



DEDICATED TO SUCCESS

KEY FIGURES

in € million	2005	2006	Change
Sales	1,148.9	1,229.4	7.0%
Scent & Care	607.7	647.4	6.5%
Flavor & Nutrition	541.2	582.0	7.5%
EBITDA *	193.1	243.2	25.9%
EBITDA return *	in % 16.8	19.8	17.9%
EBIT *	106.1	163.5	54.1%
Net loss for year	-52.4	-89.8	-
Result per share	in euros -0.65	-1.08	-
Balance sheet total	1,792.2	1,803.1	0.6%
Shareholders' equity	25.7	550.6	-
Capital ratio	in % 1.4	30.5	-
Investments (excluding acquisitions)	46.3	46.1	-0.4%
Employees (average for year)	number 5,235	4,945	-5.5%

* Adjusted for integration and restructuring expenses.

As a leading global supplier of fragrances and flavorings, we combine science with perception. We are always searching for the extra “AND”: New products and new sensory realms. We want to inspire – not just our customers and the consumers but ourselves as well. We are dedicated to success!

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> Sales up by 7%

> Operative EBITDA up by 26%

> Restructuring complete

> IPO successful

SYMRISE'S PRESENCE WORLDWIDE



SYMRISE AT A GLANCE

OUR DIVISIONS

SCENT & CARE

Fragrances and cosmetic ingredients

- > Perfumes
- > Personal care products, hair care products
- > Dental care and oral hygiene products
- > Fabric care products, household cleaner

FLAVOR & NUTRITION

Flavors for food and beverages

- > Alcoholic and nonalcoholic beverages, instant beverages
- > Soups, sauces, convenience food and snacks
- > Confectionery, bakery products, dairy products, ice cream



OUR STRATEGY

Power of "AND"

The search for the additional something: Our technologies and our concepts

Indispensable

To become Indispensable: our service

Bold

Our self-awareness, our culture

WE HAVE A SENSE FOR
THE “AND”



Dear Shareholders and Friends of Symrise,

Our successful initial public offering in December brought the four-year "Symrise Merger" project to a successful conclusion. Two medium-sized businesses have come together as Symrise, one of the leading international suppliers of the flavor and fragrance industry. Symrise AG is a world leader when it comes to innovation, efficiency and profitability. Many leading global enterprises of the consumer goods industry have chosen Symrise as one of their key suppliers. A very significant factor in this success has been the consistent implementation of our research, marketing and organizational strategy.

Our strategy is based on the recognition that we live in a world in which consumers are always demanding more and change their preferences faster than ever. To avoid getting bogged down in this complexity, a company needs clear visions and an organization that is geared toward picking up quickly on consumer trends and translating them into commercially attractive product concepts for customers.

Our strategy is based on three pillars:

- > Our product and research philosophy has a specific focus on products that offer an additional benefit beyond the effect of the flavor or scent and that provide our customers with products that inspire consumers.
- > Our customer service is based on smooth, on-time delivery of the requested products. We also collaborate with select customers in areas such as consumer trends, product and marketing concepts, and product safety. We want to be a partner to our customers, not just a supplier.
- > Our company culture is oriented toward results-driven decentralized responsibility. We don't believe in the added value of bureaucracy and hierarchy. Our two divisions control all the functions and processes that they need for their business, so they can respond to the needs of our customers and ensure our profitability without compromise. By the same token, virtually all our employees work directly for our customers. Each employee is familiar with the company strategy and possesses all the information and resources needed to successfully implement this strategy. It goes without saying that each employee's income is linked in large part to the achievement of personal targets.

The common thread of these three pillars is the creativity of our staff and their ambition to make Symrise one of the most successful suppliers in our industry. We have expressed this passion in our corporate motto “Always inspiring more...”:

“Always”, because we have an inexhaustible supply of ideas and initiatives.

“Inspiring”, because we want every contact with us and our products to be a positive experience.

“More”, because we never rest on our laurels and because we’re constantly thinking about where we can discover that extra something in our products, services and processes that distinguishes us as a company.

In that light, we don’t see our IPO as a triumphant finale but as the start of a new phase full of challenges and opportunities to prove ourselves.

We intend to give all of you, our shareholders, many more reasons to smile about Symrise.

Yours,



Gerold Linzbach

EXECUTIVE BOARD SYMRISE AG

Dr. Gerold Linzbach,

CEO since November 2006; was named Managing Director in 2005. Before taking this position at Symrise, Dr. Linzbach, who has a doctorate in chemistry, held positions at companies such as McKinsey, Hoechst AG and Celanese Acetate LLC.

Achim Daub,

Executive Board member responsible for Scent & Care since November 2006; Mr. Daub was initially hired as Director of the Fragrances division in 2004. Prior to that he worked in management positions for the Procter & Gamble Group and Coty Deutschland GmbH.

Rainer Grimm,

CFO since November 2006; after completing his studies in business administration, Mr. Grimm began his professional career as an auditor in South Africa. Before coming to Symrise in 2004, he worked for companies such as Macrotron AG and the Deutsche Papier Group.

Dr. Heinz-Jürgen Bertram,

Executive Board member responsible for Flavor & Nutrition since November 2006; following his post-doctoral work in organic chemistry, Dr. Bertram began his professional career at Bayer AG in Leverkusen. After joining Haarmann & Reimer in 1990 he filled several executive positions in research and operations.



Achim Daub

Dr. Heinz-Jürgen Bertram

Dr. Gerold Linzbach

Rainer Grimm





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Symrise's business activities are divided between its two divisions Flavor & Nutrition and Scent & Care. The two divisions generate sales in near equal measure. Our Flavor & Nutrition division accounted for 47% of our total sales revenues in fiscal year 2006, while Scent & Care generated a share of 53%. Our balanced divisions and diverse product portfolio make our business model so successful.

KNOWING HOW IT'S DONE



Market

The world we live in

The more diverse the world becomes, the more creative and agile we need to be to respond to these challenges. Decisions must be made quickly with an eye toward commercial success. Consumers have become accustomed to having a wider selection so they can decide what's successful and what's not. They expect quick responses to their needs.

Enterprises must recognize and accept this new reality. The line has become finer between success and failure, and even successes are more fleeting than they once were. Large companies also must respond quickly and flexibly. They have to be prepared to examine and constantly redefine themselves.

"Living better" is an attractive market

Our industry helps make people's lives more pleasant, comfortable and interesting. Food, drink, personal hygiene, health and beauty are basic human needs. Our corresponding market is some € 14 billion large and growing 2–3% annually. Some regions and market segments are growing even faster. These very robust rates of growth stem from several fundamental trends:

- > In industrialized regions, the consumer goods industry offers a wide spectrum of flavored or scented products that have become mainstays of daily life – from household products to perfumes, from snacks to functional drinks, from shampoo to antiaging products.
- > In the emerging countries of Asia, Latin America, Eastern Europe, Africa and the Middle East, disposable per-capita income is rising continuously at 3–5% annually. A large portion of this income is spent on products from the (frequently Western) consumer goods industry.
- > Technological innovations in processes and product development have given us products with so much added benefit to consumers that they are willing to pay premium prices for them.

> The leading multiregional producers of consumer goods expect a global network of comprehensive service and development capacities from their suppliers. Innovation and product licensing procedures require extensive scientific resources. The number of companies that can deliver this is relatively small. Smaller suppliers disappear, their business volume swallowed up by the larger suppliers. The hurdles are great for new suppliers entering this market, including the necessary proximity to customers, the knowledge of local tastes and, last but not least, the fragmented structure of the market.

These factors lend our industry, especially the leading companies, a high degree of long-term attractiveness and margin quality.

Success means knowing how

The merger of the previous companies to Symrise Group gave us a reason and an opportunity to analyze our market and its requirements, opportunities and risks from the ground up and put the insights we gained into practice in our organization, our processes and our culture. Symrise today is characterized by a wide array of available technologies, an organization that is uncompromisingly focused on benefit to the customer and a company culture grounded in efficiency and profitability. All of this has ushered us into the elite of our industry.

We are aware that there is no reason to rest on our laurels. Few things in our industry are based on structural advantages. Size tends to play a lesser role once you've gotten beyond a critical base size of about one billion euros in sales if you want to service international customers worldwide. There aren't any high-end technologies that provide a broad-based competitive edge. Costs are important, but what's more important is the value that one delivers to customers. Success in our industry is largely based on creative minds recognizing trends, choosing or developing the right technology and translating all of that into a commercial product concept that is attractive to customers. The company that completes this cycle first gains the most. This is why we have consciously put focus and speed at the forefront of our organization.

Our philosophy & strategy

What we do and how we do it

We understand that only profitable growth can ensure the future of our company and the sustainability of our jobs. That's why two of the pillars of our company philosophy focus on organic profitable growth: The development of smart products (**"The Power of 'AND'"**) and the promise of superior customer service in terms of both reliability and creativity (**Indispensable**).

"The Power of 'AND'" – or why many of our products and technologies are so attractive to customers

Despite the diversity of the relations we maintain with our customers, we will never forget that the core of our business is the products we develop for our customers. The more we enhance the value of our products, the greater the success of our customers will be and the more they will turn to us first when they're looking for innovative designs.

The basis of these products is always a first-class fragrance or flavoring. To this basis we add additional qualities that are designed to make our customer's product absolutely unique. The spectrum of such qualities ranges from additional functionalities (such as dietary health and wellness or cosmetic effects), intelligent "delivery systems" (such as microcapsules that release their ingredient only after they receive a particular stimulus) and multisensory effects (such as a fragrance or cooling effect) to specific raw material specifications ("all-natural"). There are three elements required for the successful commercialization of such products: The first is to identify a consumer trend that can be met by the product concept. Next comes the screening of appropriate technologies. Finally, a commercially feasible marketing concept must be developed in collaboration with the customer. The mere possession of attractive technologies is not enough.

Our share of sales from such products is currently at about 25%. Apart from intensifying customer relations, such products are attractive because they are often used in rapid-growth market segments.

OUR "AND" PHILOSOPHY

- > We are always looking for ways to deliver "more" to the customer.
- > We pursue this goal with equal parts of technology and imagination.
- > We look out for multisensory potential right from the research phase.
- > Wherever possible, we develop technology platforms that can be used in multiple segments.
- > We try to win customers over as developmental partners as early as possible.
- > We pay attention to mutual benefits in designing our product concepts.

It's easy when you know how: Symrise R&D

Research and development is the key area that can provide Symrise with competitive advantages. This is true both for the development of innovative products and solutions and, more generally, for establishing a reputation as a valuable partner to our customers.

True to our philosophy as a customer-oriented, responsive, pragmatic organization, we've integrated our R&D resources into our divisional organization. The direct linking of customer service, product development and quality assurance has significantly enhanced the speed and efficiency of our development work. The organizational link to purchasing and production ensures the technical feasibility of new products from an early stage of development. All those involved in the R&D chain through to the customer-end commercialization experience the success or failure directly, which boosts ambition and motivation enormously.

Several hundred employees in research and development ensure that we always have the state of the art in science and technology at our disposal. These internal resources are complemented by a close-knit network of research collaborations with universities and research institutes around the world. We have issued the highest number of new patents in the industry over the last few years and are regularly represented at technical conferences and symposia.

Our development projects are stringently monitored for their achievement of milestones. Models for determining the commercial potential and a general R&D cost-effectiveness check ensure that we don't lose sight of commercial success.

The bandwidth of technologies includes analysis, synthesis, encapsulation, biotechnology, screening, sensory testing, extraction, application testing, toxicological testing, and more.

We lead the field in many of these technologies. In analysis, for example, we enjoy a prominent position in the field of high-throughput screening, including quantification. We are the leader in the field of microreactors and have comprehensive expertise in photochemistry, ozonolysis, and olefin chemistry and microreactors.

Since early 2005, we have also pursued the strategy of acquiring small businesses with an attractive tech-

PRODUCT STRATEGY

Symrise "AND" concept

Conventional ingredient

AND

> Additional ingredient
> Technology
> Additional functionality

Innovative products with an added benefit

Examples

Fragrance

AND

Taste for life®
Encapsulation
SymTrap®
"Flavor Plus"
Malodor management
Dual cosmetic effects
Sensations
SymCap®

e.g. potato chips with low salt content, gender-specific deodorants, chocolate with reduced sugar content, creams with active ingredients instead of preservatives, beverages with functional ingredients

Flavor

AND

Cosmetic ingredient

AND

nology or raw material base. This saves us the time it would take for us to develop such technologies on our own and minimizes the risks of the commercialization of new technologies. What we bring to the table is the contacts to large customers that allow us to market the technology in a wider scope.

Research requires focus

The direct confirmation of successful research and development is the commercial success of the developed products.

The spectrum of development projects in the Scent & Care division ranges from the synthesis of new aroma chemicals to functional scents and cosmetic active ingredients.

- > Five new scent molecules in the last year have expanded our position in the field of aroma chemicals.
- > Innovative production processes for menthol, globalide and amberwood enable cost and quality benefits.
- > New systems for releasing fragrances at precisely controlled times are used in personal hygiene products and laundry detergents.
- > SymCalmin (anti-itching), SymWhite (skin brightener) and Symdiol 68 are cosmetic active ingredients with a high market potential. Symdiol even won an award for the most innovative active ingredient.

Overall, we are interested in products that serve the beauty sector. We are the only supplier in our industry that offers cosmetic ingredients (antiaging, anti-bacterial, skin brighteners, sun protection, etc.). This is a fast-growing sector, and the connection with our fine fragrances opens up attractive potentials. We often go beyond the traditional product development to develop appropriate marketing and advertising strategies for our customer.

In the Flavor & Nutrition division, we are focusing on several main topics:

- > Further development of encapsulation technologies to stabilize flavorings, extend the effect of flavorings and mask components that don't taste good.

- > Flavor solutions without added flavor enhancers such as MSG, e.g. flavors providing mouthfeel and umami taste.

- > Flavor systems which allow sugar-, fat- or salt-reduced food and beverages without any loss of the taste experience.

- > Extraction of natural substances such as vanilla, citrus, herbs and spices.

- > Development of natural flavor systems for declaration-free applications.

Another interesting market segment in which we operate successfully are food and beverages with functional product properties. These applications grow faster than conventional foodstuff. We focus on new flavor systems which allow the application of functional ingredients without any taste compromises, which is key in order to achieve a high degree of consumer acceptance.

OUR "INDISPENSABLE" PHILOSOPHY

- > It is our ambition to have our customers integrate us into their product development and market strategy.
- > We have expertise and experience that is valuable to our customers.
- > Our customers can trust us "blindly".
- > We offer fast and unconventional solutions to our customers if required.
- > This gives us access to fast-growing business segments.
- > This allows us to increase the stability of the business relationship and our ability to plan our business.

“Indispensable” – or how to become part of the customer’s world

Even if our business starts with the development and manufacturing of products, it is sustained by the service we provide our customers.

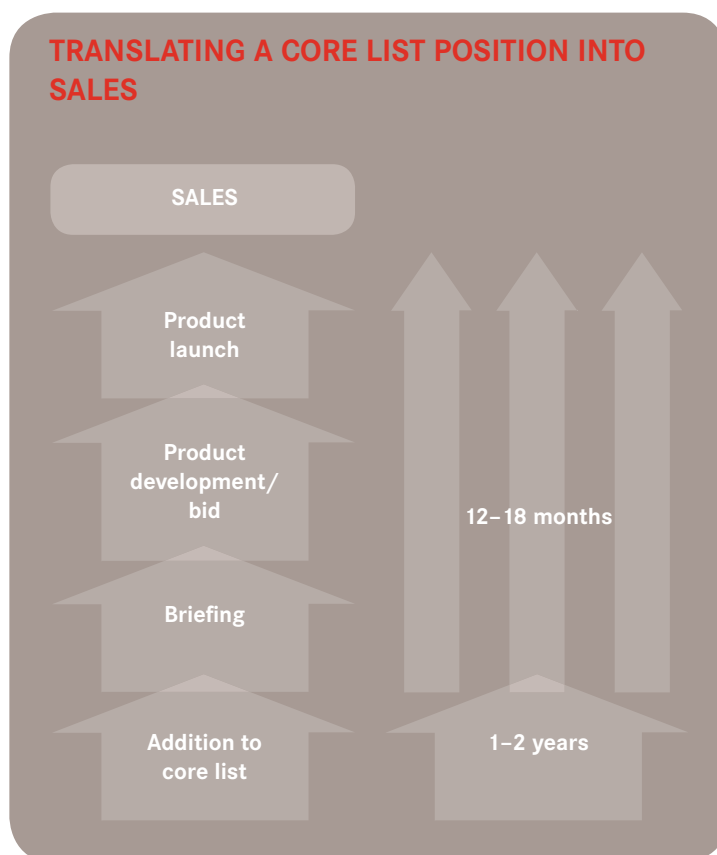
This begins with a common dialog on consumer trends and the related product concepts. Here we can frequently offer added product value with “AND” quality or demonstrate our skills and expertise through innovative product solutions and the development of further future-oriented technologies. We help solve problems in the area of logistics. Toxicological and analytical services reassure the customer on the subject of product liability.

The central platform for such an intensive customer relationship is the reliability and effectiveness of our production and logistics. In many cases, the customer is reliant on getting its supply of the desired product on time. The optimization of our order entry, production planning and distribution systems have allowed us to reach a 99% on-time delivery rate. Required documentation is sent out to the customer quickly, often within 48 hours. Customer complaints have reached an all-time low. We pass every customer audit, often with distinction.

This pillar of our company philosophy incorporates two different lines of attack to increase sales volume:

In Western Europe, the United States and parts of Asia, the principle of the ultimate quality of service leads directly to the “core list” phenomenon: Large, multinational customers select a few core suppliers with whom they prefer to work. To get on this list, you have to demonstrate that you are a reliable, effective supplier over the long term. Once you’re on this coveted list, the probability of sales to the customer increases dramatically. Over the past two to three years, we’ve worked hard to get onto several core lists, giving us the opportunity of accelerated growth with these core customers. We generate 25–30% of our sales with such key customers. Many of our competitors manage to realize up to

TRANSLATING A CORE LIST POSITION INTO SALES



two-thirds of their business in this way. In other words, we have enormous growth potential here.

In the emerging countries and with sizeable national customers, meanwhile, we can offer extensive help in successfully developing and marketing new products, as well as in many other fields. This approach is giving us roots and high customer retention with the local industry in these rapidly growing markets. We acquired these skills even before Symrise was founded, when this clientele accounted for the bulk of the business of the predecessor companies.

1/3

of our products are less than three years old. This fact is evidence of our strong innovative power. Our focus is on developing and manufacturing products that offer the consumer an added benefit. We call this "The Power of 'AND.'"

We aspire to be an Indispensable partner to our customers through an attractive, innovative product portfolio.





The long march to the current status

A wealth of initiatives made it possible for us to attain our current position. One cornerstone was the introduction of the new organizational structure that prioritized customer benefit and commercial success. We also took a series of steps to create the necessary environment:

- > Some of our production plants (e.g. Bushy Park) were streamlined, the utilization of capacities was optimized and lead times were, in some cases, drastically reduced. All plants are certified (ISO 9001/14001). The safety standard was increased significantly. Symrise is now one of the safest employers in the industry.
- > All our planning, manufacturing and logistics processes have been assigned scorecards. Now it is possible for employees to see at a glance how well their site is performing based on key indexes. Performance spikes motivate the employees to make this the new standard. Performance dips are noticed immediately and lead to countermeasures long before the weaknesses can affect the downstream customers.
- > Customer complaints and problems that come to light through customer audits are discussed with all the affected parties. Correctional measures are drawn up and implemented.
- > All told, these measures led to a reduction in the customer complaint quota of about 27%. We succeeded in passing all customer audits.
- > The “automation efficiency” of the creation of product documentation, customer questionnaires and supplier specifications has greatly reduced our response time to corresponding customer queries.

BEING “BOLD” – OUR CULTURE AND OUR SELF-IMAGE

- > We are always positive and take a clear position. All our activity is designed to benefit our business and the customers.
- > We are aware of our strengths, we trust in our actions and decisions, and we pass along this self-confidence to others.
- > We display entrepreneurial instinct and assume personal responsibility.
- > We have influence; our advice and expertise are in demand.
- > With us, good ideas count only if they can be commercialized and create value.
- > We set standards when it comes to customer service.
- > We continually increase our profitability.

- > The worldwide standardization of quality analyses and quality standards is an important improvement, especially for our global customers.

The examination of dominant consumer trends prompted many a valuable discussion with our customers. Integrated concepts – from the selection of raw materials to the finished product and its marketing – have helped our customers successfully commercialize perfumes,

cosmetics, foodstuffs and beverages. We have worked together with customers to successfully develop and improve product designs, advertising campaigns and product placements.

True to our motto “Always inspiring more...,” we will never cease to improve. Many of our customers set the standards in their industry. This is also our ambition as we further strive to impress our customers with our speed, precision and reliability.

**“Bold” –
Clear visions, consistent implementation of strategy**

We have clear visions and a clear concept of how our future will look. We know our strengths and we draw on them. We know where we have the potential to improve and are working on our weaknesses.

This self-confidence is deeply rooted in our company culture. We know that we can make people’s lives more pleasant with our products. We also know that this influence carries with it a great responsibility. We take our corporate responsibility seriously. Sustainable business is part of our company philosophy and affects our day-to-day activities.

We are able to make decisions and act quickly and boldly. We don’t fear risks, but we know how to keep them as low as possible.

Simplified structures, clear responsibility

Before we began with the restructuring of our company in 2005, Symrise had more of a fragmented structure: The chain of responsibility was unclear, processes were unwieldy and the flow of information was problematic.

We continued to work uncompromisingly toward implementing our strategy in 2006, adapting the organizational structure of the company accordingly. We began by outsourcing all secondary functions so that we could concentrate fully on our core business. We created two strong divisions – Scent & Care and Flavor & Nutrition – and integrated all central service functions, from R&D to purchasing and production, into these divisions. This gives us the utmost customer focus and a huge speed advantage.

Now the divisions have not only direct responsibility for the profits and losses of their business but direct influence on product development, from raw materials to the application. This is unique in our industry. This means we are now able to respond faster and more efficiently than ever to customer and market requirements.

As a result of the restructuring, 95% of all Symrise employees now work directly for the customer. This has sharpened awareness among our employees of their personal responsibility and individual contribution to the business processes. The staff of Symrise shows entrepreneurial instinct and takes decisions with confidence.

Everything that we do is geared toward creating greater value for our customers. We continue to focus on identifying and eliminating non-value-adding processes in our company.

This, too, is deeply rooted in our company culture: We are never satisfied with the status quo, because we know that there is always an “AND” to look for.



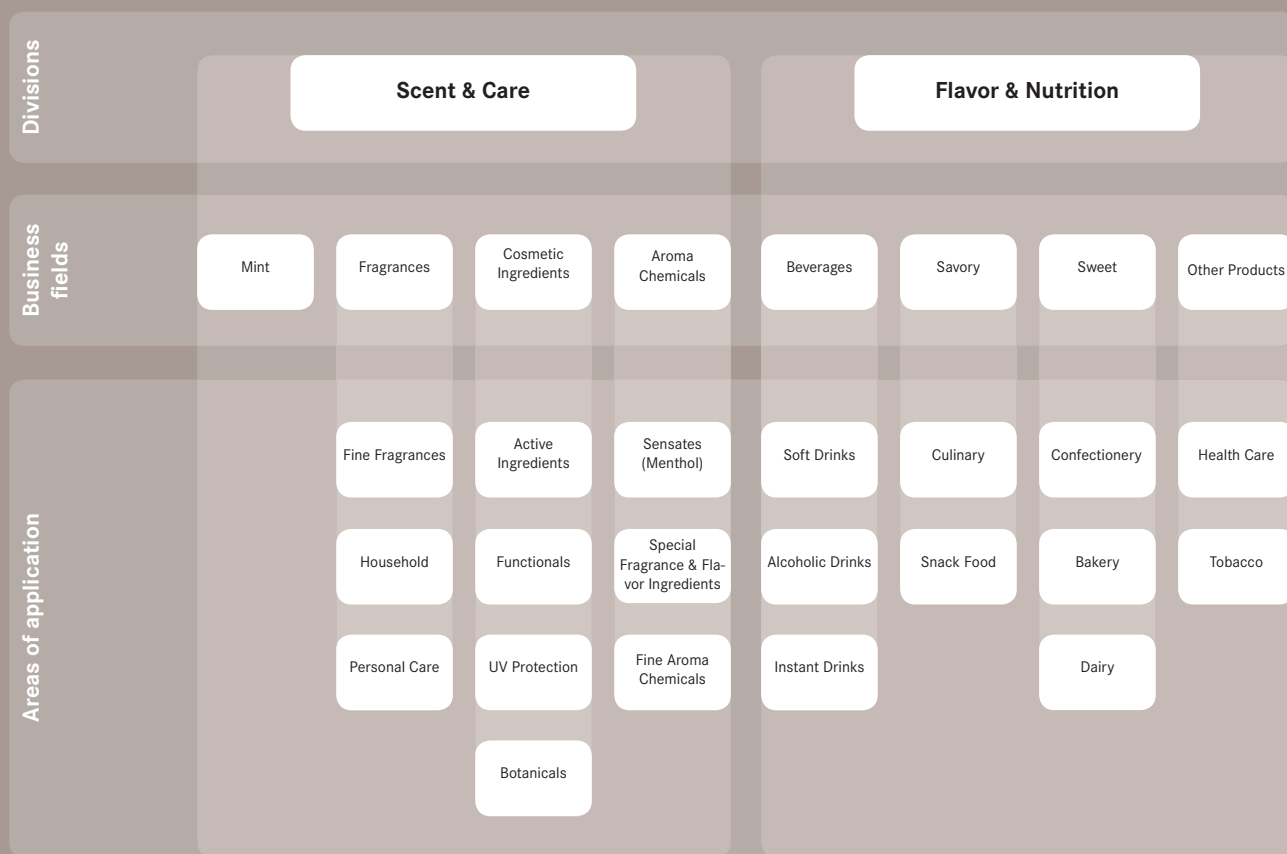
+ 7 %

growth in sales. After its successful restructuring, Symrise outpaced the market with a growth rate of 7.0 percent and greatly improved its profitability. We are supported here by our newly developed modular concept, which allows us to offer our customers both individual aroma elements and complete product solutions for the consumer.



Our divisions

DIVISIONS, FIELDS OF APPLICATION AND MARKETS



In 2006, we completed the strategic and organizational realignment of our Scent & Care and Flavor & Nutrition divisions and were able to reap the first fruits: Both divisions significantly increased their sales and profitability.

We understand our customers' markets and know about the ever-changing desires and preferences of the consumers in these markets. This also opened our eyes to what needed to change in our own company.

The previous divisions of Fragrances and Sensory Ingredients were merged to form Scent & Care. The Purchasing, Production and Quality Assurance divisions, which were previously managed centrally, were integrated into the operative responsibility of the two new divisions. It was possible to simplify structures and realize synergies, and our customers were big winners: Intelligent, tailored product solutions from a single source – that's what primarily distinguishes us from the competition.

SHARE OF SALES OF OUR DIVISIONS



DEVELOPMENT OF SALES SCENT & CARE in € million



SCENT & CARE

More than just scent: The Scent & Care division

Creativity and competence, intuition and professionalism: That's the stuff successful new scents are made from. The Scent & Care division has these qualities and is thus instrumental in the success of the company. The name Scent & Care already says it: Symrise has more to offer than "just" scent. In 2006, we merged the previously independent divisions of Fragrances and Sensory Ingredients into the Scent & Care division. This gives us a presence in the entire value chain, from aroma chemicals and perfume compositions to cosmetic ingredients. Synergies are pre-programmed here, and we're doing everything we can to leverage them in the interests of our customers.

This reorganization allowed us to greatly simplify our structures and workflows. Now our customers have just one contact person, profit from our extensive portfolio – which is unique in the industry – and return the favor by integrating us into the early stages of new product development.

2006 – reaping the profits

2006 was an extremely successful year for the Scent & Care division.

We were able to increase sales in the past fiscal year by 6.5% to € 647.4 million – a success to which all regions contributed equally. We even realized double-digit growth rates in the emerging markets of China, Brazil and India, outpacing the growth of the market.

We also greatly increased our profitability. This growth was fueled by the double-digit increases with active ingredients, UV filters, specialty aroma chemicals, sensates and, in particular, the high win rate at Fine Fragrances. Exclusive names such as Donna Karan (Red Delicious), Jil Sander (Jil Sander Style) and Givenchy (Amarige Mariage) can be found on our 2006 customer list.

As the sole supplier of cosmetic raw materials and active ingredients in the fragrance industry, Symrise possesses a critical competitive edge.

"The Power of 'AND'" – success through new technologies and added value

We've worked hard for our success. We've consistently focused on the technologies and products that ensure us a place on the core lists of major multinational customers.

We call this "The Power of 'AND'": The search for the additional something in all that we do. For ever new combinations of products and technologies that deliver added value to our customers. For innovative product concepts that appeal to all the senses of consumers and accommodate their high demands for multifunctional products and experiences.

Fragrances

In the field of fragrances, we continue to work on developing new molecules with unique fragrance profiles and above-par performance.

New fragrance release technologies – so-called delivery systems – provide consumers with extraordinary and surprising scent scintillations. In 2006, for example, we managed to commercialize our patented Symcap® technology: Microcapsules that are activated by pressure, making it possible to control the release of the scent.

Our experts are researching the behavior of aroma chemicals during their application. The result is that laundry detergent fragrances by Symrise bond to clothing much longer, for example, giving the consumer a feel of “freshly washed clothing” long after the actual washing process.

“Malodor management” – the masking of unpleasant odors – is another challenge for the fragrance industry. One needs only think of hair dye or household cleaners. Symrise is a leader in this field with its Neofresh® technology.

Another focus in fragrance composition research relates to the neurofunctionality of fragrances. Here, too, Symrise delivers true added value: The Intelliscent® technology makes it possible, for example, to give deodorants gender-specific fragrances that are tailored to the different ways that men and women perceive scents. This “intelligent” deodorant was one of the big successes of the Fragrances business unit in 2006.

Cosmetic ingredients

For years now, the cosmetics industry has been all about health, wellness and antiaging. We understand what consumers want and demonstrated yet again in 2006 that we know how to translate this understanding into successful product concepts.

The use of preservatives in cosmetic products, for example, is controversial with consumers. Symrise researchers were now able to discover a preserving effect in some active ingredients that for years have

been used primarily as moisturizers. With the introduction of the products SymDiol® 68 and Hydrolite® 6, we’ve extended our portfolio of multifunctional cosmetic ingredients and further expanded our position as the leading supplier of alternative preservatives.

Just launched and already awarded a European prize for innovation: IBR-dormin® – an innovative, highly effective and, above all, natural antiaging product that harnesses the properties that allow bulbs to overwinter. The active ingredients that slow down cell division in the bulb during the overwintering period can also stretch out the cell division process in human skin, giving cells more time to fully develop their protective functions. This product promises “deceleration and wellness for cells,” making it a sought-after active ingredient for antiaging and after-sun products.

A Symrise product made it into final consideration for the “New International Technology Award”: SymCalmin®, a colorless, odorless active ingredient that is effective against itching and as an anti-inflammatory. The plant-based product harnesses the functional components of oats, which have long been known for their calming effect on the skin. Symrise was able to synthesize the avenanthramides present in oats and develop them for the cosmetic industry, once again demonstrating its expertise in bioactive herbal active ingredients.

With its phosphate emulsifier Emulsiphos®, Symrise once again delivers an example of an “and” product: Not only does the emulsifier leave a silky feeling on the skin, it also has a very low melting point compared to similar products on the market, making it easier for the customer to manufacture the end product.

Symrise introduced a series of ayurvedic herbal extracts – Ayurveda Extrapone® – into the cosmetics market back in 2005. Now Symrise researchers have managed to demonstrate a skin-brightening effect in the

herbal extract Extrapone® Nutgrass (Motha) Root GW, whose effect had already been proven. Current studies show that the color of a person's skin can account for up to 20 years of difference in his or her perceived age. A bright complexion – the “aristocratic pallor” – is thus entirely in fashion, and here, too, Symrise already has the right products in its portfolio.

Aroma Chemicals and Mint

Our macrocyclic musks were a particular success story in 2006 for the Aroma Chemicals business field. In addition to their excellent fragrant qualities, they are biodegradable and thus represent an entirely new generation of musks.

Unlocking the secrets of nature – that is the daily challenge of our researchers and perfumers around the world. With the Vitessences® aroma portfolio, re-designed in 2006, Symrise delivers the most fascinating fragrances of nature for use in creative bouquets.

The selection of Gourmet Fragrances® – aroma chemicals from the world of culinary delights such as apple, ginger or chocolate – also follows the latest trends in fragrances and promises the consumer multisensory experiences.

As in years past, we will continue to work on the portfolio of the Aroma Chemicals business unit. In particular, we will take a critical look at the commodities.

In the Oral Care/Mint business unit, we generated a big market buzz in 2006 with an innovative technology: Optafresh® effectively fights bad breath and is already being used successfully in big-name oral care brands.

New markets, new technologies:

An eye for acquisitions

Targeted acquisitions that give Symrise access to new technologies, raw materials or new sales markets remain a strategic objective of the Scent & Care division.

TRENDS

LIFESTYLE

Consumer products targeting specific groups and current fashion and lifestyle trends increase product diversity

HEALTH, WELLNESS AND ANTIAGING

Growing awareness of health and body

Increasing average age

High-quality products with natural raw materials, healthy added benefits and active cosmetic ingredients

CONVENIENCE

Demand for time savings and changed work and leisure habits

Quick and easy-to-fix entrees and dietary supplements

The latest example of a successful acquisition in this area is the integration of Kaden Biochemicals into the Symrise Group. The company's products are in keeping with current trends and complement the Symrise portfolio nicely: In addition to high-purity herbal extracts and cosmetic ingredients, Kaden's dietary supplements in particular have given Symrise access to an entirely new market segment and represent an impressive manifestation of the "AND" product strategy of offering the customer true added value.

**Indispensable:
Close to the customer**

In 2006, our primary focus remained maintaining and expanding our position on the core lists of the large regional and multinational customers. We succeeded. Above all, we were able to attain a spot on the core lists of additional large manufacturers of personal hygiene products and household cleaners – a demonstration of our successful endeavors to be an important, indispensable partner to our customers.

Another sign that we give more than lip service to the idea of trusted partnerships is that we are increasingly integrated into our customers' development processes from an early stage. In return, we share our marketing expertise and our knowledge of trends and consumer preferences with our customers. With the "genealogy of fragrances," for example: A recognized standard work of the olfactory classification of fragrances, which we were able to present to our customers in a comprehensive new edition in 2006.

**Bold:
Realizing visions, expanding strengths**

When we established the Scent & Care division, we bundled our resources and set a clear course for success. A global organization together with streamlined structures and workflows allows us to concentrate on the essence: Business with our customers.

New York, Paris and Tokyo remain the traditional linchpins of our business. In late 2006, we opened our new, representative Personal Care headquarters in Paris.

To elevate our presence in the emerging metropolises of Eastern Europe, we also established new offices in Moscow and Warsaw. Our objective is to facilitate access to the local markets of this region through the greatest possible proximity to potential and existing customers.

In Asia, we've decentralized our development and marketing activities to accommodate the diversity – the different customer and market structures and consumer tastes – in the individual Asian markets. In India and China, in particular, we have created all the organizational prerequisites to serve these boom markets in as customer-oriented a way as possible.

With an eye on shareholder value, we will continue to improve our production processes in the coming years and further optimize our product portfolio. The positive trend in earnings for commodities such as UV filters and aroma chemicals in 2006 shows that we are on the mark with this strategy.

**The future:
Enforcing to our strategy**

The strategic focus of the Scent & Care division in 2007 and the years following will be on the profitable Cosmetic Ingredients business unit and Special Fragrance and Flavor Ingredients business unit, on innovative product solutions for fragrances and on the development of further future-oriented technologies.

The consumer demand for multifunctional products, products with added value and new realms of sense and experience will continue to play a major role in defining our research and development and the orientation of our portfolio in the coming years; nutraceuticals are just one of many examples here.

The sources of growth in the Scent & Care division in this fiscal year will continue to be targeted acquisitions, the expansion of core list positions, highly efficient cost management, the expansion of our technological leadership and the consistent concentration on our core competencies.

DEVELOPMENT OF SALES FLAVOR & NUTRITION in € million



FLAVOR & NUTRITION

A year of highlights

The Flavor & Nutrition division

In the Flavor & Nutrition division, we know what it means to lead the market. With strong product expertise or innovative technologies, with new exciting flavors or a pronounced understanding of consumer trends.

One aspect of our distinctive product expertise remains vanilla – which is, by the way, the world’s best-loved flavor among consumers of all age groups. Thanks to our share in the French company Aromatics SAS, we control the entire value chain from planting, harvesting and extraction to industrial processing. This backward integration offers Symrise many advantages: We can deal with fluctuations in the harvest and ensure our customers consistent quality, reliability of supplies and, above all, stable prices.

For many years, Symrise has also been a recognized supplier of mint flavors for the confectionery industry and manufacturers of oral care products. Innovative technologies in this field such as Optacool™ or

Optaflow™ offer not only excellent sensory qualities but a true added value: The natural flavors of Optaflow™, for example, stimulate saliva flow, thereby ensuring a clean, fresh mouthfeel.

Another promising segment is the encapsulation of flavors. Symrise has what is probably the largest portfolio of encapsulation technologies in the industry. Microencapsulated products allow the targeted flavor release – usually through thermal or mechanical processes – thereby providing long-lasting taste. Together with innovative flavorings and functional ingredients, these technologies are another good example of the significance of the “and” products in the Symrise portfolio.

2006 – sustainable growth

The Flavor & Nutrition division can look back on a very successful 2006. Sales grew by 7.5% to € 582 million – growth that not only outpaced the economic growth of the respective regions and countries but was clearly above the average growth in the industry. We were also able to greatly improve our operative earnings, putting us among the top in our industry.

One of the engines of growth was our business with the “AND” products – products that deliver an added value beyond the flavor. In addition, we’ve already reaped the benefits of our strategy to grow primarily with the large customers and secure and expand our core list positions. We achieved growth above average among globally active manufacturers of foodstuffs and beverages.

Powerful key account management for regional and global customers and a newly developed project management system made us faster and more flexible in our workflows and more transparent in all phases of development.

In emerging markets such as Russia, China, India and parts of South America, we managed to generate additional profitable business. This also led to organizational and structural changes: We expanded our branch office in Russia, for example, to include application technology resources for the confectionery, beverage and savory product segments, so that in the future, we can respond faster to local customer requests. In Poland, we established another Eastern European representative office and have thus laid the foundation to participate in the growth of this market as well.

“The Power of ‘AND’” – pleasure without regret thanks to Symrise

Almost no other industry is as closely associated with the health of the consumer as the food industry. That’s one reason why health, naturalness and pleasure will continue to be major trendsetters in the global market of the future. Market analysts agree: The consumer wants “healthier pleasures.”

In 2006, Symrise launched the Taste for Life™ initiative, a program to develop and market flavors that provide brand-name products with a diverse array of added functional benefits:

Lighten up – less sugar, salt and fat with a full taste

With the help of special flavoring systems, the Symrise developers have managed to significantly reduce the salt, sugar or fat content in food without compromising the taste.

Be natural – the luxury of natural flavor

Fresh herbes de provence, the flavor of fresh fruit or the seductive taste of creamy chocolate – fresh, natural taste is truly a luxury. New Symrise technologies such as SymTrap™ make it possible to extract new, all-natural flavors that give food an authentic, natural taste; they lend soups or sauces the traditional “home-made” character and make dairy products taste deliciously light and healthy. For our customers these are declaration friendly product components, so called “clean label”.

Get active – functional food with a healthy plus

In addition to good taste, consumers increasingly seek an additional functional benefit and want food with a healthy added value. Another important element of the Taste for Life™ campaign is masking systems to disguise the hint of undesired off-note flavors, thereby facilitating the use of vitamins, healthy fatty acids or probiotic ingredients.

The positioning in the health and wellness sector opened up new market opportunities for Symrise in 2006 and will continue to generate sustainable growth in the future.

Beverages as a growth market

For years, Symrise has been very successful in the beverage flavoring market. Sales in this market segment grew again from € 193.7 million in 2005 to € 222.7 million in 2006. Our product expertise in this field goes beyond the mere development of flavors. Complex bases whose formulae already include functional ingredients are produced at our facility in Braunschweig, Germany. This facility operates in accordance with the official organic standard and was organically certified in 2006 as the first of its kind.

One of the engines of growth in 2006 was the successful introduction of product developments for beer mixes – a segment that is enjoying increasing consumer popularity. We are one of the leading suppliers in this product segment because we have the capacity

not only to identify trends but, above all, to respond to them quickly and translate them into successful flavoring concepts with that certain extra something. These are precisely the strengths that serve us so well with the so-called lifestyle drinks. For example, we were the first ones to succeed at adapting the color of beer beverages to the flavor associations of the product.

Into the future with innovative “AND” products

By reorganizing the Flavor & Nutrition division and consistently focusing on our core competencies in 2006, we established the foundation for sustainable growth. Our growth will continue to outpace the market in the coming years as we focus on targeted acquisitions, continued improvement of our core list positions with key customers, the use of growth potentials in the emerging markets of Asia and Eastern Europe and further concentration on the promising “and” products that offer both our customers and the consumers a useful added benefit beyond their unmistakable flavor.

Outlook

All signs point toward growth

The strategy that spelled our success in 2006 and with which we impressed national and international analysts and investors during our initial public offering will continue to guide our actions in the future.

Our focus will continue to be on the development of intelligent products through which we can demonstrate our technological strengths, our market savvy and our understanding of the consumer. We're convinced that the world's major food and cosmetic corporations can no longer ignore the consumers' call for healthier, more natural and multifunctional products. Then they'll need partners who understand how a knowledge of the topics that move a society can be translated into successful product concepts. Partners with expertise in good flavor and creative fragrances and who have access to forward-looking technologies that make a difference in the end product. Partners for whom the utmost quality is a matter of course and yet a never-ending responsibility and who can give their customers sound advice in the increasingly complex jungle of local regulations. We're ready.

We are always monitoring the sources of growth that we've identified. That's just one more part of our company culture: To continually question ourselves and stretch recognized boundaries. Stagnation is unthinkable at Symrise. We intend to grow, and we will, with the "AND" products outlined here and by further strengthening our core list positions and maintaining a strong presence in the emerging markets. Coupled with highly efficient cost management and targeted acquisitions, this strategy will lead to high capital productivity and further improvement in our profitability.

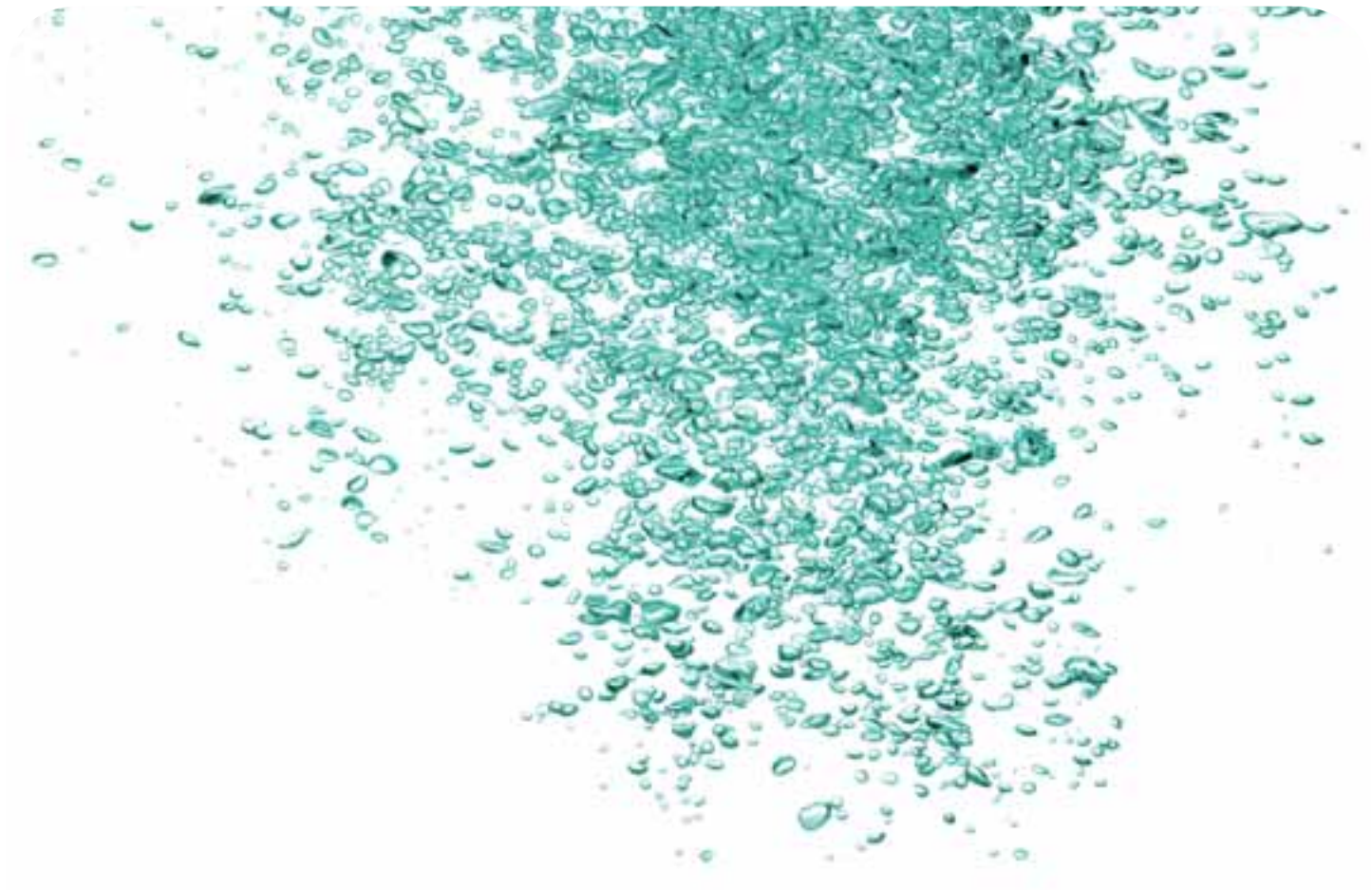
Our staff plays a major role in all these ambitions, because after all, it is the people of Symrise who make the difference – through their dedication, their passion for what they do and their excellent technical expertise. In 2005, after the difficult years of the merger and integration, an atmosphere of renewal spread throughout the company. It was this spirit that we were able to harness to attain our ambitious goals in 2006. This high degree of motivation and orientation toward the future will remain one of our company's strengths in the years ahead.

In the process, we never lose sight of our responsibility as a company. Corporate social responsibility is at the top of our agenda. The responsible use of resources is indispensable, particularly in our global business. The wishes of the consumers and thus the demands of our customers determine our policies – as does the responsibility for these same consumers and the environment in which they live.

Symrise has every reason to look optimistically toward the future. We are ideally positioned for the challenges that the market will hold for us in the future. We are driven by the unqualified desire to achieve our very best and create value with our products. For our customers, the consumers, our shareholders and, last but not least, for ourselves.

ALWAYS
INSPIRING
MORE...





31

Presence in 31 national markets. Symrise is represented in 31 countries around the world through its own subsidiaries. We position ourselves in regional markets with particularly good growth opportunities and with key international customers. As a result, in recent years Symrise has increasingly succeeded in being added to the vendor core lists of both large global enterprises and key regional players.



Successful stock market debut

Symrise stock has been traded at the Frankfurt Stock Exchange since December 11, 2006. The initial price was € 17.25, near the top of the price range of € 15.75 to € 17.75 per share. Symrise AG sold a total of roughly 81 million shares, including a greenshoe of about 11 million shares. Out of the total, 37.8 million shares derived from a capital increase. With an issuing volume of some € 1.4 billion, Symrise's initial public offering was the largest in Germany in 2006. Approximately 15% of the shares offered for subscription (not including greenshoe shares) were placed with private investors.

The closing rate on the first day of trading was € 18.48. Symrise stock has followed an upward trend since that time. At no time has it been listed below its issue price. At March 15, 2007 our stock price was listed 11.2% over issue price. As a comparison, since Symrise stock was first listed on December 11, 2006, prices on the MDAX have risen 5.5 percent and the DAX has risen 1.1 percent.

MDAX listing

As of the end of February, the free-float market capitalization of Symrise AG came to approximately € 1.5 billion, and the total market capitalization was € 2.2 billion. On March 5, 2007, the Frankfurt Stock Exchange's Working Committee for Equity Indices decided to include Symrise stock in the MDAX as of March 19, 2007.

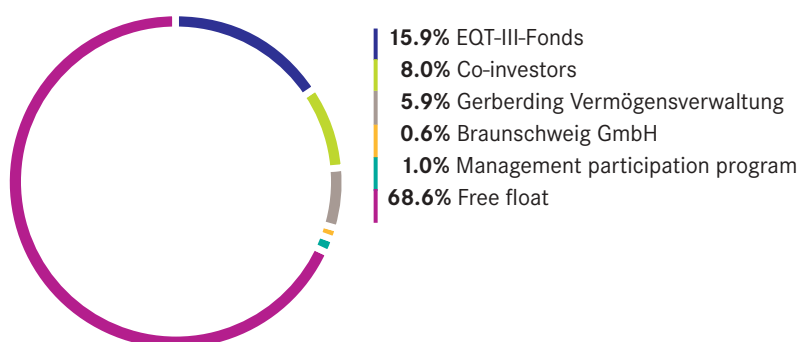
The issue receipts from the company's IPO came to a total of some € 652 million and were used to further improve the financial structure of the Symrise Group and the related expansion of the growth margin.

The greenshoe option was exercised shortly after the IPO by the syndicate leaders. The free float since that time has been at around 69%. As part of the IPO, the Symrise investor EQT sold roughly half of its holdings in the company. But it remains Symrise AG's largest shareholder, with a 15.9 percent stake.

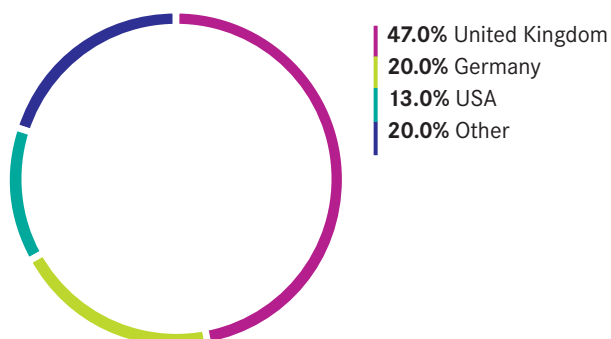
Intensive capital market communication

In a two-week international road show associated with the IPO, management met over 300 investors. Symrise places great importance on dialog with the financial community. In fiscal 2007, Symrise will intensify its contact with investors, and hold additional international road shows, as well as press conferences and analysts' meetings.

SHAREHOLDER STRUCTURE



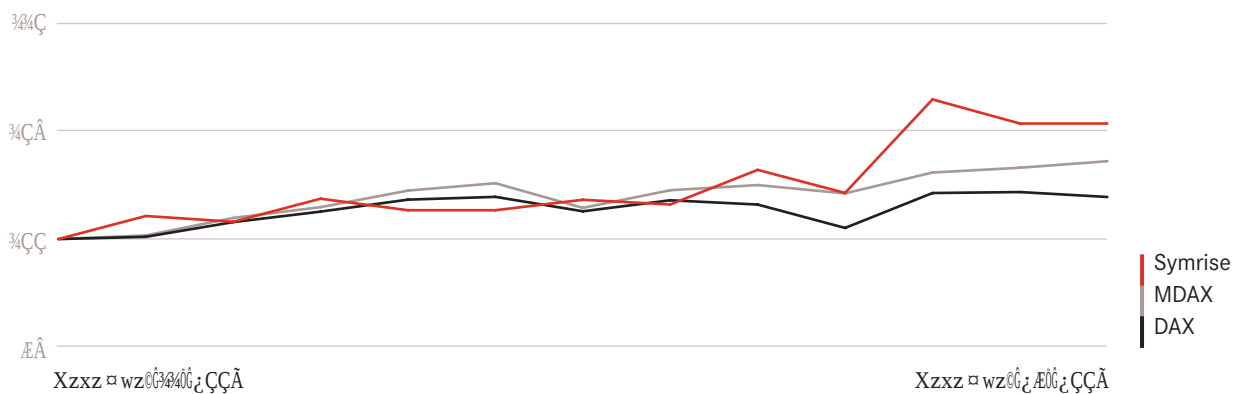
REGIONAL DISTRIBUTION OF FREE FLOAT AS OF IPO DATE



INITIAL PUBLIC OFFERING DATA

Initial listing	December 11, 2006
Offering period	December 1–8, 2006
Price spread	€ 15.75–€ 17.75
Placement price	€ 17.25
Volume placed (including greenshoe)	81.03 million shares
Offered shares	
from capital increase	37.80 million shares
from original shareholders	32.66 million shares
greenshoe (from original shareholders)	10.57 million shares
Underwriting banks	Deutsche Bank, UBS Investment Bank, Citigroup, Dresdner Kleinwort, HSBC Trinkhaus & Burkhardt, Bank Vontobel, NORD/LB and Sal. Oppenheim
Lock-up for original shareholders and management	6 months for selling shareholders 12 months for management
Stock category	No-par bearer shares of common stock
Place of trading	Frankfurt Stock Exchange
Trading segment	Prime Standard (Official Market, Amtlicher Markt)
Ticker symbol	SY1
ISIN	DE000SYM9999
WKN	SYM999
Common code	027647189

PRICE OF SYMRISE AG STOCK IN COMPARISON TO THE DAX AND MDAX indexed



Corporate Governance

Report pursuant to Section 3.10 of the German Corporate Governance Code

The Executive Board, acting on behalf of the Supervisory Board as well, reports on corporate governance at Symrise in accordance with Section 3.10 of the German Corporate Governance Code as follows:

Our obligation

The term “corporate governance” stands for responsible corporate management and control focused on creating sustainable added value. The key requirements for good corporate governance are efficient cooperation between the managing and supervisory bodies for the benefit of the company, attention to shareholder interests, and openness and transparency in corporate communication. Corporate governance is a key objective for us, one that extends to all parts of the company. It is our aim to constantly confirm and strengthen the trust that our shareholders, the financial markets, our business partners, our employees and the public have invested in us.

The Executive Board and Supervisory Board of Symrise AG already dealt extensively with the German Corporate Governance Code in the period leading up to the founding of Symrise AG in October 2006 and especially during the stock market listing. Symrise welcomes the German Corporate Governance Code as amended on June 12, 2006 and identifies with these recognized guidelines for good business management. The Executive Board and Supervisory Board of Symrise AG intend to implement the recommendations of the Code as comprehensively as possible.

Symrise AG is a stock corporation (Aktiengesellschaft) under German law. Accordingly, the company is managed by the Executive Board and Supervisory Board. An intense, ongoing dialog between the two bodies is the foundation for efficient corporate management. It is our wish to further intensify this dialog step by step in the future and continue to improve it in accordance with national and international standards.

Close cooperation between Executive Board and Supervisory Board

The sustained growth of the company’s value is the common objective of both the Executive Board and the

Supervisory Board. The Executive Board provides the Supervisory Board with regular, prompt and comprehensive reports on all relevant issues of corporate planning and strategic development, on company performance and on the state of the Group, including a risk profile. The articles of incorporation specify reservations of consent for significant business transactions.

The term of office for shareholder representatives and employee representatives on the Supervisory Board ends at the conclusion of the general meeting in which the actions of the Supervisory Board for fiscal year 2010 are formally approved.

There were no conflicts of interest among members of the Executive Board and Supervisory Board. Any such conflicts of interest must be disclosed to the Supervisory Board without delay.

The only consultant and service agreements or other exchange contracts this year between members of the Supervisory Board and the company involved Mr. Horst-Otto Gerberding and Mr. Göran Lundberg.

a) The company and Mr. Horst-Otto Gerberding entered into an “Amended and Restated Service Agreement” on September 4, 2003. Under this agreement, Mr. Gerberding receives an annual compensation of € 500,000 through September 30, 2007. Mr. Gerberding is also entitled to insurance coverage and certain material benefits. After September 30, 2007, Mr. Gerberding will receive a transitional stipend for six months. Thereafter, the company must pay Mr. Gerberding an annual retirement pension of € 100,000 until his death. This amount increases by € 7,500 for each year that Mr. Gerberding remains in the services of the company after the expiration of the agreement. Mr. Gerberding is also entitled to a pension from Symrise GmbH & Co. KG through an employment and supply contract dated July 29, 1983. In 2003, Symrise GmbH & Co. KG also granted Mr. Gerberding the right to purchase a piece of property belonging to Symrise GmbH & Co. KG. Symrise GmbH & Co. KG intends to sell the property, which is no longer needed, to Mr. Gerberding for the price of € 411,000, the current market value as determined through an appraisal.

b) On November 5, 2002, the company entered into a Consultancy Agreement with GLD Invest AB of Sweden under which GLD Invest AB agrees to provide certain consulting services. Mr. Göran Lundberg is a major shareholder of GLD Invest AB. Mr. Lundberg was a member of the shareholder committee of Symrise Holding GmbH in the last three years up to its reorganization and transformation into Symrise AG. As compensation, GLD Invest AB received € 250,000 annually until July 1, 2005. Since that time, GLD Invest AB has received € 50,000 annually. In fiscal year 2005, Göran Lundberg Development AB received a total of € 150,000 for consultation services. Compensation that Mr. Göran Lundberg received from companies of the Symrise Group is to be deducted from these figures for each year. Mr. Göran Lundberg received annual compensation of € 25,000 in 2004 and 2005 for his work as a member of the company shareholder committee. The Consultancy Agreement was ended by mutual consent on October 31, 2006.

Information service for our shareholders

We will regularly notify our shareholders of important dates through a financial calendar to be published in the annual report, in the quarterly reports and on the company website. Regular meetings with analysts and institutional investors are part of our investor relations activities. This includes an annual conference of analysts as well as conference calls for analysts coinciding with the publishing of our quarterly figures.

Symrise's guiding principle in organizing and conducting the general meeting of shareholders is to provide all shareholders with quick, comprehensive and effective information and make it easy for them to exercise their rights. The registration and legitimization process for the general meeting is simple and follows the international standard of the record date, according to which the 21st day before the meeting is the applicable cutoff date for the legitimization of the shareholders.

The annual report and the invitation to the general meeting provide the shareholders with comprehensive advance information on the past fiscal year and the individual agenda items of the upcoming meeting. All documents and information pertaining to the general meeting and the annual report are available on our website.

We offer shareholders who cannot personally attend the general meeting the opportunity to exercise their voting rights through a proxy of their choice or a voting proxy of the company who is bound by their instructions. Instructions on how voting rights are to be exercised may be given to a voting proxy before and during the general meeting on May 15, 2007 up until the end of the general debate.

Transparency

All major press and capital market releases by Symrise AG are also published on the company's website.

Pursuant to § 15 a of Germany's Securities Trading Act (WpHG), the members of the Executive Board and Supervisory Board of Symrise AG as well as certain employees with management duties and the persons with whom they have a close relationship must disclose the purchase or sale of Symrise shares and related financial instruments. As at December 31, 2006, Symrise AG received the following reports for the year under review:

Mr. Horst-Otto Gerberding, member of the Supervisory Board, sold 5,890,080 no-par shares of Symrise AG at € 17.25 on December 11, 2006 as part of the initial public offering and a further 1,906,033 no-par shares of Symrise AG at € 17.25 on December 13, 2006 as part of the exercising of the greenshoe option.

Mr. Rainer Klaus Grimm, member of the Executive Board, purchased 3,400 no-par shares of Symrise AG at € 17.25 on December 11, 2006.

Ms. Kathleen Wendy Grimm, wife of Executive Board member Mr. Rainer Klaus Grimm, purchased 600 no-par shares of Symrise AG at € 17.25 on December 11, 2006.

Risk management

The risk management system at Symrise AG is monitored by the auditors both in Germany and abroad. It is constantly being developed and adapted to changing conditions.

One particular focus of Symrise's risk management system is the introduction and implementation of ad-

ditional security mechanisms, internal guidelines and checks that are applied unannounced by the Group's in-house auditors in addition to the work of the outside auditors. Risks identified in this manner are immediately reported to the Executive Board. Specific measures are proposed and implemented right from this early stage to mitigate the identified risks. The Group's in-house auditors also check on the implementation of these new measures and the results are given a critical assessment. A separate risk management project was launched in 2007 to further streamline these extensive measures.

Another focus remains the consistent implementation of our compliance program. Besides special training seminars designed to prevent any violations of the law, one activity at the very heart of our efforts was the implementation of our Code of Conduct, which applies to all our employees worldwide.

Our auditor: Ernst & Young

Our accounting at Symrise in fiscal year 2006 was again based on the International Financial Reporting Standards (IFRS). We have an agreement in place with our auditor, Ernst & Young AG in Hanover, to promptly notify the chair of the auditing committee of any grounds for disqualification or prejudice that are identified during the audit, insofar as such circumstances cannot immediately be rectified. The auditor is also instructed to report without delay on all findings and incidents of significance to the duties of the Supervisory Board that are identified during the audit. Moreover, the auditor is required to notify the Supervisory Board and make a note in the audit report if circumstances are identified during the audit that are incompatible with the statement of compliance issued by the Executive Board and Supervisory Board in accordance with § 161 of the Stock Corporation Act (AktG).

Statement of compliance

Under § 161 of Germany's Stock Corporation Act (AktG), the Executive Board and Supervisory Board of a listed company must issue an annual statement as to whether the company was and is in compliance with the German Corporate Governance Code or which recommendations of the Code were not applied. The

Executive Board and Supervisory Board of Symrise AG issued their first such statement of compliance pursuant to § 161 AktG on March 28, 2007.

According to the statement, departures from the Code existed on two points:

1. Contrary to Section 3.8, Paragraph 2, the "Directors & Officers" liability insurance that Symrise AG holds for its executives and the members of its management bodies does not include a deductible.

The Executive Board and Supervisory Board are of the opinion that the deductible of D&O insurance is not an adequate means of achieving the objectives of the Code. Members of the Executive Board and Supervisory Board can cover the deductibles with their own insurance policy, thereby negating the actual function of the deductible.

2. Contrary to Section 5.1.2, Paragraph 2, Sentence 3, there is no age limit for members of the Executive Board.

No age limit was set for Executive Board members because the company should generally have access to the expertise of experienced members as well. Exclusion based solely on age does not seem wise to the Executive Board and Supervisory Board, since this could lead to a mere formality blocking an optimal Executive Board appointment.

Outlook

Good corporate governance remains a focus of the activity of the Executive Board and Supervisory Board in the current fiscal year. As part of the ongoing development of our risk management system, we will expand our compliance program through the addition of an interactive training program. This tool will help us convey important aspects of compliance to as many employees as possible.

CONTINUING TO **EXPAND**



Report of the Supervisory Board

Symrise AG emerged from Symrise Holding GmbH through a change in its organizational structure. By resolution of the shareholders' meeting of Symrise Holding GmbH on October 20, 2006, the limited liability company Symrise Holding GmbH was transformed into the stock corporation Symrise AG and the articles of incorporation of Symrise AG were established. The Supervisory Board was first established at the time of this organizational change. The constituent session was held on October 27, 2006.

In the following, the Supervisory Board reports on its activity in fiscal year 2006. Key topics include the continuous dialog between the Supervisory Board and the Executive Board, the main agenda items, the formation of the committees and the supervision of the initial public offering.

In the year under review, the Supervisory Board fulfilled its responsibilities under the law and according to the articles of incorporation.

Despite its abbreviated initial term, the Supervisory Board convened four times in fiscal year 2006. We provided regular consultation to the Executive Board in its management of the company – in particular in its preparation and implementation of the initial public offering – and supervised the company management. The Supervisory Board was directly involved in all decisions of fundamental significance to the company. The Executive Board provided us with regular, current and comprehensive reports on all relevant issues of corporate planning, the IPO, company performance, the state of the corporate Group, the risk profile and risk management. We know of no instance in which the course of business deviated from the plans and objectives. The Executive Board consulted us in determining the company's strategic orientation. The Supervisory Board deliberated in detail on all business transactions of significance to the company based on the information received from the Executive Board.

The Supervisory Board, wherever so called upon by law or according to the articles of incorporation, submitted its vote on the reports and proposed resolutions of the Executive Board following thorough analysis and discussion. I was also personally in close and continuous

contact with the Executive Board beyond the scope of the Supervisory Board sessions and paid special attention to the status of the IPO preparations and the associated refinancing, the company's day-to-day performance and the key business transactions. I discussed the future orientation of the two corporate divisions in special meetings with the Executive Board.

To fulfill its responsibilities more efficiently, the Supervisory Board formed a total of three committees. These committees draft the Supervisory Board's resolutions and prepare the agenda items to be addressed in the full session. The three committees are the Auditing Committee, the Arbitration Committee pursuant to § 27 (3) of the Codetermination Act (MitbestG), and a General Committee. In certain instances where permitted by law, the Supervisory Board's decision-making authority is assigned to its committees. The Chairman of the Supervisory Board also chairs all of the committees with the exception of the Auditing Committee. The committees did not meet outside of the full session of the Supervisory Board in the period under review.

The agenda of our constituent session of October 27, 2006 included organizational matters, a thorough debate and resolution on the appointment of the members of the Symrise AG Executive Board, and approval of the Executive Board contracts.

In our session of November 23, 2006, we established the Arbitration Committee pursuant to § 27 (3) MitbestG and elected its members. In this session, we also established a General Committee and Auditing Committee and elected their respective members, and we appointed an employee relations director. We conducted a thorough discussion of Symrise AG's planned initial public offering and approved all required measures of the Executive Board relating thereto. Lastly, we discussed and approved the bylaws governing the activities of the Executive Board and Supervisory Board.

In our session of December 5, 2006, we revised the articles of incorporation to reflect the capital increase executed for the IPO since our previous session, and we elected a new Auditing Committee chairman following the departure of two Supervisory Board members from the shareholders' side since our last session.

In our session of December 12, 2006, we conducted a thorough discussion and examination of the insider trading regulations and the pertinent reporting provisions that will henceforth be applicable following our successful IPO in their respective legal context. The Executive Board presented us with a detailed and comprehensive picture of the business plan for fiscal year 2007 and answered our questions. The Supervisory Board also approved the business plan for fiscal year 2007.

The Supervisory Board adopts the information provided by the Executive Board in the management report pursuant to § 289 (4) of the German Commercial Code (HGB) and the information repeated in this annual report on pages 66 et seq in the Group management report pursuant § 315 (4) HGB.

The Executive Board also reports on corporate governance at Symrise AG on behalf of the Supervisory Board pursuant to Section 3.10 of the German Corporate Governance Code through the Executive Board's corporate governance report on pages 36 et seq. of this annual report. The Executive Board and Supervisory Board issued an updated statement of compliance pursuant to § 161 of the Stock Corporation Act (AktG) on March 28, 2007. This report is available to shareholders at all times on the company website. Symrise AG is in compliance with the government commission's recommendations for the German Corporate Governance Code in its current version of June 12, 2006 in all but two points.

Ernst & Young audited the annual financial statements for the fiscal year from January 1, 2006 to December 31, 2006 that were prepared by the Executive Board according to HGB standards as well as the Symrise AG management report. The Supervisory Board issued the order for the audit in accordance with the October 20, 2006 resolution of the general meeting of shareholders. The auditor issued an unqualified certification.

The Symrise AG consolidated financial statements were prepared in accordance with § 315 a HGB on the basis of the International Financial Reporting Standards (IFRS). The auditor also certified the consolidated financial statements and the Group management report without qualification.

The dependency report filed by the Executive Board for the period starting from November 8 until Decem-

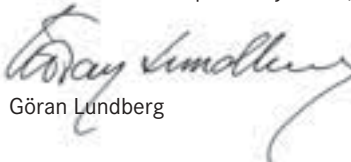
ber 7, 2006 has been audited by Ernst & Young as well. Legal transactions to be reported therein have not occurred. The following audit opinion has been issued: "Based on our diligent and professional audit and assessment, we do hereby confirm that the factual situation described in the report is correct." After having assessed the dependency report on our own, we agree to the result of the audit performed by Ernst & Young. Objections against the concluding remark issued by the Executive Board have not been raised.

The initial public offering and the associated refinancing were among the focuses of the audit in the year under review. The IPO and refinancing report, the other auditor reports and the documents associated with the financial statements were sent to all members of the Supervisory Board at the proper time. They were the subject of intense discussion in the Auditing Committee on March 13, 2007 and in the session of the Supervisory Board on March 28, 2007. The auditors participated in the discussions of the annual financial statements and consolidated financial statements in both bodies, where they reported on the key audit results and were available to the Supervisory Board to answer questions and provide further information.

Following our own review of the annual financial statements, the consolidated financial statements, the management report and the Group management report, we accepted the findings of the auditor, and in our session of March 28, 2006, we approved the annual financial statements and consolidated financial statements upon the recommendation of the Auditing Committee. The annual financial statements are thereby complete. We endorsed the proposal of the Executive Board to carry forward the annual result to new account.

The Supervisory Board extends its thanks to the members of the Executive Board, the employees and the employee representatives of all Group companies for their work, which helped make this a very successful fiscal year for Symrise.

On behalf of the Supervisory Board,


Göran Lundberg



14 billion euros

14 billion euros market volume. The market for fragrances and flavorings offers attractive growth and profitability potential. Experts estimate the global market volume at some 14 billion euros in 2006. Overall, the trend in the fragrance and flavoring market is coupled with disposable income and thus only slightly dependent on cyclical trends tied to national economies.



Group Management Report

1. GENERAL INFORMATION ON SYMRISE GROUP AND ITS BUSINESS ACTIVITIES

Overview of Business Activities and Organization of the Symrise Group

The Symrise Group operates on the global market for flavors and fragrances as well as cosmetic ingredients and aroma chemicals. With an estimated market share of 9% at present, the Company is one of the top four providers on the global market for Flavors and fragrances (F&F market) in terms of revenues. In 2006, the F&F market (excluding cosmetic ingredients and aroma chemicals) generated a total of US-Dollar 16.0 billion. We produce around 30,000 products in 19 countries on five continents and sell these products in over 160 countries.

Symrise has two divisions - Flavor & Nutrition and Scent & Care. In its Flavor & Nutrition division, Symrise develops, produces and sells flavors which are used by customers to produce food and drinks. In doing so, Symrise uses a modular structure whereby it offers customers both individual aroma components and full-package solutions.

In its Scent & Care division, Symrise develops, produces and sells fragrances, mint flavors, cosmetic ingredients and aroma chemicals and develops specific application procedures for these substances. The products and application procedures developed by Symrise's Scent & Care division help customers to produce perfumes, personal care products, cosmetic products, dental care products and cleaning products. The flavors, fragrances and cosmetic ingredients we develop make up substantial components of our customers' end products and often constitute their entire flavor, fragrance or cosmetic use.

The following paragraph describes Symrise's divisions and business units and the respective markets in which they are active:

OUR DIVISIONS ARE COMPOSED OF

SCENT & CARE

- > Business sector Fragrances with the application areas Fine Fragrances, Personal Care and Household,
- > Business sector Cosmetic Ingredients with the application areas Active Ingredients, Functionals, UV Protection and Botanicals as well as
- > Business sector Aroma Chemicals with the application areas Sensates (Menthol), Fine Aroma Chemicals and Special Fragrance & Flavor Ingredients.

FLAVOR & NUTRITION

- > Application area Beverages (Alcoholic, Non-alcoholic and Dry Beverages)
- > Application area Sweet (Confectionery, Baked Goods, Dairy and Ice Creme)
- > Application area Savory (Culinary products and Snack Food)
- > Application area Tobacco.

The Executive Board has four members: Dr. Gerold Linzbach (Chairman), Dr. Heinz-Jürgen Bertram (Head of Flavor & Nutrition), Achim Daub (Head of Scent & Care) and Rainer Grimm (globally responsible for Finance/Controlling and Legal).

The divisions Flavor & Nutrition and Scent & Care each have their own functional areas for production, procurement, quality assurance, marketing, sales and research and development. Human Resources and Finance, Controlling and Legal are corporate center functions for both divisions.

Symrise's customers include Beiersdorf, Coca-Cola, Colgate, Danone, Diageo, Dior, Guerlain, Henkel/Schwarzkopf, Kraft, Nestlé, PepsiCo, Procter & Gamble and Unilever. Thanks to our extensive research competence, and many years of experience, we offer our customers innovative and creative solutions when it comes to product development. In doing so, we rely on our extensive knowledge of the rapidly changing requirements of our end customers.

Thanks to its innovativeness and research and development work, Symrise is increasingly able to focus on developing and manufacturing "and" products. "And" products are products which provide added value through innovative technology or new ingredients, for example, moisture-generating agents which reduce the need for preservatives in the respective product or flavors which allow the sugar or salt content in food to be reduced. We also use our innovativeness and research work to develop new application systems.

Competitive Strengths

Symrise has the following competitive strengths:

> **Good positioning in attractive markets.** As a provider of flavors and fragrances, Symrise operates on a market with attractive growth and profitability potential. In the developed European and North American markets, increasing body and health awareness, the trend for natural ingredients and increased consumer demand for multifunctional products are boosting demand for high-quality and therefore high-margin products. We also expect growth in these markets if we are successful in addressing new consumer groups with new products. In the emerging economies of Asia, South America and Eastern Europe, rising incomes are one of the main factors creating growth opportunities. Overall the development of the F&F market is linked to available income and is therefore only dependent on cyclical economic developments to a limited extent. Leading companies on the F&F market have been generating attractive margins of over 20% for years (EBITDA margin). With its at-

tractive portfolio, Symrise is well positioned on this growth market and, in terms of revenues, is one of the world's four leading providers on the F&F market. Symrise is currently the market leader with regard to revenue on the flavors submarkets in Europe, Africa and the Middle East as well as in the Commonwealth of Independent States. It holds a leading position on the Scent & Care submarket, e.g. in the segment for Mint and UV Protection products. Symrise has strong market positions in both divisions in China and India. In both Flavor & Nutrition and Scent & Care, Symrise has specialized, in addition to its traditional business, in a range of strategically relevant products and, thanks to its development expertise and high innovativeness, has carved itself a good position on the market for high-quality, high-margin products. Due to tough market entry barriers and the trend towards consolidation in the industry, we assume that the attractive F&F market environment will remain attractive for those companies which, like Symrise, are already well established on the market.

> **Global presence with particularly good growth opportunities on certain regional markets and with key accounts.** Symrise is represented by its subsidiaries in 31 countries throughout the world. In the industrialized countries, Symrise focuses on Germany, the US, France and the UK. We have also implemented organizational measures to allow us to participate in the above-average market growth on the emerging markets in Asia, South America and Eastern Europe. Symrise has been recognized as a core supplier by global as well as regional and local key accounts on a number of occasions in recent years (core listings). Symrise is in a position to boost growth at an even faster rate than before, especially with regard to global players.

> **Innovative product range with good market prospects thanks to efficient and creative research and development.** Symrise focuses on efficient and creative research and development activities which create a technological basis for new products and solutions.

Going back to our roots, we focus on the development of sustainable technologies. The knowledge we acquire is entered in our internally developed databases, which allow our employees to refer to corresponding regulatory documentation and cost data as well as specific product information when developing, producing and selling products. We consider ourselves a recognized technological leader in the microencapsulation of fragrance and aroma chemicals, a key technology which enables the conversion of liquids into dry application form and the targeted release of aromas through thermal or mechanical processes.

- > **Customer proximity and product development expertise.** Symrise has been working with a number of companies for decades. Its strong customer retention has its roots in its special ability to fulfill customers' product needs through innovative solutions. Symrise cooperates with its customers right from the early stages of product development. Its product development expertise extends beyond the development of ingredients for special, tailor-made customer products. We also conduct our own comprehensive market studies and product tests with consumers and consistently use the information and knowledge gained to identify new consumer trends and develop and market corresponding end products. In this way, Symrise has set up an extensive database detailing consumer preferences. Symrise uses this in-depth market knowledge to develop new products and marketing strategies for its customers.
- > **Successful implementation of programs to enhance earnings and competitive position.** The successful integration and restructuring from 2002 to 2004 and the subsequent optimization phase created the conditions necessary for Symrise to sustainably boost its earnings and competitive position as of fiscal year 2005. By optimizing procurement logistics and improving current-asset management, Symrise has

successfully optimized operating capital in both divisions. A number of outsourcing projects (in particular IT and communication) have allowed Symrise to concentrate on its main area of expertise. The above measures allowed Symrise to achieve a competitive cost structure compared with other companies in the industry. By creating two fully integrated divisions, Symrise has managed to substantially improve its customer orientation and market positioning.

Corporate Strategy

Symrise's Group-wide corporate strategy focuses on sustainable and profit-oriented growth. Symrise is striving to achieve medium-term revenue growth considerably above the average on the F&F market and a comparable profitability of other leading companies in the industry. The Group has set itself the goal of being better than its competitors when it comes to meeting the changing needs and wishes of its consumers. We want to become an Indispensable partner for our customers and thus make it into the ranks of the top three F&F providers worldwide in the long term, in particular by providing added-value solutions. We are pursuing the following objectives to realize this strategy:

- > **Focus on and development of innovative, high-margin products – The Power of “AND”.** Symrise has set itself the objective of using its strengths in the field of research and development to develop new products and product groups with a view to further increasing its share of high-quality and high-margin products. In this connection, Symrise plans to specialize to an even greater extent in the development and production of what are known as “and” products, i.e. to use innovative technologies or new ingredients to create products which provide added value and, as a result, tap into and expand interesting growth markets with our customers. These added-value products are typically found in relatively rapidly growing sub-markets and will boost Symrise's growth.

- > **Becoming an Indispensable partner for the customer.** Symrise is striving to become an Indispensable partner in the development, production and marketing of products for its key accounts. Consequently, it no longer limits itself to the traditional role of an F&F company, which is essentially to produce flavors and fragrances for consumer goods to customer specifications. Rather, Symrise wants to support its customers to a greater extent from as early as the development stage of the final product by conducting joint market and trend research and integrated research and development work. Complemented by its extremely high reliability in the area of supply services and its expertise in regulatory approval and product marketing, Symrise has expanded its partnerships with customers across the entire value chain.
- > **Performance enhancement by strategically improving profitability – “Bold”.** Symrise plans to consistently pursue the measures implemented in recent years to improve competitiveness and performance in the future. Symrise has developed a special margin optimization program, which constantly checks the profitability of customer relationships, products and individual application areas and, where necessary, allows the Company to quickly initiate specific corrective measures.
- > **Targeted strategic acquisitions to improve technological expertise.** Symrise also plans to further improve its technological expertise through the targeted acquisition and integration of companies. Potential acquisitions for Symrise are mainly projects which will grant Symrise further access to expertise and key innovative technologies. Its focus in this regard is on small and medium-sized enterprises specializing in the development and production of flavors, fragrances, natural raw materials, nutraceuticals and nutritionals, active cosmetic ingredients and natural extracts, which, as a result of their affiliation with the Symrise Group, tap into new customer groups.

- > **Targeted expansion strategy on selected regional markets.** Symrise is ultimately aiming to rigorously market its expertise and, in doing so, take advantage of regional market opportunities. The Group therefore adapts its strategy to each individual market. Symrise wants to take a large share of the growth on the emerging markets in Asia, South America and Eastern Europe through regional expansion and greater local presence. In Asia and the Pacific region it has launched a special project. In addition to the central office in Singapore, which until now has been responsible for the entire Asian region, this project involves the expansion of subsidiaries in China and India, allowing them to assume decentralized responsibility for production, development and marketing in these countries in future. In the US market, Symrise intends to specifically utilize the growth potential that historically exists in both business divisions compared to its competitors. We are also looking to make selective acquisitions to improve market coverage.

Shaped by private equity and a levered buyout before the IPO, the Group is managed to a large extent on the basis of performance indicators. In addition to revenues, the most important indicator for measuring the Company's operating success is adjusted EBITDA, which is recognized at Group and divisional level for the purposes of internal management. According to the definition used by Symrise, adjusted EBITDA is operating profit (EBIT) plus amortization, depreciation and impairment losses on tangible and intangible assets plus costs less income which, according to the Company, are one-off effects not representative of current operations. This includes, for example, the integration and restructuring expenses incurred in connection with the integration of Haarmann & Reimer GmbH and Dragoco Gerberding & Co. AG. Adjusted EBITDA is an indicator of the Company's sustainable operating performance. Adjusted EBITDA is not an indicator defined pursuant to IFRSs. Adjusted EBITDA is therefore supplemented by other indicators calculated on the basis of IFRSs, in

particular operating cash flow, which differs considerably from EBITDA due to the change in working capital, and cash flow from investing and financing activities.

The Company also uses capital market-oriented indicators, such as earnings per share or free cash flow.

2. BACKGROUND

Economic Climate

Global economic growth reached approx. 5% in 2006. At 2.7%, growth in Western Europe was much stronger than expected. Growth in the US was only slightly higher than that in Western Europe, at 3.3%. The highest growth rates were again recorded in the fast-growing markets of Eastern Europe, Africa and the Middle East (EAME), Latin America and certain Asian regions, such as India and China. Growth rates in these regions ranged from 4.9% (Latin America) to 8.8% (Asia).

The hike in crude oil prices was another important macroeconomic trend. It not only led to an increase in energy and fuel costs, but also negatively impacted costs for consumers via oil-based raw materials. The empirical negative correlation between crude oil prices and economic growth was, however, partially impeded by financing costs, the favorable development of which continued in 2006. The euro grew stronger in 2006, particularly against the US dollar, and once again had a negative impact on key performance indicators due to currency translation. As a result, export-oriented companies such as Symrise once again faced the challenge of imposing corresponding price increases on the export markets.

Regulatory Environment

Due to the fact that our products are used to produce food, cosmetics, pharmaceuticals and household products, we have to observe globally applicable consumer protection provisions.

The European Union prohibits the use or restricts the volume of certain harmful ingredients in the production of food, cosmetics and essential items. This also applies to certain fragrances. The Company must also comply with far-reaching labeling obligations. Besides the European system, the US regulatory system is authoritative for Symrise products.

Consumer protection provisions are continuously adapted to the progress made in all jurisdictions in terms of research, development and production technology, as well as increased safety requirements and consumers' health and environmental awareness. Symrise observes these developments to ensure it can react quickly to stricter consumer protection regulations and thus avoid any negative consequences for production costs and the product portfolio.

The Group has excellent tools and expertise to help overcome this crucial success area.

Overall Development of Business and Economic Situation

Revenue growth in the Symrise Group was well above the industry average in 2006. At the same time, costs adjusted for special effects were reduced thanks to the successful implementation of the integration and restructuring plan. The combination of both of these factors led to adjusted EBITDA or operating profit developing well beyond expectations in 2006 and paved the way for the successful IPO in December 2006.

The IPO itself led to a fundamental improvement in the capital structure as a result of the proceeds from the issue. The IPO did lead to measurement effects which significantly impacted the financial result and gave rise to a considerable loss in 2006; the burden on group profit and consolidated cash flow will, however, be significantly relieved by the new capital structure and improved financing conditions in the future. The effects of the IPO on net assets, the financial position and results of operations have already been described in the interim financial statements as at September 30, 2006 and in the offering circular.

3. RESULTS OF OPERATIONS

Sales Growth Above the Industry Average

The Group increased its sales (at actual exchange rates) considerably in 2006 and recorded above-average growth compared with other companies in the industry (7.0% from € 1,148.9 million to € 1,229.4 million). Adjusted for exchange rate effects, sales growth amounted to 7.5% compared with the prior year. The significant sales increase in 2006 is essentially attributable to the successful implementation of strategic reorientation, which was implemented within the scope of the restructuring and optimization phase in 2005 and “bore fruit” in 2006. For example, Symrise has increasingly established itself as a core supplier (core listing) for key accounts. Furthermore, a number of product innovations, increased monitoring of development and market-launch projects, greater focus on the placement of successful products and new customer acquisition all contributed to the growth and success of the Company in 2006. As a result of tighter logistics, greater efficiency in the supply chain and the associated considerable improvement in the proportion of timely deliveries, customer satisfaction and retention rose tangibly, which also boosted sales in 2006. Greater demand on the relevant markets overall and the tangible rise in consumers’ willingness to spend also had a positive effect.

On a regional basis, Symrise increased gross sales (before sales deductions) by 7.5% to € 692.2 million in the EAME core market; this increase on the developed markets in Europe is primarily due to the above-mentioned efficiency enhancement measures. Sales growth in North America amounted to 3.1%.

In addition to extremely strong growth on developed markets, Symrise managed to achieve above-average growth on a number of emerging markets, which generally have stronger market growth rates. For example, sales in South America grew by an impressive 16.3% to € 84.1 million as a result of our successful focus on emerging economies in South America. Revenues also rose by 4.7% from € 224.8 million to € 235.2 million, in the Asia and Pacific region.

The following table provides a breakdown of revenues by region:

SALES BY REGION

in %	2005	2006
EAME	55.1	55.6
North America (including Mexico)	19.5	18.8
Asia and Pacific	19.2	18.9
South America	6.2	6.7
Total	100.0	100.0

Compared with the prior year, exchange rate effects had little influence on sales development. Translated at the 2005 exchange rate, Symrise’s sales amounted to € 1,235.3 million in 2006, with the most significant exchange rate effect recorded in the US. The translation of sales reported in foreign currencies therefore only slightly reduced Group sales in 2006 (€ –5.9 million).

As well as pleasing sales growth, considerable progress in key cost items also helped improve the operating result

2006 was again shaped by material special effects and one-off effects. The following table shows the income statement adjusted for special effects:

SUMMARY INCOME STATEMENT

€ million	2005	%	2006	%
Sales	1,148.9	100.0	1,229.4	100.0
Cost of sales	–661.5	–57.6	–706.3	–57.5
Gross profit	487.4	42.4	523.1	42.5
Other operating income	2.7	0.2	7.9	0.6
Selling and marketing expenses	–218.4	–19.0	–210.3	–17.1
Research and development expenses	–80.9	–7.0	–76.6	–6.2
Administrative expenses	–84.7	–7.4	–78.1	–6.4
Other operating expenses	–	0.0	–2.5	–0.2
Operating profit	106.1	9.2	163.5	13.3

Cost of Sales

The cost of sales mainly comprise the cost of materials and production costs. Cost of materials, principally raw material costs, was the most important element of cost of sales in fiscal years 2005 and 2006. Expressed as percentage of sales, production costs amounted to around 14%, as in the prior year.

In 2006 the cost of sales rose to € 712.5 million, up € 40.0 million on the prior year, mainly due to growth; expressed as a percentage of sales, however, this figure fell slightly from 58.5% in 2005 to 58.0%. As a result, gross profit rose from € 476.4 million to € 516.9 million (up 8.5%), with the gross margin increasing from 41.5% in 2005 to 42.0% in 2006. This improvement is partly attributable to much lower restructuring expenses. The adjusted cost of sales amounted to € 706.3 million or 57.5% of sales in 2006, in contrast to € 661.5 million or 57.6% of sales in 2005.

The cost of materials as a percentage of total sales amounted to 39.9%, which was marginally higher than in 2005 (39.3%). The change in the ratio of cost of materials to sales mainly results from the fact that it was not possible to pass on to customers through sales prices quickly or in full all the cost increases from fluctuating exchange rates – as well as to the demand-related shift towards a more material-intensive product mix in the Scent & Care division. This effect on cost of materials was compensated by measures taken to increase efficiency, particularly the optimization of recipes to reduce the cost of materials, the launch of a recipe database to improve access to knowledge, as well as the introduction of the Purchasing Excellence Program, which enables alternative purchasing channels to be found more easily.

In addition, production costs, which were already adjusted to include integration and restructuring costs, rose only slightly from € 170.2 million in 2005 to € 171.3 million in 2006. As such, they fell only slightly relative to revenues (down almost one percentage point). Increased energy costs and annual wage and

salary increases at foreign subsidiaries in particular were offset by measures to increase efficiency that were implemented during the Group's optimization and restructuring phase. Particularly worth noting is the improvement of the fixed costs structure that resulted from the optimization of production processes.

Compared with 2005, the exchange rate effects realized on transactions and the unrealized exchange rate effects from the measurement of receivables and liabilities impacted the cost of sales by € 4.9 million in 2006; in contrast, an operating exchange gain of € 4.9 million was recorded in 2005.

Distribution Costs

Compared to the prior year, selling and marketing expenses fell by 8.7% (or € 20.2 million) to € 211.8 million in 2006, despite strong revenue growth. This cost reduction is mainly attributable to a lower share in integration and restructuring expenses. Adjusted for these integration and restructuring expenses, selling and marketing expenses fell by approx. 3.7% (or € 8.1 million) to € 210.3 million. The post-adjustment decline is mainly down to efficiency increases and the optimization of the sales structure.

Research and Development Expenses

In 2006, research and development expenses amounted to € 78.0 million or 6.3% of sales, following € 87.8 million or 7.6% of sales in 2005. Even after adjustment for the integration and restructuring expenses, a decrease in research and development expenses is still evident; the adjusted research and development expenses amounted to € 76.6 million or 6.2% of sales in 2006, following € 80.9 million or 7.0% of sales in 2005. The decline in adjusted research and development expenses, both in absolute terms and relative to sales, is mainly attributable to the steps taken in 2005 to increase efficiency and reduce costs, including the launch of a new recipe database, which did not take full effect until 2006. In addition, personnel and non-personnel expenses were reduced through the consolidation of research facilities, which included the

relocation of research and development activities from Hamburg to Holzminden, and the fusion in New York and Paris of various activities previously carried out at numerous locations. However, the cost-cutting measures did not reduce the intensity of research and development activities.

Administrative Expenses

Administrative expenses rose from € 117.9 million in 2005 to € 153.7 million in 2006, which, given the decline in integration and restructuring expenses, was mainly due to the significant year-on-year increase in expenses in connection with the Management Participation Program (MPP). These amounted to € 50.0 million in 2006, as opposed to a mere € 1.7 million in 2005. One-off IPO expenses, a portion of which the Company was not able to offset against the capital reserve (€ 7.8 million), were an additional burden on administrative expenses. After eliminating the special effects from integration and restructuring work, the MPP and the IPO, administrative expenses for fiscal year 2006 amounted to € 78.1 million, considerably lower than in the prior year (€ 84.7 million). It should also be noted that the increased cost-saving potential arising from the outsourcing of IT and other support functions as well as from the optimization and restructuring of various administrative functions in 2006 will fully materialize until 2007.

Other Operating Income and Expenses

Other operating income rose sharply from € 3.0 million in 2005 to € 11.6 million in 2006. The rise is mainly attributable to the reversal of personnel and restructuring provisions as well as provisions for commissions. The reversal of provisions alone generated € 5.4 million in 2006 as opposed to only € 0.3 million in the prior-year period. The increase in other operating income was also due to services rendered by a subsidiary of Symrise to third parties, which are not part of the Group's core business. No such income was generated in the prior-year period.

At € 2.5 million, other operating expenses were mostly comparable with the prior year (€ 1.3 million).

ADJUSTED EBITDA

€ million	2005	2006
Operating profit (EBIT)	40.4	82.5
Special effects:		
Expenses relating to integration and restructuring	66.0	26.9
Income from the reversal of restructuring provisions	-0.3	-3.7
Expenses relating to the MPP	- ¹⁾	50.0
IPO expenses not related to the issue of shares	-	7.8
Adjusted EBIT	106.1	163.5
Other amortization, depreciation and write-downs	87.0	79.7
Adjusted EBITDA	193.1	243.2

¹⁾ The expenses for the MPP were not adjusted in 2005 as they were immaterial (€ 1.7 million).

The adjusted EBITDA rose from € 193.1 million in 2005 to € 243.2 million in 2006. As a result, the adjusted EBITDA margin increased from 16.8% in 2005 to 19.8%.

This very favorable development was partly driven by sales growth, which, coupled with only a small rise in the ratio of cost of materials to sales, led to a significant improvement in adjusted gross profit. Another factor was the successful implementation of the integration and restructuring activities, which significantly reduced adjusted operating expenses, also improving adjusted EBITDA.

Operating Profit (EBIT)

In 2006, operating profit amounted to € 82.5 million, up € 42.1 million compared to the prior year, although this year included expenses of € 57.8 million incurred for the IPO and the MPP. In 2005, the expenses incurred in connection with the MPP amounted to only € 1.7 million. In contrast, integration and restructuring expenses, offset by income from the reversal of restructuring provisions, amounted only to € 23.2 million, down € 42.5 million on the prior year.

Adjusted for the expenses of the IPO and the MPP as well as integration and restructuring expenses, operating profit (EBIT) grew by 54.1%, from € 106.1 million to € 163.5 million. The extremely strong growth of adjusted EBIT in 2006 is attributable to both the efficiency enhancement program launched in 2005 and strong sales growth. The latter is mainly due to a pleasingly strong new business, the focus on growth markets and the streamlining of the product portfolio in numerous application areas. The launch of the “Purchasing Excellence Program”, which enables alternative purchasing channels to be found more easily, the optimization of recipes to reduce the cost of materials and the optimization of production processes to improve the fixed cost structure were all cost factors which enhanced operating profit (EBIT). The positive development was partly netted by the year-on-year decrease of € 9.8 million in the operating currency exchange result due to the translation of trade receivables and trade payables and transactions effects included in the cost of sales.

The financial result reflects the measurement effects from the IPO and the subsequent refinancing program

The financial result decreased from € -94.5 million in 2005 to € -200.1 million in 2006, mainly as a result of the IPO and the subsequent refinancing of the Group.

A portion of the proceeds from the IPO was used to repay the vendor note and the shareholder loans. Following the IPO, the Group also made new refinancing arrangements by repaying all bank loans and replacing them with more favorable financing which better suits to the new circumstances. The full repayment of the vendor note and the syndicated loans led to the release of the difference – resulting from the use of the effective interest rate method – between the carrying amount and the nominal value of the liabilities; this produced an unscheduled effective interest burden on the interest result of € 79.7 million. Related early repayment penalties totaling € 5.7 million were also payable to creditors, which were recognized in full under finance costs in 2006. These expenses contrast with a

mere € 12.0 million in unscheduled effective interest in 2005, incurred in connection with the refinancing of the Group in fall 2005.

Adjusted for these special effects, the interest result in 2006 amounted to € -113.1 million, compared to € -26.1 million in 2005. The improvement in the interest result, adjusted for the unscheduled effective interest, is mainly due to the more favorable conditions achieved when the Group refinanced in 2005.

In addition, the financial result was negatively influenced by the development of currency effects arising from financing activities. After disclosing exchange gains of € 42.6 million in 2005, the Group recognized mainly unrealized exchange losses of € 13.8 million from the valuation of inter-company loans from subsidiaries in 2006.

The measurement of derivative interest rate swaps had a positive effect on the financial result. Caused by the increase in the market interest rate, this resulted in income of € 13.3 million in 2006, after an income of only € 3.5 million in the prior year.

Improvement of the Effective Tax Rate Through the Consistent Use of Loss Carryforwards

At € 24.1 million, the current income tax expense remained unchanged compared to the prior year, although the current tax expense incurred in 2005 was negatively impacted by the amount of € 4.0 million from effects not related to the period but from current tax field audits. Adjusted for these effects, the current tax expense is higher than in 2005. This is mainly attributable to the considerable improvement in profitability. The effective tax rate, i.e. the ratio of the current tax expense adjusted for elements not relating to the current period to taxable income (without the results of loss-making entities), remained unchanged compared to prior year at 25%. The reason for the constant effective tax rate despite the increase in profitability is the utilization of tax loss carryforwards; this utilization will increase in the next few years, which

gives us reason to assume that the average effective tax rate will remain at approx. 20% until 2009 and will rise afterwards because the significant tax loss carry-forwards in Germany and the US will have been fully utilized by then.

Deferred tax income increased from € 25.2 million in 2005 to € 52.0 million in 2006. This significant increase is essentially due to the repayment of the vendor note and the syndicated loan, which completely eliminates the temporary differences resulting from the application of the effective interest method compared to the tax valuation followed by a release of respective deferred tax liabilities. The significant rise of the MPP liability had a similar effect; these measurement effects alone led to an increase in deferred tax income of more than € 35 million. The utilization of loss carryforwards in 2006 had the opposite effect, after the volume of tax losses still rose in 2005, leading to deferred tax income in 2005.

The Loss of the Year Results from Special Effects

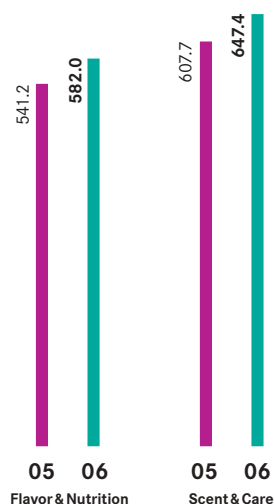
The combination of special effects from the integration and restructuring, the IPO and its effects on the MPP, and the subsequent refinancing resulted in a consolidated loss for the year of € 89.9 million (prior year loss: € 52.4 million).

The integration and restructuring alone had a negative impact on the operating result of € 23.2 million (prior year: € 65.7 million). This is further compounded by the effects of the IPO and the MPP. The latter alone led to expenses of € 50.0 million in 2006 (prior year: € 1.7 million); the IPO reduced consolidated profit by € 7.8 million, although the majority of the costs incurred in connection with the IPO were offset against the capital reserves and as such did not impact income.

The financial result was strongly burdened by the refinancing carried out in December 2006. The special effects of approx. € 86.0 million resulting from the refinancing relate mainly to measurement effects resulting from the application of the effective interest method

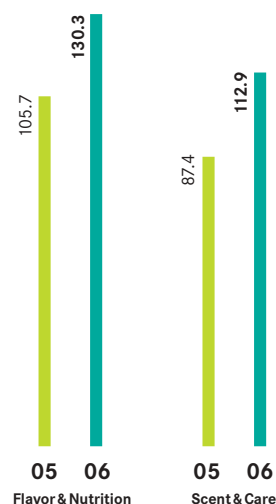
SALES BY BUSINESS DIVISION

€ million



EBITDA¹⁾ BY BUSINESS DIVISION

€ million



as well as to early repayment penalties. In addition, exchange losses of € 13.8 million from financing activities were incurred in 2006. Whereas exchange gains of € 42.6 million were incurred in the prior year.

¹⁾ Adjusted by integration and restructuring expenses.

4. PERFORMANCE OF THE BUSINESS DIVISIONS

Knowledge for a Leading Market Position: The Flavor & Nutrition Division

Net sales in the Flavor & Nutrition division rose sharply in 2006 to € 582.0 million (up 7.5%). On the basis of steady exchange rates (2005), the increase in revenue amounts to 7.9%. From a regional perspective, the main revenue driver was the core European market, while gross sales in the EAME region rose by 8.9%. The increase posted in EAME is mainly attributable to the Beverages application area, for which new products were launched and market initiatives started for alco-

hol-free drinks and beer-mix drinks with special flavors. In addition, new business was won on the back of improved marketing, the placement of new products and a focus on more technologically sophisticated products. In South America, the Flavor & Nutrition division achieved an above-average increase in sales of 15.0%, while moderate growth was recorded in North America and Asia. The Beverages application area posted sales growth of 15.0%, while the EAME region alone contributed around € 21.3 million to sales growth. The Savory applications area grew by 3.8% although the above-average growth in the developed markets in the US and Europe was partly offset by a slight decline in revenues in Asia. In the Sweet application area, the strategic realignment of the product portfolio in North America had a negative impact on the sales increases achieved in the other regions; this resulted in overall sales remaining constant.

In the Flavor & Nutrition business division, operating profit (EBIT) rose from € 32.8 million in 2005 to € 50.3 million in 2006. After adjusting for the nonrecurring expenses, operating profit rose from € 60.7 million to € 89.5 million, mainly as a result of higher sales. Adjusted EBITDA developed accordingly and rose from € 105.7 million in 2005 to € 130.3 million in 2006. Investments made in the business division, including a small acquisition, amounted to € 20.8 million in the fiscal year (prior year: € 30.2 million).

“The Sweet Smell of Success”: the Scent & Care Division

Sales in the Scent & Care business division increased by 6.5% to € 647.4 million in 2006. On the basis of 2005 exchange rates, the increase in sales amounts to 7.1%. All business sectors contributed to this strong result. Gross sales in the Fine Fragrances application area increased by 7.6%; growth was particularly strong in EAME (up approx. 17.6%) and South America (up approx. 22.1%). Above all, Symrise benefited from high profit rates in these regions on the back of the successful launch of prestige fragrances (such as Red Delicious,

DKNY, Jil Sander Style, Amarige Mariage, Hypnose and Insolence). The 1.5% sales increase in the Household application area is mainly attributable to the fact that Symrise has succeeded in establishing itself as a key supplier to a growing number of major customers (core listings). Detergents performed particularly well with growth of 11.0%, while the Household Cleaning Products did not fare as well as in the prior year with a decline of 3.8%. The main drivers of growth in this application were the emerging markets of the Middle East as well as Asia and Latin America. Sales in the Personal Care application area remained more or less unchanged, mainly due to the successful launch of our Intelliscent technology. Regional sales growth was positive, particularly in North and South America; by contrast, business stagnated in the EAME region and Asia. In the Cosmetic Ingredients business sector, Symrise posted a strong growth in sales of 16.6%. The main contributors here were Active Ingredients (up 9%) and UV Protection, which posted double-digit growth. While this business segment grew its sales in the EAME region by 9%, double-digit growth was generated in all other regions. Of particular importance in this regard were the expansion of our leading position in alternative preservatives, the optimization of our UV Protection portfolio, as well as the successful execution of joint development projects with leading cosmetics firms. Sales increased by 5.3% in the Aroma Chemicals business sector and the strong growth in the Special Fragrance & Flavor Ingredients (up 11.3%) and Sensates (up 7.3%) application areas more than compensated for the slight dip in sales that followed the strategic realignment of the Fine Aroma Chemicals portfolio. The Mint business sector increased by 10.2%, mainly based on sales growth in all regions. New successes were achieved with oral care products, especially with the market leaders; this cements our position as a leading producer of oral care aromas.

The Scent & Care business division achieved above-average growth in the emerging markets of China (up 18.6%), Brazil (up 25.0%) and India (up 8.2%).

Scent & Care sales increased by 5.2% in EAME, mainly based on strong growth in Fine Fragrances and solid performance in the Household, Cosmetics, Sensates and Special Fragrance & Flavor Ingredients areas. In South America, Symrise reached a sales increase of 15.2% based on positive developments in the Fragrances and Mint business sectors and in the Special Fragrances & Flavor Ingredients, Cosmetics and UV Protection application areas. In the Asia/Pacific region, sales growth of 4.4% was shaped by aboveaverage growth in the Cosmetic Ingredients, UV Protection and Special Flavor & Fragrance Ingredients application areas.

In the Scent & Care business division, operating profit (EBIT) increased from € 7.6 million in 2005 to € 32.2 million in 2006. Following adjustment for nonrecurring expenses, operating profit increased from € 45.5 million to € 74.0 million. A great deal of this positive development in sales was brought about by Aroma Chemicals and Cosmetic Ingredients, areas in which a change in portfolio and higher world market prices for certain products had a positive effect. In addition, Scent & Care benefited from an improved cost structure as a result of the restructuring and optimization program. This enabled the Group to balance out the increase in the ratio of cost of sales to sales, which rose from 41.8% in 2005 to 42.9% in 2006 following the shift towards a more material-intensive product mix.

Adjusted EBITDA developed accordingly and increased from € 87.4 million in 2005 to € 112.9 million in 2006. Investments made in the division amounted to € 34.7 million in the fiscal year (prior year: € 23.3 million). No acquisitions were made in this division.

5. FINANCIAL POSITION

Financial Management

The Symrise Group secures and optimizes its liquidity centrally. Credit facilities are negotiated centrally and the development of liquidity is monitored and managed regularly. Interest and currency risks are regularly

hedged at an appropriate level and the hedges adjusted in line with requirements.

New Financing Structure Reduces Costs and Creates Independence

Until the end of December 2006, the capital structure of the Symrise Group was shaped by the merger of the predecessor entities, which took the form of a leveraged buy out. With an equity ratio of 1.4% as at December 31, 2005, cash flow was heavily weighed down by the cost of servicing loans.

This financing structure, which is typical of a leveraged buy out, changed following the IPO on December 11, 2006. The IPO generated gross proceeds of € 652 million, which were used to reduce the Group's borrowings; the vendor note was settled in full, the shareholder loans were largely repaid and the bank loans financing the Group's operations were partly repaid.

This led to an improvement in the equity ratio to around 30%. This increased Symrise AG's capital stock, which had already been increased by € 78.5 million to € 80.4 million from reserves shortly before the IPO, by a further € 37.8 million, bringing total capital stock to € 118.2 million. Considering the capital increases and the deduction of net issue costs (€ 16.7 million), a total of € 519.1 million was transferred to the capital reserve, which, as a result, amounted to € 1,119.8 million following the IPO.

After the IPO, the previous Group financing arrangement was replaced by a more favorable financing arrangement better suited to the new circumstances. The financing banking syndicate, under the lead management of Barclays Capital and Commerzbank AG, provided the Group with long-term loans of € 500 million and a credit facility of € 300 million, of which € 168.9 million had been drawn on as at December 31, 2006.

The improved capital structure and reduced credit risk for banks improved lending interest rates considerably

to 60 basis points above Euribor/Libor, which, together with the lower level of indebtedness, will lead to much lower financing costs in future.

Collateral in the form of real property, e.g. rights of lien, was not required under the new financing arrangement.

Further details of the Group's assets and financial position can be found in the notes to the financial statements.

Cash Flow/Liquidity

At € 149.4 million, the cash flows from operating activities were up € 13.5 million year on year; however, the positive effect from the rise in profitability was partly outweighed by higher integration and restructuring expenses (i.e. mainly as a result of the utilization of the restructuring provision disclosed as at December 31, 2005) and the growth-driven increase in working capital.

Higher investments for strategic acquisitions and lower inflows from the disposal of fixed assets resulted in a net cash outflow of € 50.8 million from investing activities, a figure that is € 20.8 million higher than in 2005.

Cash outflows from financing activities amounted to € 83.8 million (2005: € 123.4 million) and are mainly attributable to interest payments and transaction costs for the two refinancing rounds in 2005 and 2006. The IPO, settlement of the vendor note, repayment of the shareholder loans and the subsequent refinancing did not have material effect on net cash flows. Settlement of the vendor note and repayment of the shareholder loans resulted in a cash outflow of € 338.6 million. In addition, the former Group financing arrangement was redeemed, which reduced bank borrowings by € 304.6 million to € 665.2 million. The repayment of borrowings was financed by the proceeds from the IPO, which grossed € 652.1 million.

Net cash inflows for 2006 totaled € 10.9 million net of currency effects (2005: net cash outflows of € 12.8 million), an improvement of € 23.7 million.

Further information pertaining to the Group's cash flows is provided in the notes to the financial statements.

Investments Connected with Restructuring and Acquisitions

In the fiscal year, € 59.4 million (prior year: € 54.2 million) was invested globally in intangible assets and property, plant and equipment as well as in the acquisition of a 100% stake in Kaden Biochemicals GmbH, Hamburg, Germany, and a 40% stake in Aromatics Holding S.A.S., France.

Investments in the fiscal year focused on production, research and development.

6. NET ASSETS

ASSETS

T€	2005	%	2006	%
Cash and cash equivalents	54,345	3.0	65,280	3.6
Trade receivables	210,954	11.8	211,922	11.8
Inventories	208,787	11.7	214,526	11.9
Intangible assets and property, plant and equipment	1,254,604	70.0	1,191,772	66.1
Other assets	63,489	3.5	119,637	6.6
Total	1,792,179		1,803,137	

EQUITY AND LIABILITIES

T€	2005	%	2006	%
Current liabilities	237,656	13.3	445,878	24.7
Noncurrent borrowings	1,181,621	65.9	492,525	27.4
Retirement benefit obligation	174,178	9.7	180,464	10.0
Deferred tax liabilities	136,179	7.6	115,391	6.4
Other noncurrent liabilities	36,812	2.1	18,238	1.0
Liabilities	1,766,446	98.6	1,252,496	69.5
Equity	25,733	1.4	550,641	30.5
Total	1,792,179		1,803,137	

The balance sheet total of the Symrise Group is almost unchanged on the prior year. By contrast, the capital structure was improved significantly by the IPO on December 11, 2006.

Until the IPO, the capital structure was mainly shaped by the leveraged buy out in October 2002. The IPO generated proceeds of € 622.3 million, net of issue costs of € 29.8 million, which boosted the equity ratio significantly from 1.4% in the prior year to around 30% at the end of 2006.

Noncurrent borrowings were reduced by € 689.1 million with the use of the proceeds from the IPO and cash flows from operating activities. Also, a new Group financing arrangement was entered into with a new syndicate following the IPO. In addition to noncurrent borrowings, the new banking syndicate granted Symrise a credit facility of € 300 million, of which € 168.9 million had been utilized as at December 31, 2006. As a result, current bank borrowings rose by € 157.7 million on the prior year. In addition, the liabilities incurred from the MPP and the warrant agreement (see Note 6.17 in the notes to the consolidated financial statements) with Commerzbank resulted in a significant increase in current liabilities. Both liabilities were still recognized as noncurrent in the prior year (€ 12 million) but were reclassified as current liabilities and increased by € 46 million as at December 31, 2006.

Intangible assets and property, plant and equipment came to € 1,191.8 million (2005: € 1,254.6 million), accounting for around two-thirds of the balance sheet total, and are fully covered by borrowings and equity. As in the prior year, the main components of fixed assets included the goodwill acquired through business combinations (€ 412.4 million; 2005: € 423.0 million) as well as recipes, production knowledge and trademarks (€ 360.8 million; 2005: € 407.3 million). For further information on the valuation of intangible assets and the sensitivities to changed parameters we refer to the notes to the consolidated financial statements.

The working capital adjusted for currency and measurement effects rose growth-driven by € 18.1 million. Offsetting currency effects meant that there was no major effect on the working capital in the balance sheet.

7. OTHER FACTORS RELEVANT TO RESULTS

Symrise Fosters an Innovative Environment

6.3% of sales were invested in research and development in 2006.

Our research and development activities are focused on the further development of the current product portfolio, developing new applications for products and optimizing production processes with a view to improving product quality and reducing production costs. We regard our intensive research and development activities as one of the central pillars of our success.

Symrise attaches a great focus to efficient and creative research and the development of sustainable technologies. In key areas, such as the research of new cosmetic ingredients or the development of new flavors, we have been able to draw on a network of partnerships with leading colleges and universities as well as our customers' research and development departments.

As part of the restructuring program, the research and development departments of the Symrise Group were assigned to the individual business divisions. This should ensure that research and development is geared towards fulfilling the needs of the application areas assigned to the respective business divisions, their markets and customers.

Symrise has numerous research and development units located all over the world. The Group's head office for research and development activities is in Holzminden, Germany, where research is focused on fragrance and flavors, analytical chemistry, cosmetic ingredients and the evaluation of raw materials. Some research and development in these areas is also carried out in Teter-

boro, USA. The Group has less sophisticated research facilities for the analysis of samples in Singapore, Tokyo (Japan), Chennai (India), Paris (France), Cuautitlán Izcalli (Mexico) and São Paulo (Brazil). As at December 31, 2006, Symrise employed 893 full-time equivalents at its global research and development units.

Given the array of product requirements, the focus of activities varies widely. Over the last four fiscal years, the most important research and development projects have included the following:

For flavors (Flavor & Nutrition business division), the focus is on the development of products on a natural basis, which, at the same time, are also destined for use in end products of growing complexity. Furthermore, the research and development of flavors also covers “and” products which offer added value in addition to their typical product characteristics. New products in this area include, for example, modern flavor systems for beer-mix drinks, vanilla aromas with cost-efficient alternative systems, enhanced mint aromas for chewing gum and oral care products, menthol-based cooling substances as well as an expanded range of aromas for ready meals. Concerted efforts were also made to research aromas that help reduce salt and sugar in foods.

For fragrances (Scent & Care business division), research is particularly focused on the development of new processes to optimize fragrance release in certain products, such as detergents. Symrise has been active in the encapsulation of flavors and fragrances for many years and now has a wide range of application technologies at its disposal. New products in this area include SymDeo MPP, a substance tailored for use in perfume oils for deodorant applications whose special composition guarantees long-lasting and gentle deodorant effect. Further activities focused on air fresheners, industrial perfumes (marker substances and warning smells)

and new molecules for fragrance compositions. For cosmetic ingredients, research and development activities are, for example, geared towards developing new active substances that slow the aging process of skin.

The strong focus on research and development is underpinned by organizational measures, which include an IT-based “library” (SymCom) that not only contains the composition of substances we have developed but also enormously facilitates the process of developing new recipes. This database also provides access to information and documents required for the approval of products by the authorities. Another system developed by Symrise (SymCalc) provides current cost data on products and raw materials. This enables us to react quickly to customer inquiries.

We are sure that technology will play an ever increasing role in achieving success in our markets. This also applies to quality control methods and especially to regulatory problems, the importance of which is growing almost daily. Symrise has taken on a leading position in this area.

Increase in Efficiency and Alternative Raw Material Sources Help the Procurement Department Offset Rising Prices

Symrise uses natural and synthetic raw materials in production. The natural raw materials include plants as well as plant and fruit extracts. The synthetic products used include organic chemicals, especially products made from crude oil. These petrochemical products are mainly used as the basis of aromatic chemicals and solvents for fragrances and flavors. They represent around 30% of the value of all raw materials used by Symrise. At present, Symrise processes some 10,000 raw materials. Of these, the 300 most important individual products make up 70% of the total value of supplied raw materials. The five most important raw material suppliers cover over just under 20% of Symrise’s raw material requirements.

Symrise manages raw materials procurement centrally. The Company negotiates global supplier agreements for the most important raw materials in order to achieve cost-efficient and secure supply. At present, around 50% of Symrise's raw materials are procured via European markets or suppliers. The remaining raw materials are procured on the respective global markets. Local production facilities outside Europe cover part of their raw material requirements via local raw materials markets, but also buy intermediate products from the main production facilities in Holzminden, Germany.

The raw materials used by Symrise are subject to price fluctuations. We use a number of methods to manage price risks. Symrise has negotiated supply agreements for the bulk of its procurement volume, under which prices are fixed for a maximum period of one year. In addition, Symrise is making increasing use of new raw materials markets, such as those in India and China, to benefit from the price advantages offered. Furthermore, the Company is succeeding in successively reducing the number of raw materials used.

Operations – Responsible for the Seamless Delivery of Products

As part of the reorganization already mentioned, Operations, responsible for production and the supply chain, has been transferred to the divisions to achieve closer proximity to the customer and give the divisions more responsibility for their own actions. As in 2005, the timeliness of our deliveries was better than ever before and we also succeeded in improving occupational safety. Delivery times were once again shortened considerably in comparison to the prior year. A scorecard system documents the monthly performance of all relevant supply chain parameters to identify problems as early as possible and to solve them without delay. A modern management approach known as total production maintenance (TPM) helps preserve performance progress and promote the systematic continuation of the improvement process.

Symrise has production facilities at numerous locations worldwide. The largest capacities are in Germany (Holzminden, Nördlingen and Braunschweig) and in the US (Teterboro). The facilities at Holzminden and Teterboro also have major chemical production plants available. The Group also has large production facilities in Singapore, Chennai (India), Shanghai (China), Cuautitlán Izcalli (Mexico) and São Paulo (Brazil). The other locations are focused on sales activities and have either relatively small mixed operations or no production facilities at all. As at December 31, 2006, Symrise employed 2,071 people in global manufacturing and technology.

As of June 1, 2006, Symrise transferred its internal and external logistics at the German locations, along with 98 staff, to the Group company Symotion GmbH. Symotion GmbH manages all Symrise's goods-handling requirements, including receipt, quality control, warehousing, transportation between locations, order picking and dispatch. At other locations, logistics remains an integral part of the local organization. Transportation is handled externally by a number of local and international freight companies. Symrise works with selected air and sea freight companies, the choice depending on the destination.

Symrise operates a modern warehouse system at all its major locations. Raw materials, intermediate products and finished goods are stored at the respective production site or nearby. Symrise has continuously improved inventory management in recent years and reduced the average time to replacement considerably in the last two years.

The cost of environmental protection and occupational safety amounted to around € 11 million in the fiscal year. Efforts remain focused on reducing odorous emissions, resource consumption and the number of accidents as well as continued optimization of the working conditions in the Group. To maintain the high standards, Symrise relies on an Integrated Manage-

ment System, which has been certified in accordance with the ISO 9001 and ISO 14001 standards.

Steps have begun towards the global standardization of the ERP systems currently in use at the local companies. The aim is to harmonize the system landscape and introduce SAP globally. At present, work is being done at the Group's head office to develop a standard that will be implemented by the end of 2008 in all Group companies that do not use SAP.

Focus on Core Competencies

The most important organizational change in operations is the separation of various infrastructure functions either by outsourcing or by spin-offs. The affected functions are IT, Engineering/Environment, Logistics and Corporate Communications. This separation facilitates the management of these functions and promotes entrepreneurial activity in these areas. It also allows the divisions to focus on their core competencies.

Flavor & Nutrition and Scent & Care are thus the two remaining operating business divisions within the Group and each has its own production, procurement, quality assurance, marketing, sales, and research and development functions. Human Resources and Finance, Controlling and Legal are corporate center functions for both divisions.

Human Resources Shaped by Completion of the Restructuring

Rounded up to the next whole number, Symrise employed 4,889 full-time equivalents as at December 31, 2006. The following tables show the development of full-time equivalents (excluding loan workers but including trainees and interns) by function and region:

FUNCTIONS DEC. 31, 2006	Symrise	Service Companies	Symrise Group
Manufacturing and technology	1,860	211	2,071
Sales and marketing	1,306	106	1,412
Research and development	887	6	893
Administration	396	5	401
Trainees	101	11	112
Total Symrise Group	4,550	339	4,889

FUNCTIONS DEC. 31, 2005	Symrise Group
Manufacturing and technology	2,081
Sales and marketing	1,487
Research and development	910
Administration	525
Trainees	113
Total Symrise Group	5,116

REGIONS	Dec. 31, 2005	Dec. 31, 2006
Germany	2,452	2,342
Europe (excluding Germany), Middle East, Africa	631	586
North America (including Mexico)	794	774
South America	405	388
Asia	834	799
Total Symrise Group	5,116	4,889

In terms of full-time equivalents rounded up to the next whole number, the number of people employed by the Group fell from 5,116 as at December 31, 2005 to 4,889 as at December 31, 2006. The reduction of headcount in Germany took place in accordance with compensation agreements reached with the responsible works councils as part of the "Fit for Growth" project in 2005. The staff cutbacks mostly took place by mutual agreements (termination agreements and phased retirement) or as a result of turnover. Redundancies were limited.

With effect from June 1, 2006, the Logistics function was transferred to the Group subsidiary Symotion GmbH, while Engineering and Environment, Occupational Safety and Energy Procurement were transferred to the Group subsidiary Tesium GmbH with effect from July 1, 2006. As a result, 126 employees were transferred from Logistics to Symotion GmbH in accordance with Sec. 613 a BGB ["Bürgerliches Gesetzbuch": German Civil Code] as of June 1, 2006. Another 213 employees from Engineering and Environment, including Occupational Safety and Energy Procurement, were transferred to the Group company Tesium GmbH as of July 1, 2006 in accordance with Sec. 613 a BGB.

Due to the outplacement of IT- Services worldwide 98 full-time equivalents passed to an external service provider, thereof 61 in Germany. Consequently pension liabilities and other obligations (such as jubilee commitments) were taken over by the external service provider.

8. EVENTS AFTER THE BALANCE SHEET DATE

No significant events have to be disclosed under this section.

9. RISK MANAGEMENT REPORT

Risk Management

In the course of its worldwide operations, the Symrise Group is exposed to a range of different risks which are inextricably linked to its business activities. Risks arising from economic, market or product cycles or growing competitive pressure cannot be completely avoided. This means that potential risks need to be recognized and addressed at an early stage in order to prevent any risk to the Company. Our risk policy is geared towards making optimum use of opportunities and only entering into risks if they are offset by the opportunity of generating added value. As part of our basic limitation of risks, we only enter into risks that can be managed using recognized methods and measures in our organization and which offer corresponding opportunities.

The early identification of risks at Symrise is an integral part of Group management and is incorporated in the design of our business processes. The early identification of risk is included in business processes on the basis, especially, of the organizational structure, the planning system, the reporting and informational systems and detailed provisions based on management regulations and technical standards. Opportunities and risks are discussed and monitored at meetings of various committees.

Operative risks are largely managed locally. Supra-regional market risks and those relating to innovation and production and safety standards are managed on a segment basis at superordinate levels. The early identification of risks which affect all divisions, e.g. financing, legal and business development, is supported by corporate center functions.

In line with this hierarchy, Symrise has defined risk owners for the following:

- > Identifying risk,
- > Taking preventative measures to avoid or diversify risk,
- > Monitoring risk, e.g. based on early warning indicators and
- > Taking preventative measures to mitigate damage should a risk occur.

Transactions to transfer risk, such as hedging transactions or the conclusion of insurance policies, are initiated centrally at Symrise through the finance department in Holzminden or by Corporate Treasury.

Symrise uses accounting, controlling and forecasting software programs to monitor and manage central company information worldwide. Daily, weekly, monthly and quarterly reporting ensures that information on business and market trends is always up to date. Besides annual budgeting, the latest forecasts are used by the Company to continually review and update business plans. Deviations between target and actual figures are identified and analyzed as part of ongoing controlling and thus form the basis for drawing up corrective measures. The Executive Board regularly analyzes the Company's net assets, financial position and results of operations. Ongoing knowledge sharing at all levels of the hierarchy ensures that information is passed on efficiently, facilitating rapid decision-making.

The Executive Board informs the Supervisory Board about all important decisions and analyzes its strategy on a regular basis. To discuss, analyze and monitor financial issues arising in the course of business activities, the Supervisory Board's audit committee regularly meets with the CEO and CFO. Internal guidelines on

the early identification of risk, insider trading and the publishing of price-related information are the requirements for meeting all legal provisions in this area and implementing the recommendations on corporate governance contained in the German Corporate Governance Code.

The Executive Board regularly informs the Company's Supervisory Board about the status, plausibility and enhancement of the early warning system for the detection of risk. The auditor also informs the Supervisory Board about the review of the early warning system for the detection of risk. The task of the internal audit department, whose headcount will be stocked up in 2007, is to ensure the effectiveness and efficiency of the existing early warning system for the detection of risk and compliance with the internal control system.

On this basis, Symrise fulfills its obligations pursuant to Sec. 91 (2) AktG ["Sharengesetz": German Stock Corporation Act].

Risks Relating to Future Development

Market Risks

Symrise's success depends on its ability to recognize market trends at an early stage and assess them accurately. Focusing on product innovations in collaboration with the relevant customers, product improvements and timely further developments help strengthen our competitive edge and safeguard and extend our profitability.

The success, or rather sales prospects, for specially developed products depend largely on the success of the end product in question. Product innovations are a key factor for the economic development and existence of Symrise. Ongoing innovation activities and excellent basic research promote the position and continued acceptance of our products on the market. Intensive competition and market analyses show trends

and changes in the business environment at an early stage and allow for efficient, far-sighted marketing. Innovations are our answer to the intensive competition around the world.

The main buyers of Symrise products are the food and beverage industry and manufacturers of cosmetic, perfume and household products. Product demand from these manufacturers and industries is linked to various factors. Besides changes in disposable income, rapid changes in consumption habits in particular also play a significant role. The market presence and customer proximity that comes with our international sales structure allows us to react in good time to trends and tailor product strategies to the various requirements.

Symrise is active on some markets which are dominated by intense competition. This applies in particular to the market for aroma chemicals and for certain standard products. The consumer goods industry has undergone consolidation over the past few years, which has led to a concentration of buyer power. Symrise is countering this competitive pressure by aiming to exploit its strengths in developing new products and product groups and increasing the share of premium and high-margin products.

Price Risks

Symrise is exposed to price risks in two ways: firstly, the Group is affected indirectly by the price pressure experienced by its customers. This price pressure is countered through more efficient materials input and the development of innovative products with correspondingly higher margins.

Secondly, Symrise is dependent on price trends on the procurement market. In order to contain more effectively price risks on the procurement markets, the further globalization of procurement activities and the consequent harmonization of raw material qualities, further process rationalization and the achievement

of synergies are being systematically pursued through global negotiations and the development of new sourcing opportunities in Asia and Eastern Europe.

Personnel Risks

Symrise's success is based in some areas on the expertise of a few employees in key positions. Symrise counters this risk with its global talent management process for identifying and developing qualified management trainees, thus ensuring the availability of successors to specialist and management positions.

Environmental and Product Risks

Environmental and product risks are reduced through more efficient production methods, high quality standards and a wide range of quality assurance mechanisms. These include, for example, certifying processes according to international standards, continually modernizing production facilities and further developing products.

Technical disruptions at production sites, unforeseen business interruptions and the risk of downtime are avoided as far as possible by regular testing, maintenance and repair work, modernization and targeted investments.

Quality and Safety Standards

Customer loyalty to our products requires that we observe high standards regarding quality and safety. When we develop new products, we therefore assess safety aspects very thoroughly. Over the entire procurement, manufacturing and distribution processes, our products are subject to a consistent quality assurance system. We developed our organization further in specific areas in 2006 to more effectively integrate the increasing international legal requirements into our system. Process-inherent controls limit workplace, environmental and business interruption risks with respect to production and logistics activities. In addition, where economically appropriate, risks are transferred to selected insurance companies.

Intellectual Property

Preserving and securing the legal position related to our patents are key factors in view. For this reason, our Legal department works with a network of lawyers in Germany and abroad.

Product Liability

The products manufactured by Symrise are to a large extent components of end products which are either applied to the skin, eaten or drunk by consumers. Despite all its internal product safety measures, Symrise cannot fully rule out that the consumption of end products made with components produced by Symrise may be detrimental to health. Resulting liability claims are largely covered by insurance. The product liability situation is clarified in all customer negotiations. Internally, we minimize risk through modern analysis procedures, the selection of suppliers and continuous monitoring of scientific publications. Symrise naturally also takes care to ensure that all the applicable legal provisions are met.

Procurement Risks

We manage procurement risks in terms of supplier reliability and purchased services by continuously monitoring the markets in question and avoiding dependencies on suppliers. Global procurement activities, careful supplier selection, annual supplier reviews, alternative suppliers and appropriate inventory reserves also cut this risk potential.

System Integrity

Symrise uses a number of different IT systems in key processes. The risk of business interruptions and operating delays stems from the risk of failure inherent in every system and the fact that data may be lost as a result of the use of different systems.

We have encountered this risk by entering into a partnership with a specialized service provider at the beginning of 2006 and have transferred our Group's own IT resources to that provider. Its much larger capacities and wealth of experience heighten our IT security considerably due to the fact that processes are set up to minimise the risk of failure and data loss.

Treasury

Symrise enters into transactions in various foreign currencies and is therefore exposed to a currency risk. Exchange rate risks arise if a product is sold in a currency other than the one in which raw materials or production costs are incurred (transaction risk). Symrise manufactures the major part of its products in the currency areas where the products are also sold in order to naturally hedge exchange rate fluctuations. Furthermore, Symrise endeavors to cut the potential impact of the above-mentioned currency risks by using forward exchange contracts. The forward transactions provide for Symrise selling some 20% of the US dollar receipts of Symrise GmbH & Co. KG at a fixed rate provided that the daily rate is within a specified range. If the US dollar is weaker than the specified range, the rate is not hedged for that day. If the US dollar is stronger than the range specified, Symrise must twice hedge the US dollar volume on that day. The hedging volume is limited initially to Symrise GmbH & Co. KG because it has the largest US dollar surplus due to its exports, with 20% of its US dollar receipts making up some 50% of the surplus. 50% of the surplus is unhedged in order to be able to benefit from positive price trends.

Symrise is also exposed to an interest rate risk. The new financing accrues interest at a variable rate of interest. The resulting interest rate fluctuations are largely hedged through interest swaps.

Short positions are avoided as a rule. Central liquidity management ensures that sufficient liquidity is available for operating business and for investments.

Overall Assessment

No major risks were apparent in the reporting period which could pose a threat to Symrise in the long term. There are currently no risks which either individually or in aggregate could endanger the Company's ability to continue as a going concern in the foreseeable future or pose a risk to its development.

10. OUTLOOK

We are focused on continuously developing and nurturing our core business, attaching particular importance to outperforming the market through organic growth.

Our product portfolio will continue to show a constantly increasing proportion of "AND" and "smart" products with higher added value.

Our customer base will develop further in two dimensions. We will expand our position with our international key accounts, paying special attention to furthering our partner relationship. Simultaneously, we will foster our business with regional mid-size customers, which from our point of view serves to reduce a one-sided dependence on a few key customers.

Symrise's business environment is still positive. Global economic growth is estimated at around 4% p.a. until 2008; growth of 3% is expected for the industry. Thanks to our presence in the growth regions and improved working of the North American market, we are confident that our sales growth will be significantly higher than industry growth. Our focus on innovations and

products with added value also contribute to sales growth and boosting profitability. To safeguard long-term profitable growth, we have realigned our business portfolio in order to concentrate on the growth fields where Symrise can market its technological strengths. Our business divisions are well positioned to gain market share and boost profitability.

With the balance of price increases and increased turnover with higher value products on the one hand and continuing price pressure on the other hand, we expect sales prices to remain constant for 2007. We do not foresee a declining price trend on the procurement market and assume that energy costs will continue to be high.

Overall, average sales growth of around 5% p.a. is budgeted for the two-year period 2007 to 2008. Profitability expressed as the adjusted EBITDA margin is expected to increase from 19.8% in 2006 to well over 20%.

In the Flavor & Nutrition business division, sales growth is forecast to remain well above market growth until 2008. The adjusted EBITDA margin stood at 22.4% in the fiscal year and is set to grow moderately by 2008, with the improvements in efficiency from the integration and restructuring phase, in addition to sales growth with corresponding proportions of fixed costs, contributing to this growth.

Although sales growth for the Scent & Care business division is forecast to fall slightly short of that for Flavor & Nutrition, it is still expected to outperform the overall industry. The business division is expected to grow faster than the market rate until 2008. In the Scent & Care business division, the EBITDA margin is forecast to improve considerably by 2008, from 17.4%

in 2006. This higher than proportional growth in profitability is attributable to the restructuring measures in the “Fit for Growth” project which had a noticeably greater impact.

In view of the above circumstances, we expect that Symrise will grow significantly more than the industry average over the coming years. In 2007, cash flow will be freed up by substantially fewer restructuring activities and lower debt service. This positive development will be held back by the final payment under the MPP and by a planned growth-driven increase in working capital.

Capital expenditure in 2007 is again planned to increasingly be allocated on the basis of future investment returns. The planned investments in intangible assets and property, plant and equipment will be in line with the level of prior years. The major share of planned capital expenditure will be for assets for the production of flavors and fragrances.

Strategic acquisitions are planned which must meet our specific criteria: Suitable targets for acquisition must fit our core business from a strategic point of view, add to our technical skills and meet our revenue and earnings targets.

Depending on the performance of the business, there are plans to distribute dividends in line with the industry average for the first time in 2008 for fiscal year 2007. However, it must be taken into consideration for 2007 that payments are still due in connection with the IPO, especially for the MPP, which will restrict free cash flow.

A number of factors could prevent the progress and results described above or impact their timing. These factors include rising raw materials costs, energy costs and interest, delays or difficulties in integrating acquisitions, major exchange rate fluctuations and geopolitical uncertainties. Furthermore, negative effects on our business may result from the compliance-related investigations. Opportunities will arise from economic growth rates which are higher than the anticipated growth rates stated above. Additionally, our portfolio

should present further opportunities which will allow us to draw advantages from high demand for our products and solutions in the fast-growing emerging markets.

Overall Anticipated Development

Against the background of ongoing good market growth and the nearing end of the restructuring process, we currently assume that we will considerably improve our earnings and cash position further in the years to come. The IPO and the subsequent refinancing created a stable financial framework, while improving the Group's liquidity, such that, with the investment volume stable over the next few years, we expect to be able to pay our shareholders a dividend in line with the industry standard.

11. INFORMATION ON CAPITAL STOCK AND SHAREHOLDINGS

Symrise AG's subscribed capital amounts to € 118,173,300 and is divided into € 118.2 million no-par bearer shares each with a notional share in capital of € 1. The associated rights and obligations are set forth in the relevant provisions of the German Stock Corporation Act.

As part of the preparations for the IPO, the syndicate banks, Symrise AG and the selling shareholders concluded an underwriting agreement dated November 24, 2006 in which the selling shareholders agreed not to sell the shares not sold in the IPO for a period of six months following initial listing.

The following entities informed us in accordance with Sec. 21 (1) WpHG that they exceeded the ceiling of 10% of voting rights in our Company on December 13, 2006 and that 15.93% of the voting rights pursuant to Sec. 22 (1) to (3) WpHG are attributable to them:

- > EQT III AG, P.O. Box 572, Stampfenbachstrasse 52, 8035 Zurich, Switzerland
- > EQT III Limited, First Floor, Dorcy Court, Admiral Park, GY1 6HJ St. Peter Port, Guernsey, Channel Islands

- > EQT III UK No. 1 Limited Partnership
- > EQT III UK No. 2 Limited Partnership
- > EQT III UK No. 3 Limited Partnership
- > EQT III UK No. 4 Limited Partnership
- > EQT III UK No. 5 Limited Partnership
- > EQT III UK No. 6 Limited Partnership
- > EQT III UK No. 7 Limited Partnership
- > EQT III UK No. 8 Limited Partnership
- > EQT III UK No. 9 Limited Partnership
- > EQT III US No. 1 Limited Partnership
- > EQT III US No. 2 Limited Partnership
- > EQT III US No. 3 Limited Partnership
 - > Each having their registered office at East Wing, Trafalgar Court, Admiral Park, GY1 6HJ St. Peter Port, Guernsey, Channel Islands
- > EQT III GmbH & Co. KG, Elsenheimerstraße 31, 80678 Munich, Germany

The appointment and removal of members of the Executive Board (Sec. 84 and 85 AktG) and amendments to the articles of incorporation and bylaws (Sec. 133 and 179 AktG) are based on the provisions of the German Stock Corporation Act.

The Executive Board is authorized, with the approval of the Supervisory Board, to increase capital stock by up to € 40.0 million by issuing new no-par shares on one or several occasions in the period until October 31, 2011. Moreover, the extraordinary shareholder meeting on December 1, 2006 authorized the Executive Board to acquire treasury shares of up to 10% of capital stock for any purpose permissible under the legal provisions. The authorization is valid from December 15, 2006 to April 30, 2008.

12. EXECUTIVE BOARD REMUNERATION

Remuneration Structure

Members of the Executive Board are remunerated in line with Sec. 87 AktG, pursuant to which the Supervisory Board sets the remuneration. Remuneration comprises fixed and variable components and fringe benefits. The appropriateness of the Executive Board remuneration depends on the tasks and personal contribution of the individual Executive Board member as well as the economic situation and market environment of the Company as a whole.

The fixed remuneration of Executive Board members is paid out as a salary in equal monthly amounts. The variable component of total remuneration in 2006 comprised an annual bonus which was based on the achievement of Company targets. To determine the remuneration payment, adjusted EBITDA for the Group and its divisions was used as a key performance indicator; working capital, certain cost items and qualitative assessment criteria were also taken into consideration in the case of the CFO. The targets upon which the variable portion of total remuneration is based were agreed in target agreements with the individual members of the Executive Board at the start of calendar year 2006 based on the agreed company targets. The annual bonus will be paid out in the following year (2007) on the basis of the approved financial statements for 2006. Each member of the Executive Board will also receive an individual bonus for the successful completion of the Company's IPO.

There was no long-term incentive plan for the Executive Board in 2006.

Besides the current fixed salary and the annual bonus, the Company intends to introduce a long-term incentive plan for the Executive Board and senior managers in 2007. This is to be structured as a performance cash plan with performance-based components linked to the share price and the value of the Company. The corresponding plan will be presented to the Supervisory Board and its bodies for discussion and approval.

Pensions

All members of the Executive Board have the right to build up deferred compensation benefits by converting their salaries. A pension commitment exists solely for Dr. Heinz-Jürgen Bertram, due to his prior employment contract; this pension commitment was also offered to all other employees of the former Haarmann & Reimer GmbH.

Premature Termination

The employment contracts of members of the Executive Board (except Dr. Bertram) do not provide for any benefits upon premature termination. In this case, the Executive Board member in question is only entitled to continued payment of his/her fixed salary for the duration of the employment contract. He/she is not entitled to a bonus for the fiscal year concerned.

For Dr. Heinz-Jürgen Bertram there is an additional agreement that upon termination of his Executive Board contract, he will receive a severance payment based on the employment contract he had prior to being appointed to the Executive Board and the related length of service since November 1, 1990. He will have no claim to a severance payment if he decides to leave the Company of his own accord.

A post-employment non-compete provision has been agreed with the Executive Board members for 12 months. By way of compensation, the member concerned shall receive 50% of his/her contractually agreed fixed basic remuneration.

Other Executive Board Disclosures

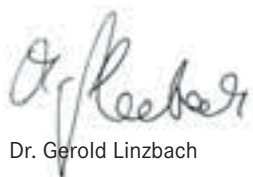
As at December 31, 2005, loans of T€ 375 had been issued to current Executive Board members. The loans were repaid in full on December 31, 2006. The nominal interest rate was 5% p.a.

In fiscal year 2006, Symrise did not grant any advances on future salary payments to members of the Executive Board nor did it enter into any contingent liabilities on behalf of these people.

Symrise holds directors' and officers' insurance for the members of the Executive Board. The insurance covers personal liability in the event of claims being made against any of the insured persons for financial loss in the course of performing his management duties. There is no deductible.

Holzminden, Germany, February 23, 2007

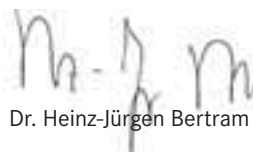
Symrise AG
The Executive Board



Dr. Gerold Linzbach



Rainer Grimm



Dr. Heinz-Jürgen Bertram



Achim Daub

Consolidated Income Statement

T€	Notes	2005	2006
Sales	3	1,148,919	1,229,421
Cost of sales ¹⁾	4.2, 6.5	-672,512	-712,491
Gross profit		476,407	516,930
Other operating income	4.1	2,978	11,567
Selling and marketing expenses	4.3	-232,041	-211,800
Research and development expenses	4.4	-87,750	-78,022
Administration expenses	4.5	-117,881	-153,677
Other operating expenses		-1,304	-2,501
Profit/(loss) from operations	4.6	40,409	82,497
Share of associate's profit/loss		0	-94
Finance income		47,233	27,059
Finance expenses		-141,733	-227,198
Net finance costs	4.7	-94,500	-200,139
Profit/(loss) before tax		-54,091	-117,736
Income tax	4.8	1,685	27,888
Net profit/(loss)		-52,406	-89,848
Earnings per share	5		
diluted in €		-0.65	-1.08
basic in €		-0.65	-1.08

¹⁾ Before research and development expenses.

Consolidated Balance Sheet

ASSETS

T€	Notes	Dec. 31, 2005	Dec. 31, 2006
Current assets			
Cash and cash equivalents	6.1	54,345	65,280
Trade receivables	6.2	210,954	211,922
Prepayments, other assets and receivables	6.4	19,623	28,640
Tax assets		3,059	5,228
Inventories	6.5	208,787	214,526
		496,768	525,596
Assets of disposal groups classified as held for sale			
	6.6	9,166	8,498
		505,934	534,094
Noncurrent assets			
Deferred tax assets	6.7	20,926	56,525
Other noncurrent assets and receivables	6.3, 6.8	7,853	14,054
Investments	6.9	2,862	2,716
Investments in an associate	6.14	0	3,976
Intangible assets	6.10, 6.11	849,531	794,921
Property, plant and equipment	6.12	405,073	396,851
		1,286,245	1,269,043
Assets		1,792,179	1,803,137

EQUITY AND LIABILITIES

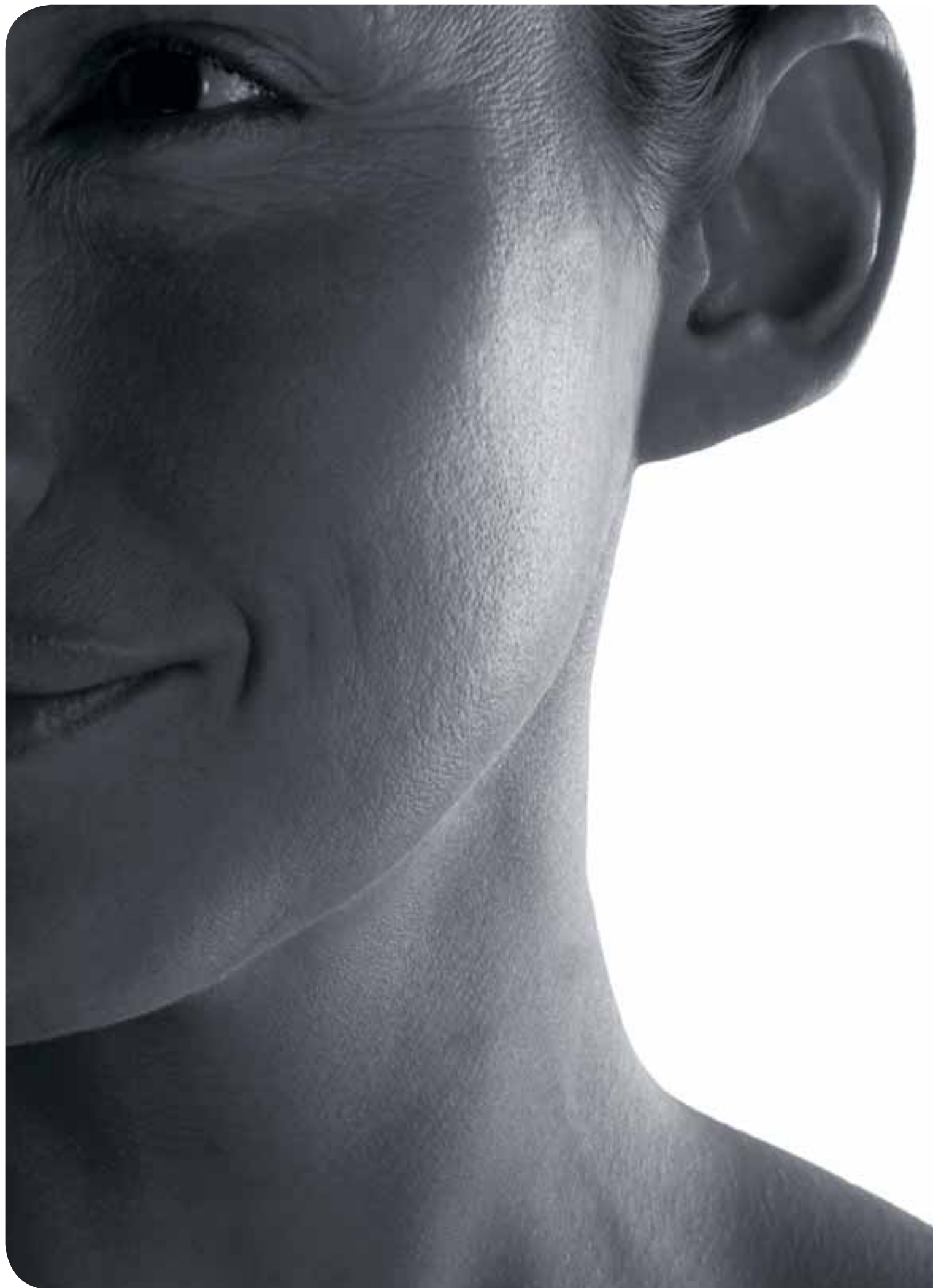
T€	Notes	Dec. 31, 2005	Dec. 31, 2006
LIABILITIES			
Current liabilities			
Trade payables		71,992	67,381
Current borrowings	6.16	16,168	177,976
Provisions – current	6.15	34,943	14,673
Tax liabilities	6.7	24,036	28,785
Other current liabilities	6.17	90,517	157,063
		237,656	445,878
Noncurrent liabilities			
Noncurrent borrowings	6.20	1,181,621	492,525
Other liabilities noncurrent	6.18	34,653	16,937
Provisions – noncurrent	6.15	2,159	1,301
Retirement benefit obligations	6.19	174,178	180,464
Deferred tax liabilities	6.7	136,179	115,391
		1,528,790	806,618
Total liabilities		1,766,446	1,252,496
EQUITY			
Share capital	6.22	1,914	118,173
Capital reserve	6.23	600,767	1,119,832
Revaluation and fair value reserves	6.23	2,314	2,289
Cumulative translation differences		-49,249	-63,277
Appropriated retained earnings	6.23	6,515	0
Accumulated deficit		-536,528	-626,376
Total equity		25,733	550,641
Equity and liabilities		1,792,179	1,803,137

Consolidated Cash Flow Statement

T€	Notes	Dec. 31, 2005	Dec. 31, 2006
Net profit/(loss)		-52,406	-89,848
Share of associate's (profit)/loss		0	94
Income taxes	4.8	-1,685	-27,888
Net interest expense	4.7	138,094	198,501
IPO expenses recognized in profit or loss	4.5	0	7,831
Cash flow from operating activities		84,003	88,690
Amortization, depreciation and impairment losses	6.10, 6.11, 6.12	94,148	80,337
Increase/(decrease) in retirement benefit obligation	6.19	-1,490	151
Increase/(decrease) in provisions	6.15	16,663	-20,395
Increase/(decrease) in accruals	6.17	2,736	964
Increase/(decrease) in the accrual for the management participation program	6.17, 6.18	1,604	43,968
(Profit)/loss on disposal of assets		-650	303
Unrealised (profit)/loss from IAS 39 fair value adjustments	6.4, 6.8	-3,462	-13,902
Unrealised foreign exchange differences		-37,734	17,700
Adjustment for noncash items		71,815	109,126
Cash flow before working capital changes		155,818	197,816
(Increase)/decrease in trade and other receivables	6.2, 6.4, 6.8	-2,728	-12,791
(Increase)/decrease in inventories	6.5	20,273	-11,719
Increase/(decrease) in trade and other payables	6.17, 6.18	-15,047	-2,697
Income taxes paid		-22,411	-21,216
Net cash flows from operating activities		135,905	149,393
Acquisition of subsidiary, net of cash acquired	6.13	-6,359	-6,021
Acquisition of shares in an associate	6.14	0	-4,070
Purchase of intangible assets	6.10	-9,129	-7,650
Purchase of property, plant and equipment	6.12	-37,121	-38,369
Purchase of investments		-659	-119
Net change in other financial loans		91	-38
Proceeds from the sale of noncurrent assets		22,048	4,197
Interest received (excluding swaps)	4.7	1,106	1,260
Cash flow from investing activities		-30,023	-50,810
Proceeds from the IPO	6.22, 6.23	0	630,419
Repayment of other financial borrowings	6.16, 6.20	-1,036	-340,596
Repayment of bank borrowings		-1,008,003	-967,056
Proceeds from bank borrowings		988,910	672,003
Transaction fees		-22,497	-8,773
Interest paid	4.7	-80,754	-63,311
Distribution of appropriated retained earnings	6.23	0	-6,515
Cash flow from financing activities		-123,380	-83,829
Effects of exchange rate changes		4,725	-3,819
Net increase/(decrease) in cash and cash equivalents		-12,773	10,935
Cash and cash equivalents at the beginning of the year	6.1	67,118	54,345
Cash and cash equivalents at the end of the year	6.1	54,345	65,280

Consolidated Statement of Changes in Equity

T€	Notes	Share capital	Capital reserve	Fair value reserve	Revaluation reserve	Cumulated translation differences	Appropriated retained earnings	Accumulated deficit	Total equity
Balance at January 1, 2005		1,914	600,767	-5	2,123	-56,149	6,515	-484,122	71,043
Revaluation of 51% of net assets of Symrise India in 2004: change of tax rate in 2005	6.23				197				197
Available-for-sale investments									
– fair value movements, net of tax				-1					-1
Currency translation differences						6,900			6,900
Net profit/loss								-52,406	-52,406
Balance at December 31, 2005		1,914	600,767	-6	2,320	-49,249	6,515	-536,528	25,733
Capital increase from reserves	6.22	78,459	-78,459						0
Capital increase, made in cash	6.22	37,800	614,250						652,050
Distribution of appropriated retained earnings	6.23						-6,515		-6,515
Cost of issuing new shares, net of tax	6.23		-16,726						-16,726
Available-for-sale investments									
– fair value movements, net of tax				-25					-25
Currency translation differences						-14,028			-14,028
Net profit/loss								-89,848	-89,848
Balance at December 31, 2006		118,173	1,119,832	-31	2,320	-63,277	0	-626,376	550,641





x2

Getting on the relevant lists of its customers' core suppliers (so-called "core lists") is of particular importance for Symrise's sales. Being on such a list is generally the prerequisite for companies like Symrise to be considered as potential suppliers when new projects are awarded. Both Symrise divisions managed to more than double the number of the corporation's core list positions since 2003.

Notes to the Consolidated Financial Statements

1. CORPORATE INFORMATION

The Group mainly produces, markets and sells flavors, fragrances, aroma chemicals and cosmetic ingredients. The registered office of the Group is Mühlenfeldstrasse 1, 37603 Holzminden, Germany (commercial register Hildesheim, HRB No. 200436).

On October 20, 2006, the shareholder meeting resolved to convert Symrise Holding GmbH into Symrise AG and approved the amended articles of incorporation and bylaws. The change in legal form was incorporated in the commercial register on November 8, 2006. Symrise AG shares have been listed on the official market of the Frankfurt Stock Exchange since December 11, 2006.

The consolidated financial statements of Symrise AG (hereinafter referred as to the “Group”) for the fiscal year ending December 31, 2006 were approved for publication by management on February 23, 2007.

2. ACCOUNTING POLICIES

2.1. Basis of Preparation

The consolidated financial statements are prepared on a historical cost basis with the exception of derivative financial instruments and available-for-sale investments, which are measured at fair value. The assets of disposal groups classified as held for sale have been measured at the lower of their carrying amounts and fair values less cost to sell. The consolidated financial statements are presented in euros. All values are rounded to the nearest thousand (T€) except when indicated otherwise.

The preparation of the consolidated financial statements requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities as at the balance sheet date and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management’s best knowledge of current events and actions, actual results may differ from these estimates.

Statement of Compliance

The consolidated financial statements of Symrise AG have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and the supplementary provisions of Sec. 315a Par. 1 HGB [“Handels-gesetzbuch”: German Commercial Code].

2.2. Changes in Accounting Policies

The accounting policies adopted are consistent with those of the previous fiscal year except that the Group has adopted those new or revised standards and interpretations mandatory for the fiscal year. The application of these new or revised standards and interpretations did not have any effect on the consolidated financial statements. However, they did lead to additional disclosures.

IAS 19 “Employee Benefits”

The Group adopted the revised IAS 19 for the first time as of January 1, 2006. As a result, additional disclosures were made providing information about trends in the assets and liabilities under the defined benefit plans and the assumptions underlying the cost components of the defined benefit plans. Adoption of the revised version of IAS 19 also gave rise to additional disclosure requirements for fiscal years 2006 and 2005. In view of the decision made by the Group not to exercise the new option to record actuarial gains and losses outside the income statement, there is no effect on the accounting.

IAS 21 “The Effects of Changes in Foreign Exchange Rates”

Symrise adopted the revised IAS 21 for the first time as of January 1, 2006. As a result, all translation differences from a monetary item that forms part of a net investment by the Group in a foreign company are recorded as a separate equity item in the consolidated financial statements. This applies irrespective of which currency the monetary items are denominated in. The application of this standard has no impact on net assets, financial position or results of operations as at December 31, 2006 and December 31, 2005.

IAS 39 “Financial Instruments: Recognition and Measurement”

The scope of IAS 39 has changed with respect to financial guarantee contracts and loan commitments. Financial guaran-

tee contracts that are not insurance contracts must be initially measured at fair value and subsequently measured at the higher of the amount determined in accordance with IAS 37 “Provisions, Contingent Liabilities and Contingent Assets” and the amount initially recognized less cumulative amortization recognised in accordance with IAS 18 “Revenue”. The application of this change did not have any effect on the consolidated financial statements.

In terms of the hedging of intragroup forecast transactions under the revised IAS 39, the foreign currency risk of an inter-company transaction that is highly likely to take place can be designated as a hedged item of a cash flow hedge in the consolidated financial statements if the transaction is recorded in a currency other than the functional currency used by the entity executing the transaction and the foreign exchange risk has an effect on the consolidated income statement. As the Group is not engaged in transactions of this type, the revision of IAS 39 has no effect on the consolidated financial statements.

As regards the fair value option, the revision of IAS 39 restricts the use of the option to designate any financial asset or financial liability to be measured at fair value through the income statement. As the Group does not exercise the fair value option, this change in IAS 39 has no effect on the consolidated financial statements.

IFRIC 4 “Determining Whether an Arrangement Contains a Lease”

The Group adopted IFRIC Interpretation 4 on January 1, 2006. This interpretation contains guidelines on determining whether an arrangement contains a lease to which the accounting provisions for leases are applicable. This change to the accounting policies had no impact on the net assets, financial position or results of operations as at December 31, 2006 and December 31, 2005.

2.3. Key Judgments and Estimates

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a risk of causing an adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Impairment of intangible assets with indefinite useful lives

The Group determines whether intangible assets with indefinite useful life (mainly goodwill and certain recipes) are impaired. This requires an estimate of the recoverable amount of the cash-generating units to which these assets are allocated. Estimating the recoverable amount requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of cash flows. The carrying amount of the intangible assets with indefinite useful life as at December 31, 2006 was € 487.6 million (2005: € 499.8 million). More details are given in note 6.10.

Impairment of deferred tax assets

The Group determines whether tax loss carryforwards can be used to offset taxable profits in the foreseeable future on an annual basis. This requires the Group to make an estimation of the taxable income for each Group company. The carrying amount of the deferred tax assets at December 31, 2006 was € 56.5 million (2005: € 20.9 million). More details are given in note 6.7.

Pensions and Other Post-Employment Benefits

The expenses from defined benefit plans and the Group's obligation to provide additional post-employment healthcare benefits are determined using actuarial calculations. The actuarial valuation is based on assumptions pertaining to discount rates, anticipated income from plan assets, future wage and salary increases, mortality rates and the future pensions increases. The long-term nature of these plans means that these estimates are subject to great uncertainty. As at December 31, 2006, the accrual for the retirement benefit obligations amounted to € 180.5 million (2005: € 174.2 million). More details are given in note 6.19.

2.4. Consolidation Principles

The consolidated financial statements comprise the financial statements of Symrise AG and its subsidiaries as at December 31 of each year. The financial statements of Symrise AG and all of the subsidiaries it controls are included in the consolidated financial statements.

The financial statements of the subsidiaries are prepared for the same reporting date as the parent company, using uniform accounting policies. Adjustments are made to bring any dissimilar accounting policies in line. All inter-company balances and transactions, including unrealised profits arising from intragroup transactions, are eliminated in full. Unrealised losses from inter-company transactions are fully eliminated unless costs cannot be recovered in the future.

Subsidiaries are fully consolidated from the date of acquisition, i.e. the date on which control is transferred to the Group and continue to be consolidated until the date that such control ceases.

Equity investments are recognized using the equity method if Symrise does not hold a controlling interest but is still able to exercise significant influence on the business and financial policies of these investees ("associates").

The consolidated financial statements as at December 31, 2006 include 56 consolidated subsidiaries, of which 16 are German and 40 foreign.

The companies included in the consolidated financial statements as at December 31, 2006 are listed below:

NAME AND REGISTERED OFFICE OF THE COMPANY	Share in %
Germany	
Symrise AG, Holzminden	
Symrise GmbH & Co. KG, Holzminden	100
Symrise Beteiligungs GmbH, Holzminden	100
Heinrich Haensel Pirna Verwaltungs GmbH, Holzminden	100
Heinrich Haensel Pirna GmbH & Co. KG, Holzminden	100
DrinkStar GmbH, Rosenheim	100
Schimmel & Co. GmbH, Holzminden	100
Kaden Biochemicals GmbH, Hamburg	100
Tesium GmbH, Holzminden ¹⁾	100
Symotion GmbH, Holzminden ¹⁾	100
Helios Vermögensverwaltung GmbH, Holzminden	100
Helena Vermögensverwaltung GmbH, Holzminden	100
Busiris Vermögensgesellschaft GmbH, Holzminden	100
Symrise Verwaltungs GmbH, Holzminden	100
Forsythie GmbH, Holzminden	100
Forsythie Zweite GmbH & Co. KG, Holzminden	100
Other Europe	
Symrise S.A., Switzerland	100
Symrise Ltd., United Kingdom	100
Symrise Holding Ltd., United Kingdom	100
Flavours Direct Ltd., United Kingdom	100
Symrise B.V., Netherlands	100
Symrise Holding S.L., Spain	100
Symrise Iberica S.L., Spain ²⁾	100
Symrise S.A., France	100
Symrise S.r.l., Italy	100
Symrise Vertriebs GmbH, Austria	100
Symrise Kimya Sanayi ve Ticaret Ltd. Sirketi, Turkey	100
Symrise Luxembourg S.a.r.l., Luxembourg	100

¹⁾ Created from the spin-off of Symrise GmbH & Co. KG

²⁾ Merged with Symrise Holding S.L., Spain, on September 15, 2006

NAME AND REGISTERED OFFICE OF THE COMPANY	Share in %
North America	
Symrise Inc., United States	100
Symrise Holding Inc., United States	100
Symrise Srl de CV., Mexico	100
Central/South America	
Symrise Aromas e Fragrancias Ltda., Brazil	100
Symrise Srl., Argentina	100
Symrise S.A., Chile	100
DRAGOCO Colombia Ltda., Colombia	100
Symrise Ltda., Colombia	100
Symrise C.A., Venezuela	100
Asia Pacific	
Symrise Pty. Ltd., Australia	100
Symrise Ltd., Hong Kong, China	100
Symrise Export Ltd., Hong Kong, China	100
Symrise Ltd., Shanghai, China	100
Symrise SDN. BHD, Malaysia	100
Symrise Holding Pte. Ltd., Singapore	100
Haarmann & Reimer (SEA) Pte. Ltd., Singapore	100
Symrise Pte. Ltd., Singapore	100
Symrise Limited, Korea	100
Symrise Ltd., Thailand	100
Thamasarb Co. Ltd., Thailand	100
Haarmann & Reimer (Thailand) Co. Ltd., Thailand	100
P.T. Symrise, Indonesia	100
Symrise Inc., Philippines	100
Symrise Pvt. Ltd., India	100
Symrise K.K., Japan	100
Africa/Middle East	
Ragco (Pty) Ltd., South Africa	100
Symrise (Pty) Ltd., South Africa	100
Symrise Mauritius Ltd., Mauritius	100
Symrise S.A.E., Egypt	100

2.5. Summary of Significant Accounting Policies

Foreign Currency Translation

The consolidated financial statements are prepared in euros, the functional and presentation currency of Symrise AG. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Transactions in foreign currencies are translated into the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency rate effective at the balance sheet date. All differences are considered in the consolidated income statement. Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rate as of the date of the transaction. Nonmonetary items measured at fair value in a foreign currency are translated using the exchange rate at the date when the fair value was determined.

At the reporting date, the assets and liabilities of the overseas subsidiaries are translated into the presentation currency of Symrise AG at the rate of exchange effective at the balance sheet date. Income, expenses and cash flows are translated at the weighted average exchange rate for the year. The exchange differences arising from the retranslation are taken directly to a separate component of equity (cumulated translation differences).

The goodwill and any fair value adjustments from the business combination have been allocated to the Group companies and are accordingly retranslated into euros at the balance sheet date, having an impact on the cumulated translation difference.

Revenue recognition

Sale of Goods

Sales comprise the invoiced amounts for the sale of goods, net of value added tax, rebates, discounts and inter-company eliminations. Revenue from the sale of goods is recognized when significant risks and rewards of ownership of the goods sold are transferred to the buyer and the amount can be measured reliably. Transfer of risks and rewards to the buyer is determined according to INCOTERMS (International Commercial Terms).

Interest Income

Interest income is recognized as the interest accrues (using the effective interest method, i.e. the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset).

Treatment of IPO Expenses Related to Equity Instruments

To the extent that IPO expenses could be attributed directly to the issue of new shares, these were offset against the capital reserve net of related income taxes. Any IPO expenses that did not meet this criterion increased the administration expenses.

Taxes

Current Tax Assets and Liabilities

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authority. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the balance sheet date.

Deferred Taxes

Deferred taxes are recognized using the liability method on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for IFRS reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences, unused tax loss carryforwards and unused tax credits, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the unused tax loss carryforwards and unused tax credits can be utilised.

In certain circumstances, taxable or deductible temporary differences do not result in the recognition of deferred taxes. These exceptions relate to the following:

- > the initial recognition of goodwill; and
- > the initial recognition of an asset or a liability in a transaction that is not a business combination and affects neither the accounting profit nor taxable profit or loss.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognized deferred tax assets are reassessed at each balance sheet date and recognized to the extent that it has become probable that future taxable profit will allow recovery of the deferred tax asset.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Income taxes relating to items recognized directly in equity are recognized in equity and not in the income statement.

Sales Tax

Revenues, expenses and assets are recognized net of sales tax. The following exceptions apply:

- > where the sales tax incurred on the purchase of goods or services is not recoverable from the taxation authority, the sales tax is recognized as part of the cost of the asset or as part of the expense item as applicable; and
- > receivables and liabilities are stated with the amount of sales tax included.

The amount of sales tax recoverable from, or payable to, the tax authority is included in the balance sheet as part of other receivables or other current liabilities.

Cash and Cash Equivalents

Cash and cash equivalents are carried in the balance sheet at nominal value.

Cash and cash equivalents in the balance sheet comprise cash on hand, bank balances, and short-term deposits with an original maturity of three months or less. For the purposes of the consolidated cash flow statement cash and cash equivalents consist of these items as defined above.

Trade and Other Receivables

Trade receivables are recognized and carried at the original invoice amount less an allowance for uncollectible amounts. An allowance is made when there is objective evidence that the Group will not be able to collect the receivables. Receivables are derecognized as soon as they become uncollectible.

Inventories

Inventories are valued at the lower of cost and net realizable value.

Costs incurred in bringing the inventories to their present location and condition were accounted for as follows for both the current and previous year:

Raw materials – Purchase cost at weighted average

Finished goods and work in process – Cost of direct materials, direct labor and other direct costs as well as a proportion of manufacturing overheads based on normal operating capacity but excluding borrowing costs.

Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Investments and Other Financial Assets

Financial assets as defined by IAS 39 are, depending on the individual case, classified into financial assets measured at fair value through profit or loss, loans and receivables, held-to-maturity investments or available-for-sale financial assets.

Symrise's investments include a small quantity of marketable securities and other investments classified as available-for-sale. Management regularly reviews and, if necessary, adjusts the classification of the investments. Investments intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, are classified as available-for-sale and are included in noncurrent assets unless management expresses the intention of holding the investment for less than 12 months from the balance sheet date or unless they need to be sold to raise operating capital, in which case they are included in current assets.

After initial recognition, available-for-sale financial assets are measured at fair value, with unrealised gains or losses being taken directly to equity, under the fair value reserve. Upon disposal of these investments, the cumulative gain or loss previously recognized in equity is reclassified to the income statement and recognized in profit and loss.

Interest paid or received on investments is disclosed as interest income or expense.

The fair value of investments traded on organized financial markets is determined by reference to the stock exchange quoted market bid price at the close of business on the balance sheet date. The fair value of investments for which there is no active market is determined by reference to the current market value of comparable instruments or is calculated based on the expected cash flows from the underlying asset.

All regular way purchases and sales of financial assets are recognized on the trade date, i.e. the date on which the Group commits to purchase the asset. Regular way purchases and sales are purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the marketplace.

The Group's loans and receivables are nonderivative financial assets with fixed or determinable payments that are not quoted on an active market. After initial recognition, loans and receivables are subsequently measured at amortised cost using the effective interest method, less impairment. Amortised costs are determined with consideration of all premiums and discounts granted upon acquisition and contain all charges that form an integral part of the effective interest rate and transaction costs. Gains and losses are recognized in the income statement when the loans and receivables are derecognized, impaired or amortised.

Business Combinations and Goodwill

Business combinations are accounted for using the purchase method. This comprises recording identifiable assets (including intangible assets not previously recorded) and liabilities (including contingent liabilities, but not for future restructuring) from the acquired operations at their fair value.

Goodwill arising on acquisition is initially measured at cost being the excess of the cost of the business combination over the acquirer's interest in the fair value of the acquired identifiable assets and liabilities.

The goodwill recognized as at December 31, 2006 is mainly attributable to the business combination on October 1, 2002 and the acquisition of shares or companies in India on February 24, 2004, in the UK on April 1, 2005, and in Germany on January 1, 2006.

As of the acquisition date, any acquired goodwill is allocated to each of the cash-generating units expected to benefit from the combination's synergies.

In accordance with IFRS 3, goodwill is not amortised on a regular basis over an estimated useful life. An impairment test is conducted on goodwill at least once a year and more often if there is an indication that impairment losses need to be charged.

Investments in Associates

Investments in associates are accounted for using the equity method. An associate is an entity over which Symrise has significant influence and which is neither an affiliate nor a joint venture.

Under the equity method, the equity investment is recognized at cost plus changes in net assets. Goodwill arising on an equity investment is factored into the carrying amount of the investment and is not amortised. The income statement contains the associate's share in profit and loss.

Gains and losses from transactions between the Group and the associate are eliminated according to the Group's interest in the associated company. The financial statements of the associate are prepared for the same reporting year as the Group, using consistent accounting policies.

Other Intangible Assets

Intangible assets acquired separately are measured on initial recognition at cost for the purpose of first-time recognition. The cost of an intangible asset acquired within the scope of a business combination is its fair value on the date of acquisition. Following initial recognition, intangible assets are stated at cost less accumulated amortization and impairment losses. The useful lives of these intangible assets are assessed to be either finite or indefinite.

Purchased computer software is carried at cost and is amortised on a straight-line basis over three to ten years. Patents and other rights are amortised on a straight-line basis over the expected useful life, but not exceeding 20 years.

The Group has capitalised recipes with finite and indefinite useful lives. Recipes with finite useful life are amortised over their estimated useful life according to their life cycle, not exceeding 20 years.

The Group has capitalised recipes and trademarks with indefinite useful life for which a limit to the year over which the assets are expected to generate net cash in flows for the Group is not foreseeable so that no typical life cycle can be assumed. However, recipes and trademarks with indefinite useful lives are reviewed annually to ensure the carrying amount does not exceed the recoverable amount regardless of whether or not an indicator of impairment is present.

With the exception of minor development costs, internally generated intangible assets are not capitalised but rather all related costs are charged against profits in the year in which they are incurred.

The useful life of an intangible asset with indefinite useful life is reviewed annually to determine whether indefinite useful life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is made on a prospective basis.

The useful lives and amortization methods used for intangible assets with finite useful life are reviewed for suitability once a year and adjustments, where applicable, are made on a prospective basis.

Research and Development Expenses

Research and development are expensed as incurred. Symrise capitalises a small amount of the development expenses incurred on a project level in the cosmetic business sector, since future recoverability can be reasonably regarded as assured due to the fact that most of the projects in this segment are based on customer orders and market studies, and the other recognition criteria are met.

Following initial recognition of development expenses, reasonably the cost model is applied. This requires the asset to be carried at cost less any accumulated amortization (calculated on a straight-line basis) and accumulated impairment losses. The capitalised development expenses are amortised over the period of expected future revenues from the related project.

The carrying amount of development costs is reviewed for impairment annually when the asset is not yet in use, or more frequently when an indicator of impairment arises during the reporting year.

Gains or losses arising on the disposal of an intangible asset are recognized in the income statement as the difference between the disposal proceeds and the carrying amount of the asset as of the date of the disposal.

Property, Plant and Equipment

Property plant and equipment is stated at cost less accumulated depreciation and impairment losses. Depreciation is calculated on a straight-line basis over the estimated useful life of the asset as follows:

Buildings	20 to 50 years
Technical equipment and machinery	2 to 20 years
Furniture and fixtures	3 to 20 years

The carrying amount of property, plant and equipment is reviewed for impairment when events or changes in circumstances indicate the carrying amount may not be recoverable.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the income statement in the year the item is derecognized.

The residual values, useful lives and depreciation methods of property, plant and equipment are reviewed and adjusted, if appropriate, at each financial year-end.

When each major inspection is performed, its cost is recognized in the carrying amount of the respective property, plant and equipment provided the recognition criteria are satisfied.

Impairment of Nonfinancial Assets

At each reporting date, the Group assesses whether there is any indication that an asset may be impaired. The carrying amounts of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying amount may not be recoverable. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use. The recoverable amount must be determined for each individual asset, unless the asset does not generate cash inflows that are largely independent from other assets or groups of assets. If the carrying amount of an asset exceeds its recoverable amount, the asset is considered as impaired and written down to its recoverable amount. In order to calculate the value in use of the asset, estimated future cash flows are discounted to their present value using a pre-tax discount rate which reflects the current market expectations of interest and the specific risks of the asset.

Impairment losses are recognized in the expense lines that correspond to the function of the impaired asset.

A review is carried out on each reporting date of assets other than goodwill to ascertain whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If there is such an indication, the recoverable amount is estimated. A previously recognized impairment loss is only reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If this is the case, the carry-

ing amount of the asset should be increased to its recoverable amount. This higher value may not exceed the carrying amount that would have been determined, net of depreciation, if no impairment loss had been recognized for the asset in prior years. Such reversal is recognized immediately in the income statement unless the asset is carried at a revalued amount, in that case the reversal is treated as a revaluation increase. Impairment losses charged on goodwill may not be reversed if the recoverable amount increases at a later date.

The following criteria are used to estimate the impairment of certain assets:

Goodwill

Goodwill is tested for impairment at least once a year. If events or changes in circumstances indicate the need to recognise impairment charges, impairment tests may also be carried out more frequently.

Impairment is determined by assessing the recoverable amount of the cash-generating unit to which the goodwill relates. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is charged. Impairment losses on goodwill may not be reversed in later periods. The Group carries out its annual impairment tests on goodwill on September 30.

Intangible Assets

Intangible assets with indefinite useful life are tested for impairment at least annually either individually or at the level of cash-generating units. These intangible assets are not amortized.

Associates

Pursuant to the equity method, the Group assesses whether an additional impairment loss needs to be recognized for the Group's investments in associates. At each reporting date, Symrise assesses whether there are any indications that an investment in an associate may be impaired. If this is the case, the difference between the fair value and the cost of the investment is recorded as an impairment charge in the income statement.

Borrowing Costs

Borrowing costs are recognized as an expense when incurred in accordance with the benchmark accounting treatment under IAS 23.

Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the Group expects at least some or all of a provision to be reimbursed, e.g. from an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. In the income statement, the expense relating to a provision is presented net of any reimbursement. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a borrowing cost.

The Group sets up and maintains provisions for probable and ongoing litigation cases when a reasonable estimate can be made. These estimates include legal fees and costs of settlements. The amounts are determined for each individual case considering the written notifications and reasonable settlement cost estimates provided by the Group's attorneys. The provisions are reviewed by the Group's attorneys and updated periodically.

Pensions and Other Post-Employment Benefits

The Group companies have various pension schemes in accordance with the regulations and practices in the respective countries in which they operate. In two countries the Group companies have agreed to provide certain additional post-employment healthcare benefits. More than 90% of these benefits are unfunded.

When accounting for pensions and other post-employment benefit plans, a distinction is made between defined benefit plans and defined contribution plans. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate equity (a fund) and has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all the benefits relating to employee service in the current and prior periods. The Group's obligation for each period is determined by the amounts to be contributed for that period. Consequently, no actuarial assumptions are required to measure the obligation or the expense and there is no possibility of any actuarial gain or loss. Moreover, the obligations are measured on an undiscounted basis, except where they are not due within twelve months after the end of the period in which the employees render the related service.

A defined benefit plan is a pension plan that defines an amount of pension benefit to be provided, usually as a function of one or more factors such as age, years of service or compensation. The cost of providing benefits under the defined benefit plans is determined separately for each plan using the projected unit credit method. Actuarial gains and losses are recognized as income or expense when the net cumulative unrecognized actuarial gains and losses for each individual plan at the end of the prior reporting year exceed 10% of the higher of the defined benefit obligation or 10% of the plan assets' fair value at that date. These gains or losses are recognized over the expected average remaining working lives of the employees participating in the plans.

The past service cost is recognized as an expense on a straight-line basis over the average period until the benefits become vested. If the benefits already vested following the introduction of or changes to a pension plan, past service cost is recognized immediately.

Gains from a plan change in the US are recognized over the average remaining working lives of the employees participating in the plan.

The defined benefit liability is the aggregate of the present value of the defined benefit obligation, plus or less actuarial gains and losses not yet recognized, less the past service cost not yet recognized, plus the plan amendment gains not yet recognized, and less the fair value of plan assets out of which the obligations are to be settled directly.

The obligations are measured annually by independent actuaries. The interest accrued by pensions is disclosed in the financial result.

Share-Based Payment Transactions (MPP)

In the past, Symrise Holding GmbH offered its key management and members of the shareholder committee the opportunity to invest indirectly in its equity (Management Participation Program or MPP). Furthermore, the program entitles participants to a bonus payment on the condition that a certain yield has been achieved when an exit event occurs (e.g. an IPO). The MPP bonus is regarded as remuneration in the form of cash-settled share-based payment, whereby management members render services in exchange for bonus payments depending on the development of the Group's equity value and hence the share price.

Cash-Settled Transactions

The cost of cash-settled transactions with management is recognized by reference to the fair value on the date they are granted. The fair value is determined by an external appraiser using a stochastic valuation model. In valuing cash-settled transactions, no further performance conditions other than those linked to the price of the shares of Symrise AG are taken into account.

The cost of cash-settled transactions is recognized over the period in which the vesting conditions are fulfilled, ending on the date on which the relevant employees become entitled to the award ("vesting date"). The cumulative expense recognized for cash-settled transactions on each reporting date until the vesting date reflects the extent to which the vesting period has

expired and the extent to which the performance criteria have been met, calculated on the basis of the combination of probabilities as regards the expected time of the exit and the respective achieved internal rate of return (IRR).

No expense is recognized for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance conditions are satisfied.

Leases

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognized as an expense in the income statement on a straight-line basis over the lease term. There are no significant finance leases.

Interest-Bearing Loans and Borrowings

All loans and borrowings are initially recognized at cost, with cost being defined as the fair value of the consideration received net of issue costs associated with the borrowing (transaction costs).

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Amortised cost is calculated by taking into account any issue costs.

Gains and losses are recognized in profit or loss when the liabilities are derecognized, amortised, or impaired.

Derecognition of Financial Assets and Liabilities

Financial Assets

A financial asset (or, where applicable part of a financial asset or part of a group of similar financial assets) is derecognized when:

- > the contractual rights to receive cash flows from a financial asset have expired;

- > the Group retains the right to receive cash flows from the financial asset but has assumed a contractual obligation to pay them in full without material delay to a third party under a “pass-through” arrangement pursuant to IAS 39.19; or
- > the Group has transferred its rights to receive cash flows from the financial asset and either (a) has transferred substantially all the risks and rewards of the financial asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the financial asset, but has transferred control of the asset.

Where the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Group’s continuing involvement in the asset.

Financial Liabilities

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in profit or loss.

Impairment of Financial Assets

The Group assesses at each balance sheet date whether a financial asset or group of financial assets is impaired.

Financial Assets Carried at Amortised Cost

If there is objective evidence that loans or receivables carried at amortised cost are impaired, the amount of the loss is measured as the difference between the asset’s carrying amount and the present value of the estimated future cash flows (with the excep-

tion of future credit defaults) discounted at the original effective interest rate of the financial asset (i.e. the interest rate determined upon initial recognition). The carrying amount of the asset shall be reduced either directly or through use of an allowance account. The amount of the loss shall be recognized in profit or loss.

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment.

If the amount of the impairment loss decreases in a subsequent period and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed. The subsequent reversal of an impairment loss is recognized in profit or loss, to the extent that the asset’s carrying amount does not exceed its amortised cost at the reversal date.

Available-for-Sale Financial Assets

If an available-for-sale asset is impaired, an amount comprising the recognized difference between its cost (net of any principal repayments and write-downs) and its current fair value, less any impairment losses on that financial asset previously recognized in profit or loss, is transferred to the income statement. Reversals in respect of equity instruments classified as available-for-sale are not recognized in the income statement. Reversals of impairment losses on debt instruments are reversed through profit or loss if the increase in the fair value of the instrument can be objectively related to an event occurring after the impairment loss was recognized in profit or loss.

Derivative Financial Instruments

Derivative financial instruments are measured at their fair value and initially recognized on the date on which a derivative contract is concluded. At present, Symrise does not fulfill the requirements for hedge accounting, irrespective of whether or not the respective hedges qualify for hedge accounting in accordance with the principles of the risk management system.

Any gains or losses from a change in fair value of derivative instruments that do not fulfill the criteria of IAS 39 are immediately recognized in the financial result of the income statement.

Adjustment of Prior-Year Figures in the Income Statement

In fiscal year 2006, royalties of T€ 1,903 were not disclosed under other operating income but as a component of sales. Correspondingly, other operating income from the 2005 comparative period was T€ 63 lower than the figure disclosed in the prior-year financial statements; sales for fiscal year 2005 were also adjusted accordingly.

Adoption of IFRS

The Group has not applied the following IFRS and IFRIC Interpretations that have been issued but are not yet effective:

- > IFRS 1 First-Time Adoption of International Financial Reporting Standards
- > IFRS 7 Financial Instruments: Disclosures
- > IFRS 8 Operating Segments
- > IAS 1 Presentation of Financial Statements
- > IAS 32 Financial Instruments: Presentation
- > IFRIC 7 Applying the Restatement Approach under IAS 29: Financial Reporting in Hyperinflationary Economies
- > IFRIC 8 Scope of IFRS 2
- > IFRIC 9 Reassessment of Embedded Derivatives
- > IFRIC 10 Interim Financial Reporting and Impairment
- > IFRIC 11 IFRS 2 – Group and Treasury Share Transactions
- > IFRIC 12 Service Concession Arrangements

The Group expects that first-time adoption of IFRS 7, IFRIC 7 and IFRIC 8 will have no impact on the Group's financial statements. The effects of applying the other standards and interpretations are still being examined.

3. SEGMENT REPORTING

For the purpose of segment reporting, the Group's activities and products are pooled together in business divisions in which the market risks and opportunities are more or less the same.

As a result, Symrise has two divisions: Flavor & Nutrition, which develops, manufactures and sells flavors for beverages, foods, and pharmaceuticals; and Scent & Care, which develops, manufactures and sells fragrances, scents, and cosmetic ingredients.

The Group made the following disclosures required by IAS 14 separately by division Flavor & Nutrition and Scent & Care (primary segments) and region (secondary segments) for the first time.

Regional segment reporting is based on the location of the asset. Sales to customers are disclosed in the regional segment that covers the customers' location.

Significant non-cash expenses include increase in provisions (mainly for pensions and restructuring) and liabilities (mainly personnel expenses and expenses related to the management participation program).

PRIMARY SEGMENT – BUSINESS DIVISIONS

2005 T€	Flavor & Nutrition	Scent & Care	Nonallocable	Total divisions
Sales				
External sales	541,192	607,727	0	1,148,919
Result				
Operating result	32,840	7,573	-4	40,409
Financial result				-94,500
Earnings before taxes				-54,091
Income taxes				1,685
Result				-52,406
Assets and liabilities				
Segment assets	834,360	843,425	114,394	1,792,179
Segment liabilities	179,962	210,286	1,376,198	1,766,446
Other segment information				
Investments (incl. acquisitions)				
- Property, plant and equipment	18,051	18,823	722	37,596
- Intangible assets	12,108	4,514	0	16,622
Depreciation of property, plant and equipment	-19,085	-20,144	0	-39,229
Amortization of intangible assets	-25,854	-23,628	0	-49,482
Impairment losses recognized in profit or loss for the period	-3,353	-2,084	0	-5,437
Significant other noncash expenses	-40,108	-51,679	-1,488	-93,275

Expenses relating to integration and restructuring, the management participation program, the IPO, net gains/losses on the disposal of noncurrent assets and sales of assets of a disposal group classified as held for sale amounted to € 81.2 million in the reporting period (prior-year period: € 65.7 million) and were divided among Flavor & Nutrition (€ 39.4 million; prior-year pe-

riod: € 27.8 million) and Scent & Care (€ 41.8 million; prior-year period: € 37.9 million). Adjusted by these expenses, operating profits in Flavor & Nutrition amounted to € 89.7 million (prior-year period: € 60.7 million) and € 74.0 million (prior-year period: € 45.5 million) in Scent & Care.

PRIMARY SEGMENT – BUSINESS DIVISIONS

2006	Flavor & Nutrition	Scent & Care	Non-allocable	Total divisions
T€				
Sales				
External sales	582,006	647,415	0	1,229,421
Result				
Operating result	50,329	32,156	12	82,497
Share of associate's loss	-94	0	0	-94
Financial result				-200,139
Earnings before taxes				-117,736
Income taxes				27,888
Result				-89,848
Assets and liabilities				
Segment assets	797,009	826,107	176,045	1,799,161
Investment in an associate	3,976			3,976
Total assets				1,803,137
Segment liabilities	189,457	228,840	834,199	1,252,496
Other segment information				
Investments (incl. acquisitions)				
- Property, plant and equipment	17,094	24,826	0	41,920
- Intangible assets	3,671	9,887	0	13,558
Depreciation of property, plant and equipment	-17,106	-19,135	0	-36,241
Amortization of intangible assets	-24,164	-20,328	0	-44,492
Income from write-ups/impairment losses recognized in profit or loss for the period	708	-311	0	397
Significant other noncash expenses	-56,331	-66,041	-2,773	-125,145

SECONDARY SEGMENT – GEOGRAPHICAL REGION

T€	EAME*	North America	Asia/Pacific	South America	Total
2005					
Sales					
Sales by destination	633,224	223,468	221,087	71,140	1,148,919
Other segment information					
Segment assets	1,155,801	308,522	223,565	104,291	1,792,179
Investments (incl. acquisitions)					
- Property, plant and equipment	24,851	9,215	2,301	1,229	37,596
- Intangible assets	16,336	209	42	35	16,622
2006					
Sales					
Sales according to region	683,391	230,932	232,154	82,944	1,229,421
Other segment information					
Segment assets	1,203,922	280,146	215,919	103,150	1,803,137
Investments (incl. acquisitions)					
- Property, plant and equipment	31,900	6,972	1,788	1,260	41,920
- Intangible assets	13,480	0	65	13	13,558

* Europe, Africa, Middle East

4. CONSOLIDATED INCOME STATEMENT

4.1. Other Operating Income

T€	2005	2006
Income from the reversal of provisions	318	5,409
Income from sideline operations	2,462	3,313
Income from the derecognition of liabilities and other income not relating to the period	0	1,010
Insurance indemnifications	0	306
Remaining other operating income	198	1,529
Total	2,978	11,567

Please refer to our comments in section 4.6 for more details on the reversal of provisions.

4.2. Personnel Expenses

The following personnel expenses are included in the income statement:

T€	2005	2006
Wages and salaries	-239,005	-219,858
Social security expenses	-50,799	-47,236
Pension costs (excluding interest expenses)	-11,887	-11,473
Total	-301,691	-278,567

Personnel expenses do not contain expenses for integration and restructuring activities or expenses related to the management participation program.

Despite wage and salary increases, mainly in foreign subsidiaries, personnel expenses were reduced with the help of restructuring activities, especially through outsourcing and other optimization measures. Any reduction in personnel expenses that resulted from the outsourcing of IT functions is partially offset by increased administration expenses due to a different qualification of the respective expenses.

As at December 31, 2006, the Group employed 4,889 (2005: 5,116) people, classified by function as follows:

Number	2005	2006
Manufacturing and technology	2,081	2,071
Sales and marketing	1,487	1,412
Research and development	910	893
Administration	525	401
Trainees	113	112
Total	5,116	4,889

In contrast to the prior year financial statements, employees have not been allocated on the basis of organizational criteria or areas of responsibility, but according to cost accounting criteria.

The average number of Group employees totaled 4,945 (prior year: 5,235).

4.3. Selling and Marketing Expenses

In addition to the cost of marketing departments and of the field sales force, selling and marketing cost include advertising, logistics and commissions.

4.4. Research and Development Expenses

In addition to the costs of research departments, this item also includes the cost of services and the cost of trials. Activities in this area include the research and development of products to generate sales but also the development of new or improved processes to reduce the cost of sales. To the extent that the research and development activities serve to reduce the cost of sales, the respective expenses can also be disclosed under cost of sales.

Research and development costs are generally recognized as an expense in the period in which they are incurred. However, this does not apply to the Cosmetic Ingredients business sector, which capitalises development expenses that fulfill the criteria. Development expenses in all other business sectors cannot be capitalised since the future economic benefits are not yet probable to materialize in future sales and thus do not meet the requirements of IAS 38.

4.5. Administration Expenses

T€	2005	2006
Information technology	-19,788	-20,521
Top management	-20,399	-19,315
Finance and financial controlling	-19,618	-17,906
Human resources	-11,192	-9,480
Other administration expenses	-12,025	-10,804
	-83,022	-78,026
Management participation program	-1,661	-50,018
IPO expenses	0	-7,831
Restructuring and integration expenses	-33,198	-17,802
	-34,859	-75,651
Total administration expenses	-117,881	-153,677

To the extent that IPO expenses could be attributed directly to the issue of new shares, these were offset against the capital reserve. Any IPO expenses that did not meet this criterion increased administration expenses. The costs of the management participation program were also recognized as administration expenses because the expenses incurred did not result from operating activities. Had the expenses from the management participation program (€ 50.0 million) been allocated to the functional areas that fall under the responsibility of the respective managers, 6% of the expenses would have been classified as cost of sales, 29% as selling and marketing expenses, 5% as research and development expenses, and 60% as administration expenses.

4.6. Operating Profit

In 2006, operating profit amounted to € 82.5 million, representing an increase of € 42.1 million compared to the prior-year period. In 2006, expenses of € 57.8 million from the IPO and the management participation program had to be absorbed; these were contrasted by expenses of € 1.7 million incurred in connection with the management participation program in 2005. Integration and restructuring expenses amounted to € 26.9 million, representing a decrease by € 39.1 million compared to 2005.

Integration and Restructuring

In 2006 the Group continued the “Fit for Growth” project, which contains a bundle of restructuring measures designed to make the Group’s organization leaner and more efficient and to reduce the Group’s activities to its core competencies. Integration and restructuring expenses of € 26.9 million (prior-year period: € 66.0 million) were allocated to cost of sales € 6.2 million (prior-year period: € 11.0 million), selling and marketing expenses € 1.5 million (prior-year period: € 13.6 million), research and development expenses € 1.4 million (prior-year period: € 6.9 million), administration expenses € 17.8 million (prior-year period: € 33.2 million) and, as in the prior year, other operating expenses (€ 1.3 million). The integration and restructuring expenses mainly result from severance payments of € 12.1 million (prior-year period: € 40.8 million), consulting fees of € 5.4 million (prior-year period: € 4.7 million), outsourcing measures, site closures and site mergers.

In addition, restructuring provisions of € 3.7 million (prior year: € 0.3 million) were released because the expenses for terminating agreements were much lower than originally expected in Germany, France, Japan, Chile and Austria, or the reasons for setting up the provision in the prior year no longer existed. The income from the release of restructuring provisions is included in other operating income.

From a business economic point of view the integration and restructuring expenses also contain related amortization and impairment costs as far as they relate to the respective activities. Corresponding income from the write-up of assets has been netted with the integration and restructuring expenses in the above-mentioned description of exceptional profit or loss items. For this reason, the integration and restructuring expenses incurred in 2005 are shown here using a figure that is € 7.2 million higher than the figure disclosed in the financial statements for fiscal year 2005.

Impairments and Reversals of Impairment

In addition to amortization and depreciation, impairments and reversals of such are included in the income statements as follows:

T€	2005	2006
Cost of sales	-2,671	1,611
Administration expenses	-645	-1,016
Selling expenses	-847	-198
Other operating expenses	-1,274	0
Total	-5,437	397

Income of € 0.8 million from reversals of impairments and losses of € 3.9 million from impairments resulted in 2005 from integration and restructuring measures and amendment of the respective restructuring plans.

4.7. Financial Result

T€	2005	2006
Interest income:		
from bank deposits	680	504
other interest income	427	13,228
Subtotal interest income	1,107	13,732
net foreign exchange gains from third-party and intragroup borrowings	42,628	0
other finance income	3,498	13,327
Finance income	47,233	27,059
Interest expenses:		
on bank borrowings	-72,623	-63,064
on derivatives	-5,732	-1,392
other interest expenses	-60,846	-147,779
Subtotal interest expenses	-139,201	-212,235
net foreign currency exchange losses from third-party and intragroup borrowings	0	-13,752
other finance expenses	-2,532	-1,211
Finance expenses	-141,733	-227,198

In the interim financial statements prepared as at September 30, 2006, the carrying amounts of the bank borrowings had been adjusted. The adjustment was necessary because changes of the repayment schedules and interest margins led to a change of estimates of timing and amount of future cash flows. This adjustment resulted in finance income of € 12.5 million during the year and the simultaneous reduction of the carrying amount of the respective borrowings. This income is disclosed as other interest income.

Due to the early repayment of the bank borrowings as a result of the refinancing following the IPO, this effect was compensated by the fact that the difference between the carrying amount and the nominal repayment amount was recognized immediately in income. The unamortised difference between the carrying amount and the nominal repayment amount therefore contains the above-mentioned finance income as well as transaction costs still requiring amortization from the refinancing in December 2005 of € 25.3 million. Both effects total € 37.8 million and are disclosed under other interest expenses.

In addition, other interest expenses also contain interest expenses arising from application of the effective interest method to the vendor note (€ 76.9 million) and the shareholder loans (€ 4.3 million). € 57 million of the expenses relating to the vendor note (€ 76.9 million) were due to the early repayment of the vendor note and therefore unscheduled. The full amount of effective interest expenses relating to the shareholder loans (€ 4.3 million) was amortised according to its planned schedule. Other interest expenses continue to be influenced by interest on pension provisions of € 9.1 million (2005: € 8.8 million) and the penalty payments incurred for the early repayment of the vendor note (€ 5.7 million), and the warrant agreement (€ 2.4 million).

Other finance income of € 13.3 million (2005: € 3.5 million) is attributable to the measurement of derivative financial instruments (interest rate swaps) at the higher fair value.

The financial result was also affected by currency losses from financing activities (€ -13.8 million), following the currency gains from financing activities reported in the prior year (€ +42.6 million).

In the context of the Group's refinancing, interest of € 1.5 million, which was accrued in prior periods, was repaid (2005: € 18.8 million).

4.8. Income Taxes

T€	2005	2006
Current tax expense	-23,482	-24,071
Deferred tax income/expense		
from loss carryforward	21,151	-6,203
from temporary differences	4,016	58,162
Subtotal deferred tax income	25,167	51,959
Income tax	1,685	27,888

The combined tax rate amounted to 36.8% in 2006 (2005: 38.0%); the average weighted tax rate in 2006 amounted to 32.9% (2005: 30.4%). The combined tax rate exceeds the weighted average tax rate because losses incurred in subsidiaries with a comparatively high local income tax rate offset gains made by subsidiaries with a comparatively low local income tax rate.

A reconciliation of the current income tax expense with the tax expense determined on the basis of local tax rates produces the following picture for the fiscal years ending December 31, 2006 and 2005:

T€	2005	2006
Group profit/(loss) before tax	-54,091	-117,736
Taxes calculated at local tax rates	20,573	43,338
Tax effect on tax-free income	5,409	1,132
Tax effect of nondeductible expenses	-13,174	-13,207
Tax effect of adjustments on deferred tax assets	-4,478	746
Effects from tax losses for which no deferred tax asset was set up	-585	-2,582
Taxes saved by tax losses for which no deferred tax asset was set up	2,860	50
Nonrecoverable withholding tax	-2,066	-1,610
Tax effect from prior periods	-7,075	168
Other tax effects	221	-147
Tax income	1,685	27,888

The effect of tax-free income is mainly attributable to unrealised exchange rate gains in Singapore and Brazil.

The effect of nondeductible expenses mainly relates to interest expenses incurred in Germany and Singapore.

The positive tax effect from adjustments on deferred tax assets is the result of the fact that the improved results of operations in Brazil have led to the expectation that the tax loss carryforward there will be fully utilised through profits in the foreseeable future. It was therefore possible to reverse the adjustment made to the deferred tax asset in the prior year.

The tax effect of losses for which no deferred tax assets were set up is mainly attributable to trade tax losses incurred by Symrise AG which are mainly the result of expenses incurred in connection with the IPO.

The tax effects of adjustments on deferred tax assets from tax losses in Luxembourg (€ 2.5 million), Brazil (€ 0.7 million) and France (€ 0.6 million) were recognized in 2005. In addition, tax effects from prior periods, mainly due to a provision for prior-period tax risks were also recognized in 2005.

5. EARNINGS PER SHARE

Basic earnings per share are calculated by dividing net profit for the year attributable to ordinary shareholders of the parent company by the weighted average number of ordinary shares floating during the year. Before the change of the legal form into Symrise AG, the capital stock of the former Symrise Holding GmbH was used as a basis to calculate a nominal value of € 1 per share. To improve comparability, the capital increase from reserves approved on October 20, 2006 (see note 6.22) was already included in the calculation of the number of ordinary shares in 2005.

No option or conversion rights were issued in 2006; as a result, earnings per share were not diluted. Therefore, the diluted and basic results are the same.

€	2005	2006
Diluted earnings per share	-0.65	-1.08
Basic earnings per share	-0.65	-1.08
Weighted average number of ordinary shares (T€)	80,373	83,066

6. BALANCE SHEET

6.1. Cash and Cash Equivalents

Bank balances in key currencies earn interest at floating rates between 2.0% and 4.95% (2005: between 1.5% and 3.0%). Short-term deposits are made for a maximum of 90 days depending on the immediate cash requirements of the entity. The fair value of cash and cash equivalents amounts to € 65.3 million (2005: € 54.3 million).

As at December 31, 2006, the Group had available € 131.1 million of undrawn committed borrowing facilities. (2005: € 160 million including the facility in place for acquisitions and restructuring projects).

6.2. Trade Receivables

T€	2005	2006
Trade receivables	215,784	214,946
Less: Provision for doubtful accounts	-4,830	-3,024
Trade receivables, net	210,954	211,922

Trade receivables are noninterest bearing with terms of 30 to 180 days. The net amount of VAT and sales tax payable does not accrue interest and, if required, must be remitted to the appropriate tax authority on a monthly or quarterly basis.

The credit risk from trade receivables is limited due to a large number of customers with a broad spectrum of activities and exposure to various markets. In view of this, management believes that the credit risk is represented fairly. Bad debt allowances are mainly based on an individual assessment of credit risk.

The carrying amount of trade receivables corresponds to their fair value.

6.3. Derivative Financial Instruments

The financial instruments are disclosed under assets or liabilities at fair value.

	Nominal value		Fair value	
T€	2005	2006	2005	2006
Interest rate swaps	643,382	636,887	-1,947	11,358
Forward exchange contracts	431	20,000	-7	591
Total	643,813	656,887	-1,954	11,949

BALANCE SHEET DISCLOSURE

T€	Carrying amount 2005	Carrying amount 2006
Other current liabilities	-7	0
Other noncurrent liabilities	-2,903	0
Prepayments, other assets and receivables – current	0	778
Other assets – noncurrent	956	11,171
Net receivables (prior year: net payables) from derivatives	-1,954	11,949

Derivative financial instruments falling due in less than one year have a nominal amount of T€ 120,000.

Derivative financial instruments with a term of one to five years have a nominal amount of T€ 536,887.

6.4. Prepayments, Other Assets and Receivables

T€	2005	2006
Non-income taxes	8,506	13,743
Prepayments	4,182	4,915
Security, guarantee and rental deposits	2,805	1,548
Loans	675	3,131
Derivative financial instruments	0	778
Other assets remaining	3,455	4,525
Total	19,623	28,640

Non-income taxes mainly comprise value added tax. The other assets mainly comprise advances to suppliers and litigation receivables.

The carrying amount of the other assets corresponds to their fair value.

6.5. Inventories

T€	2005	2006
Raw materials and supplies (at cost)	84,701	80,089
Work in process and finished goods (at cost)	133,686	137,673
Merchandise (at cost)	8,331	9,513
Less: Impairment losses	-17,931	-12,749
Total	208,787	214,526

Inventories of € 486.9 million were expensed as part of the cost of sales in 2006 (2005: € 460.0 million).

The impairment loss of € 12.7 million (2005: € 17.9 million) is allocated to finished goods € 5.5 million (2005: € 10.0 million), raw materials, consumables and supplies € 6.0 million (2005: € 6.9 million) and merchandise € 1.2 million (2005: € 1.0 million).

6.6. Assets of Disposal Groups Classified as Held for Sale

As a consequence of the integration process and related plans to close foreign production sites, assets of a disposal group of T€ 8,498 (2005: T€ 9.166) have been classified as held for sale in accordance with IFRS 5.

2005	Land and buildings	Plant and machinery	Equipment	Total
T€				
Carrying amount before reclassification as held for sale				
USA	237	0	0	237
France	8,378	406	23	8,807
Mexico	834	0	0	834
Total carrying amount	9,449	406	23	9,878
Subsequent impairment according to IFRS 5	-730	0	0	-730
Carrying amount/fair value	8,719	406	23	9,148
Currency translation differences	18	0	0	18
Total	8,737	406	23	9,166

The measurement of assets held for sale in accordance with IFRS 5 did not result in impairment in the fiscal year (2005: T€ 730 in Mexico). The fair values were derived from market prices and appraisals. Liabilities relating to the respective disposal groups were not identified.

Symrise Inc., USA, closed its production plant in Skokie, Illinois, USA, as this plant became redundant after the loss of a substantial part of its business. The Group sold this production plant in June 2006 for T€ 1,367. After deduction of the prior-year carrying amount of T€ 237, an accounting gain of T€ 1,130 was generated on this sale. The production facilities of Symrise S.A., Grasse, France, are available for sale. The requirements of IFRS 5 have been met since fall 2005.

The production facilities of Symrise S.A., Grasse, France, are still available for sale, despite various parties expressing an interest in 2006. Classification as an “asset held for sale” may be extended beyond one year (IFRS 5.9) for reasons which management cannot influence. Symrise Srl. de CV in Mexico moved out of the premises formerly owned by Haarmann & Reimer and, since then, only uses premises belonging to the company formerly known as Dragoco. The vacated premises and appendant land are therefore for sale.

2006	Land and buildings	Plant and machinery	Equipment	Total
T€				
Carrying amount before reclassification as held for sale				
USA	0	0	0	0
France	8,378	16	6	8,400
Mexico	104	0	0	104
Total carrying amount	8,482	16	6	8,504
Subsequent impairment according to IFRS 5	0	0	0	0
Carrying amount/fair value	8,482	16	6	8,504
Currency translation differences	-6	0	0	-6
Total	8,476	16	6	8,498

6.7. Deferred Taxes

The deferred tax assets and liabilities from temporary differences relate to the following:

T€	Tax Assets 2005	Tax Liabilities 2005	+ Income/ – Expenses 2005	Tax Assets 2006	Tax Liabilities 2006	+ Income/ – Expenses 2006
Intangible assets	2,879	146,766	7,475	2,033	130,237	16,907
Property, plant and equipment	8,099	61,226	–7,858	5,305	55,544	2,883
Investments	0	16	1	0	8	8
Inventories	4,288	1,362	1,013	7,468	4,074	467
Receivables	499	1,639	–947	507	1,153	493
Other current assets	0	392	–445	694	4,447	–3,355
Provisions for pensions and similar obligations	12,902	1,705	5,146	11,769	108	463
Other provisions and accruals	10,945	696	7,930	16,959	1,633	5,069
Other liabilities	6,165	44,347	–8,299	1,304	4,200	35,227
Loss carryforwards	97,119	0	21,151	96,499	0	–6,203
	142,896	258,149	25,167	142,538	201,404	51,959
Set-off	–121,970	–121,970	0	–86,013	–86,013	0
Total	20,926	136,179	25,167	56,525	115,391	51,959

Deferred tax income increased from € 25.2 million to € 52.0 million in 2006. The significant increase is essentially due to the repayment of the vendor note and the syndicated loan, whereby the temporary differences resulting from the application of the effective interest method compared to the tax valuation were completely eliminated followed by the release of the corresponding deferred tax liability. In contrast, the refinancing in December 2006 did not lead to any additional material deferred taxes, as the transaction costs only amounted to € 4.6 million. The significant rise in liabilities for the management participation program had a similar effect; these measurement effects alone led to an increase in deferred tax income of over € 35 million. The use of loss carryforwards in 2006 had the opposite effect, whereas in 2005 tax losses increased resulting in deferred tax income.

The increase in deferred tax assets is mainly attributable to Symrise AG where costs in connection with the IPO in 2006 led to tax losses and resulted in deferred tax assets. The deferred

tax liability resulting from the valuation of the vendor note was also reversed due to its repayment in 2006; deferred tax assets could therefore no longer be offset by deferred tax liabilities to the same extent as in 2005.

An increase of deferred tax assets by € 5.6 million was directly recorded in the capital reserve, resulting from the costs of the IPO. Deferred tax liabilities also increased as a result of the first-time consolidation of Kaden Biochemicals GmbH (€ 1.3 million) and thus were not considered in profit or loss; we refer to note 6.13.

The deferred tax assets and liabilities were affected by currency translation differences of € 0.1 million (2005: € 2.9 million).

Deferred taxes are attributable to the following:

- Intangible assets: The capitalization of identifiable intangible assets in the course of the business combination of Dragoco and Haarmann & Reimer led to deferred tax liabilities;

- > Property, plant and equipment and intangible assets: Accelerated tax depreciation and the step-ups resulting from the business combination of Dragoco and Haarmann & Reimer Group led to tax bases lower than carrying amounts, which resulted in a deferred tax liability; the deferred tax assets arose on step-downs also resulting from the business combination of Dragoco and Haarmann & Reimer Group due to market values which are lower than tax values;
- > Investments stated at fair value (available-for-sale) have different tax bases and carrying amounts. The deferred taxes on available-for-sale financial assets were offset directly against equity;
- > Inventories may have carrying amounts lower than tax bases due to elimination of unrealised profits on inter-company sales;
- > Inventories may have different carrying amounts due to differences in the valuation principles for accounting and tax purposes mainly resulting from the consideration of amortization on recipes when determining the Group manufacturing cost;
- > Trade receivables may have higher tax bases due to the elimination of general bad debt allowances for tax purposes;
- > Trade receivables may have higher tax carrying amounts if certain provisions for doubtful debts are not immediately deductible for tax purposes;
- > Pension provisions have different tax values than carrying amounts due to different valuation methods, implying also different discount rates;
- > Some provisions may not be tax deductible in some countries until a payment is made to settle the obligation;
- > Other assets and liabilities may differ from tax valuation due to fair value measurement;
- > Other liabilities such as the Bayer Vendor Note and the shareholder loan are measured according to the effective interest method, which led to higher tax bases;
- > Liabilities to banks are valued at amortised cost and transaction costs are spread over the term of the loans, whereas for tax purposes transaction costs are sometimes expensed when incurred;
- > Tax loss carryforwards result in the recognition of deferred tax assets to the extent that it is probable that future taxable profit will be available against which they can be utilized.

The deferred taxes in connection with equity investments in subsidiaries and associates amounted to around € 1.6 million (prior year: € 1.5 million); no deferred tax liability has been recognized in this regard.

Existing losses carried forward by expiration date are as follows:

T€	Total 2005	Not utilisable 2006	Utilisable 2005	Total 2006	Not utilisable 2006	Utilisable 2006
One year	12	12	0	0	0	0
Two years	188	188	0	15	15	0
Three years	174	174	0	529	529	0
Four years	359	359	0	920	920	0
Five years or more	8,240	8,240	0	19,755	7,944	11,811
No expiry date	287,247	32,065	255,182	288,661	44,077	244,584
Total	296,220	41,038	255,182	309,880	53,485	256,395

In order to calculate the figures in the above table, the loss carryforward of those entities subject to two types of income tax was determined on the basis of the resulting deferred tax assets (if applicable, before impairment) using the combined tax rate. Figures for the comparative period have been adjusted as the prior year amounts had been reported based on corporate income tax loss carrying forwards only.

New tax losses were incurred by Symrise AG in 2006, mainly due to costs relating to the IPO. Further tax losses incurred in France due to restructuring (€ 5.6 million). The use of tax loss carryforwards from Symrise GmbH & Co. KG and in Brazil for the first time had a compensating effect as regards the profit or loss impact while reducing deferred tax assets.

Total corporate income tax losses amounted to € 306.9 million as at the balance sheet date (prior year: € 306.4 million). Loss carryforwards of € 242.8 million (prior year: € 210.1 million) also resulted from other income tax categories, primarily from trade tax in Germany and the US state tax.

We expect to be able to use tax loss carryforwards in Mexico (€ 11.8 million) despite temporary restrictions. The loss carryforwards in Mexico are mainly attributable to currency losses from 2006 and can be offset against future currency gains.

Use of the tax loss carryforwards, and thus the measurement of corresponding deferred tax assets, is supported by tax planning.

Trade tax loss carryforwards of € 63.5 million relating to Symrise AG were categorised as not utilisable. These gave rise to deferred tax assets of € 8.3 million.

Furthermore, the loss carryforwards from US state tax were categorized as not utilisable, as they result from the time before the business combination and their use is restricted due to local tax regulations. The corresponding impairment of deferred tax assets amounted to € 3.6 million.

Corporate income tax loss carryforwards in France were partly categorized as not utilisable, as it cannot be assumed they can be fully offset by taxable income in the foreseeable future. The corresponding impairment of deferred tax assets amounted to € 5.0 million.

The calculation of foreign income tax is based on the laws and regulations of the respective country. The income tax rate varies from 15% to 42% for the Group entities excluding financing entities.

As in the prior year, tax provisions contain T€ 9,000 identified at Group level.

6.8. Other Noncurrent Assets and Receivables

in T€	2005	2006
Unrealised gains from derivatives	956	11,171
Security, guarantee and rental deposits	3,758	1,358
Loans to customers	2,478	1,024
Loans to employees	375	207
Other receivables	271	294
Tax assets	15	0
Total	7,853	14,054

The unrealised gains from derivatives refer to fair value changes of interest rate swaps (see note 6.3).

The carrying amount of the other noncurrent assets and receivables corresponds with their fair value.

6.9. Noncurrent Investments

Noncurrent investments comprise mainly long-term fixed-interest rate government bonds, municipal bonds, bank obligations and shares in investment funds held in compliance with legal pension requirements in Austria.

6.10. Intangible Assets

2005	Goodwill	Recipes ¹⁾ with finite useful life	Recipes ¹⁾ with indefinite useful life	Other intangible assets ²⁾ with definite useful life	Other intangible assets ³⁾ with indefinite useful life	Advance payments	Total
T€							
Cost							
At January 1, 2005	431,092	472,094	62,617	25,158	11,202	1,307	1,003,470
Acquisition of Flavours Direct	6,310	1,183	0	0	0	0	7,493
Additions	0	0	0	4,773	0	4,356	9,129
Currency translation differences	22,478	21,188	2,959	999	0	1	47,625
Disposals	0	0	0	-3,171	0	0	-3,171
Transfers	0	0	0	186	0	-186	0
Transfers with tangibles	0	0	0	2,648	0	0	2,648
At December 31, 2005	459,880	494,465	65,576	30,593	11,202	5,478	1,067,194
Accumulated Amortization/Impairment							
At January 1, 2005	-34,333	-113,795	0	-12,463	0	0	-160,591
Charges for the year	0	-44,330	0	-5,152	0	0	-49,482
Impairment losses	0	0	0	-2,060	0	0	-2,060
Currency translation differences	-2,555	-5,869	0	-478	0	0	-8,902
Disposals	0	0	0	3,171	0	0	3,171
Transfers with tangibles	0	0	0	201	0	0	201
December 31, 2005	-36,888	-163,994	0	-16,781	0	0	-217,663
Carrying amount							
At January 1, 2005	396,759	358,299	62,617	12,695	11,202	1,307	842,879
At December 31, 2005	422,992	330,471	65,576	13,812	11,202	5,478	849,531

¹⁾ Recipes consist mainly of production recipes and know-how

²⁾ Software, concessions, patents

³⁾ Trademarks

2006	Goodwill	Recipes ¹⁾ with finite useful life	Recipes ¹⁾ with indefinite useful life	Other intangible assets ²⁾ with definite useful life	Other intangible assets ³⁾ with indefinite useful life	Advance payments	Total
T€							
Cost							
At January 1, 2006	459,880	494,465	65,576	30,593	11,202	5,478	1,067,194
Acquisition of Kaden	3,198	2,709	0	0	0	0	5,907
Additions	0	0	0	1,513	0	6,138	7,651
Currency translation differences	-15,771	-11,832	-1,586	-931	0	0	-30,120
Disposals	0	0	0	-5,079	0	0	-5,079
Transfers	0	0	0	4,417	0	-4,417	0
Transfers with tangibles	0	0	0	-78	0	0	-78
At December 31, 2006	447,307	485,342	63,990	30,435	11,202	7,199	1,045,475
Accumulated Amortization/Impairment							
At January 1, 2006	-36,888	-163,994	0	-16,781	0	0	-217,663
Charges for the financial year	0	-40,321	0	-4,171	0	0	-44,492
Impairment losses	0	0	0	-114	0	0	-114
Currency translation differences	1,976	4,526	0	544	0	0	7,046
Disposals	0	0	0	4,665	0	0	4,665
Transfer with Tangibles	0	0	0	4	0	0	4
At December 31, 2006	-34,912	-199,789	0	-15,853	0	0	-250,554
Carrying amounts							
At January 1, 2006	422,992	330,471	65,576	13,812	11,202	5,478	849,531
At December 31, 2006	412,395	285,553	63,990	14,582	11,202	7,199	794,921

¹⁾ Recipes consist mainly of production recipes and know-how

²⁾ Software, concessions, patents

³⁾ Trademarks

In 2006, internal development expenses of € 0.3 million (2005: € 0.7 million) were capitalised at cost. They have been assessed as having a finite life and will be amortised under the straight-line method over a period of five years. The current value of the internal development costs capitalised amounts to € 1.7 million as at December 31, 2006 (2005: € 1.4 million). All other intangible assets with finite useful life mainly comprise acquired software including internal implementation cost.

Recipes and trademarks of € 11.2 million stated under other intangible assets mainly represent intangible assets purchased in the business combination on October 1, 2002. In general, the useful lives of these intangible assets were estimated as being finite except for recipes of € 64.0 million and trademarks of € 11.2 million, which are considered to have an indefinite useful life since the future period for which these assets contribute to the Group's success is not definable.

Recipes with a finite useful life are amortised over their estimated useful life according to their product life cycle, but not exceeding 20 years.

The recoverable amount of an asset is based on its fair value in use and was determined at the relevant cash-generating unit level. In determining the value in use for the cash-generating unit, the estimated future cash flows were discounted at nominal rates of 7.6% (prior year: between 6.8% and 6.9%) on a post-tax basis.

Pursuant to IFRS, goodwill is tested for impairment on an annual basis. Based on the impairment test performed as at September 30, 2006, no impairment loss had to be recognized.

Additions from business combinations of € 5.9 million result from the acquisition of Kaden Biochemicals GmbH, Hamburg, Germany, on January 1, 2006.

The amortization of recipes is allocated to production and therefore included in the cost of sales. The amortization of the other intangible assets is allocated to all cost items of the income statement.

6.11. Impairment Testing of Goodwill, Recipes and Trademarks with Indefinite Useful Lives

Goodwill acquired through business combination has been allocated to two cash-generating units for impairment testing as follows:

- > Flavor & Nutrition
- > Scent & Care

The new Scent & Care division is made up of the three former business sectors Fragrances, Aroma Chemicals and Cosmetic Ingredients.

The recoverable amount of a division is determined based on fair value less costs to sell as at September 30, 2006. The cash flow projections are based on financial budgets approved by Group management covering a three-year period. The discount rate applied to cash flow projections is 7.6% (prior year: between 6.8% and 6.9%).

The carrying amount of goodwill as at September 30, 2006 amounts to € 280 million in Flavor & Nutrition and € 134 million in Scent & Care.

As in the prior year, all recipes with indefinite useful life were attributable to the Scent & Care division (€ 64.0 million). These recipes were also tested at divisional level as the relevant cash-generating unit as at September 30, 2006; these tests did not reveal any impairment.

Trademarks with indefinite useful life had also been tested for impairment as at September 30, 2006. No impairment was identified.

The goodwill allocated to the Scent & Care division has been impaired by € 35.7 million since 2003. The impairment relates to the former Aroma Chemicals business sector.

Key Assumptions Used in Recoverable Amount Calculation as at 30 September 2006

The Group determined the fair value less cost to sell as the recoverable amount.

The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill, recipes and trademarks.

The fair value less cost to sell was determined applying the discounted cash flow (DCF) method, discounting the free cash flows with the weighted average cost of capital (WACC).

The determination of the free cash flows was based on the Group's budget for 2007 and its business plans for 2008 and 2009. Due to the fact that the restructuring and optimization measures within the scope of the "Fit for Growth" project had already led to significant cost savings in 2006, but had not quite

been completed in the year under review, business plans assume that the package of measures will only take full effect and reveal its full cost-saving potential in 2007 and 2008. Further details to the underlying assumptions are given in the management report.

The Group assumes annual cash flow growth rates to vary between the business units from 2006 to 2009. The average growth rate of operating cash flow is expected to be 20% for the periods until 2009. The average growth rate of sales is expected to be 6% for the periods change until 2009, and only 0.5% thereafter.

The WACC is based on a risk-free rate of 4.5% derived from the interest rate of German government bonds, a market risk premium of 4.5% and a country risk premium of 0.6%. The unlevered beta-factor is 0.70 and the levered beta-factor is 0.77. The estimated cost of equity is 8.43% and the cost of debt 6.5%.

Applying the above assumptions, the recoverable amount of the cash-generating units exceeds the carrying amount of their assets so that the testing on September 30, 2006 required no impairment of either goodwill or of recipes. The recoverable amount in both divisions significantly exceeds the respective carrying amount and thus the sensitivity of the impairment test to a change in the assumptions above is low.

6.12. Property, Plant and Equipment

2005 T€	Land and buildings	Plant and machinery	Equipment	Advance payments	Total
Cost					
At January 1, 2005	297,490	169,035	80,977	35,370	582,872
Acquisition of Flavours Direct	0	237	238	0	475
Additions	1,683	4,551	6,113	24,774	37,121
Currency translation differences	13,761	9,277	3,783	1,448	28,269
Disposals	-19,531	-2,872	-3,760	-216	-26,379
Transfers	7,813	16,567	5,355	-29,735	0
Transfers pursuant to IFRS 5 ¹⁾	-14,929	-2,572	-2,880	0	-20,381¹⁾
Transfers from intangibles	0	0	337	-2,985	-2,648
At December 31, 2005	286,287	194,223	90,163	28,656	599,329
Accumulated Amortization/Depreciation					
January 1, 2005	-38,918	-81,567	-41,445	0	-161,930
Charges for the financial year	-12,446	-13,907	-12,876	0	-39,229
Impairment losses	-2,311	-1,283	-108	0	-3,702
Currency translation differences	-2,180	-3,704	-1,421	0	-7,305
Reversal of impairments	138	68	118	0	324
Disposals	3,036	1,310	2,208	0	6,554
Transfers	6	-72	66	0	0
Transfers pursuant to IFRS 5 ¹⁾	6,210	2,166	2,857	0	11,233¹⁾
Transfers from intangibles	0	0	-201	0	-201
At December 31, 2005	-46,465	-96,989	-50,802	0	-194,256
Carrying amount					
At January 1, 2005	258,572	87,468	39,532	35,370	420,942
At December 31, 2005	239,822	97,234	39,361	28,656	405,073

¹⁾ USA, France, Mexico. See note 6.6 "Assets of Disposal Groups Classified as Held for Sale"

T€ 28,574 of the advance payments relates to assets under construction. The impairment losses of € 3.7 million represent the write-down of property, plant and equipment to the recoverable amount and relates to site consolidations.

An increase in scope of consolidation of € 0.5 million is related to the acquisition of Flavours Direct Ltd. UK on April 1, 2005.

2006 T€	Land and buildings	Plant and machinery	Equipment	Advance payments	Total
Cost					
At January 1, 2006	286,287	194,223	90,163	28,656	599,329
Acquisition of Kaden	1,432	1,777	87	256	3,552
Additions	1,982	5,960	4,736	25,690	38,368
Currency translation differences	-7,602	-6,128	-1,941	-769	-16,440
Disposals	-2,541	-2,044	-6,448	-315	-11,348
Transfers	5,007	13,337	8,025	-26,369	0
Transfers from intangibles	0	0	78	0	78
At December 31, 2006	284,565	207,125	94,700	27,149	613,539
Accumulated amortization/Impairment					
January 1, 2006	-46,465	-96,989	-50,802	0	-194,256
Charges for the financial year	-10,436	-14,172	-11,633	0	-36,241
Impairment losses	-254	0	-226	-859	-1,339
Currency translation differences	1,423	2,715	943	36	5,117
Reversal of impairments	1,249	499	102	0	1,850
Disposals	1,496	1,129	5,560	0	8,185
Transfers from intangibles	0	0	-4	0	-4
At December 31, 2006	-52,987	-106,818	-56,060	-823	-216,688
Carrying amounts					
At January 1, 2006	239,822	97,234	39,361	28,656	405,073
At December 31, 2006	231,578	100,307	38,640	26,326	396,851

T€ 27,069 of the advance payments relates to assets under construction at their acquisition and construction cost.

The impairment losses of € 1.3 million represent the write-down of property, plant and equipment to the recoverable amount and mainly relates to site consolidations. The recoverable amount is based on the value in use and is determined on the basis of future cash flows or the fair value less cost to sell.

The acquisition of Kaden Biochemicals GmbH, Hamburg, Germany, on January 1, 2006 resulted in additions from business combinations of € 3.6 million.

6.13. Business Combination

Acquisition of Kaden Biochemicals GmbH, Hamburg, Germany

The Group acquired all voting shares in Kaden Biochemicals GmbH, Hamburg, Germany on January 1, 2006. The fair values of the identifiable assets and liabilities of Kaden Biochemicals GmbH, Hamburg, Germany, as at the date of acquisition were:

T€	Carrying amount	Fair value after Tax 100%
Recipes	0	2,709
Other noncurrent assets	2,952	3,552
Current assets	3,533	3,533
Total assets	6,485	9,794
Subscribed capital	410	410
Reserves and retained earnings	1,761	3,812
Equity	2,171	4,222
Liabilities to banks	2,036	2,036
Deferred tax liabilities	0	1,258
Other liabilities and provisions	2,278	2,278
Liabilities	4,314	5,572
Equity and liabilities	6,485	9,794
Purchase price net of cash acquired		7,221
Cash acquired		199
Acquisition costs		7,420
Acquired equity		-4,222
Goodwill		3,198

Kaden Biochemicals GmbH, Hamburg, Germany, contributed € 7.6 million to Group sales or T€ -80 to Group profit in 2006.

Recipes were measured using the license price method based on a license rate of 10%. The know-how of Kaden Biochemicals has an assumed useful life of ten years.

According to the purchase agreement, T€ 1,200 of the purchase price is not due until December 31, 2008.

The goodwill arising from the acquisition of Kaden Biochemicals GmbH is attributable to the fact that the acquisition helped Symrise to gain access to the market for nutrition and nutritional supplements, especially for athletes.

6.14. Investments in an Associate

Acquisition of 40% of the Shares in Aromatics Holding S.A.S., France

The final agreement for the acquisition of a 40% share in the French entity, Aromatics Holding S.A.S., was signed on February 9, 2006. The fair values of the identifiable assets and liabilities of the Aromatics Group as at the date of acquisition were:

T€	Carrying amount (100%)	Fair value (40%) acquired
Noncurrent assets	508	203
Net working capital	808	323
	1,316	526
Subscribed capital	100	40
Reserves and retained earnings	1,216	486
Equity	1,316	526
Purchase price net of cash acquired		3,989
Cash acquired		81
Acquisition cost		4,070
Acquired equity		-526
Goodwill		3,544

Aromatics Holding S.A.S., France, is accounted for using the equity method. The Aromatics Group contributed T€ -94 to Group loss in 2006.

The Aromatics Group is a significant manufacturer of natural vanilla, cocoa and coffee flavorings. The Aromatics Group has two sites in France and a subsidiary in Madagascar, which has access to a network of vanilla growers. The goodwill resulting from the acquisition of the Aromatics Group is due to securing raw materials supply, especially vanilla.

The financial statements of Aromatics Holding S.A.S. and its subsidiaries were used for the preliminary determination of goodwill. The amount is checked after submission of the finalised financial statements.

On December 31, 2006, the Aromatics Group had a balance sheet total of € 3.1 million and equity of € 0.5 million. With revenues amounting to € 2.1 million, the Group made a net loss of € 0.2 million in 2006. The Aromatics Group employed an average of 36 employees in 2006.

6.15. Other provisions

2005 T€	Environ- mental	Restruc- turing	Other	Total
At January 1, 2005	443	18,665	0	19,108
Additional provisions	660	31,159	52	31,871
Reversals	0	-291	0	-291
	1,103	49,533	52	50,688
Currency translation dif- ferences	17	1,039	4	1,060
Utilised during the year	-334	-14,528	0	-14,862
Closing balance before reclassification	786	36,044	56	36,886
Reclassification from other liabilities	0	216	0	216
At December 31, 2005	786	36,260	56	37,102
Thereof:				
Current	786	34,101	56	34,943
Noncurrent	0	2,159	0	2,159
Total	786	36,260	56	37,102

As far as current provisions recognized on December 31, 2005 were not utilised or reversed in 2006, the relevant measures were postponed until 2007.

2006 T€	Environ- mental	Restruc- turing	Other	Total
At January 1, 2006	786	36,260	56	37,102
Additional provisions	679	8,108	313	9,100
Reversals	0	-3,717	0	-3,717
	1,465	40,651	369	42,485
Currency translation differences	-7	-794	-14	-815
Utilised during the year	-779	-24,960	-40	-25,779
Interest expense	0	83	0	83
At December 31, 2006	679	14,980	315	15,974
Thereof:				
Current	679	13,679	315	14,673
Noncurrent	0	1,301	0	1,301
Total	679	14,980	315	15,974

Environmental provisions

The provision set up for environmental measures will be utilised by the end of 2007.

Restructuring Provisions

The Group has continued the project "Fit for Growth", which is a bundle of restructuring measures designed to make the Group's organisation leaner and more efficient and to reduce the Group's activities to its core competencies.

Restructuring provisions of € 3.7 million (prior year: € 0.3 million) were released because the expenses for terminating agreements were much lower than originally expected in Germany, France, Japan, Chile and Austria, or the reasons for setting up the provision no longer existed. The noncurrent portion of the restructuring provision is expected to be utilised in 2008.

6.16. Current Borrowings

T€	2005	2006
Bank borrowings	12,523	170,232
Shareholder loans	1,100	6,131
Interest accruals	1,498	258
Other financial liabilities	1,047	1,355
Total	16,168	177,976

Current bank borrowings are not secured and are attributable to:

2005 T€	Installments/ Maturity Date	Nominal value	Carrying amount	Nominal interest rate	Effective interest rate
Borrowings					
Symrise GmbH & Co. KG					
Senior facility – Term A – USD	Dec. 31, 2006	7,881	7,088	Libor + 2.25%	7.89%
Symrise Limited, China					
China Construction Bank	March 2006	943	943	5.27%	5.27%
	Sept. 2006	943	943	5.27%	5.27%
China Communication Bank	March 2006	1,885	1,885	5.58%	5.58%
Symrise (Ltd.), India					
HSBC	Apr. 2, 2006	662	662	7.00%	7.00%
Symrise S.A.E., Egypt					
HSBC	Credit line	987	987	11.75%	11.75%
Bank overdrafts		15	15		
Total		13,316	12,523		

2006 T€	Installments/ Maturity Date	Nominal value	Carrying amount	Nominal interest rate	Effective interest rate
Borrowings					
Symrise GmbH & Co. KG					
Senior facility – Term B	March 2007	80,900	80,354	Euribor + 0.60%	4.27%
Symrise Luxembourg S.a.r.l., Luxembourg					
Senior facility – Term B	March 2007	33,000	32,777	Euribor + 0.60%	4.27%
Symrise Mauritius Ltd., Mauritius					
Senior facility – Term B	March 2007	55,000	54,628	Euribor + 0.60%	4.27%
Symrise Limited, China					
China Construction Bank	March 2007	1,943	1,943	5.27%	5.27%
Symrise S.A.E., Egypt					
Bank of Nova Scotia	Credit line	486	486	11.75%	11.75%
Bank overdrafts		44	44		
Total		171,373	170,232		

Bank borrowings with a nominal value of T€ 2,429 (2005: T€ 13,301) are denoted in foreign currencies, mainly in US dollars.

As the refinancing took place on December 13, 2006, it can be assumed that the carrying amount of all borrowings corresponds to their fair value as at December 31, 2006.

An amount of € 168.9 million of current liabilities to banks relates to borrowings available to the Group under a revolving credit line of € 300.0 million (Senior Facility – Term B) until December 13, 2011.

Shareholder Loans

Current shareholder loans of T€ 6,131 are attributable to the remainder of shareholder loans, which were previously classified as noncurrent. The majority of these were repaid when the Group went public. The remainder will be repaid in full in 2007.

Other Financial Liabilities

Other current borrowings relate mainly to the deferral of the purchase price for Flavours Direct Ltd., United Kingdom.

6.17. Other Current Liabilities

T€	2005	2006
MPP	0	46,837
Outstanding invoices	29,151	43,194
Liabilities to personnel	30,617	35,021
Warrant agreement	0	10,717
Miscellaneous other liabilities	30,749	21,294
Total	90,517	157,063

The increase in the item for outstanding invoices is mainly due to services received in connection with the IPO.

Liabilities to personnel primarily relate to bonus liabilities already earned but not paid out, from vacation yet to be taken and from accrued flexitime.

Miscellaneous other liabilities mainly relate to wages and salaries, salary taxes, social security, contribution, VAT and other taxes.

Management Participation Program (MPP)

Until 2004, Symrise offered a management participation program to its senior managers and members of the shareholder committee, which, in return for a cash payment, entitled the participants to a bonus payment, the value of which depended on the increase in the value of Symrise's equity during the period from October 1, 2002 to the IPO on December 11, 2006 (exit date).

According to IFRS 2, Symrise must recognise a liability in the amount of the expected expenses for management services received to the extent the participants in the program have achieved their targets. Program participants achieved their targets with successful IPO on December 11, 2006 and so their rights under the MPP were vested. Symrise therefore recognized a corresponding liability for the rendered Management services at the end of 2006.

Due to the fact that, at the achieved placing price of € 17.25 per share, EQT (see note 11) has reached an internal rate of return of at least 20%, a factor of 2.5488 is used to determine the bonus. To determine the bonus, this bonus factor is multiplied by the value of the participant's equity investment, provided the participant made a cash-only investment. The value of the equity investment is determined using the average share price for the last 60 days of trading prior to December 11, 2007 (due date).

In order to measure the MPP liability as at the balance sheet date, the value of the participants' equity investment based on the share price on the balance sheet date and the number of shares prior to the issue of new shares (80,373,300) are used. The gross liability amounted to € 52.9 million (prior year: € 3.4 million) such that, less a prepayment of € 6.1 million potentially repayable by participants, a provision of € 46.8 million therefore remained as at the balance sheet date.

The liability was disclosed under other current liabilities. The cost of the increase of the MPP liability amounting to € 50.0 million; (prior year: € 1.7 million) was disclosed under administration expenses.

The following factors led to the MPP liability being considerably lower as at December 31, 2005 than on the balance sheet date:

- > Assessment of probabilities in relation to the occurrence of an exit event
- > Assumption of the latest possible exit date in 2008 (vesting period)
- > Assessment of probabilities in relation to the reaching of the hurdle value (IRR of 20%)
- > Estimated value of equity.

Warrant Agreement

The warrant agreement was concluded on September 23, 2002 between Commerzbank AG, as mezzanine agent, and Symrise Holding GmbH. The beneficiaries were put in the economic position in which they would have been if they had held a 0.772% share in the equity of Symrise Holding GmbH since July 31, 2003. According to the agreement, they are the first to benefit from the company's success on the stock exchange. The IPO conducted in December 2006 led to a liability of € 10.7 million, which will be paid at the beginning of 2007. On December 31, 2005, the liability of € 8.3 million was recognized under other noncurrent liabilities.

6.18. Other Noncurrent Liabilities

T€	2005	2006
Liabilities to personnel	12,938	8,887
Warrant agreement	8,321	0
Management participation program	3,415	0
Derivative financial instruments	2,903	0
Miscellaneous other liabilities	7,076	8,050
Total	34,653	16,937

Liabilities to Personnel

Liabilities to personnel mainly relate to provisions for long-service awards, phased early retirement and other personnel expenses.

6.19. Retirement Benefit Obligations

The individual entities have established pension plans which are either financed directly by the recognition of provisions by the individual Group entities or by contributions to external investment fund companies. The way these benefits are provided to employees varies according to legal regulations, fiscal requirements and economic conditions of the countries. The Group also has agreed in some countries to provide certain additional post-employment healthcare benefits. These benefits are in general funded. Retirement benefits and healthcare benefits are generally based on the employee's wage or salary and years of service. The obligations relate both to existing retirees and to entitlements of future retirees. Current expenditures except interest on pensions are included in the Group's operating result.

The active membership of employees of the former Haarmann & Reimer GmbH, Germany, in the Pension Fund of Bayer AG was terminated on March 31, 2003. The employees of Haarmann & Reimer GmbH who have acquired vested pension rights as of this date automatically became passive members of the pension fund.

A new pension scheme was established in Germany covering all Symrise employees on equal terms. However, former Haarmann & Reimer employees have been guaranteed that their benefits continue on the previous terms.

PENSION EXPENSES 2005 T€	Defined Group benefit plans	Post-employment healthcare benefits, USA	Total Group pension plans
Service cost	12,555	543	13,098
Past service cost	106	0	106
Interest expense	8,114	686	8,800
Projected return on plan assets	-894	0	-894
Amortization of plan amendment (USA)	0	-474	-474
Recognized actuarial gains/losses	41	11	52
Pension expense	19,922	766	20,688
Actual return on plan assets	989	0	989

PENSION EXPENSES 2006 T€	Defined Group benefit plans	Post-employment healthcare benefits, USA	Total Group pension plans
Service cost	12,432	294	12,726
Past service cost	104	0	104
Interest expense	8,567	557	9,124
Projected return on plan assets	-970	0	-970
Amortization of plan amendment (USA)	0	-619	-619
Settlements - USA, Brazil	-1,067	0	-1,067
Recognized actuarial gains/losses	1,299	0	1,299
Pension expense	20,365	232	20,597
Actual return on plan assets	1,338	0	1,338

After being amended in 2005, the healthcare benefit plan in the US was amended again in 2006. Both amendments caused a considerable reduction in the benefits granted by the employer, which gave rise to income of T€ 619 in 2006 (prior year: T€ 474).

Settlements relate to the US, where employees are withdrawing from the plan, and to Brazil. An agreement was reached with Bayer allowing the provision to be reversed.

The main groups of plan assets as a percentage of the fair value of total plan assets are as follows:

%	Plan USA 2005	Plan Japan 2005	Plan USA 2006	Plan Japan 2006
Debt securities	48.30	73.12	51.35	69.77
Equity instruments	51.70	26.88	48.19	30.23

The experience adjustments to plan assets in the US amounted to T€ 302 (2005: T€ –525) in 2006. The experience adjustments to plan assets in Japan came to T€ 118 (2005: T€ 557) in 2006. The experience adjustments to the liabilities from the defined benefit obligation for Germany amounted to T€ –1,334.

The actuarial assumptions and valuations are based on the following parameters, which vary from country to country due to the economic conditions:

PARAMETERS	2005	2006
%		
Discount rate		
Germany	4.25	4.50
USA	5.75	5.75
Other countries vary from	2.0 to 9.0	2.0 to 10.0
Projected return on plan assets		
Germany	n.a.	n.a.
USA	7.00	7.00
Other countries (Japan only)	1.00	2.40
Salary increases		
Germany	1.50	1.70
USA	4.25	4.25
Other countries vary from	1.0 to 5.5	2.0 to 8.0
Pension increase		
Germany	1.50	1.70

A 1% change in anticipated cost trends for healthcare benefits would have the following effects:

T€	Increase 2005	Decrease 2005	Increase 2006	Decrease 2006
Effect on defined benefit obligation	414	373	423	373
Effect on service cost	48	43	44	39

The entity in the US provides healthcare services to its employees. These costs are valued-based on the assumption that they will increase at a rate of 11% p.a. initially (prior year: 10%) and 5% p.a. subsequently (prior year: 5%).

The liability arising from defined benefit obligations calculated using the above parameters is as follows:

LIABILITIES FROM DEFINED BENEFIT OBLIGATION 2005 T€	Defined benefit plans of the Group	Post-employment healthcare benefits, USA	Total pension plans of the Group
Defined benefit obligation	206,353	10,664	217,017
Fair value of plan assets	- 17,126	0	- 17,126
Unrecognized plan amendment gain, USA	0	8,104	8,104
Unrecognized actuarial gains/losses	-33,776	187	-33,589
Unrecognized past service cost	-228	0	-228
Total	155,223	18,955	174,178

LIABILITIES FROM DEFINED BENEFIT OBLIGATION 2006 T€	Defined benefit plans of the Group	Post-employment healthcare benefits, USA	Total pension plans of the Group
Defined benefit obligation	210,612	8,771	219,383
Fair value of plan assets	- 18,681	0	- 18,681
Unrecognized plan amendment gain, USA	0	7,719	7,719
Unrecognized actuarial gains/losses	-28,008	152	-27,856
Unrecognized past service cost	- 101	0	- 101
Total	163,822	16,642	180,464

The defined benefit obligation in Germany amounts to T€ 168,955, in the US to T€ 30,941 and in Austria to T€ 10,215.

T€ 24,695 (2005: T€ 26,201) of the defined benefit obligations relate to the funded benefit obligation and T€ 194,688 (2005: T€ 190,816) are unfunded.

The high volume of unrecognized actuarial losses is primarily attributable to the prior year due to a reduced discount rate and adjustment to the latest mortality tables of Dr. Heubeck in Germany.

The healthcare benefit plan provided to former employees of the Haarmann & Reimer entity in the US was renegotiated in 2005 and 2006 in a way which restricts future increases of the benefits granted by the employer. This led to an unrecognized gain of € 7.7 million on the balance sheet date, which will be distributed over a period of 12.3 years.

The obligation has changed as follows:

OBLIGATION 2005 T€	Defined benefit plans of the Group	Post-employment healthcare benefits, USA	Total pension plans of the Group
Defined benefit obligation as at January 1	149,239	16,242	165,481
Exchange gains/losses	1,236	2,515	3,751
Pension expense	19,922	766	20,688
Settlements	-656	0	-656
Employer contributions	-1,289	-568	-1,857
Benefit payments	-8,501	0	-8,501
Reclassification to other personnel liabilities	-2,486	0	-2,486
Reclassification to other liabilities	-2,242	0	-2,242
Pension obligation as at December 31	155,223	18,955	174,178

OBLIGATION 2006 T€	Defined benefit plans of the Group	Post-employment healthcare benefits, USA	Total pension plans of the Group
Defined benefit obligation as at January 1	155,223	18,955	174,178
Exchange gains/losses	-1,035	-1,953	-2,988
Pension expense	20,365	232	20,597
Employer contributions	-2,310	-592	-2,902
Benefit payments	-8,421	0	-8,421
Pension obligation as at December 31	163,822	16,642	180,464

All significant pension obligations are subject to annual actuarial valuations.

The reclassification to other personnel liabilities in 2005 relates to an early retirement obligation in Germany.

The reclassification to other liabilities in 2005 relates to the outsourcing of the IT department in February 2006; the pension obligation was transferred to the new company Atos.

The Group made contributions to statutory pensions and other pension benefits of € 9.9 million (2005: € 8.4 million). The share attributable to German companies was € 9.7 million. These contributions were classified as a defined contribution plan.

6.20. Noncurrent Borrowings

Noncurrent borrowings comprise the following:

T€	2005	2006
Bank borrowings	931,664	490,439
Vendor note	200,751	0
Shareholder loans	47,471	0
Other financial liabilities	1,735	2,086
Total	1,181,621	492,525

After the IPO, noncurrent borrowings were reduced considerably. The vendor note was repaid in full, the shareholder loans were largely repaid and the bank loans partially repaid. Bank borrowings (nominal value) include an amount of T€ 113,774 (2005: T€ 134,271) in foreign currencies (mainly USD).

The unamortized transaction costs differing between the carrying amounts and nominal values of the bank borrowings amounted to T€ 3,335 (2005: T€ 24,813).

BORROWINGS 2005 T€	Due on	Nominal value	Carrying amount	Nominal interest rate	Effective interest rate
Symrise GmbH & Co. KG, Holzminden, Germany					
Senior facility-Term A – EUR	08. Dez. 2012	99,000	96,265	Euribor + 2.25%	5.37%
Senior facility-Term A – USD	08. Dez. 2012	89,304	87,825	Libor + 2.25%	7.89%
Senior facility-Term B – EUR	08. Dez. 2013	86,000	83,617	Euribor + 2.75%	5.78%
Senior facility-Term C – EUR	08. Dez. 2014	126,000	122,505	Euribor + 3.25%	6.28%
Senior facility-Term D – EUR	08. Mär. 2015	40,000	38,890	Euribor + 4.00%	7.09%
Mezzanine facility – EUR	08. Dez. 2015	70,204	68,512	Euribor + 4.75% (+ 5% PIK) ¹⁾	13.26%
Second Lien facility – EUR	30. Jun. 2015	50,000	48,810	Euribor + 5.50%	8.68%
Symrise Holding Inc., USA					
Senior facility-Term A – USD	08. Dez. 2012	42,256	41,257	Libor + 2.25%	7.53%
Symrise Holding Ltd., UK					
Senior facility-Term A – EUR	08. Dez. 2012	23,000	22,364	Euribor + 2.25%	5.29%
Symrise Luxembourg S.a.r.l., Luxembourg					
Senior facility-Term B – EUR	08. Dez. 2013	80,000	77,783	Euribor + 2.75%	5.78%
Senior facility-Term C – EUR	08. Dez. 2014	63,000	61,252	Euribor + 3.25%	6.28%
Symrise Mauritius Ltd., Mauritius					
Senior facility-Term B – EUR	08. Dez. 2013	104,000	101,118	Euribor + 2.75%	5.78%
Senior facility-Term C – EUR	08. Dez. 2014	81,000	78,753	Euribor + 3.25%	6.28%
Symrise Ltd., China					
China Construction Bank	27. Sep. 2007	2,095	2,095	5.27%	5.27%
Symrise (Ltd.), India					
HSBC	02. Apr. 2008	618	618	7.00%	7.00%
Total		956,477	931,664		
thereof:					
Senior facility-Term A		253,560	247,711		
Senior facility-Term B		270,000	262,518		
Senior facility-Term C		270,000	262,510		
Senior facility-Term D		40,000	38,890		
Mezzanine		70,204	68,512		
Second Lien		50,000	48,810		
Total		953,764	928,951		

¹⁾ Interest due at maturity

BORROWINGS 2006 T€	Due on	Nominal value	Carrying amount	Nominal interest rate	Effective interest rate
Symrise GmbH & Co. KG, Holzminden, Germany					
Senior facility-Term A - EUR	Dec. 13, 2011	117,000	116,211	Euribor + 0.6%	4.27%
Senior facility-Term A - USD	Dec. 13, 2011	75,850	75,334	Libor + 0.6%	5.95%
Symrise Holding Inc., USA					
Senior facility-Term A - USD	Dec. 13, 2011	37,924	37,667	Libor + 0.6%	5.95%
Symrise Holding Ltd., UK					
Senior facility-Term A - EUR	Dec. 13, 2011	23,000	22,845	Euribor + 0.6%	4.27%
Symrise Luxembourg S.a.r.l., Luxembourg					
Senior facility-Term A - EUR	Dec. 13, 2011	110,000	109,258	Euribor + 0.6%	4.27%
Symrise Mauritius Ltd., Mauritius					
Senior facility-Term A - EUR	Dec. 13, 2011	130,000	129,124	Euribor + 0.6%	4.27%
Total		493,774	490,439		

Repayment of Bank Borrowings

The senior facility Term A is repayable from 2008 to 2011 in the following installments:

2008	2009	2010	2011
10%	15%	15%	60%

The basis for the repayment calculation is the nominal loan amount of T€ 493,774. This amount consists of: a) a portion denominated in euros amounting to T€ 380,000 and b) a portion denominated in US dollars amounting to T \$ 150,000. The exchange rate used for the currency conversion of the senior Term A facility was 1.3184 USD/EUR.

Securities

The Group reorganized its financing in 2006. A new agreement was concluded with various lenders that replaced the previous financing. The relationship between the various lenders is governed by an intercreditor deed.

The total nominal loan amount of the above mentioned facilities originally amounted to € 680 million and \$ 150 million respectively of which € 548.9 million and \$ 150 million were drawn as at December 31, 2006. The loans are measured at amortised cost and recorded as current and noncurrent borrowings. As at December 31, 2006, therefore, the Group has access to

€ 131.1 million of undrawn committed borrowing facilities. Reference is made to note 6.1.

Symrise has agreed to the following financial covenants with the financing banks:

- EBITDA/Net interest expenses
- Net debt/EBITDA

These covenants will be measured quarterly, starting as of March 31, 2007. In the prior year, other covenants existed which no longer apply since the refinancing.

The refinancing and the preceding IPO changed the Company's capital structure, which was affected by the leveraged buy out-related capital structure, to a capital structure common for listed entities, with substantially less risk, such that compliance with the covenants no longer constitutes a critical restriction for the Group.

The financing banks waived the pledging of securities. Under the previous financing, securities had been pledged as at December 31, 2005 in the form of cash and cash equivalents of € 39.3 million, trade receivables of € 155.1 million, other assets and receivables of € 14.8 million, inventories of € 187.4 million, intangible assets of € 378.8 million and property, plant and equipment of € 377.0 million.

Other Financial Liabilities

The shares in Flavours Direct Limited, United Kingdom, were acquired for T€ 9,745 (T GBP 6,693) on April 1, 2005. The acquisition was partly financed through interest-bearing bonds indicating indebtedness issued by the former shareholders of Flavours Direct Limited amounting to T€ 2,604 (T GBP 1,790). The interest-bearing bonds, indicating indebtedness, are repayable in three equal annual installments of T GBP 597 commencing on April 1, 2006 and ending on April 1, 2008. On December 31, 2006, the outstanding liability amounted to T€ 1,778 (prior year: T€ 2,604), of which T€ 892 (prior year: T€ 869) was classified as current and T€ 886 (prior year: T€ 1,735) as noncurrent. The effective interest rate is 5.0% p.a.

Furthermore, Symrise acquired all the shares of Kaden Biochemicals GmbH, Hamburg, Germany, on January 1, 2006. According to the contractually agreed payment terms, T€ 1,200 of the purchase price is not due until December 31, 2008. The effective interest rate is 4% p.a.

Vendor Note

In connection with the purchase of the Haarmann & Reimer entities from Bayer AG, Bayer AG issued a subordinated vendor note of T€ 250,000 to Symrise Holding GmbH to finance the purchase. As at December 31, 2005, the carrying amount of this note was T€ 200,751 and the nominal value T€ 277,611. The vendor note was repaid in full on December 13, 2006. Including accrued interest, the repayment amount was € 292 million. For information on the effects of repayment, we refer to the financial result (note 4.7).

6.21. Commitments and Contingencies

As at December 31, 2006, the Group had the following commitments and contingencies:

Operating Leases

Commitments relate to noncancelable operating lease agreements mainly from motor vehicles and buildings. Some of these leases have terms of renewal or escalation clauses but no purchase options. The aggregate future net lease payments are as follows:

	Minimum operating lease payments	Operating sublease payments receivable	Net operating lease payments	Net operating lease payments
T€	2006	2006	2006	2005
In the fiscal year	13,349	– 110	13,239	9,331
Due next year	5,955	– 137	5,818	6,901
Due in two years	4,591	– 131	4,460	4,594
Due in three years	3,190	0	3,190	2,357
Due in four years	2,718	0	2,718	1,446
Due in five years	2,099	0	2,099	1,098
Due in six years or thereafter	8,613	0	8,613	6,663
Total	40,515	– 378	40,137	32,390

Tax Risks

Subsequent to the acquisition of the former Dragoco and Haarmann & Reimer groups of companies as of September 30, 2002, Symrise Group conducted an integration and restructuring process as well as harmonization of Symrise Group's transfer price policy. The related potential tax implications in different tax jurisdictions may result in tax obligations for the current or prior fiscal years. Additionally, changes in the financing structure may result in tax obligations. Currently, these obligations, if any, cannot be reliably assessed.

Issuance and Endorsement of Bills

As at December 31, 2006, commitments and contingent liabilities towards third parties comprise the issuance and endorsement of trade and commercial bills of T€ 167 (2005: T€ 42).

Other Commitments

As at December 31, 2006, the Group has commitments of T€ 4,754 related to the purchase of property, plant and equipment (2005: T€ 12,412). These commitments are mainly related to production equipment. Additional commitments of T€ 22,729 (2005: T€ 19,992) relate to open purchase contracts for other assets and services.

Effective as of February 1, 2006, Symrise GmbH & Co. KG concluded a service agreement with Atos Origin GmbH concerning the outsourcing of internal information technology, with a term of ten years. The remuneration to be paid decreases steadily over the term of the agreement from € 12.0 million in 2007 to € 10.1 million in 2015. The total obligation to Atos amounts to € 110.1 million.

Contingent Assets

As at December 31, 2006 there were no contingent assets.

6.22. Share Capital

In 2006, the share capital of Symrise AG increased by T€ 78,459 from reserves and by T€ 37,800 through the issue of new shares, to T€ 118,173. The new shares relate to no-par bearer shares, each with a notional value of EUR 1.00. There were no outstanding contributions to capital.

Authorized Capital

On December 1, 2006, the extraordinary shareholder meeting authorized the Executive Board, with the consent of the Supervisory Board, to increase the Company's capital stock by up to € 40.0 million on one or more occasions by October 31, 2011, by issuing new bearer shares without par value. The participating rights of new shares may be determined in deviation from Sec. 60 AktG.

The shareholders are to be granted a subscription right. However, the Executive Board may exclude this subscription right with the consent of the Supervisory Board:

1. If capital increases are made in return for noncash contributions for the purpose of acquiring companies or shares in companies
2. If this is necessary to grant holders of the warrants and convertible bonds issued by Symrise AG or its subsidiaries a right to subscribe to new shares to the extent that they would have such a right upon exercising the option or warrant or upon meeting obligations arising from the option or warrant
3. To offset fractional amounts arising as a result of a capital increase in return for cash contributions

4. In order to issue new shares at an issue price that is not substantially less than the market price of the shares already listed on the date of finally determining the issue price, whereby as part of the restriction of this authorization to a total of ten percent of the capital stock, those shares are to be set off, for which the subscription right of the shareholder in application of Sec. 186 (3) Sentence 4 AktG is excluded upon use of the authorization to sell treasury shares and use the authorization to issue conversion options or warrants.

6.23. Capital and Other Reserves

The following table shows the change in the capital reserve in 2006:

€ million	2006
As at January 1, 2006	600.7
Proceeds from the issue of shares attributable to the capital reserve	614.3
Issuing costs, after tax	-16.7
Capital increase from reserves	-78.5
As at December 31, 2006	1,119.8

The issuing costs for the new shares arising in connection with the IPO were net, i.e. offset against the capital reserve, taking into account the tax benefit. Only those costs directly attributable to the issue of new shares are included. Consequently, the capital reserve was reduced by € 16.7 million.

In connection with the granting of shareholder loans in 2002, Symrise undertook to pay interest on the shareholder loans classified as equity in the event of an IPO. The payment of € 6.5 million was made at the end of December 2006 and taken from the appropriated retained earnings.

In 2004, the business combination in India resulted in a revaluation of assets of € 4.2 million. As the Group already held 51% of the shares in this entity, a revaluation reserve of € 2.1 million was recognized in equity. Following a change in tax rate accounted for in 2005, the revaluation reserve amounted to € 2.3 million.

7. RELATED PARTY TRANSACTIONS

Related parties which, prior to the IPO, had control over the Group are the various EQT funds as the other shareholders had agreed on a former shareholding pool in the shareholder agreement, in which EQT was granted special rights. It is presumed that the EQT funds continue to exercise considerable influence after the IPO, since as at the balance sheet date, they held 15.93% and the majority of the remaining shares are in free float.

Executive board members, former general managers, Supervisory Board members and former shareholder representatives also qualify as related parties.

Mr. Horst-Otto Gerberding granted shareholder loans to Symrise AG amounting to a nominal value of T€ 18,915 (2005: T€ 13,701), which as at December 31, 2006 had been repaid apart from a residual amount of T€ 1,305. The nominal interest rate is 2% p.a. In addition, Mr. Horst-Otto Gerberding received remuneration of T€ 804 (2005: T€ 647) related to his resignation as managing director in 2003. This includes an allocation to the pension provision of T€ 283.

As at December 31, 2006, the Executive Board and the participants in the MPP program held indirectly 1.03% (2005: 1.52%) of the subscribed capital of Symrise AG. The participations were acquired in the context of the Management Participation Program.

As at December 31, 2005, loans of T€ 375 were issued to current Executive Board members. The loans were repaid on December 31, 2006. The nominal interest rate was 5% p.a.

Mr. Göran Lundberg is the owner of Göran Lundberg Development AB. Symrise Holding GmbH, as the predecessor of Symrise AG, entered into a consultancy contract dated November 5, 2002 with this company for services related to the integration process. The agreement was terminated as of October 31, 2006. In fiscal year 2006, Göran Lundberg Development AB received a total of T€ 21 (2005: T€ 150) for consultancy services.

Several former members of the shareholder committee of Symrise Holding GmbH participate in the "Board Participation Program Subscription Agreement". On the basis of this agreement, the former shareholder committee members concluded a "Board Members' Additional Remuneration Agreement" with Symrise Holding GmbH. As at December 31, 2006, the partici-

pants of the BPP held indirectly 0.11% of Symrise AG's subscribed capital. Mr. Lundberg is a participant in this program as well as on the Supervisory Board of Symrise AG.

The total remuneration for members of the advisory board/Supervisory Board amounted to T€ 219 (2005: T€ 268).

The total remuneration of all Executive Board members and former executive management came to € 2.6 million in 2006 (2005: € 2.5 million). This remuneration breaks down by Executive Board member as follows:

EXECUTIVE BOARD REMUNERATION FOR SYMRISE AG (formerly: Symrise Holding GmbH)

2006	Salary	Remuneration in kind	Variable remuneration	Total
€				
Dr. Gerold Linzbach (Chairman)	475,000	17,228	437,500	929,728
Achim Daub	345,696	5,515	415,245	766,456
Dr. Heinz-Jürgen Bertram	253,728	6,264	247,800	507,792
Rainer Grimm	240,000	2,862	185,400	428,262

Management Participation Program (MPP)

In addition, like other participants, Executive Board members have the possibility of receiving a one-time cash payment under the MPP, depending on the share performance. Please refer to 6.17 "Management Participation Program (MPP)".

MPP OBLIGATION

€	as at Dec. 31, 2006
Dr. Gerold Linzbach (Chairman of the Executive Board)	6,679,871
Dr. Heinz-Jürgen Bertram	4,174,919
Rainer Grimm	1,461,221
Achim Daub	521,865

As at December 31, 2006, pension liabilities for current and former Executive Board members/managing directors amounted to T€ 3,583 (prior year: T€ 4,341). In 2006, a former Executive Board member waived his claims.

The following table summarizes the stock transactions reported to the Company pursuant to Sec. 15a WpHG [“Wertpapierhandelsgesetz”: German Securities Trading Act].

Name and position	Transaction type	Title of the security	Date, place	Number of shares	Price (€)	Total volume (€)	Comments
Horst-Otto Gerberding (Member of the Supervisory Board)	Sale	Symrise nopar shares	Dec. 11, 2006 off the floor	5,890,080	17.25	101,603,880.00	Sale as part of the IPO
Horst-Otto Gerberding (Member of the Supervisory Board)	Sale	Symrise nopar shares	Dec. 13, 2006 off the floor	1,906,033	17.25	32,879,069.00	Sale as part of the IPO
Rainer Grimm (Member of the Executive Board)	Purchase	Symrise nopar shares	Dec. 11, 2006 Frankfurt Stock Exchange	3,400	17.25	58,650.00	
Kathleen Grimm (Wife of Rainer Grimm, member of the Executive Board)	Purchase	Symrise nopar shares	Dec. 11, 2006 Frankfurt Stock Exchange	600	17.25	10,350.00	

8. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group’s principal financial instruments, other than derivatives, comprise bank loans, cash and short-term deposits. The main purpose of these financial instruments is to raise funds for the Group’s operations. The Group has various other financial assets and liabilities such as trade receivables and payables, which arise directly from its operations.

The Group also enters into derivative transactions, principally interest rate swaps. The purpose is to manage the interest rate risks arising from the Group’s operations and its sources of funds.

It is the Group’s policy that no trading in financial instruments shall be undertaken.

The main risks arising from the Group’s financial instruments are interest rate risk, liquidity risk, foreign currency risk and credit risk. The Group adopted the binding treasury guidelines issued on February 17, 2006. The Group also monitors the market price risk arising from all financial instruments. The Group’s accounting policies in relation to derivatives are set out in note 2.

Interest Rate Risks

The Group’s exposure to market risk for changes in interest rates relates primarily to the Group’s long-term debt obligations. The Group aims to hedge at least 65% of its variable-rate borrowings with interest rate swaps.

The Group’s policy is to manage its interest expense by swapping variable rate debts into fixed rate debts. The Group enters into interest rate swaps, in which the Group agrees to exchange, at specified intervals, the difference between fixed and variable interest amounts calculated by reference to an agreed-upon notional principal amount. These swaps are designated to hedge underlying debt obligations. As a result of these swaps, all of the Group’s bank borrowings denominated in euros and 50% of its bank borrowings denominated in US dollars were subject to a fixed interest rate as at December 31, 2006 (prior year: 66% of all bank borrowings).

Foreign Currency Risk

As a result of significant investments in the United States, Asia Pacific as well as Central and South America, the Group’s balance sheet is affected significantly by movements in the underlying exchange rates. The Group seeks to mitigate the effect of its structural currency exposure by borrowing in US dollars and, to a lesser extent, in other currencies. Investments in foreign entities are not hedged.

The Group also has transactional foreign currency exposures. Such exposure arises from sales or purchases by an operating unit in currencies other than the unit's measurement currency. Approximately 50% of the Group's sales are denominated in currencies other than the reporting currency of the operating unit making the sale, whilst approx. 50% to 55% of costs are denominated in the unit's reporting currency. The Group requires all its operating units to minimise individual currency exposures. The Group manages significant parts of its foreign exchange risks by hedging cash flows and using a worldwide inter-company pricing guideline. Furthermore, 20% of US-dollar cash flows in Germany are hedged by forward exchange contracts.

Commodity Price Risk

The Group's exposure to price risk is related to foreign exchange rates and the availability of harvested products as well as of the development of crude oil prices as far as crude oil derivatives are concerned. The Group is seeking new raw material sources in other parts of the world in order to minimise the risk.

Credit Risk

The Group trades only with recognized, creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

With respect to credit risk arising from the other financial assets of the Group, which comprise cash and cash equivalents, available-for-sale financial assets and certain derivative instruments, the Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

There are no significant concentrations of credit risk within the Group.

Liquidity Risk

The Symrise Group was mainly financed by third-party debt until it went public. The structure of equity and liabilities and the liquidity of the Group improved considerably with the IPO. Using the proceeds from the issue, debt was reduced to the extent that cash flows will no longer be overly burdened by debt service. Even if operating cash flow (not adjusted for nonsustainable elements) remain at the level of 2006, enough cash and cash equivalents remain to distribute an adequate dividend, even after deducting debt service and investments.

As a result of significant structural improvements, the loan terms or covenants agreed with the new banking syndicate are no longer critical for the Group. Management nonetheless constantly strives to improve the Group's internal financing power.

The Group aims to maintain a capital structure in which a balance is maintained between equity and debt as well as noncurrent and current capital, thus providing a certain degree of planning and security whilst ensuring that the Group is sufficiently flexible to exploit earnings potential.

The Group treasury has installed a cash pool for major euro cash flows to ensure optimal use of cash balances.

9. EVENTS AFTER THE BALANCE SHEET DATE

No significant events occurred after the balance sheet date.

10. AUDIT

The shareholder meeting of Symrise Holding GmbH appointed the Hanover office of Ernst & Young AG Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft, Stuttgart, Germany, as auditors for fiscal year 2006 on October 20, 2006.

The following table provides an overview of auditors' fees:

FEES		
T€	2005	2006
Audit services	2,001	1,649
Audit-related services	0	0
Tax advisory	997	606
Other services	648	3,860
Total	3,646	6,115

Other services mainly comprise services performed within the scope of the IPO. The global audit fees of 2006 amounted to T€ 2.617 (2005: T€ 3,067).

11. SHAREHOLDINGS IN SYMRISE AG

Symrise AG received the following notifications from company shareholders as at the balance sheet date pursuant to the provisions of the German Securities Trading Act ["Wertpapierhandelsgesetz": WpHG]:

Schroders plc, London, Schroder Administration Limited and Schroder Investment Ltd., UK, informed us in accordance with Sec. 21 (1) WpHG that its voting rights exceeded the threshold of 5% on December 12, 2006 and, since then, have amounted to 5.49%. These voting rights have been allocated to the companies in accordance with Sec. 22 (1) Sentence 1 No. 6 WpHG.

The following companies informed us in accordance with Sec. 21 (1) WpHG that they exceeded the threshold of 10% of voting rights in our company on December 13, 2006 and that they should be granted 15.93% of the voting rights pursuant to Sec. 22 (1, 2) WpHG:

- > EQT III AG, P.O. Box 572, Stampfenbachstrasse 52, 8035 Zurich, Switzerland
- > EQT III Limited, First Floor, Dorcy Court, Admiral Park, GY1 6HJ St. Peter Port, Guernsey, Channel Islands
- > EQT III UK No. 1 Limited Partnership
- > EQT III UK No. 2 Limited Partnership
- > EQT III UK No. 3 Limited Partnership
- > EQT III UK No. 4 Limited Partnership
- > EQT III UK No. 5 Limited Partnership
- > EQT III UK No. 6 Limited Partnership
- > EQT III UK No. 7 Limited Partnership
- > EQT III UK No. 8 Limited Partnership
- > EQT III UK No. 9 Limited Partnership
- > EQT III US No. 1 Limited Partnership
- > EQT III US No. 2 Limited Partnership
- > EQT III US No. 3 Limited Partnership
 - > Each with their registered office at East Wing, Trafalgar Court, Admiral Park, GY1 6HJ St. Peter Port, Guernsey, Channel Islands
- > EQT III GmbH & Co. KG, Elsenheimerstrasse 31, 80678 Munich, Germany

The following persons and entities also informed us in accordance with Sec. 21 (1) WpHG that they fell short of the threshold of 10% of voting rights in our company on December 13, 2006 and that they be granted 5.86% of the voting rights pursuant to Sec. 22 (1) Sentence 1 No. 1 WpHG:

- > Gerberding Vermögensverwaltung GmbH, Hungerborn 44, 37061 Holzminden, Germany
- > Herr Horst-Otto Gerberding, Hungerborn 44, 37061 Holzminden, Germany
- > Gerberding Vermögensverwaltungs GmbH & Co. KG, Hungerborn 44, 37061 Holzminden, Germany

JPMorgan Asset Management Holdings Inc., 270 Park Avenue, New York, USA, and JPMorgan Chase & Co. informed us in accordance with Sec. 21 (1) WpHG that its voting rights exceeded the 3% threshold on January 23, 2007 and, since then, have amounted to 3.13%. These voting rights have been allocated to JPMorgan in accordance with Sec. 22 (1) Sentence 1 No. 6 WpHG.

Threadneedle Asset Management Limited and Threadneedle Asset Management Holdings Limited, 60 St. Mary Axe, London, UK, as well as Ameriprise Financial Inc., 200 Ameriprise Financial Center, Minneapolis, USA, informed us in accordance with Sec. 21 (1) WpHG that their voting rights fell short of the 3% threshold on January 23, 2007 and, since then, have amounted to 2.40%. These voting rights have been allocated to the companies in accordance with Sec. 22 (1) Sentence 1 No. 6 WpHG.

HRD Luxembourg II A S.a.r.l., 20, Rue de la Poste, 2346 Luxembourg, and HRD Investors II LLC and HRD Investors II LP, 1209 Corporation Trust Center, Orange Street, 19801 Wilmington, Delaware, USA, informed us in accordance with Sec. 21 (1) WpHG that their voting rights fell below the 5% threshold on December 13, 2006 and that they have held 4.67% since this date. These voting rights have been allocated to the companies in accordance with Sec. 22 (1) Sentence 1 No. 1 WpHG.

AEA HRD Investors Inc., AEA Investors LQ LLC and AEA Investors LQ Inc., 1209 Corporation Trust Center, Orange Street, 19801 Wilmington, Delaware, USA, and Mr. John L. Garcia, USA, and Mr. Christopher P. Mahan, USA, informed us in accordance with Sec. 21 (1) WpHG that their voting rights exceeded the 5% threshold on December 7, 2006 and that they have held 9.53% since this date. The voting rights have been allocated in accordance with Sec. 22 (1) Sentence 1 No. 1 WpHG.

Newton Investment Management Limited, Mellon Financial Centre, 160 Queen Victoria Street, London, UK, informed us in accordance with Sec. 21 (1) WpHG that its voting rights exceeded the 5% threshold on January 25, 2007 and that it has held 5.58% since this date. The voting rights are allocated in accordance with Sec. 22 (1) Sentence 1 No. 6 WpHG.

12. PROPOSAL FOR PROFIT APPROPRIATION

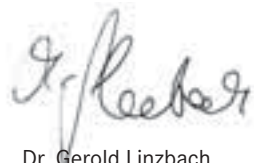
The Executive Board proposes to carry forward the result to new account.

13. EXEMPTION FROM THE OBLIGATION TO PREPARE FINANCIAL STATEMENTS PURSUANT TO SEC. 264 B HGB

Symrise GmbH & Co. KG is included in the consolidated financial statements of Symrise AG pursuant to the provisions applicable to large corporations and is exempt from preparing, auditing and publishing financial statements in accordance with Sec. 264 b HGB.

Holzminden, Germany, February 23, 2007

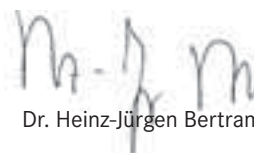
Symrise AG
The Executive Board



Dr. Gerold Linzbach



Rainer Grimm



Dr. Heinz-Jürgen Bertram



Achim Daub

Auditor's Report

We have audited the consolidated financial statements of Symrise AG, Holzminden (previously: Symrise Holding GmbH, Holzminden) – comprising the consolidated income statement, the consolidated balance sheet, the consolidated cash flow statement, the consolidated statement of changes in equity and the related notes to the consolidated financial statements – as well as the group management report for the fiscal year from January 1 to December 31, 2006. The preparation of the consolidated financial statements and group management report in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU and the supplementary provisions of Sec. 315a Par. 1 HGB [“Handelsgesetzbuch”: German Commercial Code] to be applied in accordance with German commercial law are the responsibility of the Executive Board of the Company. Our responsibility is to express an opinion on the consolidated financial statements and the group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with Sec. 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Those standards require that we plan and perform the audit such that misstatements, whether due to error or fraud, materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable principles of proper accounting and in the group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the con-

solidated financial statements and the group management report are examined primarily on a test basis as part of the audit. The audit includes assessing the financial statements of the companies included in the annual consolidated financial statements, the scope of consolidated financial statements, the accounting and consolidation principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements and group management report.

We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, on the basis of the knowledge we have gained during the audit, the consolidated financial statements comply with the IFRS as adopted by the EU and the supplementary provisions of Sec. 315a Par. 2 HGB in conjunction with Sec. 315a Par. 1 HGB to be applied in accordance with German commercial law and give a true and fair view of the net assets, financial position and results of operations of the group in accordance with the applicable principles of proper accounting. The group management report is consistent with the consolidated financial statements and as a whole provides an appropriate view of the group's position and appropriately presents the opportunities and risks of future development.“

Hanover, February 26, 2007

Ernst & Young AG
Wirtschaftsprüfungsgesellschaft
Steuerberatungsgesellschaft

Hentschel
Wirtschaftsprüfer

Mazur
Wirtschaftsprüfer

Bodies

Executive Board

Dr. Gerold Linzbach
(Chairman)

Rainer Grimm
(CFO)

- > Anthrex Inc., Naples, Florida, USA
(Non-executive member of Board of Directors)
- > Commerzbank Aktiengesellschaft Hamburg
(Member of the State Advisory Council North
(Landesbeirat Nord))

Dr. Heinz-Jürgen Bertram
(Flavor & Nutrition)

- > Research Institute for Fragrance Materials Inc.,
Woodcliff Lake, New Jersey, USA (Board of Directors)
- > Max Planck Gesellschaft, Munich (Member)
- > Weserbergland AG, Hameln
(Member of the Supervisory Board)

Achim Daub
(Scent & Care)

Supervisory Board

Göran Lundberg
(Chairman)

- Member of the Supervisory Board of EQT II B.V.,
Netherlands
Member of Investment Committee des EQT III Fonds
Member of Investment Committee des EQT IV Fonds
- > Duni AB, Sweden (Chairman of the Supervisory
Board)
 - > IDI AB, Sweden (Member of the Supervisory Board)
 - > EQT II B.V., Netherlands (Member of the Supervisory
Board)

Karl-Heinz Huchthausen
(Vice-chairman)

- Chairman of works council and general works council
of Symrise GmbH & Co. KG
- > Company health insurance fund of Bayer AG
(Member of the Board of Administration)
 - > Bayer Pensionskasse Versicherungsverein auf Gegen-
seitigkeit (Member of the Representative Assembly)
 - > Beistandskasse der Bayer AG
(Member of the Supervisory Board)
 - > Stadtmarketing GmbH der Stadt Holzminden
(Member of the Supervisory Board)

Andreas Eichelberger
(until December 9, 2006)

- Associate bei EQT Partners Beteiligungsberatung
GmbH, Munich
- > Tognum GmbH (Member of the Advisory Board)

Dr. Helmut Frieden*

Corporate Vice President Product, Safety, Health and
Environmental Compliance of Symrise GmbH & Co. KG,
Holzminden

John L. Garcia

- President and CEO of AEA Investors LLC,
New York, NY (USA)
- > AEA Investors LLC, USA (President and CEO)
 - > AEA Investors LQ Inc., USA
(Chairman of the Board of Directors)
 - > AEA Investors Partners (Cayman) IL.P., Cayman
Islands (Member of the Board of Directors)
 - > AEA Investors Partners (Cayman) L.P. Cayman
Islands, (Member of the of Directors)
 - > AEA Investors SP Inc., USA
(Chairman of the Board of Directors)
 - > AEA Management (Cayman) Ltd., Cayman Islands
(Director)
 - > AEA Mezzanine Management GP LLC, USA
(Member of the Board of Directors)
 - > CFS Holdings B.V., Niederlande
(Member of the Supervisory Board)
 - > Pregis Holding I Corporation, USA
(Chairman of the Board of Directors)
 - > Pregis Holding II Corporation, USA
(Chairman of the Board of Directors)

- > Pregis Corporation, USA
(Chairman of the Board of Directors)
- > EQT II B.V., Niederlande
(Member of the Supervisory Board)
- > EQT Danmark B.V., Niederlande
(Member of Investment Committees)

Horst-Otto Gerberding

Chairman of the Deutschen Verbands der
Riechstoffhersteller e.V.

- > Gottfried Friedrichs KG
(Member of the Advisory Board)
- > Kahl GmbH & Co. KG
(Chairman of the Advisory Board)
- > Braunschweiger Zeitungsverlag Druckhaus Albert
Limbach GmbH & Co. KG
(Member of the Supervisory Board)
- > Druck- und Verlagshaus Hüpke & Sohn Weserland-
Verlag GmbH (daily gazette Holzminden, Member
of the Advisory Board)
- > InfoTech AG (Chairman of the Supervisory Board)

Dr. Peter Grafoner

(since December 10, 2006)

Managing partner of TopManagerTeam GmbH,
Bad Homburg v. d. H.

- > Beumer Maschinenfabrik GmbH & Co. KG
(Member of the Advisory Board)
- > Drissler Papiergroßhandel GmbH & Co. KG
(Member of the Advisory Board)
- > MASA Aktiengesellschaft
(Member of the Supervisory Board)
- > SCANIA Deutschland GmbH
(Chairman of the Advisory Board)
- > SCANIA Österreich GmbH, Österreich
(Chairman of the Advisory Board)
- > VTI Technologies Oy, Finnland
(Chairman of the Board of Directors)

Francesco Grioli*

Head of the youth training department of IGBCE
Hannover

- > Fejo GmbH (Director and member of the Board of
Administration)
- > RAG Bildung GmbH (Member of the Advisory Board)

Dr. Sumeet Gulati

(until December 9, 2006)

Director at EQT Partners Beteiligungsberatung GmbH,
Munich

Dr. Hans-Heinrich Gürtler

(since December 10, 2006)

- > Deutsche Bank Aktiengesellschaft
(Member of the Advisory Board)

Regina Hufnagel*

Vice-Chairman of the works council and general works
council of the Symrise GmbH & Co. KG

Bjørn Høi Jensen

Senior partner of EQT Partners A/S, Denmark,
and equity head of EQT Partners

- > Sanitec Oy, Finland
(Member of the Supervisory Board)
- > Gylendahl Bogklubber A/S, Denmark
(Member of the Supervisory Board)
- > Erhvervsinvest Management A/S, Denmark
(Member of the Board of Directors)

Helmut Tacke*

Member of the works council of Symrise GmbH & Co. KG

Peter Winkelmann*

Head of the region Alfeld der IGBCE

- Judge at the district labor court Niedersachsen
- > Phoenix AG (Member of the Supervisory Board)

* Employees representatives

Financial calendar

February 6, 2007

Preliminary Results 2006

March 29, 2007

Annual Press Conference Financial Year 2006,
Analyst Conference

April 4, 2007

Road Show, Frankfurt

April 11 and 12, 2007

Road Show, London

May 15, 2007

Interim Report 1st Quarter 2007

May 15, 2007

Annual General Meeting, Frankfurt

August 09, 2007

Interim Report 2nd Quarter 2007

November 12, 2007

Interim Report 3rd Quarter 2007

Imprint

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