statements.

38. LIST OF INTERESTS IN ENTITIES

Fully Consolidated Subsidiaries as of December 31, 2017

Name and registered office of the entity	Share
Germany	
Busiris Vermögensverwaltung GmbH, Holzminden	100.00 %
DrinkStar GmbH, Rosenheim	100.00 %
Haarmann & Reimer Unterstützungskasse Gesellschaft mit beschränkter Haftung, Holzminden	100.00 %
Schimmel & Co. Gesellschaft mit beschränkter Haftung, Holzminden	100.00 %
Symotion GmbH, Holzminden	100.00 %
Symrise Beteiligungs GmbH, Holzminden	100.00 %
Symrise BioActives GmbH, Hamburg	100.00 %
Symrise IP-Verwaltungs GmbH, Holzminden	100.00 %
Symrise US-Beteiligungs GmbH, Holzminden	100.00 %
Tesium GmbH, Holzminden	100.00 %
France	
Aromatics SAS, Clichy-la-Garenne	100.00 %
Arôme de Chacé SAS, Chacé	100.00 %
Diana Food SAS, Antrain	100.00 %
Diana SAS, Saint Nolff	100.00 %
Diana Trans, Saint Nolff	100.00 %
DianaNova SAS, Rennes	100.00 %
Octopepper SAS, Bordeaux	57.93 %
Société de Protéines Industrielles SNC, Berric	100.00 %
Spécialités Pet Food SAS, Elven	100.00 %
Symrise SAS, Clichy-la-Garenne	100.00 %
Villers SAS, Villers Les Pôts	100.00 %
Rest of Europe	
Cobell International Limited, UK	100.00 %
Cobell Limited, UK	100.00 %
Diana Food Limited, UK	100.00 %
Frut Drinks Limited, UK	100.00 %
OOO Symrise Rogovo, Russia	100.00 %
Probi AB, Sweden	51.40 %
Probi Feed AB, Sweden	51.40 %
Probi Food AB, Sweden	51.40 %
Scelta Umami BV, Netherlands	60.00 %
SPF DIANA Espana SLU, Spain	100.00 %
SPF Hungary Kft, Hungary	99.67 %
SPF RUS, Russia	100.00 %
SPF UK Ltd., UK	60.00 %
Symrise Group Finance Holding 1 BVBA, Belgium	100.00 %
Symrise Group Finance Holding 2 CV, Belgium	100.00 %
Symrise Holding Limited, UK	100.00 %
Symrise Iberica S.L., Spain	100.00 %
Symrise IP-Holding GCV, Belgium	100.00 %
Symrise Kimya Sanayi Ticaret Ltd., Sirketi, Turkey	100.00 %

Rest of Europe (Continuation from page 121)	
Symrise Limited, UK	100.00 %
Symrise Luxembourg S.a.r.l., Luxembourg	100.00 %
Symrise Spółka z ograniczoną odpowiedzialnością, Poland	100.00 %
Symrise S.r.l., Italy	100.00 %
Symrise US Holding B.V., Netherlands	100.00 %
Symrise Vertriebs GmbH, Austria	100.00 %

North America	
Diana Food Canada Inc., Canada	100.00 %
Diana Natural Inc., USA	100.00 %
Diana US Inc., USA	100.00 %
Probi US, Inc., USA	51.40 %
SPF Canada – Group Diana Inc., Canada	100.00 %
SPF North America Inc., USA	100.00 %
SPF USA Inc., USA	100.00 %
Symrise Holding Inc., USA	100.00 %
Symrise Holding II Inc., USA	100.00 %
Symrise Inc., USA	100.00 %
Symrise US LLC, USA	100.00 %

Latin America	
Aquasea Costa Rica, Costa Rica	100.00 %
Confoco SA, Ecuador	100.00 %
Diana Food Chile SpA, Chile	100.00 %
Diana Pet Food Colombia, Colombia	100.00 %
Ecuaprotein SA, Ecuador	53.00 %
Spécialités Pet Food SA de CV, Mexico	100.00 %
SPF Argentina, Argentina	99.97 %
SPF Do Brazil Industria e Comércio Ltda, Brazil	99.99 %
Symrise Aromas e Fragrâncias Ltda., Brazil	100.00 %
Symrise C.A., Venezuela	100.00 %
Symrise Ltda., Colombia	100.00 %
Symrise S. de R.L. de C.V., Mexico	100.00 %
Symrise S.A., Chile	100.00 %
Symrise S.R.L., Argentina	100.00 %

Asia and Pacific	
Diana Group Pte Ltd, Singapore	100.00 %
Diana Naturals Private Ltd, India	100.00 %
P.T. Symrise, Indonesia	100.00 %
Probi Asia-Pacific Pte Ltd, Singapore	51.40 %
SPF (Chuzhou) Pet Food Co., Ltd, China	100.00 %
SPF (Qingdao) Trading Co., Ltd, China	100.00 %
SPF Diana (Thailand) Co Ltd, Thailand	51.00 %
SPF Diana Australia PTY Ltd, Australia	100.00 %
Symrise (China) Investment Co. Ltd., China	100.00 %
Symrise Asia Pacific Pte. Ltd., Singapore	100.00 %
Symrise Flavors & Fragrances (Nantong) Co. Ltd., China	100.00 %
Symrise Holding Pte. Limited, Singapore	100.00 %

Asia and Pacific (Continuation from page 122)	
Symrise Inc., Philippines	100.00 %
Symrise K.K., Japan	100.00 %
Symrise Limited, South Korea	100.00 %
Symrise Ltd., Thailand	100.00 %
Symrise Private Limited, India	100.00 %
Symrise Pte. Ltd., Singapore	100.00 %
Symrise Pty. Ltd., Australia	100.00 %
Symrise SDN. BHD, Malaysia	100.00 %
Symrise Shanghai Limited, China	100.00 %

Africa and Middle East	
Futura Labs International S.A.E., Egypt	100.00 %
Origines S.a.r.L., Madagascar	100.00 %
Spécialités Pet Food South Africa (RSA), South Africa	100.00 %
Symrise (Pty) Ltd., South Africa	100.00 %
Symrise Middle East Limited, Dubai	100.00 %
Symrise Nigeria Limited, Nigeria	100.00 %
Symrise Parsian, Iran	100.00 %
Symrise S.A.E., Egypt	100.00 %
Symrise S.a.r.L., Madagascar	100.00 %

Associated Companies as of December 31, 2017

Name and registered office of the entity	Share
Therapeutic Peptides Inc., USA	20.00 %

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

Busiris Vermögensverwaltung GmbH, DrinkStar GmbH, Symrise IP-Verwaltungs GmbH, Symotion GmbH, Symrise US-Beteiligungs GmbH and Tesium GmbH are included in the consolidated financial statements of Symrise AG in accordance with the provisions applicable for corporate entities and have taken advantage of the exemption provisions covering the preparation, audit and publication of separate annual financial statements pursuant to Section 264 (3) of the German Commercial Code (HGB).

40. CORPORATE GOVERNANCE

The Declaration of Compliance pursuant to Section 161 of the German Stock Corporation Act (AktG) has been submitted for 2017 and has been made available to shareholders on an ongoing basis through our website www.symrise.com.

41. EVENTS AFTER THE REPORTING PERIOD

BUSINESS COMBINATION OF CITRATUS

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

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

The preliminary purchase price amounts to BRL 92.0 million or € 23.3 million and consists of three components: In addition to the amount due on closing in cash and an amount deposited in a fiduciary account for guarantees and warranties, a variable remuneration component was agreed upon based on EBITDA and on sales generated with selected customers.

The fair value of the assets and liabilities obtained (including contingent liabilities) 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:

TBRL	Carrying amount as of the acquisition date
Cash and cash equivalents	3,003
Trade receivables	6,636
Inventories	6,055
Property, plant and equipment	15,487
Other assets	858
Trade payables	– 2,377
Other liabilities	– 4,835
Acquired net assets	**24,827**
Consideration transferred for acquiring the interests	**91,964**
Goodwill	**67,137**

None of the trade receivables are estimated to be unrecoverable, so that the carrying amount corresponds to the value of the gross amounts due. The goodwill results from synergy and earning potential that are expected from the integration of the operating business into the Symrise Group. No notable transaction costs were incurred for this acquisition in 2017.

Holzminden, Germany, February 15, 2018

Symrise AG

The Executive Board

Dr. Heinz-Jürgen Bertram   Achim Daub   Olaf Klinger

Dr. Jean-Yves Parisot   Heinrich Schaper

Statement of the Executive Board

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

Holzminden, Germany, February 15, 2018

Symrise AG

The Executive Board

Dr. Heinz-Jürgen Bertram

Achim Daub

Olaf Klinger

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 for the fiscal year from 1 January 2017 to 31 December 2017, and the consolidated statement of financial position as at 31 December 2017, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the fiscal year from 1 January 2017 to 31 December 2017, 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 2017 to 31 December 2017.

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 2017, and of its financial performance for the fiscal year from 1 January 2017 to 31 December 2017, and

- the accompanying group management report as a whole provides an appropriate view of the Group's position. In all material respects, this Group management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development.

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

BASIS FOR THE OPINIONS

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

KEY AUDIT MATTERS IN THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the fiscal year from 1 January 2017 to 31 December 2017. 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. Since October 2016, the Group has been 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 2017 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 2017 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 Key Judgments and Estimates as Well as Sources of Estimation Uncertainty" 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 the opportunities and risks associated with ownership of the products have been transferred to the buyer and the amount of revenue to be recognized can be measured reliably. This is usually the case when risks have been transferred on the basis of the agreed Incoterms.

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 IAS 18, 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 the significant opportunities and risks passed to the buyers upon the sale of the products. We analyzed the process implemented by the Executive Board of Symrise AG and the recognition and measurement policies for the recognition of product sales. We tested the operating effectiveness of the controls relating to revenue recognition and the correct cut-off of revenue. We examined whether the significant revenue items for fiscal year 2017 correlate with the corresponding trade receivables and payments received and, based on analytical procedures defined group-wide, analyzed whether the revenue for fiscal year 2017 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 IAS 18 for revenue recognition. We also obtained balance confirmations from customers.

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

Reference to related disclosures

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

3) ISSUE OF A CONVERTIBLE BOND

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

On 20 June 2017, Symrise AG issued a convertible bond with a nominal value of EUR 400m in units of EUR 0.1m. The bond has a term of seven years and is generally eligible for conversion after a five-year period. Under certain conditions, holders of the convertible bond may be entitled to convert the bond at an earlier date. The holders of the bond receive an annual coupon of 0.2375 %. In accordance with the provisions of IAS 32, the convertible bond was split into equity and debt portions.

Given the materiality of the transaction for the consolidated financial statements, the use of judgment and the complexity of the accounting, we consider the issue of the convertible bond to be a key audit matter in fiscal year 2017.

Auditor's response

During our audit, we considered, based on the criteria defined in IAS 32, the recognition and measurement requirements applied in the consolidated financial statements of Symrise AG in accounting treatment for the convertible bond. Our response primarily addressed the question whether the criteria of IAS 32 are met with regard to the splitting of the convertible bond into debt and equity portions. In particular, we examined whether at the issue date the type and number of equity instruments to be delivered and their amount on the conversion date are fixed and thus the central criterion for presentation as equity under IAS 32 is met. In addition, we obtained an understanding of the Company's assumptions about the conversion date. We subsequently checked the calculation of the amounts recognized in accordance with IAS 32. We also considered the accounting treatment of the transaction costs incurred in connection with the issue of the bond in accordance with IAS 32 and deferred taxes in accordance with IAS 12.

Overall, our procedures relating to the issue of the convertible bond did not lead to any reservations.

Reference to related disclosures

With regard to the recognition and measurement policies applied for the issue of the convertible bond, refer to the disclosure in note 22 "Current and Non-current Borrowings" in the "Additional Disclosures on the Consolidated Statement of Financial Position" section of the notes to the financial statements.

OTHER INFORMATION

The Supervisory Board is responsible for the Report of the Supervisory Board; the executive directors are responsible for all other information. Other information comprises the following information obtained on or before the date of this auditor's report

- the responsibility statement pursuant to Sec. 297 (2) Sentence 4 HGB and Sec. 315 (1) Sentence 6 HGB contained in the "Statement of the Executive Board" section of the 2017 financial report,

- in the "Corporate Governance" section of the 2017 financial report

and in the other sections of the 2017 financial report and in the 2017 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 17 May 2017. We were engaged by the Supervisory Board on 13 October 2017. 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, 16 February 2018

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

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