ALTANA

Consolidated Financial Statements 2018

# Consolidated Financial Statements

# Management Board Responsibility Statement

The consolidated financial statements of the annual report have been prepared by the Management Board of ALTANA AG, which is responsible for the completeness and accuracy of the information contained therein.

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS), as endorsed by the EU and in accordance with the requirements of German commercial law pursuant to section 315e of the German Commercial Code (HGB).

The information contained in the consolidated financial statements and the Group Management Report is based on the information reported, in accordance with consistent guidelines in force throughout the Group by the companies included in the consolidated financial statements. The integrity of the reporting process is safeguarded by effective internal control systems established at these companies under the direction of the Management Board. This assures a true and fair view of the performance and results of the Group and enables the Management Board to recognize potential investment risks and negative developments at an early stage and take appropriate countermeasures.

By resolution of the Annual General Meeting, the Chairman of the Audit Committee of the Supervisory Board appointed PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft as independent auditors of the consolidated financial statements. The auditors issued an unqualified auditors' report on the complete consolidated financial statements and the Group management report. The consolidated financial statements, the Group Management Report and the auditors' report have been made available to the Supervisory Board for detailed discussion. The report of the Supervisory Board is contained on pages 16 - 19 of the Corporate Report 2018.

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

Wesel, Germany, February 26, 2019

ALTANA AG
The Management Board

Martin Babilas Stefan Genten Dr. Christoph Schlünken

# Independent Auditors' Report

To ALTANA Aktiengesellschaft, Wesel

**Audit Opinions**

We have audited the consolidated financial statements of ALTANA Aktiengesellschaft, Wesel, and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at December 31, 2018, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in shareholders' equity and consolidated statement of cash flows for the financial year from January 1 to December 31, 2018 and notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the group management report of ALTANA Aktiengesellschaft for the financial year from January 1 to December 31, 2018. In accordance with the German legal requirements, we have not audited the content of those parts of the group management report listed in the "Other Information" section of our auditor's report.

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

– the accompanying consolidated financial statements comply, in all material respects, with the IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to § [Article] 315e Abs. [paragraph] 1 HGB [Handelsgesetzbuch: German Commercial Code] and, in compliance with these requirements, give a true and fair view of the assets, liabilities, and financial position of the Group as at December 31, 2018, and of its financial performance for the financial year from January 1 to December 31, 2018, and
– the accompanying group management report as a whole provides an appropriate view of the Group's position. In all material respects, this group management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our audit opinion on the group management report does not cover the content of those parts of the group management report listed in the "Other Information" section of our auditor's report.

Pursuant to § 322 Abs. 3 Satz [sentence] 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and of the group management report.

**Basis for the Audit Opinions**

We conducted our audit of the consolidated financial statements and of the group management report in accordance with § 317 HGB in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Group Management Report" section of our auditor's report. We are independent of the group entities in accordance with the requirements of German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions on the consolidated financial statements and on the group management report.

**Other Information**

The executive directors are responsible for the other information. The other information comprises the following non-audited parts of the group management report:

– the declaration of corporate governance pursuant to § 289f Abs. 4 HGB included in section "Innovation and Employees" of the group management report
– the corporate governance report.

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

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

– is materially inconsistent with the consolidated financial statements, with the group management report or our knowledge obtained in the audit, or
– otherwise appears to be materially misstated.

**Responsibilities of the Executive Directors and the Supervisory Board for the Consolidated Financial Statements and the Group Management Report**

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

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

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

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

**Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Group Management Report**

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

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

We exercise professional judgment and maintain professional skepticism throughout the audit. We also:
– identify and assess the risks of material misstatement of the consolidated financial statements and of the group management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
– obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the group management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an audit opinion on the effectiveness of these systems.
– evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.
– conclude on the appropriateness of the executive directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the group management report or, if such disclosures are inadequate, to modify our respective audit opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.
– evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to § 315e Abs. 1 HGB.
– obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express audit opinions on the consolidated financial statements and on the group management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinions.
– evaluate the consistency of the group management report with the consolidated financial statements, its conformity with German law, and the view of the Group's position it provides.
– perform audit procedures on the prospective information presented by the executive directors in the group management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate audit opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

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

Cologne, Germany, February 28, 2019

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

| | |
|---|---|
| Jörg Sechser | ppa. Carsten Manthei |
| German Public Auditor | German Public Auditor |

# ALTANA Group Consolidated Income Statement

| | Notes | 2017 | 2018 |
|---|---|---|---|
| in € thousand | | | |
| **Net sales** | 4 | **2,246,956** | **2,307,399** |
| | | | |
| Cost of sales | 5 | (1,371,573) | (1,463,627) |
| **Gross profit** | | **875,383** | **843,772** |
| | | | |
| Selling and distribution expenses | 6 | (288,653) | (291,228) |
| Research and development expenses | | (142,484) | (154,127) |
| General administration expenses | | (118,466) | (108,571) |
| Other operating income | 7 | 23,498 | 16,737 |
| Other operating expenses | 8 | (13,359) | (10,825) |
| **Operating income (EBIT)** | | **335,919** | **295,758** |
| | | | |
| Financial income | 9 | 7,092 | 4,898 |
| Financial expenses | 10 | (15,684) | (12,110) |
| **Financial result** | | **(8,592)** | **(7,212)** |
| | | | |
| Income from at equity accounted investments | | (21,301) | (24,460) |
| **Income before income taxes (EBT)** | | **306,026** | **264,086** |
| | | | |
| Income taxes | 11 | (71,382) | (77,097) |
| **Net income (EAT)** | | **234,644** | **186,989** |
| | | | |
| thereof attributable to non-controlling interests | | 1,829 | 1,975 |
| thereof attributable to the shareholder of ALTANA AG | | 232,815 | 185,014 |

# ALTANA Group Consolidated Statement of Comprehensive Income

| | 2017 | 2018 |
|---|---|---|
| in € thousand | | |
| **Net income (EAT)** | **234,644** | **186,989** |
| | | |
| Remeasurement of the net defined employee benefit obligation | 11,237 | 5,311 |
| Income taxes | (4,449) | (1,502) |
| **Items that will not be reclassified subsequently to profit or loss** | **6,788** | **3,809** |
| Translation adjustments | (113,863) | 23,913 |
| thereof attributable to non-controlling interests | (659) | (370) |
| Gains and losses from financial assets available-for-sale | (17) | |
| Gains and losses from derivative financial instruments | 61 | (2,425) |
| Change in fair value of financial assets available-for-sale | 24 | |
| Change in fair value of derivative financial instruments | 6,460 | (4,360) |
| Income taxes | (1,956) | 2,060 |
| **Items that may be reclassified subsequently to profit or loss** | **(109,291)** | **19,188** |
| **Other comprehensive income** | **(102,503)** | **22,997** |
| | | |
| **Comprehensive income** | **132,141** | **209,986** |
| thereof attributable to non-controlling interests | 1,181 | 1,602 |
| thereof attributable to the shareholder of ALTANA AG | 130,960 | 208,384 |

# ALTANA Group Consolidated Statement of Financial Position

| **Assets** | Notes | Dec. 31, 2017 | **Dec. 31, 2018** |
|---|---|---|---|
| in € thousand | | | |
| Intangible assets | 13 | 1,056,943 | 1,044,217 |
| Property, plant and equipment | 14 | 774,405 | 868,162 |
| Long-term investments | 15 | 63,227 | 22,323 |
| Investments in at equity accounted companies | 16 | 96,705 | 117,869 |
| Income tax refunds | | 169 | |
| Deferred tax assets | 11 | 18,645 | 20,496 |
| Other non-current assets | 21 | 11,479 | 10,667 |
| **Total non-current assets** | | **2,021,573** | **2,083,734** |
| | | | |
| Inventories | 17 | 330,170 | 373,027 |
| Trade accounts receivable | 18 | 371,911 | 384,180 |
| Income tax refunds | | 8,671 | 12,832 |
| Other current assets | 21 | 118,113 | 103,836 |
| Marketable securities | 19 | 18,730 | 21,907 |
| Short-term financial assets | 20 | 2,074 | 2,690 |
| Cash and cash equivalents | | 275,671 | 239,652 |
| Assets held for sale | | 797 | |
| **Total current assets** | | **1,126,137** | **1,138,124** |
| | | | |
| **Total assets** | | **3,147,710** | **3,221,858** |

| Liabilities, provisions and shareholders' equity | Notes | Dec. 31, 2017 | Dec. 31, 2018 |
|---|---|---|---|
| in € thousand | | | |
| Share capital[1] | | 136,098 | 136,098 |
| Additional paid-in capital | | 151,276 | 151,276 |
| Retained earnings | | 1,864,798 | 1,974,331 |
| Accumulated other comprehensive income | | 51,963 | 71,359 |
| **Equity attributable to the shareholder of ALTANA AG** | | **2,204,135** | **2,333,064** |
| Non-controlling interests | | 10,065 | 11,553 |
| **Shareholders' equity** | 22 | **2,214,200** | **2,344,617** |
| | | | |
| Non-current debt | 24 | 134,973 | 62,959 |
| Employee benefit obligations | 25 | 224,230 | 220,429 |
| Other non-current provisions | 26 | 18,366 | 20,331 |
| Deferred tax liabilities | 11 | 84,252 | 85,462 |
| Other non-current liabilities | 27 | 24,787 | 27,862 |
| **Total non-current liabilities** | | **486,608** | **417,043** |
| | | | |
| Current debt | 24 | 69,269 | 82,641 |
| Trade accounts payable | | 192,016 | 195,351 |
| Current accrued income taxes | | 33,915 | 41,212 |
| Other current provisions | 26 | 104,237 | 87,479 |
| Other current liabilities | 27 | 47,465 | 53,515 |
| **Total current liabilities** | | **446,902** | **460,198** |
| | | | |
| **Total liabilities, provisions and shareholders' equity** | | **3,147,710** | **3,221,858** |

[1] Share capital consists of 136,097,896 no-par value shares.

# ALTANA Group Consolidated Statement of Changes in Shareholders' Equity

| | Share capital issued | | | Retained earnings | |
|---|---|---|---|---|---|
| | Number of shares | Share capital | Additional paid-in capital | Retained earnings | Remeasurement of the net defined employee benefit obligation |
| in € thousand | | | | | |
| **Balance at Jan. 1, 2017** | **136,097,896** | **136,098** | **151,276** | **1,736,631** | **(111,426)** |
| Other comprehensive income | | | | | 6,779 |
| Net income (EAT) | | | | 232,815 | |
| **Comprehensive income** | | | | **232,815** | **6,779** |
| Dividends paid | | | | | |
| Change in reporting entities | | | | (1) | |
| **Balance at Dec. 31, 2017** | **136,097,896** | **136,098** | **151,276** | **1,969,445** | **(104,647)** |
| Change in accounting policies | | | | 709 | |
| **Adjusted balance at Jan. 1, 2018** | **136,097,896** | **136,098** | **151,276** | **1,970,154** | **(104,647)** |
| Other comprehensive income | | | | | 3,812 |
| Net income (EAT) | | | | 185,014 | |
| **Comprehensive income** | | | | **185,014** | **3,812** |
| Dividends paid | | | | (80,000) | |
| Change in reporting entities | | | | (2) | |
| **Balance at Dec. 31, 2018** | **136,097,896** | **136,098** | **151,276** | **2,075,166** | **(100,835)** |

| | Accumulated other comprehensive income | | | | Non-controlling interests | | |
|---|---|---|---|---|---|---|---|
| | Financial assets available-for-sale | Derivative financial instruments | Translation adjustments | Equity attributable to the shareholder of ALTANA AG | Shareholders' equity | Translation adjustments | Shareholders' equity |
| | | | | | | | |
| | **157** | **(1,437)** | **161,877** | **2,073,176** | **10,928** | **(1,923)** | **2,082,181** |
| | 5 | 4,565 | (113,204) | (101,855) | 9 | (657) | (102,503) |
| | | | | 232,815 | 1,829 | | 234,644 |
| | **5** | **4,565** | **(113,204)** | **130,960** | **1,838** | **(657)** | **132,141** |
| | | | | 0 | (121) | | (121) |
| | | | | (1) | | | (1) |
| | **162** | **3,128** | **48,673** | **2,204,135** | **12,645** | **(2,580)** | **2,214,200** |
| | (162) | | | 547 | (3) | | 544 |
| | **0** | **3,128** | **48,673** | **2,204,682** | **12,642** | **(2,580)** | **2,214,744** |
| | | (4,725) | 24,283 | 23,370 | (3) | (370) | 22,997 |
| | | | | 185,014 | 1,975 | | 186,989 |
| | **0** | **(4,725)** | **24,283** | **208,384** | **1,972** | **(370)** | **209,986** |
| | | | | (80,000) | (111) | | (80,111) |
| | | | | (2) | | | (2) |
| | **0** | **(1,597)** | **72,956** | **2,333,064** | **14,503** | **(2,950)** | **2,344,617** |

# ALTANA Group Consolidated Statement of Cash Flows

| | Notes | 2017 | 2018 |
|---|---|---|---|
| in € thousand | | | |
| **Net income (EAT)** | | **234,644** | **186,989** |
| Depreciation and amortization of intangible assets and property, plant and equipment | 13, 14 | 133,637 | 134,842 |
| Impairment of intangible assets, property, plant and equipment and assets held for sale | 13, 14 | 451 | |
| Change in fair value of financial assets and securities | 10 | | (27) |
| Net result from the disposal of intangible assets and property, plant and equipment | 7, 8 | 316 | (1,414) |
| Net result from the disposal of long-term investments and marketable securities | 9 | (17) | (55) |
| | | | |
| Change in inventories | 17 | (40,673) | (40,369) |
| Change in trade accounts receivable | 18 | (32,521) | (11,379) |
| Change in income taxes | 11 | (29,746) | 1,723 |
| Change in provisions | 25, 26 | (528) | (14,411) |
| Change in trade accounts payable | | 24,702 | 2,367 |
| Change in other assets and other liabilities | 21, 27 | (8,951) | 11,804 |
| Other | | 20,951 | 26,165 |
| **Cash flow from operating activities** | | **302,265** | **296,235** |
| | | | |
| Capital expenditure on intangible assets and property, plant and equipment | 13, 14 | (187,964) | (186,988) |
| Proceeds from the disposal of intangible assets and property, plant and equipment | 13, 14 | 1,085 | 5,843 |
| Acquisitions, net of cash acquired | 3 | (140,695) | (3,126) |
| Purchase of long-term investment and investments in at equity companies | 15, 16 | (30,454) | (54,901) |
| Proceeds from the disposal of long-term investments | 15 | 43 | 54 |
| Payments on long-term loans | | (54,000) | (23,010) |
| Proceeds from long-term loans | | 98 | 71,014 |
| Purchase of marketable securities | 19 | (32,456) | (31,339) |
| Proceeds from the disposal of marketable securities | 9, 10 | 28,575 | 27,462 |
| Change in short-term financial assets | | 90,652 | (700) |
| **Cash flow from investing activities** | | **(325,116)** | **(195,691)** |

| | Notes | 2017 | 2018 |
|---|---|---|---|
| in € thousand | | | |
| Dividends paid | | (121) | (80,111) |
| Proceeds from issuance of long-term debt | 24 | | 8,383 |
| Repayment of long-term debt | 24 | (1,892) | (67) |
| Net increase / decrease in short-term debt | 24 | (65,422) | (64,144) |
| **Cash flow from financing activities** | | **(67,435)** | **(135,939)** |
| | | | |
| Effect of exchange rate changes | | (9,649) | (624) |
| | | | |
| **Change in cash and cash equivalents** | | **(99,935)** | **(36,019)** |
| | | | |
| Cash and cash equivalents as of January 1 | 2 | 375,606 | 275,671 |
| **Cash and cash equivalents as of December 31** | 2 | **275,671** | **239,652** |
| | | | |
| **Additional information on cash flows included in the cash flows from operating activities** | | | |
| Income taxes paid | | (114,219) | (80,603) |
| Interest paid | | (8,260) | (3,916) |
| Income taxes received | | 4,500 | 5,966 |
| Interest received | | 4,754 | 2,226 |
| Dividends received | | 1,061 | 962 |

# Notes to Consolidated Financial Statements

## 1. Basis of Presentation

The consolidated financial statements of ALTANA AG and its subsidiaries (the "Company" or "ALTANA") as of December 31, 2018 are prepared in accordance with International Financial Reporting Standards (IFRS), issued by the International Accounting Standards Board (IASB) as endorsed by the EU, and in accordance with section 315e of the German Commercial Code (HGB). The consolidated financial statements were authorized for issue by the Management Board on February 26, 2019 and should be approved by the Supervisory Board in the Supervisory Board meeting on March 12, 2019.

ALTANA as a world-wide specialty chemicals group focuses its core activities on demanding markets and customers who require individual solutions to problems. A significant portion of ALTANA's product and service portfolio comprises materials for the production of coatings, printing inks and plastics. In addition, printing inks and coatings for special applications, insulating resins for the electrical and electronics industries, sealing compounds for packaging as well as measuring and testing instruments are also produced.

ALTANA AG is incorporated as a stock corporation (“Aktiengesellschaft”) under the laws of the Federal Republic of Germany. The Company is registered in the Commercial Register of the district court in Duisburg under HRB 19496 and has its headquarters at Abelstrasse 43 in 46483 Wesel, Germany.

All amounts are reported in thousands of Euro if not stated otherwise. Due to rounding minor differences between single amounts and totals or percentages may occur.

## 2. Significant Accounting Policies

**Consolidation**

The consolidated financial statements of the Company include 21 (prior year: 22) subsidiaries in Germany and 42 (prior year: 45) subsidiaries abroad, over which ALTANA either directly or indirectly exercises control. All consolidated subsidiaries have the same reporting date.

In 2018, in the BYK division three German subsidiaries as well as two foreign subsidiaries were merged and one new subsidiary in India was founded. The ELANTAS division deconsolidated one subsidiary. In the ACTEGA division two subsidiaries in Brazil were merged. In the ECKART division one European subsidiary was liquidated. Furthermore, in the Holding division one existing previously non-operating subsidiary in Germany was initially consolidated.

ALTANA holds 75 % of the listed company ELANTAS Beck India Ltd. (Beck India), Pune (IND). The remaining shares are free float. ALTANA holds 100 % interest in all other consolidated subsidiaries.

The following three investments are accounted for by applying the equity method of accounting (see note 16): 39 % interest in Aldoro Indústria de Pós e Pigmentos Metálicos Ltda. (Aldoro), São Paulo (BRA), 33 % interest in Landa Corp. (Landa), Rehovot (ISR), and 44 % interest in dp polar GmbH (dp polar), Eggenstein-Leopoldshafen.

All intercompany balances and transactions are eliminated in consolidation. The financial statements of the consolidated subsidiaries are prepared in accordance with the Company’s accounting policies.

The list of all consolidated companies and ALTANA’s full ownership in accordance with section 313 (2) of the German Commercial Code (HGB) is part of the audited consolidated financial statements published in the electronic Federal Gazette (Bundesanzeiger). This list is also available on the internet at www.altana.com.

**New Accounting Pronouncements Endorsed by the EU**

Only the Standards and Interpretations that have an effect on ALTANA's consolidated financial statements are described below:

In May 2014, the IASB issued IFRS 15, "Revenue from Contracts with Customers" which was endorsed by the EU in 2016. The clarification to IFRS 15 issued by the IASB in 2016 was endorsed by the EU on November 9, 2017. The Standard is effective for annual periods beginning on or after January 1, 2018. IFRS 15 applies a five-step model to determine when to recognize revenue, and at what amount. The Standard also contains qualitative and quantitative disclosure requirements. For initial application of IFRS 15 ALTANA applies the modified retrospective method, which allows recognition of the cumulative transition effect as of January 1, 2018 in retained earnings as an adjustment to the opening balance. Comparative periods presented are not adjusted and are reported in accordance with the provisions of IAS 18 "Revenues" applicable for these periods. An analysis of all relevant divisions resulted in insignificant effects on ALTANA's consolidated statement of financial position, consolidated income statement and consolidated statement of cash flows. Revenues are recognized at the point in time when the customer gains control over the goods or services. The adjustment resulting from the initial application of IFRS 15 as of January 1, 2018 relates to future probable sales reductions recognized as additional refund liabilities in the amount of €0.9 million. Retained earnings were adjusted by the corresponding amount, net of related deferred taxes.

In July 2014, the IASB issued IFRS 9, "Financial Instruments," which was endorsed by the EU in 2016 and is effective for annual periods beginning on or after January 1, 2018. IFRS 9 contains guidelines regarding the classification and measurement of financial assets, financial liabilities, impairment of financial assets and the accounting of hedging relationships. The initial adoption of the new standard had an effect on the classification and measurement of financial assets but had no effect on the classification and measurement of the Company's financial liabilities. Equity instruments, which were measured at acquisition cost under IAS 39, "Financial Instruments: recognition and measurements," shall now be measured at fair value (either through profit or loss or other comprehensive income). For equity instruments currently held by the Company the fair value option through other compressive income is not applied. Available for sale financial instruments which were measured at fair value or acquisition cost are now measured at fair value through profit or loss. Furthermore, the regulations of IFRS 9 require the recognition of expected credit losses for trade accounts receivable and other financial assets measured at amortized cost. Based on the good credit-worthiness of the Company's customers a low probability of default as of the reporting date exists. All existing hedging relationships also qualify for hedge accounting under IFRS 9. The option to recognize the hedging cost related to a hedging relationship initially in other comprehensive income is applied. ALTANA elected to apply IFRS 9 for hedge accounting from January 1, 2018 prospectively.

In January 2016, the IASB issued IFRS 16, "Leases," effective for annual periods beginning on or after January 1, 2019. The standard was endorsed by the EU on November 6, 2017. ALTANA will adopt the standard beginning January 1, 2019 and did not opt for early adoption. IFRS 16 mainly relates to the lease accounting by the lessee. Generally, all lease transactions will be accounted for in accordance with the so-called "right of use approach." For lessors, the classifications of leases in operating and financial lease in accordance with IAS 17, "Leases," remains unchanged under IFRS 16. Furthermore, ALTANA will use the option under IFRS 16 in respect of low value assets, so-called "small-ticket leases", and short-term lease contracts and therefore, will not recognize these in its financial statements. ALTANA will apply the modified retrospective approach provided for in the transition guidance.

In 2018, ALTANA used a software-based tool to collect, analyze and evaluate the existing leases. Upon initial adoption of the standard, ALTANA will record an increase in lease obligations of €41.3 million and a corresponding increase in property, plant and equipment as a result of the recognition of the rights of use. In the consolidated income statement corresponding depreciation as well as interest expense will be recognized instead of lease expense. Based on existing lease contracts, this will lead to an increase in EBITDA by €10.5 million but will have an insignificant effect on net income.

### Foreign Currency

The consolidated financial statements of ALTANA are expressed in Euro.

Financial statements of subsidiaries where the functional currency is a currency other than the Euro are translated using the functional currency principle. For these entities, assets and liabilities are translated using the middle rate at year end, while revenues and expenses are translated using the average exchange rates prevailing during the year. Equity is translated at historical exchange rates. Adjustments for cumulative foreign currency translation fluctuations are excluded from profit or loss and are reported in other comprehensive income.

Transactions realized in foreign currencies are translated to the local currency using the exchange rate prevailing at the transaction dates. Transaction gains and losses that arise from exchange-rate fluctuations on transactions denominated in a currency other than the functional currency are generally included in other operating income or other operating expenses and, if they relate to the translation of financial assets or liabilities, in financial income or expenses.

The following table provides the exchange rates for ALTANA's most important currencies to the Euro:

| | | Spot rate | | Average rate for the years ended Dec. 31 | |
|---|---|---|---|---|---|
| | | Dec. 31, 2017 | **Dec. 31, 2018** | 2017 | **2018** |
| 1 Euro | | | | | |
| Brazil | BRL | 3.97 | 4.44 | 3.61 | 4.31 |
| China | CNY | 7.80 | 7.88 | 7.63 | 7.81 |
| India | INR | 76.61 | 79.73 | 73.53 | 80.73 |
| Japan | JPY | 135.01 | 125.85 | 126.71 | 130.40 |
| Switzerland | CHF | 1.17 | 1.13 | 1.11 | 1.15 |
| U.S. | USD | 1.20 | 1.15 | 1.13 | 1.18 |

### Basis for Presentation of the Consolidated Financial Statements

The consolidated financial statements are generally prepared by applying the historical cost convention. Excluded from this principle are certain financial assets and liabilities (including derivative instruments), assets held for sale and defined benefit pension plans.

### Revenue Recognition

Revenues include all revenues realized in the ordinary course of business of ALTANA (see note 1). Since revenue is almost exclusively generated from product sales, for which the performance obligations are not fulfilled over time but at a specific point in time, revenue is also recognized at the point in time when control is transferred to the customer. Usually control is transferred as soon as the products have been delivered to the agreed location and the risk of, among others things, obsolescence and loss have passed to the customer and the customer has either accepted the products in accordance with the purchase agreement or ALTANA has obtained objective evidence that all acceptance criteria have been met. Revenue from these sales is recognized in the amount stated in the contract less estimated discounts in the form of customer bonuses and cash discounts. A corresponding refund liability is reported in other provisions (see note 26) and other liabilities (see note 27). Management's best estimate (expected value method) which is based on sales and agreed contractual conditions is used to determine the amount of the refund liability. Once payment has been received, revenue is adjusted for the actual payment. The payment of the transaction price is due in the short term. Transaction prices attributable to unfulfilled or partially unfulfilled performance obligations at the end of a financial year relate to contracts with a maximum term of one year and are therefore not disclosed in accordance with IFRS 15.

All notes related to 2017 were disclosed in accordance with IAS 18, while disclosures relating to 2018 are in accordance with IFRS 15.

### Research and Development Expenses

In accordance with IAS 38, "Intangible Assets," research costs, defined as costs of original and planned research performed to gain new scientific or technical knowledge and understanding, are expensed as incurred. Development costs are defined as costs incurred to achieve technical and commercial feasibility. When the recognition criteria of IAS 38 are fulfilled, the directly attributable development costs are recognized as intangible assets. In the majority of the cases, the recognition criteria are not completely fulfilled due to the uncertainties regarding the commercialization of products inherent to the development of ALTANA's products.

### Personnel and Interest Expenses

The net interest expense from employee benefit obligations is reported under interest expense and not under personnel expense or functional cost.

### Income Taxes

Income taxes include current and deferred income taxes. Current income taxes relate to all taxes levied on taxable income of the consolidated companies. Other taxes such as property taxes or excise taxes (power supply, energy) are classified as functional costs.

Under IAS 12, "Income Taxes," deferred tax assets and liabilities are recognized in the consolidated financial statements for all temporary differences between the carrying amounts of assets and liabilities and their tax bases, for tax credits and operating loss carry-forwards.

For purposes of calculating deferred tax assets and liabilities, the Company applies the tax rates that have been enacted or substantively enacted at the reporting date. The effect of a change in tax rates on deferred tax assets and liabilities is recognized in the period the legislation is substantively adopted. Deferred tax assets are recognized only to the extent that it is probable that future taxable income will be available against which the tax credits and tax loss carry-forwards can be used.

### Fair Value

IFRS 13, "Fair Value Measurement," applies to IFRS that require or permit fair value measurement or disclosure and provides a single IFRS framework for measuring fair value and requires disclosures about fair value measurement. The fair value is the price that would be received to sell an asset or paid to transfer a liability. The three-level fair value hierarchy in accordance with IFRS 13 is applied. Fair value hierarchy level 1 is assigned to financial assets or liabilities for which quoted market prices for identical assets or liabilities in active markets exist. The allocation to fair value hierarchy level 2 is applied when valuation models are used or prices are derived from similar transactions. Financial assets and liabilities are measured at fair value hierarchy level 3 if unobservable input factors are applied to determine fair value. When measuring assets and liabilities the effect of non-performance risk is also reflected in the fair value.

### Intangible Assets

Intangible assets, including software, are accounted for in accordance with IAS 38, and are recognized if (a) the intangible asset is identifiable (i.e., it is separable or arises from contractual or other legal rights), (b) it is probable that the expected future economic benefits (e.g., cash or other benefits such as cost savings) that are attributable to the asset will flow to the entity, and (c) the cost of the intangible asset can be measured reliably.

Intangible assets with definite useful lives are measured at cost less accumulated amortization. Borrowing costs that are directly attributable to qualifying assets are capitalized.

Intangible assets are amortized straight-line over the shorter of their contractual term or their estimated useful lives.

The following useful lives are applied:

| | Years |
|---|---|
| Patents, licenses and similar rights | 3 to 25 |
| Other intangible assets | 1 to 25 |

Amortization expense relates to intangible assets with definite useful lives and is recorded based on its function in cost of sales, selling and distribution expenses, research and development expenses or general administration expenses.

Intangible assets with indefinite useful lives as well as goodwill are not amortized but tested for impairment regularly. Impairment losses on these assets are recorded in other operating expenses (see "Impairments of Intangible Assets and Property, Plant and Equipment").

### Property, Plant and Equipment

Property, plant and equipment are measured at acquisition or manufacturing cost less accumulated depreciation. Cost includes certain costs that are capitalized during construction, including material, payroll and direct overhead costs. Borrowing costs that are directly attributable to qualifying assets are capitalized. Government grants are deducted from the acquisition or manufacturing costs.

Property, plant and equipment are depreciated on a straight-line basis over the estimated useful lives of the assets:

| | Years |
|---|---|
| Buildings and leasehold | 2 to 75 |
| Plant and machinery | 2 to 30 |
| Equipment | 2 to 30 |

Maintenance and repairs are expensed as incurred while replacements and improvements are capitalized, if the item qualifies for recognition as an asset, as well as asset retirement obligations. Gains or losses resulting from the sale or retirement of assets are recognized in other operating income or expenses.

Depreciation expense of property, plant and equipment is recorded based on its function in cost of sales, selling and distribution expenses, research and development expenses or general administration expenses.

Investment property comprises land and buildings not used in the production or for administrative purposes and is measured at amortized cost.

**Impairment of Intangible Assets and Property, Plant and Equipment**

Irrespective of whether there is any indication of impairment, the Company tests goodwill acquired in a business combination and intangible assets with an indefinite useful life for impairment at least annually. For the purpose of testing goodwill for impairment, such goodwill is allocated to cash-generating units that are expected to benefit from the synergies of the business combination. In accordance with IAS 36, "Impairment of Assets," an impairment loss is recognized when the carrying amount of the cash-generating unit, to which goodwill was allocated, exceeds the higher of its fair value less costs of disposal or its value in use.

In the event that facts and circumstances indicate that the Company’s property, plant and equipment or intangible assets including goodwill, may be impaired, an impairment test is performed. This is the case regardless of whether they are to be held and used or to be disposed of. An impairment loss is recognized when an asset’s carrying amount exceeds the higher of its fair value less costs of disposal and its value in use. Value in use is based on the discounted cash flows expected to arise from the continued use of the asset or from its eventual disposal.

Any impairment loss resulting from this test is reported in other operating expenses.

If there is any indication that the considerations which led to an impairment of property, plant and equipment or intangible assets no longer exist, the Company considers the need to reverse all or a portion of the impairment loss except for goodwill.

**Government Grants**

Taxable and non-taxable government grants for the acquisition of certain non-current assets are recognized as a reduction of the cost basis of the acquired or constructed assets. Non-refundable reimbursement of cost is recorded as other operating income or as a deduction from the related expenses if all the conditions stipulated are met.

### Long-term Investments and Marketable Securities

In accordance with IFRS 9 the Company classifies all marketable securities and certain long-term investments (see note 15) as fair value through profit or loss (FVtPl). At the reporting date these financial instruments are carried at fair value.

Long-term investments and marketable securities are recognized on the settlement date. The Company derecognizes these assets when the contractual right to the cash flows expires or the assets are transferred and the Company retains no contractual rights to receive cash and assumes no obligations to pay cash from the assets.

### Investments accounted for at Equity

Associated companies are companies over which ALTANA can exercise significant influence, which is generally the case when it holds between 20 % and 50 % of the voting power of the investee.

Joint ventures are joint arrangements of which two or more parties have joint control, meaning that decisions about the relevant activities require unanimous consent of the parties sharing control. Neither party has sole control, directly or indirectly.

Investments in associated companies and joint ventures are accounted for by applying the equity method in accordance with IAS 28, "Investments in Associates and Joint Ventures." The respective investment is initially recognized at cost and the carrying amount is increased or decreased to recognize ALTANA’s share of changes in the investee’s equity after the acquisition. ALTANA’s share of profit or loss of the investee is recognized in the profit or loss while changes in the investee’s other comprehensive income are recognized in the other comprehensive income. An impairment test is performed for investments in associated companies and joint ventures if there is an indication of impairment. Goodwill included in such investments is not tested for impairment separately. Instead, the entire carrying amount of the investment is tested for impairment. Therefore, impairment losses recognized are not allocated to goodwill but included in the investment and may be reversed completely in subsequent reporting periods.

### Inventories

Inventories are measured at the lower of acquisition or manufacturing costs or net realizable value at the reporting date. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and the estimated selling expense. Acquisition and manufacturing costs are determined on the basis of weighted average costs. Manufacturing costs comprise material, payroll and directly attributable overhead costs, including depreciation and amortization.

### Trade Accounts Receivable

Trade accounts receivable are initially recognized at their fair values. Subsequently, accounts receivable are measured at amortized cost.

In 2017, provisions for doubtful accounts were calculated based on the incurred loss model of IAS 39 as follows: non-collectable receivables were written off directly by adjusting their carrying amounts. Trade accounts receivable subject to individual as well as general loss allowance were examined individually and collectively whether any loss has occurred and, if necessary, a loss allowance was recognized. The main indicators for incurred losses, are the debtor's financial difficulties, the probability of insolvency and overdue payments.

In 2018, ALTANA applies the simplified approach (expected credit loss) pursuant to IFRS 9 to determine the expected credit loss, according to which the default is based on the lifetime expected credit loss. If there is objective evidence of a credit default (e.g. insolvency or delivery stop), an individual loss allowance for the respective receivables is recorded, although ALTANA further asserts the claim. In the event that receivables which have already been written off are recovered, this amount is recognized in profit or loss. Provisions for expected credit losses on receivables not individually impaired are determined on the basis of the customer group-specific maturity profile of trade accounts receivables. Receivables are grouped in time bands according to risk level and overdue periods. The historical default rates applied for this purpose are adjusted for forward-looking information such as economic market conditions and general future risks. ALTANA assumes an increased default risk in the valuation of receivables 30 days past due or more. The positive correlation between overdue payments and the probability of default is considered by the definition of time bands in the calculation of risk provisions per portfolio.

The effect of the initial application of the expected credit loss model is disclosed in note 28.

**Cash and Cash Equivalents**

ALTANA considers cash on hand and in banks and highly liquid investments with maturities of three months or less from the date of acquisition as cash and cash equivalents. The components of cash and cash equivalents are consistent with the financial resource fund in the cash flow statement.

**Assets Held for Sale**

An asset is classified as an asset held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. Assets held for sale are measured at the lower of the carrying amount and fair value less costs of disposal and are presented in the statement of financial position as current assets. Depreciation and amortization on such assets is ceased. A gain or loss recognized on the sale of the assets is reported in other operating income or other operating expense.

**Financial Instruments**

In accordance with IFRS 9, the Company recognizes all financial assets and liabilities, as well as all derivative financial instruments, as assets or liabilities in the statement of financial position and measures all at fair value or amortized cost. Derivative financial instruments are initially recognized on their trade date, all other financial instruments on their settlement date. For financial instruments measured at fair value the following rules apply: The fair value of marketable securities corresponds to prices quoted for identical financial assets in active markets (hierarchy level 1). The fair value of derivative financial instruments and debts, allocated to other non-interest bearing non-derivative financial liabilities, is determined by applying valuation techniques for which inputs are based on observable market data (hierarchy level 2) or on unobservable input factors (hierarchy level 3).

Changes in the fair value of financial assets and financial liabilities not accounted for as a hedging instrument are recognized in profit or loss.

Changes in the fair value of derivative financial instruments qualifying for hedge accounting are recognized in profit or loss or in other comprehensive income depending on whether the derivative is designated as a fair value or a cash flow hedge. For derivatives designated as fair value hedges, changes in the fair value of the hedged item and the derivative financial instrument are recognized in profit or loss.

For derivative financial instruments designated as cash flow hedges, changes in the fair value of the effective portion of the hedging instrument are recognized in other comprehensive income until the hedged item is recognized in profit or loss. The ineffective portion of derivative financial instruments designated as cash flow hedges and fair value changes of derivative financial instruments which do not qualify for hedge accounting are recognized in profit or loss immediately. The change in the spot element of a forward contract is designated as a hedging instrument in a hedging relationship. ALTANA elected to account for the cost of hedging in other comprehensive income. These are the forward element of a forward transaction and the foreign currency basis spreads. Hedge Accounting under IFRS 9 is applied beginning January 1, 2018 prospectively. At the inception of a hedge ALTANA documents the hedging relationship between the hedged item and the hedging instrument. Additionally, at the inception of the hedge and on an ongoing basis, the Company documents its assessment of whether the hedging instrument actually compensates the change in the fair value of the hedged item (assessing hedge effectiveness).

The effects from the initial application of IFRS 9 are disclosed in note 28.

### Share-based Employee Incentive Plans

In line with long-term incentive programs, ALTANA has issued share-based instruments to employees and accounts for them in accordance with IFRS 2, "Share-based Payment." These instruments are therefore measured at fair value at the grant date, taking into account the vesting conditions upon which those instruments were granted. The cost of employee compensation is expensed over the required service period. Until settlement of the instruments in cash, the liability is remeasured at its fair value at each reporting date as well as at the exercise date. Changes in the fair value are recognized in profit or loss.

### Employee Benefit Obligations

The accounting for pension liabilities is based on the projected unit credit method in accordance with IAS 19, "Employee Benefits," and the liabilities are measured based on actuarial valuations. Remeasurement gains or losses are fully recognized in other comprehensive income in the period they occur (see Consolidated Statement of Comprehensive Income). The provisions therefore generally equal the fair value of the obligations at the respective reporting dates.

### Other Provisions

In accordance with IAS 37, "Provisions, Contingent Liabilities and Contingent Assets," the Company recognizes other provisions when it has a present legal or constructive obligation as a result of a past event, it is more likely than not 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.

The warranty provision is estimated based on the average warranty expenses of the last two to three years, depending on the division they relate to. Based on this experience, the Company calculates a warranty percentage, applies it to net product sales and recognizes the estimated obligation in the warranty provision. The provision is adjusted to reflect changes in estimates. Other provisions include personnel related obligations measured in accordance with IAS 19.

### Leases

In accordance with IAS 17 lease agreements in which ALTANA, as the lessee, assumes substantially all the risks and rewards are classified as finance leases. All other lease agreements are classified as operating leases and lease payments are expensed as incurred.

### Use of Estimates, Assumptions and Judgements

The preparation of the consolidated financial statements requires management to make estimates, assumptions and judgements that affect the amounts of assets, liabilities and disclosure of contingent assets and liabilities reported at the end of any given period and the amounts of revenues and expenses for that reported period. Actual results may differ from these estimates.

At the reporting date, management mainly made the following key assumptions concerning the future and identified key sources of estimation uncertainty that might pose a risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year:

Employee Benefit Obligations: The measurement of the pension plans is based on the projected unit credit method applying current parameters as of the reporting date, including the expected discount rate, the rate of compensation and pension increase, and the return on plan assets as of the reporting date. A significant change in the underlying parameters could have a material impact on the defined benefit obligations (see note 25).

Impairments: Impairment testing for goodwill, other intangible assets and property, plant and equipment is generally based on discounted estimated future cash flows generated from the continuing use and ultimate disposal of the assets. Factors such as lower than anticipated operating income (EBIT) and resulting reduced net cash flows as well as changes in the discount rates used could lead to impairments. For information on the carrying amounts of goodwill, other intangible assets and property, plant and equipment see notes 13 and 14.

Deferred Taxes: The recognition of deferred tax assets requires that sufficient taxable income will be generated in the future that can be offset against tax credits and tax loss carryforwards. The recognition of deferred tax assets is subject to an estimate of various factors.

Management's judgement is based on expectations regarding future events and historical experience. This applies, for example, to assets held for sale. ALTANA examines whether these assets can be sold in their current condition and whether their sale is highly probable. If this is the case, the assets are reported separately in the statement of financial position in current assets.

## 3. Business Combinations and Disposals

In accordance with IFRS 3, "Business Combinations," the Company accounts for business combinations by applying the acquisition method as of the date when control over the financial and operating policies is effectively obtained. Any excess of the consideration transferred over the fair value of the net assets acquired is recorded as goodwill, which is allocated to those cash-generating units that are expected to benefit from the business combination. The results of operations of the acquired businesses are included in the Company's consolidated financial statements from the respective dates of acquisition until the dates of sale. Fair value measurement of assets acquired and liabilities assumed in a business combination is performed in the course of the allocation of the consideration transferred by using standard discounted cash flow methods based on input factors of fair value hierarchy level 3.

**Acquisitions in 2018**
In 2018, no acquisitions occurred.

**Acquisitions in 2017**
In 2018, no significant adjustments to the purchase price allocations recorded in 2017 were made.

As agreed, further payments of €3.5 million were made to Changzhou Hongbo Paint Co. Ltd., Changzhou (CHN) in 2018 for the acquisition by an assets deal in the ELANTAS division (see note 24).

On December 23, 2016, ALTANA signed an agreement with U.S. Cytec Industries Inc., a subsidiary of the Belgian chemical group Solvay, regarding the acquisition of all shares in U.S. Cytec Olean Inc., Olean, NY (USA). Closing was effected on June 1, 2017. The acquired company, which had been integrated into the ELANTAS division, develops and manufactures insulating resins used in numerous applications in the electrical industry and as special adhesives. Of the purchase price of €48.3 million an amount of €40.6 million was paid in cash. The remaining amount which is subject to achieving a certain net sales threshold over a five year period subsequent to the acquisition, is recognized in debt until it is due for payment (see note 24). The recognized liability is based on the current net sales plan and reflects the expected earn-out payments, which are limited to a maximum amount of USD 22.6 million.

The following table provides an overview of the provisional allocation of the consideration transferred to the assets acquired and liabilities assumed by ALTANA at the acquisition date.

| in € million | |
|---|---|
| Goodwill | 26.7 |
| Other intangible assets | 20.6 |
| Property, plant and equipment | 6.8 |
| Inventories | 2.5 |
| Other assets | 0.1 |
| Deferred tax liabilities | (8.4) |
| **Consideration transferred** | **48.3** |

Based on the provisional allocation of the consideration transferred goodwill in the amount of €26.7 million was recognized. Since the acquisition the business has contributed €9.0 million to consolidated net sales and €0.6 million to consolidated net income. Had the company been acquired on January 1, 2017, their business would have contributed €16.6 million to consolidated net sales and €1.2 million to consolidated net income in 2017.

Additionally, on November 1, 2017, one smaller wire enamel business was acquired in the form of an asset deal by the ELANTAS division from Changzhou Hongbo Paint Co. Ltd., Changzhou (CHN). In 2016, net sales amounted to approximately €16 million. Of the purchase price of €5.8 million an amount of €1.5 million was paid in cash. The remaining purchase price which is subject to the occurrence of non-financial events, is recognized in debt until it is due for payment (see note 24). Goodwill amounting of €49 thousand was recognized.

On March 1, 2017, ALTANA acquired all shares in the U.S. PolyAd Services LLC, Earth City (USA), the German PolyAd Holdings Germany GmbH, Lampertheim and the PolyAd Services GmbH, Bensheim (in the following altogether PolyAd) through a share deal. The additive solutions business for the global plastic market will be integrated into the BYK division. The purchase price of €99.0 million was paid in cash.

The following table provides an overview of the provisional allocation of the consideration transferred to the assets acquired and liabilities assumed by ALTANA at the acquisition date.

| in € million | |
|---|---|
| Goodwill | 41.1 |
| Other intangible assets | 84.4 |
| Property, plant and equipment | 4.2 |
| Inventories | 9.5 |
| Trade accounts receivable | 8.4 |
| Other assets | 0.8 |
| Cash and cash equivalents | 0.3 |
| Financial liabilities | (31.4) |
| Provisions | (1.3) |
| Trade accounts payable | (2.9) |
| Deferred tax liabilities | (10.7) |
| Other liabilities | (3.4) |
| **Consideration transferred** | **99.0** |

Based on the provisional allocation of the consideration transferred, goodwill in the amount of €41.1 million was recognized. Of this amount €36.5 million are tax deductible. Since the acquisition the business has contributed €42.8 million to consolidated net sales and €3.0 million to consolidated net income. Had the company been acquired on January 1, 2017, its business would have contributed €51.8 million to consolidated net sales and €3.8 million to consolidated net income in 2017.

The expected synergies from the utilization of the worldwide distribution network of ALTANA, new technologies and the utilization of joint research activities mainly contribute to the goodwill resulting from these acquisitions.

## 4. Net Sales

The methodology of the application of IFRS 15 is disclosed in note 2. Net sales are allocated to the divisions of ALTANA as follows:

| | | BYK | ECKART | ELANTAS | ACTEGA | ALTANA Group |
|---|---|---|---|---|---|---|
| **Europe** | 2017 | 378,507 | 188,404 | 126,577 | 158,820 | 852,308 |
| | **2018** | **387,870** | **188,091** | **129,439** | **169,566** | **874,966** |
| **Americas** | 2017 | 301,230 | 89,965 | 90,787 | 141,647 | 623,629 |
| | **2018** | **302,204** | **88,103** | **93,463** | **140,622** | **624,392** |
| **Asia** | 2017 | 332,239 | 100,316 | 268,096 | 32,814 | 733,465 |
| | **2018** | **356,000** | **99,835** | **280,373** | **33,179** | **769,387** |
| **Other regions** | 2017 | 18,379 | 6,601 | 3,272 | 9,302 | 37,554 |
| | **2018** | **19,519** | **6,599** | **3,300** | **9,236** | **38,654** |
| **Gesamt** | 2017 | 1,030,355 | 385,286 | 488,732 | 342,583 | 2,246,956 |
| | **2018** | **1,065,593** | **382,628** | **506,575** | **352,603** | **2,307,399** |

Due to ALTANA's customer structure and the large number of business activities, there was no significant concentration on individual customers, regions or divisions in the reporting years.

In 2018 and 2017, ALTANA recognized revenue from contracts with customers amounting to €2,307.4 million and €2,247.0 million.

The refund liabilities from sales reductions amount to €9.3 million and are reported in other provisions (see note 26) or other liabilities (see note 27).

## 5. Cost of Sales

Cost of sales include the following items:

| | 2017 | **2018** |
|---|---|---|
| Material expenses | 932,182 | 1,009,745 |
| Production expenses | | |
| Personnel expenses | 216,503 | 224,579 |
| Depreciation and amortization | 83,837 | 83,851 |
| Energy expenses | 35,348 | 35,983 |
| Maintenance and repair expenses | 33,817 | 35,218 |
| Other | 69,886 | 74,251 |
| | **1,371,573** | **1,463,627** |

## 6. Selling and Distribution Expenses

Selling and distribution expenses are as follows:

| | 2017 | 2018 |
|---|---|---|
| Personnel expenses | 110,173 | 109,191 |
| Shipping, duties, insurance | 65,865 | 67,927 |
| Commissions | 22,574 | 23,582 |
| Depreciation and amortization | 27,103 | 25,503 |
| Other | 62,938 | 65,025 |
| | **288,653** | **291,228** |

Selling and distribution expenses reflect the worldwide activities of the distribution network, with specific emphasis on customer, product, and application consulting by own employees, delegates and agents. Selling and distribution expenses also include expenses for the participation in international trade fairs, the preparation of multilingual product information, customer trainings and sample distributions.

## 7. Other Operating Income

| | 2017 | 2018 |
|---|---|---|
| Reversal of loss allowance | 622 | 1,152 |
| Gains on disposal of property, plant and equipment | 381 | 3,787 |
| Government grants | 1,059 | 234 |
| Insurance reimbursements | 2,972 | 1,118 |
| Reversal of provisions | | 785 |
| Other | 18,464 | 9,661 |
| | **23,498** | **16,737** |

In 2017, the item Other includes €10.8 million income relating to prior periods.

## 8. Other Operating Expenses

| | 2017 | 2018 |
|---|---|---|
| Bad debt expense | 1,022 | 3,435 |
| Losses from disposal of property, plant and equipment | 697 | 2,373 |
| Foreign exchange gains / (losses), net | 6,964 | 1,339 |
| Exceptional expenses | 1,004 | 1,387 |
| Charitable donations | 355 | 396 |
| Other | 3,317 | 1,895 |
| | **13,359** | **10,825** |

Foreign exchange gains and losses are as follows:

| | 2017 | 2018 |
|---|---|---|
| Foreign exchange gains | 8,236 | 9,840 |
| Foreign exchange (losses) | (15,200) | (11,179) |
| **Net gain / net (loss)** | **(6,964)** | **(1,339)** |

Exceptional expenses relate to the following:

| | Notes | 2017 | 2018 |
|---|---|---|---|
| Impairment loss on property, plant and equipment | 14 | 451 | |
| Impairment loss on inventories | | 553 | |
| Other | | | 1,387 |
| | | **1,004** | **1,387** |

In the ACTEGA division, one-off expenses of €2.5 million were incurred for a new facility in the U.S., initially planned but then abandoned in the 2018 financial year. These expenses are included in the losses from the disposal of property, plant and equipment and in the exceptional expenses.

Regarding the impairment loss on property plant and equipment recognized in 2017 see note 14. The ECKART division recognized an impairment loss on inventory as a result of an event of damage.

## 9. Financial Income

| | 2017 | 2018 |
|---|---|---|
| Interest income | 5,127 | 3,462 |
| Gains on disposal of marketable securities | 28 | 58 |
| Income from fund-based financial instruments | 724 | 985 |
| Dividends received | 305 | 303 |
| Other financial income | 908 | 90 |
| | **7,092** | **4,898** |

## 10. Financial Expenses

| | 2017 | 2018 |
|---|---|---|
| Interest expenses | 10,772 | 8,892 |
| Losses on disposal of marketable securities | 11 | 3 |
| Other financial expenses | 4,901 | 3,215 |
| | **15,684** | **12,110** |

In 2018 and 2017, respectively, foreign exchange losses of €1.8 million and €4.2 million are included in other financial expenses.

## 11. Income Taxes

Income tax expense is as follows:

| | 2017 | 2018 |
|---|---|---|
| Current taxes | 99,320 | 77,634 |
| Deferred taxes | (27,938) | (537) |
| **Income taxes** | **71,382** | **77,097** |

As in 2017, the combined income tax rate, derived from local subsidiaries, is 29 % and consists of the corporate tax rate of 15 %, the solidarity surcharge on corporate tax of 5.5 % and the trade tax of about 13 %. The trade tax rate is based on the weighted average of the collection rate of all German municipalities in which ALTANA operates business premises.

The following table provides the reconciliation between the expected and the effective income tax rate:

| | 2017 | 2018 |
|---|---|---|
| **Income before income taxes (EBT)** | **306,026** | **264,086** |
| Income from at equity accounted investments | (21,301) | (24,460) |
| **Income before income taxes - adjusted (EBT adjusted)** | **327,327** | **288,546** |
| Tax expense applying the expected average income tax rate of 29 % | 94,925 | 83,678 |
| Non-deductible expenses | 3,272 | 2,011 |
| Tax rate differential | (22,864) | (5,157) |
| Tax free income | (1,838) | (1,652) |
| Tax related to prior years | 409 | (1,403) |
| Other | (2,522) | (380) |
| **Income taxes** | **71,382** | **77,097** |
| Effective income tax rate[1] | 21.8 % | 26.7 % |

[1]Based on the income before income taxes adjusted for the income from at equity accounted investments.

In 2017, the tax rate differential includes the effects of the U.S. tax reform.

In 2018 and 2017, the effective income tax rate based on income before income taxes was 29.2 % and 23.3 %, respectively.

Deferred tax assets and liabilities related to the following items in the statement of financial position:

| | Dec. 31, 2017 | | Dec. 31, 2018 | |
|---|---|---|---|---|
| | Assets | Liabilities and provisions | Assets | Liabilities and provisions |
| Intangible assets | 2,773 | (87,671) | 2,607 | (89,284) |
| Property, plant and equipment | 1,747 | (40,058) | 2,079 | (44,736) |
| Long-term investments | 212 | (2,235) | 289 | (2,270) |
| Inventories | 14,474 | (225) | 15,641 | (251) |
| Receivables and other assets | 8,054 | (6,969) | 6,258 | (5,830) |
| Marketable securities | | (38) | | |
| Employee benefit obligations | 43,160 | (960) | 45,061 | (937) |
| Other provisions | 5,365 | (1,451) | 4,960 | (703) |
| Liabilities | 2,778 | (359) | 5,261 | (4) |
| Tax loss carry-forwards | 2,888 | | 3,949 | |
| Outside bases differences | | (7,092) | | (7,056) |
| Netting | (62,806) | 62,806 | (65,609) | 65,609 |
| **Deferred taxes, net** | **18,645** | **(84,252)** | **20,496** | **(85,462)** |

The periods in which the tax loss carry-forwards may be used are as follows:

| | 2017 | 2018 |
|---|---|---|
| **Tax loss carry-forwards** | **37,579** | **38,358** |
| unlimited | 20,326 | 24,168 |
| will expire through 2023 (prior year: 2022) | 16,386 | 14,190 |
| will expire after 2023 (prior year: 2022) | 867 | |

Deferred tax assets on tax loss carry-forwards of €25.2 million and €28.9 million were not recognized as of December 31, 2018 and 2017, respectively, since the future utilization against taxable income is not probable. Tax loss carry-forwards for which no deferred tax assets were recognized amounting to €11.0 million have unlimited carry-forward periods, €14.2 million will expire through 2023.

As of December 31, 2018 and 2017, deferred tax liabilities in the amount of €33.0 million and €31.7 million, respectively, representing the temporary differences between the undistributed earnings of certain investments in subsidiaries and its tax bases, were not recorded, as the timing of their reversal can be controlled and is not probable in the foreseeable future.

## 12. Other Information on the Income Statement

**Personnel Expenses**

Personnel expenses consist of the following items:

| | 2017 | 2018 |
|---|---|---|
| Wages and salaries | 386,274 | 389,447 |
| Social security contributions | 70,484 | 72,194 |
| Expenses for pensions and other post-retirement benefits | 21,933 | 20,940 |
| | **478,691** | **482,581** |

Personnel expenses include expenses for employee incentive plans (see note 23). In 2018 and 2017, €2.3 million and €5.0 million, respectively, relate to the compensation plan for key members of the management, "ALTANA Equity Performance (AEP)," and €2.1 million and €2.5 million, respectively, to the compensation plan for employees, "ALTANA Profit Participation."

Personnel expenses were incurred for the following average number of employees:

| | 2017 | 2018 |
|---|---|---|
| Number of employees by division | | |
| BYK | 2,160 | 2,278 |
| ECKART | 1,723 | 1,706 |
| ELANTAS | 1,028 | 1,072 |
| ACTEGA | 1,091 | 1,123 |
| Holding | 113 | 144 |
| | **6,115** | **6,323** |

**Amortization, Depreciation and Impairment Loss**

Amortization, depreciation and impairment charges for intangible assets and property, plant and equipment are as follows:

| | 2017 | 2018 |
|---|---|---|
| Amortization of intangible assets | 52,837 | 52,353 |
| Depreciation of property, plant and equipment | 80,800 | 82,488 |
| Impairment loss on property, plant and equipment | 451 | |
| | **134,088** | **134,841** |

For information on the impairment loss recognized on property, plant and equipment in 2017 see note 14.

## 13. Intangible Assets

| | Patents, licenses and similar rights | Goodwill | Software and others | Total |
|---|---|---|---|---|
| **Cost** | | | | |
| Balance at Jan. 1, 2017 | 685,428 | 624,066 | 112,341 | 1,421,835 |
| Additions | 81,630 | | 9,932 | 91,562 |
| Disposals | | | (5,554) | (5,554) |
| Transfers | | | 266 | 266 |
| Translation adjustments | (43,584) | (59,649) | (2,274) | (105,507) |
| Change in reporting entities | 110,486 | 67,879 | 206 | 178,571 |
| **Balance at Dec. 31, 2017** | **833,960** | **632,296** | **114,917** | **1,581,173** |
| Additions | 6,763 | | 8,421 | 15,184 |
| Disposals | | | (1,250) | (1,250) |
| Transfers | 10 | | 585 | 595 |
| Translation adjustments | 11,646 | 18,756 | 706 | 31,108 |
| Change in reporting entities | | (49) | | (49) |
| **Balance at Dec. 31, 2018** | **852,379** | **651,003** | **123,379** | **1,626,761** |
| **Accumulated amortization** | | | | |
| Balance at Jan. 1, 2017 | 360,360 | 51,592 | 87,090 | 499,042 |
| Additions | 43,195 | | 9,642 | 52,837 |
| Disposals | | | (5,535) | (5,535) |
| Transfers | | | (114) | (114) |
| Translation adjustments | (18,399) | (2,251) | (1,350) | (22,000) |
| **Balance at Dec. 31, 2017** | **385,156** | **49,341** | **89,733** | **524,230** |
| Additions | 43,006 | | 9,347 | 52,353 |
| Disposals | | | (1,246) | (1,246) |
| Transfers | | | 183 | 183 |
| Translation adjustments | 5,712 | 789 | 523 | 7,024 |
| **Balance at Dec. 31, 2018** | **433,874** | **50,130** | **98,540** | **582,544** |
| **Carrying amount** | | | | |
| Dec. 31, 2017 | 448,804 | 582,955 | 25,184 | 1,056,943 |
| **Dec. 31, 2018** | **418,505** | **600,873** | **24,839** | **1,044,217** |

In 2018, additions to patents, licenses and similar rights in the BYK and ECKART division related to acquired customer lists and to an agreement on non-competition with a former business partner amounting to €3.6 million as well as REACH expenses amounting to €3.2 million, which are mainly attributable to the BYK division. Additions of €2.2 million related to SAP projects, carried out in the BYK division, the ACTEGA division and the Holding division.

In 2017, the ACTEGA division acquired from the Israeli Landa Labs (Landa Labs), Rehovot (ISR), the Nano-metallography-technology used for the application of metallic effects on different substrates for €80.0 million, of which €0.6 million relate to property, plant and equipment. Simultaneously a milestone payment depending on achieving a certain sales threshold and an earn-out-payment due at the latest in 2025 were agreed. At the date of payment this will result in additional acquisition cost which will be capitalized. The earn-out-payment is determined as a multiple of gross profit. Furthermore, a technology portfolio was acquired for €1.3 million from the U.S. NuLabel Technologies Inc., East Providence (USA). Of this amount €0.1 million relate to property, plant and equipment. Simultaneously an earn-out-payment was agreed based on achieved net sales and gross profit thresholds. At the date of payment (at the latest in 2025) this will result in additional acquisition cost which will be capitalized. REACH expenses amounting to €2.1 million, which are mainly attributable to the BYK division were recognized in patents, licenses and similar rights.

In 2017, the change in reporting entities relates in the amount of €125.5 million to the acquisition of PolyAd in the BYK division and in the amount of €47.3 million to the acquisitions of Cytec Olean and in the amount of €5.8 million to the acquisition from Changzhou Hongbo, both in the ELANTAS division (see note 3).

The following table presents expected amortization expense related to patents, licenses and similar rights as well as software for each of the following periods. The actual amortization expense may differ from the expected amortization expense:

| | |
|---|---|
| 2019 | 51,543 |
| 2020 | 47,499 |
| 2021 | 43,572 |
| 2022 | 40,364 |
| 2023 | 37,997 |
| Thereafter | 191,652 |

As of December 31, 2018 and 2017, patents, licenses and similar rights include brand names with indefinite useful lives of €24.6 million and €24.4 million, respectively, mainly relating to the brand name ECKART. The brand name was acquired in a business combination and the indefinite useful life was identified in the course of the purchase price allocation.

The following table presents the carrying amount of goodwill by cash-generating unit:

| | Dec. 31, 2017 | **Dec. 31, 2018** |
|---|---|---|
| BYK | 336,784 | 351,148 |
| ECKART | 80,511 | 82,183 |
| ELANTAS | 99,733 | 101,157 |
| ACTEGA | 65,927 | 66,385 |
| | **582,955** | **600,873** |

### Impairment Test for Goodwill

The Company performed impairment tests on goodwill. Impairment tests are performed at least once a year in the fourth quarter based on long-term planning. The recently performed tests were based on the financial budgets for the years 2019 to 2023. These budgets were based on historical experience and represent management's best estimates about future developments. The weighted average growth rates used in the budgets were derived from corresponding industry forecasts. In order to perform impairment tests, the Company estimated cash flows beyond the planning period by extrapolating the projections using a steady growth rate for subsequent years. The Company then calculated the fair value less costs of disposal for each cash-generating unit by applying the discounted cash flow method based on input factors of fair value hierarchy level 3. The following parameters which are unchanged to prior year were applied: discount rate after income taxes of 7.5 %; growth rates: BYK 2.0 %; ECKART, ELANTAS and ACTEGA 1.5 %. The fair value calculated was then compared to the carrying amount of the cash-generating unit.

The impairment tests were performed based on fair values less costs of disposal. Furthermore, to support the results of these impairment tests, the Company calculated the value in use for each cash-generating unit.

In 2018, no impairment loss on goodwill was recognized. Sensitivity analyses indicated that even a reasonably likely change in the significant underlying parameters would not result in an impairment loss in any division.

In the period since the performance of the impairment test until December 31, 2018, no impairment indicators were identified.

### Impairment Test for Intangible Assets other than Goodwill

In 2018 and 2017, no impairment losses on intangible assets with an indefinite useful life were recognized.

## 14. Property, Plant and Equipment

| | Land, leasehold and buildings | Plant and machinery | Equipment | Advances / construction in progress | Total |
|---|---|---|---|---|---|
| **Cost** | | | | | |
| Balance at Jan. 1, 2017 | 587,242 | 728,760 | 217,767 | 51,934 | 1,585,703 |
| Additions | 9,623 | 15,684 | 15,560 | 55,535 | 96,402 |
| Disposals | (521) | (6,336) | (9,025) | (499) | (16,381) |
| Transfers | 5,635 | 13,595 | 9,260 | (28,756) | (266) |
| Translation adjustments | (17,723) | (28,851) | (6,796) | (2,236) | (55,606) |
| Change in reporting entities | 2,663 | 7,854 | 339 | 166 | 11,022 |
| **Balance at Dec. 31, 2017** | **586,919** | **730,706** | **227,105** | **76,144** | **1,620,874** |
| Additions | 37,841 | 28,790 | 18,217 | 86,956 | 171,804 |
| Disposals | (2,623) | (17,092) | (8,099) | (2,201) | (30,015) |
| Transfers | 19,745 | 18,748 | 4,524 | (43,611) | (594) |
| Translation adjustments | 4,135 | 8,166 | 2,175 | 1,131 | 15,607 |
| Change in reporting entities | (75) | | | | (75) |
| **Balance at Dec. 31, 2018** | **645,942** | **769,318** | **243,922** | **118,419** | **1,777,601** |
| **Accumulated depreciation** | | | | | |
| Balance at Jan. 1, 2017 | 222,340 | 437,302 | 144,648 | 345 | 804,635 |
| Additions | 19,631 | 45,050 | 16,119 | | 80,800 |
| Disposals | (230) | (5,944) | (8,826) | | (15,000) |
| Impairment | 449 | | 2 | | 451 |
| Transfers | 3377 | (3,466) | 203 | | 114 |
| Translation adjustments | (5,438) | (15,420) | (3,651) | (22) | (24,531) |
| Change in reporting entities | | | | | |
| **Balance at Dec. 31, 2017** | **240,129** | **457,522** | **148,495** | **323** | **846,469** |
| Additions | 20,495 | 44,417 | 17,576 | | 82,488 |
| Disposals | (2,283) | (16,149) | (7,914) | | (26,346) |
| Impairment | | | | | |
| Transfers | (2) | 356 | (534) | (3) | (183) |
| Translation adjustments | 1,451 | 4,372 | 1,191 | (3) | 7,011 |
| Change in reporting entities | | | | | |
| **Balance at Dec. 31, 2018** | **259,790** | **490,518** | **158,814** | **317** | **909,439** |
| **Carrying amount** | | | | | |
| Dec. 31, 2017 | 346,790 | 273,184 | 78,610 | 75,821 | 774,405 |
| **Dec. 31, 2018** | **386,152** | **278,800** | **85,108** | **118,102** | **868,162** |

In 2018, additions in the BYK division of €44.5 million relate to European facilities and of €40.6 million to U.S. facilities. An additional €22.1 million were invested in the Shanghai facility. Additions of €14.9 million in the ECKART division relate to its European facilities and additions of €5.5 million relate to several U.S. facilities. For the expansion of its production and laboratory capacities, the ELANTAS division invested €9.7 million in Germany and Italy, €7.2 million in the U.S. facility and additional €2.4 million in the Indian facility. To expand its research capacities the ACTEGA division invested €14.1 million in the European locations and €3.5 million in its U.S. locations.

In connection with investments ALTANA recognized directly attributable borrowing costs of €0.8 million. The calculation was based on an interest rate of 2.2 %.

In 2017, additions of €34.2 million related to European facilities and €14.5 million to U.S. facilities, both in the BYK division. An additional €4.5 million were invested into the Shanghai facility. Additions of €11.1 million in the ECKART division relate to its European facilities and additions of €3.7 million relate to several U.S. facilities. For the expansion of its production and laboratory capacities, the ELANTAS division invested €6.8 million in Germany and Italy and €2.1 million in India. To expand its research capacities the ACTEGA division invested €9.6 million in the German locations and €2.8 million in its U.S. locations.

In connection with investments ALTANA recognized directly attributable borrowing costs of €0.4 million. The calculation was based on an interest rate of 2.2 %.

Of the change in reporting entities an amount of €4.2 million relates to the acquisition of PolyAd in the BYK division and an amount of €6.8 million relates to the acquisition of Cytec Olean in the ELANTAS division (see note 3).

In 2018 and 2017, respectively, land and buildings with a book value of €0.1 million and €0.4 million related to investment property. In 2018 and 2017, respectively, the fair value of these investments amounted to €3.2 million and €2.3 million. The fair value is measured using the discounted cash flow method or external expert appraisals, by applying input factors for comparable assets not traded on active markets (fair value hierarchy level 2). No contractual obligations or disposal restrictions exist for land and buildings held as investment property.

The Company did not receive any significant taxable or non-taxable government grants in 2018 and 2017.

In 2018, no impairment loss was recognized. In 2017, the ECKART division recognized an impairment loss for an administration building in one European location due to a planned construction of a new building and for a damaged warehouse located in the U.S.

In the years reported, no land or other assets served as security for debts to banks.

## 15. Long-term Investments

| | Other investments | Other long-term financial assets | Total |
|---|---|---|---|
| **Cost** | | | |
| Balance at Jan. 1, 2017 | 9,989 | 436 | 10,425 |
| Additions | | 54,008 | 54,008 |
| Disposals | | (141) | (141) |
| Translation adjustments | (276) | (5) | (281) |
| Change in reporting entities | | (26) | (26) |
| **Balance at Dec. 31, 2017** | **9,713** | **54,272** | **63,985** |
| Change in accounting policies | 1,570 | | 1,570 |
| Additions | 4,398 | 23,013 | 27,411 |
| Disposals | | (71,068) | (71,068) |
| Translation adjustments | 111 | 186 | 297 |
| Change in fair value | 74 | | 74 |
| Change in reporting entities | | 54 | 54 |
| **Balance at Dec. 31, 2018** | **15,866** | **6,457** | **22,323** |
| | | | |
| **Accumulated impairment** | | | |
| Balance at Jan. 1, 2017 | 861 | | 861 |
| Translation adjustments | (103) | | (103) |
| **Balance at Dec. 31, 2017** | **758** | | **758** |
| Change in accounting policies | (758) | | (758) |
| Translation adjustments | | | |
| **Balance at Dec. 31, 2018** | **0** | | **0** |
| | | | |
| **Carrying amount** | | | |
| Dec. 31, 2017 | 8,955 | 54,272 | 63,227 |
| **Dec. 31, 2018** | **15,866** | **6,457** | **22,323** |

In 2017, ALTANA granted a long-term loan of €70.0 million to Israeli Landa Labs. As of December 31, 2017 an amount of €54.0 million was drawn. The loan is fully secured by shares in Landa and Landa Labs. In 2018 the loan was fully repaid.

In the years reported, no impairment losses were recognized.

In the years reported, an amount of €0.1 million of other long-term financial assets related to employee loans bearing a weighted average interest rate of 4.0 % in 2018 and 4.3 % in 2017.

In 2018, ALTANA granted a long-term loan of €6.2 million to an unrelated U.S. investment fund as part of a U.S. development program. The loan is included in other long-term financial assets. In return, ALTANA has received a loan of €8.6 million (see note 24).

## 16. Investments in at Equity Accounted Companies

| | Investments in at equity accounted companies |
|---|---|
| Balance at Jan. 1, 2017 | 83,388 |
| Additions | 30,446 |
| Result from associates | (21,301) |
| Dividends | (756) |
| Translation adjustments | 4,928 |
| **Balance at Dec. 31, 2017** | **96,705** |
| Additions | 50,500 |
| Result from associates | (24,460) |
| Dividends | (660) |
| Translation adjustments | (4,216) |
| **Balance at Dec. 31, 2018** | **117,869** |

Investments in associated companies are accounted for by applying the equity method.

Upon initial recognition in 2005, ALTANA's share in the net assets relating to its 39 % investment in Aldoro amounted to €2.8 million, which resulted in the recognition of goodwill of €4.4 million. In Brazil Aldoro produces metallic effect pigments and distributes them worldwide. The main emphasis of the business lies in the South American region.

At the time of acquisition of ALTANA's 33 % investment in Landa its share in the net assets amounted to €28.9 million. An amount of €80.5 million was allocated to development cost and no goodwill was identified. In 2016, 2017 and 2018, capital increases were effected, in which ALTANA participated with an amount of €91.3 million. In the capital increase agreed in June 2018 ALTANA participated with the amount of USD 100 million and paid the first tranche of USD 50 million (€42.5 million) in June 2018. The remaining payment will be made in January 2019 (see notes 34). Landa develops printing presses and consumables for the new nanography technology for water-based digital printing. With the delivery of the first beta machines the market launch was further advanced.

Investments in joint ventures are accounted for by applying the equity method of accounting.

At the date of acquisition ALTANA's share of equity of its 44 % interest in dp polar amounted to €1.5 million. An amount of €2.0 million was allocated to development cost and no goodwill was recognized.

The following financial information relates to all associated companies and represents 100 % and not the respective proportionate share in the companies:

| | Dec. 31, 2017 | **Dec. 31, 2018** |
|---|---|---|
| **Financial statement** | | |
| Non-current assets | 41,994 | 58,064 |
| Current assets | 27,766 | 101,706 |
| **Total assets** | **69,760** | **159,770** |
| Non-current liabilities | 10,262 | 11,042 |
| Current liabilities | 17,328 | 21,647 |
| **Total liabilities and provisions** | **27,590** | **32,689** |
| **Net assets** | **42,170** | **127,081** |
| | | |
| **Income statement** | | |
| Net sales | 14,551 | 14,887 |
| Net income (EAT) | (63,841) | (71,634) |
| Other comprehensive income | - | - |
| Comprehensive income | (63,841) | (71,634) |

The following table reconciles ALTANA’s share in the net assets to the carrying amount of the investments in associated companies:

| | Dec. 31, 2017 | **Dec. 31, 2018** |
|---|---|---|
| **Net assets (100 %)** | **42,170** | **127,081** |
| The Company's share of net assets | 14,717 | 42,941 |
| Remaining adjustment from allocation of consideration transferred | 76,925 | 76,615 |
| Other | 1,563 | (4,851) |
| **Carrying amount** | **93,205** | **114,705** |

## 17. Inventories

| | Dec. 31, 2017 | Dec. 31, 2018 |
|---|---|---|
| Raw materials and supplies | 115,686 | 135,656 |
| Work in progress | 30,483 | 33,066 |
| Finished products and goods | 183,359 | 203,810 |
| Prepayments | 642 | 495 |
| | **330,170** | **373,027** |

In 2018 and 2017, inventories are stated net of write-downs of €20.7 million and €21.4 million, respectively.

## 18. Trade Accounts Receivable

| | Dec. 31, 2017 | Dec. 31, 2018 |
|---|---|---|
| Trade accounts receivable | 376,104 | 391,427 |
| Loss allowance | (4,193) | (7,247) |
| | **371,911** | **384,180** |

The following table presents the roll-forward of the loss allowance:

| | 2017 | 2018 |
|---|---|---|
| Allowance at the beginning of the year | 4,452 | 4,193 |
| Change in accounting policies (see note 28, credit risk) | | 1,672 |
| Translation adjustments | (190) | 49 |
| Additions | 1,022 | 3,278 |
| Reversal | (622) | (1,152) |
| Utilization | (469) | (793) |
| **Allowance at the end of the year** | **4,193** | **7,247** |

Impairment expenses recognized in profit or loss are as follows:

| | 2018 |
|---|---|
| Amounts written off | 157 |
| Addition to loss allowance | 3,278 |
| Reversal of loss allowance | (1,152) |
| | **2,283** |

The following table presents the roll-forward of the gross carrying amounts of accounts receivable:

| | 2018 |
|---|---|
| Trade accounts receivable (gross) at Jan. 1 | 376,104 |
| Translation adjustments | 2,610 |
| Additions | 2,390,235 |
| Disposals | (2,376,572) |
| Utilization of loss allowance | (793) |
| Amounts written off | (157) |
| **Trade accounts receivable (gross) at Dec. 31** | **391,427** |

The exposure to credit risk as of December 31, 2018 in accordance with IFRS 9 and as of December 31, 2017 in accordance with IAS 39 was as follows:

| Trade accounts receivable (including long-term portion) | Carrying amount | Of which neither impaired nor past due at the reporting date | Of which not impaired at the reporting date and past due in the following periods | | | | Impairment (net) |
|---|---|---|---|---|---|---|---|
| | | | 0-30 days | 31-60 days | 61-90 days | > 90 days | |
| Dec. 31, 2017 | 371,911 | 327,041 | 30,062 | 8,539 | 2,674 | 3,072 | 523 |

| Trade accounts receivable (including long-term portion) | Carrying amount | Individually impaired receivables | Not individually impaired receivables | Thereof at the reporting date | | | |
|---|---|---|---|---|---|---|---|
| | | | | not past due | 0-30 day past due | 31-90 days past due | > 90 days past due |
| **Dec. 31, 2018** | | | | | | | |
| **Carrying amount - gross** | **391,427** | **5,447** | **385,980** | **337,246** | **34,509** | **10,095** | **4,130** |
| Expected Loss Rate | | | 0.56 % | 0.18 % | 1.61 % | 6.59 % | 7.87 % |
| Loss allowance | 7,247 | 5,092 | 2,155 | 608 | 557 | 665 | 325 |
| **Net book value** | **384,180** | **355** | **383,825** | **336,638** | **33,952** | **9,430** | **3,805** |

As of December 31, 2018, the maximum carrying amount subject to credit risk amounts to €391.4 million.

## 19. Marketable Securities

In accordance with IFRS 9, marketable securities are measured at their fair value through profit or loss. Amortized cost, fair value and unrealized holding gains and losses, which are recorded in 2018 in profit or loss and in 2017 in shareholders' equity, net of income tax, were as follows (As of December 31, 2018 in accordance with IFRS 9 and as of December 31, 2017 in accordance with IAS 39):

| | Amortized cost | Fair value | Unrealized gains | Unrealized losses |
|---|---|---|---|---|
| Dec. 31, 2017 | | | | |
| Money market funds | 18,000 | 18,104 | 110 | 6 |
| Share and equity funds | 626 | 626 | | |
| | **18,626** | **18,730** | **110** | **6** |

| | Dec. 31, 2017 | **Dec. 31, 2018** |
|---|---|---|
| Money market funds | 18,104 | 21,782 |
| Share and equity funds | 626 | 125 |
| | **18,730** | **21,907** |

## 20. Short-term Financial Assets

Due to the interest rate development, ALTANA invested in cash equivalents with a remaining maturity of more than three months but less than one year. As of December 31, 2018 and 2017, €2.7 million and €2.1 million, respectively, were invested.

## 21. Other Assets

| | Dec. 31, 2017 | | **Dec. 31, 2018** | |
|---|---|---|---|---|
| | Other non-current assets | Other current assets | Other non-current assets | Other current assets |
| Balances due from employees | 32 | 457 | 43 | 279 |
| Cash surrender value of life insurance | 1,978 | | 1,976 | |
| Balances due from fiscal authorities | 327 | 24,021 | 253 | 27,174 |
| Prepayments | 3 | 3,810 | 3 | 3,090 |
| Receivables from related parties | | 7 | | |
| Prepaid expenses | 667 | 5,019 | 479 | 6,393 |
| Derivative financial instruments | 858 | 19,215 | 605 | 70 |
| Notes receivable | | 56,833 | | 59,056 |
| Other | 7,614 | 8,751 | 7,308 | 7,774 |
| | **11,479** | **118,113** | **10,667** | **103,836** |

## 22. Shareholders' Equity

### Issued Share Capital

The share capital was €136,097,896, represented by 136,097,896 no-par value shares representing €1 per share. The share capital is fully paid in.

### Additional Paid-in Capital

The additional paid-in capital contains excess amounts over the calculated value resulting from the issuance of shares of ALTANA AG and from equity-settled share-based payment transactions of previous years. Cash-inflows from the sale of shares to non-controlling interests are also included.

### Dividends

In 2018, a dividend of €80.0 million was distributed to the shareholder. The Management Board and the Supervisory Board propose to the Annual General Meeting to carry forward the unappropriated retained earnings of €1,028.1 million of ALTANA AG.

### Accumulated Other Comprehensive Income

Until December 31, 2017 in accordance with IAS 39, accumulated unrealized gains and losses resulting from changes in fair values of available-for-sale financial instruments net of income taxes were recorded in the item "Financial assets available-for-sale" unless an impairment loss was recognized.

Changes in the fair value of derivative financial instruments qualifying as cash flow hedges are recognized, net of income taxes, in the item "Derivative financial instruments" if all hedge accounting criteria under IAS 39 and IFRS 9 are met.

### Notes on Other Comprehensive Income

The following table shows the income and expenses recognized in other comprehensive income and the income tax effects thereon:

| | | | 2017 | | | **2018** |
|---|---|---|---|---|---|---|
| | Before income taxes | Income taxes | Net of income taxes | Before income taxes | Income taxes | Net of income taxes |
| Remeasurement of the net defined employee benefit obligation | 11,237 | (4,449) | 6,788 | 5,311 | (1,502) | 3,809 |
| **Items that will not be reclassified subsequently to profit or loss** | **11,237** | **(4,449)** | **6,788** | **5,311** | **(1,502)** | **3,809** |
| Translation adjustments (including non-controlling interests) | (113,863) | | (113,863) | 23,913 | | 23,913 |
| Gains and losses from financial assets available-for-sale | (17) | 7 | (10) | | | |
| Gains and losses from derivative financial instruments | 61 | (18) | 43 | (2,425) | 728 | (1,697) |
| Change in fair value of financial assets available-for-sale | 24 | (7) | 17 | | | |
| Change in fair value of derivative financial instruments | 6,460 | (1,938) | 4,522 | (4,360) | 1,332 | (3,028) |
| **Items that may be reclassified subsequently to profit or loss** | **(107,335)** | **(1,956)** | **(109,291)** | **17,128** | **2,060** | **19,188** |
| **Other comprehensive income** | **(96,098)** | **(6,405)** | **(102,503)** | **22,439** | **558** | **22,997** |

### Additional Disclosures on Capital Management

The capital management of ALTANA comprises the management of cash and cash equivalents, long-term investments, short-term financial assets and marketable securities, shareholders' equity and debt. The main objective is to ensure the availability of financial funds within the Group. The majority of ALTANA's operations are financed by the Company's operating cash flows. Excess funds required are financed by borrowings.

In 2018, ALTANA's shareholders' equity increased by €130.4 million to €2,344.6 million. The debt to asset ratio was at 27%. Long-term and short-term debt represented 13% and 14% of total liabilities and equity.

Of the promissory note loans issued in prior periods totaling €350 million, €64 million were further repaid in 2018 resulting in a balance of €128 million. The loans have a minimum term until 2019. In addition, a syndicated credit line of €250 million with a term until 2022 is available to ALTANA.

The Company aims for a balance between equity and liabilities, which allows for further growth either through operational growth or acquisitions. Currently, the Company is not externally rated by a rating agency. The existing and the aspired financing structure – including bolt-on acquisitions – should be adequate for the requirements of an investment grade rating.

Foreign exchange restrictions exist for subsidiaries located in Brazil, India and China.

### Non-controlling Interests

The following table provides financial information for the subsidiary ELANTAS Beck India. The amounts reported refer to 100% and not to the share of 75% held by ALTANA:

| | Deck. 31, 2017 | **Dec. 31, 2018** |
|---|---|---|
| Assets | 51,424 | 57,683 |
| *Non-current assets* | *13,729* | *14,777* |
| *Current assets* | *37,695* | *42,906* |
| Liabilities | 11,163 | 11,471 |
| *Non-current liabilities* | *3,032* | *3,708* |
| *Current liabilities* | *8,130* | *7,763* |
| Net sales | 51,766 | 50,512 |
| Net income (EAT) | 7,317 | 7,900 |

In 2018 and 2017, respectively, net income of €2.0 million and €1.8 million related to non-controlling interests and dividends of €0.1 million were distributed to them in both years. On December 31, 2018 and 2017, non-controlling interests held 25% of the shares.

## 23. Employee Incentive Plans

### ALTANA Equity Performance (AEP)

Since 2010, ALTANA has offered a long-term share-based incentive plan for key members of the management every year. Each of these programs begins on January 1 and has a term of four years. The incentive plans provide for the issuance of so-called ALTANA Equity Performance Awards (AEP rights). ALTANA AG issues these debt instruments; their value develops similar to the virtual value of ALTANA's shareholders' equity. At the beginning of each incentive plan, a preliminary number of AEP rights, so-called AEP Awards, is granted to the key management members. The number of AEP Awards finally granted at the end of the plan depends on the development of the target value of the AEP rights up to the end of the plan's term. The maximum number is limited to 150% of preliminarily granted AEP Awards. The awards will be settled at the determined value at the end of the particular plan's term. Payment is limited to a maximum of 250% of the value of the preliminary awards granted.

The precondition for participating in the incentive plans is a personal investment in AEP rights, which is determined based on the key management category to which the beneficiary belongs. The participant must hold the personal investments for the entire duration of the plan. These AEP rights are subject to the same performance as the AEP Awards, however their increase in value is limited to a maximum of 20 % per year.

On December 31, 2017, at the end of the term of the AEP Tranche 2014, 18,572 AEP Awards were finally allocated which resulted in payments of €6.2 million to beneficiaries in 2018.

The following table provides the main parameters of the incentive plan:

| | Initial fair value in € per award | Awards granted | End of term |
|---|---|---|---|
| Tranche AEP 2015 | 309.04 | 8,841 | 31.12.2018 |
| Tranche AEP 2016 | 255.17 | 11,441 | 31.12.2019 |
| Tranche AEP 2017 | 366.03 | 8,597 | 31.12.2020 |
| Tranche AEP 2018 | 370.99 | 8,855 | 31.12.2021 |

Total expenses recognized for all plans amounted to €2.3 million and €5.0 million in 2018 and 2017, respectively. Provisions amounted to €6.0 million and €9.5 million, as of December 31, 2018 and 2017, respectively. Total personal investment, which is reported in other liabilities, was measured at €5.0 million and €5.9 million as of December 31, 2018 and 2017 (see note 27).

**ALTANA Profit Participation (APP)**

At the end of 2010 ALTANA initiated an incentive plan for employees not eligible for the AEP plan. This incentive plan allows for annual purchases of ALTANA Profit Participation Rights (APPR).

The APPRs are debt instruments issued by ALTANA AG with a minimum term of four years. A basic interest rate of 3 % per year of the debt instrument is granted as well as an additional bonus interest rate if applicable. This bonus interest represents 150 % of the relative ALTANA Value Added. The latter corresponds to the excess return on capital employed (ROCE) generated by ALTANA in the respective financial year over the average cost of capital. Additionally, subscribers of APPRs were granted a one-time earnings-related country-specific payment.

As of December 31, 2018 and 2017, €31.7 million and €26.8 million, respectively, were recognized in other liabilities for the APPRs issued in 2018 and previous years. In 2018 and 2017, the one-time payment and the interest incurred resulted in an expense of €2.1 million and €2.5 million, respectively, which was recognized in personnel expenses.

## 24. Debt

| | Dec. 31, 2017 | | **Dec. 31, 2018** | |
|---|---|---|---|---|
| | Non-current debt | Current debt | Non-current debt | Current debt |
| Borrowings from banks | 152 | 218 | 268 | 101 |
| Promissory note loans (German Schuldscheine) | 128,000 | 64,000 | 48,000 | 80,000 |
| Lease obligations | 229 | 204 | 46 | 183 |
| Other | 6,592 | 4,847 | 14,645 | 2,357 |
| | **134,973** | **69,269** | **62,959** | **82,641** |

For general corporate financing purposes ALTANA uses different financing instruments. Currently, ALTANA has outstanding promissory notes (German Schuldscheine) for a total of €128 million. In addition, as of December 31, 2018, ALTANA has an undrawn syndicated credit line of €250 million which was issued by seven banks. Furthermore, as of December 31, 2018, largely unused lines of credit in the amount of €12.4 million were available to ALTANA. The terms and conditions are based on market conditions and no collateral is provided.

As of December 31, 2018 and 2017, bank borrowings included €0.1 million and €0.2 million, respectively, in foreign currencies denominated exclusively in USD.

The item Other includes the earn-out liability from the acquisition of Cytec Olean and the unpaid purchase price of the acquisition of Changzhou Hongbo Paint (see note 3). Also included is a loan of €8.6 million which ALTANA received from an U.S. investment fund (see note 15).

The following table provides information about the change in financial liabilities considering cash and non-cash effects:

| | Non-current debt | Current debt |
|---|---|---|
| Balance at Dec. 31, 2016 | 192,765 | 36,136 |
| Changes in financial liabilities affecting cash flow | (1,892) | (65,422) |
| Acquisitions | 6,997 | 36,414 |
| non-cash changes | | |
| Translation adjustments | 1,103 | (1,858) |
| Changes in maturity | (64,000) | 64,000 |
| **Balance at Dec. 31, 2017** | **134,973** | **69,269** |
| Changes in financial liabilities affecting cash flow | 8,316 | (64,144) |
| Acquisitions | | (3,453) |
| non-cash changes | | |
| Translation adjustments | 534 | 105 |
| Changes in maturity | (80,864) | 80,864 |
| **Balance at Dec. 31, 2018** | **62,959** | **82,641** |

As of December 31, 2018 and 2017, the aggregate amounts of indebtedness maturing during the next five years and thereafter were as follows:

| | Dec. 31, 2017 | Dec. 31, 2018 |
|---|---|---|
| Due in 2019 (prior year: 2018) | 69,065 | 82,457 |
| Due in 2020 (prior year: 2019) | 82,327 | 49,530 |
| Due in 2021 (prior year: 2020) | 49,462 | 1,543 |
| Due in 2022 (prior year: 2021) | 1,462 | 1,543 |
| Due in 2023 (prior year: 2022) | 1,462 | 1,555 |
| Due thereafter | 31 | 8,743 |
| **Total** | **203,809** | **145,371** |
| **Lease obligation (see note 29)** | **433** | **229** |
| **Total debt** | **204,242** | **145,600** |

## 25. Employee Benefit Obligations

### Defined Benefit Plans

The defined benefit obligation comprises unfunded and funded plans. Of these plans approximately 94 % relate to obligations in Germany, the Netherlands, and the U.S. as follows:

| | Dec. 31, 2017 | Dec. 31, 2018 |
|---|---|---|
| Germany | 279,109 | 284,407 |
| The Netherlands | 28,190 | 28,868 |
| U.S. | 17,996 | 15,979 |
| Other | 19,941 | 20,300 |
| **Defined benefit obligation** | **345,236** | **349,554** |

Domestic plans: Certain executives located in Germany are entitled to post-employment benefits ("Ruhegeldendbetrag"). The benefit is agreed individually and is paid out as a life-time pension upon reaching the age of 65, upon early retirement in accordance with statutory retirement provisions or in case of disability. The plan also covers surviving dependants' pension. All other German employees with an employment start date before January 1, 2010, participate in a post-employment benefit plan which also covers old age, disability and surviving dependants' pensions. The plan is basically based on a benchmark model considering length of service and salary with life-time pension payments beginning at the age of 65. Benefits granted from January 1, 1999 include a fixed annual increase of 1 % of the benefits, plans before that date grant compensation for inflation in accordance with section 16 of the German Company Pension Laws (BetrAVG). For ALTANA, the risk is mainly represented by the development of life expectancy and inflation since the obligations resulting from these plans represent life-time pension payments.

All employees with an employment start date after December 31, 2009 are in a plan which is based on a capital commitment (ALTANA Vorsorgekapital/AVK). ALTANA pays the employer's contributions into external investment funds until the benefits are paid out. ALTANA also offers an employee-funded plan that grants the employees the right to have part of their earnings paid into a company pension scheme (AltersvorsorgeAktiv mit ALTANA/AAA) which are increased by employer's contributions, as necessary. For this plan, too, the contributions are invested in external investment funds until pay-out (cf. AVK). The two post-employment benefit plans at ALTANA, AVK and AAA basically have the same features. ALTANA offers two models: a fixed income based model, where the Company guarantees a minimum interest yield on the contributions paid-in, corresponding to the interest rate

of life insurance contracts of 0.9 % as of the reporting date, and an equity-based model, where ALTANA guarantees the payment contributions made, but without any additional interest guarantee. Obligations under the AVK and AAA plans are linked to the development of the fund assets, which results in a reduction of the overall business risk exposure. The remaining risk ALTANA is exposed to, is represented by the risk that the performance of the funds does not cover the guaranteed minimum interest yield or the capital commitment.
Foreign plans: In the Netherlands, one plan is offered whereby benefits depend on the years of service and the salaries received during those years of service. Upon retirement, guaranteed pension payments are granted. Additionally, the plans also cover benefits in case of death or invalidity. The employer pays premiums to an insurance company to finance these plans. Pension increases to be made are covered, on the one hand by surpluses of the insurer and, on the other hand, by further employer contributions, insofar ALTANA bears the risk of additional funding obligations.

In the U.S., ALTANA basically offers two employee benefit plans which are financed by funds and one additional defined benefit plan for executive employees, which is unfunded. These plans provide for pension payments upon retirement. New employees cannot participate in these plans. None of the funded plans provide for additional benefits in future years of service. The two funded defined benefit plans are managed by trustees. These plans are subject to minimum funding requirements. The risks related to these plans are represented by the change in actuarial assumptions and life expectancy. For example, a lower interest rate will result in higher pension obligations due to lower discounting, which in turn could result in higher fund provisioning. For the two funded plans, shares account for a relatively large portion of plan assets, in which case a higher return may be expected in the long-term, but which also bears a volatility risk. If the interest yield is lower than planned, fund financing will decrease and higher contributions might be required.

Post-employment benefit obligations, similar obligations and pension liabilities are rolled-forward as follows:

| | | | Dec. 31, 2017 | | | **Dec. 31, 2018** |
|---|---|---|---|---|---|---|
| | Domestic | Foreign | Total | Domestic | Foreign | Total |
| Defined benefit obligation - funded | 71,573 | 62,153 | 133,726 | 75,311 | 62,387 | 137,698 |
| Fair value of plan assets | 71,564 | 49,667 | 121,231 | 75,309 | 53,914 | 129,223 |
| **Funded status** | **9** | **12,486** | **12,495** | **2** | **8,473** | **8,475** |
| Defined benefit obligation - unfunded | 207,537 | 3,973 | 211,510 | 209,095 | 2,761 | 211,856 |
| **Net defined benefit obligation** | **207,546** | **16,459** | **224,005** | **209,097** | **11,234** | **220,331** |
| **Provision for other post-retirement benefits** | | **225** | **225** | | **98** | **98** |
| **Reported amount** | **207,546** | **16,684** | **224,230** | **209,097** | **11,332** | **220,429** |

| | Present value of the defined benefit obligation | Fair value of plan assets | Total |
|---|---|---|---|
| **Balance at Jan. 1, 2017** | **341,849** | **(112,097)** | **229,752** |
| Service cost | | | |
| Current service cost | 13,390 | | 13,390 |
| Past service cost | 121 | | 121 |
| Interest expense / (income) | 6,781 | (2,397) | 4,384 |
| Administration cost | | 252 | 252 |
| | **20,292** | **(2,145)** | **18,147** |
| **Remeasurement** | | | |
| Return on plan assets excluding amounts included in interest income | | (2,215) | (2,215) |
| Gains / (losses) from changes in demographic assumptions | 504 | | 504 |
| Gains / (losses) from changes in financial assumptions | (8,076) | | (8,076) |
| Experience-based adjustments | (1,520) | | (1,520) |
| | **(9,092)** | **(2,215)** | **(11,307)** |
| Translation adjustment | (3,629) | 2,725 | (904) |
| Contributions: | | | |
| Employer | | (7,192) | (7,192) |
| Beneficiaries of the plan | 3,907 | (3,907) | 0 |
| Pension payments | (7,565) | 2,847 | (4,718) |
| Change in reporting entities | 227 | | 227 |
| **Balance at Dec. 31, 2017** | **345,236** | **(121,231)** | **224,005** |
| Service cost | | | |
| Current service cost | 12,985 | | 12,985 |
| Past service cost | (616) | | (616) |
| Interest expense / (income) | 7,312 | (2,664) | 4,648 |
| Administration cost | | 249 | 249 |
| | **19,681** | **(2,415)** | **17,266** |
| **Remeasurement** | | | |
| Return on plan assets excluding amounts included in interest income | | 6,911 | 6,911 |
| Gains / (losses) from changes in demographic assumptions | 1,781 | | 1,781 |
| Gains / (losses) from changes in financial assumptions | (8,130) | | (8,130) |
| Experience-based adjustments | (5,866) | | (5,866) |
| | **(12,215)** | **6,911** | **(5,304)** |
| Translation adjustment | 1,333 | (1,176) | 157 |
| Contributions: | | | |
| Employer | | (10,781) | (10,781) |
| Beneficiaries of the plan | 4,372 | (4,372) | 0 |
| Pension payments | (8,853) | 3,841 | (5,012) |
| Change in reporting entities | | | 0 |
| **Balance at Dec. 31, 2018** | **349,554** | **(129,223)** | **220,331** |

The following table presents the significant actuarial assumptions of the pension plans:

| | Dec. 31, 2017 | | | Dec. 31, 2018 | | |
|---|---|---|---|---|---|---|
| | German plans | Dutch plans | U.S. plans | German plans | Dutch plans | U.S. plans |
| Discount rate | 2.1 % | 2.1 % | 3.5 % | 2.2 % | 2.2 % | 4.3 % |
| Rate of pension increase | 1.8 % | 0.5 % | | 1.8 % | 0.5 % | |

As in the previous year, the discount rate for employee benefit and similar obligations was determined based on the "Mercer Yield Curve Approach."

The life expectancy in Germany is based on the "Richttafeln 2018 G," which were developed by Prof. Dr. Klaus Heubeck. In total, the application of the new mortality tables (RT 2018 G/RT 2005 G) leads to an increase in the provision in Germany by approximately €2.3 million.

For the Netherlands, the most recent mortality table, "AG Prognosetafel 2018/2017," is used, which is subject to age-related adjustments. The "RP-2014 Mortality Tables" are applied in the U.S. with appropriate updates and projections taken into account.

The following table shows the changes in the present value of the defined benefit obligation resulting from changes in the relevant actuarial assumptions with the other assumptions remaining unchanged. This means no possible correlation effects were considered. For the German plans an increase or decrease of life expectancy of one year is assumed for a person who is exactly 65 years old. For employees who are either younger or older than 65, a corresponding adjustment is made, i.e. the change in life expectancy of younger employees is more than one year and that of older employees is less than one year. For the plans in the Netherlands and the U.S. an age-independent shift in the employees' life expectancy is assumed as of the reporting date:

| | | Dec. 31, 2017 | | Dec. 31, 2018 | |
|---|---|---|---|---|---|
| | | Effect on defined benefit obligation | | Effect on defined benefit obligation | |
| | Change in actuarial assumption | Defined benefit obligation | Change | Defined benefit obligation | Change |
| | | in € thousand | in % | in € thousand | in % |
| Present value of the defined benefit obligation[1] | | 325,295 | - | 329,253 | - |
| Discount rate | Increase by 50 basis points | 302,719 | (6.9) | 307,267 | (6.7) |
| | Decrease by 50 basis points | 351,188 | 8.0 | 354,549 | 7.7 |
| Rate of pension increase | Increase by 50 basis points | 336,781 | 3.5 | 340,007 | 3.3 |
| | Decrease by 50 basis points | 315,166 | (3.1) | 318,975 | (3.1) |
| Life expectancy | Increase by 1 year | 334,377 | 2.8 | 336,826 | 2.3 |
| | Decrease by 1 year | 316,059 | (2.8) | 321,585 | (2.3) |

[1] Present value of the German, Dutch and U.S. plans applying the actuarial assumptions as stated in the table above

The following table shows the fair values of the plan assets per category:

| | | | Dec. 31, 2017 | | | **Dec. 31, 2018** |
|---|---|---|---|---|---|---|
| | Price quotation in an active market | No price quotation in an active market | Total | Price quotation in an active market | No price quotation in an active market | Total |
| Bonds | 5,684 | | 5,684 | 7,667 | | 7,667 |
| Money market funds | 5,679 | | 5,679 | 4,384 | | 4,384 |
| Mixed funds | 65,735 | | 65,735 | 70,850 | | 70,850 |
| Shares | 7,204 | | 7,204 | 7,271 | | 7,271 |
| Insurances | | 36,095 | 36,095 | | 37,862 | 37,862 |
| Cash and cash equivalents | 650 | | 650 | 977 | | 977 |
| Other | | 184 | 184 | | 212 | 212 |
| **Fair value of plan assets** | **84,952** | **36,279** | **121,231** | **91,149** | **38,074** | **129,223** |

The domestic plan assets mainly comprise money market funds and mixed funds, while the foreign plan assets mainly comprise shares, debt instruments and insurances.

ALTANA aims to hedge future payments under the pension obligation with long-term returns from the portfolio of the plan assets. Therefore, the composition of the plan assets is geared to the sustainability of the income generated by increases in market values of the assets as well as dividends and interest income.

The actual return on the plan assets amounted to €4.5 million (loss) and €4.4 million (gain) for 2018 and 2017, respectively.

Plan assets do not include financial instruments issued by ALTANA or other assets or property used by the Company itself.

In 2019, the Company expects to pay benefits of €10.6 million to retirees compared to €10.7 million in 2018 and expects payments from plan assets of €5.4 million compared to €5.6 million in 2018. Contributions to plan assets by the employer are expected to be paid in an amount of €8.5 million in 2019 compared to €8.3 million in 2018. The expected expense for defined benefit plans including net interest expenses for 2019 is estimated to amount to €17.9 million and is unchanged to the estimate in 2018.

As of December 31, 2018 and 2017, the weighted average duration of the German, Dutch and U.S. employee benefit obligation is 19 years.

### Defined contribution plans

Defined contribution plans mainly exist in non-German subsidiaries. Additionally, the Company pays contributions to domestic and foreign governmental and private pension insurance organizations in accordance with legal regulations. The contributions are recognized as expense based on their function in the respective year and amounted to €26.0 million and €24.4 million in 2018 and 2017, respectively. No further obligations exist besides the contributions paid.

## 26. Other Provisions

| | Employees | Sales and marketing | Warranty | Other | Total |
|---|---|---|---|---|---|
| **Balance at Jan. 1, 2018** | **79,706** | **20,498** | **4,972** | **17,427** | **122,603** |
| Additions | 49,658 | 21,148 | 1,269 | 10,116 | 82,191 |
| Accretion | 271 | | | | 271 |
| Utilization | (61,908) | (19,022) | (1,177) | (9,233) | (91,340) |
| Reversal | (3,393) | (887) | (970) | (1,624) | (6,874) |
| Transfers | (5) | | | 5 | 0 |
| Translation adjustments | 532 | 256 | 3 | 168 | 959 |
| **Balance at Dec. 31, 2018** | **64,861** | **21,993** | **4,097** | **16,859** | **107,810** |
| **Thereof non-current** | | | | | |
| at Dec. 31, 2017 | 16,952 | 124 | | 1,290 | 18,366 |
| **at Dec. 31, 2018** | **17,281** | **248** | | **2,802** | **20,331** |

The employee-related provisions include provisions for employee incentive plans and bonuses. The non-current portion mainly relates to partial retirement (Altersteilzeit), anniversary benefits and employee incentive plans.

Provisions for sales and marketing pertain primarily to sales bonuses (refund liability from revenues) and commissions. As of January 1, 2018 and December 31, 2018, provisions for sales bonuses amounted to €8.7 million and €8.2 million, respectively. In 2018, €8.6 million were used and €0.3 million were released.

Provisions for warranty cover commitments in connection with goods delivered and services rendered. ALTANA expects that the current portion of the provisions will be utilized during 2019.

The item Other includes litigation, legal cost and professional fees, provision for taxes other than income taxes and contributions.

## 27. Other Liabilities

Other liabilities consist of the following:

| | Dec. 31, 2017 | | Dec. 31, 2018 | |
|---|---|---|---|---|
| | Other non-current liabilities | Other current liabilities | Other non-current liabilities | Other current liabilities |
| Balances due to fiscal authorities (incl. payroll taxes) | 13 | 12,058 | | 11,733 |
| Personnel-related liabilities | | 13,105 | | 13,332 |
| Social security contributions | | 2,940 | 446 | 3,502 |
| Employee incentive plans | 23,968 | 8,722 | 25,338 | 11,383 |
| Credit notes to customers | | 1,154 | | 1,598 |
| Balances due to related parties | | 112 | | 83 |
| Derivative financial instruments | | 189 | 206 | 4,022 |
| Deferred income | 805 | 1,221 | 1,871 | 1,441 |
| Refund liability | | | | 1,062 |
| Other | 1 | 7,964 | 1 | 5,359 |
| | **24,787** | **47,465** | **27,862** | **53,515** |

## 28. Additional Disclosures for Financial Instruments

**Measurement of Financial Instruments Based on Categories**

ALTANA uses different financial instruments. In accordance with accounting regulations for financial instruments, these financial instruments are classified based on their nature and function into several measurement categories. As a result of the initial application of IFRS 9 in 2018, financial assets are classified as follows: Debt instruments are classified as carried at amortized cost if the underlying business model objective is to hold assets to collect contractual cash flows and these cash flows are solely payments for principal and interest on the outstanding amount.

Financial instruments are classified as at fair value through profit or loss if the classification criteria of a debt instrument for amortized cost under IFRS 9 is not fulfilled, the financial instrument is a derivative financial instrument that hedge accounting is not applied to or in case of an equity instrument the OCI option is not exercised.

The changes in the classification and measurement of financial assets which were classified and measured in accordance with IAS 39 as of December 31, 2017 and the related effects on retained earnings resulting from the initial application of IFRS 9 as of January 1, 2018, are summarized in the following table. Classification and measurement of the financial liabilities remains unchanged.

"Available-for-sale financial asset – at cost" (AFS/AC) amounting to €9.7 million were reclassified to "Equity instruments at fair value through profit or loss" (EI/FVtPL). "Available-for-sale financial asset – at fair value" (AFS/FV) in the amount of €18.1 million were reclassified to "Debt instruments at fair value through profit or loss" (DI/FVtPL)

| | Category and measurement[1] IAS 39 | IFRS 9 | Balance at Dec. 31, 2017 (IAS 39) | Remeasurement | Balance at Jan. 1, 2018 (IFRS 9) | Change in retained earnings |
|---|---|---|---|---|---|---|
| Cash and cash equivalents | LaR / AC | DI / AC | 275,671 | | 275,671 | |
| Short-term financial assets | LaR / AC | DI / AC | 2,074 | | 2,074 | |
| Trade accounts receivable | LaR / AC | DI / AC | 372,788 | (1,672)[2] | 371,116 | (1,672) |
| Other interest-bearing non-derivative financial assets | LaR / AC | DI / AC | 55,616 | | 55,616 | |
| | LaR / AC | DI / FVtPL | 19 | | 19 | |
| Other non-interest-bearing non-derivative financial assets | LaR / AC | DI / AC | 58,296 | (86)[2] | 58,210 | (86) |
| | AFS / AC | DI / FVtPL | 223 | | 223 | |
| Marketable securities and long-term investments | AFS / AC | EI / FVtPL | 9,713 | 2,327[3] | 12,040 | 2,327 |
| | AFS / FV | DI / FVtPL | 18,104 | | 18,104 | 162[3] |
| Derivative financial assets - hedge accounting | HI / FV | HI / FVtOCI | 4,907 | | 4,907 | |
| Derivative financial assets - without hedge accounting | FA / FVtPL | DI / FVtPL | 15,078 | | 15,078 | |
| | FA / FVtPL | EI / FVtPL | 88 | 119[4] | 207 | 119 |

[1] Explanation of the abbreviations used:

LaR / AC: Loans and receivables / at amortized cost

AFS / AC: Financial assets available for sale / at cost

AFS / FV: Financial assets available for sale / at fair value

HI / FV: Hedging instruments / at fair value

FA / FVtPL: Financial assets (available for sale) / at fair value through profit or loss

DI / AC: Debt Instruments / at amortized cost

EI / FVtPL: Equity Instruments / at fair value through profit or loss

HI / FVtOCI: Hedging instruments / at fair value through other comprehensive income

DI / FVtPL: Debt instruments / at fair value through profit or loss

[2] Remeasurement due to application of the impairment model

[3] Remeasurement due to a change in the measurement category

[4] Remeasurement due to change in measurement model

The following tables provide a reconciliation of the items in the statement of financial position to the different categories of financial instruments, their carrying amounts and fair values as of December 31, 2018 in accordance with IFRS 9 and as of December 31, 2017 in accordance with IAS 39.

The carrying amounts of cash and cash equivalents, short-term financial investments and trade accounts receivable approximate their fair values due to the short-term maturities of these instruments.

The carrying amounts of marketable securities and equity investments equal their fair values. For marketable securities traded on the stock exchange the fair values correspond to the quotation on the stock exchange (hierarchy level 1) at the reporting date. Investments not traded on the stock exchange are measured at fair value (hierarchy level 3). A sale of these investments is currently not planned.

The carrying amounts of derivative financial assets and liabilities equal their fair values.

The fair values of interest bearing other non-derivative financial assets and liabilities measured at amortized cost equal the present values of their future estimated cash flows. The present values are calculated taking the currency, interest rates and duration parameters at each reporting date into consideration.

Trade accounts payable and other non-interest bearing non-derivative liabilities allocated to other current liabilities, generally have a short remaining maturity; therefore, their carrying amount approximates their fair value. Debt allocated to other non-interest bearing non-derivative financial liabilities essentially relate to earn-out payments in connection with the acquisition of Cytec Olean Inc. and represent fair values which are largely assigned to hierarchy level 3. The fair value of the earn-out payment depends on the achievement of certain sales targets. If the estimated sales change by +/- 10 %, the financial liability and the financial result will change by +/- €3.8 million. On January 1, 2018, the financial liability amounted to €11.4 million and on December 31, 2018 to €8.4 million. The change of the liability results from payments amounting to €3.5 million and from exchange rate effects of €0.3 million which are reported in other comprehensive income.

The fair value of loan receivables, other financial assets and liabilities and bank debt is measured at the present value of the expected cash inflows or cash outflows of the related financial instruments and is therefore allocated to hierarchy level 2. In principal, the fair value of derivative financial assets and liabilities is measured at the present value of the expected cash inflows or cash outflows of the related financial instruments and is therefore allocated to hierarchy level 2.

Derivative share options are measured at fair value through profit or loss and are assigned to hierarchy level 3. The fair value is determined using an option pricing model because the underlying value of the option is not a listed company and therefore no market-oriented volatilities or correlations are available. The Company uses the Black-Scholes-Modell employing the Magrabe-Formula to determine the fair value.

In measuring the options the company value and the variable purchase price are compared. The company value is determined based on discounted estimated future cash flows using an interest rate representing a market interest. The variable purchase price is a determined as multiplier of a profit target taking into account different scenarios.

The options have a term of multiple years.

As of January 1, 2018, the carrying amount of the derivative share option was €0.2 million. Unrealized gains of €0.4 million increased the carrying amount to €0.6 million as of December 31, 2018 and are reported in the financial result.

| | Loans and receivables | Available-for-sale financial assets | | Financial assets at fair value through profit or loss | Dec. 31, 2017 Carrying amount Hedging instruments (hedge accounting) | Dec. 31, 2017 Fair value |
|---|---|---|---|---|---|---|
| | at amortized cost | at cost | at fair value | at fair value | at fair value | |
| **Cash and cash equivalents** | **275,671** | | | | | **275,671** |
| thereof in | | | | | | |
| Cash and cash equivalents | 275,671 | | | | | 275,671 |
| **Short-term financial assets** | **2,074** | | | | | **2,074** |
| thereof in | | | | | | |
| Short-term financial assets | 2,074 | | | | | 2,074 |
| **Trade accounts receivable** | **372,788** | | | | | **372,788** |
| thereof in | | | | | | |
| Trade accounts receivable | 371,911 | | | | | 371,911 |
| Other current assets | 877 | | | | | 877 |
| **Other interest-bearing non-derivative financial assets** | **55,635** | | | | | **55,429** |
| thereof in | | | | | | |
| Long-term investments | 54,140 | | | | | 53,934 |
| Other current assets | 1,495 | | | | | 1,495 |
| **Other non-interest-bearing non-derivative financial assets** | **58,296** | **223** | | | | **58,519** |
| thereof in | | | | | | |
| Other non-current assets | | 223 | | | | 223 |
| Other current assets | 58,296 | | | | | 58,296 |
| **Marketable securities and long-term investments** | | **9,713** | **18,104** | | | **27,817** |
| thereof in | | | | | | |
| Long-term investments | | 9,087 | | | | 9,087 |
| Marketable securities | | 626 | 18,104 | | | 18,730 |
| **Derivative financial assets - hedge accounting** | | | | | **4,907** | **4,907** |
| thereof in | | | | | | |
| Other non-current assets | | | | | 770 | 770 |
| Other current assets | | | | | 4,137 | 4,137 |
| **Derivative financial assets - without hedge accounting** | | | | **15,166** | | **15,166** |
| thereof in | | | | | | |
| Other non-current assets | | | | 88 | | 88 |
| Other current assets | | | | 15,078 | | 15,078 |
| | **764,464** | **9,936** | **18,104** | **15,166** | **4,907** | **812,371** |

| | | | Dec. 31, 2018 | Dec. 31, 2018 |
|---|---|---|---|---|
| | | | Carrying amount | Fair value |
| | | Financial assets | Hedging instruments (hedge accounting) | |
| | at amortized cost | at fair value through profit or loss | at fair value | |
| **Cash and cash equivalents** | **239,652** | | | **239,652** |
| thereof in | | | | |
| Cash and cash equivalents | 239,652 | | | 239,652 |
| **Short-term financial assets** | **2,690** | | | **2,690** |
| thereof in | | | | |
| Short-term financial assets | 2,690 | | | 2,690 |
| **Trade accounts receivable** | **384,844** | | | **384,844** |
| thereof in | | | | |
| Trade accounts receivable | 384,180 | | | 384,180 |
| Other current assets | 663 | | | 663 |
| **Other interest-bearing non-derivative financial assets** | **6,273** | | | **4,736** |
| thereof in | | | | |
| Long-term investments | 6,273 | | | 4,736 |
| **Other non-interest-bearing non-derivative financial assets** | **59,816** | **250** | | **60,066** |
| thereof in | | | | |
| Other non-current assets | | 250 | | 250 |
| Other current assets | 59,816 | | | 59,816 |
| **Marketable securities and long-term investments** | | **37,957** | | **37,957** |
| thereof in | | | | |
| Long-term investments | | 16,050 | | 16,050 |
| Marketable securities | | 21,907 | | 21,907 |
| **Derivative financial assets - hedge accounting** | | | **8** | **8** |
| thereof in | | | | |
| Other current assets | | | 8 | 8 |
| **Derivative financial assets - without hedge accounting** | | **667** | | **667** |
| thereof in | | | | |
| Other non-current assets | | 605 | | 605 |
| Other current assets | | 62 | | 62 |
| | **693,275** | **38,874** | **8** | **730,620** |

| | Dec. 31, 2017 | | | Dec. 31, 2017 |
|---|---|---|---|---|
| | Carrying amount | | | Fair value |
| | Financial liabilities | Financial liabilities at fair value through profit or loss | Hedging instruments (hedge accounting) | |
| | At amortized cost | at fair value | at fair value | |
| **Trade accounts payable** | **192,936** | | | **192,936** |
| thereof in | | | | |
| Trade accounts payable | 191,782 | | | 191,782 |
| Other current liabilities | 1,154 | | | 1,154 |
| **Other interest-bearing non-derivative financial liabilities** | **192,482** | | | **198,400** |
| thereof in | | | | |
| Non-current debt | 128,152 | | | 132,229 |
| Current debt | 64,218 | | | 66,059 |
| Other current liabilities | 112 | | | 112 |
| **Other non-interest-bearing non-derivative financial liabilities** | **6,229** | **11,439** | | **17,668** |
| thereof in | | | | |
| Non-current debt | | 6,592 | | 6,592 |
| Current debt | | 4,847 | | 4,847 |
| Other current liabilities | 6,229 | | | 6,229 |
| **Derivative financial liabilities - hedge accounting** | | | **19** | **19** |
| thereof in | | | | |
| Other non-current liabilities | | | | |
| Other current liabilities | | | 19 | 19 |
| **Derivative financial liabilities - without hedge accounting** | | **170** | | **170** |
| thereof in | | | | |
| Other current liabilities | | 170 | | 170 |
| | **391,647** | **11,609** | **19** | **409,193** |

| | | | Dec. 31, 2018 | Dec. 31, 2018 |
|---|---|---|---|---|
| | | | Carrying amount | Fair value |
| | | Financial liabilities | Hedging instruments (hedge accounting) | |
| | at amortized cost | at fair value | at fair value | |
| **Trade accounts payable** | **196,260** | | | **196,260** |
| thereof in | | | | |
| Trade accounts payable | 194,662 | | | 194,662 |
| Other current liabilities | 1,598 | | | 1,598 |
| **Other interest-bearing non-derivative financial liabilities** | **137,097** | | | **137,764** |
| thereof in | | | | |
| Non-current debt | 56,913 | | | 56,901 |
| Current debt | 80,101 | | | 80,780 |
| Other current liabilities | 83 | | | 83 |
| **Other non-interest-bearing non-derivative financial liabilities** | **5,479** | **8,357** | | **13,836** |
| thereof in | | | | |
| Non-current debt | | 6,000 | | 6,000 |
| Current debt | | 2,357 | | 2,357 |
| Other current liabilities | 5,479 | | | 5,479 |
| **Derivative financial liabilities - hedge accounting** | | | **2,795** | **2,795** |
| thereof in | | | | |
| Other non-current liabilities | | | 206 | 206 |
| Other current liabilities | | | 2,589 | 2,589 |
| **Derivative financial liabilities - without hedge accounting** | | **1,433** | | **1,433** |
| thereof in | | | | |
| Other current liabilities | | 1,433 | | 1,433 |
| | **338,836** | **9,790** | **2,795** | **352,088** |

**Income Effect According to Measurement Categories**

The following table provides the net result from financial instruments according to the measurement categories. The net financial result contains interest income, interest expense, gains and losses from the sale of financial instruments, dividends received and, additionally, changes in the fair value of derivative financial instruments not designated in a hedging relationship. The net financial result reported only includes income and expense related to financial instruments and their categories. Interest expense from employee benefit and lease obligations as well as changes in the fair values and interest recognized in connection with hedge accounting are therefore not included. The net operating result includes losses on trade accounts receivable.

| | Net financial result | Net operating result | Net result |
|---|---|---|---|
| 2017 | | | |
| Loans and receivables | (20,077) | (400) | (20,476) |
| Available-for-sale financial assets | 2,032 | | 2,032 |
| Financial liabilities measured at amortized cost | (5,879) | | (5,879) |
| Financial instruments at fair value through profit or loss | 20,097 | | 20,097 |
| **Total** | **(3,826)** | **(400)** | **(4,226)** |

In 2017, the net financial result includes interest income generated by financial instruments measured at amortized cost amounting to €4.4 million and interest expense incurred by financial instruments measured at amortized cost amounting to €5.9 million. Interest income and interest expense are measured by applying the effective interest method.

| | Net financial result | Net operating result | Net result |
|---|---|---|---|
| **2018** | | | |
| at amortized cost | 4,518 | (2,437) | 2,082 |
| at fair value through profit or loss | 1,507 | | 1,507 |
| Derivatives at fair value through profit and loss | (6,994) | | (6,994) |
| **Total** | **(968)** | **(2,437)** | **(3,405)** |

In 2018, the net financial result includes interest income generated by financial instruments measured at amortized cost amounting to €3.2 million and interest expense incurred by financial instruments measured at amortized cost amounting to €3.9 million. Interest income and interest expense are measured by applying the effective interest method. In 2018, no gains and losses from the disposal of financial instruments at amortized cost were realized.

Impairment losses on financial instruments at amortized cost amount to €3.5 million. Of this amount €3.4 million relate to trade accounts receivable.

**Risk Analysis**

Liquidity Risk: To assure the solvency and financial flexibility of ALTANA, the Company retains a liquidity reserve through cash and cash equivalents and lines of credit.

The following tables show the contractual amortization including the undiscounted interest payments for non-derivative and derivative financial instruments with a positive and a negative fair value. All non-derivative and derivative financial instruments as of December 31, 2018 and 2017, respectively, for which contractual payments had already been agreed, are included. Variable interest payments resulting from non-derivative financial instruments were estimated based on the interest rates applicable at the respective reporting dates. Budgeted amounts for future expected liabilities were not considered. Foreign currency amounts were translated based on the exchange rates as of the reporting dates. The cash flows attached to the foreign currency derivatives were calculated based on the respective forward rates.

| | | Due within one year | Due within two years | Due within three years | Due within four years | Due within five years | Due after five years |
|---|---|---|---|---|---|---|---|
| **Trade accounts payable** | Dec. 31, 2017 | 192,936 | | | | | |
| | **Dec. 31, 2018** | **196,260** | | | | | |
| **Other interest-bearing non-derivative financial liabilities** | Dec. 31, 2017 | 67,977 | 82,051 | 49,200 | 30 | 30 | 30 |
| | **Dec. 31, 2018** | **82,202** | **49,200** | **43** | **43** | **55** | **8,743** |
| **Other non-interest-bearing non-derivative financial liabilities** | Dec. 31, 2017 | 11,075 | 2,297 | 1,432 | 1,432 | 1,432 | |
| | **Dec. 31, 2018** | **7,836** | **1,500** | **1,500** | **1,500** | **1,500** | |
| **Irrevocable credit commitments and other financial contingent liabilities** | Dec. 31, 2017 | 19,607 | | | | | |
| | **Dec. 31, 2018** | **4,003** | | | | | |
| **Total** | Dec. 31, 2017 | 291,595 | 84,348 | 50,632 | 1,462 | 1,462 | 30 |
| | **Dec. 31, 2018** | **290,301** | **50,700** | **1,543** | **1,543** | **1,555** | **8,743** |

| | | Due within one year | Due within two years | Due within three years | Due within four years | Due within five years | Due after five years |
|---|---|---|---|---|---|---|---|
| **Forward foreign exchange contracts with positive fair value** | | | | | | | |
| Cash inflow | Dec. 31, 2017 | 233,349 | 19,647 | | | | |
| Cash outflow | Dec. 31, 2017 | (214,770) | (19,236) | | | | |
| Net | Dec. 31, 2017 | 18,579 | 411 | | | | |
| **Cash inflow** | **Dec. 31, 2018** | **6,945** | **2,637** | | | | |
| **Cash outflow** | **Dec. 31, 2018** | **(440)** | | | | | |
| **Net** | **Dec. 31, 2018** | **6,505** | **2,637** | | | | |
| **Forward foreign exchange contracts with negative fair value** | | | | | | | |
| Cash inflow | Dec. 31, 2017 | 53,018 | | | | | |
| Cash outflow | Dec. 31, 2017 | (53,912) | | | | | |
| Net | Dec. 31, 2017 | (894) | | | | | |
| **Cash inflow** | **Dec. 31, 2018** | **74,538** | **17,627** | | | | |
| **Cash outflow** | **Dec. 31, 2018** | **(15,876)** | | | | | |
| **Net** | **Dec. 31, 2018** | **58,662** | **17,627** | | | | |

Credit Risk: The Company is exposed to credit risk if business partners do not fulfill their obligations. ALTANA continuously analyzes the creditworthiness of significant debtors. Based on its international operations and a diversified customer structure ALTANA has no concentration of credit risk. The Company does not generate sales of more than 3 % with one single customer and generates less than 20 % with its ten most significant customers combined. Receivables are monitored locally in the operating subsidiaries on an ongoing basis. Financing transactions are mainly carried out with contractual partners who have a credit rating of "Investment Grade." Furthermore, rating-based credit limits are defined for each contracting party that ALTANA invests with.

The carrying amount of all trade accounts receivable (see also note 18), marketable securities, long-term investments, cash and cash equivalents and other current and non-current assets represents ALTANA's maximum credit risk.

IFRS 9 requires the calculation of the expected credit risk for financial assets measured at amortized cost.

ALTANA considers an expected credit loss on trade accounts receivables on the basis of the lifetime expected credit loss as these receivables do not contain a significant financing components. As of January 1, 2018, this resulted in an effect from the initial application of €1.7 million.

As of December 31, 2018, other receivables and assets include bills receivable from Chinese customers in the amount of €59.2 million for which a risk provision of €0.2 million was recognized. Due to this low credit risk, ALTANA uses this option: The expected credit default is determined on the basis of an expected loss within 12 months ("low credit risk assets"). As of January 1, 2018, this resulted in an effect from initial application of €0.1 million. As of January 1, 2018, the total amount of bills receivable subject to a credit risk amounted to €56.9 million.

The maximum credit risk exposure for each measurement category is as follows:

| | **Dec. 31, 2018** |
|---|---|
| **Exposure applying the impairment model** | |
| Financial assets - at amortized cost | 693,275 |
| **Exposure without application of the impairment model** | |
| Financial assets - at fair value through profit or loss | 38,874 |
| **Total** | **732,149** |

The reconciliation of the loss allowance for financial assets under IAS 39 (incurred loss) to IFRS 9 (expected loss) is as follows:

| | Dec. 31, 2017 | Remeasurement | Jan. 1, 2018 |
|---|---|---|---|
| at amortized cost (IAS 39) - at amortized cost (IFRS 9) | 4,193 | 1,758 | 5,950 |
| at acquisition cost (IAS 39) - at fair value through profit or loss (IFRS 9) | 758 | (758) | 0 |

As of the reporting date no significant agreements reducing the maximum credit risk and no financial assets existed, that were credit-impaired when purchased.

Currency Risk: The Company is subject to currency risk associated with its international operations. Currency risk occurs for financial instruments which are denominated in another than the functional currency. Foreign currency translation risk resulting from the consolidation of foreign subsidiaries is not considered. For hedging instruments used by the Company to limit the exposure to foreign currency rate fluctuations see "Hedging."

The main currency fluctuation risks relate to exchange rate changes of the USD, JPY and CNY compared to the Euro.

The following table provides the effects of a 10 % quantitative change of currency exchange rates on profit or loss and other comprehensive income for the item "Derivatives and other financial instruments" (see table "Foreign Currency" in note 2):

| | | Effect on profit or loss | | Change in other comprehensive income | |
|---|---|---|---|---|---|
| | | exchange rate plus 10 % | exchange rate minus 10 % | exchange rate plus 10 % | exchange rate minus 10 % |
| **Derivatives** | | | | | |
| **USD** | Dec. 31, 2017 | 19,427 | (19,427) | 3,075 | (3,075) |
| | **Dec. 31, 2018** | **(109)** | **109** | **3,945** | **(3,945)** |
| **JPY** | Dec. 31, 2017 | 1,052 | (1,052) | 2,816 | (2,816) |
| | **Dec. 31, 2018** | **477** | **(477)** | **3,479** | **(3,479)** |
| **CHF** | Dec. 31, 2017 | 280 | (280) | | |
| | **Dec. 31, 2018** | **801** | **(801)** | | |
| **CNY** | Dec. 31, 2017 | | | | |
| | **Dec. 31, 2018** | **373** | **(373)** | | |
| **Total** | Dec. 31, 2017 | 20,759 | (20,759) | 5,891 | (5,891) |
| | **Dec. 31, 2018** | **1,541** | **(1,541)** | **7,424** | **(7,424)** |

| | | Effect on profit or loss | |
|---|---|---|---|
| | | exchange rate plus 10 % | exchange rate minus 10 % |
| **Other financial instruments** | | | |
| **USD** | Dec. 31, 2017 | (20,945) | 20,945 |
| | **Dec. 31, 2018** | **(6,107)** | **6,107** |
| **JPY** | Dec. 31, 2017 | (1,164) | 1,164 |
| | **Dec. 31, 2018** | **(1,504)** | **1,504** |
| **Total** | Dec. 31, 2017 | (22,109) | 22,109 |
| | **Dec. 31, 2018** | **(7,611)** | **7,611** |

Interest Rate Risk: ALTANA is exposed to changes in interest rates. The majority of interest-sensitive assets and liabilities are marketable securities (money market funds) and debt. For those assets or liabilities that are variable rate instruments, changes in the interest rate will result in changes in the expected cash flows and will affect profit or loss. The fair value of fixed interest rate financial assets and liabilities measured at fair value through profit and loss is affected by changes in the interest rate and the resulting change in the fair value is reported in profit or loss.

The following table shows the profit or loss effect as well as changes in other comprehensive income on interest-bearing assets and liabilities resulting from a change in the average market rate of interest of 50 basis points. The sensitivity analysis was performed under the assumption that the interest rate may decrease to below zero percent. The effect on interest rate fluctuations on forward foreign exchange derivatives is insignificant.

| | | Effect on profit or loss | | Change in other comprehensive income | |
|---|---|---|---|---|---|
| | | plus 50 basis points | minus 50 basis points | plus 50 basis points | minus 50 basis points |
| **Other financial instruments** | Dec. 31, 2017 | 8 | (8) | 91 | (91) |
| | **Dec. 31, 2018** | **117** | **(117)** | | |

## Hedging

ALTANA has established policies and procedures for assessing risks related to derivative financial instrument activities and uses derivative financial instruments exclusively for hedging purposes.

Forward Foreign Exchange Contracts: The Company uses forward foreign exchange contracts to hedge foreign currency exchange risks resulting from intercompany loans, accounts receivable and forecast transactions of subsidiaries with external counterparties. Hedging instruments with maximum terms of up to 18 months are used to hedge forecast transactions of subsidiaries in USD and JPY and are recognized as cash flow hedges. In accordance with the ALTANA hedging strategy, 75 % of the forecast transactions of the first six months, 60 % of the following six months, and 30 % of the subsequent six months of the forecast transactions are hedged. The volume of the hedged transactions as described above is reduced when the occurrence of the transactions is not highly probable. Currently, the maturity dates of these contracts are less than two years. Furthermore, forward foreign exchange contracts are used to hedge the foreign exchange risk attached to intercompany loans denominated in foreign currencies.

## Cash Flow Hedges

Hedging of Anticipated Sales Denominated in Foreign Currencies: ALTANA has entered into forward foreign exchange contracts for forecast sales transactions denominated in USD and JPY for its subsidiaries and has designated them as cash flow hedges. At December 31, 2018 and 2017, the fair values are as follows:

| | | Positive fair value | Negative fair value | Total fair value |
|---|---|---|---|---|
| **USD** | Dec. 31, 2017 | 1,647 | (1) | 1,646 |
| | **Dec. 31, 2018** | **7** | **(1,674)** | **(1,666)** |
| **JPY** | Dec. 31, 2017 | 2,265 | | 2,265 |
| | **Dec. 31, 2018** | **1** | **(1,121)** | **(1,120)** |

Amounts relating to forward foreign exchange contracts are reclassified from accumulated other comprehensive income to profit or loss when the hedged item is realized. In 2018 a decrease in fair value of €4.8 million and in 2017 an increase in fair value of €6.5 million, respectively, was recognized in other comprehensive income. In 2018 and 2017, respectively, €2.4 million (increase in net sales) and €0.1 million (reduction in net sales), were reclassified from other comprehensive income to net sales. Ineffectiveness may occur in the context of hedging relationships. This is of minor importance for ALTANA and results exclusively from credit risk of the counterparties of the hedging transactions.
The following table shows the nominal amount and the carrying amount of the hedging transactions as well as the change in fair value of the underlying transaction and hedging instrument to determine their ineffectiveness. In addition, the amount reported in other comprehensive income for the designated and undesignated components in equity is disclosed.

| | Nominal amount | Fair value | Change in fair value to identify ineffectiveness | | Hedging / Cost of Hedging Reserve for Cash Flow Hedges | | | |
|---|---|---|---|---|---|---|---|---|
| | | | hedging instrument | underlying transaction | active | | discontinued | |
| | | | | | designated component | non-designated component | designated component | non-designated component |
| **2018** | | | | | | | | |
| **Derivative assets** | | | | | | | | |
| thereof | | | | | | | | |
| USD | 1,501 | 7 | 7 | (8) | 17 | (9) | | |
| JPY | 1,136 | 1 | 1 | (1) | 3 | (2) | 26 | |
| **Derivative liabilities** | | | | | | | | |
| thereof | | | | | | | | |
| USD | 36,241 | (1,674) | (1,674) | 1,570 | (1,008) | (675) | (29) | (135) |
| JPY | 32,493 | (1,121) | (1,121) | 1,153 | (939) | (46) | | |

The following table shows the average hedging rate, the forecast cash flows of the hedged transactions which corresponds to the maturities of the forward foreign exchange transactions.

| | | Total nominal amount | Nominal amount due in 2019 (prior year: 2018) | Nominal amount due in 2020 (prior year: 2019) | average hedging rate |
|---|---|---|---|---|---|
| **USD** | Dec. 31, 2017 | 35,571 | 23,330 | 12,241 | 1.13 |
| | **Dec. 31, 2018** | **46,126** | **33,203** | **12,923** | **1.22** |
| **JPY** | Dec. 31, 2017 | 3,498,000 | 2,279,000 | 1,219,000 | 123.74 |
| | **Dec. 31, 2018** | **4,375,000** | **3,122,000** | **1,253,000** | **130.10** |

The following table shows the gains or losses from cash flow hedges resulting from ineffectiveness, other adjustments (premature termination or rebalancing) and reclassifications to profit and loss due to realizations.

| | gains / losses recognized in equity | Ineffectiveness recognized in profit and loss | Item of the statement of comprehensive income for recording ineffectiveness | Reclassification from the CFH reserve to profit or loss due to | | Item in the statement of comprehensive income that contains the reclassification |
|---|---|---|---|---|---|---|
| | | | | adjustment of the hedging relationship | realization | |
| **2018** | | | | | | |
| Currency risk hedging | (2,797) | | Other operating expenses / income | | 2,967 | Net sales |

The following table shows the development for the current reporting year for other comprehensive income from foreign currency cash flow hedges:

| | designated component | non-designated component |
|---|---|---|
| Balance at Dec. 31, 2017 | 4,468 | 0 |
| Change in fair value of derivative financial instruments | (2,973) | (1,386) |
| Reasons for reclassification: | | |
| Realization of the underlying transaction | (2,943) | 518 |
| **Balance at Dec. 31, 2018** | **(1,448)** | **(868)** |

### Fair Value Hedges

Hedging of Contracted Sales Denominated in Foreign Currencies: With the initial application of IFRS 9 as of January 1, 2018 fair value hedges were discontinued.

At December 31, 2017, in accordance with IAS 39 ALTANA designated forward foreign exchange contracts with a nominal value of USD 8.0 million and of JPY 731.0 million, respectively, as fair value hedges. The fair value of these hedging instruments amounted to €0.4 million for the USD derivatives and €0.6 million for the JPY derivatives. These contracts relate to sales transactions denominated in USD and JPY with subsidiaries. In 2017, the effect of the fair value hedge on profit or loss amounted to €0.6 million and thereby offset the effect of the measurement of the hedged transactions.

### Hedging of Intercompany Foreign Currency Loans and Receivables

In 2018, ALTANA entered into forward foreign exchange contracts with a nominal value of USD 325.3 million (2017: USD 247.5 million), of JPY 600.0 million (2017: JPY 700.0 million), of CHF 11.0 million (2017: CHF 4.0 million), of GBP 7.0 million (2017: GBP 5.0 million) and of CNY 66.0 million to hedge intercompany foreign currency loans and receivables for which no offsetting items existed. These forward foreign exchange contracts which serve as economic hedge of the foreign currency exchange rate risk are not designated in a hedging relationship that qualifies for hedge accounting and consequently, changes in their fair values are recognized in the financial result.

| | | Positive fair value | Negative fair value | Total fair value |
|---|---|---|---|---|
| **USD** | Dec. 31, 2017 | 14,317 | (146) | 14,171 |
| | **Dec. 31, 2018** | **57** | **(879)** | **(822)** |
| **JPY** | Dec. 31, 2017 | 533 | | 533 |
| | **Dec. 31, 2018** | | **(272)** | **(272)** |
| **CHF** | Dec. 31, 2017 | 228 | (5) | 223 |
| | **Dec. 31, 2018** | **4** | **(234)** | **(230)** |
| **GBP** | Dec. 31, 2017 | | (19) | (19) |
| | **Dec. 31, 2018** | | | |
| **CNY** | Dec. 31, 2017 | | | |
| | **Dec. 31, 2018** | **1** | **(48)** | **(47)** |

### Offsetting of Financial Instruments

Under the German Master Agreement for Financial Futures all derivative financial instruments that ALTANA has concluded are subject to offsetting agreements, which allow for offsetting in event of default by one party. The amounts reported in trade accounts receivable and trade accounts payable result from credit notes issued and received. The following tables present the amounts of the financial assets and financial liabilities actually offset in the statements of financial position as well as potential offsetting amounts under global netting and other offsetting agreements:

| | | Gross carrying amount | Offsetting amounts, offset in the statements of financial position | Net carrying amount | Potential offsetting amounts, not offset in the statements of financial position | Net amount after potential offsetting |
|---|---|---|---|---|---|---|
| **Receivables from forward exchange transactions** | Dec. 31, 2017 | 19,985 | | 19,985 | 189 | 19,796 |
| | **Dec. 31, 2018** | **70** | | **70** | **21** | **49** |
| **Trade accounts receivable** | Dec. 31, 2017 | 380,580 | 8,669 | 371,911 | | 371,911 |
| | **Dec. 31, 2018** | **393,803** | **9,623** | **384,180** | | **384,180** |
| **Total** | Dec. 31, 2017 | 400,565 | 8,669 | 391,897 | 189 | 391,707 |
| | **Dec. 31, 2018** | **393,873** | **9,623** | **384,251** | **21** | **384,229** |

| | | Gross carrying amount | Offsetting amounts, offset in the statements of financial position | Net carrying amount | Potential offsetting amounts, not offset in the statements of financial position | Net amount after potential offsetting |
|---|---|---|---|---|---|---|
| **Liabilities from forward exchange transactions** | Dec. 31, 2017 | 189 | | 189 | 189 | 0 |
| | **Dec. 31, 2018** | **4,227** | | **4,227** | **21** | **4,206** |
| **Trade accounts payable** | Dec. 31, 2017 | 193,145 | 1,363 | 191,782 | | 191,782 |
| | **Dec. 31, 2018** | **195,895** | **1,233** | **194,662** | | **194,662** |
| **Total** | Dec. 31, 2017 | 193,334 | 1,363 | 191,971 | 189 | 191,782 |
| | **Dec. 31, 2018** | **200,122** | **1,233** | **198,889** | **21** | **198,868** |

## 29. Commitments and Contingencies

### Guarantees and Other Commitments

| | Dec. 31, 2017 | **Dec. 31, 2018** |
|---|---|---|
| Purchase commitments for intangible assets | 718 | 1,535 |
| Purchase commitments for property, plant and equipment | 41,325 | 48,016 |
| Guarantee for pension obligation from divestments | 8,762 | 8,434 |
| Irrevocable credit commitments | 16,000 | |
| Other contingent financial liabilities | 3,607 | 4,003 |
| | **70,412** | **61,988** |

In 1995, the Company sold its Dietetics business line. In accordance with the German Civil Code, the Company remains liable for the pension commitments for holders of annuities and prospective beneficiaries since the sale was consummated as an asset deal. The Company is obliged to make payments on demand of the former employees, but has the right of refund from the acquirer according to the purchase agreement. No payments have been requested so far.

The irrevocable loan commitment relates to the long-term loan that ALTANA granted to Landa Labs in 2017 which was fully repaid in 2018 (see note 15). No such commitment exists in 2018.

### Rental and Lease Arrangements

The Company rents and leases property and equipment used in its operations. The rental and lease contracts expire on various dates in the future.

Future minimum lease payments for non-cancelable operating and finance leases are:

| | Finance lease | | Operating lease | |
|---|---|---|---|---|
| | Dec. 31, 2017 | **Dec. 31, 2018** | Dec. 31, 2017 | **Dec. 31, 2018** |
| 2019 (prior year: 2018) | 208 | 185 | 11,796 | 11,130 |
| 2020 (prior year: 2019) | 185 | 46 | 8,544 | 7,373 |
| 2021 (prior year: 2020) | 46 | | 5,481 | 4,967 |
| 2022 (prior year: 2021) | | | 3,475 | 2,970 |
| 2023 (prior year: 2022) | | | 2,188 | 2,225 |
| Due thereafter | | | 6,145 | 18,898 |
| **Total minimum lease payments** | **439** | **231** | **37,629** | **47,563** |
| Less amount representing interest | 6 | 2 | | |
| **Present value of lease payments** | **433** | **229** | | |
| Less current portion | 204 | 183 | | |
| **Non-current lease obligation** | **229** | **46** | | |

Total rent and lease expense was €18.8 million and €16.8 million for the years ended December 31, 2018 and 2017, respectively.

## 30. Related Party Transactions

Members of the Boards of ALTANA AG and SKion GmbH, the sole shareholder of the Company, as well as their close family members are considered related parties. Apart from the compensation as disclosed in note 31 and the regular dividends distributed to SKion GmbH no other business relationship existed, with the exception of a €47 thousand reimbursement of costs incurred for the capital increase in Landa.

Mrs. Susanne Klatten is the sole shareholder of SKion GmbH and deputy chairwoman of the Supervisory Board of ALTANA AG. Mrs. Klatten is also shareholder and member of the Supervisory Board of Bayerische Motoren Werke AG (BMW) and shareholder and chairwoman of the Supervisory Board of SGL Carbon SE.

Other SKion GmbH investments include Envio Group, Eliquo Water Group and SKion Water International Group.

Associated companies in which ALTANA holds an ownership interest but which are not included in the consolidated financial statements and investments accounted for at equity are also considered related parties. Receivables and liabilities resulting from transactions with those related parties are reported in other assets and other liabilities.

The following table presents all balances and transactions with related parties:

| | Dec. 31, 2017 | **Dec. 31, 2018** |
|---|---|---|
| Receivables from related parties | 46 | 84 |
| Balances due to related parties | 650 | 735 |

| | 2017 | **2018** |
|---|---|---|
| **Related party transactions** | | |
| Sales | 403 | 500 |
| Other income | | 48 |
| Services and goods acquired | 1,707 | 1,754 |
| Lease expense | 2,421 | 2,315 |

In 2018 and 2017, ALTANA purchased or leased company cars from the BMW Group. The relevant lease and purchase contracts were all concluded at arm's length.

The lease expense relates to leasing contracts for company cars with Alphabet Fuhrparkmanagement GmbH (BMW Group). In 2018 and 2017, further transactions with BMW Group are included in revenues in the amount of €0.4 million and €0.3 million, respectively.

## 31. Compensation of the Supervisory Board and Management Board

The compensation of the Supervisory Board is governed by section 18 of ALTANA AG's articles of association. The amount of the compensation is based on the tasks and responsibilities of the Supervisory Board members and on the size and economic success of the Company. The compensation is comprised of a fixed and a variable component. The variable component is determined based on the operating income (EBIT) of ALTANA.

In 2018 and 2017, respectively, compensation of the Supervisory Board amounted to €1.1 million and €1.2 million of which €0.5 million and €0.6 million related to variable compensation and €0.6 million related to fixed compensation in both years. The salary paid to employee representatives, in addition to the compensation paid out to them related to their function as Supervisory Board members is at arm's length.

The amount of the compensation of the Management Board members of ALTANA AG is based on the size of the Company, its economic and financial situation, as well as on the amount and structure of the management board compensation in comparable companies. In addition, the scope of duties, the experience and the contribution of the respective Management Board member, as well as the compensation structure that otherwise exists in the Company are taken into account when assessing compensation. In the process of determining the compensation, the Supervisory Board uses compensation studies and works with an external expert.

The compensation of the Management Board is largely based on performance. It consists of a fixed component, variable bonuses (short-term bonus and long-term bonus) and a component with a long-term incentive. The predominant part of the variable compensation of the Management Board has a multi-year assessment basis. In addition to the compensation in cash, the Management Board members are entitled to post-employment benefits and receive compensation in kind, primarily in the form of company car usage and insurance premiums.

The short-term bonus for 2018 was determined on a one-year basis. It is based on the development of earnings before interest, taxes and depreciation and amortization (EBITDA) as well as the return on capital employed (ROCE), each in comparison to the respective target values established by the Supervisory Board. The long-term bonus 2018 was calculated based on the development of net income after cost of capital ("ALTANA Value Added") over a period of three years. In 2018, as a component with long-term incentive, the Management Board members were granted AEP Awards under the "ALTANA Equity Performance 2018" (AEP) plan. None of the members of the Management Board was entitled to special benefits in the case of premature or regular termination of their engagement.

In 2018 and 2017, total compensation paid in cash to the Management Board including remuneration in kind amounted to €3.7 million and €4.2 million, respectively, of which €1.6 million and €1.6 million related to fixed compensation, and €2.1 million and €2.6 million related to variable compensation. On December 31, 2018 and 2017, provisions for post-employment benefits of €3.3 million and €3.5 million were recognized; the corresponding service cost amounted to €0.5 million and €0.6 million, respectively.

In 2018, the Management Board members received AEP Awards as compensation with a long-term incentive effect from the "ALTANA Equity Performance 2018" (AEP) plan. In 2018 and 2017, a preliminary number of 1,941 and 1,869 AEP Awards, respectively, were granted to the Management Board, with a value of €0.7 million in the both years. The final number of AEP Awards as well as the payout amount at the end of the four-year term of the plan depends on the development of the company value. In 2018, at the end of the term of the AEP Tranche 2014, 2,127 AEP Awards were finally allocated, resulting in payments of €0.7 million to the beneficiaries. In 2017, at the end of the term of the AEP Tranche 2013, 1,751 AEP Awards were finally allocated, resulting in payments of €0.6 million to beneficiaries. As of December 31, 2018 and 2017, respectively, provisions for AEP Awards amounted to €1.3 million and €1.4 million; personal investment was measured at €0.8 million and €0.9 million, and is recognized in other liabilities (see note 27). In the years reported, these amounts include deposits made by the members of the Management Board of €0.4 million each. For more details on the AEP see note 23.

For former members of the Management Board and their surviving dependants, a pension provision in the amount of €18.0 million and €19.6 million was recorded as of December 31, 2018 and 2017, respectively. Pension payments totaled €1.3 million and €1.4 million, respectively.

## 32. Fees Paid to the Auditor

| | 2018 |
|---|---|
| Audit of the financial statements | 1,486 |
| Other assurance services | 38 |
| Tax advisory services | 52 |
| Other services | 64 |
| | **1,640** |

## 33. Subsequent Events

On January 3, 2019, the second tranche of the capital increase of USD 50 million resolved in June 2018 was paid to Landa.

## 34. Additional Information

Companies that are exempt from publishing their financial statements according to section 264 (3) and section 264b of the German Commercial Code (HGB):
ALTANA Management Services GmbH, Wesel
ALTANA Newco I GmbH, Wesel
Eckart International Trading GmbH, Wesel
BYK-Chemie GmbH, Wesel
MIVERA Vermögensanlagen GmbH, Wesel
Weseler Grundstücksverwaltungs B.V. & Co. KG, Wesel
BYK-Gardner GmbH, Geretsried
ECKART GmbH, Hartenstein
ALTANA Chemie Beteiligungs GmbH, Hartenstein
ECKART Beteiligungs GmbH, Hartenstein
Hartensteiner Verwaltungs B.V. & Co. KG, Hartenstein
ELANTAS GmbH, Wesel
ELANTAS Europe GmbH, Hamburg
ACTEGA GmbH, Wesel
ACTEGA DS GmbH, Bremen
ACTEGA Metal Print GmbH, Lehrte
ACTEGA Rhenania GmbH, Grevenbroich
ACTEGA Terra GmbH, Lehrte

## Supervisory Board of ALTANA AG

**Dr. Klaus-Jürgen Schmieder**
Chairman
(appointed until the Annual General Meeting 2019)
Former Member of the Management Board of
L'Air Liquide S.A.

**Ulrich Gajewiak***
Deputy Chairman
(appointed until the Annual General Meeting 2023)
Head of Complaints Management of BYK-Chemie GmbH
Chairman of the Group's works council

**Susanne Klatten**
Deputy Chairwoman
(appointed until the Annual General Meeting 2023)
Entrepreneur
Other functions:
Bayerische Motoren Werke AG[1]
SGL Carbon SE[1] (Chairwoman)
UnternehmerTUM GmbH[2]

**Dr. Anette Brüne***
(appointed until the Annual General Meeting 2023)
Head of Marketing & Sales Services of BYK-Chemie GmbH

**Dr. Monika Engel-Bader**
(appointed until the Annual General Meeting 2022)
Former Managing Director of Chemetall
Consultant
Other functions:
Euler Hermes Deutschland AG[1]
OXEA S.à.r.l.[2]
OXEA Holding GmbH[2]

**Armin Glashauser***
(appointed until the Annual General Meeting 2023)
Full-time head of works council ECKART GmbH

**Olaf Jung***
(until March 15, 2018)
Staff member production ACTEGA DS GmbH

**Klaus Koch***
(appointed until the Annual General Meeting 2023)
Manager operational controlling ECKART GmbH

**Dr. Lothar Steinebach**
(until March 15, 2018)
Former Management Board member of
Henkel AG & Co. KGaA
Other functions:
Carl Zeiss AG[1]
Diem Client Partner AG[2]
Ralf Schmitz GmbH & Co. KGaA[1]
thyssenkrupp AG[1]

**Beate Schlaven**
(since March 15, 2018 appoited until the Annual General Meeting 2023)
Employee Quality Management
ACTEGA Rhenania GmbH

**Dr. Jens Schulte**
(since March 15, 2018 appoited until the Annual General Meeting 2023)
Member of the Management Board of Schott AG
Other functions:
NNAISENSE S.A.[2]

* Employee representative
1 Membership in other statutory supervisory boards
2 Membership in other comparable domestic and foreign supervisory bodies

**Dr. Antonio Trius**
(appointed until the Annual General Meeting 2022)
Former Managing Director of Cognis GmbH
Other functions:
Azelis S.A.[2]
Cuantum Medical Cosmetics S.L.[2]
Lonza Group AG [2]
MAXAM SL[2]

**Stefan Weis***
(appointed until the Annual General Meeting 2023)
Secretary of the Board of the Mining, Chemical and Energy Industrial Union (IG BCE)

**Dr. Matthias L. Wolfgruber**
(appointed until the Annual General Meeting 2021)
Former Chairman of the Management Board of ALTANA AG
Other functions:
ARDEX GmbH[2] (Chairman)
Cabot Corporation[2]
Grillo Werke AG[1]
LANXESS AG[1] (Chairman)

* Employee representative

1 Membership in other statutory supervisory boards

2 Membership in other comparable domestic and foreign supervisory bodies

## Supervisory Board Committees

The Supervisory Board of ALTANA AG has established the following committees:

**Human Resources Committee**
Dr. Klaus-Jürgen Schmieder (Chairman)
Ulrich Gajewiak
Olaf Jung (until March 15, 2018)
Susanne Klatten
Beate Schlaven (since March 15, 2018)

**Audit Committee**
Dr. Lothar Steinebach (Chairman until March, 15, 2018)
Dr. Jens Schulte (Chairman since March 15, 2018)
Armin Glashauser
Dr. Antonio Trius
Stefan Weis

**Mediation Committee**
(in accordance with section 27 (3) of the German Codetermination Act)
Dr. Klaus-Jürgen Schmieder (Chairman)
Ulrich Gajewiak
Susanne Klatten
Klaus Koch

## Management Board of ALTANA AG

**Martin Babilas**
Chairman (appointed until May 2, 2020)
Other functions:
ACTEGA North America Inc.[2]
BYK-Chemie GmbH[1] (Chairman)
ECKART GmbH[1] (Chairman)
ELANTAS Beck India Ltd.[2] (Chairman)
ELANTAS Europe Srl.[2]
ELANTAS PDG Inc.[2] (Chairman)
ELANTAS (Tongling) Co., Ltd.[2]

**Stefan Genten**
(appointed until July 31, 2023)
Other functions:
ELANTAS Beck India Ltd[2]
Dr. Willmar Schwabe GmbH & Co. KG[2]

**Dr. Christoph Schlünken**
(appointed until October 31, 2022)
Other functions:
ACTEGA Metal Print GmbH[2]
ALTANA QUÍMICOS MÉXICO S. Servicios de R.L. de C.V.[2]
BYK Additives (Shanghai) Co., Ltd.[2] (Chairman)
BYK-Chemie GmbH[1]
BYK USA Inc.[2] (Chairman)
ECKART GmbH[1]
PolyAd Services LLC[2]

1 Membership in other statutory supervisory boards
2 Membership in other comparable domestic and foreign supervisory bodies

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