

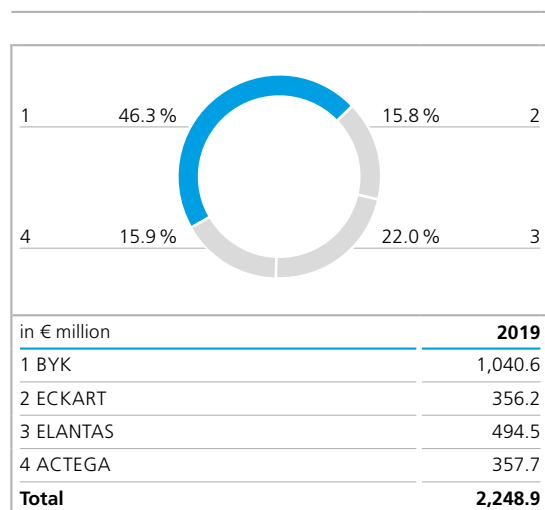


Group Profile 2019

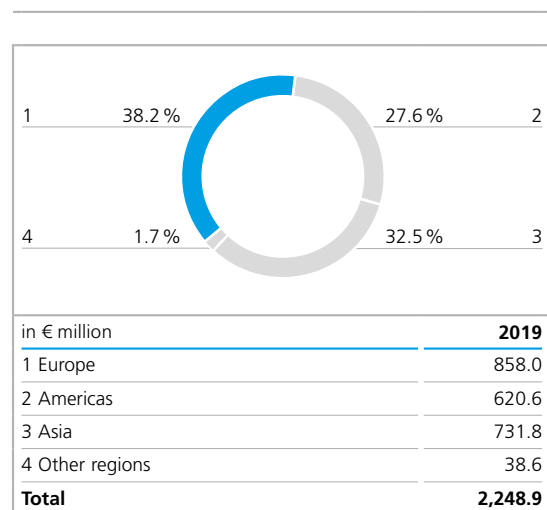
ALTANA's divisions



Sales by division



Sales by region



Key figures at a glance

	2018	2019	Δ %
in € million			
Sales	2,307.4	2,248.9	-3
Earnings before interest, taxes, depreciation and amortization (EBITDA)	430.6	415.8	-3
<i>EBITDA margin</i>	18.7 %	18.5 %	
Operating income (EBIT)	295.8	262.5	-11
<i>EBIT margin</i>	12.8 %	11.7 %	
Earnings before taxes (EBT)	264.1	231.3	-12
<i>EBT margin</i>	11.4 %	10.3 %	
Net income (EAT)	187.0	169.0	-10
<i>EAT margin</i>	8.1 %	7.5 %	
Research and development expenses	154.1	165.6	7
Capital expenditure on intangible assets and property, plant and equipment	187.0	157.2	-16
Cash Flow from operating activities	296.2	386.3	30
<i>Return on capital employed (ROCE)</i>	9.4 %	8.8 %	
ALTANA Value Added (AVA)	37.6	21.6	-43

	Dec. 31, 2018	Dec. 31, 2019	Δ %
in € million			
Total assets	3,221.9	3,343.3	4
Shareholders' equity	2,344.6	2,479.4	6
Net debt (-)/Net financial assets (+) ¹	(95.6)	(57.7)	40
Headcount ²	6,428	6,476	1

¹ Comprises cash and cash equivalents, current financial assets, marketable securities, loans granted, debt, and employee benefit obligations.

² When in the following the term "headcount" or "employees" is used, it refers to all staff members, male, female, or otherwise.

	2018	2019	Δ %
WAI 1 (number of occupational accidents with lost work time of one day or more per million working hours)	3.7	2.8	-24
WAI 2 (number of occupational accidents with lost work time of more than three days per million working hours)	2.7	2.1	-22
WAI 3 (number of lost work days due to occupational accidents per million working hours)	36.5	34.8	-5
CO ₂ total (Scope 1 + Scope 2) ³ (t)	193,085	181,924	-6
CO ₂ specific (Scope 1 + Scope 2) ³ (kg CO ₂ /€ gross value added)	0.21	0.20	-5
CO ₂ specific (Scope 1 + Scope 2) ³ (kg CO ₂ /kg finished goods)	0.34	0.35	3

³ Scope 1: direct emissions; Scope 2: indirect emissions

Due to rounding, this Corporate Report may contain minor differences between single values, and sums or percentages.

Table of Contents

Group Management Report	46
Products	81
Safety and Health	85
Environment	89
Human Resources	93
Social Commitment	96
Consolidated Financial Statements	99

1	Letter from the Management Board
6	About This Report
7	Sustainability Management
11	Corporate Governance
14	Corporate Bodies and Management
16	Report of the Supervisory Board
21	Looking to the Future
46	Group Management Report
47	Group Basics
53	Business Development
66	Innovation and Employees
70	Subsequent Events
71	Expected Developments
81	Products
85	Safety and Health
89	Environment
93	Human Resources
96	Social Commitment
99	Consolidated Financial Statements (condensed version)
100	Management Board Responsibility Statement
101	ALTANA Group Consolidated Income Statement
102	ALTANA Group Consolidated Statement of Financial Position
104	ALTANA Group Consolidated Statement of Cash Flows
106	Reference to the Consolidated Financial Statements
108	Multi-Year Overview
110	Global Compact: Communication on Progress (COP)

Legal Disclaimer

This Corporate Report is a translation of the Unternehmensbericht. The translation was prepared for convenience only. In case of any discrepancy between the German version and the English translation, the German version shall prevail.

This report contains forward-looking statements, i. e. current estimates or expectations of future events or future results. The statements are based on beliefs of ALTANA as well as assumptions made by and information currently available to ALTANA. Forward-looking statements speak only as of the date they are made. ALTANA does not intend and does not assume any obligation to update forward-looking statements to reflect facts, circumstances or events that have occurred or changed after such statements have been made.

Dear Ladies and Gentlemen,

In 2019, ALTANA mastered a challenging market environment and at the same time took major strides in setting the course for our long-term growth. Due to the economic headwind, we were not able to achieve our ambitious sales and earnings targets, but we once again succeeded in demonstrating ALTANA's financial and innovative strength. In order to remain on a sustainable success path, we invested heavily in the future.

While our ACTEGA division continued on its growth path due to the good demand for coating and packaging solutions from consumer-related customer industries, the ALTANA Group's overall sales and earnings lagged behind the strong level of the previous year. This development was driven by sluggish demand from key industrial sectors, especially the automotive industry, as well as by the general economic slowdown, especially in China. Nevertheless, the EBITDA margin remained within the long-term target range of 18 to 20 percent, despite substantial spending on research and development and digitalization.

In 2019, we continued to push forward the development of promising technologies to pave the way for future profitable growth. For instance, the up-and-coming 3D printer manufacturer dp polar, in which ALTANA has held a stake since 2017, used our material development knowhow to present a 3D printing solution that offers customers from a wide range of sectors, including the automotive, aerospace, and medical technology industries, completely new possibilities for manufacturing their products. The positive feedback from potential users at the world's largest 3D printing tradeshow Formnext confirmed the high potential of this technology.

ALTANA's internal startup ACTEGA Metal Print is also about to launch a promising technology on the market. The technology enables packaging to be metallized with substantially less material and considerably lower costs and production time than conventional methods. The Printed Electronics technology platform, meanwhile, succeeded in developing a technically sophisticated product portfolio for conductive inks and initiated the first customer projects following intensive research and development at the ELANTAS site in Hamburg.



ALTANA's Management Board from left to right:

Stefan Genten, Martin Babilas (Chairman), **Dr. Christoph Schlünken**

In order to keep the innovation and sales pipeline well filled, ALTANA continues to make above-average investments in its research and development activities, representing 7 percent of the company's total sales. In addition, we made a number of targeted acquisitions in 2019. We acquired the wire enamels business of Hubergroup India Private Ltd., thereby strengthening our ELANTAS division in this growth market. And with the agreed upon acquisition of the Swiss overprint varnish specialist Schmid Rhyner AG, we continue to strategically expand our ACTEGA division.

BYK-Gardner – the testing and measuring instrument specialist within the ALTANA Group – acquired, among other things, refinish color matching and formulation software and can now offer its customers a complete solution from a single source. BYK-Gardner is thus making targeted use of the market trend toward digitalization. This is one of the reasons why the ALTANA Group's first online stores went live in 2019, not only at ACTEGA but also at BYK-Gardner.

We are also making headway in the digital transformation in many other areas of our company. Above all, we are creating an infrastructure that will enable us to be successful in the digital age. For instance, BYK is investing 15 million euros alone in an innovative high throughput screening facility in Wesel. With it, tests can be carried out with enormous speed and efficiency at the highest level of quality.

In order to facilitate future growth, we pushed ahead with the expansion of our sites and production capacities in all regions of the world in 2019. In April, a new integrated BYK site opened in Shanghai, and in June, a new ACTEGA innovation center went into operation in Grevenbroich. Currently ALTANA is significantly expanding the BYK site in Gonzales, Texas, and the ACTEGA site in Bremen, Germany. And expansion projects are also underway in Deventer in the Netherlands and Tongling in China.

In all our efforts to increase our capacities and develop our sites worldwide, we also keep a close eye on ecological aspects and, above all, the safety of our employees. As a result, we were able to significantly reduce the number of accidents in our company worldwide in the past fiscal year as well. At the same time, we succeeded in further reducing

CO₂ emissions. In order to continue to take responsibility for climate protection in the future, we developed an ambitious program in 2019: ALTANA will become climate-neutral in its direct sphere of influence starting as early as 2025, thus achieving targets that are in line with the goals of the UN Global Compact initiative for responsible and sustainable corporate management, which we joined in 2010. We are consistently pursuing our sustainability course, having already achieved in 2017 the goal we set ourselves in 2007 of reducing CO₂ emissions by 30 percent of gross value added by 2020.

These examples reflect the long-term nature of ALTANA's activities. We are not guided by short-term trends, but instead focus on moves that will strengthen our company in the long term and thus create value for our customers, employees, owner, and society as a whole. In the magazine section of this report, you can find out more about the areas in which we are already paving the way for future success and how the long-term course of the past years is already paying off. This has been made possible by ALTANA's financial and innovative strength and, in particular, by the people in our company, who fill our sustainable growth strategy with life.

We would like to warmly thank our employees for their contribution to the success and development of ALTANA in the 2019 fiscal year. Thanks also go to the members of the Supervisory Board for their constructive accompaniment and their trust in ALTANA's work.

Martin Babilas

Stefan Genten

Dr. Christoph Schlünken

About This Report

Corporate Report 2019

The Corporate Report for 2019 encompasses the annual and sustainability reports. With it, the ALTANA Group informs the public, its employees and business partners, as well as public authorities, nongovernmental organizations, and all other interested parties about the Group's development in economic, ecological, and social respects. In addition to the Group Management Report and the Consolidated Financial Statements (condensed version), as well as information on the Group's corporate governance, this report contains a description of ALTANA's understanding of sustainable management and the progress the Group has made in implementing it in the past fiscal year. As a result, this report for 2019 updates the content that was published in the 2018 Corporate Report (published on March 15, 2019). At the same time, it serves as the annual Communication on Progress of Global Compact.

The Reporting Period

All financial and human-resource information in the Group Management Report and the Consolidated Financial Statements for 2019, as well as the environmental key performance indicators and data on occupational health and safety, refer to the period from January 1 to December 31.

Reporting Principles

In terms of the Group Management Report and the Consolidated Financial Statements, the reporting adheres to the specifications of the International Financial Reporting Standards (IFRS), as adopted by the EU, and the additional requirements of German commercial law pursuant to section 315e of the German Commercial Code (HGB). As in the

previous years, this was audited and confirmed by an independent auditor. The complete Consolidated Financial Statements including the Notes to the Consolidated Financial Statements are available online at www.altana.com/consolidated_financial_statements_2019.

This corporate report has been prepared in accordance with the GRI Standards: *Comprehensive option*. It is also oriented to the International Integrated Reporting Council's (IIRC) reporting framework. In 2019, ALTANA did not have the key performance indicators based on the standards of the Global Reporting Initiative (GRI) tested by an independent auditor. Detailed information is available online at www.altana.com/facts_figures_sustainability_2019.

Information on the selection of content based on GRI Standards and regarding the definition of sustainability issues important for the ALTANA Group and its stakeholders can be found in the "Sustainability Management" section (page 7 of this report). A detailed list of all criteria based on the GRI Standards that ALTANA provides information about is available online at www.altana.com/facts_figures_sustainability_2019.

This report is available in German and English.

Sustainability Management

ALTANA's Understanding of Sustainability

ALTANA consistently gears its activities to sustained profitable growth. But we can only achieve economic success in the long run if we also bear in mind ecological and social aspects and anchor them firmly in our company.

Our understanding of sustainability as a triad of economy, ecology, and corporate social responsibility is also reflected in ALTANA's mission:

We provide innovative solutions based on integrated chemical, formulation, and application expertise that make products of daily life better and more sustainable.

Our solutions open up growth or savings potential for our customers and can change entire markets.

As a result, we create value for our customers, employees, shareholder, and society as a whole.

ability issues were still considered relevant for ALTANA.

ALTANA's Environment, Health & Safety (EH&S) and Corporate Communications departments developed with external support a materiality matrix with 13 criteria.

In the matrix, all topics relating to the GRI Standards, existing stakeholder analyses, ALTANA's Keep Changing Agenda for the future, as well as selected best practices in the form of reports and studies were considered.

In the process of developing the materiality matrix, topics were prioritized based on their relevance to stakeholder decisions and the consequences for the ALTANA Group (see graphic on the following page).

The stakeholders incorporated in the materiality matrix, which were identified based on high relevance, came from the areas of customers, suppliers, NGOs, foundations, politics, and institutions. Internally, EH&S, Corporate Communications, Strategy, Procurement, Research and Development, Finances and Controlling, Engineering, and Sales were incorporated. ALTANA will continue to review the materiality matrix and update it if necessary.

The View of Our Stakeholders

As a globally manufacturing specialty chemicals company, ALTANA has diverse stakeholders with whom the Group and its different companies maintain regular contact and exchange. The content and results of these dialogs are among the factors that inform ALTANA's understanding of sustainability.

Among ALTANA's most important stakeholders are its customers, employees, owner, suppliers, other business partners, authorities, associations, and nongovernmental organizations (NGOs), as well as our neighbors at the different sites.

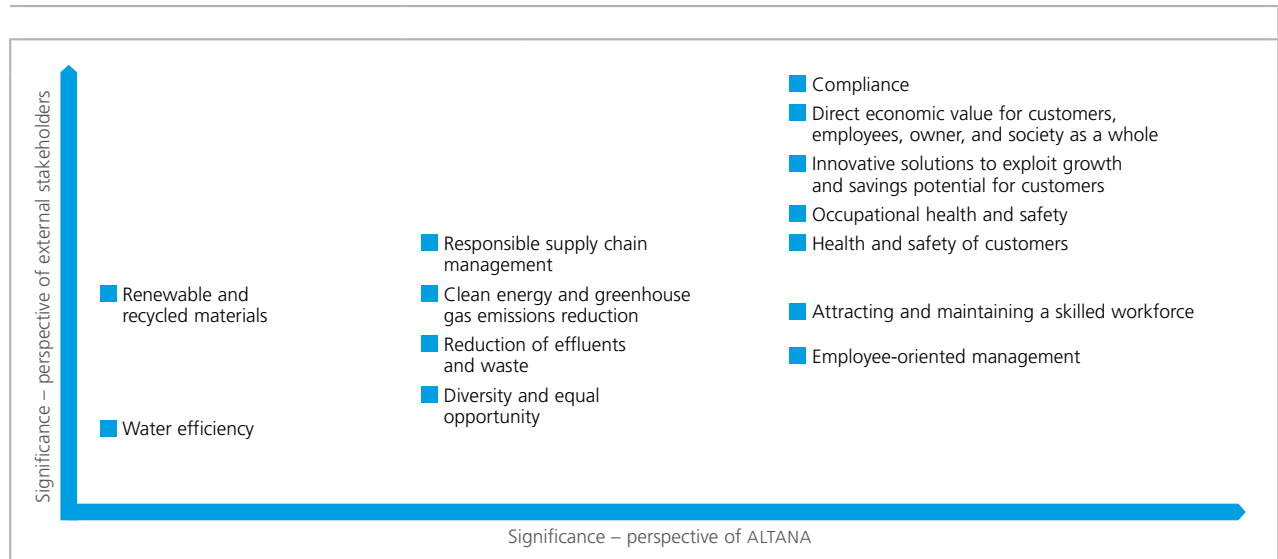
In the year under review, the stakeholder analysis we performed in 2017 was examined and the key sustain-

Objective Evaluation of Sustainability

To be able to measure not only the company's business performance but also its involvement in all areas of sustainability, alongside key performance indicators and certified management systems, ALTANA is using objective external evaluations increasingly. The assessments of the chemical industry rating company EcoVadis play a special role. In 2019, the companies BYK Netherlands B.V., ACTEGA North America Inc., and ACTEGA Terra GmbH were evaluated by EcoVadis. As a result, ALTANA continued its series of assessments.

EcoVadis, which analyzes environmental aspects, procurement policy, compliance, and working conditions of companies based on the international sustainability guideline

ALTANA Materiality Matrix



ISO 26000, has become one of the world's leading rating platforms for the chemical industry. More than 20,000 companies are now registered with it.

Organization of Sustainability

At ALTANA, the Group's operating companies are responsible for implementing and anchoring sustainability. The individual companies are committed to continually reducing the environmental effects of the Group and to improving safety at the respective sites. Furthermore, the individual sites are required to introduce suitable management systems and have them certified.

Moreover, special, cross-divisional expert platforms exchange information on relevant EH&S topics (for example

energy, sustainability performance, environmental key performance indicators), and present best-practice models.

Sustainable Development Goals

ALTANA has been a member of the UN Global Compact since 2010 and commits to integrating the ten principles into the company and to observing the general goals of the United Nations (see the Communication on Progress of Global Compact on page 110).

At the summit meeting on September 25, 2015, the 193 member states resolved the 2030 Agenda for Sustainable Development. ALTANA supports this United Nations initiative and developed the goals listed on page 10.

Descriptions, objectives, and results of the Sustainable Development Goals defined for ALTANA can be found in the chapters of the 2019 Corporate Report indicated and in the online document "Facts and Figures on Sustainability 2019."

UN Sustainable Development Goals (SDGs)



SDGs with special relevance for ALTANA

**Occupational Health and Safety**

For ALTANA, the health and safety of its employees is a top priority. All of its worldwide sites have established their own safety organization, which includes adherence to all local occupational safety regulations, training measures, as well as recording and evaluating accidents and near accidents. ALTANA uses the

Work Accident Indicator (WAI) as the most important key performance indicator in order to observe the development of occupational safety at all sites and to continually improve it. Further information can be found in the "Health and Safety" chapter, in the accident key performance indicators with the targets, as well as in the Management Approach "Occupational Health and Safety."

**Gender Equality**

Promoting women in leadership positions remains a focus at ALTANA. By founding a number of initiatives, including LEADING WOMEN@ALTANA and Mentoring for Women, ALTANA seeks in the medium term to increase the share of women in leadership positions to the percentage of women among

all the company's employees. Further information can be found in the "Human Resources" chapter, in the Group Management Report, in the human resources key performance indicators, and in the Management Approach "Employee-Oriented Management."

**Innovation: New Products and Technologies**

ALTANA's products and services are geared to offering its customers special sustainable solutions and to enable them to gain a competitive advantage. To keep or to extend its position as a leading specialty chemicals company, the ALTANA Group intends to continually

expand its competencies. To achieve this goal, ALTANA steadily grows its product portfolio through its own developments, as well as through acquisitions and cooperation with other companies, universities, and research institutes. Further information can be found in the "Products" and "Innovation and Employees" chapters, as well as in the Management Approach "Innovative Solutions."

**Training and Education**

Our employees are our most important resource. ALTANA therefore promotes their professional development, prepares them for leadership positions, and enables them to participate in the company's economic success in order to retain them in the long term. A special focus is on recruiting young, specialized,

and managerial staff. Further information can be found in the "Human Resources" chapter, in the GRI Content Index, and in the Management Approach "Employee-Oriented Management."

**Sustainable Economic Growth and Decent Work**

Our customers' success is at the center of ALTANA's business activities. We can only be successful in the competitive environment in the long run if we offer our customers added value. We not only aim to secure long-term economic success, but to act sustainably in every respect. As a member of the UN Global Compact, ALTANA

therefore actively supports the targets of responsible corporate management. Further information can be found in the Group Management Report, in the Communication on Progress of the UN Global Compact, and in the Management Approaches "Strategy," "Compliance," and "Employee-Oriented Management."

**Climate Protection Measures**

Ecologically sound economic activity is a key component of ALTANA's corporate strategy. Our goal is to continually reduce the energy consumption and emissions at all of our sites and to use resources efficiently. In addition, ALTANA's products contribute to improving climate protection in the value chain.

ALTANA controls the Group's efficiency regarding energy consumption and the resulting CO₂ emissions with the help of defined performance indicators and defined targets. Further information can be found in the "Environment" and "Products" chapters as well as in the environmental performance indicators with targets in the Management Approaches "Energy" and "Emissions."

Corporate Governance

Good corporate governance is an essential basis for the sustainable success of ALTANA. Even as a company not listed on the stock exchange, ALTANA orients itself to the recommendations and suggestions of the German Corporate Governance Code.

At least once a year, the Supervisory and Management Boards deal with the German Corporate Governance Code and examine which recommendations and suggestions ALTANA can follow even as a company not listed on the stock exchange and sensibly apply within the company given its shareholder structure.

In the 2019 fiscal year, ALTANA complied with the vast majority of the applicable recommendations of the German Corporate Governance Code in the current version of February 7, 2017. This especially applies to the recommendations concerning the cooperation between the Management Board and the Supervisory Board, the cooperation between the Chairman of the Supervisory Board and the Supervisory Board plenum, dealings with conflicts of interest of the Supervisory Board members, the setting up and composition of the committees, as well as matters relating to the audit.

The Management Board dealt intensively with the amendments to the German Corporate Governance Code resolved on May 9, 2019, and December 16, 2019, as well as with the amendment to the German Stock Corporation Act by the Act Implementing the Second Shareholder Rights Directive (ARUG II), and in fiscal year 2020 intends to again chiefly orient itself to the recommendations and suggestions of the German Corporate Governance Code and the corporate governance regulations of the German Stock Corporation Act applicable to companies listed on the stock exchange.

Management and Control

The Management Board of ALTANA AG consists of three members, each of whom are appointed by the Supervisory Board for a period of five years. The selection criteria include experience, business and professional expertise, as well as competence in ecology and social responsibility. Considerations regarding diversity also play a role in the selection process. The Management Board manages the Group independently and is solely committed to the interests of the company. Together with the presidents of the divisions and selected heads of central functional areas, the Management Board forms the Executive Management Team. In regular meetings, this team discusses and analyzes the development of business and important business incidents, as well as plans for the Group's future development and sustainability issues.

The company's Supervisory Board has twelve members. Half of them are employee representatives, elected by Group employees in Germany in accordance with the German Codetermination Act. The remaining six members are basically elected by the Annual General Meeting. Experience and expertise, as well as independence, are also important criteria in the selection of the members of the Supervisory Board. They are normally elected for a period of five years. The Management Board reports to the Supervisory Board regularly, without delay, and comprehensively on all issues relevant for the company regarding business development, risks, and planning, and discusses ALTANA's strategy with the Supervisory Board. Sustainability issues are also discussed regularly at the Supervisory Board meetings. The Supervisory Board monitors and advises the Management Board in its management activities. The Supervisory Board's tasks also include approving the annual financial statements. Specially defined business decisions of the company, such as major acquisitions and divestments, require the approval of

the Supervisory Board, in accordance with a list of transactions that are subject to authorization.

The Supervisory Board formed an Audit Committee, a Human Resources Committee, and a Mediation Committee, legally required in accordance with section 27 (3) of the German Codetermination Act. Each committee consists of two shareholder representatives and two employee representatives. The Chairman of the Human Resources Committee and the Mediation Committee is the Chairman of the Supervisory Board, Dr. Klaus-Jürgen Schmieder. Dr. Jens Schulte is the chairman of the Audit Committee. He has the necessary knowledge and expertise in the fields of accounting and auditing in accordance with the German Stock Corporation Act.

There is a D&O liability insurance scheme for members of the Management and Supervisory Boards. The insurance covers personal liability risks in the event that a claim is made against members of the Management and Supervisory Boards while they are performing their activities. The insurance contract stipulates a deductible of ten percent of the damages, but a maximum of one-and-a-half times the amount of the fixed annual compensation of the respective member of the Management or Supervisory Board per insurance year. Further information on the compensation of the Management and Supervisory Boards can be found on page 73 f. of the online Consolidated Financial Statements.

Compliance

Compliance with laws is the basis for all of ALTANA's actions. In addition, we set ourselves certain rules as part of our corporate social responsibility, which we adhere to like laws.

At ALTANA, compliance is an integral part of our corporate social responsibility. The trust of our customers, business partners, employees, and the public is the basis and condition for our business success.

For this purpose, ALTANA established a Compliance Management System in 2008. Its goal is to ensure that laws and the rules we have set ourselves are observed throughout the Group. To this end, the Compliance Management System identifies significant risks that can arise from violations of laws or regulations by ALTANA employees. The Compliance Management System also ensures that employees are aware of the content and significance of the laws and regulations relevant to them and know how to behave best in light of them. Furthermore, the Compliance Management System is intended to ensure that the necessary control mechanisms are implemented so that violations of laws and regulations can be detected and remedied. The Compliance Management System encompasses eight compliance areas: corruption, antitrust law, environmental protection and safety, human resources, customs and foreign trade, data protection, financial reporting, and taxes.

The ALTANA Compliance Management System follows the ALTANA structure and is therefore decentralized. The local management is primarily responsible for making sure that the individual subsidiaries and their employees behave in accordance with the rules. ALTANA AG lives up to its compliance responsibility by providing a framework, making competencies and instruments available, creating platforms and forums for local authorities, and by taking concrete measures to ensure compliance on the part of the management of subsidiaries or to impose minimum requirements, especially through guidelines that are binding Group-wide.

ALTANA's Code of Conduct, which holds for the entire company, contains binding rules regarding responsible, ethical, and lawful behavior for all staff members. This applies in particular to issues such as corruption, conflicts of interest, antitrust law, environmental protection, and discrimination. Together with the company's Guiding Principles, the Code of Conduct provides orientation for responsible corporate action. The Code of Conduct and the Guiding Principles are published on our website (www.altana.com). Since 2010,

ALTANA's employees have been trained with the help of an e-learning program regarding the content of the Code of Conduct and further issues relevant to compliance such as corruption and antitrust law. In 2018, around 4,200 employees completed the Code of Conduct training program.

Moreover, for each compliance area further specific measures have been developed and implemented to ensure that laws and internal regulations are adhered to. This includes, for example, an IT-assisted system with whose help business partners that support ALTANA AG and its subsidiaries in sales or in their cooperation are examined for potential compliance risks.

Another important element to guarantee the effectiveness of the Compliance Management System is the work of Internal Audit. For a few years now, compliance programs have been carried out regularly at ALTANA and its subsidiaries.

With the ALTANA Compliance Hotline, ALTANA provides another central means of ensuring compliance. The latter gives employees and external third parties the possibility of anonymously reporting illegal behavior.

Once a year, the Audit Committee receives a written report on compliance that is presented and discussed in a meeting of the committee in addition to the other proceedings. The report gives an overview of the risks identified for each compliance area, as well as already implemented or planned measures to advance the system. The Audit Committee is also informed about compliance violations in this context.

ALTANA joined the UN Global Compact initiative, whose members are voluntarily committed to adhering to social and environmental standards as well as the protection of human rights. By joining Global Compact, ALTANA has not only acknowledged its principles but also shown a general commitment to support and promote overall UN aims.

Corporate Bodies and Management

The Management Board

Martin Babilas

Chairman

Responsibility:

- ECKART Division
- ELANTAS Division
- ACTEGA Division
- Corporate Development
- Human Resources
- Environment, Health & Safety
- Corporate Communications
- Internal Audit

Stefan Genten

Responsibility:

- Finance and Accounting
- Controlling
- Corporate Finance/Treasury
- Tax
- Digital Transformation
- Information Technology
- Legal/Patents
- Compliance
- ALTANA Excellence
- Procurement

Dr. Christoph Schlünken

Responsibility:

- BYK Division
- Innovation Management
- Key Account Management

The Executive Management Team

The Executive Management Team is an advisory body in which strategic and operative issues that are important for ALTANA and the divisions are discussed and deliberated on. In addition to the members of the Management Board, the Executive Management Team includes the presidents of the divisions as well as selected executives of the company.

(in alphabetical order)

Jörg Bauer

Vice President Human Resources

Dr. Guido Forstbach

President Division ELANTAS

Thorsten Kröller

President Division ACTEGA

Volker Mansfeld

Head of Corporate Development

Dr. Wolfgang Schütt

President Division ECKART

Dr. Petra Severit

Chief Technology Officer

The Supervisory Board

Dr. Klaus-Jürgen Schmieder
Chairman

Ulrich Gajewiak¹
Deputy Chairman

Susanne Klatten
Deputy Chairwoman

Dr. Anette Brüne¹

Dr. Monika Engel-Bader

Armin Glashauser¹

Klaus Koch¹

Beate Schlaven¹

Dr. Jens Schulte

Stefan Soltmann¹

Dr. Antonio Trius

Dr. Matthias L. Wolfgruber

Supervisory Board Committees

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

Human Resources Committee

Dr. Klaus-Jürgen Schmieder (Chairman)
Ulrich Gajewiak
Susanne Klatten
Beate Schlaven

Audit Committee

Dr. Jens Schulte (Chairman)
Armin Glashauser
Stefan Soltmann
Dr. Antonio Trius

Mediation Committee

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

¹ Employee representative

As of December 31, 2019 in each case; details on the corporate bodies can be found in the online Consolidated Financial Statements (www.altana.com/consolidated_financial_statements_2019) page 76 ff.

Report of the Supervisory Board

The Supervisory Board of ALTANA AG, carrying out the functions stipulated by law and the Articles of Association, closely followed the work of the Management Board again in 2019 and monitored its management activities. The Supervisory Board dealt in depth with the situation and development of the company as well as with various current issues. The Supervisory Board was regularly informed by the Management Board about the respective agenda items through presentations and oral reports in meetings. The Supervisory Board also regularly received additional written reports. Between Supervisory Board meetings, the Chairman of the Management Board informed the Chairman of the Supervisory Board about significant developments and events, and discussed pending or planned decisions with him. The Supervisory Board was involved in all major company decisions.

Meetings of the Supervisory Board

In the 2019 fiscal year, the Supervisory Board held four regular meetings and one constitutive meeting. At the regular meetings, the economic situation and the development perspectives of the ALTANA Group, as well as important business events, were discussed and deliberated on in detail. In addition to regular reporting on ALTANA's sales, earnings, and financial development, the Supervisory Board dealt in depth with the strategy of ALTANA and its individual divisions. Furthermore, the Supervisory Board intensively discussed the situation, development, and plans of the ELANTAS and ACTEGA divisions as well as that of ACTEGA Metal Print GmbH, in the 2019 fiscal year. The Supervisory Board also had the Group's current corporate venturing activities presented to it and in this context dealt in particular with the company's investment in the American company CiDRA Holdings LLC and the Israeli company Landa Corporation Ltd. In 2019, the Supervisory Board also dealt extensively with innovation management, ALTANA's plan to become CO₂ neutral by 2025, and the Finance Roadmap for the strategic development of the finance functions in the coming years. At its June meeting, the Supervisory Board reappointed Mr. Martin Babilas as Chairman of the Management Board and Labor Director for a period of five years until April 30, 2025, and resolved to extend his employment contract accordingly. Moreover, the Supervisory Board resolved to change the compensation system for members of the Management Board. At its December meeting, the Supervisory Board dealt in detail with the corporate planning for the next few years as well as the budget for 2020, which it approved. In the constituent Supervisory Board meeting following the Annual General Meeting in March of 2019, the Chairman of the Supervisory Board was re-elected, and the Annual General Meeting re-elected him as a member of the Supervisory Board.



Dr. Klaus-Jürgen Schmieder, Chairman of the Supervisory Board of ALTANA AG

Meetings of the Committees

The Human Resources Committee met thrice in the year under review. At the meetings, it dealt with the reappointment of Mr. Babilas as Chairman of the Management Board and Labor Director and the corresponding extension of his contract, as well as with issues relating to Management Board compensation, in particular the change to the compensation system, which was subsequently resolved by the Supervisory Board. The Audit Committee met twice during the year under review and reported regularly to the Supervisory Board. In the presence of the auditor as well as members of the Management Board, the Audit Committee discussed the annual financial statements of ALTANA AG and the ALTANA Group. In addition, it dealt with the statutory audit process mandating the auditor, the setting of audit fees, monitoring the auditor's independence, and the approval of non-auditing services of the auditor. Furthermore, the Audit Committee addressed the identification and monitoring of risks in the Group, the Group's internal auditing activities, ALTANA's Compliance Management System, as well as the good corporate governance, in particular the amendments to the German Corporate Governance Code and the German Stock Corporation Act by implementing the Second Shareholder Rights Directive (ARUG II). The Mediation Committee, established in accordance with section 27 (3) of the German Codetermination Act, did not convene in the 2019 fiscal year.

Annual Financial Statements

The annual financial statements of ALTANA AG, the consolidated financial statements for the year ended December 31, 2019, and the management report of ALTANA AG, as well as the Group management report, were audited by PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, which was appointed by the Annual General Meeting and engaged by the Audit Committee of the Supervisory Board, and it issued an unqualified audit opinion in each case. The system for early risk recognition set up for the ALTANA Group pursuant to section 91 of the German Stock Corporation Act was audited, and the examination revealed that the system is capable of fulfilling its objectives.

The financial statement documentation, the Corporate Report, the reports of PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft on the audit of the annual financial statements and the consolidated financial statements, as well as the Management Board's proposal for the distribution of the profit, were made available to all Supervisory Board members. The Audit Committee of the Supervisory Board dealt at length with this documentation. The Supervisory Board inspected the documentation and dealt with it in depth at its balance sheet meeting in the presence of the auditor, who reported on the main results of the examination. The Supervisory Board is in agreement with the findings of the audit without objections and its meeting of March 18, 2020, approved the annual financial statements and consolidated financial statements prepared by the Management Board. The annual financial statements are thereby adopted. The Supervisory Board evaluated the Management Board's proposal for the distribution of the profit and is in agreement with its recommendation.

Report in Accordance with Section 312 of the German Stock Corporation Act

The Management Board prepared a report in accordance with section 312 of the German Stock Corporation Act on relations with affiliated companies for the 2019 fiscal year. The Supervisory Board inspected this report and found it to be accurate. The auditor issued the following audit opinion:

"On completion of our audit and assessment in accordance with professional standards, we confirm that the factual statements of the report are correct and that the consideration paid by the company for the legal transactions in the report was not inappropriately high."

The Supervisory Board approved the auditor's findings. Following the completion of its own review, the Supervisory Board has no objections to the Management Board's statement at the end of the report.

Personnel Changes

On March 12, 2019, the Ordinary Annual General Meeting of ALTANA AG re-elected Dr. Klaus-Jürgen Schmieder as a member of the Supervisory Board. His tenure ends following the Annual General Meeting in 2020. Stefan Weis resigned from his position as the member of the Supervisory Board representing trade unions with effect from June 28, 2019. In view of this, on September 17, 2019, the Duisburg Local Court appointed Stefan Soltmann as the member of the Supervisory Board representing the unions. On October 1, 2019, the Supervisory Board elected Mr. Soltmann to its Audit Committee, of which Mr. Weis was previously also a member. In the Supervisory Board meeting of June 27, 2019, Martin Babilas was reappointed Chairman of the Management Board and Labor Director of ALTANA AG for a period of five years until April 30, 2025.

The Supervisory Board would like to express its gratitude to Mr. Weis for the good and trusting cooperation. The Supervisory Board would also like to thank the members of the Management Board, the company's management, and the Group's employees for their achievements and commitment during the last fiscal year.

Wesel, March 18, 2020

The Supervisory Board

Dr. Klaus-Jürgen Schmieder
Chairman of the Supervisory Board

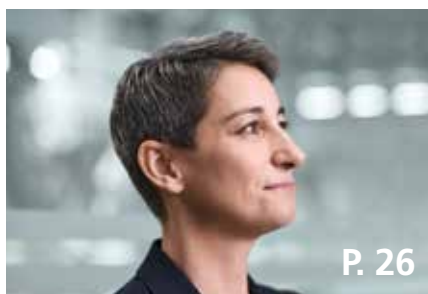
Looking to the Future

We at ALTANA have a long-term approach. We invest in the future – sometimes even contrary to short-term trends. Whether it's research and development, digitalization, expansion into emerging markets, or talent promotion, the decisive factor is what sustainably strengthens ALTANA and thus also our customers, employees, owner, and society as a whole. We have our sights set on the future. And that's where we're heading with wide-open eyes.



INVESTING IN INNOVATIVE TECHNOLOGIES

The ALTANA Group is entering new markets and opening up new fields of application for its products. To this end, we are making long-term investments in highly innovative future technologies such as the new high throughput screening plant in Wesel. It not only enables us to carry out series tests with tremendous speed and efficiency at the highest level of quality, but also to identify new application areas for our products.



SHAPING FUTURE MARKETS

One of the ALTANA Group's great strengths is its high level of innovation. To this end, we are continuously developing our portfolio of products and services in the field of specialty chemicals. In order to secure profitable growth in the long term, ALTANA is also developing new application fields outside of specialty chemicals in selected new growth markets. One of these key future markets is digital printing.



STRATEGICALLY EXPANDING OUR LOCATIONS

ALTANA's BYK division aims to be a long-term pioneer in rheology additives on the international market. For this reason, the additives specialist has not only invested in production at its site in Gonzales, Texas, but has also built a new global research and development center. It is the ALTANA Group's competence center for rheology additives. The products of the future are created here.



P. 34

DRIVING CLIMATE PROTECTION FORWARD

By 2025, ALTANA will reduce its CO₂ impact from production and energy procurement worldwide to zero. And already in 2020, the company's entire power supply will be converted to renewable energies. ALTANA will compensate for the unavoidable use of natural gas and CO₂ emissions from necessary business trips, company cars, and the transport of goods, by financing equivalent climate protection projects. We will thus achieve climate neutrality in our direct sphere of influence.



P. 38

STRENGTHENING PERSONALITIES

Promotion of young talent is crucial for the sustained success of the ALTANA Group in markets around the world. As a result, 15 years ago ALTANA developed special human resource development programs for internal filling of management positions. The long-term investment in ALTANA's talents and personalities has paid off. Today there is a new generation of managers that is not only successful, but continues to derive pleasure from making discoveries.



P. 42

PROVIDING NEIGHBORLY HELP

The ALTANA Group is distinguished by its employees' high level of personal commitment. In St. Louis, Missouri, USA, ELANTAS PDG staff members have been supporting numerous social neighborhood projects on a voluntary basis for over ten years. The aid projects in the city's Baden district range from World Food Day, where food packages are packed, to the social projects Back to School Supplies and Annual Holiday Drive.



Manfred Knospe,
Head of High Throughput Screening, BYK-Chemie GmbH



INVESTING IN INNOVATIVE TECHNOLOGIES

With its digital laboratory, the ALTANA Group is launching a new era in application technology and thus multiplying the spectrum of its customized solutions.



With the fully automated system at BYK in Wesel, 220 samples can be produced and tested in 24 hours in high throughput.



Manfred Knospe is responsible for the implementation of this ambitious project.

“WE ARE ENSURING THAT WE WILL GROW SUCCESSFULLY IN THE FUTURE.”

The ALTANA Group is investing in the future with its highly innovative High Throughput Screening (HTS) system. Serial tests are carried out with enormous speed and efficiency at the highest level of quality. Manfred Knospe is responsible for the implementation of this ambitious project.

ALTANA is investing around 15 million euros in the new technology. With the fully automated system at BYK in Wesel, 220 samples can be produced and tested in 24 hours in high throughput. The total number of samples per year is 80,000. “The decisive factor for success is that the HTS system will enable us to test products in the future without any restrictions on results, thus opening up completely new application possibilities,” explains project manager Manfred Knospe.

Specialty Chemicals in XXL

The purpose of the system is to determine the most suitable products for individual customer requirements from a wide range of additives in series tests. “The system acts like a giant filter. We can say exactly which of a large number of tested products are the two or three that



The complex processes are controlled and monitored in the cockpit.



There are 32 modules with 27 different functionalities for testing additives in coatings, plastics, and adhesives.

offer the customer the greatest benefit,” says Manfred Knospe. Whereas tests used to take months, fully digitalized application technology means that in the future they will only take days.

The ultra-modern facility is complex. It fills a fully air-conditioned room of over 300 square meters. There are 32 modules with 27 different functionalities for testing additives in coatings, plastics, and adhesives. The modules are connected by a rail system; shuttles move the samples from one module to the next. The system, called FlexShuttle, specially developed for the requirements of the ALTANA Group and its customers, is unique. It permits samples to be prepared and examines their liquid properties. The samples are applied by pouring out, drawing down, or conventional spray application and cured using UV radiation, or by means of oven

or air drying. The finished dried samples can then be tested for properties such as gloss, flow, and color.

Boost for Innovative Strength

The FlexShuttle relieves application technology of disliked series tests. The time saved in this way gives the highly qualified application engineers freedom: Those who previously had to deal with uniform series tests can now concentrate on more demanding, creative laboratory work and develop new solutions thanks to the new HTS system. “As a result, we are giving our innovative strength a big boost,” says Manfred Knospe enthusiastically.

Conversely, the system can also be used to test existing products for their uses in other areas of application without there being a concrete need for this. “This opens up completely new possibili-

ties for us, which would be unthinkable without the digitalization of series tests,” says Knospe.

But this is not the only reason why the HTS system is an investment in the future. Another is that it is already designed to meet the capacity and infrastructure requirements that we expect in three or four years. And it can easily carry out tests for other ALTANA divisions, as well as for external customers. “Our researchers are working today on tailor-made solutions of the future for our customers. This is what makes us ALTANA. That’s why we are also investing in the appropriate technology in the long term,” explains Manfred Knospe. “Seen in that light, with this investment we are ensuring that we will grow successfully in the future – completely in the interest of our customers.”



Dr. Petra Severit,
Chief Technology Officer (CTO), ALTANA AG

A photograph of two scientists, a woman and a man, in a laboratory or industrial setting. The woman, wearing a blue hoodie and safety glasses, is talking on a blue smartphone. The man, wearing a black shirt and safety glasses, is looking at a computer monitor. They are standing at a white workbench cluttered with various pieces of electronic equipment, including a large black machine with many cables, a computer monitor, and various power supplies. The background shows a concrete wall and some industrial equipment.

SHAPING FUTURE MARKETS

Digital printing is one of the most promising future markets worldwide. In this area, the ALTANA Group combines its specialty chemicals expertise with mechanical engineering knowhow.



For the rapidly growing future digital printing market, ALTANA develops innovative system solutions together with partners.



Dr. Petra Severit is driving this development at ALTANA.

“DIVERSE AREAS OF EXPERTISE AS AN INNOVATION DRIVER”

In order to develop the future digital printing market, the ALTANA Group is focusing on its core competencies. But optimal solutions can only be created in close cooperation between mechanical engineering, machine development, and materials development. Dr. Petra Severit is driving this development at ALTANA.

“If ten years ago people had said we were acquiring a stake in a machine manufacturer and developing digital printing solutions together with it, everyone would have said that this does not suit ALTANA,” says Dr. Petra Severit, Chief Technology Officer (CTO) of ALTANA AG. “But now we’re moving into completely new areas. And this is what distinguishes ALTANA as a specialty chemicals company today.”

Dr. Severit identifies relevant future markets and checks to see whether competitive solutions can be developed. “Only if there are links with our specialty chemicals expertise do we embark on this journey.” This is the case in the rapidly growing future digital printing market. In this field, ALTANA develops innovative system solutions together with partners.



New technologies are tested in the ALTANA Group's digital printing competence center in Lehrte.



ACTEGA experts align inks with the different printing systems.

Highly Innovative System Solutions

The up-and-coming 3D printer manufacturer dp polar, in which ALTANA has held a stake since 2017, used ACTEGA's knowhow in materials development to launch a 3D printing solution that offers customers from a wide range of sectors, including the automotive, aerospace, and medical technology industries, completely new possibilities for manufacturing their products.

AMpolar® i2 is the world's first 3D printing system with a continuously rotating print platform. In contrast to previous processes, it is not the print head that moves, but the area on which printing takes place. This enables high-precision components to be produced up to 20 times faster. In addition, components with different degrees of hardness can be printed simultaneously, for example orthopedic prostheses.

In the field of 2D printing, ALTANA has a share in the Israeli technology company Landa Digital Printing as part of a strategic partnership. The nanography technology developed by Landa opens up possibilities in digital printing that were previously either technically impossible to implement or so expensive that the solution would not have made it beyond the niche. BYK delivers high performance additives – an important prerequisite for formulating the special printing inks needed for the technology.

Maximum Added Value for Customers

ALTANA's internal start-up ACTEGA Metal Print, in turn, is launching a method for packaging metallization that requires considerably less material, costs, and production time than the processes commonly used previously. A separate printer is not required for this purpose; instead, the

technology is mounted as an attachment on existing machines. Both ECKART and BYK contribute specialist knowledge in the field of pigment development and stabilization or provide additives for these developments.

With its digital "Direct to Shape" high-speed printing, Velox, in which ALTANA has a stake, also brings disruptive technologies to the ALTANA Group. "Velox also requires special inks, the further development of which is our core competence," says Dr. Severit.

Creating system solutions that generate maximum added value for customers – how does that work? Dr. Severit has the answer: "The diversity of our competencies drives innovation along the entire value chain."



Glenn West,
Site Manager Gonzalez (Texas), BYK USA Inc.



A photograph of a large industrial facility, likely a chemical or pharmaceutical plant. The scene is dominated by a complex network of silver-colored metal pipes, valves, and structural beams. In the foreground, there are large, cylindrical storage tanks with corrugated metal sides. The background shows more industrial equipment and a high ceiling with structural supports. The lighting is bright, suggesting an indoor or well-lit outdoor environment.

STRATEGICALLY EXPANDING OUR LOCATIONS

In order to meet future demand for high-quality rheology additives, BYK has invested around 70 million USD in the Gonzales site.



BYK is increasing the manufacturing capacities for rheology additives at its U.S. site in Gonzalez by around 10,000 tons.



Glenn West is coordinating the expansion project.

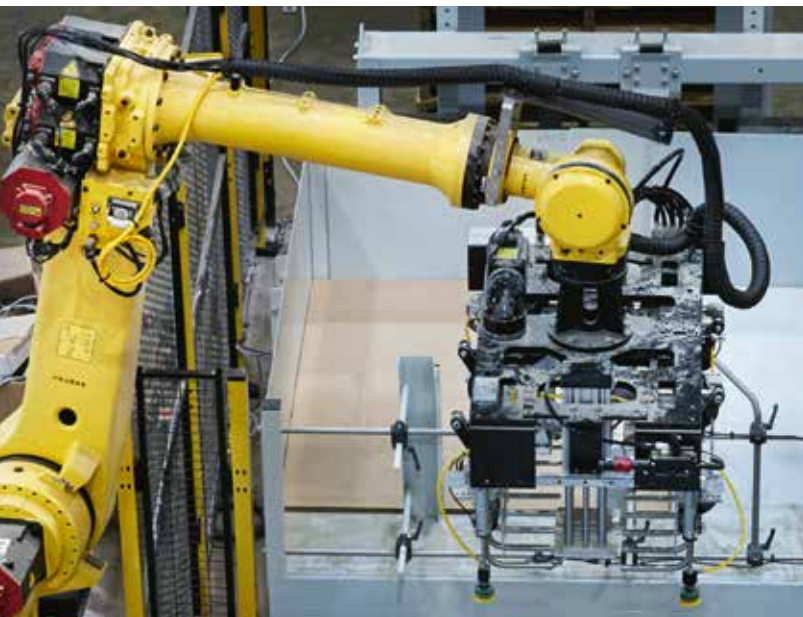
"WE ARE WELL EQUIPPED FOR THE FUTURE."

At its Gonzales site, BYK has primarily expanded its manufacturing capacities. As a result, the company can ensure its customers a rapid supply of high-quality rheology additives for the next decade. Glenn West knows what is important.

"We are investing in the future here," says Glenn West, head of BYK's Gonzales site in Texas. Rheology additives are produced there. In most cases, they are special solutions that meet individual customer requirements. "For our customers, it is critical that our products are consistently of high quality. Our rheology additives are precisely attuned to their processes and often provide greater efficiency," he says. In order to continue to deliver this added value in the coming years, BYK has implemented a strategic investment program of 70 million USD for the site.

Course for Future Growth

The planning and design work began about three years ago; construction work started in the spring of 2018 and is slated for completion in 2020. The core element is the expansion of capacity for



BYK is optimizing processes and investing in state-of-the-art automation technologies.



The company thus achieves an unprecedented degree of refinement of the minerals used.

BYK's Garamite products to be able to meet the increasing demand, for example in the paint, coatings, and plastics industries. The rheology additives help to optimize the flow behavior of a wide variety of products.

BYK is increasing its production capacity by about 10,000 tons. The world market for Garamite and Organoclay is growing at about two to three percent annually. "With our capacity increase we can cover the market growth expected for the coming years. So we have set the course for our future growth," explains the site manager.

State-of-the-Art Automation Technology

Processes have also been optimized to further strengthen the company's competitiveness. BYK is achieving the capacity expansion through the use of cutting-

edge automation technology – and is doing so with the same number of employees. A digital process control system is now being used. This allows the processes as a whole and at the individual process stages to be controlled individually.

"We here in Gonzales are very proud of these innovative technologies. This means our site is well equipped for the future," says Glenn West. The company, thus, achieves a so far unrivalled degree of refinement of the minerals used. Sustainability and safety standards are also being improved. For example, a new wastewater treatment plant was installed, saving energy and costs and improving the CO₂ footprint.

Next Generation Products

The new research and development facility is ALTANA's new global competence center for rheology additives. It is where

future customer challenges are already solved today and next generation products are developed. In this way, BYK in Gonzales has created the basis for opening up new customer groups and fields of application with new innovative solutions.

Says Glenn West: "The decisive factor is that we have more than 30 years of knowhow and experience in the field of rheology additives with our some 170 colleagues here. This is the best long-term investment we have to offer our customers."



Martin Babilas,
CEO, ALTANA AG



DRIVING CLIMATE PROTECTION FORWARD

The ALTANA Group will achieve climate-neutrality in its direct sphere of influence by 2025, thus consistently pursuing its sustainability course.



ALTANA paved the way to CO₂ neutrality in 2019.



For Martin Babilas, taking responsibility for climate protection is a matter for top management.

“FOOTPRINT ON INNOVATION, NOT ON EMISSIONS”

Anyone committed to sustainability must create facts. ALTANA has achieved considerable CO₂ savings faster than planned and has now set itself an ambitious new target. In the eyes of Martin Babilas, responsibility for climate protection is a matter for top management.

“With our CO₂ neutrality program up to 2025, we are fulfilling our responsibility for climate protection and consistently pursuing our sustainability course,” says Martin Babilas, CEO of ALTANA AG. The goal is to achieve climate neutrality, and to do so already from 2025 onwards, by which time the company will have reduced its CO₂ impact from production and energy procurement to zero worldwide. And already starting in 2020, the company’s entire power supply will be converted to renewable energies. ALTANA will compensate for the unavoidable use of natural gas, as well as CO₂ emissions arising from necessary business trips, company cars, and the transport of goods, by financing equivalent climate protection projects. As a result, the specialty chemicals group will achieve climate neutrality in its direct sphere of influence by 2025.



ALTANA operates photovoltaic systems at different sites (here in Ascoli Piceno, Italy).



Decades of experience with sustainable product solutions are helping the company achieve its climate protection targets.

Focus on Energy Efficiency and Renewable Energies

ALTANA is not starting from scratch. In 2017, it had already achieved the goal it set itself in 2007 of reducing CO₂ emissions by 30 percent in relation to gross value added by 2020. In order to further reduce its CO₂ emissions, Babilas is relying on greater energy efficiency and the long-term replacement of natural gas as a source of energy with renewable energies at its worldwide sites. In addition to the existing solar systems at ELANTAS in Ascoli Piceno, Italy, and at BYK in Deventer, the Netherlands, a further photovoltaic system went into operation at ELANTAS in Pune, India, which covers the electricity requirements of the new research center at this site. In Collecchio, Italy, ELANTAS is currently constructing another photovoltaic system for a new production and laboratory building.

Climate Protection Is a Corporate Task

Aside from the measures at its own sites, ALTANA is also implementing a program in close cooperation with its suppliers to consistently further improve the CO₂ balance of purchased raw materials, too. For Babilas, taking responsibility for climate protection and creating the corresponding facts is a corporate task. "Policymakers must create the indispensable framework for this, and, above all, promote renewable energies much more strongly and swiftly," says ALTANA's CEO.

Decades of experience in developing innovative product solutions that contribute to sustainability will benefit the company in achieving its climate protection goals. Here are just a few of many examples: Wire enamels from ALTANA's ELANTAS division are increasingly being used in electric vehicles and extend their service life. BYK offers a solution for the

recycling of polypropylene from car batteries, which was previously not recyclable. An aluminum pigment in wall paints developed by the ECKART division ensures that up to 50 percent of the heat is radiated back from the walls into the room. A PVC-free seal from the ACTEGA division helps beverage bottlers save 10,000 tons of steel for their crown caps. This roughly corresponds to the weight of the Eiffel Tower in Paris. Martin Babilas concludes: "We want to leave our footprint on innovations, not on emissions."



Dr. Julia Hufen,
Global Business Line Manager Electronic, ELANTAS GmbH



STRENGTHENING PERSONALITIES

The long-term investment in talent at ALTANA has paid off. There is already a new generation of managers that is not only successful, but also derives joy from making discoveries.



The globally oriented Management Development Program was developed for employees who have a high degree of international mobility and the potential to take on strategic positions.



Dr. Julia Hufen has already successfully solved numerous tasks.

"I AM DRIVEN BY CURIOSITY."

The new generation of ALTANA managers is being deployed globally even more frequently than before. They bring with them top management skills that they develop in ALTANA management programs. Dr. Julia Hufen belongs to this new generation.

ALTANA, BYK, and ELANTAS – Dr. Julia Hufen has already successfully solved numerous tasks. After working at various sites in Germany and the U.S., she will soon be active worldwide with a focus on Asia. "I'm particularly looking forward to this challenge, especially since Asian culture is completely different," says Dr. Hufen enthusiastically.

Openness to new ideas and tolerance are essential for the 41-year-old chemist, who holds a doctorate. "I am driven by curiosity. I love understanding things down to the last detail. This challenges and motivates me." For her, chemistry is a basis for understanding things and explaining the world.

Working Across the Globe

Dr. Hufen is not only curious but also good at structuring facts. In addition, she is able to get colleagues and customers in-



Dr. Julia Hufen has been Global Business Line Manager Electronic at ELANTAS since August 2019.



Openness to new ideas and tolerance are essential for Dr. Hufen, who has a PhD in chemistry.

involved in her ideas, wishes, knowledge, and skills as they tackle tasks. Mutual appreciation is important to her. Openness and tolerance are helpful.

For her, challenges are not “insuperable mountains.” Her credo: “Challenges are there to be met.” This also applies to work at sites around the globe. “It has always been my dream to work abroad,” she says. And she began working at an early stage to make her dream come true.

Right after she finished her studies she worked for a U.S. company, ending up as head of research and development. She had previously studied chemistry at the University of Duisburg-Essen and economics at the distance learning university in Hagen. During her studies, she realized that she prefers to work in an application-oriented way. “Research on molecules is certainly appealing, but I prefer to

use the knowledge I gain to develop applicable solutions.”

Support Through Management Programs

She started her career in the ALTANA Corporate Development department and M&A. Then she returned to operations, switching to BYK’s Industrial Applications department, before moving to the U.S. as Head of Global End Use Metalworking Fluids for BYK. Back in Wesel, she was Project Manager for Waxes, and since August 2019 she has been Global Business Line Manager Electronic at ELANTAS.

In 2018-2019, she completed the ALTANA Group’s Management Development Program (MDP). The globally oriented program was developed for employees who are willing to change, have a high degree of international mobility, and the potential to take on strategic posi-

tions. Dr. Hufen especially appreciates the personal coaching. The program is very intensive, she says, and perfectly adapted to future tasks.

Above all, she revels in having the opportunity to establish global networks. She will be able to make good use of her network when she successfully manages ELANTAS’ next challenge in Asia – including the joy of discovery.



Francine Jamison,
Executive Administrative Assistant, ELANTAS PDG Inc.



PROVIDING NEIGHBORLY HELP

At ELANTAS PDG in St. Louis, neighborhood involvement has a long tradition.
The workforce has supported numerous social projects for years.



The employees of ELANTAS PDG in St. Louis support people from the neighborhood and have done so in some projects for more than 13 years.



Francine Jamison coordinates the Back to School Supplies project, among other things.

“SPARKLING CHILDREN’S EYES ARE OUR MOTIVATION.”

Personal commitment truly matters at ALTANA. And it doesn’t end at the factory gate. Employees at ELANTAS PDG in St. Louis, USA, have been supporting people in their neighborhood on a voluntary basis for years. Francine Jamison is one of these staff members.

“It is part of our corporate culture to help people in need quickly and uncomplicatedly. And we do this not just as a one-time campaign, but over many years, if necessary,” says Francine Jamison, Executive Administrative Assistant at ELANTAS PDG. The employees prove this time and time again. When a colleague lost everything in a fire, for example, they helped him quickly and straightforwardly.

Employees of the insulation materials specialist for the electrical and electronics industry provide energetic support to people in the neighborhood who need a helping hand – and have been doing so for more than 13 years with some projects.

About half of all the employees at the St. Louis site are involved in various projects. “And on a volunteer basis,” Francine Jamison points out. Among the most important projects are the social initiatives



For more than 25 years, ELANTAS employees have been helping to put smiles on families' faces.



With the money collected, school supplies like exercise books and pens are bought and provided to around 25 schoolchildren each year.

Back to School Supplies and Annual Holiday Drive.

Many Neighborhood Projects, Carefully Selected

At the Annual Holiday Drive every year in November and December, employees donate gifts and money for neighborhood families. Residents of the Baden district where ELANTAS PDG is located often have very low incomes, and some have no income at all. The ELANTAS PDG employees helped five families in St. Louis in 2019, making it possible for them to receive gifts such as shoes, toys, clothing, and sometimes even a basket of food under their Christmas tree. For more than 25 years, ELANTAS employees have helped put a smile on the faces of families at Christmas – sometimes very practically, disguised as Santa Claus.

With the second major initiative, Back to School Supplies, needy children from the neighborhood have been receiving support for more than ten years. Money collected by the employees is used to buy school supplies such as exercise books and pens and to provide about 25 schoolchildren with these items every year as a basis for their education. "It's wonderful to see the children's sparkling eyes when they receive the school supplies. That's our motivation," says Francine Jamison, who coordinates this aid project at ELANTAS PDG.

Given the many requests for support, Francine Jamison and her colleagues are the first to gather information about the proposed projects. Then, based on their research, the management decides in the fall which initiatives will be supported in the following year in keeping with the motto "helping people to help

themselves." The Back to School Supplies and Annual Holiday Drive projects are always included. And will be again in 2020.

The numerous awards ELANTAS PDG has received as a top employer show that the climate of support reflects back on the company. Since 2013, the company has been on the St. Louis Post Dispatch newspaper's Top Workplaces list five times. In this respect, too, the employees have been demonstrating exceptionally high personal commitment for years: The evaluation is based exclusively on an employee survey. More than 80 percent of the workforce is regularly involved in this process.

Group Management Report

In 2019, ALTANA mastered a challenging market environment and at the same time invested heavily in the future. The weakening of demand in important industrial sectors, in particular the automotive industry, which already began in mid-2018, and the overall economic downturn, particularly in China, had a significant impact on the entire business year. The slightly lower material cost quota and a stringent cost management had a positive effect, but were unable to fully compensate for the sales-related decline in earnings. Nevertheless, the EBITDA margin remained within the long-term target corridor of 18 to 20 percent, despite considerable expenses for research and development and digitalization. In addition, we set the course for ALTANA's future profitable growth through acquisitions.

47	Group Basics
53	Business Development
66	Innovation and Employees
70	Subsequent Events
71	Expected Developments

Group Basics

Organization and Legal Structure

The ALTANA Group is a global supplier of specialized chemical products and related services for different branches of industry and application fields. In the 2019 fiscal year, the Group's 64 consolidated subsidiaries and associated companies achieved sales of more than € 2.2 billion. The ALTANA Group employs about 6,500 people.

ALTANA's activities are grouped into four divisions, each of which has its own management and organizational structure. The divisions and the Group companies assigned to them are decentralized and empowered to largely make market-, location-, and product-related decisions themselves. The divisions are active worldwide and have their own production sites and sales offices as well as research and development laboratories in the regional markets that are important for them.

ALTANA AG, headquartered in Wesel, is a stock corporation in accordance with German law. As the ALTANA Group's managing company, it assumes strategic control of the Group and the divisions. ALTANA AG is led by the Management Board, whose members act on their own responsibility and are solely committed to the interests of the company. The Management Board's activities are monitored by the Supervisory Board, whose members also advise the Management Board. More information on ALTANA AG's management and control system is provided in the Corporate Governance section of this report.

All of the shares in ALTANA AG are held by SKion GmbH, Bad Homburg v.d.H., Germany, an investment company owned by Susanne Klatten.

The decentralized organizational structure combines the individual operating units' ability to act swiftly and cater to the needs of markets and customers with the advantages of a financially strong and internationally active group. The organization is designed to adapt flexibly to changed market

conditions and a volatile economic environment. In addition, new activities can be integrated into the organization in a short time.

Business Activity and Divisions

As a globally active specialty chemicals group, ALTANA focuses its core activities on sophisticated markets and customers who need individual solutions.

A significant share of the ALTANA Group's product and service portfolio encompasses input materials for the production of coatings, printing inks, and plastics. In addition, ALTANA manufactures printing inks and coatings for special applications, insulating resins for the electrical and electronics industries, sealants for packaging, and measuring and testing instruments.






Activities of the Divisions

BYK

The BYK division is one of the leading international suppliers of special-purpose ingredients, so-called additives, used in coatings and paints, plastics, exploration, and other industrial applications. The division's products, most of which are used in only very small amounts, have a decisive influence on the properties of their customers' end products or enable customers to improve their manufacturing and industrial processes.

Wetting and dispersing additives, one of the division's main product groups, help improve the distribution of pigments and filling materials, and enable them to function better, for example in coatings and plastics. With the help of defoamers and air-release additives, foaming is prevented during the manufacture of coatings and paints as well as in end customers' applications. Surface additives are used to

Business divisions and product portfolio

			
			
Paint additives	Coatings	Wire enamels	Closures
Plastics additives	Graphic arts	Electrical	Flexible packaging
Industrial applications	Cosmetics and personal care	Electronic	Labels
Exploration	Plastics industry	Engineering materials	Paper-based packaging
Measuring and testing instruments	Functional applications		Publication and commercial
			Rigid packaging
			Specialty consumer goods

produce special properties such as shiny, matte or especially smooth surfaces. Rheology additives improve, for example, the flow behavior of coatings and plastics. The division also manufactures measuring and testing instruments that are used to determine surface properties, color shades, and optical effects.

BYK-Chemie GmbH, based in Wesel, is the management company of the division. In addition, it is the division's biggest production and development site for additives and the ALTANA Group company with the highest sales. BYK also produces at other sites in Germany, the Netherlands, Great Britain, as well as in China and the U.S. All of the measuring and testing instruments are manufactured at a site in southern Germany (Geretsried).

The division sells its products under the brands BYK (additives) and BYK-Gardner (instruments), primarily to cus-

tomers in the coatings, printing inks, and plastics industries. Due to its comprehensive portfolio, BYK is a system supplier and partner of coatings manufacturers and plastics processors in particular. On the basis of its great problem-solving expertise, BYK has also attained an important market position in many other industrial application fields in recent years.

The division markets its products in the important regions via its own companies and branches. In addition, a dense network of dealers and agents markets its products worldwide. BYK generates the highest share of its sales in Europe, followed by Asia and the Americas. In terms of countries, the U.S. makes the largest contribution to sales, followed by China and Germany.

BYK continually expands and supplements its product portfolio. To gear its innovation activities closely to the needs of the markets, the division has its own network of

development laboratories, which cooperate closely with customers in the respective regions. At the same time, new fields of application are continually tapped for existing or new products.

ECKART

ALTANA concentrates the development, production, and sale of effect pigments in the ECKART division. Customers use these products to achieve visual and functional effects, primarily in coatings, plastics, printing inks, cosmetics, and construction materials. The principal raw materials are aluminum, copper, and zinc. Aside from metallic effect pigments, other pigments are offered based on artificial substrates. The division's portfolio is supplemented by effect printing inks and services.

Aluminum-based effect pigments comprise the largest part of ECKART's business. Customers use them particularly to achieve silver metallic effects, for example, for car paints or on graphic arts products. Aluminum pigments are also used for functional purposes, for example, in the manufacture of aerated concrete. Bronze effect pigments generate golden effects in paints, printing inks, and plastic products. Customers use zinc pigments in special paints to achieve functional properties, particularly for corrosion protection.

ECKART GmbH is the division's operating management company. It produces a large part of the effect pigments it sells worldwide in southern Germany (Hartenstein and Wackersdorf). Other manufacturing sites are located in Switzerland and Finland, as well as in China and the U.S.

The manufacturing process is characterized by a very high degree of value creation. In a number of successive steps, all kinds of pigments are made, refined chemically, and in some cases processed into press-ready printing inks.

The effect pigments are marketed predominantly via the division's own sales structures, but also by sales partners. ECKART's most important customers include interna-

tional manufacturers of coatings, printing inks, and plastics.

Other important customers are manufacturers in the construction industry and the cosmetics sector. ECKART achieves nearly half of its sales in Europe. Its next largest sales regions are Asia and the Americas.

As an important manufacturer of metal effect pigments, ECKART continually pushes forward the development of new product qualities and opens up new fields of application on the basis of sophisticated technological expertise and many years of knowhow.

ELANTAS

The companies in the ELANTAS division offer their customers a high level of expertise in the field of electrical insulation materials. As one of the world's leading suppliers of such products, the division's portfolio concentrates on coatings for insulating magnet wires as well as special resins and coatings for impregnating and protecting electrical and electronic components.

ELANTAS has its own holding structure under the management of ELANTAS GmbH, based in Wesel. The latter controls the division's activities and supports its operating subsidiaries, which develop and produce insulating materials in Germany, Italy, China, India, Malaysia, the U.S., and Brazil.

The division's products are marketed worldwide. Among its most important customer groups are magnet wire manufacturers, which need materials to insulate wires made of copper or aluminum. The division also supplies insulating resins and coatings directly to manufacturers of electrical and electronic components.

ELANTAS' most important sales region by far is Asia, and particularly China. A high proportion of global manufacture of electrical and electronic components and consumer goods is concentrated in this region. The division has had its

own production sites in China, India, and Malaysia for years. After China, its most important sales markets are the U.S., India, and Italy.

On the basis of comprehensive expertise in the manufacture and application of liquid insulating systems, the division is steadily expanding its activities. It seeks to tap new application fields and thus growth potential by developing new insulating materials and applying specific polymerization knowhow. The global trend towards electromobility should ensure additional growth in this area.

ACTEGA

The ACTEGA division's portfolio is tailored to the needs of the packaging and graphic arts industries. It produces specialty coatings, printing inks, adhesives, and sealants used by customers to achieve functional and visual effects.

ACTEGA is managed by the holding company ACTEGA GmbH, based in Wesel. Subsidiaries in Germany, France, Spain, China, the U.S., Brazil, Canada, and Chile manufacture and sell the division's products. Its research and development activities are also decentralized, oriented to the competencies of the individual companies in the relevant application areas.

Important product groups of the division include water-based coatings and printing inks, as well as sealants and adhesives used to make packaging materials. A focal point of its product portfolio is the specific needs of the food industry with its high quality requirements. In addition, there is a demand for ACTEGA's printing inks and overprint varnishes among customers in the graphic arts industry. The division's largest sales region is Europe, followed by the Americas. Its most important individual markets are Germany and the U.S.

Together with the packaging industry, and in direct contact with brand manufacturers, ACTEGA develops new and improved optic and haptic functionalities. Its innovation

activities primarily aim to improve the safety and shelf life of packaged foods.

In recent years, the division has invested in a targeted way in the acquisition and further development of new technologies in order to tap new growth potential in the medium to long term for its existing business and to prepare its entry into new markets.

Important Influences on Business Development

ALTANA's different sales markets are influenced by various short-, medium-, and long-term trends.

Short- and medium-term fluctuations in demand result mainly from economic developments. The current development of consumer behavior is not the only factor. Our customers' expectations regarding the short-term development of the end markets downstream in the value chain also have a significant impact on their purchase behavior. This appraisal largely determines how much storage is reserved along the value chain.

In addition, actual and expected changes in the prices of essential raw materials impact the sales situation. When raw-materials prices continually rise, customers look for alternative input materials and this influences overall sales or the product mix. The same applies to significant changes in other cost components that have a strong influence on the price of products. This price sensitivity of the markets is also reflected in short-term changes in demand, when for example stronger price fluctuations are expected for significant raw-materials markets.

The competitive situation in the different product-specific market segments can have similar effects on customer behavior. The entry of new manufacturers into a market or the withdrawal of existing manufacturers from a market and the competitors' prices can impact demand.

Long-term changes in demand for the Group's products and services are brought about on the one hand by global

megatrends and the economic growth of certain regions. On the other hand, product and technological developments continually open up new sales potential or lead to product segments being discontinued.

In the course of a year, seasonal fluctuations in demand result from lower customer activity, especially during the Chinese New Year Festival, during the summer months, and at the end of the year.

Strategy and Control System

Strategy

Current market requirements, and market demands expected for the future, determine the ALTANA Group's corporate action. The success of our customers is at the center of our business activities. We can only be successful in the competitive environment in the long run if we offer our customers added value.

Our top financial priority is to sustainably increase the company's value. To achieve this aim, we consistently gear ALTANA to profitable growth in future-oriented specialty chemicals markets.

At ALTANA, profitable growth is based on several pillars. The primary ones are to expand our operating activities in existing markets and to open up new adjacent sales segments. ALTANA's four divisions occupy significant competitive positions in their respective sales markets. This positioning is an important prerequisite for our being identified and acknowledged by market participants as a competent supplier of customized solutions. In addition to ALTANA's comprehensive product portfolio, innovation plays a key role in its high level of problem-solving expertise.

To enable customers to create new applications and strengthen their portfolio, ALTANA continually pushes forward its own research and development activities. To this

end, our employees' knowhow and experience are just as important as investments in new technologies.

To continually expand our specialized portfolio, we regularly supplement our operating growth by acquiring new companies or business activities. As a result, for example, new value creation steps are integrated into the Group or access to new markets and technologies is granted.

In recent decades, the ALTANA Group has increasingly geared its activities to international markets. As a consequence, the Group has been able to benefit from the strong growth rates of emerging countries and to accompany many customers as they build production structures in these regions. Furthermore, ALTANA's global orientation enables it to recognize local demand trends quickly and to examine whether the applications developed subsequently have sales potential in other regions, too.

Control System and Goals

ALTANA's control system is fundamentally oriented to the goal of a sustainable increase in the company's value. A number of ratios, mainly financial, are derived whose developments are analyzed and for which target values are determined. The most important key performance indicators are ALTANA Value Added (AVA), sales growth, earnings before interest, taxes, depreciation and amortization (EBITDA), as well as the EBITDA margin, earnings before interest and taxes (EBIT), and capital expenditure.

A change in the company's value in a given period is calculated by using the financial ratio ALTANA Value Added. The absolute AVA is calculated by subtracting the cost of capital employed in the Group from the operating earnings. The relative AVA constitutes this difference in proportion to the capital employed. It is calculated by subtracting the cost of capital from the return on capital employed (ROCE).

The calculation of the operating earnings starts with earnings before interest and taxes, which are adjusted for

acquisition-related and one-time special effects and from which a calculated tax burden is deducted.

The capital employed, in turn, encompasses those components of the assets and liabilities needed to achieve operating earnings. The cost of capital is determined from the weighted average of cost of debt and cost of equity. We regularly examine the weighted average cost of capital but only adjust it for the calculation of the AVA if it exceeds or falls below a certain range. In the last few years, we set our weighted average cost of capital at 8 %. As a result of our examinations, we will adjust the weighted average cost of capital for 2020 and calculate with a weighted average cost of capital of 7.5 %.

Key performance indicators are used for measuring the company's success and as criteria for strategic and operational decisions at the level of the Group holding company, the divisions, and individual companies. In addition, the key figure AVA is also used to determine variable compensation components.

Our goal is to achieve a sustainable positive AVA, that is, to achieve operating earnings that exceed the cost of capital. In each of the last few years, we have managed to generate a positive AVA.

Sustainable profitable sales growth forms the basis for a long-term increase in our operating earnings and thus in the value of the company. ALTANA's goal is to outperform the general market growth in the most important sales segments and thus to obtain market shares.

In the long term, we aim to achieve average annual operating sales growth of 5 %. We seek to generate additional growth through acquisitions, either by acquiring supplementary activities at the level of our existing divisions or through the possible integration of new business activities.

But growth should not be achieved at the expense of profitability. Therefore, control of the EBITDA margin is very important for the ALTANA Group. The long-term target range for the EBITDA margin of the Group is 18 % to 20 %.

Derived from this are long-term target margins for our four divisions, which may deviate from the average target value for the Group due to the different business activities and market characteristics. In the last few years, the Group margins achieved were within or, in some years, even above the target range.

In addition to achieving long-term sales and earnings momentum, another focus to successfully increase the value of the company is control of the operating capital. The main factors of influence in this context are the development of fixed assets and of net working capital.

On average over several years, our investments in property, plant and equipment and intangible assets have been approximately 6 % of our sales. Due to this continuity, sharp increases in operating capital and resulting short-term fluctuations of the AVA can be minimized. In addition, every important investment is examined regarding its short- and long-term effects on the company's value.

For the control of net working capital, which is of great importance for the development of operating capital, we use key performance indicators to analyze and control profitable growth and the company's value. These key performance indicators concern the scope of inventories as well as trade accounts receivable and payable.

Apart from the aforementioned essential financial control parameters, there are other financial key indicators that help us analyze and control profitable growth and the company's value. The most important ones are cost figures (cost of materials, personnel expenses, etc.).

To guarantee that all activities are geared uniformly to the Group's strategy, we also use non-financial key performance indicators. These indicators, however, are not directly relevant for control and focus on a qualitative evaluation of activities whose financial measurability is limited. They include data for evaluating innovation and sustainability, analyzing sales markets, and gauging customer satisfaction.

Business Development

Integrated Planning Processes

All of the key performance indicators relevant for control are compiled and analyzed within the framework of standardized reporting processes. To be able to use these key parameters effectively to control our strategy and possible short- and medium-term measures, there is an integrated planning process embracing different planning levels and dimensions.

The planning cycle has a strategic planning component, which combines the analysis of the essential performance indicators for future business development at the product group level with a detailed representation of the changes expected in the market environment.

From this, strategic measures are derived enabling us to react to expected developments at an early stage. These measures, developed in the strategic planning process, include not only fields of activity on current sales markets, but also concrete goals and planning steps for entry into new fields of business or application areas and changes in the portfolio of business activities.

The decisions taken within the framework of strategic planning enter into our subsequent medium-term financial planning. The latter delineates our growth and profitability goals for the coming three years and the effects of the expected business development on ALTANA's asset and financing structure. This is used to derive possible measures for our financing strategy. Our medium-term financial planning is supplemented by scenario analyses, which transparently reflect the sensitivities of the key performance indicators to relevant, predominantly cyclical changes in the market environment. From this, we derive levels of reaction for possible countermeasures.

General Business Setting

Overall Economic Situation

The momentum of global economic development continued to slow down in the course of 2019. The International Monetary Fund (IMF) currently estimates that the world economy grew by 2.9 %, down on the previous year (3.6 %). The escalating trade conflict between the USA and China in 2019, the decline in demand in Asia, particularly in China, compared with previous years, and the uncertainties surrounding the United Kingdom's withdrawal from the European Union exacerbated the already existing economic downturn. This trend is reflected in almost all regions, but especially in the established industrial nations. Only in Japan did the economy develop better than in the previous year.

At an expected 1.2 %, the Eurozone posted lower growth than in the previous year 2018 (1.9 %). All of the major economies in Europe exhibited a nearly parallel economic development characterized by flagging momentum. According to the International Monetary Fund (IMF), Germany's economic growth was particularly subdued. At 0.5 %, it was significantly lower than in the previous year (1.5 %). In the two preceding years, the growth dynamics were more pronounced. Growth in 2019 was mainly supported by consumption. Private and public consumer spending grew more strongly than in the two previous years.

According to current IMF estimates, the economic momentum in the Americas in 2019 was also at a lower level than in 2018, with the USA reporting a decrease in economic growth from 2.9 % in the previous year to 2.3 % in 2019. The economic performance in Canada was also weaker, with an increase of 1.5 % (previous year: 1.9 %). Economic growth in the major Latin American economies remained at the same low level. At 1.2 %, the Brazilian economy in particular did not achieve higher growth than in the previous year (+ 1.3 %). Mexico, on the other hand, stagnated in 2019 (0 %), after posting growth of 2.1 % in the previous year.

Growth in Asia also slowed down in 2019, but was still at a high level compared to the other regions. With an expansion of 6.1 %, China did not reach the growth rate of 6.6 % of the previous year. The growth rate in India fell more significantly, from 6.8 % in the previous year to 4.8 % in 2019. The largest economies of Southeast Asia (ASEAN-5), which grew by 4.7 %, were also unable to match the growth of the previous year (5.2 %). In Japan, on the other hand, the increase in economic output accelerated from 0.3 % to 1.0 %.

Industry-Specific Framework Conditions

According to estimates by the American Chemistry Council (ACC), global chemical manufacture increased by 1.2 % in the past fiscal year, achieving slightly higher growth than in 2018 (1.0 %). As a result, the growth momentum in chemical production should increase, contrary to the trend in global economic output.

However, the regional changes in chemical production do not reflect the regional development of general economic performance in all countries. According to the German Chemical Industry Association (VCI), Europe's largest chemical producer, Germany, again recorded a significant decline in production volume (excluding the pharmaceutical industry) of 2.5 % in 2019. On the other hand, the ACC estimates that other European countries that are important for the chemical industry recorded positive developments in chemical production, including the United Kingdom (+1.1 %), France (+0.9 %), and Italy (+0.6 %). In the entire European region, chemical production was down 0.4 % in a year-to-year comparison.

In the U.S., the increase in chemical production fell significantly to 0.6 % (previous year: 3.8 %), particularly due to the trade disputes between China and the USA. In Latin America, chemical production growth also decreased compared with the previous year, albeit at a significantly lower level.

The chemical sector in the Asia-Pacific region was again the biggest driver of global growth in the past fiscal year. The ACC estimates that production grew by 3.1 % in this region, after standing still in the previous year (0.1 %). The high momentum is mainly due to the development of chemical manufacture in China, which is expected to grow by 4.9 % in 2019, while growth in Korea and Japan was significantly lower than in the previous year.

In the first few months of 2019, the price of a barrel of Brent crude initially rose continuously from just under 55 U.S. dollars to 75 U.S. dollars. From June onwards, the price initially weakened noticeably and, due to fears of a further intensification of trade conflicts and the sluggish industrial economy, fell back to the level of the beginning of the year. Oil prices then rose sharply again in the course of December, closing the year at 67 U.S. dollars. One of the reasons for the increase was the announced breakthrough in the negotiations to defuse the trade dispute between the USA and China, which had previously repeatedly depressed oil prices. On an annual average, the price level in 2019 was thus below that of the previous year.

Important Events for Business Development

In 2019, non-operating effects influenced ALTANA's earnings and financial position as well as its assets.

In July 2019, ALTANA acquired the testing instruments and other laboratory equipment business of the American Paul N. Gardner Company, Inc. in an asset deal. The activities were integrated into the BYK division and had a slightly positive impact on the sales development. By contrast, the activities acquired at the end of 2019 in the wire enamel business of the Hubergroup India Private Ltd. did not yet make a sales or earnings contribution to the ELANTAS division in the past fiscal year.

The development of exchange rates between the euro, the Group currency, and other currencies important for ALTANA had a positive influence on sales development in

2019 and a slightly negative influence on earnings development. The average exchange rate of the euro to the U.S. dollar was 1.12 U.S. dollars for one euro, down on the previous year (1.18 U.S. dollars for one euro). Effects from changed exchange-rate relations also resulted from a further decline in the average exchange rate of the euro against the Chinese renminbi, from 7.81 renminbi to 7.74 renminbi for one euro. Other currencies important for key business figures also changed in relation to the Group currency, the euro, on average over the year. The effects of the translation of the financial statements of major non-euro Group companies on items of the 2019 income statement were positive overall. Differences in exchange rates on the balance sheet date also had a positive influence on balance sheet items compared to the previous year.

Business Performance

Group Sales Performance

Group sales reached a total of € 2,248.9 million in 2019, a 3 % or € 58.5 million decrease compared to the previous year (€ 2,307.4 million). Non-operating effects generally had a positive effect on the sales development. Exchange-rate changes, primarily from the changed relations of the euro to the U.S. dollar, resulted in a sales increase of 1 %. Due to the acquisition of the business of Paul N. Gardner in the U.S. (BYK division) in mid-2019, Group sales increased by € 4.1 million. Adjusted for these currency and acquisition effects, Group sales were 4 % below the previous year.

This means that we did not achieve the operating sales growth in a range between 1 % and 5 % forecast at the beginning of the year for 2019. The main reasons for the shortfall were sluggish demand from key industrial sectors, especially the automotive industry, and the general economic slowdown, especially in China. The decline is almost exclusively due to a demand-driven reduction in sales

Key figures

	2018	2019	Δ %	Δ % op. ¹
in € million				
Sales	2,307.4	2,248.9	-3	-4
Earnings before interest, taxes, depreciation and amortization (EBITDA)	430.6	415.8	-3	-3
<i>EBITDA margin</i>	18.7%	18.5%		
Operating income (EBIT)	295.8	262.5	-11	-10
<i>EBIT margin</i>	12.8%	11.7%		
Earnings before taxes (EBT)	264.1	231.3	-12	-10
<i>EBT margin</i>	11.4%	10.3%		
Net income (EAT)	187.0	169.0	-10	
<i>EAT margin</i>	8.1%	7.5%		

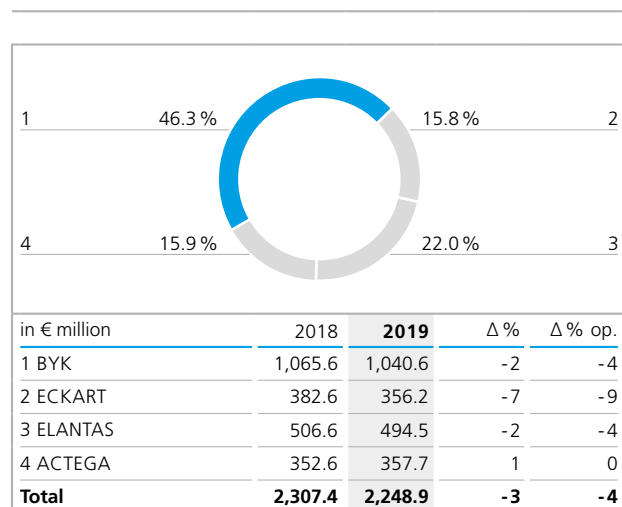
¹ Operating deviation, i.e. adjusted for acquisition and divestment as well as exchange-rate effects. This adjustment also applies to other sections of this management report.

volumes, which affected all business units, albeit to varying degrees.

The regional sales and sales structure shifted only slightly compared to the previous year. With an unchanged share of 38 % of total Group sales, Europe continues to represent the most important sales region for ALTANA. Both nominal and operating sales in Europe were 2 % below the previous year's level. Sales decreased in most of the region's important sales markets for ALTANA. In the company's home market of Germany, in particular, sales were unable to match the previous year's figure. Only in Italy, Great Britain, and a few Eastern European countries were the previous year's sales exceeded.

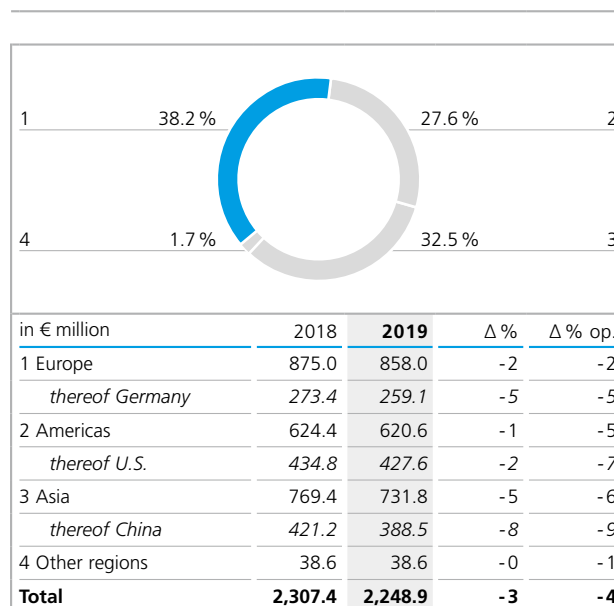
In 2019, sales in the Americas lagged slightly behind the previous year's level. Adjusted for positive exchange-rate and acquisition effects, operating sales decreased by 5 %. Sales in the U.S. – still ALTANA's largest single sales market, accounting for 19 % of total sales – fell by 7 % in operating terms. A major reason for this decline was a reduction in

Sales by division



exploration activities. As a result of the lower average crude-oil price level over the year, the development of new production sources in the U.S. declined, and so demand for the corresponding special products of the BYK division fell significantly compared to the previous year. In Brazil and other major Latin American markets, however, operating sales grew slightly vis-à-vis the previous year. Overall, the Americas' share of Group sales increased slightly to 28 % (previous year: 27 %). Asia continued to account for 33 % of Group sales in the past fiscal year. In operational terms, however, sales did not reach the level of 2018, down by 6 %. The significantly weaker economic growth in China, in particular, resulted in a decrease in demand for the Group's products and services in the region. With a sales share of 17 % (previous year: 18 %), China remains ALTANA's second largest market.

Sales by region



Sales Performance of BYK

In the 2019 fiscal year, sales in the BYK division dropped by 2 % or € 25.0 million to € 1,040.6 million (previous year: € 1,065.6 million). This includes positive exchange-rate changes as well as acquisition effects due to the acquisition of the business activities of Paul N. Gardner in the U.S. in the middle of the year. Adjusted for these two effects, operating sales were 4 % down on the previous year.

In 2019, BYK recorded lower sales in almost all markets and regions. The effects of the fundamentally difficult overall economic environment and, in particular, the weak demand in the automotive industry were reflected in a significant year-to-year decline in demand. A significant portion of the sales decline is attributable to the division's business with additives for the plastics industry and reduced demand in the oil and gas sector due to the drop in crude oil prices over

the course of the year. In contrast, the previous year's sales of measuring and testing instruments were slightly exceeded thanks to the acquisition made in mid-2019.

In terms of regions, Asia and the Americas were particularly affected by the operating sales decrease. Developments in Asia were negatively impacted above all by the significant decline in operating sales in China, BYK's second largest single market. This could not be offset by slight operating sales growth in some Asian countries, including India and Thailand. Sales in the Americas also declined in operating terms. Sales fell noticeably, particularly in the U.S., the division's largest single market. In Brazil, by contrast, sales were at the prior-year level. Adjusted for positive exchange-rate and acquisition effects, the Americas region, similar to Asia, showed an overall downward trend compared with the previous year. In contrast, sales in Europe dropped only slightly. A significant decline, particularly in Germany, was partially offset by growth in other major markets on the continent such as the UK, Italy, and Turkey.

Sales Performance of ECKART

In 2019, the ECKART division generated sales of € 356.2 million (previous year: € 382.6 million). The 7 % decline vis-à-vis the previous year was influenced by positive exchange-rate effects. Adjusted for these effects, operating sales fell by 9 %. Of this, 3 percentage points were attributable to the discontinuation of low-margin trading business in China. The sales trend in the division's core business was slowed in particular by declining demand in the automotive industry, as well as in other industrial sectors.

The fundamentally difficult market environment was reflected in almost all regions in 2019. In China, the division's complete withdrawal from trade business in 2019 left a clear mark on sales development. In combination with fundamentally declining growth in the Chinese market, sales in Asia were below the previous year's level. Sales in the Americas were also well below 2018. Weak sales in Germany

had a negative impact on ECKART's business activities in Europe, although not quite as significant as in Asia and the Americas.

Sales Performance of ELANTAS

In the ELANTAS division, sales in 2019 fell by 2 % or € 12.0 million to € 494.5 million (previous year: € 506.6 million). Adjusted for positive currency effects, the operating sales decline amounted to 4 %. This development is due both to lower sales volumes compared to the previous year and to a changed product mix. The main driver for the drop in sales of electrical insulation products was again the generally weaker economic situation. This development was reflected in 2019 in all of ELANTAS' major business areas.

Regional sales dynamics were uneven. ELANTAS achieved sales growth in the Americas region. Adjusted for positive exchange-rate effects, sales were at the previous year's level. In Europe and Asia, on the other hand, the division recorded declining sales in all major markets, which were particularly affected by weak demand in China, ELANTAS' most important single market, as well as in Germany and Italy.

Sales Performance of ACTEGA

With sales of € 357.7 million (previous year: € 352.6 million), the ACTEGA division was the only ALTANA Group division to post nominal growth of 1 % compared to 2018. This increase was favored by positive exchange-rate effects. Adjusted for this effect, operating sales were slightly above the previous year's level. A minor decline in sales volumes was offset by positive effects from a changed product mix and a somewhat higher price level.

ACTEGA's business developed positively in the main application fields. For example, activities with functional products for food packaging were increased compared to the previous year, in some cases significantly. On the other hand, ACTEGA recorded lower sales in the flexible packaging business as well as in magazines and printed inserts.

The regional sales structure of the ACTEGA division did not change significantly in 2019. With the exception of the U.S. sales market, the overall trend in the division's core regions was positive. In Europe, the largest region, net sales were slightly above the previous year's level. Operating growth, particularly in Germany, more than compensated for a decline in other European countries. In the Americas, nominal sales increased compared to the previous year. Adjusted for the positive exchange-rate effects resulting from the development of the U.S. dollar, operating sales were below the level of 2018. In the U.S., the division's largest single market, operating sales fell sharply in year-to-year terms, while in Brazil they increased strongly. In Asia, too, the division was the only one to further increase its sales level in 2019.

Earnings Situation

The operating sales decline was reflected by the earnings situation. Earnings before interest, taxes, depreciation and amortization (EBITDA) fell by 3 % or € 14.8 million to € 415.8 million (previous year: € 430.6 million). Since negative acquisition and currency effects had only a minor impact on earnings, the operating sales decrease adjusted for these effects also amounted to 3 %. The EBITDA margin in the 2019 fiscal year, however, at 18.5 % (previous year: 18.7 %), is once again within our strategic target range of 18 % to 20 %. This was achieved through extensive cost containment measures, which were already initiated in the fourth quarter of 2018 in view of the emerging slowdown in demand.

The development of absolute EBITDA was below our expectations, as the decline in demand, particularly from the automotive sector, as well as the general economic slowdown, was more severe than initially assumed. On the other hand, the EBITDA margin was almost at the previous year's

level due to the cost measures implemented and is therefore in line with our forecast for last year.

The most important cost factor for ALTANA, variable raw-material and packaging costs, developed positively in relative terms. The material usage ratio, the ratio of these costs to sales, fell to 42.7 % in 2019 (previous year: 43.8 %). All four divisions benefited from this trend, albeit to varying degrees.

Among the other main cost items, particularly personnel expenses and depreciation and amortization increased. Personnel expenses rose by 6 %. The main drivers were the general increase in collective bargaining costs, exchange-rate effects, and hiring in the previous year. The ratio of total personnel expenses to sales increased to 22.7 % (previous year: 20.9 %) due to the decline in sales. Depreciation and amortization increased as a result of the high level of investment in property, plant and equipment and the first-time adaptation of depreciation on rights of use under leasing agreements. The disproportionate increase in both depreciation and amortization and personnel expenses affected all functional cost areas.

In general, the structure of the functional costs in 2019 changed only insignificantly compared to 2018. Within production costs, personnel expenses and depreciation and amortization in particular rose disproportionately due to the strategic expansion of our sites and the expansion of production capacity. In contrast, other major kinds of costs in the production area remained stable or declined.

In 2019, selling and distribution expenses were slightly lower than in the previous year, but the relative ratio to sales increased slightly due to the sales drop. The decline in selling and distribution expenses was driven in particular by lower sales commissions and lower travel and trade fair costs, whereas personnel expenses and depreciation and amortization rose.

Of all the functional cost areas, research and development expenses exhibited the strongest growth in 2019, as in the previous year. On account of the continuous expansion of development activities in nearly all of our four divisions and the expansion of strategic activities to build future fields of business, the ratio of research and development costs to sales increased from 6.7 % to 7.4 %. This trend was additionally driven by initiatives in application-oriented research and stepped-up activities to develop new technologies that can be used to market innovative products. In order to successfully implement these goals, we intensified our investments in personnel and laboratories in 2019, which led in particular to increased personnel expenses and depreciation and amortization within the functional area of research and development.





Administrative expenses in 2019 were lower than in 2018, and the ratio of administrative expenses to sales remained stable at the previous year's level.

The balance of other operating income and expenses was down on the previous year. This development is almost exclusively due to one-time special expenses in 2019 resulting from the harmonization of the organoclay product group in the BYK division. Earnings before interest and taxes (EBIT) reached € 262.5 million, 10 % below the previous year's figure (€ 295.8 million) in operating terms.






At € 7.9 million, the financial result was significantly better than in 2018 (€ -7.2 million). The background for the improvement was in particular interest income received from tax mutual agreement procedures as well as changes in the value of investments and an outstanding earn-out obli-

Multi-period overview of the earnings situation

Sales (in € million)

2015		2,059
2016		2,075
2017		2,247
2018		2,307
2019		2,249

EBITDA (in € million)

2015		391
2016		453
2017		470
2018		431
2019		416

gation from an acquisition. On the other hand, the result of companies accounted for using the at-equity method worsened, from € -24.5 million in the previous year to € -39.1 million in the 2019 fiscal year. This was due to the higher annual losses of the Israeli Landa Corporation Ltd. as a result of the planned higher expenditure for future digital-printing solutions in 2019 in the course of the market launch that had already begun. This was compounded by the first-time recognition of depreciation and amortization of the development expenses identified at the time of acquisition.

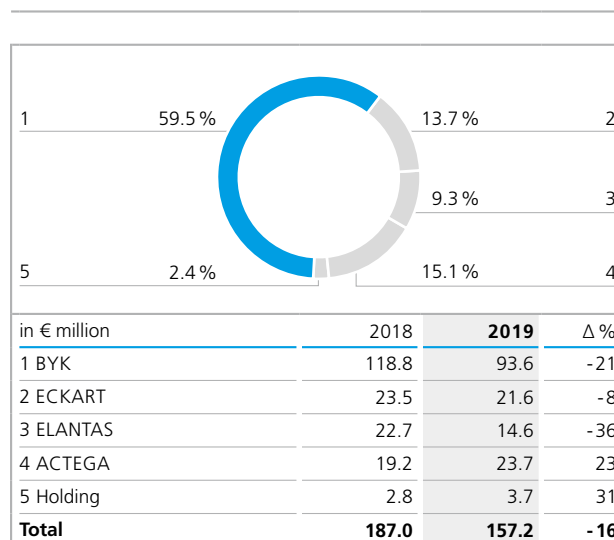
Earnings before taxes (EBT) fell to € 231.3 million (previous year: € 264.1 million), and earnings after taxes (EAT) to € 169.0 million (previous year: € 187.0 million). As a consequence, income tax was below the previous year's level due to the earnings decline. In addition, the income tax burden was positively influenced by tax income received from tax mutual agreement procedures.

Asset and Financial Situation

Capital Expenditure

In the past fiscal year, ALTANA invested a total of € 157.2 million in intangible assets and property, plant and equipment (excluding the addition of rights of use from leasing

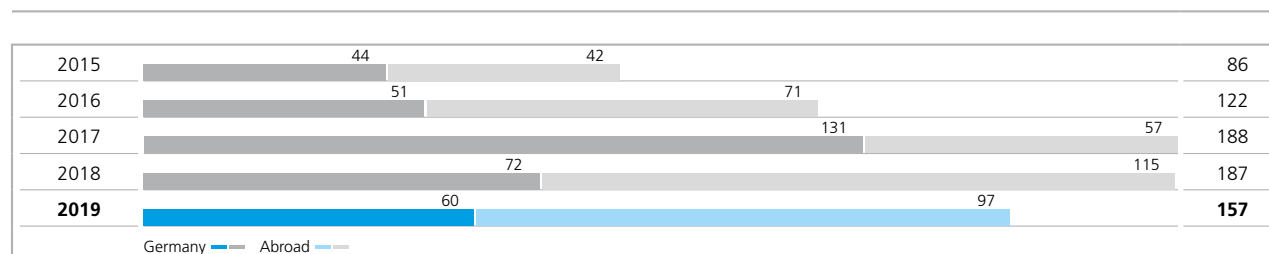
Capital expenditure by division



agreements). As a consequence, capital expenditure was significantly below the high level of the previous year (€ 187.0 million). At 7.0 %, the investment ratio, that is the ratio of investments to sales, was above our long-term target range of 5 % to 6 % due to numerous strategic growth projects.

Overall, € 146.9 million was invested in property, plant and equipment (previous year: € 171.8 million). For several

Capital expenditure ALTANA Group (in € million)



years, major projects have been carried out for the strategic expansion of production and laboratory capacities. Investments in intangible assets reached € 10.3 million in the past fiscal year, compared to € 15.2 million in 2018.

The regional distribution of investments did not change significantly in the past fiscal year. The European share was almost unchanged from 2018 at 49 % (previous year: 51 %), with the largest share in Europe attributable to German sites, as in previous years. By contrast, the Americas recorded an increase of 40 % in the 2019 fiscal year (previous year: 31 %), while Asia's share decreased to 11 % (previous year: 18 %).

In 2019, the BYK division invested a total of € 93.6 million, less than in the previous year (€ 118.8 million). As in 2018, the investment activity focused on the expansion of manufacturing capacities for rheology additives in the U.S. and on a site in China. In addition to research and development capacities at various locations, other investments related to a facility for carrying out automated product tests on additives at the Wesel site and strategic digitalization projects.

At € 21.6 million (previous year: € 23.5 million), the investment volume in the ECKART division was slightly lower than in the previous year. By far the most significant share was split equally between the division's largest site in Günterstal and a site in the United States.

The ELANTAS division invested a significantly lower amount in property, plant, and equipment and intangible assets than in the previous year (€ 14.6 million compared to € 22.7 million in 2018). In the past fiscal year, the division invested primarily at its sites in Italy and the U.S.

Investing € 23.7 million, the ACTEGA division's capital expenditure was at a higher level than in 2018 (€ 19.2 million). Investments in the past fiscal year mainly related to the expansion of manufacturing capacities and the construction of a new innovation center at one of the division's German sites. More was also invested at the division's U.S. and Brazilian sites than in previous years.

Balance Sheet Structure

Key figures

	2018	2019	Δ %
in € million			
Total assets	3,221.9	3,343.3	4
Shareholders' equity	2,344.6	2,479.4	6
Net debt (-)/ Net financial assets (+) ¹	(95.6)	(57.7)	40

¹ Comprises cash and cash equivalents, short-term financial assets, marketable securities, loans granted, debt, and employee benefit obligations.

In the course of the 2019 fiscal year, the ALTANA Group's total assets climbed from € 3,221.9 million to € 3,343.3 million. The increase of € 121.4 million, or 4 %, is mainly due to continued high investment activity, the first-time adaptation of rights of use under lease agreements, as well as exchange-rate effects. Particularly the change of the euro in relation to the U.S. dollar led to an increase in the carrying amounts of assets and debts of the U.S. Group companies in the consolidated financial statements.

Intangible assets fell slightly to € 1,023.9 million (previous year: € 1,044.2 million). There were no business combinations or technology acquisitions with a significant impact on intangible assets in the past fiscal year. In contrast, there was a significant increase in property, plant and equipment, which rose further from € 868.2 million to € 970.8 million. With additions of € 146.9 million, the level of investment in property, plant and equipment was significantly higher than depreciation and amortization (without taking into account the addition of right-of-use assets from leasing agreements). Exchange-rate effects also led to an increase in carrying amounts in the Group currency, the euro.

On December 31, 2019, non-current assets totaled € 2,211.6 million (previous year: € 2,083.7 million), € 127.9 million up on the previous year. Their share in total assets increased slightly to 66 % (previous year: 65 %).

The change in current assets was influenced particularly by the decrease in net working capital. Both inventories and trade accounts receivable fell in the past fiscal year as a result of the decline in demand and the implementation of specific measures. The 6 % decrease in inventories to € 348.8 million was due to a reduction in stocks of finished products and a lower level of raw materials. The change in inventories also had a significant impact on the development of total net working capital. The balance of inventories, trade accounts receivable, and trade accounts payable fell by € 14.8 million to € 547.0 million. The ratio of net working capital, in relation to the business development of the previous three months, slightly decreased to 108 days, after 109 days at the end of 2018, meaning that both the absolute net working capital and the ratio developed in line with our expectations. At the beginning of the year, we had forecast a change in absolute net working capital in keeping with the general business trend and a slight improvement in scope. Cash

and cash equivalents increased in the course of the year to € 264.6 million (previous year: € 239.7 million). Total current assets fell slightly to € 1,131.7 million (previous year: € 1,138.1 million).

On the liabilities side, changes arose primarily due to the earnings-related increase in equity. Group equity rose by € 134.8 million, or 6 %, to € 2,479.4 million (previous year: € 2,344.6 million). The increase is attributable to the surplus in the 2019 financial year and, to a lesser extent, to positive effects of exchange-rate fluctuations. The revaluation of net pension obligations had a counteracting effect. The equity ratio rose to 74 % on December 31, 2019 (previous year: 73 %).

The Group continued to report liabilities from promissory note loans as an essential component of the debt at the end of 2019. These liabilities were reduced further in the past fiscal year by scheduled repayment of a tranche (€ 80.0 million) and amounted to € 48.0 million at the end of the year,

Structure of consolidated balance sheet

Assets	Dec. 31, 2018		Dec. 31, 2019	
	€ million	%	€ million	%
Non-current assets	2,083.7	65	2,211.6	66
Inventories, trade accounts receivable and other current assets	873.9	27	842.4	25
Cash, short-term financial assets, and cash equivalents and marketable securities	264.3	8	289.3	9
Total asset	3,221.9	100	3,343.3	100

Shareholders' equity and liabilities	Dec. 31, 2018		Dec. 31, 2019	
	€ million	%	€ million	%
Shareholders' equity	2,344.6	73	2,479.4	74
Non-current liabilities	417.1	13	425.3	13
Current liabilities	460.2	14	438.6	13
Total shareholders' equity and liabilities	3,221.9	100	3,343.3	100

which is reported under current debt. Further significant liabilities as of the balance sheet date related to the liabilities from leasing obligations reported for the first time amounting to € 42.9 million.

The total non-current liabilities were affected on the one hand by the increase in pension provisions due to the further decline in the discount rate used to discount the corresponding obligations. On the other hand, the deferred taxes reported on the liabilities side of the balance sheet decreased. In total, non-current liabilities increased by € 8.3 million to € 425.3 million (previous year: € 417.0 million).

The total current liabilities reported in the balance sheet as of December 31, 2019, decreased from € 460.2 million to € 438.6 million. This was partly due to the lower current financial liabilities from promissory note loans, which were only partially offset by the first-time recognition of liabilities from lease obligations. On the other hand, trade payables also declined.

The net financial debt, comprising the balance of cash and cash equivalents, short-term financial assets, current marketable securities, loans granted, debt, and employee benefit obligations, was reduced to € 57.7 million at the end of 2019, after net debt of € 95.6 million in the previous year.

Principles and Goals of Our Financing Strategy

We generally aim to finance our operating business activities from the cash flow from operating activities. The same applies to the need for capital expenditure, which caters to the continual expansion of business activities.

As a result, our financing strategy is oriented to keeping the cash and cash equivalents generated within the Group centralized. In addition, a financing framework is sought that enables ALTANA to flexibly and quickly carry out acquisitions and even large investment projects beyond the accustomed scope.

To successfully implement these goals, we manage nearly all of the Group's internal financing centrally via ALTANA AG. To this end, cash pools are set up for the important currency areas.

At the end of 2019, ALTANA's liabilities still totaled € 48.0 million due to the issuance of promissory note loans. The loans will be repaid by 2020. Furthermore, there is a general syndicated credit facility of € 250.0 million. The term of this credit facility will last until 2022 and had not been utilized on the balance sheet date.

This financing structure offers ALTANA the flexibility it needs to appropriately take advantage of short-term or investment-intensive growth opportunities. The distribution of the maturities of the financing instruments we use enables us to optimally control repayment of liabilities with inflows from operating cash flow.

Off-balance-sheet financing instruments result from purchasing commitments and guarantees for pension plans. Details on the existing financing instruments are provided in the online Consolidated Financial Statements.

Liquidity Analysis

Key figures

	2018	2019	Δ %
in € million			
Cash flow from operating activities	296.2	386.3	30
Cash flow from investing activities	(195.7)	(228.8)	- 17
Cash flow from financing activities	(135.9)	(134.6)	1

In the course of 2019, cash and cash equivalents increased by € 24.9 million to € 264.6 million (previous year: € 239.7 million). At € 386.3 million, cash inflow from operating

activities was significantly higher than in the previous year (€ 296.2 million), despite the lower Group net income. This is primarily due to the fact that the funds tied up in net working capital were reduced in the course of the year, whereas in the previous year the balance of inventories, trade accounts receivable, and trade accounts payable was still increasing. The change in inventories was the main driver of this development. In addition, a higher proportion of net income in the past year was attributable to non-cash expenses.

Cash flow from investment activities rose to € 228.8 million (previous year: € 195.7 million). Although investments in intangible assets and property, plant and equipment were at a lower level than in the previous year, the repayment of a loan of € 71.0 million was made in the previous year and expenditure on acquisitions in 2019 was higher than in the previous year.

In the 2019 fiscal year, cash flow from financing activities amounted to € 134.6 million and was thus at the previous year's level (€ 135.9 million). The current debt outflows concerned the scheduled repayment of a promissory note tranche totaling € 80.0 million and lease payments. In the 2019 fiscal year, ALTANA AG paid a dividend amounting to € 50.0 million (previous year: € 80.0 million).

Value Management

Key figures value management

	2018	2019
in € million		
Operating capital (annual average)	2,762.7	2,856.6
Operating earnings	258.6	250.1
Return on capital employed (ROCE)	9.4 %	8.8 %
Weighted average cost of capital	8.0 %	8.0 %
ALTANA Value Added (relative AVA)	1.4 %	0.8 %
ALTANA Value Added (absolute AVA)	37.6	21.6

ALTANA determines the change in the company's value via the key figure ALTANA Value Added (AVA), whose calculation is explained in the "Group Basics" section. In 2019, a positive contribution was made to our company's value again, which, however, was lower than in 2018 and was below our expectations.

The sales-related decline in earnings is reflected in lower operating earnings, which at € 250.1 million did not quite reach the previous year's level (€ 258.6 million) and was boosted by a positive non-recurrent effect resulting from the tax rate used in the calculation. At the same time, the Group's average capital employed rose to € 2,856.6 million in 2019 (previous year: € 2,762.7 million). This increase in capital largely resulted from the high level of investment in property, plant and equipment over the past two years. Changes in exchange rates also contributed to the higher capital level. With an unchanged cost of capital rate of 8.0 %, the cost of capital rose to € 228.5 million (previous year: € 221.0 million).

The return on capital employed (ROCE) amounted to 8.8 % in 2019 and thus did not reach the previous year's level (9.4 %). Absolute value added amounted to € 21.6 million in the past fiscal year, compared to € 37.6 million in the pre-

vious year, and relative AVA fell from 1.4 % to 0.8 % in 2019.

The slight improvement in value management key figures forecast for 2019 could not be achieved due to the weaker earnings performance.

Overall Assessment of Our Business Performance and Business Situation

In the course of 2019, the macroeconomic framework deteriorated increasingly, leading to a decline in demand, particularly in the automotive industry and in the important sales market China. As a result, we were not able to achieve our sales and earnings targets in 2019. However, the effects of the sales decrease on the earnings situation were largely offset by the early introduction of comprehensive countermeasures on the cost side, so that profitability was within our strategic target range. At the same time, we continued to press ahead with our strategic activities to develop medium- to long-term growth areas and with the digital transformation.

Our balance sheet continued to show a very solid structure at the end of 2019 and offers sufficient financial headroom for investments in sustainable profitable growth.

Innovation and Employees

Innovation

As a specialty chemicals company, innovations are an important factor for ALTANA, enabling us to offer our customers new, competitive solutions and at the same time to meet cutting-edge requirements regarding performance profile, costs, environmental protection, and sustainability. Thanks to close cooperation with our customers we are integrated into new fields of development at an early stage and thus can develop customized solutions quickly and reliably. We build on existing competencies, on the one hand, and gain access to new ones on the other, in order to continuously adapt our product portfolio to market and customer needs. State-of-the-art analytics in chemical labs as well as application technology testing laboratories geared to specific features are available to our researchers and developers for targeted development.

In addition to the activities in the business divisions, selected innovations are initiated and coordinated at the ALTANA level, aimed at tapping new business fields and absorbing technology and market trends. This is achieved through different procedures, namely, through the ALTANA Institute, the central management of technology platforms, as well as corporate venturing investments.

With the help of the ALTANA Institute, external networks and close cooperation with universities and research institutes around the world are used to harness outside impetus. This year, the first projects were successfully completed

after a three-year period and a technology transfer to the respective business areas began.

In the 2019 fiscal year, ALTANA again invested an above-average amount in technology platforms and thus accelerated research activities that had been initiated in previous years. The Printed Electronics platform reached an important milestone. After years of intensive research and development, it was integrated into the organization of our ELANTAS business unit to be able to optimally utilize synergies in sales as well as market penetration. In 2019, ALTANA also made considerable progress in the field of 3D printing for additive production. ALTANA and the printer manufacturer dp polar, in which the company has had a stake since 2017, presented the world's first 3D printing system with a continuously rotating print platform at the leading international trade fair for additive manufacturing Formnext. The printing inks specially developed by ALTANA for this purpose enable the components to be produced according to customer-specific requirements with high precision and productivity in areas such as the automotive, aerospace, and medical technology sectors. The laser transfer technology Heliosonic, which has also been set up as a technology platform, can open up further market segments in collaboration with dp polar in the medium term. In 2019, the Heliosonic platform succeeded in putting the first prototype into operation. As a result, the future direction of the system can be shaped in discussions with customers.

Research and development expenses (in € million)

2015		128.1
2016		129.3
2017		142.5
2018		154.1
2019		165.6

Thanks to the close cooperation between the central departments Corporate Innovation and Corporate Venturing, ALTANA can continuously examine technology and market potential and enter new attractive markets by means of targeted investments in transformative technology companies. In this context, ALTANA further intensified its investment in the Israeli industrial digital printing company Velox Ltd. in the 2019 fiscal year.

The basis for our innovative strength is an open and dynamic corporate culture that gives the 1,174 employees in our research and development centers around the world the freedom to act creatively and entrepreneurially. The equipment in our development centers enables our employees to implement their ideas in marketable solutions. In the year under review, expenses for research and development amounted to € 165.6 million, a significantly higher amount than in the previous year (€ 154.1 million). The further increase in research and development expenses to 7.4 % of sales (previous year: 6.7 %) is linked to the achievement of important milestones and the translation of individual customer requirements into future, innovative products.

Employees

At the end of 2019, the companies of the ALTANA Group employed 6,476 people worldwide (previous year: 6,428). The number remained very stable over the course of the year, with an increase of 48 people or 1 %. The slight rise of 1 % is primarily due to an acquisition in the BYK division (+27 employees).

In the BYK division, the workforce rose slightly by 23 to 2,347 (previous year: 2,324). The increase is due to the opposite effect. On the one hand, 38 employees were transferred to a Group holding company, where cross-divisional services have been increasingly bundled since 2018. This decline was offset by the newly acquired business activities of Paul N. Gardner in the USA (+27 employees), which were integrated into BYK's testing and measuring instrument

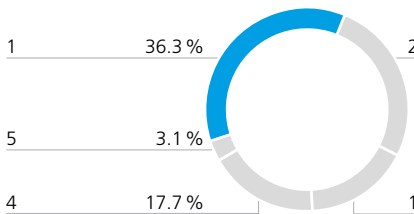
business in mid-2019. The number of employees also increased in the course of the year as a result of the strategic expansion of activities in the additive business in Shanghai and the testing and measuring instruments business in Germany.

By contrast, the staff numbers in the ECKART division decreased by 17 to 1,701 in the course of 2019 (previous

Employees in research and development

BYK	502
ECKART	270
ELANTAS	165
ACTEGA	226
Holding	11
Total	1,174

Employees by division

			
	Dec. 31, 2018	Dec. 31, 2019	Δ %
1 BYK	2,324	2,347	1
2 ECKART	1,718	1,701	-1
3 ELANTAS	1,087	1,078	-1
4 ACTEGA	1,151	1,148	0
5 Holding	148	202	36
Total	6,428	6,476	1

year: 1,718). The lower headcount particularly affected the German sites in Hartenstein and Wackersdorf and the division's U.S. sites. It is attributable to the challenging economic situation and the associated capacity utilization, as well as corresponding countermeasures, which limited staff recruitment to an absolute minimum in 2019.

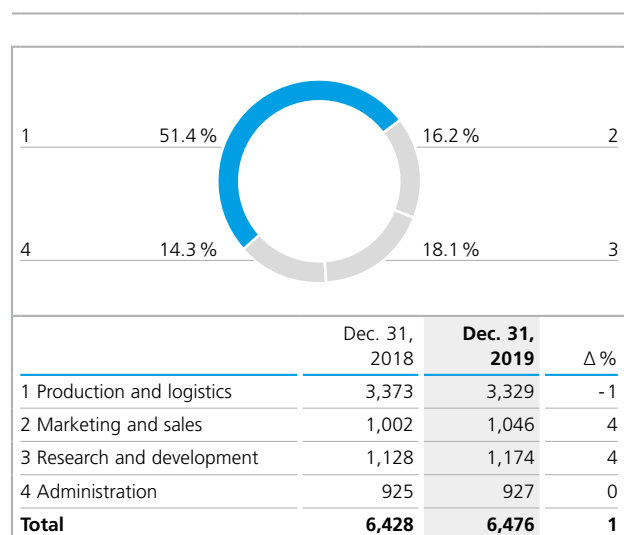
ELANTAS recorded a slight decline of 9 employees to 1,078 (previous year: 1,087). But the development within the division was uneven. The workforce was increased only in manufacturing. Meanwhile, the number of employees in other areas decreased.

In the ACTEGA division, the number of employees remained virtually constant during the year at 1,148 (previous year: 1,151). While the headcount increased at the German sites in particular, the number of employees decreased at its sites in the U.S. and Brazil.

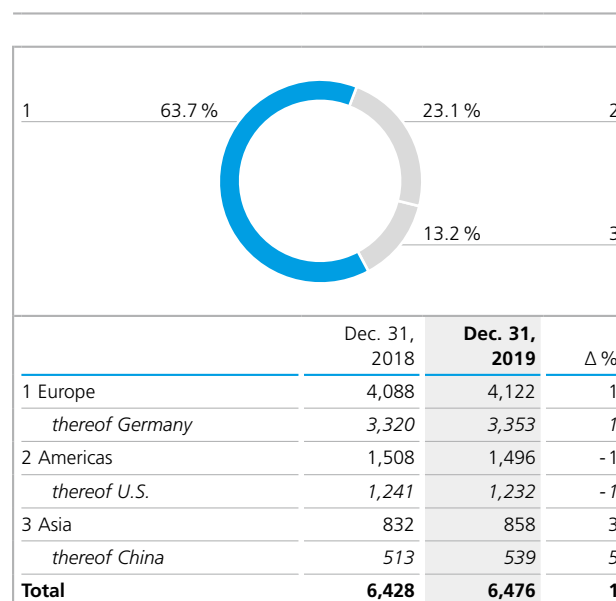
Staff numbers of the Group holding companies climbed by 54 to 202 in the past fiscal year (previous year: 148). This is mainly due to the expansion of the activities of the service company implemented in the previous year at the holding level (+38 employees). In 2019, the holding company took over the financial accounting and general administration functions for the Wesel site as well as an SAP Competence Center. The staff had previously been employed in the BYK division.

The functional structure of the workforce did not alter significantly in the 2019 fiscal year. With 51 %, or 3,329 people (previous year: 3,373), most of the employees continued to work in production, although this was the only area in which staff numbers declined in the course of the year due to lower capacity utilization. In contrast, the number of people working in research and development increased by

Employees by functional area



Employees by region



46 to 1,174 in 2019 (previous year: 1,128). The number of employees in marketing and sales also increased, by a total of 44, in the course of 2019. As in previous years, administrative functions continued to account for the smallest share of the Group-wide workforce, with 927 employees (previous year: 925). The number of employees in this area remained virtually unchanged over the course of the year.

In 2019, there were only minor shifts in the regional structure compared to the previous year. With 4,122 employees (previous year: 4,088), the European Group companies continued to employ by far the largest number of people. 3,353 (previous year: 3,320) were employed in Germany at the end of the year, the majority of them at ECKART's and BYK's largest production sites, in Hartenstein and Wesel, respectively. The number of employees in the Americas fell slightly by 12 from 1,508 in the previous year to 1,496 at the end of 2019 despite the acquisition of the business activities of Paul N. Gardner. By contrast, the number of employees in the Asian Group companies rose from 832 in the previous year to 858 in 2019, the largest percentage increase.

At the end of the 2019 fiscal year, 1,689 women and 4,787 men worked for ALTANA. On the balance sheet date, 90 % of all employees had an unlimited and 10 % a limited employment contract. This ratio was the same for both genders. At the end of 2019, 77 % of the female employees were working full-time and 23 % part-time. 97 % of the male employees worked full-time. Apart from its own employees, 150 people from employment agencies worked for the ALTANA Group on December 31, 2019.

ALTANA continues to compete internationally for specialists and managers. Like all companies in the chemical industry, in the years to come the ALTANA Group, particularly in Europe, will enter a phase that due to the demographic development has made precision succession planning indispensable. As a result, talent management and human-resource development play a key role in ALTANA's agenda for

the future (Keep Changing Agenda). The aims are to mobilize people at ALTANA, to increase diversity at all levels, to further develop leadership culture, and in doing so to strengthen entrepreneurial thinking and action. To achieve these goals, we examined and revised existing personnel tools in 2019. We focused on the revision of the so-called compass dialogue (annual talks with employees). The progress dialogue as part of the compass dialogue is to be supplemented in the future by an assessment of competence and potential as well as a development plan. Hence the competence model developed in the previous year was integrated even more strongly into the existing human-resource instruments. All of these innovations aim to optimize the basis for personnel decisions. Increased transparency and dialogues with the respective managers, which are even more strongly focused on employee development, will make employees even more loyal to the company. In this way, ALTANA is particularly concentrating on more effective succession planning.

The "HR Transformation" project launched in previous years, which serves to strategically reposition personnel, was continued in 2019. To be able to meet future challenges on the labor market in an increasingly digitalized world in the best possible way, in 2019 ALTANA took the first steps on a global level to redesign its master data and organizational structures in terms of processes and digitally. These initial changes form the basis for digitalizing all processes of our personnel organization in the coming years. In 2020, the next step is to digitally implement the process families Performance & Goals and Learning Management. In order to adequately take into account the operational and strategic needs of the divisions, ALTANA redefined the organizational interaction between local, regional, and divisional roles in the area of human resources. As a result, for example, divisional HR managers are appointed for the four divisions and regional HR managers are appointed across all divisions in regions with a high number of employees.

Subsequent Events

Declaration of Corporate Governance Pursuant to Section 289f (4) of the German Commercial Code (HGB)

Promoting women in management positions remained a focus in the 2019 fiscal year. By intensifying measures that had been introduced in the past, and with new instruments, we further anchored the expansion of diversity in our human-resource management. The ratio of women in ALTANA's national and international management development programs has increased significantly in recent years. In addition, our further education program includes special offers for women. The mentoring program for women launched in 2016 was continued in 2019. In addition, ALTANA created various informal platforms in order to intensify dialog on this topic. Among them are regular meetings of women in management positions that focus on strengthening the network, and workshops for further development of family-friendly employment models intended to contribute to continual improvement of the general working conditions at ALTANA.

ALTANA's medium- to long-term goal is to increase the share of women in management positions to the percentage of women in the entire workforce.

In keeping with legal requirements regarding equal participation of women in management positions in private business and the public service sector, ALTANA AG's Supervisory Board specified targets for the share of women in the company's Management and Supervisory Boards. For the Supervisory Board, a target of 25 % was resolved by the end of the target-achievement period on June 30, 2020. For the Management Board, no personnel changes or an extension of the body are planned by the end of the target-achievement period, and so the body will continue to be without any woman. For the first management level under the Management Board, the Management Board resolved a share of women of 20 % and for the second management level a share of 30 %. Targets were also defined for the German companies subject to codetermination.

In December 2019, ALTANA concluded an agreement on the acquisition of the business with innovative additives for exploration of the U.S. company Gulf Scientific Inc. based in Houston, Texas, by way of an asset deal. The acquisition was completed on January 2, 2020. The business will be integrated into the BYK division.

The United Kingdom left the European Union on January 31, 2020, with an exit agreement. This paves the way for a transitional phase until December 31, 2020, during which no significant changes to the previous situation should occur from an economic perspective.

Expected Developments

Future Orientation of the Group

We do not plan on making any fundamental changes to the Group's strategy or organizational structure in the next two years. The focus on specialty markets and the offer of innovative chemical solutions based on our customers' requirements will continue to drive our business development.

We do not expect our entry into new market segments or application areas to lead to any significant changes in our sales structure in the medium term. We also expect the balanced regional sales distribution to basically remain stable.

Acquisitions, however, could lead to changes in our sales and market structures. Bolt-on acquisitions and particularly the integration of a new business division could result in a shift.

Economic and Industry Outlook

Global economic growth should slightly recover in 2020 compared with the previous year. The International Monetary Fund (IMF) forecasts a 3.2 % increase in global economic output. This would mean growth above the expected level in 2019 (2.9 %).

The main drivers of this development are likely to be the industrialized nations, although, according to the IMF, individual countries will benefit from the global upturn in very different ways. The IMF expects that growth in the U.S. will continue to weaken (from +2.3 % in 2019 to +2.0 % in 2020). In contrast, the IMF forecasts slight growth in the Eurozone (from +1.2 % in 2019 to +1.3 % in 2020). For Germany, the IMF expects the pace of growth in 2020 to more than double from 2019 (+0.5 %) to 1.1 %. The main driver is exports, which should benefit German industry significantly once the global economy stabilizes. However, the IMF also sees numerous risks in its assessment for 2020 that could lead to a slowdown in global growth. These risks essentially involve the increasing uncertainty about the

geopolitical situation that could lead to restrictions on international trade and a renewed escalation in the trade dispute between the USA and China. The IMF sees problems in emerging markets, including India, as a further risk.

According to the IMF forecast, growth in the emerging markets should be over 4 % in 2020 and thus exceed the previous year's level and the growth expected for the industrial economies (+1.6 %), but at a much slower pace than in previous years. This development will continue to be driven in particular by the Asian economies. China and India are showing the strongest growth, albeit also at a lower level than in the previous years. In addition, based on the latest IMF assessment, consumption in India in particular has recently weakened more than expected and as a result growth forecasts for 2020 have been revised significantly downwards, at 5.8 %. The forecast for China was revised downwards, from 6.0 % to 5.4 %, due to the Coronavirus (SARS-CoV-2) infections in February 2020. Latin America is expected to exhibit an increase in growth momentum compared with the previous year, although at 1.6 % it would be at a lower level than is forecast for the emerging economies in Asia.

Against the background of the global economic outlook for 2020, growth in the general chemicals sector is expected to remain at the previous year's level. The American Chemistry Council (ACC) forecasts a 2.0 % increase in global chemical production in 2020, compared with an expected 1.2 % in the previous year. This growth should be driven primarily by the chemical industry in Latin America and Europe. However, chemical production should also develop positively in Asia.

On the basis of the economic and industry-specific framework conditions, we assume that the general demand on all of the markets relevant for ALTANA will basically be positive, although there will be regional and market-specific differences. The extent to which changes in storage levels along the value chain will influence the actual demand for the products of our divisions largely depends on the expected

short- to medium-term development. Stock-level changes can lead to significant effects.

The development of crude-oil prices cannot be predicted reliably. We expect that in 2020 there will be no significant price movements. The availability, pricing, and consumption volume of chemical products are subject to the influence of the crude-oil market, albeit to different extents. In addition, the expectations of market participants in terms of the future development of oil prices can result in significant changes in the level of storage along the entire value chain of the chemical industry.

As in the previous years, the exchange-rate relations important for ALTANA may continue to show pronounced volatilities in 2020. The development of regional interest rates and economic output, as well as political influences, can be of decisive importance for exchange-rate fluctuations. Since the intensity and direction of the exchange rates cannot be predicted, it is not possible to make concrete statements about the influence. Concrete risks, as well as opportunities, can result from a deviation of the actual exchange-rate development from our planning assumptions.

Expected Earnings, Asset, and Financial Situation

Expected Sales and Earnings Performance

On the basis of the growth anticipated for the global economy, we expect the demand for our products and services to exhibit a positive development in the new fiscal year. We expect our operating sales growth, i. e. sales growth adjusted for exchange-rate and acquisition effects, to be in the low single-digit percentage range. This growth should result from an increase in the sales volume and positive effects from the product mix.

The nominal sales increase in 2020 should be higher due to already agreed acquisitions and potential further acquisitions. In addition to the successful acquisition of the activi-

ties of Gulf Scientific in January 2020, we also concluded an agreement at the end of 2019 to acquire all the shares in the Swiss company Schmid Rhyner AG. The integration of Schmid Rhyner, which specializes in print finishing solutions, should take place in the first quarter of 2020. In addition, we expect the nominal sales increase in 2020 to be only slightly affected by negative exchange-rate changes. For the most part, sales in the divisions should develop in the same range as Group sales.

In terms of the most important functional cost factors, we do not foresee significant shifts of cost ratios in relation to sales. We expect the materials cost ratio to largely undergo a stable development at the level of the past fiscal year.

For personnel expenses and other fixed cost figures, we project a relative increase at the same level as sales growth.

Against this background, we anticipate that in 2020 the EBITDA margin will decline slightly towards the lower end of our strategic target corridor of 18 % to 20 %. The further course of the Coronavirus (SARS-CoV-2) infections and its effects on demand, production, and delivery processes cannot be estimated at present, but may have an impact in 2020 on our growth and earnings situation in China and possibly also at Group level.

After 2020, we expect stable growth momentum with slightly higher profitability.

Expected Asset and Financial Situation

There should not be any significant shifts in the balance sheet structure in 2020. In the next two years, our capital expenditure for property, plant and equipment and intangible assets should be above our long-term target range of 5 % to 6 % due to strategic growth projects. The absolute values of net working capital should develop in line with the general business trend, although we are aiming for a slight improvement in ratios.

Based on the anticipated business performance, we will continue to generate a clearly positive cash flow from

operating activities in the coming years. In the short term, however, this may lag behind the very good figures of recent years. We will use the cash inflow primarily to finance investments and for bolt-on acquisitions. In addition, the promissory note loan will also be repaid as scheduled in 2020.

We project the value management key figures for 2020 to decline compared to the past fiscal year. This will be due on the one hand to a slight increase in operating capital as a result of expected investments and acquisitions, and on the other to a decrease in operating income.

Risks

Management and control of the ALTANA Group are geared to the strategy that has been defined and the target levels derived from it. Due to changes in the economic environment or internal factors of influence, it might not be possible to implement the strategy successfully or to achieve targets in the planned time frame or to the planned extent. To be optimally prepared for such situations, ALTANA systematically identifies, evaluates, and considers risks within the framework of decision-making processes.

To anchor our risk policy at all decision-making levels, we established a Group-wide risk management system that brings together various information, communications, and monitoring systems. Core elements of our risk management include strategic corporate planning, internal reporting, our internal control system, compliance organization, and risk management in the strict sense, i.e. the identification, documentation, and evaluation of risks including the derivation of appropriate precautionary measures and countermeasures.

Our strategic corporate planning is closely tied to our medium- to long-term financial planning. The extent of the fulfillment of our targets is examined in monthly reports on the company's business performance and in our short-term financial planning. Apart from an analysis of the current

business situation, our expectations for the current fiscal year are discussed extensively at the level of the divisions on a regular basis. As a result, deviations from planned developments can be recognized and countermeasures introduced if necessary.

Our internal control system defines organizational and procedural requirements that serve to prevent damage to the company, among other things. In connection with our established compliance organization, it aims to prevent possible violations of guidelines and laws on the part of employees.

At ALTANA, risk management in the strict sense is viewed as the systematic compilation, evaluation, documentation, communication, and, if not already in place, the derivation of measures regarding the relevant risks. Thus it is an essential component of the company's system for early risk recognition in accordance with section 91 (2) of the German Stock Corporation Act. This system was voluntarily examined by the auditor.

The audit deemed the system capable of recognizing risks that can endanger the existence of the company at an early stage.

Risks that are identified are evaluated in a uniform way. So-called evaluated risks are assessed based on the probability of their occurring and the potential damages. Individual risks can be rated based on this assessment. Risks rated as very high are risks which could cost the company € 25 million or more in the next twelve months. Individual risks that could cost the company between € 12 million and € 25 million are rated as high risks; risks that would cost between € 5 million and € 12 million are categorized as medium risks, and risks that would cost less than € 5 million are deemed low risks. The prioritization resulting from the assessment determines focal points for the development and initiation of countermeasures to prevent or reduce the potential effects of risks.

The individual risks and risk fields described in the following pages could have a material adverse effect on the

Group's earnings, financial, and asset situation in the years to come and thus give rise to a negative deviation from the forecast development. For individual risks categorized as "medium," "high," and "very high" we address changes in our appraisal compared to the previous year.

Economy and Industry Risks

The development of the general economic conditions worldwide has a decisive impact on our business performance. The performances of the economies of the U.S., China, and Germany – industrial nations important for ALTANA – have a particularly strong impact on the direction and intensity of demand for our products.

A global economic crisis leading to an economic collapse would bring about significant sales decreases with corresponding influences on our earnings. Recessions limited to certain regions in sales markets important for us could also significantly impair our business performance. With the global orientation of our sales activities, we try to shape our dependence on regional or national markets in such a way that the effects of geographically confined economic crises on the Group are limited.

Thus, the U.S., the most important single country for us, currently accounts for almost 20 % of total Group sales. The distribution of our business activities in the core regions of Europe, Asia, and the Americas also has a balanced structure.

At the same time, we continually update our appraisal of the regional economic development in our internal reporting system to be able to react to foreseeable effects by controlling our procurement, production, and sales activities.

We react to long-term shifts in the regional significance of sales markets by adjusting our sales and local production and organizational structures.

In addition to general economic risks, there are market-related sales risks concerning individual product groups

or application areas. Particularly medium-to long-term trends that structurally lead to a decrease in demand in our target markets can mean that we will not achieve our growth and profitability targets. We try to counteract industry-related sales risks by broadly diversifying our offer. We supply many different industries, which in turn sell their end products in various markets. Therefore, our dependence on the underlying markets is limited. Our analyses show that the important automotive sales market accounts for less than 20 % of sales. The sales share of other industrial sectors that are important for ALTANA, including the graphic-arts industry and the construction sector, are also expected to not exceed 20 %.

The analysis of our industry-specific and application-related sales is a component of our annual strategy process. In addition, we examine changes in future growth potential arising from demand trends and technological developments, and adjust our strategic orientation in the divisions if necessary.

The occurrence of a global economic crisis or the emergence of regional economic crises are two significant economic and industry risks, which in 2019 were categorized as "high" or "medium" and which in the previous year were still classified as "very high" or "high" risks. In the 2019 fiscal year, our assessments of the probability of both risks occurring did not change due to the continuing high level of uncertainty about economic development resulting from various economic risks. However, since a restrained market development was already taken into account in the medium-term financial planning, the potential losses decreased compared to the previous year. The evaluated risk of the two individual risks occurring also declined vis-à-vis the previous year.

Sales Risks

Sales risks result mainly from intensified competition or shifts in customer structure. They include sales risks for individual products or product groups due to specific demand trends.

This can lead to decreasing sales revenues, which can be caused by declining sales volumes or falling prices. Since in many cases we cannot adjust the cost structure in the short term, this can lead to a drop in profitability.

We counter sales risks by continually optimizing our product and service portfolio, above all on the basis of our innovative ability. In the process, it is decisive that we cooperate closely with our customers at an early stage of development work to adapt to market needs. With our innovation strategy, we can counter increased competition in our markets.

A loss of, mergers of, or backward integration of customers can lead to major changes in the customer structure. Due to our very diversified customer structure, however, these risks are limited. In addition, we cooperate closely with our core customers within the framework of our key account management.

The group of sales risks is still assessed as being "medium." In the year under review, we only slightly changed our assessment of the probability of occurrence and loss potential from sales risks.

Risks from Business Combinations and Investments

Apart from operating growth, acquisitions of companies, business activities, and individual technologies play a key role for the implementation of the strategy for profitable growth at ALTANA. Depending on the size of the activities acquired, inadequate integration can place a burden on the Group's earnings situation and limit its financial headroom. In addition, a business performance that is worse than what was expected when the acquisition was made can lead to impairments of assets with a negative impact on earnings.

To minimize the effects of the risks from business combinations, we examine our acquisition targets systematically and comprehensively and analyze them in detail in a multi-stage approval process.

We assess the risk of impairments of assets from acquisitions, which we classify as a medium risk, as being higher than in the previous year. In the past year, the ongoing weak economic situation in the industrial sector led to business developments below expectations, which inevitably leads to an increase in impairment risks.

Procurement Risks

Limited availability of certain raw materials or substantial raw-materials price increases that we cannot or can only partially pass on to the markets in the short term constitute the primary procurement risks. These can have a negative impact on the Group's earnings situation.

We continually analyze the situation on the raw-materials markets that are relevant for ALTANA. By doing so, we can identify price trends and structural shifts on the part of suppliers at an early stage and devise suitable measures. We take this knowledge into account when we arrange supply contracts. In addition, we take account of the volatility of raw-materials prices in our customer relations. To be able to pass on price increases to the markets in the short term, we use the flexibility of price mechanisms and price lockup periods.

The group of procurement risks is still classified as medium compared to the previous year. However, due to a lower probability of occurrence and slightly lower losses, this risk decreased slightly in the past fiscal year.

Financial Market Risks

Financial market risks primarily concern short-term and significant changes in exchange-rate relations and interest

rates, as well as default risks and the covering of financial-resource needs.

Due to exchange-rate fluctuations, the translation of foreign currency positions into the Group currency, the euro, can have a negative effect on the Group's sales and earnings performance (translation risks). Such negative effects can also result from business conducted in a foreign currency (transaction risks). As in the previous year, we categorize translation risk as being a medium risk. Interest-rate changes influence financing costs. Defaults on trade accounts receivable or financial receivables can also have a negative effect on the Group's earnings situation and its financial resources. If there is a lack of availability of financial resources for the implementation of acquisitions or major investment projects, we might not reach our strategic targets.

We safeguard against material transaction risks by concluding forward foreign-exchange contracts in cases where we assume that the underlying business can be realized with a sufficient degree of certainty. In the case of risks from operating activities, the total amount expected is safeguarded in different tranches to offset short-term exchange-rate fluctuations.

More information on our evaluation and accounting procedures for hedges can be found in the online Consolidated Financial Statements on page 57 ff. (note 28).

To minimize credit default risks, we systematically examine the credit rating and payment behavior of our counterparties. The latter include customers, the banks we do business with, and other business partners where payment default can have an influence on our financial situation.

We safeguard availability of financial resources through central control and monitoring of our Group-wide financial resources. In addition, by utilizing various financing instruments, we centrally provide a financial resources framework. It can be used to cover unplanned financial requirements in the short to medium term (e. g. due to acquisitions).

Our assessment of financial market risks is nearly unchanged vis-à-vis the previous year. We evaluate the most important individual risk in this risk group, namely negative effects on earnings from exchange-rate changes, as having the same probability of occurrence as in the previous year and a slightly lower potential to lead to losses. Continued high cash inflows from operating business activity and the existing general financial resources framework continue to suffice to cover the expected cash outflows for investments, repayments, and dividends.

Innovation Risks

ALTANA's position as an innovation and technology leader is a major success factor for the company. It is important for a supplier of highly specialized chemical products to continually introduce new products on the market and to be perceived by our customers as a competent and innovative partner. If this was no longer the case in the future, risks could result for our sustainable growth, the attainment of our profitability targets, and ALTANA's positioning in the relevant markets. The same applies if competitors patent knowhow that we use but have not protected, as we would then no longer be able to use it, or only at additional cost.

With our innovation culture, which is put into practice at all levels of our organization, we highlight the importance of innovation and safeguard its status. Both at a decentralized and a Group level, we can continually evaluate and control our research and development activities based on financial and non-financial criteria. By investing above-average amounts in research and development and focusing on product adjustments and new developments, we can continually introduce products on the market that are tailored to customers' individual and current needs and thus positively influence our competitive position.

It is important to protect knowhow we develop with patents to convert our knowledge edge into economic suc-

cess. This includes safeguarding technologies as well as methods and product properties we currently use so that other companies cannot patent them.

Due to an expansion of activities in the field of digital applications and business models and the risks associated with them, our assessment of innovation risks in 2019 was slightly higher than in the previous year. However, the innovation risk is still classified as low overall.

Other Risks

Production risks concern technical disruptions or human failure in production that can be harmful to people or the environment. Our goal is to minimize the effects of machine failure on the value chain by operating production lines independently from one another. It is compulsory for our staff to receive training in the clearly defined process and quality standards in the areas in question. In addition, we conclude property damage as well as plant and equipment break-down insurances.

Information technologies form the basis of nearly all of ALTANA's business and communications processes. Break-downs or other disruptions of IT systems can lead to far-reaching impairments in all of the Group's value-added stages, which can have significant effects on business performance (IT risks). In addition, potential risks arise from data loss or theft of business secrets. ALTANA attaches great importance to smooth availability of IT applications and services. To guarantee this, corresponding processes and organizational structures have been established. Emergency plans are in place in case of significant disruptions or losses of data.

Delivery of faulty products can cause damage to people, property, or the environment and thus cause liability risks. This can have significant effects on the Group's asset situation. We minimize this risk by standardizing production processes to a large extent and by taking comprehensive quality-control measures. In addition, we continually conduct

analyses to assess the hazardous potential of our input materials and products, and we conclude insurances.

Changes in political and regulatory framework conditions can lead to restrictions on trade or foreign-exchange transactions. Due to political unrest, it can be more difficult or even impossible to access the Group's assets in the country or countries in question. On account of regulatory adjustments, it might no longer be possible to process or sell certain products or ingredients, or only with strong restrictions. We continually examine the political environment in the countries important for us and take current tendencies into account when evaluating business relationships. We only make direct investments in countries in which we assume the political environment is highly stable. We actively take part in legislative procedures and discussions important for us that focus on changes in the regulatory environment. As a result, we can anticipate possible new requirements early on.

In the past fiscal year, with largely unchanged probabilities of occurrence, loss values increased, especially regarding risks due to tariff trade barriers and due to ongoing initiatives to regulate chemical products in various countries.

The United Kingdom left the European Union on January 31, 2020, with an exit agreement. This initially provides for a transitional phase until December 31, 2020, during which there should be no significant changes to the previous situation from an economic perspective. If no comprehensive trade agreement between the United Kingdom and the European Union is concluded and ratified by the end of the transitional period, there is still the risk of a medium-term restriction of business relations. This scenario still does not represent a significant individual risk for ALTANA. Due to the fact that the withdrawal was postponed several times last year, we already identified and prepared all measures that would have had to be implemented in 2019 in the event of such a scenario. We estimate the potential negative im-

pact on earnings that could result from increased customs duties and higher administrative expenses for imports and exports to be low in absolute terms. In addition, there is a comparatively low risk that the availability of raw materials will be restricted by the discontinuation of REACH certifications for products that have so far only been registered in the United Kingdom.

Legal violations (compliance risks) can give rise to liability risks or tarnish our reputation, which can have a significant effect on the Group's earnings and asset situation. We counter these risks within the framework of our compliance management system, inter alia by regularly informing and training our employees about relevant legal requirements.

An important basis for long-term success are competent and committed employees. Should we no longer be able to recruit or retain suitable specialists or managers in the future, risks could arise for the successful implementation of our strategy (personnel risks). To counter these risks, ALTANA offers a sophisticated work environment and an attractive compensation system, which is supplemented by various pension plans and wealth creation schemes. Moreover, we regularly offer further education and training programs to budding junior staff members, as well as to specialized and managerial staff.

Production processes and/or supply chains can be impaired or interrupted by the transnational effects of diseases and any resulting measures that may be necessary to stop the disease from spreading further. Thus, there is the risk of economic losses. However, since these risks generally occur only for a limited time and only in certain places, we assess the effects on ALTANA generally to be minor due to our decentralized structures and the fact that our sites are distributed around the world. The further course of the Coronavirus (SARS-CoV-2) infections can have an impact on the economic development, especially in China, but possibly also in other countries. Both the duration and the concrete effects

on ALTANA's economic performance in 2020 cannot be quantified at present.

Compliant Group Accounting

Essential accounting-related risks arise particularly when extraordinary or non-routine issues are handled. These include the first-time consolidation of acquired businesses or parts of companies as well as the recording of the sale of Group assets. Accounting of financial instruments is also subject to risks due to the complex evaluation structure. Risks also arise from fraudulent acts.

At ALTANA, a separate department of the Group's holding company coordinates and monitors Group accounting. A core component of the control system are the guidelines, process descriptions, and deadlines that this department defines centrally for all companies, guaranteeing a standardized procedure for preparing the financial statements. For complex issues, the instruments needed for uniform accounting are retained centrally for all Group companies. For recording extraordinary processes and complex special issues, we regularly obtain external reports, advice, and statements.

The financial statements of the individual Group companies are prepared decentrally by the local accounting departments. Hence the individual companies are responsible for preparing the financial statements, in keeping with Group guidelines and country-specific statutory accounting requirements.

The work steps needed to prepare the financial statements are defined such that important process controls are integrated. These include guidelines pertaining to the separation of functions and allocation of responsibilities, to control mechanisms, and to IT system access regulations. The respective management explicitly confirms to the Group's management that the annual financial statements are correct and complete. In addition, important financial statements are audited by the company or Group auditors in charge.

The local financial statements are recorded and consolidated via standardized formats and processes in a central IT system. At the divisional and holding company levels numerous manual and IT-assisted control mechanisms are applied. They encompass an analysis and a plausibility examination of the registered data and the consolidated results by Group accounting as well as by the controlling department and other departments with expertise in this area. Required corrections of the information in the financial statements are generally made at the level of the individual company to ensure the data are uniform and are transferred.

The company auditor and the Group auditor examine issues, processes, and control systems relevant for the generation of financial statements. The Group auditor reports on the audit directly to the Supervisory Board and the Audit Committee. In certain cases, audits are carried out by the central Internal Audit department.

After each process related to the preparation of the financial statements, optimization potential identified at the different levels is analyzed and necessary adjustments of the processes are made.

Opportunities

The identification and evaluation of opportunities for our future business development is integrated into the different planning, analysis, and control processes.

Within the framework of strategic planning, we analyze demand trends as well as market and technology developments with regard to options for action that could enable ALTANA to create value. In addition, the divisions continually examine possibilities of developing new sales markets. During the financial-planning process, the effects of action options are evaluated and discussed so that we can optimally exploit future opportunities. Finally, possible opportunities for short-term business development, along with the atten-

dant risks, are dealt with in detail at all levels of management.

Below, major opportunities are described that could lead to ALTANA's surpassing its short-, medium-, or long-term goals. The order corresponds to our assessment of the effects on our business performance.

Economic and Industry Development

Should the economic environment in the established industrial regions important for ALTANA, particularly in the U.S., China, and Europe, develop better than we anticipated, unexpected growth impetus could arise. As a result, demand for our products and services could develop more positively and exceed our forecast. The same applies to growth in the important emerging countries in Asia and South America. If the growth rates in these nations were higher than expected, we might be able to benefit from this to a disproportionately high extent due to our market positions.

In addition to regional factors, growth impetus can also result from individual branches of industry. Further potential could be opened up, in particular, if the automotive sector and the construction industry showed a positive development, or if there was a trend reversal concerning the use of silver and gray colors in the consumer sector.

Innovation

We have to continually streamline our product and service portfolio to be able to continue to pursue our strategy for profitable growth in the long term. Should ALTANA manage to enhance its innovativeness more quickly than expected or to increase its share of new products for which there is a high demand beyond the target level, there would be even better prospects for growth. The same applies if we entered new markets or opened up new application fields for our products.

Business Combinations and Portfolio Measures

Acquisitions play a key role in ALTANA's long-term value creation. In recent years, we have continually advanced the Group strategically due to acquisitions. At the same time, we cleansed our portfolio of those activities that were not in line with our strategic aims and for which there were no long-term value-creation perspectives within the Group.

In the future, we intend to continue to boost our growth by acquiring businesses and activities. This is an essential prerequisite for us to achieve our strategic growth targets. Should opportunities arise in the future that exceed our expectations, these new activities could help us strengthen our market positions and open up new market segments. This, in turn, could help us achieve our strategic targets more quickly.

Synergies

The ALTANA Group is decentralized to a large extent. Still, in some areas of the value-creation chain and in certain management functions, central units support the divisions and play a coordinating role. To the extent that we manage to push forward the networks within the Group more strongly than expected, this may spawn further potential to improve efficiency.

The Management Board's Overall Statement on the Anticipated Development of the Group Including Its Overall View of the Risk and Opportunity Situation

For 2020, we expect global economic growth to be somewhat stronger than in the previous year, especially in the second half of the year. In this environment, we expect ALTANA to achieve operating sales growth in the low single-digit percentage range with slightly lower earnings profitability. The acquisitions already agreed upon will lead to additional sales growth, but will temporarily weaken the key performance indicators for value-oriented management.

We believe that the risk of burdens from a development of the global economy that is worse than we expected or even recessive, or in important core regions, continues to exist. In addition, considerable risks to our short-term sales and earnings performance are posed by the higher price volatility on the raw-materials markets, by impairments for intangible assets acquired within the framework of acquisitions, and by short-term exchange-rate fluctuations.

Overall, we have not found any risks that could endanger the continued existence of the company. The risks we face are set against opportunities that could enable us to achieve sales and earnings performance surpassing our forecasts.

Products

Our innovative products contribute to resource conservation and climate protection. With them, we help our customers to produce low-emission or energy-efficient products and to increase the safety of their products.

82	Sustainable Product Strategy
82	Products and Technologies for More Climate Protection
83	Sustainable Effects for Customers
83	Certifications for Products with High Sustainability
84	Replacement of Critical Substances
84	Products from Renewable Resources

Sustainable Product Strategy

ALTANA offers companies around the world specialty chemical solutions that make products used in daily life better and more sustainable. We convince our customers with added value and give them a competitive edge through our work. Some solutions improve, for example, the functions of end products and increase their shelf life. Others optimize our customers' value chain in terms of energy and resource consumption. And still others enable our customers to reduce the amount of critical substances in their end products or to replace them with less critical ones. Therefore, innovative, environmentally friendly, safely processable products play a key role. They help ALTANA's customers implement their own sustainability concepts. Based on this understanding of sustainability, the Group continuously leverages new fields of business and paves the way for further profitable growth.

Due to their strong customer orientation, many ALTANA companies gear their innovation strategies systematically to a catalog of sustainability criteria at a very early stage of product development. This includes responsible handling of resources (water, energy, and raw materials) as well as the goal of developing products whose effects on the environment are as low as possible without detracting from the product's function. This is reflected by the increasing number of coatings, additives, and pigment formulations that are conceived for water-based applications and do not need organic solvents.

Another aim of ALTANA's product strategy is to replace critical components with less critical ones whenever possible. For products that need classifications due to national or international hazardous substance regulations, ALTANA's companies have special data sheets on hand that provide consumers with important information on safe storage and further processing. Moreover, certified lifecycle analyses are available for certain products.

Products and Technologies for More Climate Protection

In the period under review, all divisions made progress with products and technologies that enhance climate protection.

ACTEGA acquired and further developed an innovative technology for the production of labels in the U.S. that requires less material. It can save up to 80 percent in material and significantly reduce the amount of waste. With this technology, layers are printed in reverse order (1. top coat, 2. colors and 3. adhesive) on a release film and then transferred to the object to be printed using specially developed hardware. Since there is no label film on the item, the recyclability is also improved substantially.

In addition, ACTEGA further reduced the share of raw materials based on fossil fuels. For example, about 20 tons of a raw material deployed to produce water-based paints were conserved. In another project, ACTEGA achieved a significant reduction of emissions of volatile organic compounds (VOC). Through the targeted exchange of various raw materials, VOC emissions were reduced by a total of around 40 tons. At the same time, the proportion of water-based sealing compounds was increased further. This reduces CO₂ emissions by an average of approximately 1.5 kg per kg of sealant compared to products on an organic basis.

In the past years, BYK developed a new technology for manufacturing additives. The core of this technology is a reaction-mixing pump in which the raw materials are continuously fed into a special mixing chamber. The advantages, compared to conventional production in reactors, are the very short reaction times, the lower energy consumption, and the reduction of waste and emissions. BYK has already produced the first wetting and dispersing additives using this technology.

Furthermore, the division is working with a partner to develop new and innovative technology for the extraction of

copper and other metal ores. The “flotation process” currently in use will be advanced significantly. With the help of a functional polymer matrix and special surface additives, the deposition rate of the metal can be increased compared to the current standard. These improvements lead to a significant reduction in the energy required for grinding and processing the ore, while at the same time improving throughput. This technology has already been tested with several types of ore from different regions. A pilot plant is currently in operation in the U.S. The company plans to build further pilot plants in the coming years, thus paving the way for commercial plants.

In the year under review, ECKART presented a new product series for water-based automotive coatings at the European Coatings Show in Nuremberg. This product range, with the abbreviation “SFP” (Solvent-Free Preparation), is solvent-free and thus significantly reduces emissions during application. This means that current and future legal requirements can already be met, especially in the U.S. and China.

The topic of “low-emission resins” was again a concern for ELANTAS this year. For example, the division developed an emission-free impregnating resin for transformers at its site in Quattordio, Italy. New resins with lower emissions and improved application properties were also developed and launched on the market at the ELANTAS site in China. With these products, ELANTAS complies with the new regulatory requirements and additionally enables customers to manufacture their products with less energy consumption due to faster curing processes.

Sustainable Effects for Customers

On the one hand, ALTANA’s products can simplify our customers’ manufacturing processes, and on the other they can also significantly improve the properties of products. Both

effects have not only economic benefits but also positive effects on the environment.

For instance, the printing varnishes newly developed by ACTEGA in the year under review, which are cured using LED spotlights instead of mercury vapor lamps, make a sustainable contribution. As a result, customers can achieve energy savings of up to 80 percent during the hardening process and mercury is avoided as waste. In addition, some of these products meet various food law requirements.

At ELANTAS, resins were developed that extend the service life of electric motors, among other things. As a result, intervals for expensive and time-consuming replacement procedures can be increased. ELANTAS also launched new resins with improved temperature stability for other applications. For example, the division developed a silicone resin that is used as an insulating material in load magnets. This can significantly extend the service life, for example, when transporting hot metal parts.

Certifications for Products with High Sustainability

The ACTEGA product ARTISTICA RB1006 Z3, a sealing compound for use in beverage cans, received the Platinum level of certification in the material health category of the Cradle to Cradle Products Innovation Institute. This highest award is given to products that meet the strictest requirements in this category. Key criteria involve the raw materials, production, use, and ultimately the disposal or recycling of the final product. The certificate is proof of the high level of innovation and its ability to respond promptly to the most demanding requirements of the beverage packaging industry.

Replacement of Critical Substances

In the year under review, ALTANA succeeded in replacing further critical substances. For instance, BYK developed a new rheology additive that emits significantly lower amounts of formaldehyde during production than other products. Moreover, this additive does not contain any flammable solvents.

A number of other rheology products were optimized so that no alkylphenol ethoxylate has to be used in the formulation. These ethoxylates can have negative effects on human and animal endocrine systems.

The European Chemicals Agency (ECHA) recently classified some by-products as critical for a number of products containing silicone. However, BYK succeeded in complying with the prescribed limits by implementing technical measures.

In the reporting year, ELANTAS also developed and launched several new products containing alternative raw materials in the formulation. This allows these products to be classified as less critical under chemical regulations.

Products from Renewable Resources

In 2019, ACTEGA Artística in Vigo, Spain, began replacing a product based on raw materials from crude oil with a plant-based resin. This will save about 40 tons of a raw material from fossil sources after the project is completed.

Meanwhile, BYK developed a new surface additive that consists of 100 percent renewable plant-based raw materials. This product is emission-free and suitable as a raw material for products with sustainability certificates. The main area of application is care products and polishes for various surfaces, such as leather and furniture.

Safety and Health

ALTANA relies on an effective safety culture. Technical and organizational measures as well as training programs contribute to enhancing work safety and anchoring the issue firmly in our employees' minds. Our top priority is to reduce the number of accidents. We are constantly working on minimizing hazards and improving the health protection of our staff.

86	The Top Priority is Occupational Safety
87	Incidents in Detail
87	Worldwide Safety Measures
87	A Focus on Safety Communication
88	Health Protection

The Top Priority is Occupational Safety

Occupational safety and occupational health protection are top priorities at ALTANA.

Through various technical and organizational measures, which are adapted to the production conditions at the sites and to the laws and regulations applicable there, we ensure continuous improvement in the health and safety of our employees. To achieve a uniform safety culture, ALTANA also relies on targeted training programs for employees.

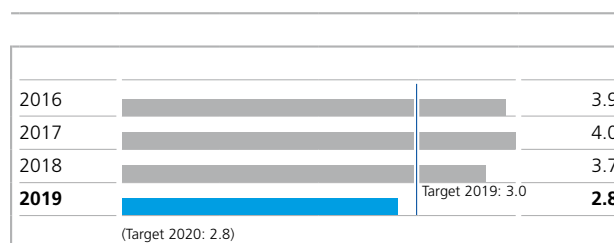
Since 2007, the Work Accident Indicator (WAI) has been used throughout the Group as the most important key figure for monitoring and continuously improving the development of occupational safety at all sites. The indicator shows the number of accidents at work and lost work days, and sets them in relation to the total number of hours worked. On the basis of this data, ALTANA's Management Board together with the EH&S department sets three WAI values as targets for each year, which apply equally to all companies in the ALTANA Group.

As in previous years, there were no fatal accidents in 2019.

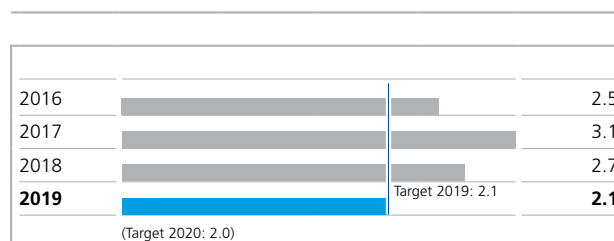
In the year under review, certain sites again achieved remarkable results in terms of their occupational safety. The BYK Tongling and ELANTAS Beck India sites, which have been accident-free for more than eleven years, deserve special mention. ECKART Zhuhai (nine years), ACTEGA Rhena-coat and ELANTAS Tongling (eight years each), and ACTEGA Foshan (seven years) have been accident-free for more than six years. ACTEGA do Brasil (Santana de Parnaíba), ECKART Suisse, and ELANTAS Zhuhai have been free of accidents for more than three years.

Furthermore, ALTANA was able to improve all three accident indicators (WAI 1, WAI 2, and WAI 3) in the year under review. Compared to the previous year, the WAI indicators decreased in all three categories. Thanks to this

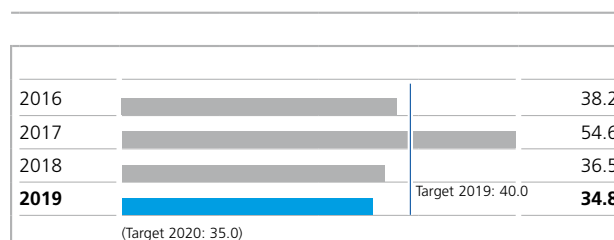
WAI 1 (number of occupational accidents with lost work time of one day or more per million working hours)



WAI 2 (number of occupational accidents with lost work time of more than three days per million working hours)



WAI 3 number of lost work days due to occupational accidents per million working hours)



encouraging development, it was also possible to meet the targets the company had set itself for the year under review.

ALTANA achieved these results through various measures to further improve the safety awareness of employees

and the safety culture as a whole. In addition to the further development and implementation of technical and organizational measures and the detailed analysis of “near misses,” behavior-based safety training enables staff to practice safe behavior in every situation.

The SAFETY@ALTANA newsletter, which was successfully launched in 2018, will continue to be published regularly, but in an improved and more attractive format. It is available to all employees via the ALTANA Intranet. Accidents with significant frequency and relevance are presented in the ALTANA staff magazine together with strategies for their prevention. In addition, all sites worldwide have established their own safety organization, which is responsible among others for complying with all local occupational safety regulations, for training and education measures, and for recording and evaluating accidents and near misses.

Incidents in Detail

Based on the instructions for reporting on globally harmonized process safety key figures in accordance with the International Council of Chemical Associations (ICCA) and on the definition provided by the German Chemical Industry Association (VCI), we had a total of 18 significant incidents in the year under review. A comparison with previous years is not meaningful, as the criteria for reportable events changed during the period under review.

16 of the incidents were chemical spills and the other two were fires. In one of the cases there was minor release of a chemical with soil contamination. The contaminated soil was removed and disposed of properly. No employees were injured in any of the events.

Worldwide Safety Measures

In the year under review, ACTEGA Artística was one of the first companies in Spain to receive ISO 45001:2018 certification, which focuses primarily on prevention systems and the implementation of a culture of continuous improvement in occupational safety. This certification is an important milestone within the SAFETY FIRST program, through which ACTEGA Artística raises awareness of safe behavior and procedures at both management and employee level.

The safety weeks and safety days successfully introduced in previous years were again held at various locations worldwide in the year under review. In addition to firmly established events such as European Safety Week at all ELANTAS Europe locations, the Safety and Health Day at ALTANA and BYK in Wesel, or Celebration of National Safety Day at ELANTAS Beck India, ACTEGA North America launched a promising new safety campaign called What's Your Why? In this poster campaign, employees share their personal reasons for accident-free work with their colleagues and thus motivate them to engage in safe behavior.

The company's suggestion scheme (CSS) is actively used at seven German sites as an instrument for maintaining and improving ALTANA's safety culture. Employees submitted around 800 ideas in the year under review, a large proportion of which were suggestions for improvement in the areas of occupational safety and environmental protection. The implemented suggestions not only contribute to improving ergonomic conditions and occupational safety, but also lead to cost savings.

A Focus on Safety Communication

In order to continue to strengthen the employees' understanding of uniform safety in the future, the ALTANA Group

relies above all on clear and direct communication. BYK continues to work closely with the employer's liability insurance association of raw materials and the chemical industry (BG RCI) on the topic of VISION ZERO. In the year under review, the focus was on two issues: road safety and safety in general. Various campaigns were carried out in the fall. Among other things, employees at the logistics center in Wesel-Emmelsum were able to experience the consequences of an accident first hand in a truck rollover simulator. Furthermore, the general safety in teams was emphasized. In small groups, employees could discuss safety in their team with their superiors and agree on individual rules for safety.

At the ACTEGA production sites in Germany, Brazil, and France, so-called safety talks are held regularly during the different shifts. As a consequence, employees become even more aware of safety issues. New production employees receive special training in safe behavior as part of their introductory training. In addition, cooperation on the topic of "Behavior-based safety culture" was continued with an external partner at the ACTEGA site in Grevenbroich. In view of the extremely positive experiences so far, similar coaching sessions are planned at other sites.

These measures also make an important contribution to accident prevention.

Health Protection

In the year under review, ALTANA again invested in improving health protection, especially in protecting employees from critical substances (e. g., dusts and VOCs). Among other things, existing ventilation systems at ECKART in Wackersdorf and at ACTEGA Artística were optimized, and the supply of raw materials at ACTEGA Rhenacoat was fully automated.

To prevent musculoskeletal disorders, the company again improved the ergonomics of workplaces in various areas at many sites. At ECKART in Günterstal and Pori, for exam-

ple, and at ACTEGA Foshan, loading and lifting equipment for work with heavy loads was installed. Furthermore, ACTEGA Artística adapted the manual supply of raw materials in a production process such that employees are no longer stressed by heavy loads.

Due to the consistently positive response, annual health days have become a matter of course at many sites. Employees have the opportunity, for example, to undergo medical examinations and receive advice or to attend lectures on healthy eating or stress management.

In addition, employees can benefit from a multifaceted company sports, nutrition, fitness, and relaxation program, which is available all year round at many sites.

Improvements in Environmental Performance

The ALTANA Group measures progress in the area of environmental protection using specific key performance indicators. In addition to the absolute values, the figures are set in relation to the quantity of produced finished goods and the gross value added. ALTANA sets annual upper limits for CO₂ emissions, water consumption, and waste quantities in relation to gross value added. The development of these indicators is published in the online document "Facts and Figures on Sustainability 2019."

In the 2019 fiscal year, the ALTANA Group's energy consumption amounted to around 676,000 megawatt-hours compared to 708,000 megawatt-hours in the previous year. In terms of gross value added, the value changed from 0.76 kWh/€ to 0.73 kWh/€. As regards the quantity of produced finished goods, the figure of 1.28 MWh/t was slightly above the previous year's figure of 1.23 MWh/t. This is mainly due to the lower volume of produced finished goods (2019: 527,000 tons; 2018: 563,000 tons). CO₂ emissions decreased from 193,000 tons in 2018 to 182,000 tons in the year under review. The specific indicators remained roughly at the previous year's level due to the reduction in gross value added and the quantity produced. This was achieved by selecting new electricity suppliers. In 2019, almost all of ALTANA's German sites obtained around half of their electricity from renewable energy sources. This corresponded to 254 g CO₂/kWh. In addition, projects to improve energy efficiency were implemented at various locations (see following pages).

In 2019, the ALTANA Group reduced the volume of hazardous waste it produced from 18,800 tons in the previous year to 18,100 tons. The key figure related to gross value added also improved, from 20.27 g/€ to 19.42 g/€. The volume of non-hazardous waste also decreased in absolute terms, from around 11,400 to 9,600 tons. The key performance indicators relating to gross value added and finished

goods produced also show a positive trend (details can be found in the online document "Facts and Figures on Sustainability 2019").

The reasons for the improvements in the waste volume balance include optimization of production processes and reuse of byproducts.

ALTANA was able to improve both the absolute figures and the key performance indicators for water consumption in the reporting period. The consumption of drinking water in 2019 was around 1,250,000 cubic meters (2018: 1,370,000 cubic meters). The resulting figure based on the quantity of finished goods produced was 2.38 m³/t (previous year: 2.43 m³/t). In relation to gross value added, the figure was 1.34 l/€ (previous year: 1.48 l/€).

In the period under review, the volume of finished goods produced decreased to 527,000 tons (2018: 563,000 tons). This required 515,000 tons of raw materials, including 382,000 tons of fossil raw materials, 23,000 tons of renewable raw materials, and 110,000 tons of non-fossil and non-renewable raw materials. In addition, 48,000 tons of water were used as raw material. Detailed information on ALTANA's consumption of resources and energy (differentiated by electricity, natural gas, and oil) as well as environmental key performance indicators can be found in the online document at www.altana.com/facts_figures_sustainability_2019.

In 2019, 89 % of the ALTANA Group's production sites fulfilled the ISO 14001 standard. In addition, the energy management systems of ten sites are certified in accordance with ISO 50001.

Progress in Climate Protection

During the period under review, numerous projects were carried out to reduce energy consumption and thus cut CO₂ emissions. One focus this year was on the optimization of

Environmental performance indicators ALTANA

	2016	2017	2018	2019
CO ₂ (Scope 1 + Scope 2) (kg/€)	0.24	0.21	0.21	0.20
Drinking water (l/€)	1.52	1.36	1.48	1.34
Hazardous waste (g/€)	23.33	21.24	20.27	19.42
Hazardous waste for disposal (g/€)	7.04	4.20	3.73	3.23
Non-hazardous waste (g/€)	10.49	12.89	12.26	10.26
Non-hazardous waste for disposal (g/€)	5.16	5.62	5.67	4.29

The key performance indicators are calculated from the absolute values related to the gross value added.

Scope 1: direct emissions; Scope 2: indirect emissions

cooling systems, at the ACTEGA location in Grevenbroich, among others. The company thus achieved several improvements. Among other things, the products can be cooled to significantly lower temperatures, which means that less solvent evaporates. It also prevents gelling of some sensitive products. This allows the products to be manufactured more quickly.

ECKART commissioned a new chiller with a free cooling function at its Günterstal site. This saves approximately 29 tons of CO₂ per year. In addition, the division further optimized the cooling supply in some production sites. This led to a reduction of approximately 37 tons of CO₂.

In other projects, energy efficiency was improved by replacing various plant components. For example, ELANTAS Europe was able to reduce CO₂ emissions by a total of around 60 tons a year by installing highly efficient electric motors at all of its Italian sites. ECKART also installed electric motors with improved efficiency at its Günterstal and Wackersdorf sites. As a result of this and the optimization of the processes, a total of approximately 75 tons of CO₂ was saved.

To improve the heat supply, new boilers and ventilation components were installed at our U.S. locations in Painesville (ECKART) and St. Louis (ELANTAS), among others. ECKART replaced the entire heating and ventilation system in

Schererville. ACTEGA installed new motors for indoor air in Grevenbroich. These measures also led to a reduction in CO₂ emissions.

The optimization of the compressed air supply that was already initiated in previous years, for example by replacing compressors or reducing the pressure in the piping system, was continued in the year under review. These projects at the Bremen (ACTEGA), Schererville (ECKART), as well as the Cerquilho and St. Louis (both ELANTAS) sites resulted in total CO₂ savings of 167 tons.

Responsible Usage of the Resource Water

Water plays an important role in many of the ALTANA Group's production processes, and so the specialty chemicals group is making various efforts to use this resource sparingly. Water is used in the chemical industry as a raw material, as a cleaning agent, and as a coolant. ALTANA aims to keep its water consumption as low as possible and to use it as a cooling medium in closed loop systems. At ELANTAS' site in Olean (New York), water management in production was optimized by installing new valves in the cooling water loop. As a result, some 6,800 m³ of water can be saved each year.

Another way of using the valuable resource water efficiently is to recycle it for other processes with the aid of so-called water ring pumps. ACTEGA in Foshan (used as cooling water; drinking water savings: 450 m³) and ECKART in Pori (used to produce deionized water; drinking water savings: 16,000 m³) deployed this procedure.

In the previous year, we already reported on a pilot project ("Zero Discharge") at the ELANTAS site in Ankleshwar, India. In 2019, this project was advanced further. Through these and other measures, the amount of drinking water consumed could be reduced by approximately 5,000 m³.

Further Waste Management Improvement

Chemical processes generate waste and wastewater, which mainly affects production sites. ALTANA aims to avoid or reduce wastewater and waste and thus minimize the negative effects on people and the environment, among other things by using suitable raw materials and cleaning agents.

Through the use of an alternative solvent, for example, ECKART reduced hazardous waste at its Louisville site by 60 tons per year.

By optimizing individual manufacturing steps and cleaning processes, for example, the amount of waste at the Günterstal (ECKART) and Cerquilha (ELANTAS) sites was reduced by more than 30 tons.

The ECKART site in Painesville also contributed to the reduction of waste volumes by means of several measures. The installation of new mixers led to an improvement in the manufacturing processes. In addition, operation of this equipment is more ergonomic and safer than before.

Emissions Further Reduced

In addition to the greenhouse gas CO₂, which mainly arises during the combustion of fossil fuels, volatile organic compounds (VOCs) also contribute to emissions. ALTANA aims to continue keeping these emissions as low as possible in the future. To achieve this goal, various technical options are available at many sites. Further measures to reduce emissions were implemented in the year under review.

For example, the installation of new pumps with magnetic coupling at the ELANTAS site in Ascoli Piceno eliminated diffuse emission sources.

ACTEGA achieved a significant reduction of emissions in production by installing new sealing rings on mixing vessels at its Lincolnton site.

Human Resources

ALTANA gears its activities to long-term and sustainable growth. We can only achieve this goal together with our competent and committed employees. We therefore promote the professional development of our staff, prepare them for leadership positions, and enable them to participate in the company's success. We put particular emphasis on the recruitment of young talent, specialists, and managers.

94	Our Employees: Our Most Important Asset
94	Human Resource Development and Talent Management
94	Women in Leadership Positions
95	Recruitment

Our Employees: Our Most Important Asset

ALTANA is a highly innovative globally leading specialty chemicals company. Of overriding importance for the company's success is our most important resource, our employees, who are motivated and dedicated and have above-average qualifications. They are committed to the respectful corporate culture defined in ALTANA's Guiding Principles, which is informed by our four central values: appreciation, openness, empowerment to act, and trust. As an attractive employer, we offer our some 6,500 employees around the world individualized further training opportunities and promote their professional development in a targeted manner. In order to do justice to advancing digitalization, in the year under review we included further education and training measures in the ALTANA further education and training catalog that train employees in new digital applications. In addition, in the course of the HR transformation project and the associated introduction of the human resource management tool SuccessFactors, employees can increasingly control their own profile digitally on their own responsibility and independently.

Human Resource Development and Talent Management

To ensure that the company remains highly competitive in globalized sales markets, a primary focus of the ALTANA Group's human resource strategy is to secure young talent. Special emphasis is placed on consistent and global promotion of internal talent. We consider the continuous optimization of human resource development programs, close monitoring of talent, and the identification of development measures and perspectives to be key factors in this regard. To make human resource development at ALTANA more transparent, we developed the so-called Talent Cycle in the

2019 reporting year. This annually recurring process includes identification and selection of talent for internal successions, as well as the selection of participants for development programs. The focus is on the progress dialogue, which was revised in 2019. It includes a comprehensive development plan, as well as an assessment of each employee's skills by a manager and feedback from the employee to the manager. Employees and managers are encouraged to exchange information at eye level and jointly define the employee's development path in open dialogue. Constructive feedback and support are the top priorities. The basis for the new progress dialogue, the global introduction of which will be completed by the beginning of 2021, is the competence model that was already introduced in 2018. In order to focus on the internal exchange and global networking of our managers, we support our employees' development through internal personnel development programs. In the 2019 reporting year, one of our international Management Development Programs and a regional development program in Europe were successfully completed. Most of the participating managers took on more responsibility during or after the programs, either globally or cross-divisionally. This illustrates the success of the programs as an important component of talent management. In the year under review, programs for Europe and the Americas were launched. The Advanced Leadership Program (ALP), first launched in 2018, was completed at the beginning of this year (2020).

Women in Leadership Positions

Diversity in leadership positions is an important goal of our Keep Changing Agenda. At the end of 2019, 29.8 percent of our employees in Germany and 21.9 percent of our managers there were women. ALTANA's medium- to long-term goal is to increase the share of women in leadership positions to the percentage of women in the company's total workforce.

The initiative LEADING WOMEN@ALTANA is providing important impetus. It includes a mentoring program for women that prepares women who have potential for a possible leadership role and accompanies women who have taken on a leadership role for the first time. The mentoring program makes an important contribution toward increasing the share of women in leadership positions.

To this end, teams consisting of a mentee and a mentor meet regularly over a period of twelve months. The mentor shares his or her knowledge and experience with the mentee. On account of the success, ALTANA continued the mentoring project in 2019 with 28 new tandems across its sites in Germany. At present, the company is examining whether to extend the program to other European countries.

Recruitment

Our recruitment activities received a number of awards in 2019. ALTANA received top results regarding online recruiting channels from BEST RECRUITERS and the Potentialpark study. In addition, we again received the "MINT-Minded Company" for 2019. This award is presented by audimax MEDIEN GmbH in cooperation with the MINT Zukunft schaffen initiative. The initiative honors companies that provide special support to young talent in the fields of mathematics, informatics, natural sciences, and technology.

For the recruitment of young talent, the ALTANA Group has relied for years on cooperation with institutes of higher education. Particularly noteworthy is its close cooperation with the Young Chemists Forum (JCF), a scientific association for chemistry students and doctoral candidates. In the year under review, ALTANA was in close contact with various regional forums of the JCF, which organized various events including seminars, excursions, job exchanges, and conferences lasting several days. ALTANA also took part in the JCF Spring Symposium in Bremen attended by more than

300 participants from the university chemistry landscape. In an international context, ALTANA participated in 2019 for the first time in the ChemSkillDays in Salzburg, organized by young chemists from Austria and Germany. At this event, we presented ourselves to around 40 students at a workshop on sustainability and project management.

For the tenth time, in the year under review ALTANA supported students majoring in MINT fields and in human resource management with a Deutschlandstipendium. The 27 recipients not only received financial support, but could also personally experience ALTANA within the framework of various events, enable themselves to be considered for internships and degree theses, take advantage of mentoring offers or take part in specialist seminars.

As part of the ALTANA Group's web design project, the ALTANA career website was revised and made more customer-oriented, user-friendly, and modern.

Social Commitment

The natural sciences, mathematics, informatics, and technology are among the drivers of economic development and social progress around the world. In this context, ALTANA wants to help introduce young people to these disciplines at an early stage and to kindle their enthusiasm for them. In addition, ALTANA is involved in a number of selected social projects. In cooperation with experienced partners from the education sector, we support concrete projects, often in the immediate proximity of our sites. To maximize lasting impact, the company usually promotes these projects over a period of several years.

Educational Coaching of Elementary Schoolchildren

ALTANA has supported the educational coaching project at GGS Innenstadt, the largest public elementary school in Wesel, for six years now. The project was initiated by the City of Wesel and implemented by the Klausenhof Academy in close cooperation with GGS Innenstadt. The main aim of the coaching is to promote elementary schoolchildren and to achieve equal opportunity for children with a migration background and from socially deprived backgrounds. The project also supports the development of children with special talents.

As in the previous years, ALTANA financed the personnel and material costs for a socio-educational expert at the Klausenhof Academy. The expert assigns "personal mentors" to each child, trains the mentors, and coordinates their work. A total of 46 children have been supported since the project began in 2014. Currently, 18 volunteer mentors are taking part. They support and challenge the children in their personal development according to their interests and abilities. Some of the mentors now even look after two

children. The support focuses on extracurricular activities such as library visits, music, and sports.

Junior Researchers Visit ALTANA

Furthering children's and adolescents' scientific knowledge has a tradition at ALTANA. Employees of BYK-Chemie at our Wesel site have worked as school ambassadors for many years. ALTANA is a network partner of the Germany-wide foundation House of Junior Researchers. For a number of years now, it has accompanied two elementary schools and one daycare center in Wesel. The aim of the initiative, which is sponsored by the German Federal Government, is to get children interested in science. The concept includes special research days that take place in cooperation with school ambassadors at the respective school or daycare center. In 2019, air and water were the main topics of the research days. In April, the junior researchers presented their results to parents, teachers, and employees at the traditional closing event held at the ALTANA conference center.

In the context of various events, employees at other sites also give young people insight into the world of science, conduct experiments together with them, and introduce them to scientific training and career possibilities.

Youth Startups Competition

ALTANA supports the online competition "Jugend gründet" (Youth Startups), sponsored by the German Federal Government, and in 2019 offered a special prize in chemistry for the fifth time in a row. In the national finals in 2019, a team of students from Lingen, Germany, won the prize for a sustainable business idea – a perfected mini biogas system for the restaurant trade which produces electricity and heat and with which at the same time organic waste can be

disposed of. With the idea, they want to promote ecological thinking in society and ensure that everyone can contribute to a better future. The award was connected with a four-day trip to the East Coast of the U.S., where the students were able to visit one of the ALTANA Group's largest research and production sites at BYK USA in Wallingford in the fall of 2019 and also take a trip to New York City.

Social Commitment and Donations

BYK USA is committed to sustainability. Its various sites support several social projects in their respective communities. They focus on social, cultural, and ecological areas. An example is the Chester site, which regularly supports the local fire department. Among the projects that BYK USA supports as part of its commitment to sustainability is the Toyland project, in which toys are collected for children from needy families. In Earth City, the company also collects toys in support of the Toys for Tots organization.

BYK USA in Wallingford participates in an annual fund-raising race for breast cancer research and has also sponsored several projects for the benefit of cancer patients and a local rehab clinic. In an initiative launched by the company each year, all proceeds go to a foundation for children with cancer. During the Christmas season, the Adopt-A-Family program enables employees to grant a wish on a wish list to needy families. At the annual Christmas party, donation boxes are set up and employees collect clothes for the food pantry and funding needed by the local animal shelter.

In May 2019, ELANTAS PDG took part in a blood donation campaign launched by the Mississippi Valley Regional Blood Center, which helped provide care to 70 patients at local hospitals. For many years, ELANTAS PDG has been supporting local social projects and at the same time strengthening its employees' personal commitment to sustainability (see also page 42 ff.). One example is our renewed

participation in the traditional World Food Day, where employees pack around 300 meals for the needy each year. As part of a fund-raising campaign by the St. Louis Area Foodbank in the spring of 2019, ELANTAS PDG was able to fill four containers with non-perishable food, thus providing several hundred meals for needy people.

ELANTAS Beck India is supporting several projects over a longer period of time that focus on education, health, and hygiene. Thanks to the financial support, schoolrooms in two villages in the Indian state of Gujarat have been renovated, a water treatment plant has been installed, and new toilet facilities built. In the outskirts of Pune, where ELANTAS Beck India has its largest site, three rural boarding schools that obtain their drinking water from borewells were equipped with water treatment plants. Many children who grow up in slum areas lack suitable premises for learning. In the aid organization Surajya Prkalpa, ELANTAS Beck India has found a partner that has set up schoolrooms in four poor areas of Pune where children can learn in peace.

In the context of the annual ECKART Christmas donation campaign "Donations Instead of Gifts," a total of around 20,000 euros were made available. Two children's aid organizations and the Christmas campaign "Joy for All" of the Nürnberger Nachrichten newspaper each received 6,666 euros.

Consolidated Financial Statements (condensed version)

100	Management Board Responsibility Statement
101	ALTANA Group Consolidated Income Statement
102	ALTANA Group Consolidated Statement of Financial Position
104	ALTANA Group Consolidated Statement of Cash Flows
106	Reference to the 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 2019.

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, 2020

ALTANA AG
The Management Board

Martin Babilas

Stefan Genten

Dr. Christoph Schlünken

ALTANA Group Consolidated Income Statement

	Notes	2018	2019
in € thousand			
Net sales	4	2,307,399	2,248,943
Cost of sales	5	(1,463,627)	(1,424,750)
Gross profit		843,772	824,193
Selling and distribution expenses	6	(291,228)	(290,285)
Research and development expenses		(154,127)	(165,572)
General administration expenses		(108,571)	(105,090)
Other operating income	7	16,737	14,250
Other operating expenses	8	(10,825)	(15,011)
Operating income (EBIT)		295,758	262,485
Financial income	9	4,898	19,871
Financial expenses	10	(12,110)	(11,983)
Financial result		(7,212)	7,888
Income from at equity accounted investments		(24,460)	(39,090)
Income before income taxes (EBT)		264,086	231,283
Income taxes	11	(77,097)	(62,234)
Net income (EAT)		186,989	169,049
thereof attributable to non-controlling interests		1,975	1,620
thereof attributable to the shareholder of ALTANA AG		185,014	167,429

ALTANA Group Consolidated Statement of Financial Position

Assets	Notes	Dec. 31, 2018	Dec. 31, 2019
in € thousand			
Intangible assets	13	1,044,217	1,023,882
Property, plant and equipment	14	868,162	970,837
Long-term investments	15	22,323	45,732
Investments in at equity accounted companies	16	117,869	138,316
Deferred tax assets	11	20,496	21,980
Other non-current assets	21	10,667	10,900
Total non-current assets		2,083,734	2,211,647
Inventories	17	373,027	348,847
Trade accounts receivable	18	384,180	380,644
Income tax refunds		12,832	15,361
Other current assets	21	103,836	97,521
Marketable securities	19	21,907	19,961
Short-term financial assets	20	2,690	4,768
Cash and cash equivalents		239,652	264,556
Total current assets		1,138,124	1,131,658
Total assets		3,221,858	3,343,305

Liabilities, provisions and shareholders' equity	Notes	Dec. 31, 2018	Dec. 31, 2019
in € thousand			
Share capital ¹		136,098	136,098
Additional paid-in capital		151,276	151,276
Retained earnings		1,974,331	2,071,165
Accumulated other comprehensive income		71,359	107,907
Equity attributable to the shareholder of ALTANA AG		2,333,064	2,466,446
Non-controlling interests		11,553	12,960
Shareholders' equity	22	2,344,617	2,479,406
Non-current debt	24	62,959	50,793
Employee benefit obligations	25	220,429	255,974
Other non-current provisions	26	20,331	20,894
Deferred tax liabilities	11	85,462	68,721
Other non-current liabilities	27	27,862	28,941
Total non-current liabilities		417,043	425,323
Current debt	24	82,641	62,489
Trade accounts payable		195,351	182,457
Current accrued income taxes		41,212	42,513
Other current provisions	26	87,479	93,592
Other current liabilities	27	53,515	57,525
Total current liabilities		460,198	438,576
Total liabilities, provisions and shareholders' equity		3,221,858	3,343,305

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

ALTANA Group Consolidated Statement of Cash Flows

	Notes	2018	2019
in € thousand			
Net income (EAT)		186,989	169,049
Depreciation and amortization of intangible assets and property, plant and equipment	13, 14	134,842	149,241
Impairment of intangible assets and property, plant and equipment	13, 14		4,068
Change in fair value of financial assets and securities	10	(27)	(2,851)
Net result from the disposal of intangible assets and property, plant and equipment	7, 8	(1,414)	433
Net result from the disposal of long-term investments and marketable securities	9	(55)	17
Change in inventories	17	(40,369)	29,572
Change in trade accounts receivable	18	(11,379)	6,265
Change in income taxes	11	1,723	(12,341)
Change in provisions	25, 26	(14,411)	12,058
Change in trade accounts payable		2,367	(14,156)
Change in other assets and other liabilities	21, 27	11,804	9,561
Other	16	26,165	35,425
Cash flow from operating activities		296,235	386,341
Capital expenditure on intangible assets and property, plant and equipment	13, 14	(186,988)	(157,180)
Proceeds from the disposal of intangible assets and property, plant and equipment	13, 14	5,843	798
Acquisitions, net of cash acquired	3	(3,126)	(8,587)
Purchase of long-term investment and investments in at equity companies	15, 16	(54,901)	(47,569)
Proceeds from the disposal of long-term investments	15	54	26
Payments on long-term loans		(23,010)	(16,000)
Proceeds from long-term loans		71,014	
Purchase of marketable securities	19	(31,339)	(42,500)
Proceeds from the disposal of marketable securities	9, 10	27,462	44,296
Change in short-term financial assets		(700)	(2,131)
Cash flow from investing activities		(195,691)	(228,847)

	Notes	2018	2019
in € thousand			
Dividends paid		(80,111)	(50,113)
Proceeds from issuance of long-term debt	24	8,383	3,924
Repayment of long-term debt	24	(67)	
Net increase/decrease in short-term debt	24	(64,144)	(88,455)
Cash flow from financing activities		(135,939)	(134,644)
Effect of exchange rate changes		(624)	2,054
Change in cash and cash equivalents		(36,019)	24,904
Cash and cash equivalents as of January 1	2	275,671	239,652
Cash and cash equivalents as of December 31	2	239,652	264,556
Additional information on cash flows included in the cash flows from operating activities			
Income taxes paid		(80,603)	(86,590)
Interest paid		(3,916)	(3,621)
Income taxes received		5,966	16,365
Interest received		2,226	10,390
Dividends received		962	809

Reference to the Consolidated Financial Statements

The consolidated financial statement to the Corporate Report 2019 are provided online at www.altana.com/consolidated_financial_statements_2019

Consolidated Financial Statements

Management Board Responsibility Statement

Independent Auditors' Report

ALTANA Group Consolidated Income Statement

ALTANA Group Consolidated Statement of Comprehensive Income

ALTANA Group Consolidated Statement of Financial Position

ALTANA Group Consolidated Statement of Changes in Shareholders' Equity

ALTANA Group Consolidated Statement of Cash Flows

Notes to Consolidated Financial Statements

1. Basis of Presentation
2. Significant Accounting Policies
3. Business Combinations and Disposals
4. Net Sales
5. Cost of Sales
6. Selling and Distribution Expenses
7. Other Operating Income
8. Other Operating Expenses
9. Financial Income
10. Financial Expenses
11. Income Taxes
12. Other Information on the Income Statement
13. Intangible Assets
14. Property, Plant and Equipment
15. Long-term Investments
16. Investments in at Equity Accounted Companies
17. Inventories
18. Trade Accounts Receivable
19. Marketable Securities
20. Short-term Financial Assets
21. Other Assets
22. Shareholders' Equity
23. Employee Incentive Plans
24. Debt
25. Employee Benefit Obligations
26. Other Provisions
27. Other Liabilities
28. Additional Disclosures for Financial Instruments
29. Commitments and Contingencies
30. Related Party Transactions
31. Compensation of the Supervisory Board and Management Board
32. Fees Paid to the Auditor
33. Subsequent Events
34. Additional Information

Supervisory Board of ALTANA AG

Supervisory Board Committees

Management Board of ALTANA AG

Multi-Year Overview

Key figures at a glance

	2010	2011	2012	2013
in € million				
Sales	1,535.4	1,616.7	1,705.3	1,765.4
Earnings before interest, taxes, depreciation and amortization (EBITDA)	314.1	308.0	323.2	335.7
<i>EBITDA margin</i>	20.5%	19.1%	19.0%	19.0%
Operating income (EBIT)	230.2	217.0	226.9	229.1
<i>EBIT margin</i>	15.0%	13.4%	13.3%	13.0%
Earnings before taxes (EBT)	218.2	207.7	217.2	212.6
<i>EBT margin</i>	14.2%	12.8%	12.7%	12.0%
Net income (EAT)	152.3	147.5	154.7	151.6
<i>EAT margin</i>	9.9%	9.1%	9.1%	8.6%
Research and development expenses	82.0	87.7	102.3	109.4
Capital expenditure on intangible assets, property, plant and equipment	73.8	93.5	89.8	94.3
Cash flow from operating activities	238.6	170.0	274.5	258.8
<i>Return on Capital Employed (ROCE)</i>	12.2%	11.2%	10.8%	9.9%
ALTANA Value Added (AVA)	64.2	53.2	50.0	38.7
Total assets (Dec. 31)	1,943.6	2,001.9	2,121.3	2,546.0
Shareholders' equity (Dec. 31)	1,364.2	1,417.1	1,498.2	1,565.6
Net debt (-)/Net financial assets (+) ¹ (Dec. 31)	79.7	(26.8)	68.2	(303.6)
Headcount (Dec. 31)	4,937	5,313	5,363	5,741

¹ Comprises cash and cash equivalents, current financial assets, marketable securities, loans granted, debt, and employee benefit obligations.

Sales by division

	2010	2011	2012	2013
in € million				
BYK	541.2	581.9	618.4	691.5
ECKART	356.6	346.8	340.5	334.6
ELANTAS	377.4	390.9	412.5	414.6
ACTEGA	260.2	297.0	333.9	324.7

Sales by region

	2010	2011	2012	2013
in € million				
Europe	683.7	740.8	751.7	745.2
<i>thereof Germany</i>	234.5	258.5	266.1	262.4
Americas	361.5	373.3	412.0	438.4
<i>thereof U.S.</i>	242.0	243.2	268.4	289.5
Asia	439.0	447.7	509.6	547.4
<i>thereof China</i>	224.2	228.5	252.5	287.8
Other regions	51.2	54.9	31.9	34.3

Change in country allocation as of 2012

	2014	2015	2016	2017	2018	2019
	1,952.3	2,059.3	2,075.3	2,247.0	2,307.4	2,248.9
	397.4	390.9	453.0	470.0	430.6	415.8
	20.4%	19.0%	21.8%	20.9%	18.7%	18.5%
	267.7	251.3	328.7	335.9	295.8	262.5
	13.7%	12.2%	15.8%	14.9%	12.8%	11.7%
	251.8	227.8	299.8	306.0	264.1	231.3
	12.9%	11.1%	14.4%	13.6%	11.4%	10.3%
	179.2	158.0	210.1	234.6	187.0	169.0
	9.2%	7.7%	10.1%	10.4%	8.1%	7.5%
	113.9	128.1	129.3	142.5	154.1	165.6
	90.4	85.6	122.1	188.0	187.0	157.2
	298.2	346.1	376.7	302.3	296.2	386.3
	10.3%	10.1%	11.6%	11.3%	9.4%	8.8%
	51.9	49.2	83.3	84.0	37.6	21.6
	2,756.2	2,964.5	3,053.9	3,147.7	3,221.9	3,343.3
	1,745.5	1,935.6	2,082.2	2,214.2	2,344.6	2,479.4
	(280.1)	(114.2)	25.7	(78.0)	(95.6)	(57.7)
	6,064	6,096	5,967	6,186	6,428	6,476

	2014	2015	2016	2017	2018	2019
	856.7	870.0	909.1	1,030.4	1,065.6	1,040.6
	332.2	349.7	361.9	385.3	382.6	356.2
	431.2	463.2	452.1	488.7	506.6	494.5
	332.1	376.4	352.2	342.6	352.6	357.7

	2014	2015	2016	2017	2018	2019
	795.1	795.6	798.6	852.3	875.0	858.0
	276.7	269.8	263.2	275.7	273.4	259.1
	527.1	607.1	587.2	623.6	624.4	620.6
	365.0	416.1	398.8	436.3	434.8	427.6
	593.0	618.9	652.3	733.5	769.4	731.8
	309.8	315.6	336.0	399.0	421.2	388.5
	37.0	37.7	37.2	37.6	38.6	38.6

Global Compact: Communication on Progress (COP)

By participating in the UN initiative Global Compact, we commit to respecting human rights, creating socially compatible working conditions, promoting environmental protection, and fighting corruption.

Principle	Page	Measure taken
Human Rights		
Principle 1 Businesses should support and respect the protection of internationally proclaimed human rights	8–10, 12–13, 94–95 FFS ¹ , pp. 9, 27–29	Sustainable Development Goals (SDG 8), ALTANA's Guiding Principles and leadership guidelines, Compliance Management System, women in leadership positions
Principle 2 Make sure that they are not complicit in human rights abuses	7, 12–13 FFS ¹ , pp. 23–24, 27–29	Code of Conduct, sustainability assessments, search for suppliers, supplier agreements
Labor		
Principle 3 Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining	12–13 FFS ¹ , pp. 27–29	Compliance Management System, Corporate guideline HR
Principle 4 The elimination of all forms of forced and compulsory labor	12–13 FFS ¹ , pp. 27–30	Compliance Management System
Principle 5 The abolition of child labor	7, 12–13, 97–98 FFS ¹ , pp. 23–24, 29	sustainability assessments, Compliance Management System, support of education initiatives
Principle 6 The elimination of discrimination in respect of employment and occupation	7–10, 12–13 FFS ¹ , pp. 27–30	Sustainable Development Goals (SDG 5), Compliance Management System, training, sustainability assessments and audits, surveys
Environment		
Principle 7 Businesses should support a precautionary approach to environmental challenges	8–10, 82–84, 90–92 FFS ¹ , pp. 2–7, 13–15	Sustainable Development Goals (SDG 13), sustainable product development, energy and environmental management systems, environmental key performance indicators system with targets, energy efficiency analyses
Principle 8 Undertake initiatives to promote greater environmental responsibility	8–10, 82–84, 90–92 FFS ¹ , pp. 2–7, 17–23	Sustainable Development Goals (SDG 13), sustainable product development, process optimizations, capital expenditure, environmental key performance indicators system with targets
Principle 9 Encourage the development and diffusion of environmentally friendly technologies	8–10, 82–84 FFS ¹ , pp. 31–32	Sustainable Development Goals (SDG 9), product and technology innovations, alternatives to critical materials
Anti-Corruption		
Principle 10 Businesses should work against corruption in all its forms, including extortion and bribery	7, 12–13 FFS ¹ , pp. 27–30	Code of Conduct, Compliance Management System, training and audits

¹ Facts and Figures on Sustainability 2019 (Online document)

Contact

Corporate Communications

Tel +49 281 670-10900

Fax +49 281 670-10999

press@altana.com

Credits

Publisher

ALTANA AG

Abelstr. 43, 46483 Wesel, Germany

Tel +49 281 670-8

Fax +49 281 670-10999

info@altana.com

www.altana.com

Design

Heisters & Partner

Corporate & Brand Communication, Mainz

Photography

Robert Brembeck, Munich (pp. 2, 20–29, 34, 36–41)

Giuseppe Chiucchiù, Montecarotto, ITA
(pp. 35, 37)

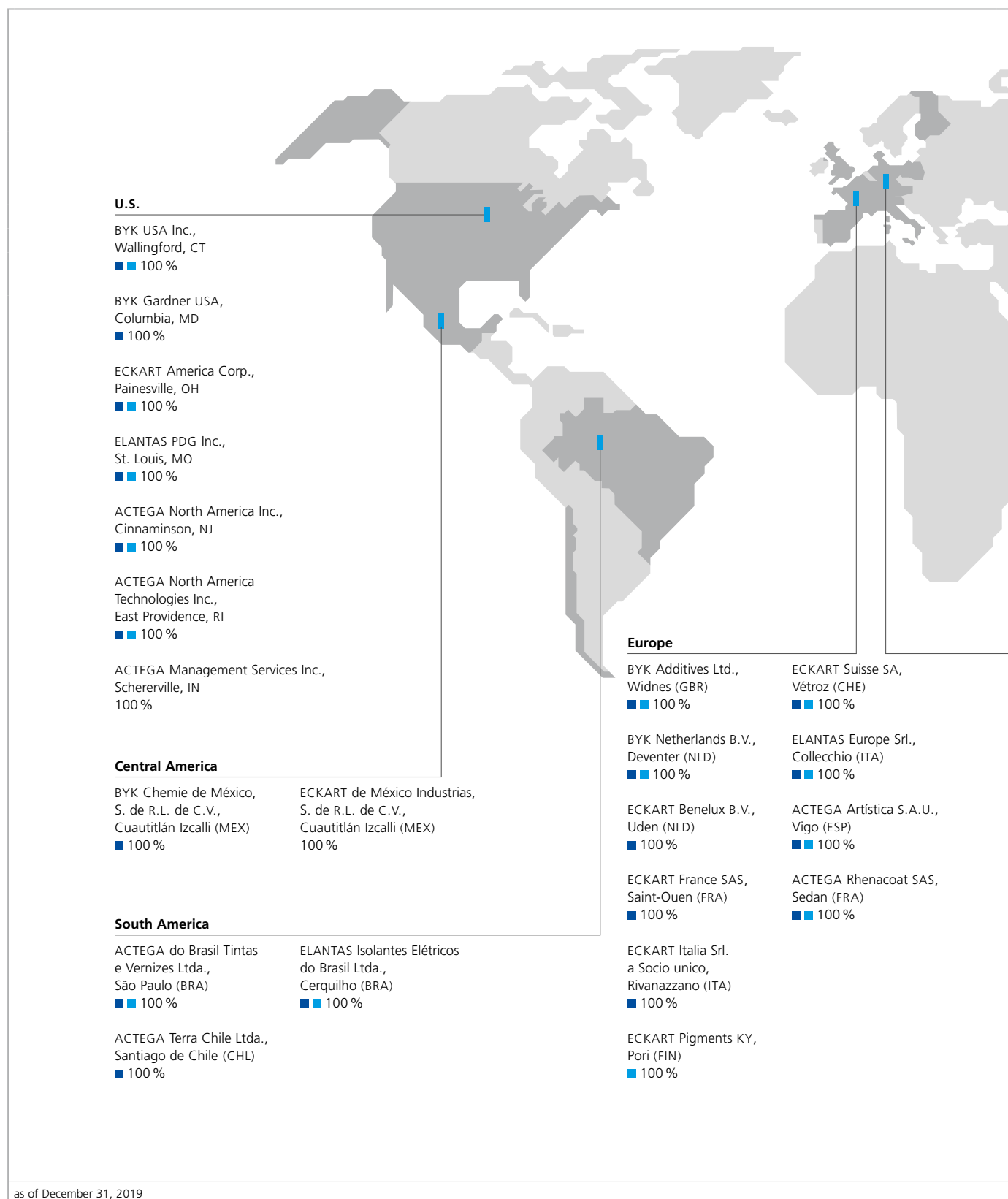
iStock (pp. 43, 45)

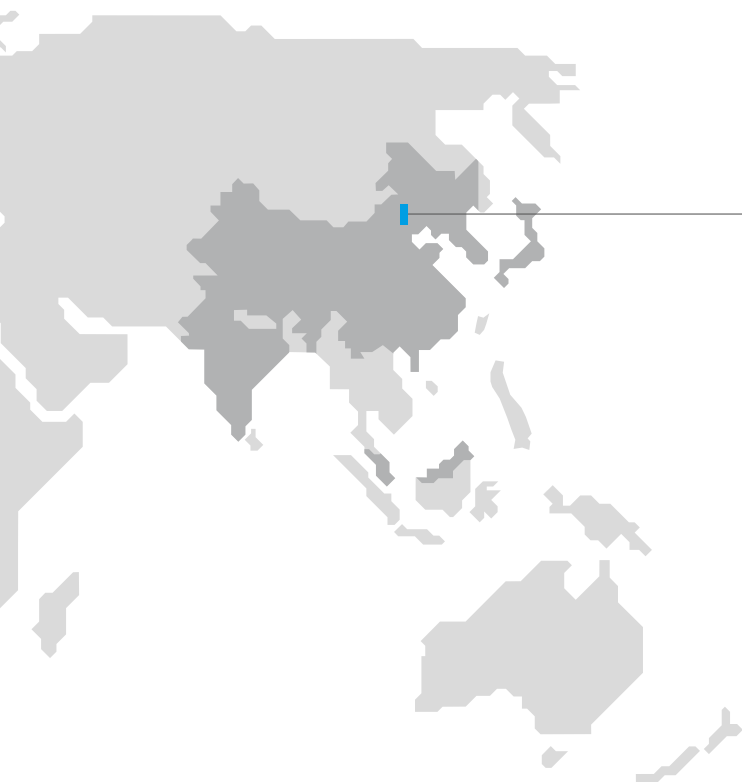
Rolf Ringwald, St. Louis, USA (pp. 21, 42, 44, 45)

Grischa Rüschenndorf, Hong Kong, CHN (p. 40)

Martin Schmüdderich, Gelsenkirchen (p. 17)

Robert Seale, Houston, USA (pp. 20, 30–33)





Germany

ALTANA AG, Wesel

ALTANA Management
Services GmbH,
Wesel
100 %

BYK-Chemie GmbH,
Wesel
■ ■ 100 %

ECKART GmbH,
Hartenstein
■ ■ 100 %

ELANTAS GmbH,
Wesel
100 %

ACTEGA GmbH,
Wesel
100 %

BYK-Gardner GmbH,
Geretsried

■ ■ 100 %

ELANTAS Europe GmbH,
Hamburg
■ ■ 100 %

ACTEGA DS GmbH,
Bremen
■ ■ 100 %

ACTEGA Metal Print GmbH,
Lehrte
■ ■ 100 %

ACTEGA Rhenania GmbH,
Grevembroich
■ ■ 100 %

ACTEGA Terra GmbH,
Lehrte
■ ■ 100 %

Asia

BYK Asia Pacific Pte Ltd.,
Singapore (SGP)
■ 100 %

BYK Japan KK,
Tokyo (JPN)
■ 100 %

BYK Additives (Shanghai) Co.,
Ltd., Shanghai (CHN)
■ 100 %

BYK (Tongling) Co., Ltd.,
Tongling (CHN)
■ ■ 100 %

BYK India Private Ltd.,
Mumbai (IND)
■ 100 %

BYK Korea LLC,
Gyeonggi-do (KOR)
■ 100 %

ECKART Asia Ltd.,
Hong Kong (CHN)
■ 100 %

ECKART Zhuhai Co., Ltd.,
Zhuhai (CHN)
■ ■ 100 %

ELANTAS Beck India Ltd.,
Pune (IND)
■ ■ 75 %

ELANTAS Malaysia Sdn Bhd,
Kuala Lumpur (MYS)
■ ■ 100 %

ELANTAS (Tongling) Co., Ltd.,
Tongling (CHN)
■ ■ 100 %

ELANTAS (Zhuhai) Co., Ltd.,
Zhuhai (CHN)
■ ■ 100 %

ACTEGA Foshan Co., Ltd.,
Shunde (CHN)
■ ■ 100 %

ALTANA AG
Abelstr. 43
46483 Wesel, Germany
Tel +49 281 670-10900
Fax +49 281 670-10999

www.altana.com

