ALTANA

Annual Report 2015

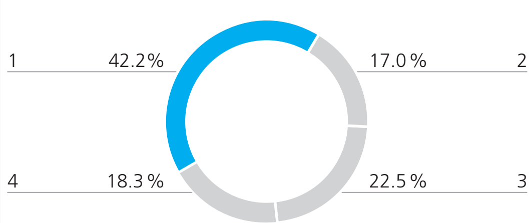
Group Profile 2015

ALTANA's divisions

ALTANA

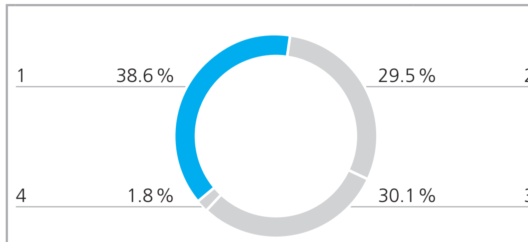
BYK Additives & Instruments | ECKART Effect Pigments | ELANTAS Electrical Insulation | ACTEGA Coatings & Sealants

Sales by division



in € million	2015
1 BYK Additives & Instruments	870.0
2 ECKART Effect Pigments	349.7
3 ELANTAS Electrical Insulation	463.2
4 ACTEGA Coatings & Sealants	376.4
Total	**2,059.3**

Sales by region



in € million	2015
1 Europe	795.6
2 Americas	607.1
3 Asia	618.9
4 Other regions	37.7
Total	**2,059.3**

Key figures at a glance

in € million	2014	**2015**	Δ %
Sales	1,952.3	2,059.3	5
Earnings before interest, taxes, depreciation and amortization (EBITDA)	397.4	390.9	-2
EBITDA margin	*20.4%*	*19.0%*	
Operating income (EBIT)	267.7	251.3	-6
EBIT margin	*13.7%*	*12.2%*	
Earnings before taxes (EBT)	251.8	227.8	-10
EBT margin	*12.9%*	*11.1%*	
Net income (EAT)	179.2	158.0	-12
EAT margin	*9.2%*	*7.7%*	
Research and development expenses	113.9	128.1	12
Capital expenditure on intangible assets and property, plant and equipment	90.4	85.6	-5
Cash flow from operating activities	298.2	346.1	16
Return on capital employed (ROCE)	*10.3%*	*10.1%*	
ALTANA Value Added (AVA)	51.9	49.2	-5

in € million	Dec. 31, 2014	**Dec. 31, 2015**	Δ %
Total assets	2,756.2	2,964.5	8
Shareholders' equity	1,745.5	1,935.6	11
Net debt[1]	(280.1)	(114.2)	N/A
Headcount	6,064	6,096	1

[1] Comprises cash and cash equivalents, marketable securities, debt, and employee benefit obligations.

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

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Management Board

Dear Ladies and Gentlemen,

2015 was a year in which ALTANA once again demonstrated its flexibility and ability to change.

In a challenging environment, our business, adjusted for acquisition and exchange-rate effects, declined slightly due to unexpectedly sluggish demand. Nevertheless we were able to increase our nominal sales once again, primarily thanks to positive currency effects, thus achieving sales of more than €2 billion for the first time.

ALTANA remains very well positioned for further profitable growth. We paved the way in 2015.

The generation change at the helm of ALTANA initiated in 2015 reflects both our company's sustainable development and its ability to change. Since August of last year, Stefan Genten has reinforced ALTANA's Management Board as the new CFO, succeeding Martin Babilas, who became the Chairman of the Management Board at the beginning of January 2016, replacing Dr. Matthias L. Wolfgruber. With this move, doubtlessly an era came to an end, since Dr. Wolfgruber, who went into retirement at the end of 2015, had a significant influence on ALTANA. In the last 13-plus years during which he headed our chemical business, our company developed very successfully while continually undergoing change. At this juncture, we would like to express our great appreciation and gratitude to Dr. Wolfgruber.

ALTANA is in a strong position because we have continually changed yet at the same time remained true to ourselves. The 2015 fiscal year saw many examples of this.

Since its acquisition of Rockwood's rheology business, BYK has not only invested in the new sites, but also adapted its organization and processes in many areas to its increased size and global requirements. Thus, the organizational and cultural integration of the business acquired in the fall of 2013 is nearly completed. Dr. Stephan Glander became the new Division President of BYK in July 2015. He is now in charge of a newly positioned and significantly strengthened organization.

The ALTANA Management Board (from left to right):
Stefan Genten, **Martin Babilas** (Chairman), **Dr. Christoph Schlünken**

At ELANTAS, the Italian sites Ascoli Piceno, Collecchio, and Quattordio were combined with the German company in Hamburg to form one organizational unit with joint functional areas at the turn of the year. Hence ELANTAS, too, is growing together in an effort to achieve even greater efficiency, primarily in Europe. At the same time, a cross-divisional research center for the promising printed electronics market was established in Hamburg.

In 2015, ECKART made one of its largest single investments at its home location in Hartenstein near Nuremberg by building a dry grinding unit. With the facility, the division has boosted its capacity for manufacturing functional effect pigments used to produce aerated concrete to become more independent from changing color trends. In the last fiscal year, ECKART also created the basis for becoming a significantly leaner and less complex organization. As a result, the division has established the prerequisites for future growth.

ACTEGA, too, will make its expertise available to its customers better and in a more targeted way due to an organizational realignment toward global market segments. With the new and agile positioning, in the future the division will be able to optimally unfold its strengths and exploit synergy potential between the individual companies. Thus, ACTEGA can now become even more productive and innovative.

In addition to its ability to transform, strong investments in the future remain an important success factor for ALTANA. That's why in 2015 we once again invested an above-average amount – six percent – of our sales in research and development worldwide. Additionally, in August we ensured ourselves headroom for further growth, including through acquisitions, by extending a syndicated line of credit amounting to €250 million, which can be increased at any time. Due to ALTANA's solid financial situation, the credit facility agreement contains provisions easing documentation obligations and covenants significantly. At the same time, even as a private company we continue to fulfill our aspiration of increasing debt only to an extent that would be adequate for the requirements of an investment grade rating.

All of these examples illustrate once again that ALTANA's vision to be leading in everything we do is not lip service, but continually provides incentive for us to achieve the best solutions. We have no doubt that with the changes we have ushered in we will continue on our growth path. However, sophisticated concepts are not the only decisive factor. It is the people at ALTANA who play the key role, as they not only implement the changes but also help shape them and experience them as a personal challenge and personal enrichment.

In the magazine section of this annual report, we have portrayed some of these people from various areas of ALTANA. Whether "straightforward yet versatile," "steady yet flexible," "constant yet innovative," "traditional yet multifaceted," or "accustomed yet new," they all have one thing in common: they change perspectives, are continually looking for improvement possibilities or completely new solutions, and as a result create critical added value for our customers together: innovation, market proximity, quality, and service as fixed constants in all areas of ALTANA.

We would like to warmly thank our employees for their contribution to our success and to ALTANA's development in 2015. Thanks are also due to the members of the Supervisory Board for their constructive accompaniment, their support, and their trust in the work of ALTANA.

Martin Babilas | **Stefan Genten** | **Dr. Christoph Schlünken**

6 Corporate Bodies and Management
9 Report of the Supervisory Board

The Management Board

Dr. Matthias L. Wolfgruber
Chairman until December 31, 2015

Martin Babilas
Chairman since January 1, 2016

Responsibility:
– ELANTAS Electrical Insulation Division
– ACTEGA Coatings & Sealants Division
– Corporate Development/M & A
– Human Resources
– Corporate Communications
– Internal Audit

Stefan Genten

Responsibility:
- Controlling
- Accounting
- Corporate Finance/Treasury
- Tax
- Information Technology
- Legal/Patents
- Compliance

Dr. Christoph Schlünken

Responsibility:
- BYK Additives & Instruments Division
- ECKART Effect Pigments Division
- Innovation Management
- Key Account Management
- ALTANA Excellence
- Environment, Health & Safety
- Procurement

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 four 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 Electrical Insulation

Dr. Stephan Glander
President Division BYK Additives & Instruments

Dr. Andreas Jerschensky
Head of Corporate Development / M & A

Dr. Roland Peter
President Division ACTEGA Coatings & Sealants

Dr. Wolfgang Schütt
President Division ECKART Effect Pigments

The Supervisory Board

Dr. Klaus-Jürgen Schmieder
Chairman

Ulrich Gajewiak[1]
Deputy Chairman

Susanne Klatten
Deputy Chairwoman

Dr. Anette Brüne[1]

Dr. Monika Engel-Bader

Armin Glashauser[1]

Olaf Jung[1]

Klaus Koch[1]

Werner Spinner

Dr. Lothar Steinebach

Dr. Antonio Trius

Stefan Weis[1]

Details on the corporate bodies can be found on page 140 f.

[1] Employee representative

Report of the Supervisory Board

In 2015, the Supervisory Board of ALTANA AG closely followed the work of the Management Board within the scope of tasks imposed upon it by the law and the company's Articles of Association. The Supervisory Board dealt in depth with the situation and development of the company as well as with various special issues. The Supervisory Board was regularly informed by the Management Board through oral reports in meetings, supplemented by documents on the agenda items discussed, as well as through regular written reports. In addition, 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 2015 fiscal year, the Supervisory Board held four regular meetings. At the 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. The Management Board reported regularly to the Supervisory Board on the sales, earnings, and financial development of ALTANA. Furthermore, the strategy of ALTANA AG and its individual divisions was addressed in the meetings. In addition, the Supervisory Board dealt with the state of the integration of the rheology additives business acquired at the end of 2013, with the development of ALTANA's investment in Landa Corporation, the Printed Electronics platform, as well as with the setting of targets for the Management and Supervisory Boards in accordance with the law for equal participation of women in leadership positions. In its June meeting, the Supervisory Board dealt with the reorganization of the Management Board after Dr. Matthias L. Wolfgruber had announced he was stepping down from his post as Chairman of the Management Board as of December 31, 2015. At its meeting held in December of the fiscal year, the Supervisory Board dealt extensively with the corporate planning for the next years and with the budget for 2016, which it approved.

Meetings of the Committees

The Human Resources Committee met three times in the year under review. It dealt primarily with preparations for the reorganization of the Management Board as well as with compensation issues. The Audit Committee met twice in the year under review. 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, as well as ALTANA's Compliance Management System. The Mediation Committee, established in accordance with section 27 (3) of the German Codetermination Act, did not convene in the 2015 fiscal year.

Annual Financial Statements

The annual financial statements of ALTANA AG, the consolidated financial statements for the year ended December 31, 2015, and the management report of ALTANA AG as well as the Group management report were audited by PricewaterhouseCoopers Aktiengesellschaft 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. The examination revealed that the system properly fulfills its function.

The financial statement documentation, the annual report, and the reports of PricewaterhouseCoopers Aktiengesellschaft 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 plenum 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, and, following its final examination, has no grounds for objection. At its meeting of March 17, 2016, the Supervisory Board 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.

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

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 2015 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 information in the report is correct and that the consideration made by the company for the transactions listed in the report was not unreasonably 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

Dr. Matthias L. Wolfgruber, the longtime Chairman of the Management Board, resigned of his own volition as of December 31, 2015, to go into retirement. He had been a member of the Management Board of ALTANA AG since July 1, 2002, and its chairman since May 3, 2007. The Supervisory Board appointed Martin Babilas, who has been a member of the Management Board of ALTANA AG since May 3, 2007, Chairman of the Management Board of ALTANA AG, effective as of January 1, 2016, for the duration of his existing appointment, until May 2, 2020. As of August 1, 2015, Stefan Genten was appointed a member of the Management Board and the Chief Financial Officer, initially for a period of three years, until July 31, 2018.

The Supervisory Board would like to thank Dr. Wolfgruber for the excellent and trusting cooperation and for his exceedingly successful work for ALTANA. In the course of his long tenure, Dr. Wolfgruber shaped and molded the company with great commitment, thus playing a very big part in the successful development of ALTANA.

The Supervisory Board plenum would also like to express its gratitude to the other members of the Management Board, to the company's management, and to the Group's employees for their achievements and commitment during the last fiscal year.

Wesel, March 17, 2016

For the Supervisory Board

Dr. Klaus-Jürgen Schmieder
Chairman

Continuity and Change at ALTANA

ALTANA is in a strong position because we have continually changed yet at the same time remained true to ourselves. Behind our efforts are people who not only implement these changes, but also help shape them and view them as a challenge and a source of personal enrichment. Together, they create decisive added value for our customers: innovation, market proximity, quality, and service as fixed constants in all areas of ALTANA.

15 STRAIGHTFORWARD YET VERSATILE
19 STEADY YET FLEXIBLE
23 CONSTANT YET INNOVATIVE
27 TRADITIONAL YET MULTIFACETED
31 ACCUSTOMED YET NEW

STRAIGHTFORWARD
YET VERSATILE

From a conglomerate to a globally leading specialty chemicals company. With dynamic and profitable growth. In the last 17 years, our new CEO Martin Babilas made a decisive contribution to this success story, first as a project manager, then as Head of Strategic Business Development / M & A, and since 2007 as a member of the Management Board. Martin Babilas' career is the best proof that continuity and change are not contradictions, but the very foundations of ALTANA's success, now and in the future.

WE AIM TO CREATE TRUE ADDED VALUE FOR OUR CUSTOMERS. TO THIS END, ALTANA CONTINUALLY REINVENTS ITSELF AND FOR THIS VERY REASON REMAINS TRUE TO ITSELF.

Corporate Culture as a Competitive Advantage

What distinguishes ALTANA? When this question is posed to Martin Babilas, the answer is surprising at first. "Our success is rooted to a significant extent in our unique corporate culture. It is the basis of our growth."

But isn't it leading products, new technologies, and customer-oriented service that distinguish ALTANA? "Certainly," replies the CEO. But "all of this is only possible because we trust our employees and put a lot of confidence in them." This generates the energy, says Babilas, to help innovative solutions become successful. "This constitutes a true competitive advantage."

Babilas consciously leveraged employees' willingness to become actively involved and help shape ALTANA to prepare himself for his new role as CEO. In the second half of 2015, he visited many sites around the world, asking hundreds of staff members to give their opinions on continuity and change at ALTANA, personally and via a survey on the Intranet.

The result highlights how important ALTANA's culture of openness, trust, empowerment to act, and appreciation is to the employees. They believe that the top priority, more than anything else, is to preserve this culture. Incidentally, that openness is truly lived at ALTANA is reflected by the fact that the majority of the survey participants provided their names and e-mail addresses, although they were told expressly that they could remain anonymous if they wanted to.

At the same time, however, it is very apparent that the employees are willing to change, for example concerning the continual optimization of processes. "This is a demand that directly ties into our

self-understanding of being close to customers and convincing them with innovation and knowhow time and time again," says Babilas.

Challenges as an Engine of Change

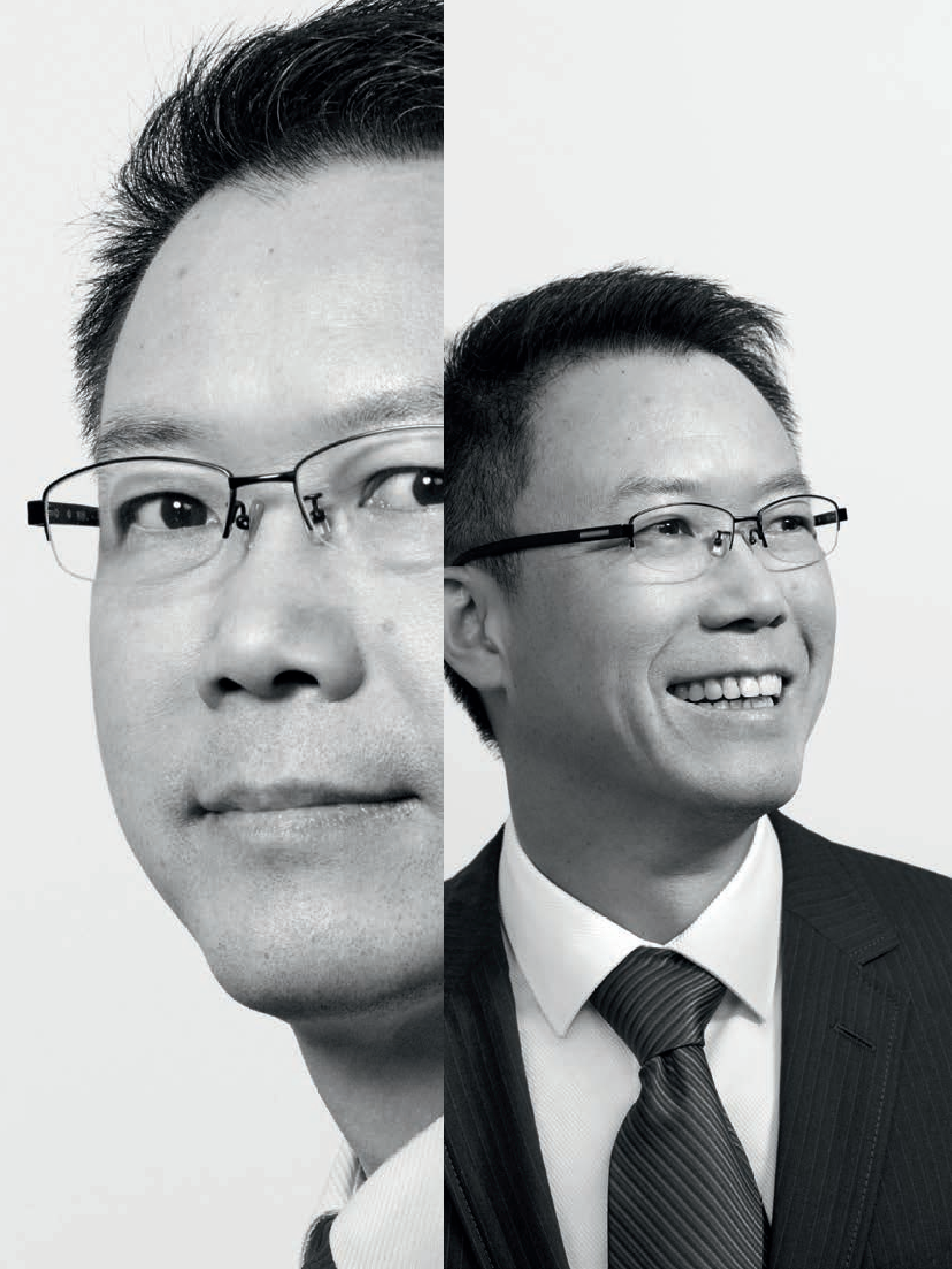
The ALTANA Group intends to continue to concentrate on growing specialty chemicals markets in which it can distinguish itself through innovation, quality, and service and occupy leading market positions. Hence the company has to adapt to continually changing framework conditions to create added value for its customers. Markets develop, customer requirements change, and thus ever-new growth opportunities emerge for ALTANA.

One of these trends is the digital revolution, which will also transform the chemical industry. "I am firmly convinced that this holds great potential for us," says Babilas. To master these and other challenges and seize the opportunities they offer, the strongly decentralized company intends to remain fast and flexible for its customers despite its increasing size, and additionally to enable a knowledge transfer and possible synergies between the divisions. For this purpose, ALTANA will promote mobility and diversity within the worldwide organization. And the company intends to continue on its growth path even without an economic tailwind.

Babilas is convinced that the company will succeed in this endeavor. "Our corporate culture is and remains the key to our success. In the future, too, ALTANA will be a place where people can excel and develop ideas and solutions of tomorrow."

For Martin Babilas, empowerment to act is part of ALTANA's DNA. The CEO, who has been working at ALTANA for 17 years, knows what he is talking about. "I always had the opportunity to shape ALTANA and grow with the company."

Babilas is also straightforward yet versatile when it comes to reconciling his family with his profession. "I spend the majority of weekends with my family, and don't constantly fiddle with my cell phone or laptop. And, during the week, in the office and on business trips, I concentrate completely on ALTANA."



STEADY
YET FLEXIBLE

Consumer trends in China change quickly. Solutions have to be developed to meet consumers ever-new expectations. Our BYK division has therefore steadily come closer to its Chinese customers in recent years. The next step: investments in new facilities and laboratories to further decrease delivery times and to intensify the development of products catering to the country's specific needs. For Chinese Managing Director Dr. Dechun Fu, this goes without saying. After all, flexibility is a constant in the company's service offer.

WE ARE NOT ONLY CLOSE TO OUR CUSTOMERS GEOGRAPHICALLY. IN THE FUTURE, BYK PRODUCTS WILL BE TAILORED EVEN MORE CLOSELY TO THE CHINESE MARKET.

China is still one of the world's fastest-growing economies. Regional and many global players manufacture their products here, from the automotive and electronics industries, to the international paint and coating sector. So what is more appropriate for an additives manufacturer like BYK than to strengthen its presence in China?

Increasing Proximity to Customers

In China, the division is not starting from scratch. BYK has been manufacturing at its own site in Tongling for many years. In addition, it has various application-technology labs distributed throughout the country. And since 2014 BYK has had its own warehouses in the metropolises of Shanghai and Guangzhou. "That was the first step to move even closer to our Chinese customers," explains Dr. Dechun Fu, the Managing Director of BYK in China. Another milestone was reached in 2014: BYK Additives Shanghai was founded as an operating company. Since then, Chinese customers have been able to purchase BYK products right in China. Previously, sales were made exclusively via BYK's headquarters in Germany or distributors in China. Thanks to the expansion of production at the Tongling site, the share of products manufactured directly in China has been increased significantly. "We're on the right track," says Dr. Fu. "But we don't want to come to a standstill. On the contrary: We are prepared to make considerable investments to continue to expand production and to intensify our development of products geared specifically to the country."

Service for Regional and Multinational Companies

Today, BYK experts are already working on special product applications for Chinese customers at laboratory sites in Tongling, Shanghai, Beijing, and Guangzhou, among others. BYK intends to significantly expand this service in the future. A number of new, state-of-the-art laboratories

and an expanded team of development and application specialists will be available. "We will enlarge our sales force too, so that our customers always have a direct and personal contact partner," says Dr. Fu.

The service offer is geared not only to multinational companies, but also important regional customers, for instance in the coatings and plastics industries. The managing director says that they manufacture not only for the Chinese market but, unlike the global players, do not always have their own formulational expertise.

Creating True Added Value Through Local Knowhow

"It is precisely here that we can create true added value with our local expertise, as regional manufacturers have different expectations of our additives than global producers," he says. This is due on the one hand to the pronounced cost orientation, and on the other to the Chinese consumers' constant demand for ever-new products that can only be met by innovation. Hence these markets are subject to extremely rapid change. "You cannot compare the end consumers in China to those in Europe and the U.S.," asserts Dr. Fu.

This makes it all the more important to customize existing products to match our customers' special applications. But BYK is also considering developing new additives expressly for the Chinese market, says Dr. Fu. An important prerequisite: "We have to develop these innovations quickly." And he is confident that "we will be able to meet this challenge."

Dr. Dechun Fu, who completed his doctorate in Materials Science, has in-depth knowledge of the different mentalities impacting the Chinese, European, and American markets because he has studied, done research, and worked on all three continents.

A willingness to change is a hallmark of his career, as his switch from a position of technical responsibility to management shows. "Now I see my task as pushing ahead change at BYK," he says.

CONSTANT
YET INNOVATIVE

What is innovative? Sometimes our companies have surprisingly simple answers to this question. An example: the pigment manufacturer ECKART. Being innovative also means tapping into new applications and unknown markets with tried-and-tested technologies, says Dr. Mark Stoll. As the new Global Head of Marketing and Technical Service, the former Chief Technology Officer of ECKART is now pushing ahead the expansion of the portfolio to ensure that in the long run the company is more independent of rapidly changing color trends.

WE INVEST SIX PERCENT OF OUR SALES IN RESEARCH AND DEVELOPMENT. HENCE OUR PIGMENTS ARE USED IN EVER-NEW APPLICATIONS.

Function Instead of Aesthetics

Effect pigments are extremely small particles usually based on metals that make paints, coatings, and plastics shine and glitter. This is a proven fact. But the particles can do much more than just create a good appearance. "They can take over chemical or physical functions and thus optimize construction materials and plastics, as well as coatings and adhesives, considerably," says Dr. Mark Stoll, Global Head of Marketing and Technical Service at ECKART.

For instance, when aluminum particles are added to a mortar mixture containing quartz sand, this creates hydrogen gas that produces many small bubbles. The result is aerated concrete, which due to its good insulating properties is regarded as an especially promising building material. ECKART has participated in this growth market for some time now – worldwide and with great success.

In 2016, the company is opening a new facility at its Hartenstein site. With it, ECKART not only can significantly increase its manufacture of effect pigments for the production of aerated concrete, but above all can deliver even better quality to its customers because the new plant works with state-of-the-art technology. As a result, the aluminum particles can be processed much better. "They are free of mineral oil and show good water wettability," explains Dr. Stoll. "Both of these properties are extremely important for manufacturers of aerated concrete."

Pigments Refine Adhesives

Spurred on by their success with aerated concrete, the pigment specialists started looking for other applications in which their small particles could play a key role. "That was our guiding question," says Dr. Stoll.

The first resulting product innovation is based on the pigment coating technology developed by ECKART. "This innovation will offer the worldwide electronics industry cost advantages of up to 30 percent," says Dr. Stoll. The new pigments consist of a copper or aluminum core covered by a fine silver layer. Hence the small particles improve the conductivity of adhesives used, say, to glue together housing components of cell phones or tablets. They also ensure electromagnetic shielding in the housing's protective coating.

The new technology means a considerable cost advantage for manufacturers that have used pure silver so far. That is now no longer necessary, and so there is a keen interest in the new development around the world. "We are currently developing specific applications together with our customers," says the chemist. "One objective is to adapt our pigments to the flow properties of their adhesives."

Reflecting Pigments

The second innovation reduces energy consumption in interiors. Aluminum-based IREFLEX pigments create heat-reflecting wall paints. With them, heating costs can be reduced by 20 percent.

The third innovation caters to crop protection. "Here, too, we are working with a proven technology," says Dr. Stoll. It is already used in plastics. The ingenious thing about it: synthetic pearlescent pigments reflect the warming infrared rays of the sun.

Agricultural films that are refined using the new AGRO pearls remain translucent. Heat, however, does not penetrate. Thus, there is no heat buildup and the plants' growth is not impeded. "Particularly customers in southern Europe and Asian countries ask about these pearls," says Dr. Stoll.

Dr. Mark Stoll, who holds a doctorate in chemistry, has worked at ECKART in various capacities. As Chief Technology Officer he was responsible, among other things, for developing new coating technologies for pigments.

As of recently, he has begun pushing ahead ECKART's portfolio expansion with great élan. "We adapt our products to meet the exact needs of our customers and the markets."

TRADITIONAL YET MULTIFACETED

For 60 years, ELANTAS Beck India has manufactured insulating materials for the electrical and electronics industry on the Indian subcontinent. During this period, the company became the market leader in India in the area of liquid electrical insulating products. "A willingness to change is part of our company's history," says Managing Director Ravindra Kumar. To stay ahead in the game, he recently started the Vision 2020 project, thus opening a new chapter of success along with the management team.

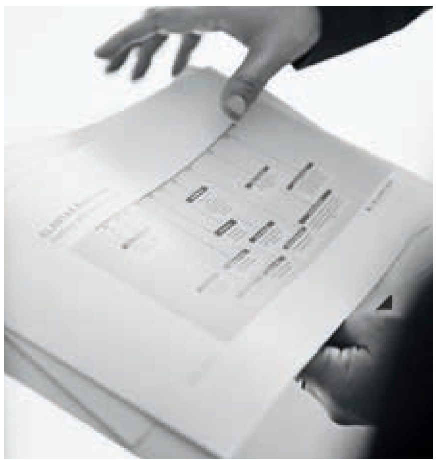
WE OFFER OUR CUSTOMERS COMPETITIVE ADVANTAGES – FOR EXAMPLE WITH CUSTOMIZED ELECTRICAL INSULATING MATERIALS DEVELOPED EXPRESSLY FOR THEIR APPLICATIONS.

Ongoing Improvement of Service for Customers

With its primary and secondary insulating materials for motors and rotors, ELANTAS Beck India has been a leading company on the Indian subcontinent for many decades now. Its customers include regional and globally active manufacturers. But why rest on these laurels? "A willingness to change is part of our DNA," says Managing Director Ravindra Kumar. "We aim to continually improve our products and service offerings for our customers." This is also the objective of the Vision 2020 project.

The first task is to identify new markets and thus further growth opportunities for the company. Second, Ravindra Kumar leveraged the project to adapt internal structures and processes to better equip the company to deal with market challenges. To this end, the chemical technologist implemented knowledge he gained as a manager in the international chemical industry. Among other things, Ravindra Kumar set up an interdisciplinary Market and Technology Development team. Its task is to identify new business development opportunities and ensure that our product development activities are well aligned to realize the identified opportunities. The team is responsible, say, for modifying existing and developing new insulating products in close cooperation with customers so that they are suitable for specific applications.

In addition, improved Key Account Management practices ensure that all business partners always find the right contact partner for their questions, whether in sales, applications, research, or technical service. The strategy is working. "Our customers are enthusiastic about the direct and fast communication at eye level," says the managing director. "We have intensified a number of relationships substantially and also gained access to new customer groups."



New Field of Business: Repairs

Within just a few months the company brought product innovations onto the market. "They're based on existing technology platforms and one of them was developed exclusively for small motor repair," Ravindra Kumar explains. Among the customers are companies that overhaul and repair fans, industrial pumps, and water pumps – a steadily growing market in India but an untapped field of business for ELANTAS thus far. "We see interesting growth opportunities for our company here," says Ravindra Kumar. "Furthermore, this segment is commensurate with ALTANA's objective of contributing to products that permit sustainable business activities."

The company's second growth segment is polyamide-based curing agents that are used, among other things, in paints, coatings, and varnishes. For a few years now, ELANTAS Beck India has already produced some of these raw materials in small quantities and provided them to its customers. The company intends to intensify this knowhow. "We've already made the first advancements. We're currently testing applications with our customers," says the managing director.

The third growth segment is so-called flexible insulating materials, which are used to line grooves in stators and rotors. With these materials, the company, which previously has only sold liquid insulating coatings, plans to enter a new product segment. A new product has been developed by its U.S. sister company ELANTAS PDG. The first new insulating material from St. Louis will be presented to Indian customers in 2016.

For his new task at ELANTAS Beck India, Ravindra Kumar returned to India from Europe. With the Vision 2020 project, he intends to expand current lines of business and open up new growth opportunities for insulating materials.

Initial successes confirm his strategy. The company's product innovations are meeting with an encouraging response from customers on the Indian subcontinent. In 2015, ELANTAS Beck India increased sales by more than 15 percent compared to the previous year.

ACCUSTOMED
YET NEW

Packaging? Printing? Our ACTEGA specialists are the perfect contacts. They have a wide range of innovative technologies at the ready. “We put together the precise package that matches the brand,” says Susan Kuchta, Vice President ACTEGA North America, Global Segment Head, Labels. A recently completed internal reorganization ensures that all regional units possess a wider portfolio than ever before. With this move, ACTEGA has ventured into new terrain – yet again.

IT DOESN'T MATTER TO US ON WHICH CONTINENTS OUR CUSTOMERS USE OUR PRODUCTS. WE OFFER THEM FIRST-CLASS PACKAGING AND PRINTING SOLUTIONS WORLDWIDE.

A Focus on the Market

ALTANA's ACTEGA division's portfolio is extremely diverse. It includes inks and coatings for labels, coatings, inks, and special effects for rigid, flexible and paper-based packaging, publication and commercial prints and sealants for lids and screw caps. But due to their respective histories, the companies that belong to ACTEGA have different strengths in special technologies. So the growth in the different regions has developed differently. This is about to change.

With the project ACTEGA 2020, the division has formed regional hubs starting January 1, 2016. These hubs cater to customers and markets in the respective regions across all technologies. They receive support from international competence centers, at which researchers and developers push ahead innovations in the respective technologies.

With these moves, ACTEGA has created the prerequisites for dynamic global growth. At the same time, due to the fact that the uniform portfolio is now available worldwide, ACTEGA companies can tap into new customer groups in the regions.

Concentrated Knowhow

"We concentrate our technological knowhow for our customers in a market and application-oriented way," explains Susan Kuchta. Last year, she and other members of the management team worked on turning two companies into one new company in the U.S. to form ACTEGA North America Inc.

"The concentrated knowhow opens up many interesting new packaging and printing possibilities for our users in the U.S., Canada, Mexico, Central America, and the Caribbean. It enables them to gain access to new technologies that are unknown to some of them," says Kuchta.

This has many advantages, particularly for globally active brand-name manufacturers. "Depending on the brand and the individual design, we can now offer these companies innovative solutions that uniformly support their image worldwide."

Global Label Portfolio

An example: In Europe, ACTEGA Terra is already very successful with innovative coatings for in-mold labels. These coatings serve to protect brand labels that are applied directly on plastic jugs and containers. For North America, we have a small market share in this label application. "On the other hand, the narrow web label printing inks and coatings of the U.S. company of ACTEGA are hardly known in Europe," says Kuchta. That, too, will change with the reorganization.

Now ACTEGA Terra and ACTEGA North America can share technologies and invest in new developments that bring more to our customers in both markets. Customers such as global consumer goods manufacturers can choose a suitable solution from the expanded label portfolio. "The site is no longer limited to the technologies they historically produced; all technologies across the globe are available to them. The only thing that matters is the specific requirement for the product packaging in question," says Kuchta.

For each segment, ACTEGA has formed international teams that possess diverse technical application knowledge. In addition, they have worldwide access to the necessary laboratory resources and specialists.

For Susan Kuchta, change is part of everyday life. Before she switched jobs to become a manager at ACTEGA North America, she had worked for many years as a change manager for large U.S. chemical companies.

"I'm very comfortable with change," says the strategy and marketing expert. "So I am all the more pleased to make our expanded product portfolio in the new ACTEGA organization accessible to an even larger group of customers."

Group Management Report

In the 2015 fiscal year, we achieved ambitious sales and profitability results once again despite the challenging and turbulent environment in the sales markets important for us. We benefitted not only from our close relationships with customers and our employees' extensive knowhow, but also from positive exchange-rate effects. In conjunction with our solid financial situation, we are in an excellent position to continue on the road to further success.

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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 2015 fiscal year, the Group's 69 consolidated subsidiaries and associated companies achieved sales of more than €2 billion for the first time. The ALTANA Group employs about 6,000 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 have a great deal of decision-making freedom, largely making market-, location-, and product-related decisions themselves. Our divisions are active worldwide and have their own production sites and sales offices as well as research and development laboratories in the 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 Report of this annual 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 in 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 Additives & Instruments

The BYK Additives & Instruments division is one of the leading international suppliers of special-purpose ingredients, so-called additives, used in coatings and paints, plastics, gas and oil 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 produce special properties such as shiny, matte or especially smooth surfaces. Rheology additives improve the flow

Business divisions and product portfolio

ALTANA

BYK Additives & Instruments	ECKART Effect Pigments	ELANTAS Electrical Insulation	ACTEGA Coatings & Sealants
Paint additives	Coatings	Primary insulation	Packaging industry
Plastics additives	Graphic arts	Secondary insulation	Graphic arts
Industrial applications	Cosmetics and personal care	Electronic and engineering materials	
Exploration technology oil/gas	Plastics industry		
Measuring and testing instruments	Functional applications		

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 hosts the division's biggest production and development site for additives and represents the ALTANA Group subsidiary with the highest sales. BYK also produces at other sites in Germany and Europe (the Netherlands and Great Britain), as well as in the U.S. and China. All of the measuring and testing instruments are manufactured at a site in southern Germany (Geretsried).

The division markets its products under the brands BYK (additives) and BYK-Gardner (instruments), primarily 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 sells 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 proportion 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 is among the most innovative suppliers in its markets. It continually expands and supplements its product portfolio. To gear its innovation activities closely to targets and 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 Effect Pigments

ALTANA concentrates the development, production, and sale of effect pigments in the ECKART Effect Pigments 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 the U.S., China, Switzerland, and Finland. 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 finished printing inks.

The effect pigments are marketed predominantly via the division's own sales structures, but also by sales partners. Like the BYK division, ECKART's most important customers include international manufacturers of coatings, printing inks, and plastics. Other important customers are manufacturers in the construction industry and the cosmetics sector. ECKART achieves half of its sales in Europe, primarily in its largest individual market, Germany. Its next-largest sales regions are Asia and the Americas, which are equally important.

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. The aim is to steadily expand functional application fields – on the one hand, to tap new growth potential, and on the other to make the division's activities less dependent on color trends.

ELANTAS Electrical Insulation

The companies in the ELANTAS Electrical Insulation 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 Italy, China, the U.S., India, Germany, 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 and India 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 knowledge.

ACTEGA Coatings & Sealants

The ACTEGA Coatings & Sealants 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, the U.S., Brazil, China, Spain, France, Austria, Poland, 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 the U.S. and Germany.

In recent years, the division has concentrated on application fields and sales regions with above-average growth potential, making acquisitions in these areas and divestments in others.

Together with the packaging industry, and in direct contact with brand manufacturers, ACTEGA develops new and improved functionalities. Its innovation activities primarily aim to improve the safety and shelf life of packaged foods.

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.

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 thus influence 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 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 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' know-how 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. In addition, 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 and taxes (EBIT), the EBITDA margin, 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 %.

AVA and ROCE are used for measuring the company's success and for determining variable compensation components. In addition, they are used as criteria for making strategic and operative decisions at the Group holding, divisional, and individual subsidiary levels.

Our goal is 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 clearly 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 sales growth of 10 %. Of this amount, about half should be generated by operating growth and the rest through the acquisition of new companies and activities. The aim of our acquisitions is to purchase supplementary activities for our existing divisions and to possibly integrate new business activities. Our average annual sales growth in the last ten years was roughly in line with our target level.

But growth should not be achieved at the expense of profitability. Therefore, control of the EBITDA margin is very important for the ALTANA Group (EBITDA = earnings before interest, taxes, depreciation and amortization). 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 annual Group margin was within or slightly 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 5 to 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.

On account of the great importance of net working capital for the development of operating capital, for a few years continual measures have been taken to optimize capital tied up in inventories as well as trade accounts receivable and payable. These financial performance indicators are analyzed and controlled by calculating ratios depending on sales and the cost of sales.

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 nonfinancial key performance indicators. These indicators, however, are not directly relevant for control and are used solely for a qualitative evaluation of activities whose financial measurability is limited. They include data for evaluating innovativeness, analyzing sales markets, and gauging customer satisfaction.

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, not only include 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 can be 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, cyclical changes in the market environment. From this, we derive levels of reaction for possible countermeasures.

During a fiscal year, the financial planning for the current year is updated several times within the framework of so-called forecasts. This serves to assess and control short-term business developments and to see whether we have achieved our goals.

Business Development

General Business Setting

Overall Economic Situation

In 2015, the global economy did not develop as dynamically as in the preceding years. The International Monetary Fund (IMF) estimates that the world economy grew by 3.1 % last year (previous year: 3.4 %). The weaker growth was primarily due to the economic slowdown in the emerging countries, which are an important driver of the global economic development. The established economic regions steadily improved their economic performance in 2015.

The key economic indicators in the sales regions important for ALTANA's business developed non-uniformly in the year under review.

In Europe, the positive trends stabilized, and the IMF estimates the economic growth in the Euro zone to be 1.5 % (previous year: 0.9 %). The growth was primarily due to the improved situation in the southern countries, particularly Italy, France, and Spain. The German Federal Office of Statistics estimates that Germany's economic performance improved at about the same rate as in the previous year, increasing by 1.7 % (previous year: 1.6 %). The Russian economy is forecast to have declined by 3.7 %, following a slight increase in the previous year.

According to current IMF forecasts, the economic dynamics in the countries of the Americas were very heterogeneous in 2015. Similar to the previous year, the U.S. economy developed favorably, achieving average growth of 2.5 % in 2015. Mexico's economy also grew by 2.5 %. The economic performance of Canada, however, slackened considerably vis-à-vis the previous year (2.5 %), increasing by only 1.2 %. In Brazil, South America's largest economy, the economic output actually fell by 3.8 % according to the IMF (previous year: +0.1 %).

In Asia, China's economic downswing continued in 2015. The IMF forecasts 6.9 % growth for the country, by far Asia's largest economy, after 7.3 % in the previous year. This decline could not be offset by the rebounding Japanese economy (+ 0.6 % after stagnating the previous year). The economic growth in India and in the largest economies of southeast Asia (ASEAN-5) kept up with that of the previous year, at 7.3 % and 4.7 %, respectively.

Industry-Specific Framework Conditions
According to estimates by the American Chemistry Council (ACC), global chemical manufacture rose by 2.8 % in 2015, an increase that was slightly lower than the strong growth in the previous year (3.0 %). As a result, chemical manufacture tended to develop on a par with the global economic performance.

However, the regional shifts in chemical manufacture do not reflect the general economic development of the respective region in all of the countries. In 2015, Germany, Europe's largest chemical manufacturer, showed a slight decrease in chemical production of 0.5 % (excluding pharmaceuticals), according to estimates by the German Chemical Industry Association. Due to lower prices, sales in the industry continued to decrease. On account of the positive economic development in the southern European countries, chemical manufacture increased in France, Italy, and Spain.

The American Chemistry Council estimates that chemical manufacture in the U.S. grew by 3.6 % in 2015.

Due to declining manufacture in China, the Asian chemical sector is expected to post significantly lower growth than in the previous year (3.3 % compared to 5.2 %). The American Chemistry Council estimates that chemical production in China grew by 6.5 % in 2015, versus 8.6% in the previous year. In Japan, production even fell slightly. Compared to the previous year, a 1.1 % decrease is expected.

The price of crude oil decreased substantially in the second half of 2015. In the first months of the year, the price of a barrel of Brent Crude remained relatively stable, hovering around 60 U.S. Dollars. Starting in July, the price fell steadily, closing the year at just under 40 U.S. Dollars.

Important Events for Business Development
ALTANA's earnings and financial situation as well as its assets in 2015 were influenced by non-operating effects.

At the end of 2014, we acquired two companies in Brazil. Their integration into the ACTEGA division affected the comparison with the previous year.

The expansion of ALTANA's non-controlling interest in Landa Corp., Rehovot, Israel, influenced the balance sheet figures on December 31, 2015, as well as the income statement for the reporting period.

In 2015, the development of the exchange rates between the Euro, our Group currency, and other currencies important for ALTANA had a significant impact on sales and earnings development. In the course of the year, the value of the Euro against the U.S. Dollar decreased significantly. The average exchange rate fell from 1.33 U.S. Dollars for one Euro in 2014 to 1.11 U.S. Dollars for one Euro last year. The relationship between the Euro and the Chinese Renminbi followed a similar path, with the average exchange rate decreasing from 8.19 Renminbis for one Euro to 6.97 Renminbis for one Euro. The development of these two currencies had very positive effects on the translation of the items in the income statement. The Euro also lost ground to the Japanese Yen and the Indian Rupie, but the resulting influences were not as strong.

The change of the Euro-U.S. Dollar exchange rate from the balance-sheet date at the end of 2014 to that at the end of 2015 also had a strong effect on the consolidated balance sheet. This was due to the translation of balance-sheet items of U.S. Group companies to the Group currency, the Euro, at different exchange rates. The price of one Euro fell from 1.21 U.S. Dollars at the end of 2014 to 1.09 U.S. Dollars at the end of 2015.

Business Performance

Key figures

	2014	2015	Δ %	Δ % op.[1]
in € million				
Sales	1,952.3	2,059.3	5	-2
Earnings before interest, taxes, depreciation and amortization (EBITDA)	397.4	390.9	-2	-4
EBITDA margin	*20.4 %*	*19.0 %*		
Operating income (EBIT)	267.7	251.3	-6	
EBIT margin	*13.7 %*	*12.2 %*		
Earnings before taxes (EBT)	251.8	227.8	-10	
EBT margin	*12.9 %*	*11.1 %*		
Net income (EAT)	179.2	158.0	-12	
EAT margin	*9.2 %*	*7.7 %*		

[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.

Group Sales Performance

Group sales amounted to €2,059.3 million in 2015, a 5 % or €107.0 million increase over the previous year (€1,952.3 million). Non-operating positive effects had a significant influence on the growth. Exchange-rate changes, particularly the Euro-U.S. Dollar and Euro-Chinese Renminbi exchange rates, accounted for sales growth of 7 %. Furthermore, the integration of the Brazilian companies, acquired at the end of 2014, into the ACTEGA division boosted Group sales by €24.1 million. Adjusted for these acquisition and exchange-rate effects, Group sales were 2 % lower than in the previous year.

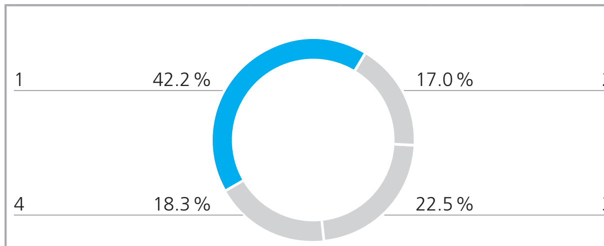
As a result, we did not achieve the operating sales growth of 2 to 5 % that we had anticipated for 2015 at the beginning of the year. One main reason ALTANA fell short of the forecast was the slower growth in China. In nearly all of our divisions, operating sales in China lagged significantly behind those of the previous year. And sales in the area of oil and gas exploration did not meet expectations either. Due to the ongoing decline in crude-oil prices, exploration activities were curbed, particularly in the U.S.

In total, the Group's sales volumes were below the previous year's level. The effects of price changes and product-mix shifts had a slightly positive impact on Group sales. But these influences developed unevenly within the Group.

The regional volume and sales structure shifted slightly on account of currency impacts.

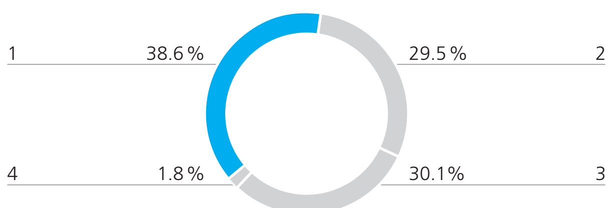
Accounting for 39 % of total Group sales (previous year: 41 %), Europe continued to be ALTANA's most important sales market. Both nominal and operating sales were roughly at the previous year's level. The sales generated in our home market Germany could not match the previous year's figure. But this decline was offset by increases in other

Sales by division



in € million	2014	2015	Δ %	Δ % op.
1 BYK Additives & Instruments	856.7	870.0	2	-4
2 ECKART Effect Pigments	332.2	349.7	5	0
3 ELANTAS Electrical Insulation	431.2	463.2	7	-3
4 ACTEGA Coatings & Sealants	332.1	376.4	13	0
Total	**1,952.3**	**2,059.3**	**5**	**-2**

Sales by region



in € million	2014	2015	Δ %	Δ % op.
1 Europe	795.1	795.6	0	0
thereof Germany	*276.7*	*269.8*	*-3*	*-3*
2 Americas	527.1	607.1	15	-4
thereof U.S.	*365.0*	*416.1*	*14*	*-3*
3 Asia	593.0	618.9	4	-4
thereof China	*309.8*	*315.6*	*2*	*-10*
4 Other regions	37.0	37.7	2	1
Total	**1,952.3**	**2,059.3**	**5**	**-2**

European countries. We achieved sales growth particularly in southern markets.

Sales continued to expand in the Americas, due in part to the stronger U.S. Dollar compared to the Euro, the Group currency, and to the acquisitions made in Brazil at the end of 2014. Nominal sales in the region increased by 15 %. Adjusted for acquisition and exchange-rate effects, however, sales fell by 4 % in a year-to-year comparison. The decrease in operating sales was driven mainly by the considerable decrease in oil and gas exploration activities. The development of new wells in the U.S. abated to a particularly large extent parallel to the decline in oil prices. However, the share of sales generated in the Americas rose due to nominal growth to 29 % (previous year: 27 %). Accounting for 20 % of ALTANA's total sales, the U.S. remains our largest sales market.

In 2015, Asia was responsible for 30 % of Group sales, unchanged from the previous year. However, operating sales did not reach the 2014 level. The weaker economic growth in China, in particular, led to a significantly lower demand for the Group's products and services in the region. With a 15 % share of total sales, China is the Group's second-largest sales market.

Sales Performance of BYK Additives & Instruments

In 2015, the BYK division increased its sales by 2 % or €13.3 million to €870.0 million (previous year: €856.7 million). Adjusted for positive exchange-rate effects, sales were 4 % lower than in the previous year.

One reason for the decline in operating sales were lower sales volumes on the Chinese market. The weaker overall economy and the slower growth in our industry compared to the previous year led to a decreased demand for the division's specialty products. Apart from triggering a decline in demand in end-user business, the deterioration of the economic environment also resulted in a reduced inventory along the value chain. In addition, the significant decrease in the price of crude oil in the course of the year led to a considerable reduction of oil and gas exploration activities. The demand for rheology additives, which are used, for example, in exploration, therefore steadily declined. These sales decreases could not be offset within the division.

In terms of regions, Asia and the Americas were affected the most by the decrease in operating sales. In Asia, the double-digit percentage operating sales decline in China could not be offset by the ongoing strong growth in India and the Middle East because the weaker momentum in China negatively impacted demand in the entire Southeast Asia region. While sales increased in the Americas due to exchange-rate changes, adjusted for these effects the region did not achieve the level of 2014. The decrease in oil and gas exploration activities, in particular, had a negative influence on the division. Especially in the U.S., BYK's largest single market, the development of new wells declined considerably. The sales development in Europe was very stable. A slight decrease in sales in Germany was compensated for by growth in other countries in Europe.

Sales Performance of ECKART Effect Pigments
Sales in the ECKART division grew by 5 % to €349.7 million in 2015 (previous year: €332.2 million). Adjusted for positive exchange-rate effects, sales reached the previous year's level. The sales volume of effect pigments developed positively in 2015. But the resulting sales increase was eroded by negative effects resulting from the shift of the product mix as well as slightly lower price levels.

The sales increase was due in particular to the higher demand for aluminum and zinc pigments, while the amount of copper products sold decreased. ECKART continued to expand its activities with customers in the cosmetics industry and benefitted, among other things, from taking over the sale of products from other divisions in the Group. Since ECKART has supplied this market for years, the division has a good position there, which we leverage Group-wide.

The regional demand for the division's products was not uniform in the reporting period. Sales rose in Europe, with the decrease in Germany, by far our largest single market in the region, offset by growth in other countries. Operating sales in the countries of North and South America were on a par with the previous year. But the decrease in oil and gas exploration activities had a negative impact on demand for ECKART's functional products. On account of the significant decrease in demand in China, ECKART's operating sales in Asia did not reach the previous year's level.

Sales Performance of ELANTAS Electrical Insulation
In 2015, the ELANTAS division boosted sales by 7 % to €463.2 million (previous year: €431.2 million). Positive exchange-rate effects, and particularly the stronger U.S. Dollar and Chinese Renminbi against the Euro, had a strong impact on this development. Adjusted for currency influences, sales were 3 % lower than in the previous year.

This development was due to the lower sales volumes, especially in the important Chinese market, as well as to the lower sales prices.

Asia accounted for half of the division's sales in 2015. Due to a decrease in demand in this region, sales lagged behind the previous year's figures. This decline was driven by the Chinese market. In the 2015 fiscal year, operating sales to customers in China decreased in a nearly double-digit percentage range. This negative influence could not be offset by the strong business expansion in India. Nor could ELANTAS reach its 2014 sales level in Europe. Sales were lower than in the previous year in nearly all of the important sales markets on the continent. Business developed positively in the Americas, however. On account of an expansion of activities with products for the electrical and electronics industries, sales increased significantly in the U.S. This boost in sales led to sales growth in the entire Americas region.

Sales Performance of ACTEGA Coatings & Sealants
With sales of €376.4 million (previous year: €332.1 million), the ACTEGA division achieved nominal growth of 13 %, thus showing the most dynamic growth of all of our divisions. On the one hand, this increase was promoted by positive exchange-rate effects. On the other, ACTEGA's sales rose due to the integration of the companies in Brazil acquired at the end of 2014. Adjusted for these influences, operating sales were slightly above the previous year's level. A higher sales volume was counteracted by negative effects from a changed product mix and a lower price level.

In 2015, the regional sales structure clearly shifted to the Americas. Although operating sales in this region were only on a par with the previous year's level, due to the positive exchange-rate effects on account of the strong U.S. Dollar and the acquisitions made in Brazil, the share of sales in the division's total sales increased to 39 %. The U.S. remains ACTEGA's most important sales market. In Europe, sales were roughly the same as in the previous year. Lower sales in Germany were counterbalanced by growth in other European countries. ACTEGA increased its sales in Asia in 2015. In comparison with the regional structure of Group sales, the region's share in the division's total sales – around 10 % – remained at a below-average level.

Earnings Situation

Like the key sales figures, the development of the most important earnings indicators was influenced significantly by exchange-rate effects. But this positive influence could not completely offset the negative effects on earnings that resulted from decreasing operational sales. Earnings before interest, taxes, depreciation and amortization (EBITDA) fell by 2 % to €390.9 million (previous year: €397.4 million). Adjusted for acquisition and exchange-rate effects, operating sales fell by 4 %. ALTANA achieved an EBITDA margin of 19.0 % in the 2015 fiscal year (previous year: 20.4 %).

Both the development of the absolute EBITDA and the EBITDA margin lagged behind our expectations. At the beginning of 2015, we had expected earnings growth to be at the level of sales growth and thus profitability to be around 20 %.

The negative deviation from the forecast is due on the one hand to the fact that the positive exchange-rate effects were reflected less in earnings than in sales. The sales revenue achieved, particularly from the exchange rate between the Euro and the U.S. Dollar, and the Euro and the Chinese Renminbi, comprise a higher share of our total sales than the share of earnings generated in these currencies. On the other hand, restructuring measures and general increases in personnel expenses gave rise to a disproportionately high increase in operating costs.

The most important cost factor for ALTANA, raw materials and packaging costs, developed well relative to sales. The materials usage ratio, the ratio of raw materials and packaging costs to sales, decreased in the course of 2015 to 42.0 %. This trend is driven by nearly all of our divisions and is due, among other things, to the backwards integration of certain production materials that has been continually pushed forward in recent years, as well as to increasing specialization on products and markets with higher added value. Another reason is that in the last fiscal year prices on all of the important raw-materials markets developed advantageously for ALTANA.

Other cost factors important for ALTANA, however, increased disproportionately to sales growth. Personnel expenses were higher due to the wage adjustments that were resolved, to the acquisitions made in 2014 in Brazil, and to the expansion of our workforce. The ratio of personnel expenses to sales climbed to 22.0 %, including restructuring expenditure at sites in Germany. In addition, due to impairment losses on intangible assets and property, plant and equipment, depreciation and amortization increased by €11.5 million.

The structure of functional costs did not change significantly in 2015. Production costs generally increased, above all due to currency impacts and the integration of the companies acquired in Brazil. In addition to the general increase in personnel expenses, which is also reflected by the increase in production-related personnel expenses, depreciation and amortization climbed disproportionately as a result of the expansion of production capacities in the BYK division.

In the 2015 fiscal year, the increase in selling and distribution expenses was disproportionately lower compared to sales. At the same time, the costs that depend directly on sales developed stably because an increase in freight was offset by a decrease in sales commissions.

Research and development expenses, however, increased more strongly than sales. In this functional cost area, personnel expenses increased, as did expenditure for outsourced research and development work as well as travel expenses. In addition, depreciation and amortization increased in connection with the launch of new or expanded laboratory capacities.

The disproportionately high increase in administrative expenses was largely driven by exchange-rate effects and the integration of the new companies in Brazil. Another contributing factor was the increased expenditure for long-term incentive plans for employees.

In 2015, the balance of other operating income and expenses was impacted considerably by extraordinary restructuring expenditure and impairment losses on intangible assets and property, plant and equipment.

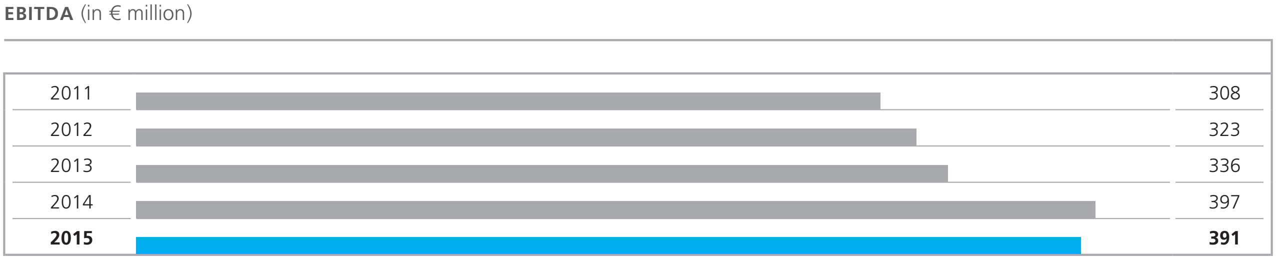
Earnings before interest and taxes (EBIT) reached €251.3 million (previous year: €267.7 million), thus falling shy of the previous year's level.

The financial result was €-10.7 million (previous year €-14.1 million). The main reasons for the improvement were decreased interest expenses for debt as well as lower burdens from pension obligations. On the other hand, the income from associated companies of €-1.8 million in the previous year worsened to €-12.9 million in 2015. This decline is due to the fact that ALTANA expanded its in-

Multi-period overview of the earnings situation

Sales (in € million)

EBITDA (in € million)



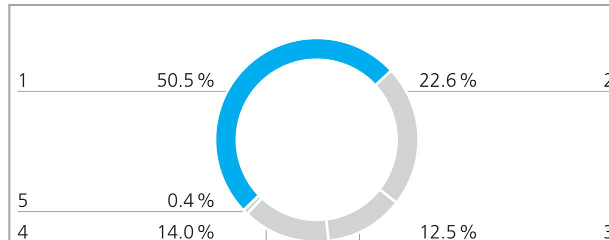
terest in the Israeli company Landa Corp. and the share of income of Landa was taken into account for a full year for the first time. As the first shareholding was acquired in mid-2014, only the proportionate income from the second half of the year was taken into account. Moreover, the company expanded its production and development activities prior to the broad market launch of new products and thus posted a higher annual loss.

Earnings before taxes (EBT) fell to €227.8 million (previous year: €251.8 million), and net income (EAT) to €158.0 million (previous year: €179.2 million).

Financial Position

Capital Expenditure

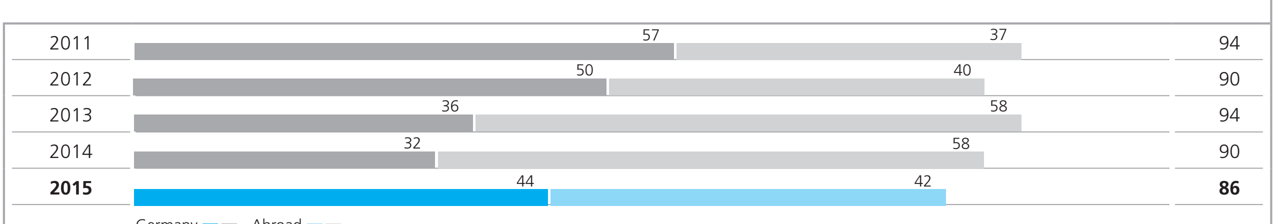
Capital expenditure by division



in € million	2014	**2015**	Δ %
1 BYK Additives & Instruments	45.9	43.2	-6
2 ECKART Effect Pigments	20.1	19.3	-4
3 ELANTAS Electrical Insulation	15.9	10.7	-33
4 ACTEGA Coatings & Sealants	8.2	12.0	47
5 Holding	0.3	0.4	17
Total	**90.4**	**85.6**	**-5**

In the 2015 fiscal year, ALTANA invested a total of €85.6 million to expand intangible assets and property, plant and equipment (previous year: €90.4 million). The investment ratio, or the ratio of investments to sales, was 4.2 %, below the range of 5 to 6 % we had forecast for 2015. Individual

Capital expenditure ALTANA Group (in € million)



projects were suspended or postponed due to our weakening operating business performance in the course of the year.

Of the total capital expenditure, €74.5 million were invested in property, plant and equipment (previous year: €85.5 million) and €11.0 million in intangible assets (previous year: €4.9 million). The significant increase in investments in intangible assets is primarily due to the expansion of the ERP infrastructure in the BYK and ECKART divisions.

After the extensive expansion of U.S. manufacturing capacities in the BYK division was completed in 2014, the regional focus of our investments shifted back to Group sites in Germany. A little more than half of all our investments were made in German subsidiaries. Another considerable part of the capital was invested in the U.S.

In 2015, the BYK division invested a total of €43.2 million (previous year: €45.9 million), primarily to expand production capacities as well as the ERP infrastructure. This capital expenditure was mainly earmarked for BYK's largest site, in Wesel, and its subsidiaries in the U.S.

The investment volume in the ECKART division was €19.3 million (previous year: €20.1 million), again below the previous year's figure. The most important individual project was the expansion of capacities for manufacturing products for functional applications in the construction industry.

The ELANTAS division invested less in property, plant and equipment and intangible assets than in the previous year (€10.7 million in 2015 compared to €15.9 million in 2014). Half of the capital expenditure was allocated to the division's manufacturing and development sites in Italy.

The ACTEGA division invested more in intangible assets and property, plant and equipment (€12.0 million in 2015 versus €8.2 million the year before). A focal point was the expansion of research and development capacities at its Grevenbroich site that began in 2015.

Balance Sheet Structure

Key figures

	2014	**2015**	Δ %
in € million			
Total assets	2,756.2	2,964.5	8
Shareholders' equity	1,745.5	1,935.6	11
Net debt[1]	(280.1)	(114.2)	N/A

[1] Comprises cash and cash equivalents, marketable securities, debt, and employee benefit obligations.

In the course of the 2015 fiscal year, the ALTANA Group's total assets climbed from €2,756.2 million to €2,964.5 million. The increase of €208.3 million, or 8 %, is mainly attributable to exchange-rate effects. The strengthening of the U.S. Dollar against the Euro, the Group currency, in particular, led to higher balance-sheet values resulting from the translation of the balance-sheet values of our U.S. Group companies.

Intangible assets rose by €9.6 million to €934.5 million (previous year: €925.0 million). Amortization on intangible assets was offset by positive exchange-rate effects. Also, there were small additions in the area of software. Property, plant and equipment was also influenced by exchange-rate fluctuations. The increase to €751.3 million (previous year: €740.3 million) was driven by currency impacts, while additions were roughly on a par with depreciation and amortization.

On the balance-sheet date, non-current assets totaled €1,814.4 million, 3 % higher than in 2014 (€1,753.7 million). Their share in total assets fell to 61 % in the course of the year.

The change in current assets was primarily influenced by the change in the amount of cash and cash equivalents. The latter rose from €277.1 million to €422.1 million on December 31, 2015, an increase of €145.0 million. The developments of inventories and trade accounts receivable virtually balanced each other out. The ratio of the total net working capital, in relation to the business development of the preceding three months and taking into account trade accounts payable, fell to 105 days at the end of 2015 (previous year: 110 days). The increase in liabilities had a positive effect on the ratio, which overcompensated for the increase in the ratio of inventories. The relative amount of trade accounts receivable remained stable compared to the previous year. The improvement of the net working capital ratios was in line with the development forecast at the beginning of 2015. Total current assets climbed by 15 % to €1,150.1 million (previous year: €1,002.5 million).

On the liabilities side, ALTANA reduced non-current debt further to €633.4 million (previous year: €701.2 million). This decline is due on the one hand to the fact that in the 2016 fiscal year the first tranche from the existing promissory note loans (German Schuldscheine) is due for repayment and this portion is therefore recorded on the balance sheet under current debt. On the other hand, employee benefit obligations decreased. The share of total non-current liabilities fell from 25 to 21 %.

Total current liabilities increased from €309.5 million to €395.4 million on December 31, 2015. The reclassification of the promissory note loan falling due in the short term accounted for €65.0 million of it. Furthermore, the trade accounts payable rose.

The Group's shareholders' equity increased by €190.2 million to €1,935.6 million (previous year: €1,745.5 million). In addition to the net income in the 2015 fiscal year, the influence of exchange-rate changes led to a significant increase in shareholders' capital. The equity ratio climbed to 65 % on December 31, 2015 (previous year: 63 %).

The net financial debt, comprising the balance of cash and cash equivalents, current marketable securities, debt, and employee benefit obligations, was reduced by €165.9 million in the course of 2015 to reach €114.2 million at the end of the year (previous year: €280.1 million).

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

Structure of consolidated balance sheet

Assets	Dec. 31, 2014		**Dec. 31, 2015**	
	€ million	%	€ million	%
Non-current assets	1,753.7	64	1,814.4	61
Inventories, trade accounts receivable and other current assets	720.2	26	718.5	24
Cash and cash equivalents and marketable securities	282.3	10	431.6	15
Total assets	**2,756.2**	**100**	**2,964.5**	**100**

Shareholders' equity and liabilities	Dec. 31, 2014		**Dec. 31, 2015**	
	€ million	%	€ million	%
Shareholders' equity	1,745.5	63	1,935.6	65
Non-current liabilities	701.2	25	633.4	21
Current liabilities	309.5	11	395.4	13
Total shareholders' equity and liabilities	**2,756.2**	**100**	**2,964.5**	**100**

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 for all of the important currency areas have been set up.

At the end of 2015, ALTANA's liabilities totaled €350 million due to the issuance of two promissory note loans in 2012 and 2013. The promissory note loans are divided into tranches with both variable and fixed interest rates and different maturities. The loans will be repaid with nearly stable annual contributions between 2016 and 2020. Furthermore, a general syndicated credit facility with a line of credit of €250 million was adjusted and renewed in 2015. The new term of the credit facility is five years with the option of a two-year extension.

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.

We continue to use off-balance-sheet financing instruments to a very limited extent. These include purchasing commitments, operating leasing commitments, and guarantees for pension plans. Details on the existing financing instruments are provided in the Notes to the Consolidated Financial Statements.

Liquidity Analysis

Key figures

	2014	**2015**	Δ %
in € million			
Cash flow from operating activities	298.2	346.1	16
Cash flow from investing activities	(162.9)	(140.7)	N/A
Cash flow from financing activities	(123.2)	(63.1)	N/A

In the course of 2015, the level of cash and cash equivalents increased by €145.0 million (previous year: €19.2 million) to €422.1 million (previous year: €277.1 million).

Cash inflow from operating activities rose by 16% to €346.1 million (previous year: €298.2 million). As a result, the operating cash flow exceeded our expectations. At the beginning of 2015, we expected the cash inflow to be roughly the same as in the previous year. This growth was driven by the reduction of net working capital, which offset the lower consolidated net income as well as the negative effects of income tax items. The development of provisions also had a positive impact.

Compared to 2014, the cash outflow from investing activities decreased to €140.7 million in 2015 (previous year: €162.9 million). Apart from the slightly lower investments in intangible assets and property, plant and equipment, there were no payments for acquisitions in 2015, while the previous year includes the acquisition of the Brazilian companies.

The cash outflow from financing activities amounted to €63.1 million (previous year: €123.2 million) in 2015. Debt was reduced insignificantly in the course of the year. In the previous year, ALTANA recorded a much higher cash outflow from the reduction in liabilities due to the repayment of acquisition financing from 2013. The dividend payment in the 2015 fiscal year was slightly higher than in the previous year.

Value Management

ALTANA determines the change in the company's value via the key figure ALTANA Value Added (AVA). In the 2015 fiscal year, we made a substantial contribution to the development of our company's value again.

The Group's average capital employed rose to €2,354.4 million (previous year: €2,299.6 million). The main influences on the capital were the acquisitions in Brazil and exchange-rate effects. At €237.5 million (previous year: €235.9 million), operating earnings rose only to a small extent.

The return on capital employed (ROCE) was slightly lower than in 2014, amounting to 10.1 % (previous year: 10.3 %). With an unchanged cost of capital rate of 8 %, the relative AVA reached 2.1 % (previous year: 2.3 %).

Analogous to the increase in operating capital, the cost of capital increased to €188.4 million in 2015 (previous year: €184.0 million). As a result, the absolute AVA amounted to €49.2 million (previous year: €51.9 million).

Thus, we were not able to achieve the slight improvement of value key figures we had forecast for 2015. But we achieved the high previous year's level.

Key figures value management

	2014	**2015**
in € million		
Operating capital (annual average)	2,299.6	2,354.4
Operating earnings	235.9	237.5
Return on capital employed (ROCE)	*10.3 %*	*10.1 %*
Weighted average cost of capital	*8.0 %*	*8.0 %*
ALTANA Value Added (relative AVA)	*2.3 %*	*2.1 %*
ALTANA Value Added (absolute AVA)	51.9	49.2

Overall Assessment of Business Performance and Business Situation

In the course of the year, the overall and industry-specific market conditions deteriorated continuously. In this environment, ALTANA was unable to generate operating sales as high as in the previous year. Nonetheless, nominal sales increased due to significant exchange-rate influences and effects from acquisitions. But profitability did not quite reach the previous year's level. Advantages from a lower materials cost ratio were overcompensated by increased personnel expenses.

However, we further strengthened our balance-sheet structures and increased our financial headroom in 2015.

Innovation and Employees

Innovation

ALTANA's products and services are geared to offering our customers special solutions and giving them a competitive edge. Our customers recognize us as specialists and we are usually integrated in their product development process at an early stage. To be able to maintain or further consolidate our position as one of the leading specialty chemicals companies, we have to steadily grow our competencies and continuously expand our own product portfolio.

In the Group's decentralized research and development facilities, our product portfolio is steadily developed further. In addition to existing applications in current or new markets, activities to develop new applications for these markets are a focal point. To be able to tap into new fields of business, we identify the needs of our customers and incorporate them in the development of new solutions.

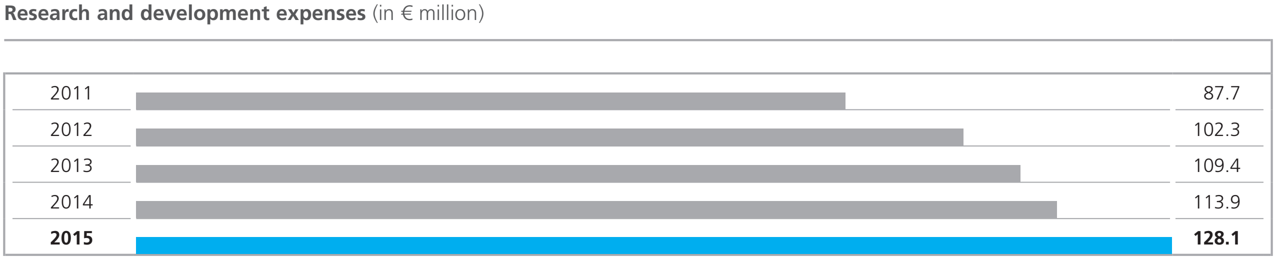
To interlink the Group's knowhow and competencies across industries and technologies, selected research and development projects are coordinated and initiated centrally at the Group level. Via external networks and close cooperation with universities and research institutes, impetus from outside the company is absorbed and the possibility of using it in the Group is examined.

Examples of projects that are pushed forward centrally are undertakings in the field of printed electronics, on the one hand, and our strategic digital-printing partnership with Landa on the other. By further developing both fields of business, we expect to be able to tap new potential for the future. Our divisions will be able to benefit from this to different extents.

The basis of our innovative strength is a worldwide research and development network with 1,049 employees at present. In the year under review, expenses for research and development activities amounted to €128.1 million (previous year: €113.9 million), a 12 % increase over the previous year. This rise and the continued high share of research and development expenses in sales of 6.2 % (previous year: 5.8 %) are yet another expression of our innovation focus.

To ensure that our research and development activities are geared to our Group targets, the R & D project portfolio is controlled in close cooperation between the Group's holding company and the decentralized divisions. The definition of our R & D strategy and its effects on our R & D portfolio management are just as important as the development and standardization of control instruments and measuring methods for evaluating R & D projects and strategic measures.

Research and development expenses (in € million)



Employees in research and development

BYK Additives & Instruments	432
ECKART Effect Pigments	251
ELANTAS Electrical Insulation	159
ACTEGA Coatings & Sealants	198
Holding	9
Total	**1,049**

Employees

At the end of 2015, the companies of the ALTANA Group employed 6,096 people worldwide (previous year: 6,064). In the course of the year, the workforce remained at a stable level, with an increase of 32 people or 1 %.

In the BYK division, the number of employees rose by 81 to 1,984 people (previous year: 1,903). As in the previous year, its headquarters in Wesel and the division's U.S. companies accounted for the largest share of the increase. In addition, the number of staff members in the Netherlands went up due to the continuous expansion of wax-additive activities. New employees in production accounted for half of the division's workforce increase.

The number of employees in the ECKART division decreased by 45 to 1,805 people (previous year: 1,850). Due to ongoing difficult market conditions and weak business development, restructuring measures were taken at the Hartenstein and Wackersdorf sites in 2015.

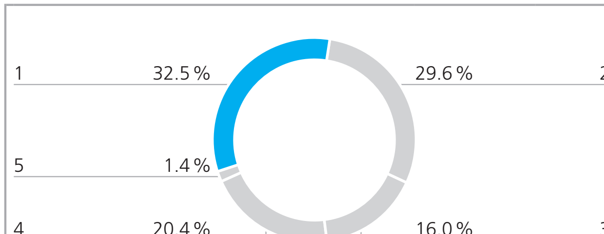
In the course of the year, the ELANTAS division increased the number of employees slightly by 7 people to 977 (previous year: 970). The increase primarily related to the division's Italian sites on account of the transfer of production volumes from other ELANTAS sites.

ACTEGA's headcount decreased by 16 employees to 1,243 (previous year: 1,259). The number of employees fell prior to the merger of two U.S. companies and because ACTEGA's site in China reduced its workforce in administration by a few people.

The structure of the workforce did not alter significantly in 2015. With still 53 %, or 3,216 people (previous year: 3,205), most of the employees worked in production. The number of people employed in research and development rose to 1,049 at the end of 2015 (previous year: 1,019). With an increase of 30 employees this area recorded the biggest growth of all functional areas. The workforce in marketing and sales, however, decreased slightly, to 955 (previous year: 972). Administrative functions continued to have the smallest share of employees group-wide, with 876 people working in this area on December 31, 2015 (previous year: 868).

There was also only a slight shift in geographical terms in 2015. The European Group companies continued to employ the largest number of employees worldwide (3,991

Employees by division



	Dec. 31, 2014	**Dec. 31, 2015**	Δ %
1 BYK Additives & Instruments	1,903	1,984	4
2 ECKART Effect Pigments	1,850	1,805	-2
3 ELANTAS Electrical Insulation	970	977	1
4 ACTEGA Coatings & Sealants	1,259	1,243	-1
5 Holding	82	87	6
Total	**6,064**	**6,096**	**1**

compared to 3,965 in the previous year). At the end of the year, 3,256 people were employed in Germany (previous year: 3,259), the majority of them at ECKART's and BYK's largest production and development sites, in Hartenstein and Wesel, respectively.

The number of staff in the Americas increased slightly, from 1,348 in 2014 to 1,352 people in 2015.

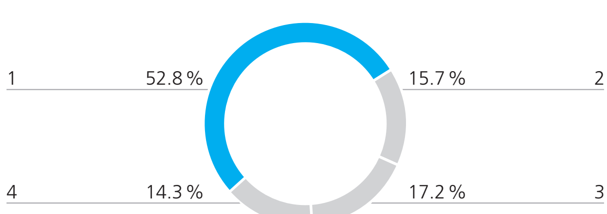
The number of employees of the Asian Group companies also rose slightly, from 751 in the previous year to 753 employees.

ALTANA is competing internationally for specialists and managers. To hold our own in this environment, we launched new initiatives and implemented further measures in 2015. All of the measures introduced to strengthen our corporate culture and to tweak our human resources management are based on our Guiding Principles. By concentrating on our enshrined and transparently communicated values, we ensure that our activities and staff management develop in uniform ways.

In 2014, a global employee survey was held, and last year the analysis and discussion of the results continued. Employees at all ALTANA sites worldwide dealt with the local results and worked out individual recommendations for action to improve the respective corporate culture locally and shape it more actively.

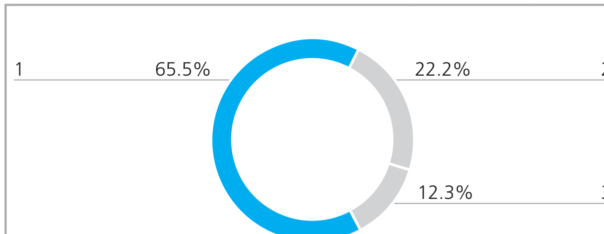
In the 2015 fiscal year, we continued with the rollout of the management check we began in 2014. With this instrument, we ensure that ALTANA's Guiding Principles and corporate culture are taken into account as important criteria in the process of selecting potential managers. The management check is not only applied in the choice of external managers, but also regarding internal vacancies, at all German and U.S. companies. Its introduction at ALTANA's Asian sites is currently being prepared.

Employees by functional area



	Dec. 31, 2014	**Dec. 31, 2015**	Δ %
1 Production and logistics	3,205	3,216	0
2 Marketing and sales	972	955	-2
3 Research and development	1,019	1,049	3
4 Administration	868	876	1
Total	**6,064**	**6,096**	**1**

Employees by region



	Dec. 31, 2014	**Dec. 31, 2015**	Δ %
1 Europe	3,965	3,991	1
thereof Germany	*3,259*	*3,256*	*0*
2 Americas	1,348	1,352	0
thereof U.S.	*1,066*	*1,067*	*1*
3 Asia	751	753	0
thereof China	*461*	*460*	*0*
Total	**6,064**	**6,096**	**1**

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

Promoting women in management positions was a special focus in the 2015 fiscal year. By intensifying measures that had been introduced in the past, and with new instruments, we further anchored the promotion of gender diversity in our human-resources management. One focus was promoting women in human-resources development. The proportion of women in ALTANA's various national and international management development programs was increased significantly in recent years. In addition, our further education program includes special offers for women. Launched as a pilot at our Wesel site, a new mentoring program was introduced. It will be extended to other Group sites in 2016. We also initiated a forum enabling women managers and a female member of the Supervisory Board to exchange views. Furthermore, various informal platforms were created to intensify dialog on this issue. 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 the 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 30 %. That roughly corresponds to the percentage of women in the entire workforce.

In keeping with the requirements of the law that went into effect in April 2015 regarding equal participation of women in management positions in private business and the public-service sector, ALTANA's Supervisory Board was obliged to specify target figures for the proportion of women in its Supervisory and Management Boards by June 30, 2017. The Management Board had to define corresponding target figures for ALTANA AG's two management levels below the Management Board. Due to the reorganization of the Management Board carried out as part of the recent generation change, the Supervisory Board does not plan to enlarge this body. This is why the target specified by June 30, 2017, does not account for a woman in ALTANA's Management Board. A target of 25 % was specified for the Supervisory Board. For the first management level below ALTANA AG's Management Board, a target of 10 % was defined by June 30, 2017, and a target of 30 % was agreed upon for the second level. Targets were also defined for the company's German subsidiaries subject to codetermination.

Subsequent Events

In January 2016, ALTANA's ELANTAS Electrical Insulation division acquired a new production site in Tongling, China, to increase its wire-enamel production capacities. On the date on which the financial statements were prepared, the transaction had not yet been fully completed as the process of transferring property rights had not been finished yet.

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 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 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

We do not expect the overall economic situation to change fundamentally in 2016 compared to 2015. The International Monetary Fund (IMF) forecasts an increase of 3.4 % in world economic output, slightly higher than the 2015 growth.

This development should be driven both by stronger growth momentum in the emerging countries and further growth in the established industrial nations. The highest growth rates for 2016 are forecast for the emerging Asian economies. The IMF estimates that the momentum in India and the ASEAN-5 states will pick up slightly, while China's growth will continue to slow down. For China, a positive economic development of 6.3 % is predicted (previous year: +6.9 %). An unchanged growth rate is forecast for the U.S. (+2.6 %). In Europe, the economic recovery is expected to continue. Economic output of 1.7 % is anticipated for the whole Euro zone including Germany. For the Brazilian and Russian economies, the IMF expects continued recession in 2016.

Given the prospects for the global economy in 2016, growth in the general chemical sector is expected to be slightly higher than in the previous year. The American Chemistry Council (ACC) forecasts that worldwide chemical production will increase by 3.3 % in 2016, after an expected 2.8 % last year. However, this growth will be driven solely by the chemical industry in the emerging countries. The latter's manufacture of chemical products is expected to be 4.8 % higher in 2016, whereas industry growth in the established countries is expected to remain at the previous year's level of 2.6 %.

We assume that in this market environment general demand on the markets relevant for ALTANA will basically remain stable, although the regions will show different developments. 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 due to the high volatility in recent months and on account of the current geopolitical conflicts. 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 value chain in the chemical industry.

As in the previous years, the volatility of the exchange-rate relations important for ALTANA will continue in 2016. 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.

Expected Earnings, Asset, and Financial Situation

Expected Sales and Earnings Performance

On the basis of the expected growth 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 range from 2 to 5 %. An increase in the sales volume should be the main growth driver, while the price effect based on lower crude-oil prices might even be negative.

The increase in nominal sales can deviate from the operating sales development due to exchange-rate changes and possible acquisitions or portfolio adjustments. For the most part, operating sales in the divisions should grow at a similar pace to Group operating sales.

In terms of the important cost factors, we do not expect significant shifts of cost ratios in relation to sales. We expect the materials cost ratio to generally develop stably. For the growth of personnel expenses and other fixed cost figures, we expect a relative increase at the same level as or slightly lower than sales growth.

We expect the EBITDA to increase disproportionately to the sales development, primarily due to the non-recurrence of the restructuring-related special expenses that existed in 2015. We therefore anticipate that the EBITDA margin will lie in the upper half of our long-term target range of 18 to 20 %.

After 2016, we expect slightly stronger growth momentum with roughly the same or even slightly improved profitability.

Expected Asset and Financial Situation

We do not expect any significant shifts in the balance-sheet structure in 2016. Our capital expenditure for property, plant and equipment and intangible assets should remain within our long-term target range of 5 to 6 %. The development of the absolute values of net working capital should be analogous to the general business development, though we are striving to improve the ratios.

Based on the anticipated business performance, we will achieve significant liquidity surpluses from operating activities, which should be at a level similar to that of 2015. These surpluses will be used to finance investments, for bolt-on acquisitions, and to pay dividends. The promissory note loans will be repaid from 2016 to 2020.

We foresee a further slight improvement of the value management key figures in 2016 due to a disproportionate increase in operating earnings compared to operating capital.

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 target levels in the planned time frame or to the planned extent. To be optimally prepared for such situations, we systematically identify, evaluate, and consider 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. Deviations can be recognized and countermeasures introduced if necessary.

Our internal control system, which is oriented to the standards of the internationally recognized COSO model, defines organizational measures for preventing damage from being done to the company. 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, and communication of 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 and was deemed 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. The risk is assessed based on the probability of its 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 12 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 and strategies 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" and "high" we address changes in our appraisal compared to the previous year. In 2015, risks categorized as "very high" were not identified.

Economic and Industry Risks

The development of the general economic conditions worldwide has a decisive impact on our business performance. The performances of the important U.S., Chinese, and German economies 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, our largest market currently accounts for 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 regional economic performance by adjusting our sales and local production 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 control 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 consumer segments is limited. We estimate that no single consumer segment (e. g. the automotive industry) accounts for more than 20 % of our sales.

The analysis of our industry-specific and application-related sales is an elementary 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 that are rated as "high" or "medium" risks. In the 2015 fiscal year, we did not assess the probability of these risks occurring as being different from the previous year. Due to the measures implemented and our increased diversification, we estimate potential damages to be slightly lower than in the previous year.

Sales Risks

Sales risks result mainly from intensified competition or shifts in customer structure. They include 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 the cost structure cannot be adjusted 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 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 customers, mergers, 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.

In the year under review, we did not make any fundamental changes to our assessments of the probabilities of occurrence and loss potential from sales risks.

Risks from Company Acquisitions and Investments

Apart from operating growth, acquisitions play a key role for the implementation of the strategy for profitable growth at ALTANA. Depending on the size of the activities acquired, unsuccessful 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 company acquisitions, we examine our acquisition targets systematically and comprehensively and analyze them in detail in a multistage approval process.

The assessment of the risk of impairments of assets from acquisitions is lower than it was last year. This is due to a decrease in the probability of occurrence with the same potential damages.

The impairment risk is therefore categorized now as being a medium risk.

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-material prices in our customer relations. To be able to pass on price increases to the markets in the short term, we increase the flexibility of price mechanisms and price lock-up periods.

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 values 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). We still categorize translation risk as being a medium risk, but with a higher relevance. 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. The total amount expected is safeguarded in different tranches to offset short-term exchange-rate fluctuations. We generally counter risks resulting from changes in interest rates by hedging interest rates over the corresponding term of the respective underlying transaction. More information on our evaluation and accounting procedures for hedges can be found in the Notes on page 123 ff. (note 27).

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 that covers medium-term needs going beyond the planned financial cash inflow from our operating business.

We reduced our assessment of the financial market risks in comparison to the previous year. Continued high cash inflows from operating business activity and the existing general financial resources framework 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 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 heighten our competitive edge.

It is important to protect knowhow we develop with patents to convert our knowledge edge into economic success. This includes safeguarding technologies as well as methods and product properties we currently use so that other companies cannot patent them.

2015 saw no significant change in our assessment of innovation risks in comparison to the previous year.

Other Risks

Production risks concern technical disruptions or human failure in production plants 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 breakdown insurances.

Information technologies form the basis of nearly all of ALTANA's business and communications processes. Breakdowns 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 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 focusing on changes in the regulatory environment. As a result, we can anticipate possible new requirements early on.

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 our employees about legal requirements and providing them with training.

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.

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 companies 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 already 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 accounting 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 that 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 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 discussed 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 attendant 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, and particularly in the U.S. 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 showed a positive development, if the construction industry rebounded more quickly than expected, 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 implement 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.

Company Acquisitions 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 companies 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. If 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

In 2016, we expect the economy to show growth similar to that of the previous year. In this environment, we expect slight operating sales growth and improved earnings profitability. Due to the high stability of our operating capital, the key figures for value management should improve slightly.

We believe that the risk of burdens from a muted or even recessive development of the global economy or in important core regions continues to be palpable. In addition, considerable risks to our short-term sales and earnings performance are posed by the higher price volatility on the raw-materials markets 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 numerous opportunities that could enable us to achieve sales and earnings performance surpassing our forecasts.

In sum, we expect to be able to successfully implement our strategy to sustain profitable growth in the coming years as well.

Corporate Governance

ALTANA considers good corporate governance as a basis for its business success. Therefore, even as a company not listed on the stock exchange, ALTANA orients itself to the rules of the German Corporate Governance Code.

In the 2015 fiscal year, the Supervisory and Management Boards again dealt in depth with the recommendations and suggestions of the German Corporate Governance Code and examined 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.

ALTANA follows the vast majority of the applicable recommendations of the German Corporate Governance Code in the current version of May 5, 2015. This especially applies to the cooperation between the Management Board and the Supervisory Board, the responsibilities of the Chairman of the Supervisory Board and the Supervisory Board plenum, dealing with conflicts of interest and the independence of the Supervisory Board members, the setting up and composition of the committees, as well as matters relating to the audit.

Management and Control

The Management Board of ALTANA AG basically consists of three members, who are appointed by the Supervisory Board for a period of three or five years. During a transition period from August 1 to December 31, 2015, from the time Stefan Genten was appointed to the Management Board until Dr. Matthias L. Wolfgruber's resignation as Chairman of the Management Board, the Management Board had four members. The Management Board members manage the Group independently and are solely committed to the interests of the company. Together with the presidents of the divisions and some 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.

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 of the Supervisory Board are elected by the Annual General Meeting. The Supervisory Board members are 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. The Supervisory Board monitors and advises the Management Board in its management activities. The Supervisory Board's tasks also include appointing Management Board members and 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. The Chairman of the Audit Committee is Dr. Lothar Steinebach. 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 10 % 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. Details on the compensation of the Management and Supervisory Boards can be found on pages 137 ff.

Compliance

The trust of our business partners and customers, as well as the public, in the lawful and responsible behavior of the ALTANA Group and its employees is decisive for the success and reputation of the company. Compliance therefore is very important for ALTANA.

ALTANA's Code of Conduct, which holds for the entire Group, contains binding rules regarding responsible, ethical and lawful behavior for all staff members. This applies in particular to issues such as antitrust law, environmental protection, safety, corruption, and discrimination. Together with the company's Guiding Principles, the Code of Conduct determines 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. In 2015, 749 staff members worldwide took part in a Code of Conduct training program.

In addition, ALTANA set up a Compliance Management System designed to help ensure compliance in the ALTANA Group.

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

Environment, Safety, and Corporate Social Responsibility

Sustainability is an integral component of the ALTANA Group's corporate strategy. All of our worldwide sites and all of our divisions are geared to it.

Sustainability is extremely important to ALTANA. We view it as a combination of economic efficiency, environmental and health protection, and corporate social responsibility. We document our progress in our annual Sustainability Report, which can be downloaded or ordered at www.altana.com/sustainability. A compact overview is provided on the pages to follow.

The basis of our actions is the internationally valid voluntary initiative of the chemical industry called Responsible Care. All of the Group's managing directors personally signed it.

ALTANA is a member of the United Nations Global Compact initiative, which some 13,000 companies and organizations from 170 countries have joined. In Germany, we support the sustainability initiative "Chemie³," which was called into being by the German Chemical Industry Association (VCI), the German Mining, Chemical and Energy Industrial Union (IG BCE), and the German Federation of Chemical Employers (BAVC).

Environmental Protection

We deal with resources responsibly. In doing so, we pursue three objectives. First, we make a concerted effort to use raw materials, water, and energy as sustainably as possible in production. Second, we try to reduce emissions wherever possible, particularly carbon-dioxide (CO_2) and volatile organic compounds (VOC). Third, we are steadily improving our production and production yields to minimize the amount of waste and wastewater. We made further progress in all three areas in 2015.

Certified management systems are the main instrument we use to control and guide our resource consumption. Each site is required to become certified according to the internationally valid environmental management system ISO 14001. ALTANA has nearly completed this procedure. Only a few sites acquired recently are still in the process of becoming certified. In addition, all of our German sites either already have introduced a certified management system or are in the process of doing so. The holding company in Wesel successfully completed its energy audit last year.

In the year under review, we had the various sustainability activities of the ALTANA Group evaluated for the first time. An online assessment was made by the internationally active company Eco Vadis by means of a questionnaire and a document check. We received the silver rating. We have provided our customers with detailed results of the assessment on the Eco Vadis supplier portal.

Energy Efficiency and Reduction of CO_2 Emissions

Reducing specific CO_2 emissions has been a key component of ALTANA's sustainability strategy since 2007. At that time, we set ourselves the goal of cutting these emissions by 30 % by 2020. To quantify the emissions, we relate the amount of climate-relevant emissions to gross value added, which is the sum of EBITDA and personnel expenses.

The specific emissions of the Group as a whole decreased by 10 % compared to the previous year. This result is particularly remarkable because the energy-intensive operations that we acquired in 2013 also made a first important contribution to reducing emissions in the year under review. Compared to the emissions in 2007, the emissions in 2015 decreased by 12 %.

This progress was possible thanks to various energy efficiency measures taken by our individual companies. In the year under review, these measures included steps to improve heat recovery (at the sites in Tongling, China, and Ankleshwar, India) and changing energy sources (at the sites in Bremen and Hartenstein, Germany) to reduce emissions arising during production. Furthermore, a number of sites have pushed ahead their plans to erect especially efficient combined heat and power plants. We were also able to considerably improve energy efficiency by modifying or erecting new laboratory buildings (at the site in Ascoli, Italy).

Reduction of Further Emissions

Organic solvents are indispensable for the manufacture of a number of products. To protect employees and the environment, we reduce the resulting VOC emissions with the help of special exhaust air treatment facilities. In the year under review, our sites in Deventer (the Netherlands) and Quattordio (Italy) expanded and optimized their plants, respectively.

The use of closed systems is another proven method of cutting VOC emissions. In the year under review, our Italian sites in Ascoli and Collecchio made progress in this area by installing special raw material tanks.

With a new filter system, our U.S. site in Painesville, Ohio, has helped reduce the amount of dust that accumulates when copper is processed for pigment manufacture.

Product Responsibility

Many of ALTANA's products make a decisive contribution to reducing emissions. An increasing number of our additives and pigments, as well as our paints and coatings, are conceived for use in solvent-free, water-based, or other low-emission products. Examples are the additives we developed expressly for powder coatings. They help reduce VOC emissions.

Moreover, we refrain from using critical raw materials in manufacture wherever possible, or use alternatives. In the year under review, for instance, we managed to replace the solvent NEP (N-ethyl-2-pyrrolidone), which is classified as a reproductive toxicant, with alternatives in three products.

In keeping with the "Global Product Strategy," a worldwide voluntary initiative on the part of the chemical industry, we publish safety-relevant information for substances we have registered in compliance with REACH on the Internet, as long as they are not protected as confidential information. That, too, is part of our product responsibility.

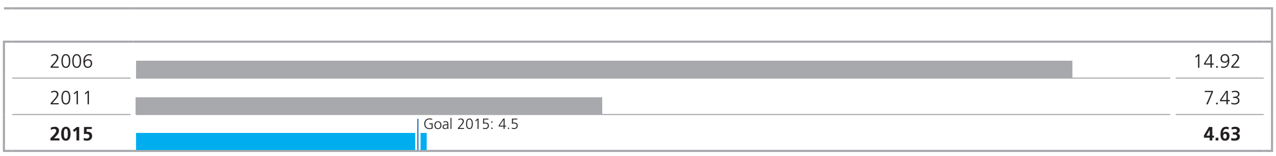
Safety and Health Protection

In 2015, we had 14 significant incidents according to the definition of the German Chemical Industry Association. In one of them, an employee suffered slight injuries. In eleven cases, no harm was done to the environment because we were able to catch the substances released in catch basins installed expressly for such incidents. In the remaining three cases, there were no special retention tanks. In one of these cases, soil was contaminated, but we took measures immediately and were able to eliminate the contamination. The other two incidents had no environmental impact.

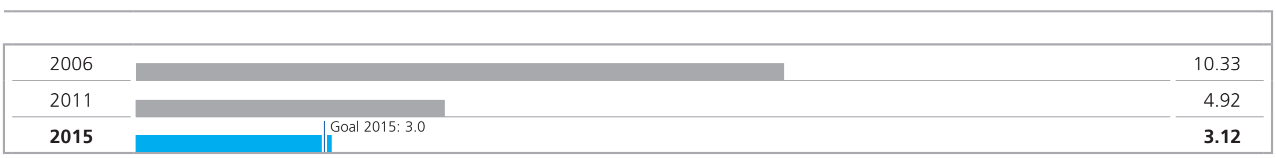
We consider the improvement of our safety culture, especially occupational safety, to be a continual task of our management and employees. To this end, we have developed various measures depending on the site. As a result, in the year under review the ALTANA Group was able to achieve almost all of the safety objectives it set itself, as the tables on page 72 show.

We also pushed forward our health protection in 2015, adopting various measures. At its Wesel site, BYK had its health management system audited and certified. We achieved very good results. Since last year, employees at all of ALTANA's German sites have been able to take advantage of the anonymous (telephone) consulting offered by the Employee Assistance Program (EAP) to help solve problems. Among other things, this offer helps prevent against psychological disorders such as burnout.

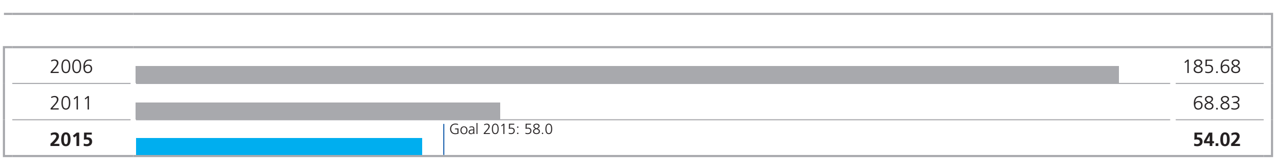
Work Accident Indicator 1 – WAI 1 (number of occupational accidents with lost work time of one day or more per million working hours)



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



Work Accident Indicator 3 – WAI 3 (number of lost work days due to occupational accidents per million working hours)



Corporate Social Responsibility

We assume corporate social responsibility in various ways. At the center of our involvement is the promotion of educational and science projects near our sites. With these measures, we intend to arouse the enthusiasm of children and youth, in particular, for natural sciences, mathematics, and computer science.

The continuity of our commitment is important to us. Therefore, we promote many projects over a longer period of time. This applies especially to the “House of Junior Researchers” in Wesel. With this project, we enable pre- and elementary-school children to acquire their first scientific knowledge. In 2015, we also continued the so-called educational coaching in Wesel, which serves to individually promote children with a migration background or children who are socially disadvantaged. Continuity also applies to the scholarships we offered to students in Germany and abroad once again in 2015.

In addition, we sponsor the Germany-wide youth startups online competition “Jugend gründet,” awarding a special prize in the field of chemistry. In 2015, it went to a team of students from Baden-Württemberg. The prize consisted of a several-day trip to BYK USA in Wallingford, where the prizewinners visited one of our largest additives research and production sites.

In 2015, ALTANA sent an employee from China and a high-school teacher from Wesel on an Antarctic expedition organized by the British polar researcher Robert Swan and his initiative “2041.” They returned as sustainability ambassadors who promote improved climate protection and sustainable action at ALTANA, in schools and beyond.

In light of current events, we made donations for humanitarian aid in 2015. First, we asked our employees to donate money following the earthquake in Nepal in April, in cooperation with the “Aktion Deutschland Hilft” coalition, and we doubled the sum collected to €50,250. The money was used to implement various aid measures in schools and education in the Himalayan community of Ghangphedi. In addition, we allocated €250,000 for special German courses for refugees offered by the Malteser Hilfsdienst across Germany.

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Management Board Responsibility Statement

The consolidated financial statements in this 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 315a 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 Aktiengesellschaft Wirtschaftsprüfungsgesellschaft as independent auditor of the consolidated financial statements. The auditors' report is reproduced on the following page. 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 9 – 12 of this Annual Report.

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 19, 2016

ALTANA AG
The Management Board

Martin Babilas | Stefan Genten | Dr. Christoph Schlünken

Independent Auditors' Report

We have audited the consolidated financial statements prepared by the ALTANA Aktiengesellschaft, Wesel, comprising the statement of financial position, the income statement and the statement of comprehensive income, the statement of changes in shareholders' equity, the statement of cash flows, and the notes to the consolidated financial statements, together with the group management report for the business year from January 1 to December 31, 2015. The preparation of the consolidated financial statements and the group management report in accordance with the IFRS, as adopted by the EU, and the additional requirements of German commercial law pursuant to section 315a (1) HGB ("Handelsgesetzbuch": German Commercial Code) are the responsibility of the parent Company's Board of Managing Directors. Our responsibility is to express an opinion on the consolidated financial statements and on the group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with section 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany) (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of the entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by the Company's Board of Managing Directors, as well as evaluating the overall presentation of the consolidated financial statements and the group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion based on the findings of our audit the consolidated financial statements comply with the IFRS as adopted by the EU and the additional requirements of German commercial law pursuant to section 315a (1) HGB and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. The group management report is consistent with the consolidated financial statements and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

Cologne, Germany, February 25, 2016

PricewaterhouseCoopers Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Sechser Uhlich

Jörg Sechser
German Public Auditor

ppa. Claudia Uhlich
German Public Auditor

ALTANA Group Consolidated Income Statement

	Notes	2014	**2015**
in € thousand			
Net sales	4	**1,952,263**	**2,059,311**
Cost of sales	5	(1,210,440)	(1,278,109)
Gross profit		**741,823**	**781,202**
Selling and distribution expenses	6	(263,070)	(274,038)
Research and development expenses		(113,923)	(128,089)
General administration expenses		(101,163)	(114,629)
Other operating income	7	20,889	16,066
Other operating expenses	8	(16,878)	(29,214)
Operating income (EBIT)		**267,678**	**251,298**
Financial income	9	6,100	4,648
Financial expenses	10	(20,193)	(15,337)
Financial result		**(14,093)**	**(10,689)**
Income from associated companies		(1,823)	(12,854)
Income before income taxes (EBT)		**251,762**	**227,755**
Income taxes	11	(72,607)	(69,737)
Net income (EAT)		**179,155**	**158,018**
thereof attributable to non-controlling interests		732	1,383
thereof attributable to the shareholder of ALTANA AG		178,423	156,635

ALTANA Group Consolidated Statement of Comprehensive Income

	2014	**2015**
in € thousand		
Net income (EAT)	**179,155**	**158,018**
Remeasurement of the net defined employee benefit obligation	(55,052)	19,174
Income taxes	16,401	(5,672)
Items that will not be reclassified subsequently to profit or loss	**(38,651)**	**13,502**
Translation adjustments	99,362	79,406
thereof attributable to non-controlling interests	615	352
Gains and losses from financial assets available-for-sale	(359)	0
Gains and losses from derivative financial instruments	(3,208)	6,317
Change in fair value of financial assets available-for-sale	111	17
Change in fair value of derivative financial instruments	(5,264)	(6,749)
Income taxes	3,490	(236)
Items that may be reclassified subsequently to profit or loss	**94,132**	**78,755**
Other comprehensive income	**55,481**	**92,257**
Comprehensive income	**234,636**	**250,275**
thereof attributable to non-controlling interests	1,314	1,731
thereof attributable to the shareholder of ALTANA AG	233,322	248,544

ALTANA Group Consolidated Statement of Financial Position

Assets	Notes	Dec. 31, 2014	**Dec. 31, 2015**
in € thousand			
Intangible assets	13	924,988	934,547
Property, plant and equipment	14	740,285	751,346
Long-term investments	15	1,693	5,223
Investments in associated companies	16	56,545	90,416
Income tax refunds		725	382
Deferred tax assets	11	18,737	21,035
Other non-current assets	20	10,713	11,407
Total non-current assets		**1,753,686**	**1,814,356**
Inventories	17	275,999	289,048
Trade accounts receivable	18	345,457	334,320
Income tax refunds		13,509	9,847
Other current assets	20	84,749	85,291
Marketable securities	19	5,151	9,509
Cash and cash equivalents		277,128	422,106
Assets held for sale		491	0
Total current assets		**1,002,484**	**1,150,121**
Total assets		**2,756,170**	**2,964,477**

Liabilities, provisions and shareholders' equity	Notes	Dec. 31, 2014	**Dec. 31, 2015**
in € thousand			
Share capital [1]		136,098	136,098
Additional paid-in capital		151,276	151,276
Retained earnings		1,388,274	1,498,417
Accumulated other comprehensive income		64,204	142,605
Equity attributable to the shareholder of ALTANA AG		**1,739,852**	**1,928,396**
Non-controlling interests		5,627	7,233
Shareholders' equity	21	**1,745,479**	**1,935,629**
Non-current debt	23	351,856	286,015
Employee benefit obligations	24	207,476	193,799
Other non-current provisions	25	16,256	22,151
Deferred tax liabilities	11	101,105	107,505
Other non-current liabilities	26	24,485	23,965
Total non-current liabilities		**701,178**	**633,435**
Current debt	23	3,015	65,986
Trade accounts payable		123,687	148,760
Current accrued income taxes		42,254	31,536
Other current provisions	25	83,519	90,891
Other current liabilities	26	57,038	58,240
Total current liabilities		**309,513**	**395,413**
Total liabilities, provisions and shareholders' equity		**2,756,170**	**2,964,477**

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

ALTANA Group Consolidated Statement of Changes in Shareholders' Equity

	Share capital issued			Retained earnings	
	Number of shares	Share capital	Additional paid-in capital	Retained earnings	Remeasurement of the net defined employee benefit obligation
in € thousand					
Balance at Jan. 1, 2014	**136,097,896**	**136,098**	**150,455**	**1,368,287**	**(64,772)**
Comprehensive income				**178,423**	**(38,659)**
Dividends paid				(55,000)	
Change in reporting entities				(5)	
Sale of shares to non-controlling interests			821		
Balance at Dec. 31, 2014	**136,097,896**	**136,098**	**151,276**	**1,491,705**	**(103,431)**
Comprehensive income				**156,635**	**13,508**
Dividends paid				(60,000)	
Change in reporting entities				0	
Sale of shares to non-controlling interests			0		
Balance at Dec. 31, 2015	**136,097,896**	**136,098**	**151,276**	**1,588,340**	**(89,923)**

Accumulated other comprehensive income				Non-controlling interests		
Financial assets available-for-sale	Derivative financial instruments	Translation adjustments	Equity attributable to the shareholder of ALTANA AG	Shareholders' equity	Translation adjustments	Shareholders' equity
231	**3,308**	**(32,893)**	**1,560,714**	**7,466**	**(2,566)**	**1,565,614**
(123)	**(5,930)**	**99,611**	**233,322**	**740**	**574**	**234,636**
			(55,000)	(1,357)		(56,357)
			(5)			(5)
			821	1,173	(403)	1,591
108	**(2,622)**	**66,718**	**1,739,852**	**8,022**	**(2,395)**	**1,745,479**
8	**(302)**	**78,695**	**248,544**	**1,377**	**354**	**250,275**
			(60,000)	(125)		(60,125)
			0			0
			0			0
116	**(2,924)**	**145,413**	**1,928,396**	**9,274**	**(2,041)**	**1,935,629**

ALTANA Group Consolidated Statement of Cash Flows

in € thousand	Notes	2014	2015
Net income (EAT)		**179,155**	**158,018**
Depreciation and amortization of intangible assets and property, plant and equipment	13, 14	119,702	128,090
Impairment of intangible assets, property, plant and equipment and assets held for sale	13, 14	10,000	11,545
Impairment on long-term investments and marketable securities	10	65	0
Net result from the disposal of intangible assets and property, plant and equipment	7, 8	1,032	892
Net result from the disposal of long-term investments and marketable securities	9	(459)	0
Change in inventories	17	(12,075)	(72)
Change in trade accounts receivable	18	(14,702)	22,694
Change in income taxes	11	3,581	(11,276)
Change in provisions	24, 25	9,622	15,251
Change in trade accounts payable		(4,177)	20,916
Change in other assets and other liabilities	20, 26	(106)	(12,341)
Other		6,574	12,377
Cash flow from operating activities		**298,212**	**346,094**
Capital expenditure on intangible assets and property, plant and equipment	13, 14	(90,389)	(85,561)
Proceeds from the disposal of intangible assets and property, plant and equipment	13, 14	1,973	2,349
Acquisitions, net of cash acquired	3	(26,211)	(41)
Purchase of long-term investment and investments in associated companies	15, 16	(50,929)	(53,346)
Proceeds from the disposal of long-term investments	15	45	73
Purchase of marketable securities	19	(45,718)	(12,933)
Proceeds from the disposal of marketable securities	9, 10	48,362	8,794
Cash flow from investing activities		**(162,867)**	**(140,665)**

	Notes	2014	2015
in € thousand			
Dividends paid		(56,357)	(60,125)
Proceeds from the sale of shares to non-controlling interests	3	1,591	0
Proceeds from issuance of long-term debt	23	1,523	0
Repayment of long-term debt	23	(70,220)	(927)
Net increase/decrease in short-term debt	23	294	(2,031)
Cash flow from financing activities		**(123,169)**	**(63,083)**
Effect of exchange rate changes		7,023	2,632
Change in cash and cash equivalents	2	**19,199**	**144,978**
Cash and cash equivalents as of January 1	2	257,929	277,128
Cash and cash equivalents as of December 31	2	**277,128**	**422,106**
Additional information on cash flows included in the cash flows from operating activities			
Income taxes paid		(82,223)	(90,031)
Interest paid		(9,283)	(5,555)
Income taxes received		13,393	8,931
Interest received		4,203	2,641
Dividends received		774	702

Notes to Consolidated Financial Statements

1. Basis of Presentation

The consolidated financial statements of ALTANA AG and its subsidiaries (the "Company" or "ALTANA") are prepared in accordance with International Financial Reporting Standards (IFRS), issued by the International Accounting Standards Board (IASB) as endorsed by the EU, and in accordance with section 315a of the German Commercial Code (HGB). The consolidated financial statements were authorized for issue by the Management Board on February 19, 2016 and were approved by the Supervisory Board in the Supervisory Board meeting on March 17, 2016.

ALTANA AG is incorporated as a stock corporation ("Aktiengesellschaft") under the laws of the Federal Republic of Germany, located in Wesel, Germany, and registered in the Commercial Register of the district court in Duisburg under HRB 19496.

All amounts are reported in thousands of Euro if not stated otherwise.

2. Significant Accounting Policies

Consolidation

The consolidated financial statements of the Company include 20 (2014: 22) subsidiaries in Germany and 49 (2014: 49) subsidiaries abroad, in which ALTANA either directly or indirectly may exercise control. ALTANA controls an investee when it is exposed or has rights to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

In 2015, in the BYK Additives & Instruments division two German subsidiaries were merged and a new subsidiary was founded in Korea. In the ACTEGA Coatings & Sealants division two Brazilian subsidiaries were merged.

Since 2014, ALTANA has held 75 % of the listed company ELANTAS Beck India Ltd. (Beck India), India. The remaining shares are free float.

ALTANA holds a 39 % interest in Aldoro Indústria de Pós e Pigmentos Metálicos Ltda. (Aldoro), Brazil, and accounts for it by applying the equity method of accounting. In addition, ALTANA holds a 33 % interest in Landa Corp. (Landa), Israel, and also accounts for it by applying the equity method of accounting (see note 16).

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

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

New Accounting Pronouncements Endorsed by the EU

The following Standards and Interpretations were initially adopted in the financial year 2015:

Standard/ Interpretation		Issued by the IASB	Effective date[1]	Effect on consolidated financial statements
IFRIC 21	IFRIC 21 "Levies"	May 2013	June 17, 2014	no effect
Sundry	Annual Improvements to IFRS 2011 to 2013 Cycle	Dec. 2013	Jan. 1, 2015	no effect

[1] Effective for reporting periods beginning on or after that date. The effective date is disclosed according to the respective Commission Regulation.

The following Standards and Interpretation were early adopted in the financial year 2015:

Standard/ Interpretation		Issued by the IASB	Effective date[1]	Effect on consolidated financial statements
IAS 19	Amendments to IAS 19 "Employee Benefits"	Nov. 2013	Feb. 1, 2015	not material
Sundry	Annual Improvements to IFRS 2010 to 2012 Cycle	Dec. 2013	Feb. 1, 2015	no effect

[1] Effective for reporting periods beginning on or after that date. The effective date is disclosed according to the respective Commission Regulation.

The following Standards and Interpretations are applicable at the earliest for financial years beginning after December 31, 2015. ALTANA has not early adopted these Standards and Interpretations.

Standard/ Interpretation		Issued by the IASB	Effective date[1]	Effect on consolidated financial statements
IFRS 11	Amendments to IFRS 11 "Joint Arrangements" – Accounting for Acquisitions of Interests in Joint Operations	May 2014	Jan. 1, 2016	no effect
IAS 1	Amendments to IAS 1 "Presentation of Financial Statements"	Dec. 2014	Jan. 1, 2016	not material
IAS 16 IAS 38	Amendments to IAS 16 "Property, Plant and Equipment" and IAS 38 "Intangible Assets" – Clarification of Acceptable Methods of Depreciation and Amortization	May 2014	Jan. 1, 2016	no effect
IAS 16 IAS 41	IAS 16 "Property, Plant and Equipment" and IAS 41 "Agriculture" – Bearer	June 2014	Jan. 1, 2016	not applicable
IAS 27	IAS 27 "Separate Financial Statements" – Equity Method in Separate Financial Statements	Aug. 2014	Jan. 1, 2016	no effect
Sundry	Annual Improvements to IFRS 2012 to 2014 Cycle	Sep. 2014	Jan. 1, 2016	no effect

[1] Effective for reporting periods beginning on or after that date. The effective date is disclosed according to the respective Commission Regulation.

New Accounting Pronouncements not yet Endorsed by the EU

The following new Standards and Interpretations have not yet been endorsed by the European Union. ALTANA has not early adopted these Standards and Interpretations.

Standard/ Interpretation		Issued by the IASB	Effective date	Effect on consolidated financial statements
IAS 7	Amendments to IAS 7 "Statement of Cash Flows"	Jan. 2016	Jan. 1, 2017	impact currently evaluated
IAS 12	Amendments to IAS 12 "Income Taxes"	Jan. 2016	Jan. 1, 2017	impact currently evaluated
IAS 28 IFRS 10	Amendments to IAS 28 "Investments in Associates and Joint Ventures" and IFRS 10 "Consolidated Financial Statements"	Sep. 2014	pending	no effect
IFRS 9	IFRS 9 "Financial Instruments"	July 2014	Jan. 1, 2018	impact currently evaluated
IFRS 10 IFRS 12 IAS 28	"Investment Entities" Amendments to IFRS 10, IFRS 12 and IAS 28	Dec. 2014	Jan. 1, 2016	no effect
IFRS 15	IFRS 15 "Revenue from Contracts with Customers"	May 2014	Jan. 1, 2018	impact currently evaluated
IFRS 16	IFRS 16 "Leases"	Jan. 2016	Jan. 1, 2019	evaluation will start in 1st quarter 2016

Foreign Currency

The consolidated financial statements of ALTANA are expressed in Euro.

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

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

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

		Spot rate		Average rate for the years ended Dec. 31	
		Dec. 31, 2014	**Dec. 31, 2015**	2014	**2015**
1 Euro					
Brazil	BRL	3.22	4.31	3.12	3.70
China	CNY	7.54	7.06	8.19	6.97
India	INR	76.72	72.02	81.04	71.20
Japan	JPY	145.23	131.07	140.31	134.31
Switzerland	CHF	1.20	1.08	1.21	1.07
U.S.	USD	1.21	1.09	1.33	1.11

Revenue Recognition

Revenue mainly results from the sale of products and goods and is recognized when the revenue can be measured reliably, it is probable that the economic benefits of the transaction will flow to the Company and all related costs can be measured reliably. As such, ALTANA recognizes revenue from product sales when the significant risks and rewards of ownership of the goods are transferred to the customer. Provisions for discounts and rebates to customers and for returns of goods are recognized in the same period in which the related revenue is recognized and are based on management's best estimate.

Research and Development Expenses

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

Personnel and Interest Expense

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

Income Taxes

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

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

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

Fair Value

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

Intangible Assets

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

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

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

The following useful lives are applied:

	Years
Patents, licenses and similar rights	5 to 25
Other intangible assets	1 to 25

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

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

Property, Plant and Equipment

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

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

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

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

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

Investment property comprises land and buildings not used in the production or for administrative purposes and is measured at amortized cost. The fair value is measured using the discounted cash flow method or with the support of an external expert by applying input factors for comparable assets not traded on active markets (fair value hierarchy level 2).

Impairment of Intangible Assets and Property, Plant and Equipment

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

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

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

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

Government Grants

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

Long-term Investments and Marketable Securities

In accordance with IAS 39, "Financial Instruments: Recognition and Measurement," the Company classifies all marketable securities and certain long-term investments (see note 15) as available-for-sale. At the reporting date these financial instruments are carried at fair value or amortized cost, with unrealized gains and losses recorded in the item "Financial assets available-for-sale" in other comprehensive income, net of income tax.

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

Impairment losses on marketable securities are recognized in the financial result if the decrease in value is material or permanent in nature at the reporting date.

Investments in Associated Companies

Associated companies are companies in which ALTANA can exercise significant influence, which is generally the case when it holds from 20 up to 50 % of the voting power of the investee.

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

Inventories

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

Trade Accounts Receivable

Trade accounts receivable are initially recognized at their fair values. Subsequently, accounts receivable are measured at amortized cost. The Company estimates an allowance for doubtful accounts for individual trade receivables based on historical collection experience.

Cash and Cash Equivalents

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

Assets Held for Sale

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

Financial Instruments

In accordance with IAS 39, the Company recognizes all financial assets and liabilities, as well as all derivative financial instruments, as assets or liabilities in the statement of financial position and measures all at fair value apart from some exceptions (e.g., loans and receivables). For financial instruments measured at fair value the following rules apply: The fair value of marketable securities corresponds to prices quoted for identical financial assets in active markets (hierarchy level 1). The fair value of equity instruments, derivative financial instruments and debts is determined by applying valuation techniques for which inputs are based on observable market data (hierarchy level 2) or on unobservable input factors (hierarchy level 3).

Changes in the fair value of derivative financial instruments qualifying for hedge accounting are recognized in profit or loss or in other comprehensive income depending on whether the derivative is designated as a fair value or a cash flow hedge. For derivatives designated as fair value hedges, changes in the fair value of the hedged item and the derivative financial instrument are recognized in profit or loss. For derivative financial instruments designated as a cash flow hedge, changes in the fair value of the effective portion of the hedging instrument are recognized in other comprehensive income until the hedged item is recognized in profit or loss. The ineffective portion of derivative financial instruments designated as cash flow hedges and fair value changes of derivative financial instruments which do not qualify for hedge accounting are recognized in profit or loss immediately. This is also applicable to components excluded from hedging instruments qualifying as cash flow hedges. At the inception of the hedge ALTANA documents the hedging relationship between the hedged item and the hedging instrument. Additionally, at the inception of the hedge and on an ongoing basis, the Company documents its assessment on whether the hedging instrument actually compensates the change in the fair value of the hedged item (assessing hedge effectiveness).

Share-Like Employee Incentive Plans

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

Employee Benefit Obligations

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

Other Provisions

In accordance with IAS 37, “Provisions, Contingent Liabilities and Contingent Assets,” the Company recognizes other provisions when it has a present legal or constructive obligation as a result of a past event, it is more likely than not that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

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

Leases

In accordance with IAS 17, "Leases," lease agreements in which ALTANA, as the lessee, assumes substantially all the risks and rewards are classified as finance leases. Accordingly, the leased item is recognized at the lower of its fair value or the present value of the minimum lease payments. The item is depreciated over the shorter of its estimated useful life or the lease term. Simultaneously, a corresponding lease obligation is recognized and measured at amortized cost by applying the effective interest method. All other lease agreements are classified as operating leases and lease payments are expensed as incurred.

Use of Estimates and Assumptions

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

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

Employee Benefit Obligations: The measurement of the pension plans is based on the projected unit credit method applying current parameters as of the reporting date, including the expected discount rate, the rate of compensation and pension increase, and the return on plan assets as of the reporting date. A significant change in the underlying parameters could have a material impact on the defined benefit obligations (see note 24).

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

3. Business Combinations and Disposals

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

Acquisitions in 2014

On December 18, 2014, ALTANA acquired the Brazilian company Overlake Vernizes Gráficos Ltda. (Overlake) through a share deal. The acquired company produces and markets overprint varnishes and will be integrated into the ACTEGA Coatings & Sealants division. The preliminary purchase price of €12.5 million was paid in cash.

On December 19, 2014, ALTANA acquired the Brazilian companies Premiata Tintas e Vernizes Gráficos Ltda. and Premiata Especialidades Químicas Ltda. (Premiata) through a share deal. The acquired companies produce printing inks and overprint varnishes and will be integrated into the ACTEGA Coatings & Sealants division. Of the preliminary purchase price of €16.3 million an amount of €14.8 million was paid in cash in 2014.

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

in € million	Overlake	Premiata
Goodwill	3.8	6.9
Other intangible assets	6.6	9.4
Property, plant and equipment	0.4	1.2
Inventories	2.5	1.6
Trade accounts receivable	2.6	4.8
Deferred tax assets		0.2
Other assets	0.2	0.4
Cash and cash equivalents	0.6	0.3
Provisions		(0.1)
Trade accounts payable	(1.2)	(1.6)
Deferred tax liabilities	(2.3)	(3.2)
Other liabilities	(0.7)	(3.6)
Consideration transferred	**12.5**	**16.3**

Since the acquisitions were effected on December 18 and 19, 2014, they had no effect in 2014 on consolidated net sales and consolidated net income except for incidental acquisition cost. Had the companies been acquired on January 1, 2014, their business would have contributed €28.4 million to consolidated net sales and €1.2 million to consolidated net income in 2014.

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

Acquisitions in 2015

The final allocation of the consideration transferred of the Brazilian companies acquired on December 18, and December 19, 2014 resulted in an adjustment of intangible assets of €0.2 million (see note 13).

Disposals in 2014

ALTANA sold 3.4 % of the ELANTAS Electrical Insulation division's shares in ELANTAS Beck India Ltd. to comply with legal requirement for companies listed on the Indian stock exchange to reach a free float of at least 25 %. ALTANA recognized €1.6 million from the sale.

4. Net Sales

Net sales are allocated to the divisions of ALTANA as follows:

	2014	**2015**
BYK Additives & Instruments	856,744	869,998
ECKART Effect Pigments	332,211	349,699
ELANTAS Electrical Insulation	431,245	463,173
ACTEGA Coatings & Sealants	332,063	376,441
	1,952,263	**2,059,311**

5. Cost of Sales

Cost of sales includes the following items:

	2014	**2015**
Material expenses	836,387	865,851
Production expenses		
Personnel expenses	176,259	195,738
Depreciation and amortization	73,131	79,850
Energy expenses	37,970	37,106
Maintenance and repair expenses	26,177	29,160
Other	60,516	70,404
	1,210,440	**1,278,109**

6. Selling and Distribution Expenses

Selling and distribution expenses are as follows:

	2014	**2015**
Personnel expenses	89,378	101,284
Shipping, duties, insurance	56,289	62,296
Commissions	22,827	21,005
Depreciation and amortization	28,827	29,380
Other	65,749	60,073
	263,070	**274,038**

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

7. Other Operating Income

	2014	**2015**
Reversal of allowance for doubtful accounts	588	799
Gains on disposal of property, plant and equipment	494	227
Government grants	1,326	971
Foreign exchange gains/(losses), net	4,960	3,045
Insurance reimbursements	2,258	2,011
Other	11,263	9,013
	20,889	**16,066**

Foreign exchange gains and losses are as follows:

	2014	**2015**
Foreign exchange gains	9,128	15,551
Foreign exchange (losses)	(4,168)	(12,506)
Net gain / net (loss)	**4,960**	**3,045**

8. Other Operating Expenses

	2014	2015
Bad debt expense	2,195	1,656
Losses from disposal of property, plant and equipment	1,526	603
Exceptional expenses	10,000	23,833
Charitable donations	492	679
Other	2,665	2,443
	16,878	**29,214**

Exceptional expenses relate to the following:

	Notes	2014	2015
Impairment loss on intangible assets	13	6,758	2,685
Impairment loss on property, plant and equipment	14	3,242	8,860
Restructuring expenses		–	12,288
		10,000	**23,833**

€1.5 million of total restructuring expenses relate to the ELANTAS Electrical Insulation division's production facility in Hamburg and €10.8 million to the German facilities of the ECKART Effect Pigments division. The restructuring measures led to a decrease in headcount. 63 % of the total reduction occurred in production, 11 % in sales, 10 % in research and development and 16 % in administration.

9. Financial Income

	2014	2015
Interest income	4,279	2,299
Gains on disposal of marketable securities	459	0
Gains on derivative financial instruments	148	59
Dividends received	192	205
Other financial income	1,022	2,085
	6,100	**4,648**

In 2015 and 2014 foreign exchange gains of €0.2 million and €0.8 million, respectively, are included in other financial income.

10. Financial Expenses

	2014	**2015**
Interest expenses	16,244	13,629
Impairment	65	0
Losses on derivative financial instruments	1,932	839
Other financial expenses	1,952	869
	20,193	**15,337**

11. Income Taxes

Income tax expense is as follows:

	2014	**2015**
Current taxes	72,907	77,775
Deferred taxes	(300)	(8,038)
Income taxes	**72,607**	**69,737**

As in 2014, the combined income tax rate is 29 %, consisting of the corporate tax rate of 15 %, the solidarity surcharge on corporate tax in Germany of 5.5 % and the trade tax of about 13 %. The trade tax rate is based on the weighted average of the collection rate of all German municipalities in which ALTANA operates business premises.

For the years reported, the differences between income tax expense calculated by applying the expected combined income tax rate of 29 % and the effective income tax are as follows:

	2014	**2015**
Income before income taxes (EBT)	**251,762**	**227,755**
Income from associated companies	(1,823)	(12,854)
Income before income taxes – adjusted (EBT adjusted)	**253,585**	**240,609**
Tax expense applying the expected average income tax rate	73,540	69,776
Non-deductible expenses	3,318	3,953
Tax rate differential	891	(1,162)
Tax free income	(2,960)	(2,037)
Tax related to prior years	(7,274)	(49)
Other	5,092	(744)
Income taxes	**72,607**	**69,737**
Effective income tax rate[1]	28.6 %	29.0 %

[1] Based on the income before income taxes adjusted for the income from associated companies.

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

	Dec. 31, 2014		Dec. 31, 2015	
	Assets	Liabilities and provisions	Assets	Liabilities and provisions
Intangible assets	1,551	(96,987)	2,798	(96,033)
Property, plant and equipment	3,293	(46,148)	5,865	(51,669)
Long-term investments	564	(2,609)	607	(2,725)
Inventories	13,716	(1,639)	17,011	(1,394)
Receivables and other assets	1,009	(5,625)	431	(2,540)
Marketable securities	0	0	0	(6)
Employee benefit obligations	39,705	(618)	34,860	(901)
Other provisions	7,404	(1,007)	6,197	(1,115)
Liabilities	4,765	(13)	4,907	(67)
Tax loss carry-forwards	4,517	0	3,301	0
Allowance for deferred tax assets	(2,257)	0	(4,595)	0
Outside bases differences	0	(1,989)	0	(1,402)
Netting	(55,530)	55,530	(50,347)	50,347
Deferred taxes, net	**18,737**	**(101,105)**	**21,035**	**(107,505)**

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

	2014	2015
Tax loss carry-forwards	**57,786**	**40,270**
unlimited	20,187	19,432
will expire through 2020 (prior year: 2019)	28,165	12,364
will expire after 2020 (prior year: 2019)	9,434	8,474

Deferred tax assets on tax loss carry-forwards of €30.1 million and €44.2 million were not recognized as of December 31, 2015 and 2014, respectively, due to the fact that the future utilization against taxable income is not probable. Tax loss carry-forwards for which no deferred tax assets were recognized amounting to €10.5 million have unlimited carry-forward periods, €11.4 million will expire through 2020, and €8.2 million will expire after 2020.

As of December 31, 2015 and 2014, a deferred tax liability was not recorded for the amounts of €48.3 million and €52.5 million, respectively, which represent the temporary differences between the undistributed earnings of certain investments in subsidiaries and the tax bases of these investments in subsidiaries, as the timing of their reversal can be controlled and is not probable in the foreseeable future.

12. Other Information on the Income Statement

Personnel Expenses

Personnel expenses consist of the following items:

	2014	2015
Wages and salaries	319,710	367,119
Social security contributions	55,991	66,827
Expenses for pensions and other post-retirement benefits	14,546	19,247
	390,247	**453,193**

Personnel expenses include expenses for employee incentive plans (see note 22). In 2015 and 2014, €9.6 million and €4.8 million relate to the compensation plan for key members of the management, "ALTANA Equity Performance (AEP)", and €1.5 million and €1.2 million to the compensation plan for employees, "ALTANA Profit Participation". Restructuring expenses (see note 8) include severance compensation of €10.1 million.

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

	2014	2015
Number of employees by division		
BYK Additives & Instruments	1,868	1,956
ECKART Effect Pigments	1,839	1,835
ELANTAS Electrical Insulation	956	970
ACTEGA Coatings & Sealants	1,047	1,259
Holding	80	89
	5,790	**6,109**

Amortization, Depreciation and Impairment Loss

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

	2014	2015
Amortization of intangible assets	50,426	50,540
Depreciation of property, plant and equipment	69,276	77,550
Impairment loss on intangible assets	6,758	2,685
Impairment loss on property, plant and equipment	3,242	8,860
	129,702	**139,635**

For information on the impairment loss recognized on intangible assets and property, plant and equipment see notes 13 and 14.

13. Intangible Assets

	Patents, licenses and similar rights	Goodwill	Software and others	Total
Cost				
Balance at Jan. 1, 2014	608,707	515,244	94,692	1,218,643
Additions	1,199	0	3,683	4,882
Disposals	(303)	0	(48)	(351)
Transfers	77	0	(17)	60
Translation adjustments	29,764	42,951	1,105	73,820
Change in reporting entities	22,549	10,522	92	33,163
Balance at Dec. 31, 2014	**661,993**	**568,717**	**99,507**	**1,330,217**
Additions	1,394	0	9,621	11,015
Disposals	0	0	(8,128)	(8,128)
Transfers	1,536	0	(1,199)	337
Translation adjustments	24,136	39,469	1,077	64,682
Change in reporting entities	(92)	283	0	191
Balance at Dec. 31, 2015	**688,967**	**608,469**	**100,878**	**1,398,314**
Accumulated amortization				
Balance at Jan. 1, 2014	225,843	47,178	63,234	336,255
Additions	40,239	0	10,187	50,426
Disposals	(303)	0	(44)	(347)
Impairment	6,758	0	0	6,758
Transfers	0	0	0	0
Translation adjustments	9,492	1,942	703	12,137
Change in reporting entities	0	0	0	0
Balance at Dec. 31, 2014	**282,029**	**49,120**	**74,080**	**405,229**
Additions	42,298	0	8,242	50,540
Disposals	0	0	(6,828)	(6,828)
Impairment	2,676	0	9	2,685
Transfers	711	0	(651)	60
Translation adjustments	9,475	1,897	709	12,081
Change in reporting entities	0	0	0	0
Balance at Dec. 31, 2015	**337,189**	**51,017**	**75,561**	**463,767**
Carrying amount				
Dec. 31, 2014	379,964	519,597	25,427	924,988
Dec. 31, 2015	**351,778**	**557,452**	**25,317**	**934,547**

In 2015, additions to patents, licenses and similar rights related to REACH expenses mainly in the BYK Additives & Instruments division. Additions of €6.9 million related to SAP projects, mainly in the BYK Additives & Instruments division and the ECKART Effect Pigments division. The change in reporting entities of €0.2 million related to the subsequent adjustment of the allocation of the consideration transferred from the acquisition of Brazilian companies in the ACTEGA Coatings & Sealants division.

In 2014, additions of €1.1 million to patents, licenses and similar rights related to REACH expenses, mainly in the BYK Additives & Instruments division. Additions of €1.8 million related to SAP projects, mainly in the ECKART Effect Pigments division and the BYK Additives & Instruments division. The change in reporting entities related to the acquisition of Brazilian companies in the ACTEGA Coatings & Sealants division (see note 3) with €26.7 million and to a subsequent adjustment of the allocation of the consideration transferred for the acquisition of the rheology business in the BYK Additives & Instruments division with €6.4 million.

In 2015, an impairment loss of €9.2 million was recognized for a Chinese production facility in the ECKART Effect Pigments division due to a slowdown in the growth momentum of the economy. Of this amount, €0.3 million related to intangible assets and €8.9 million to property, plant and equipment (see note 14).

In 2014, the competition-driven negative development in the ACTEGA Coatings & Sealants division's business with water-based flexo and gravure inks continued. Due to this development an impairment loss of €10.0 million was recognized for the European sites because the carrying amount of the sites exceeded their value in use. Of this amount €6.8 million related to intangible assets and €3.2 million to property, plant and equipment (see note 14).

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

2016	42,690
2017	40,424
2018	38,462
2019	33,322
2020	30,465
Thereafter	172,055

As of December 31, 2015 and 2014, patents, licenses and similar rights include brand names with indefinite useful lives of €19.4 million and €21.5 million, respectively. These were classified as intangible assets with indefinite useful lives based on an analysis of the product life cycles and other relevant factors indicating that the future positive cash flows are expected to be generated for an indefinite period of time.

The carrying amount of goodwill by cash-generating unit was as follows:

	Dec. 31, 2014	**Dec. 31, 2015**
BYK Additives & Instruments	293,702	324,052
ECKART Effect Pigments	80,254	86,054
ELANTAS Electrical Insulation	75,620	76,454
ACTEGA Coatings & Sealants	70,021	70,892
	519,597	**557,452**

Impairment Test for Goodwill

The Company performed impairment tests on goodwill. Impairment tests are performed at least once a year in the fourth quarter based on long-term planning. The recently performed tests were based on the financial budgets for the years 2016 to 2020. These budgets were based on historical experience and represent management's best estimates about future developments. The weighted average growth rates used in the budgets were derived from corresponding industry forecasts. In order to perform impairment tests, the Company estimated cash flow projections beyond the budgets by extrapolating the projections using a steady growth rate for subsequent years. The Company then calculated the fair value less costs to sell for each cash-generating unit by applying the discounted cash flow method. The following parameters were applied: discount rate after income taxes of 7.5 %; growth rates: BYK Additives & Instruments 2.0 %; ECKART Effect Pigments, ELANTAS Electrical Insulation and ACTEGA Coatings & Sealants 1.5 %. The fair value calculated was then compared to the carrying amount of the cash-generating unit.

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

In 2015, no impairment loss on goodwill was recognized. Sensitivity analyses for the BYK Additives & Instruments division, the ELANTAS Electrical Insulation division and the ACTEGA Coatings & Sealants division indicated that even a reasonably likely change in the underlying parameters would not have resulted in an impairment loss. The fair value of the ECKART Effect Pigments division did not exceed the carrying value as clearly as in the other divisions. If the EBIT that is used for the impairment test was 10 % lower than estimated, this would result in an insignificant impairment loss. The same applies to an increase of the discount rate to 8.25 %. As a result of the initiated restructuring measures the probability that an impairment loss will occur is deemed to be low.

In the period since the performance of the impairment test until December 31, 2015, no impairment indicators were identified.

Impairment Test for Intangible Assets Other Than Goodwill

In 2015, an impairment loss on a brand name in the ACTEGA Coatings & Sealants division of €2.4 million was recognized, because the brand name will no longer be used in the future.

In 2014, no impairment losses on intangible assets with an indefinite useful life were recognized.

14. Property, Plant and Equipment

	Land, leasehold and buildings	Plant and machinery	Equipment	Advances/ construction in progress	Total
Cost					
Balance at Jan. 1, 2014	492,568	562,840	169,061	54,441	1,278,910
Additions	11,280	23,342	19,182	31,704	85,508
Disposals	(1,307)	(5,005)	(4,640)	(152)	(11,104)
Transfers	12,676	25,739	2,205	(40,680)	(60)
Translation adjustments	12,063	19,884	4,704	2,764	39,415
Change in reporting entities	196	(5,143)	336	0	(4,611)
Balance at Dec. 31, 2014	**527,476**	**621,657**	**190,848**	**48,077**	**1,388,058**
Additions	9,637	23,254	12,750	28,905	74,546
Disposals	(879)	(2,231)	(6,770)	(265)	(10,145)
Transfers	12,892	24,401	5,150	(42,780)	(337)
Translation adjustments	11,759	20,278	4,734	1,885	38,656
Change in reporting entities	0	0	0	0	0
Balance at Dec. 31, 2015	**560,885**	**687,359**	**206,712**	**35,822**	**1,490,778**
Accumulated depreciation					
Balance at Jan. 1, 2014	158,900	297,006	113,187	0	569,093
Additions	17,169	38,887	13,220	0	69,276
Disposals	(392)	(3,476)	(4,234)	0	(8,102)
Impairment	1,476	1,142	624	0	3,242
Transfers	0	0	0	0	0
Translation adjustments	3,003	8,569	2,692	0	14,264
Change in reporting entities	0	0	0	0	0
Balance at Dec. 31, 2014	**180,156**	**342,128**	**125,489**	**0**	**647,773**
Additions	18,762	44,494	14,294	0	77,550
Disposals	(281)	(1,936)	(6,478)	0	(8,695)
Impairment	4,767	3,204	319	570	8,860
Transfers	(57)	405	(409)	0	(61)
Translation adjustments	2,703	8,665	2,644	(7)	14,005
Change in reporting entities	0	0	0	0	0
Balance at Dec. 31, 2015	**206,050**	**396,960**	**135,859**	**563**	**739,432**
Carrying amount					
Dec. 31, 2014	347,320	279,529	65,359	48,077	740,285
Dec. 31, 2015	**354,835**	**290,399**	**70,853**	**35,259**	**751,346**

In 2015, additions of €14.4 million in the BYK Additives & Instruments division related to U.S. facilities and €13.5 million to domestic facilities. In the ECKART Effect Pigments division, €12.7 million were invested in the facilities in Hartenstein, Germany, and € 3.4 million in U.S. facilities. In the ELANTAS Electrical Insulation division, a total of € 7.0 million was invested for the extension of the production and laboratory capacities in Germany and Italy. Additions of €7.1 million in the ACTEGA Coatings & Sealants division related to investments in German facilities.

In 2014, additions of €18.4 million in the BYK Additives & Instruments division related to the extension of production facilities in Wallingford (U.S.) for which directly attributable borrowing costs of €0.5 million were capitalized. The calculation was based on an interest rate of 2.4 %. Furthermore, additions of €13.1 million related to investments in German facilities. In the ECKART Effect Pigments division, €8.8 million were invested in the facilities in Hartenstein; additionally, an amount of €7.8 million was invested in U.S. facilities. In the ELANTAS Electrical Insulation division an amount of €8.2 million was invested in the extension of production and research capacities in Italy. In the ACTEGA Coatings & Sealants division, additions of €4.9 million related to investments in German facilities. The change in reporting entities related to the acquisition of Brazilian companies in the ACTEGA Coatings & Sealants division (see note 3) with €1.6 million and to a subsequent adjustment of the allocation of the consideration transferred from the acquisition of the rheology business in the BYK Additives & Instruments division with €-6.3 million.

As of December 31, 2015 and 2014, assets with a net book value of €1 thousand and €14 thousand, respectively, related to property, plant and equipment under finance leases, and €1.0 million and €1.0 million to investment property. As of December 31, 2015 and 2014, the fair value of this investment property amounted to €3.7 million and €3.5 million, respectively. The Company has no restrictions on disposal or other contractual obligations in connections with the investment property.

The Company did not receive any significant taxable or non-taxable government grants in 2015 and 2014.

In 2015, the ECKART Effect Pigments division recognized an impairment loss of €8.9 million for one of its Chinese facilities (see note 13).

In 2014, the ACTEGA Coatings & Sealants division recognized an impairment loss of €3.2 million for its European facilities (see note 13).

In 2015, no land or other assets served as security for debts to banks. In 2014, the mortgage on land and other assets serving as security for loans was released.

15. Long-term Investments

	Other investments	Other long-term financial assets	Total
Cost			
Balance at Jan. 1, 2014	1,801	329	2,130
Additions	0	141	141
Disposals	0	(45)	(45)
Translation adjustments	237	8	245
Change in reporting entities	0	(30)	(30)
Balance at Dec. 31, 2014	**2,038**	**403**	**2,441**
Additions	3,217	129	3,346
Disposals	0	(73)	(73)
Translation adjustments	228	8	236
Change in reporting entities	0	107	107
Balance at Dec. 31, 2015	**5,483**	**574**	**6,057**
Accumulated impairment			
Balance at Jan. 1, 2014	659	0	659
Impairment	0	0	0
Disposals	0	0	0
Translation adjustments	89	0	89
Change in reporting entities	0	0	0
Balance at Dec. 31, 2014	**748**	**0**	**748**
Impairment	0	0	0
Disposals	0	0	0
Translation adjustments	86	0	86
Change in reporting entities	0	0	0
Balance at Dec. 31, 2015	**834**	**0**	**834**
Carrying amount			
Dec. 31, 2014	1,290	403	1,693
Dec. 31, 2015	**4,649**	**574**	**5,223**

In 2015 and 2014, no impairment losses were recognized.

In both years reported an amount of €0.2 million of other long-term financial assets related to long-term employee loans bearing a weighted average interest rate of 4.5 % in 2015 and 4.3 % in 2014.

16. Investments in Associated Companies

	Investments in associated companies
Balance at Jan. 1, 2014	8,308
Additions	50,788
Result from associates	(1,823)
Dividends	(582)
Translation adjustments	(146)
Balance at Dec. 31, 2014	**56,545**
Additions	50,000
Result from associates	(12,854)
Dividends	(497)
Translation adjustments	(2,778)
Balance at Dec. 31, 2015	**90,416**

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

Upon initial recognition in 2005, ALTANA's share of the net assets acquired of the 39 % investment in Aldoro amounted to €2.8 million which resulted in the recognition of goodwill of €4.4 million.

On June 25, 2014, ALTANA and Landa Corporation concluded an equity financing agreement under which ALTANA acquired a non-controlling interest in Landa Digital Printing for €100 million. In July 2014, in a first step an interest of 20.0 % in Landa was acquired for a cash payment of €50 million. On January 15, 2015, the second step of the agreement was effected through a further cash payment of €50 million. As a result, ALTANA's interest rose to 33.3 %. ALTANA's share in the net assets at the date of the increase of its shareholdings amounted to €28.9 million. An amount of €80.5 million was allocated to development cost and no goodwill was identified.

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

	Dec. 31, 2014	**Dec. 31, 2015**
Financial statement		
Non-current assets	14,288	18,838
Current assets	39,074	50,333
Total assets	**53,362**	**69,171**
Non-current liabilities	118	76
Current liabilities	23,804	24,086
Total liabilities and provisions	**23,922**	**24,162**
Net assets	**29,440**	**45,009**
Income statement		
Net sales	13,256	12,583
Net income (EAT)	(18,597)	(34,175)
Other comprehensive income	–	–
Comprehensive income	(18,597)	(34,175)

The following table reconciles the carrying value of the investment to ALTANA's share in the net assets:

	Dec. 31, 2014	**Dec. 31, 2015**
Net assets	**29,440**	**45,009**
Pro rata shareholders' equity	8,278	15,574
Remaining adjustment from allocation of consideration transferred	48,124	76,695
Other	143	(1,853)
Carrying amount	**56,545**	**90,416**

17. Inventories

	Dec. 31, 2014	**Dec. 31, 2015**
Raw materials and supplies	95,283	101,061
Work in progress	28,827	27,248
Finished products and goods	151,139	160,502
Prepayments	750	237
	275,999	**289,048**

In 2015 and 2014, inventories are stated net of write-downs of €21.2 million and €19.6 million, respectively.

18. Trade Accounts Receivable

	Dec. 31, 2014	**Dec. 31, 2015**
Trade accounts receivable	349,634	339,559
Allowance for doubtful accounts	(4,177)	(5,239)
	345,457	**334,320**

Additions to the allowances for doubtful accounts are recorded in other operating expenses. The following table presents the roll-forward of the allowance for doubtful accounts:

	2014	**2015**
Allowance at the beginning of the year	2,867	4,177
Translation adjustments	91	(70)
Additions	2,195	1,656
Reversal	(588)	(799)
Utilization	(388)	(418)
Change in reporting entities	0	693
Allowance at the end of the year	**4,177**	**5,239**

The exposure to credit risk at December 31, 2015 and 2014 was as follows:

Trade accounts receivable	Carrying amount	Of which neither impaired nor past due at the reporting date	Of which not impaired at the reporting date and past due in the following periods				Impairment (net)
			up to 30 days	between 31 and 60 days	between 61 and 90 days	more than 90 days	
Dec. 31, 2014	345,457	299,653	29,931	7,550	3,404	4,333	586
Dec. 31, 2015	**334,320**	**292,659**	**27,937**	**7,494**	**2,343**	**3,243**	**644**

As of December 31, 2015 and 2014, respectively, there was no indication that trade accounts receivable which were neither written-down nor past due could not be collected.

19. Marketable Securities

In accordance with IAS 39, available-for-sale marketable securities are measured at their fair value. If a fair value cannot be determined, marketable securities are measured at cost. Amortized cost, fair value and unrealized holding gains and losses per category of the marketable securities, which are recorded in shareholders' equity, net of income tax, were as follows:

	Amortized cost	Fair value	Unrealized gains	Unrealized losses
Dec. 31, 2014				
Money market funds	3,934	3,931	0	3
Share and equity funds	1,220	1,220	0	0
	5,154	**5,151**	**0**	**3**

	Amortized cost	Fair value	Unrealized gains	Unrealized losses
Dec. 31, 2015				
Money market funds	8,891	8,904	18	5
Share and equity funds	605	605	0	0
	9,496	**9,509**	**18**	**5**

20. Other Assets

	Dec. 31, 2014		**Dec. 31, 2015**	
	Other non-current assets	Other current assets	Other non-current assets	Other current assets
Balances due from employees	82	345	109	268
Cash surrender value of life insurance	1,920	39	1,946	19
Balances due from fiscal authorities	175	25,142	399	21,863
Prepayments	1	1,823	3	1,734
Loans	0	28	0	0
Prepaid expenses	1,263	4,697	1,017	4,356
Derivative financial instruments	358	3,785	150	1,908
Notes receivable	0	41,977	0	48,872
Other	6,914	6,913	7,783	6,271
	10,713	**84,749**	**11,407**	**85,291**

21. Shareholders' Equity

Issued Share Capital

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

Additional Paid-in Capital

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

Accumulated Other Comprehensive Income

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

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

Notes on Other Comprehensive Income

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

			2014			**2015**
	Before income taxes	Income taxes	Net of income taxes	Before income taxes	Income taxes	Net of income taxes
Remeasurement of the net defined employee benefit obligation	(55,052)	16,401	(38,651)	19,174	(5,672)	13,502
Items that will not be reclassified subsequently to profit or loss	**(55,052)**	**16,401**	**(38,651)**	**19,174**	**(5,672)**	**13,502**
Translation adjustments (including non-controlling interests)	99,362	864	100,226	79,406	(359)	79,047
Gains and losses from financial assets available-for-sale	(359)	121	(238)	0	0	0
Gains and losses from derivative financial instruments	(3,208)	966	(2,242)	6,317	(1,895)	4,422
Change in fair value of financial assets available-for-sale	111	(37)	74	17	(7)	10
Change in fair value of derivative financial instruments	(5,264)	1,576	(3,688)	(6,749)	2,025	(4,724)
Items that may be reclassified subsequently to profit or loss	**90,642**	**3,490**	**94,132**	**78,991**	**(236)**	**78,755**
Other comprehensive income	**35,590**	**19,891**	**55,481**	**98,165**	**(5,908)**	**92,257**

Additional Disclosures for Capital Management

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

In 2015, ALTANA's shareholders' equity increased by €190.2 million to €1,935.6 million. Due to the distribution of the ordinary dividend for 2014, shareholders' equity decreased by €60.0 million. This decrease was offset by consolidated net income of €158.0 million in 2015. The debt to asset ratio was at 35 %. Long-term and short-term debt represented 21 % and 13 % of total liabilities, provisions and shareholders' equity.

In 2013, ALTANA completed the financing of the acquisition of the rheology business from Rockwood Holdings. An acquisition financing facility of €300 million was made available by an international banking syndicate. After completion of the acquisition, an amount of €200 million was refinanced by a promissory note loan (German Schuldschein). On December 31, 2014, the acquisition financing facility was repaid entirely. The promissory note loans totaling €350 million that were issued in previous years will expire in 2016 at the earliest. The syndicated credit line of €250 million, originally agreed in 2012, was modified in 2015 and extended for five more years, with an option to extend it for further two years.

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

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

Non-Controlling Interests

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

	Dec. 31, 2014	**Dec. 31, 2015**
Assets	35,996	39,604
Liabilities	13,487	10,672
Net sales	41,977	48,182
Net income (EAT)	2,927	5,531

In 2015 and 2014, respectively, net income of €1.4 million and €0.7 million related to non-controlling interests and dividends of €0.1 million and €1.4 million were distributed to them. On December 31, 2015 and 2014, non-controlling interests held 25 % of the shares.

The sale of the shares to the non-controlling interests in 2014 was recognized directly in shareholders' equity in accordance with IFRS 10.

22. Employee Incentive Plans

ALTANA Equity Performance (AEP)

Since 2010, ALTANA has offered a long-term incentive plan for key members of the management every year. These programs always begin on January 1 and have a term of four years.

The incentive plans provide for the issuance of so-called ALTANA Equity Performance Awards (AEP rights). These are debt instruments issued by ALTANA AG whose value develops similar to the virtual value of ALTANA's shareholders' equity. At the beginning of each incentive plan a preliminary number of AEP rights, so-called AEP Awards, is granted to the key management members. The number of AEP Awards finally granted at the end of the plan depends on the development of the target value of the AEP rights up to the end of the plan's term. The maximum number is limited to 150 % of preliminarily granted AEP Awards. The awards will be settled at the determined value at the end of the particular plan's term. The payment is limited to a maximum of 250 % of the value of the preliminary awards granted.

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

On December 31, 2014, at the end of the term of the AEP Tranche 2011, 22,155 AEP Awards were finally allocated which resulted in payments of €5.6 million to beneficiaries in 2015.

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

	Initial fair value in € per award	Awards granted	End of term
Tranche AEP 2012	143.71	16,059	Dec. 31, 2015
Tranche AEP 2013	214.96	11,320	Dec. 31, 2016
Tranche AEP 2014	200.21	13,405	Dec. 31, 2017
Tranche AEP 2015	309.04	9,614	Dec. 31, 2018

Total expenses recognized for all plans amounted to €9.6 million and €4.8 million in 2015 and 2014, respectively. The provisions amounted to €11.5 million and €8.0 million, as of December 31, 2015 and 2014, respectively. The total initial personal investment made by the key management personnel, which is reported in other liabilities, was measured at €5.0 million and €4.1 million as of December 31, 2015 and 2014 (see note 26).

ALTANA Profit Participation (APP)

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

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

As of December 31, 2015 and 2014, respectively, €18.3 million and €14.7 million were recognized in other liabilities for the APPRs issued in 2015 and previous years. In 2015 and 2014, the one-time payment and the interest incurred resulted in an expense of €1.5 million and €1.2 million, respectively, which was recognized in personnel expenses.

23. Debt

	Dec. 31, 2014		**Dec. 31, 2015**	
	Non-current debt	Current debt	Non-current debt	Current debt
Borrowings from banks	1,856	3,008	1,015	986
Promissory note loans (German Schuldscheine)	350,000	0	285,000	65,000
Lease obligations	0	7	0	0
	351,856	**3,015**	**286,015**	**65,986**

For general corporate financing purposes ALTANA uses different financing instruments. Currently, ALTANA has issued promissory notes (German Schuldscheine) for a total of €350 million; a syndicated credit line of €250 million was issued by seven banks. As of December 31, 2015, the Company has not drawn on that credit line. The acquisition financing with the same seven banks arranged in 2013 was repaid entirely in 2014. Furthermore, as of December 31, 2015, largely unused lines of credit in the amount of €9.3 million were available to ALTANA. The terms and conditions are based on market conditions and no collateral is provided.

As of December 31, 2015 and 2014, respectively, bank borrowings included €0.3 million and €4.1 million denominated in foreign currencies. Of these borrowings, amounts of €0.1 million and €2.8 million were denominated in U.S. Dollar as of December 31, 2015 and 2014, respectively.

As of December 31, 2015 and 2014, the aggregate amounts of indebtedness maturing during the next five years and thereafter were as follows:

	Dec. 31, 2014	**Dec. 31, 2015**
Due in 2016 (prior year: 2015)	3,008	65,986
Due in 2017 (prior year: 2016)	65,913	72,666
Due in 2018 (prior year: 2017)	72,612	85,197
Due in 2019 (prior year: 2018)	85,179	80,030
Due in 2020 (prior year: 2019)	80,030	48,030
Due thereafter	48,122	92
Total	**354,864**	**352,001**
Lease obligation (see note 28)	**7**	**0**
Total debt	**354,871**	**352,001**

24. Employee Benefit Obligations

Defined Benefit Plans

The defined benefit obligation comprise unfunded and funded plans. Of these plans approximately 96 % relate to obligations in Germany, the Netherlands, and the U.S. as follows:

	Dec. 31, 2014	**Dec. 31, 2015**
Germany	238,288	235,440
The Netherlands	21,565	20,129
U.S.	18,898	19,715
Other	9,792	9,988
Defined benefit obligation	**288,543**	**285,272**

Domestic plans: Certain executives located in Germany are entitled to post-employment benefits ("Ruhegeldendbetrag"). The benefit is agreed individually and is paid out as a life-time pension upon reaching the age of 65, upon early retirement in accordance with statutory retirement provisions or in case of disability. The plan also covers surviving dependants' pension. All other German employees with an employment start date before January 1, 2010, participate in a post-employment benefit plan which also covers old age, disability and surviving dependants' pensions. The plan is basically based on a benchmark model considering length of service and salary with life-time pension payments beginning at age 65. Benefits granted from January 1, 1999 include a fixed annual increase of 1 % of the benefit; plans before that date grant compensation for inflation in accordance with section16 of the German Company Pension Laws (BetrAVG). For ALTANA, the risk is mainly represented by the development of life expectancy and inflation since the obligations resulting from these plans represent life-time pension payments.

All employees with an employment start date after December 31, 2009 are in a plan which is based on a capital commitment (ALTANA Vorsorgekapital / AVK). ALTANA pays the employer's contributions into external investment funds until the benefits are paid out. ALTANA also offers an employee-funded plan that grants the employees the right to have part of their earnings paid into a company pension scheme (AltersvorsorgeAktiv mit ALTANA / AAA) which are increased by employer's contributions, as necessary. For this plan too, the contributions are invested in external investment funds until pay-out (cf. AVK). The two post-employment benefit plans at ALTANA, AVK and AAA basically have the same features. ALTANA offers two models: a fixed income based model, where the Company guarantees a minimum interest yield on the contributions paid-in, corresponding to the interest rate of life insurance contracts of 1.25 % as of the reporting date, and an equity-based model, where ALTANA guarantees the payment contributions made, but without any additional interest guarantee. Obligations under the AVK and AAA plans are linked to the development of the fund assets, which results in a reduction of the overall business risk exposure. The remaining risk ALTANA is exposed to is represented by the risk that the performance of the funds does not cover the guaranteed minimum interest yield or the capital commitment.

Foreign plans: In the Netherlands, two plans are offered. The amount of the benefits under these plans depends on the years of service and the salaries received during those years of service. Upon retirement, guaranteed pension payments are granted. Additionally, the plans also cover benefits in case of death or invalidity. The employer pays premiums to an insurance company to finance these plans. Pension increases to be made are covered, on the one hand by surpluses of the insurer and, on the other hand, by further employer contributions, insofar ALTANA bears the risk of additional funding obligations.

In the U.S., ALTANA basically offers two employee benefit plans which are financed by funds and one additional defined benefit plan for executive employees, which is unfunded. These plans provide for pension payments upon retirement. New employees cannot participate in these plans. Only one of the funded plans provides for additional benefits in future years of service. The two funded defined benefit plans are managed by trustees. These plans are subject to minimum funding requirements. The risks related to these plans are represented by the change in actuarial assumptions and life expectancy. For example, a lower interest rate will result in higher pension obligations due to lower discounting, which in turn could result in higher fund provisioning. For the two funded plans, shares account for a relatively large portion of plan assets, in which case a higher return may be expected in the long-term, but which also bears a volatility risk. If the interest yield is lower than planned, fund financing will decrease and higher contributions might be required.

The development of post-employment benefit obligations, similar obligations and pension liabilities are as follows:

			Dec. 31, 2014			**Dec. 31, 2015**
	Domestic	Foreign	Total	Domestic	Foreign	Total
Defined benefit obligation – funded	45,575	45,990	91,565	54,074	45,309	99,383
Fair value of plan assets	45,542	35,701	81,243	54,048	37,628	91,676
Funded status	**33**	**10,289**	**10,322**	**26**	**7,681**	**7,707**
Defined benefit obligation – unfunded	192,712	4,266	196,978	181,366	4,523	185,889
Net defined benefit obligation	**192,745**	**14,555**	**207,300**	**181,392**	**12,204**	**193,596**
Effect on asset ceiling limitation	–	–	–	–	–	–
Employee benefit obligation	**192,745**	**14,555**	**207,300**	**181,392**	**12,204**	**193,596**
Provision for other post-retirement benefits	**65**	**111**	**176**	**34**	**169**	**203**
Reported amount	**192,810**	**14,666**	**207,476**	**181,426**	**12,373**	**193,799**

	Present value of the defined benefit obligation	Fair value of plan assets	Total	Effect on asset ceiling limitation	Total
Balance at Jan. 1, 2014	**210,177**	**(63,725)**	**146,452**	**273**	**146,725**
Service cost					
Current service cost	9,063	–	9,063	–	9,063
Past service cost	(282)	–	(282)	–	(282)
Effects of settlement	–	–	0	–	0
Interest expense/(income)	7,787	(2,446)	5,341	10	5,351
Administration cost	–	109	109	–	109
	16,568	**(2,337)**	**14,231**	**10**	**14,241**
Remeasurement					
Return on plan assets excluding amounts included in interest income	–	(7,235)	(7,235)	–	(7,235)
Gains/losses from changes in demographic assumptions	484	–	484	–	484
Gains/losses from changes in financial assumptions	56,326	–	56,326	–	56,326
Experience-based adjustments	5,757	–	5,757	–	5,757
Change in the asset ceiling limitation excluding amounts recognized in interest income	–	–	0	(283)	(283)
	62,567	**(7,235)**	**55,332**	**(283)**	**55,049**
Translation adjustment	2,547	(1,756)	791	–	791
Contributions:					
Employer	–	(5,686)	(5,686)	–	(5,686)
Beneficiaries of the plan	2,377	(2,377)	0	–	0
Pension payments	(5,816)	1,873	(3,943)	–	(3,943)
Settlements	–	–	0	–	0
Other	123	–	123	–	123
Balance at Dec. 31, 2014	**288,543**	**(81,243)**	**207,300**	**0**	**207,300**
Service cost					
Current service cost	11,954	–	11,954	–	11,954
Past service cost	(252)	–	(252)	–	(252)
Effects of settlement	(95)	–	(95)	–	(95)
Interest expense/(income)	6,184	(1,956)	4,228	–	4,228
Administration cost	–	126	126	–	126
	17,791	**(1,830)**	**15,961**	**0**	**15,961**
Remeasurement					
Return on plan assets excluding amounts included in interest income	–	(355)	(355)	–	(355)
Gains/losses from changes in demographic assumptions	(67)	–	(67)	–	(67)
Gains/losses from changes in financial assumptions	(25,745)	–	(25,745)	–	(25,745)
Experience-based adjustments	6,997	–	6,997	–	6,997
	(18,815)	**(355)**	**(19,170)**	**0**	**(19,170)**
Translation adjustment	2,569	(1,895)	674	–	674
Contributions:					
Employer	–	(6,848)	(6,848)	–	(6,848)
Beneficiaries of the plan	2,572	(2,572)	0	–	0
Pension payments	(6,753)	2,432	(4,321)	–	(4,321)
Settlements	(635)	635	0	–	0
Other	–	–	0	–	0
Balance at Dec. 31, 2015	**285,272**	**(91,676)**	**193,596**	**0**	**193,596**

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

	Dec. 31, 2014			**Dec. 31, 2015**		
	German plans	Dutch plans	U.S. plans	German plans	Dutch plans	U.S. plans
Discount rate	2.0 %	2.0 %	3.9 %	2.6 %	2.6 %	4.1 %
Rate of pension increase	1.8 %	0.5 %		1.8 %	0.5 %	

As in the previous year, the discount rate for employee benefit and similar obligations was determined based on the "Mercer Yield Curve Approach". In the current reporting period Mercer reviewed the discount rate and further improved the method of calculation. Had ALTANA applied the discount rate excluding these changes as of December 31, 2015, it would have been higher by 10 basis points and the obligation lower by approximately €4 million.

The life expectancy in Germany is based on the "Richttafeln 2005 G", which were developed by Prof. Dr. Klaus Heubeck. For the Netherlands the life expectancy is based on the latest mortality tables published by the Dutch Actuarial Association, which is subject to age-related adjustments. The "RP-2000 Mortality Tables" are applied in the U.S. with appropriate updates and projections taken into account.

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

		Dec. 31, 2014		**Dec. 31, 2015**	
		Effect on defined benefit obligation		Effect on defined benefit obligation	
	Change in actuarial assumption	Defined benefit obligation	Change	Defined benefit obligation	Change
		in € thousand	in %	in € thousand	in %
Present value of the defined benefit obligation[1]		278,750	–	275,284	–
Discount rate	Increase by 0.5 basis points	257,597	(7.6)	255,652	(7.1)
	Decrease by 0.5 basis points	303,277	8.8	297,351	8.0
Rate of pension increase	Increase by 0.5 basis points	290,016	4.0	285,948	3.9
	Decrease by 0.5 basis points	268,626	(3.6)	265,697	(3.5)
Life expectancy	Increase by 1 year	286,950	2.9	282,936	2.8
	Decrease by 1 year	270,370	(3.0)	267,468	(2.8)

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

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

	Dec. 31, 2014			Dec. 31, 2015		
	Price quotation in an active market	No price quotation in an active market	Total	Price quotation in an active market	No price quotation in an active market	Total
Bonds	12,333		12,333	13,888		13,888
Money market funds	672		672	2,591		2,591
Mixed funds	44,504		44,504	51,161		51,161
Shares	8,670		8,670	9,466		9,466
Insurances		14,883	14,883		14,212	14,212
Cash and cash equivalents	57		57	207		207
Other		124	124		151	151
Fair value of plan assets	**66,236**	**15,007**	**81,243**	**77,313**	**14,363**	**91,676**

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

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

The actual return on the plan assets was €2.2 million and €9.6 million for 2015 and 2014, respectively.

Plan assets do not include ALTANA shares or any property or other assets used by the Company.

In 2016, the Company expects to pay benefits of €7.7 million to retirees compared to expected payments from plan assets of €2.9 million. At December 31, 2014, the Company expected to pay benefits of €6.8 million to retirees in 2015, compared to expected payments from plan assets of €2.4 million. Contributions to plan assets by the employer are expected to be paid in an amount of €6.9 million in 2016 compared to €5.5 million in 2015. The expected expense for defined benefit plans for 2016 is estimated to amount to €15.9 million compared to €16.1 million in 2015 including net interest expenses.

As of December 31, 2015 and 2014 the weighted average duration of the German, Dutch and U.S. employee benefit obligation is 19 years and 20 years, respectively.

Defined contribution plans

Defined contribution plans mainly exist in non-German subsidiaries. Additionally, the Company pays contributions to domestic and foreign governmental and private pension insurance organizations in accordance with legal regulations. The contributions are recognized as expense based on their function in the respective year and amounted to €23.2 million and €21.0 million in 2015 and 2014, respectively. No further obligations exist besides the contributions paid.

25. Other Provisions

	Employees	Sales and marketing	Warranty	Other	Total
Balance at Jan. 1, 2015	**59,217**	**18,959**	**2,954**	**18,645**	**99,775**
Additions	62,504	16,861	647	10,617	90,629
Utilization	(49,210)	(16,043)	(21)	(9,378)	(74,652)
Reversal	(1,174)	(3,090)	(139)	(1,198)	(5,601)
Transfers	280	0	0	(180)	100
Translation adjustments	1,832	433	7	519	2,791
Balance at Dec. 31, 2015	**73,449**	**17,120**	**3,448**	**19,025**	**113,042**
Thereof non-current					
at Dec. 31, 2014	12,336	160	0	3,760	16,256
at Dec. 31, 2015	**18,426**	**169**	**0**	**3,556**	**22,151**

The employee-related provisions include provisions for employee incentive plans and bonuses. The non-current portion mainly relates to partial retirement (Altersteilzeit) and anniversary benefits and a portion of the severance compensation from the restructuring measures (see note 8).

Provisions for sales and marketing pertain primarily to sales bonuses and commissions. Provisions for warranty cover commitments in connection with goods delivered and services rendered. ALTANA expects that the current portion of the provisions will be utilized during 2016.

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

26. Other Liabilities

Other liabilities consist of the following:

	Dec. 31, 2014		Dec. 31, 2015	
	Other non-current liabilities	Other current liabilities	Other non-current liabilities	Other current liabilities
Balances due to fiscal authorities (incl. payroll taxes)	225	12,226	48	15,667
Personnel-related liabilities	0	10,551	0	9,951
Social security contributions	375	2,251	393	2,027
Employee incentive plans	16,366	2,478	19,164	4,105
Commissions	0	3,078	0	3,566
Credit notes to customers	0	1,954	0	1,090
Balances due to related parties	0	24	0	103
Derivative financial instruments	2,127	14,711	1,180	11,851
Deferred income	3,563	1,625	2,956	1,717
Other	1,829	8,140	224	8,163
	24,485	**57,038**	**23,965**	**58,240**

27. Additional Disclosures for Financial Instruments

Measurement of Financial Instruments Based on Categories

ALTANA employs different financial instruments. In accordance with accounting regulations for financial instruments, these financial instruments are classified based on their nature and function into several valuation categories. The following tables provide reconciliation from the items of the statement of financial position to the different categories of financial instruments, their carrying amounts and their fair values at December 31, 2015 and 2014.

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

The carrying amounts of marketable securities and equity investments equal their fair values, provided that the fair values can be determined reliably. For marketable securities and investments traded on the stock exchange the fair values correspond to the quotation on the stock exchange (hierarchy level 1) at the reporting date. Investments not traded on the stock exchange are measured at cost, because their future estimated cash flows cannot be determined reliably. A sale of these investments is currently not planned.

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

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

Trade accounts payable and other non-interest bearing non-derivative liabilities generally have a short-term remaining maturity; therefore, their carrying amount approximates their fair value.

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

	Loans and receivables	Available-for-sale financial assets		Financial assets at fair value through profit or loss	Hedging instruments (hedge accounting)	Dec. 31, 2014 Fair value
	Dec. 31, 2014 Carrying amount					
	at amortized cost	at cost	at fair value	at fair value	at fair value	
Cash and cash equivalents	**277,128**					**277,128**
thereof in						
Cash and cash equivalents	277,128					277,128
Trade accounts receivable	**346,428**					**346,428**
thereof in						
Trade accounts receivable	345,457					345,457
Other current assets	971					971
Other interest-bearing non-derivative financial assets	**406**					**419**
thereof in						
Long-term investments	378					391
Other current assets	28					28
Other non-interest-bearing non-derivative financial assets	**44,308**	**133**				**44,441**
thereof in						
Other non-current assets		133				133
Other current assets	44,308					44,308
Marketable securities and long-term investments		**2,535**	**3,931**			**6,466**
thereof in						
Long-term investments		1,315				1,315
Marketable securities		1,220	3,931			5,151
Derivative financial assets – hedge accounting					**1,260**	**1,260**
thereof in						
Other non-current assets					270	270
Other current assets					990	990
Derivative financial assets – without hedge accounting				**2,883**		**2,883**
thereof in						
Other non-current assets				88		88
Other current assets				2,795		2,795

					Dec. 31, 2015 Carrying amount	Dec. 31, 2015 Fair value
	Loans and receivables		Available-for-sale financial assets	Financial assets at fair value through profit or loss	Hedging instruments (hedge accounting)	
	at amortized cost	at cost	at fair value	at fair value	at fair value	
Cash and cash equivalents	**422,106**					**422,106**
thereof in						
Cash and cash equivalents	422,106					422,106
Trade accounts receivable	**334,946**					**334,946**
thereof in						
Trade accounts receivable	334,320					334,320
Other current assets	626					626
Other interest-bearing non-derivative financial assets	**418**					**426**
thereof in						
Long-term investments	418					426
Other current assets	0					0
Other non-interest-bearing non-derivative financial assets	**50,369**	**201**				**50,570**
thereof in						
Other non-current assets		201				201
Other current assets	50,369					50,369
Marketable securities and long-term investments		**5,410**	**8,904**			**14,314**
thereof in						
Long-term investments		4,805				4,805
Marketable securities		605	8,904			9,509
Derivative financial assets – hedge accounting					**193**	**193**
thereof in						
Other non-current assets					62	62
Other current assets					131	131
Derivative financial assets – without hedge accounting				**1,865**		**1,865**
thereof in						
Other non-current assets				88		88
Other current assets				1,777		1,777

	Dec. 31, 2014 Carrying amount				Dec. 31, 2014 Fair value
	Financial liabilities	Financial liabilities at fair value through profit or loss	Finance leases according to IAS 17	Hedging instruments (hedge accounting)	
	at amortized cost	at fair value	at amortized cost	at fair value	
Lease obligations			**7**		**7**
thereof in					
Current debt			7		7
Trade accounts payable	**127,849**				**127,849**
thereof in					
Trade accounts payable	122,817				122,817
Other current liabilities	5,032				5,032
Other interest-bearing non-derivative financial liabilities	**354,914**				**368,074**
thereof in					
Non-current debt	351,856				365,016
Current debt	3,008				3,008
Other current liabilities	50				50
Other non-interest-bearing non-derivative financial liabilities	**5,793**				**5,793**
thereof in					
Other current liabilities	5,793				5,793
Derivative financial liabilities – hedge accounting				**5,172**	**5,172**
thereof in					
Other non-current liabilities				2,127	2,127
Other current liabilities				3,045	3,045
Derivative financial liabilities – without hedge accounting		**11,666**			**11,666**
thereof in					
Other current liabilities		11,666			11,666

				Dec. 31, 2015 Carrying amount	Dec. 31, 2015 Fair value
	Financial liabilities	Financial liabilities at fair value through profit or loss	Finance leases according to IAS 17	Hedging instruments (hedge accounting)	
	at amortized cost	at fair value	at amortized cost	at fair value	
Lease obligations			**0**		**0**
thereof in					
Current debt			0		0
Trade accounts payable	**153,317**				**153,317**
thereof in					
Trade accounts payable	148,661				148,661
Other current liabilities	4,656				4,656
Other interest-bearing non-derivative financial liabilities	**352,001**				**363,628**
thereof in					
Non-current debt	286,015				296,678
Current debt	65,986				66,950
Other current liabilities	0				0
Other non-interest-bearing non-derivative financial liabilities	**6,461**				**6,461**
thereof in					
Other current liabilities	6,461				6,461
Derivative financial liabilities – hedge accounting				**4,837**	**4,837**
thereof in					
Other non-current liabilities				1,180	1,180
Other current liabilities				3,657	3,657
Derivative financial liabilities – without hedge accounting		**8,194**			**8,194**
thereof in					
Other current liabilities		8,194			8,194

Income Effect According to Valuation Categories

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

		Net financial result	Net operating result	Net result
Loans and receivables	2014	3,578	(1,607)	1,971
	2015	**15,984**	**(857)**	**15,126**
Available-for-sale financial assets	2014	712	0	712
	2015	**(496)**	**0**	**(496)**
Financial liabilities measured at amortized cost	2014	(8,756)	0	(8,756)
	2015	**(7,992)**	**0**	**(7,992)**
Financial instruments at fair value through profit or loss	2014	(2,079)	0	(2,079)
	2015	**(11,132)**	**0**	**(11,132)**
Total	2014	(6,545)	(1,607)	(8,152)
	2015	**(3,637)**	**(857)**	**(4,494)**

The net financial result includes interest income generated by financial instruments measured at amortized cost amounting to €2.1 million and €1.8 million in 2015 and 2014, respectively. Total interest expense amounts to €8.0 million and €8.8 million in 2015 and 2014, respectively. Interest income and interest expense are measured by applying the effective interest method.

Risk Analysis

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

The following tables show the contractual amortization including the undiscounted interest payments for non-derivative and derivative financial instruments with a positive and a negative fair value. All non-derivative and derivative financial instruments as of December 31, 2015 and 2014, respectively, for which contractual payments had already been agreed, are included in the table. Variable interest payments resulting from non-derivative financial instruments were estimated based on the interest rates applicable at the respective reporting dates. For interest derivative financial instruments, the cash flows were calculated by applying the respective forward interest rates. Budgeted amounts for future expected liabilities were not considered. Foreign currency amounts were translated based on the exchange rates as of the reporting dates. The cash flows attached to the foreign currency derivatives were calculated based on the respective forward rates.

		Due within one year	Due within two years	Due within three years	Due within four years	Due within five years	Due after five years
Lease obligations	Dec. 31, 2014	7					
	Dec. 31, 2015	**0**					
Trade accounts payable	Dec. 31, 2014	127,849					
	Dec. 31, 2015	**153,317**					
Other interest-bearing non-derivative financial liabilities	Dec. 31, 2014	3,227	73,751	79,366	90,975	83,580	49,494
	Dec. 31, 2015	**72,629**	**78,470**	**88,763**	**82,051**	**49,200**	**91**
Other non-interest-bearing non-derivative financial liabilities	Dec. 31, 2014	5,793					
	Dec. 31, 2015	**6,461**					
Total	Dec. 31, 2014	136,876	73,751	79,366	90,975	83,580	49,494
	Dec. 31, 2015	**232,407**	**78,470**	**88,763**	**82,051**	**49,200**	**91**

		Due within one year	Due within two years	Due within three years	Due within four years	Due within five years	Due after five years
Forward foreign exchange contracts with positive fair value							
Cash inflow	Dec. 31, 2014	54,090	6,548				
Cash outflow	Dec. 31, 2014	(50,325)	(6,266)				
Net	Dec. 31, 2014	3,765	282				
Cash inflow	**Dec. 31, 2015**	**47,273**	**4,858**				
Cash outflow	**Dec. 31, 2015**	**(45,368)**	**(4,864)**				
Net	**Dec. 31, 2015**	**1,905**	**(6)**				
Forward foreign exchange contracts with negative fair value							
Cash inflow	Dec. 31, 2014	150,463	10,992				
Cash outflow	Dec. 31, 2014	(164,684)	(11,729)				
Net	Dec. 31, 2014	(14,221)	(737)				
Cash inflow	**Dec. 31, 2015**	**181,498**	**15,611**				
Cash outflow	**Dec. 31, 2015**	**(193,066)**	**(16,095)**				
Net	**Dec. 31, 2015**	**(11,568)**	**(484)**				
Interest rate swaps with negative fair value							
Cash inflow	Dec. 31, 2014	88	56	55	37		
Cash outflow	Dec. 31, 2014	(667)	(515)	(362)	(180)		
Net	Dec. 31, 2014	(579)	(459)	(307)	(143)		
Cash inflow	**Dec. 31, 2015**	**0**	**0**	**7**	**0**		
Cash outflow	**Dec. 31, 2015**	**(536)**	**(365)**	**(180)**	**0**		
Net	**Dec. 31, 2015**	**(536)**	**(365)**	**(173)**	**0**		

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

The carrying amount of all receivables (see also note 18), loan receivables, marketable securities and cash and cash equivalents represents the maximum credit risk of ALTANA. At the reporting date, there were no significant arrangements which reduced the maximum credit risk.

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

The main currency fluctuation risks relate to exchange rate changes of the U.S. Dollar and the Japanese Yen.

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

		Effect on profit or loss		Change in other comprehensive income	
		exchange rate plus 10 %	exchange rate minus 10 %	exchange rate plus 10 %	exchange rate minus 10 %
U.S. Dollar					
Derivatives	Dec. 31, 2014	9,832	(9,832)	3,230	(3,230)
	Dec. 31, 2015	**12,729**	**(12,729)**	**3,931**	**(3,931)**
Other financial instruments	Dec. 31, 2014	(14,579)	14,579	–	–
	Dec. 31, 2015	**(15,577)**	**15,577**	**–**	**–**
Total	Dec. 31, 2014	(4,747)	4,747	3,230	(3,230)
	Dec. 31, 2015	**(2,848)**	**2,848**	**3,931**	**(3,931)**
Japanese Yen					
Derivatives	Dec. 31, 2014	900	(900)	2,095	(2,095)
	Dec. 31, 2015	**1,307**	**(1,307)**	**2,408**	**(2,408)**
Other financial instruments	Dec. 31, 2014	(1,512)	1,512	–	–
	Dec. 31, 2015	**(1,674)**	**1,674**	**–**	**–**
Total	Dec. 31, 2014	(612)	612	2,095	(2,095)
	Dec. 31, 2015	**(367)**	**367**	**2,408**	**(2,408)**

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

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

Due to the market situation in 2014, negative interest rates had been precluded for the sensitivity analysis. The interest payments from the hedged items and the hedging instruments (cash flow hedge) are presented separately.

		Effect on profit or loss		Change in other comprehensive income	
		plus 50 basis points	minus 50 basis points	plus 50 basis points	minus 50 basis points
Derivatives	Dec. 31, 2014	218	(218)	432	(168)
	Dec. 31, 2015	**218**	**(218)**	**214**	**(217)**
Other financial instruments	Dec. 31, 2014	(418)	418	765	(50)
	Dec. 31, 2015	**(418)**	**418**	**45**	**(45)**
Total	Dec. 31, 2014	(200)	200	1,197	(218)
	Dec. 31, 2015	**(200)**	**200**	**259**	**(262)**

Hedging

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

Forward Foreign Exchange Contracts: The Company uses forward foreign exchange contracts to hedge foreign currency exchange risks resulting from expected transactions of subsidiaries. Hedging instruments with terms of up to 18 months are used to hedge U.S. Dollar and Japanese Yen sales transactions of subsidiaries. In accordance with the hedging strategy of the Company, 75 % of the forecast transactions of the first six months, 60 % of the second six months, and 30 % of the last six months of the forecast transactions are hedged. Forecast transactions are only hedged to the extent that the risk related to the transaction is not neutralized by offsetting items. The volume of the hedged transactions as described above is reduced when the occurrence of the transactions is not highly probable. Currently, the maturity dates of these contracts are less than two years. Furthermore, forward foreign exchange contracts are used to hedge the foreign exchange risk attached to intercompany loans denominated in foreign currencies.

Interest Rate Swaps: The Company uses interest rate swaps to limit the cash flow risk from interest rate fluctuations of the variable interest rate tranche of the promissory note loan (German Schuldschein) taken up in 2012.

Cash Flow Hedges

Hedging of Anticipated Sales Denominated in Foreign Currencies: ALTANA has entered into forward foreign exchange contracts for forecast sales transactions denominated in U.S. Dollar and Japanese Yen for its subsidiaries and has designated them as cash flow hedges. At December 31, 2015 and 2014, the fair values are as follows:

		Positive fair value	Negative fair value	Total fair value
U.S. Dollar	Dec. 31, 2014	0	(3,158)	(3,158)
	Dec. 31, 2015	**124**	**(1,864)**	**(1,740)**
Japanese Yen	Dec. 31, 2014	967	(18)	949
	Dec. 31, 2015	**48**	**(874)**	**(826)**

Amounts relating to forward foreign exchange contracts are reclassified from accumulated other comprehensive income into income when the hedged item is realized. In 2015, a change in fair value amounting to €6.6 million (decrease) was recognized in other comprehensive income and €5.7 million were reclassified to net sales (reduction in net sales). In 2014, a change in fair value of €4.5 million (increase) was recognized in other comprehensive income and €3.7 million were reclassified to net sales (increase in net sales).

The following table shows the forecast cash flows of the hedged transactions which correspond to the maturities of the forward foreign exchange transactions.

in thousand currency units		Total nominal value	Nominal value due in 2016 (prior year: in 2015)	Nominal value due in 2017 (prior year: in 2016)
U.S. Dollar	Dec. 31, 2014	42,800	29,480	13,320
	Dec. 31, 2015	**46,232**	**32,568**	**13,664**
Japanese Yen	Dec. 31, 2014	2,902,000	1,882,000	1,020,000
	Dec. 31, 2015	**3,250,000**	**2,148,000**	**1,102,000**

Hedging of External Debt: ALTANA entered into interest rate swaps for external loans which exchange variable to fixed-interest payments. The interest rate swaps were designated as cash flow hedges. Interest payments are due semi-annually. At December 31, 2015 and 2014, respectively, the fair values of these interest rate swaps are as follows:

		Positive fair value	Negative fair value	Total fair value
Interest swap	Dec. 31, 2014	0	(1,266)	(1,266)
	Dec. 31, 2015	**0**	**(844)**	**(844)**

The interest rate swaps mature in 2016 and 2018, corresponding to the terms of the respective hedged item.

In 2015 and 2014, respectively, a change in fair value of €-0.2 million and €-0.8 million was recognized in other comprehensive income. Additionally, in 2015 and 2014, expenses amounting to €0.6 million and €0.5 million were recognized in the financial result.

Fair Value Hedges

Hedging of Contracted Sales Denominated in Foreign Currencies: At December 31, 2015 and 2014, ALTANA entered into forward foreign exchange contracts with a nominal value of U.S. Dollar 8.6 million and U.S. Dollar 7.4 million and of Japanese Yen 803.0 million and Japanese Yen 840.0 million, respectively. These contracts relate to sales transactions denominated in U.S. Dollar and Japanese Yen with subsidiaries and are classified as fair value hedges. At December 31, 2015 and 2014 the fair values are as follows:

		Positive fair value	Negative fair value	Total fair value
U.S. Dollar	Dec. 31, 2014	0	(614)	(614)
	Dec. 31, 2015	**11**	**(963)**	**(952)**
Japanese Yen	Dec. 31, 2014	293	(117)	176
	Dec. 31, 2015	**9**	**(292)**	**(283)**

In 2015 and 2014, the effect of the fair value hedge on profit or loss amounted to €5.5 million and €-4.6 million, respectively, and thereby offset the effect of the measurement of the hedged transactions.

Hedging of Intercompany Foreign Currency Loans

In 2015, ALTANA entered into forward foreign exchange contracts with a nominal value of U.S. Dollar 173.5 million (2014: U.S. Dollar 191.3 million), of Japanese Yen 1.4 billion (2014: Japanese Yen 1.0 billion), of Swiss Franc 8.5 million (2014: none) and of British Pound 1.0 million (2014: British Pound 3.0 million), to hedge intercompany foreign currency loans for which no offsetting items existed. These forward foreign exchange contracts which serve as economic hedge of the foreign currency exchange rate risk are not designated in a hedging relationship that qualifies for hedge accounting and consequently, changes in their fair values are recognized in the financial result.

		Positive fair value	Negative fair value	Total fair value
Forward foreign exchange contracts	Dec. 31, 2014	2,795	(11,665)	(8,870)
	Dec. 31, 2015	**1,778**	**(8,194)**	**(6,416)**

Offsetting of Financial Instruments

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

		Gross carrying amount	Offsetting amounts, offset in the statements of financial position	Net carrying amount	Potential offsetting amounts, not offset in the statements of financial position	Net amount after potential offsetting
Forward foreign exchange contracts	Dec. 31, 2014	4,055	–	4,055	3,882	173
	Dec. 31, 2015	**1,970**	**–**	**1,970**	**692**	**1,278**
Trade accounts receivable	Dec. 31, 2014	357,644	12,187	345,457	0	345,457
	Dec. 31, 2015	**345,590**	**11,270**	**334,320**	**0**	**334,320**
Total	Dec. 31, 2014	361,699	12,187	349,512	3,882	345,630
	Dec. 31, 2015	**347,560**	**11,270**	**336,290**	**692**	**335,598**

		Gross carrying amount	Offsetting amounts, offset in the statements of financial position	Net carrying amount	Potential offsetting amounts, not offset in the statements of financial position	Net amount after potential offsetting
Forward foreign exchange contracts	Dec. 31, 2014	15,572	–	15,572	3,882	11,690
	Dec. 31, 2015	**12,187**	**–**	**12,187**	**692**	**11,495**
Interest swap	Dec. 31, 2014	1,266	–	1,266	0	1,266
	Dec. 31, 2015	**844**	**–**	**844**	**0**	**844**
Trade accounts payable	Dec. 31, 2014	124,690	1,872	122,817	0	122,817
	Dec. 31, 2015	**149,762**	**1,101**	**148,661**	**0**	**148,661**
Total	Dec. 31, 2014	141,528	1,872	139,655	3,882	135,773
	Dec. 31, 2015	**162,793**	**1,101**	**161,692**	**692**	**161,000**

28. Commitments and Contingencies

Guarantees and Other Commitments

	Dec. 31, 2014	**Dec. 31, 2015**
Purchase commitments for intangible assets	904	334
Purchase commitments for property, plant and equipment	8,690	4,580
Guarantee for pension obligation from divestments	10,364	9,764
Other	152	136
	20,110	**14,814**

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

Rental and Lease Arrangements

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

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

	Finance lease		Operating lease	
	Dec. 31, 2014	**Dec. 31, 2015**	Dec. 31, 2014	**Dec. 31, 2015**
2015 (prior year: 2014)	8	0	6,280	6,605
2016 (prior year: 2015)	0	0	4,055	4,591
2017 (prior year: 2016)	0	0	2,805	2,802
2018 (prior year: 2017)	0	0	1,529	1,499
2019 (prior year: 2018)	0	0	962	733
Due thereafter	0	0	1,311	768
Total minimum lease payments	**8**	**0**	**16,942**	**16,998**
Less amount representing interest	1	0		
Present value of lease payments	**7**	**0**		
Less current portion	7	0		
Non-current lease obligation	**0**	**0**		

Total rent and lease expense was €14.7 million and €12.7 million for the years ended December 31, 2015 and 2014, respectively.

29. Related Party Transactions

Members of the Boards of ALTANA AG and SKion GmbH, the sole shareholder of the Company, as well as their close family members are considered related parties. Apart from the compensation as disclosed in note 30 and the regular dividends distributed to SKion GmbH no other business relationship existed.

Mrs. Susanne Klatten is the sole shareholder of SKion GmbH and deputy chairwoman of the Supervisory Board of ALTANA AG. Mrs. Klatten is also shareholder and member of the Supervisory Board of Bayerische Motoren Werke AG (BMW). In 2015 and 2014, ALTANA purchased or leased company cars from the BMW Group. The lease and purchase contracts were all concluded at arm's length.

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

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

	Dec. 31, 2014	**Dec. 31, 2015**
Balances due from related parties	4	0
Balances due to related parties	56	312

	2014	**2015**
Related party transactions		
Sales	306	417
Services and goods acquired	1,247	1,436
Lease expense	2,783	2,764

The lease expense relates to leasing contracts for company cars with Alphabet Fuhrparkmanagement GmbH (BMW Group). In 2015 and 2014, further transactions with BMW Group are included in revenues in the amount of €0.3 million and €0.2 million, respectively.

30. Compensation of the Supervisory Board and Management Board

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

The amount of the compensation of the Management Board members of ALTANA AG is related to the size of the Company, to its economic and financial situation, as well as to the amount and structure of the management board compensation in comparable companies. In addition, the scope of duties, the experience and the contribution of the respective

Management Board member, as well as the compensation structure that otherwise exists in the Company are taken into account when assessing the compensation.

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

The short-term bonus for 2015 was determined on a one-year basis. It is based on the development of earnings before interest, taxes and depreciation and amortization (EBITDA) as well as the return on capital employed (ROCE), each in comparison to the respective target values established by the Supervisory Board. The long-term bonus 2015 was calculated based on the development of net income after cost of capital ("ALTANA Value Added") over a period of three years. In 2015, as a component with long-term incentive, the Management Board members were granted AEP Awards under the "ALTANA Equity Performance 2015" plan. None of the members of the Management Board was entitled to special benefits in the case of premature or regular termination of their engagement.

In 2015 and 2014, the compensation of the Supervisory Board amounted to €1.0 million and €1.1 million. Of the total compensation, €0.6 million were fixed in both years. An amount of €0.4 million and of €0.5 million related to the variable portion in 2015 and 2014, respectively. The salary paid to employee representatives, in addition to the compensation paid out to them related to their function as Supervisory Board members is at arm's length.

In 2015 and 2014, respectively, total compensation paid in cash to the Management Board including remuneration in kind amounted to €3.8 million and €2.9 million, of which €1.6 million and €1.1 million related to fixed compensation and €2.2 million and €1.8 million related to variable compensation. On December 31, 2015 and 2014, provisions for post-employment benefits of €3.0 million and €9.1 million were recognized; the corresponding service cost amounted to €0.7 million and €0.5 million in 2015 and 2014, respectively.

In 2015, the Management Board members received ALTANA Equity Performance Awards as compensation with a long-term incentive effect from the "ALTANA Equity Performance 2015" (AEP) plan. In 2015 and 2014, respectively, a preliminary number of 2,416 and 2,946 ALTANA Equity Performance Awards were granted to the Management Board, with a value of €0.7 million and €0.6 million. The final number of ALTANA Equity Performance Awards as well as the payout amount at the end of the four-year term of the plan depends on the development of the company value. In 2015, at the end of the term of the AEP Tranche 2011, 5,285 AEP Awards were finally allocated, resulting in payments of €1.3 million to beneficiaries. In 2014, at the end of the term of the AEP Tranche 2010, 6,654 AEP Awards were finally allocated, resulting in payments of € 1.1 million to beneficiaries. As of December 31, 2015 and 2014 the provisions for AEP Awards amounted to €2.6 million and €1.9 million; the initial investment was measured at €1.0 million and €0.7 million, and is recognized in other liabilities (see note 20). For more details on the AEP see note 22.

For former members of the Management Board and their surviving dependents, a pension provision in the amount of €19.7 million and €13.9 million was recorded as of December 31, 2015 and 2014, respectively. In 2015 and 2014 the pension payments totaled €1.1 million and €1.2 million. In 2014 for the last time, €0.3 million were paid to former members of the Management Board resulting from deferred compensation items from prior years.

31. Fees Paid to the Auditor

	2015
Audit of the financial statements	1,163
Other assurance services	63
Tax advisory services	5
Other services	222
	1,453

32. Litigation

From time to time, the Company is party to or may be threatened with litigation arising in the ordinary course of its business. The Management Board regularly analyzes current information including, as applicable, the Company's defenses and insurance coverage and, as deemed necessary, recognizes provisions for probable liabilities. The ultimate outcome of these matters is not expected to materially impact the Company's net assets, financial position and results of operation.

33. Subsequent Events

In January 2016, ALTANA's ELANTAS Electrical Insulation division acquired a new production site in Tongling, China, to increase its wire-enamel production capacities. On the date on which the financial statements were prepared, the transaction had not yet been fully completed as the process of transferring property rights had not yet been finished yet.

34. Additional Information

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

Supervisory Board of ALTANA AG

Dr. Klaus-Jürgen Schmieder
Chairman
(appointed until the Annual General Meeting 2016)
Former Member of the Management Board of
L'Air Liquide S.A.
Other functions:
LURGI GmbH [1] (until July 31, 2015)
EBS Universität für Wirtschaft und Recht gGmbH [2]
(until March 2015)

Ulrich Gajewiak*
Deputy Chairman
(appointed until the Annual General Meeting 2018)
Head of Complaints Management of BYK-Chemie GmbH
Chairman of the Group's works council

Susanne Klatten
Deputy Chairwoman
(appointed until the Annual General Meeting 2018)
Entrepreneur
Other functions:
Bayerische Motoren Werke AG [1]
SGL Carbon SE [1] (Chairwoman)
UnternehmerTUM GmbH [2]

Dr. Anette Brüne*
(appointed until the Annual General Meeting 2018)
Head of Strategic Business Development
BYK-Chemie GmbH

Dr. Monika Engel-Bader
(appointed until the Annual General Meeting 2017)
Former Managing Director of Chemetall
Consultant
Other functions:
Euler Hermes Deutschland AG [1]

Armin Glashauser*
(appointed until the Annual General Meeting 2018)
Full-time head of works council ECKART GmbH

Olaf Jung*
(appointed until the Annual General Meeting 2018)
Staff member production ACTEGA DS GmbH

Klaus Koch*
(appointed until the Annual General Meeting 2018)
Manager operational controlling ECKART GmbH

Werner Spinner
(until the Annual General Meeting 2016)
Former Management Board member of Bayer AG
Other functions:
Atos Medical AB [2]
Zuellig Group International [2]

Dr. Lothar Steinebach
(appointed until the Annual General Meeting 2017)
Former Management Board member of
Henkel AG & Co. KGaA
Other functions:
Air Berlin PLC [2]
Carl Zeiss AG [1]
Diem Client Partner AG [2]
Ralf Schmitz GmbH & Co. KGaA [1]
ThyssenKrupp AG [1]

Dr. Antonio Trius
(appointed until the Annual General Meeting 2017)
Former Managing Director of Cognis GmbH
Other functions:
Azelis S.A. [2]
Lonza Group AG [2]
MAXAM SL [2]
Nubiola SL [2] (until July 2015)

Stefan Weis*
(appointed until the Annual General Meeting 2018)
Secretary of the Board of the Mining, Chemical
and Energy Industrial Union (IG BCE)

Supervisory Board Committees

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

Human Resources Committee
Dr. Klaus-Jürgen Schmieder (Chairman)
Ulrich Gajewiak
Olaf Jung
Susanne Klatten

Audit Committee
Dr. Lothar Steinebach (Chairman)
Armin Glashauser
Werner Spinner
Stefan Weis

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

Management Board of ALTANA AG

Dr. Matthias L. Wolfgruber
Chairman (until December 31, 2015)
Other functions:
BYK-Chemie GmbH [1] (Chairman; until December 31, 2015)
ECKART GmbH [1] (Chairman; until December 31, 2015)
ELANTAS Beck India Ltd. [2] (Chairman; until December 31, 2015)
Cabot Corporation [2]
Grillo Werke AG [1]
Lanxess AG [1]
ARDEX GmbH [2]

Martin Babilas
Chairman (since January 1, 2016, appointed until May 2, 2020)
Other functions:
ACTEGA North America Inc. [2]
BYK-Chemie GmbH [1] (Chairman; since January 1, 2016)
ECKART GmbH [1] (Chairman; since January 1, 2016)
ELANTAS Beck India Ltd. [2] (Chairman; since January 1, 2016)
ELANTAS Europe Srl. [2]
ELANTAS PDG Inc. [2] (Chairman)
ELANTAS (Tongling) Co., Ltd. [2] (since January 28, 2015)

Stefan Genten
(since August 1, 2015, appointed until July 31, 2018)
Other functions:
ELANTAS Beck India Ltd. [2] (since January 1, 2016)
Dr. Willmar Schwabe GmbH & Co. KG [2]

Dr. Christoph Schlünken
(appointed until October 30, 2017)
Other functions:
BYK Additives (Shanghai) Co., Ltd. [2] (Chairman)
BYK Additives Inc. [2] (Chairman)
BYK Additives Ltd. [2]
BYK Asia Pacific Pte. Ltd. [2]
BYK-Chemie GmbH [1]
BYK Japan KK [2]
BYK Solutions (Shanghai) Co., Ltd. [2] (Chairman)
BYK (Tongling) Co., Ltd. [2] (Chairman)
BYK USA Inc. [2] (Chairman)
ECKART GmbH [1]

* Employee representative

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

Multi-Year Overview

Key figures at a glance

	2007	2008	2009	2010	2011	2012	2013	2014	2015
in € million									
Sales	1,380.4	1,341.7	1,181.7	1,535.4	1,616.7	1,705.3	1,765.4	1,952.3	2,059.3
Earnings before interest, taxes, depreciation and amortization (EBITDA)	248.5	242.9	208.4	314.1	308.0	323.2	335.7	397.4	390.9
EBITDA margin	*18.0%*	*18.1%*	*17.6%*	*20.5%*	*19.1%*	*19.0%*	*19.0%*	*20.4%*	*19.0%*
Operating income (EBIT)	166.6	170.3	53.5	230.2	217.0	226.9	229.1	267.7	251.3
EBIT margin	*12.1%*	*12.7%*	*4.5%*	*15.0%*	*13.4%*	*13.3%*	*13.0%*	*13.7%*	*12.2%*
Earnings before taxes (EBT)	214.3	158.7	39.0	218.2	207.7	217.2	212.6	251.8	227.8
EBT margin	*15.5%*	*11.8%*	*3.3%*	*14.2%*	*12.8%*	*12.7%*	*12.0%*	*12.9%*	*11.1%*
Net income (EAT)	138.4	103.4	11.0	152.3	147.5	154.7	151.6	179.2	158.0
EAT margin	*10.0%*	*7.7%*	*0.9%*	*9.9%*	*9.1%*	*9.1%*	*8.6%*	*9.2%*	*7.7%*
Research and development expenses	67.4	72.1	70.6	82.0	87.7	102.3	109.4	113.9	128.1
Capital expenditure on property, plant and equipment and intangible assets	91.4	107.9	54.0	73.8	93.5	89.8	94.3	90.4	85.6
Cash flow from operating activities	169.4	204.5	224.6	238.6	170.0	274.5	258.8	298.2	346.1
Return on capital employed (ROCE)	*9.8%*	*9.4%*	*7.6%*	*12.2%*	*11.2%*	*10.8%*	*9.9%*	*10.3%*	*10.1%*
ALTANA Value Added (AVA)	24.5	20.2	(5.4)	64.2	53.2	50.0	38.7	51.9	49.2
Total assets (Dec. 31)	1,724.8	1,749.6	1,707.8	1,943.6	2,001.9	2,121.3	2,546.0	2,756.2	2,964.5
Shareholders' equity (Dec. 31)	1,139.4	1,178.4	1,177.6	1,364.2	1,417.1	1,498.2	1,565.6	1,745.5	1,935.6
Net debt (-)/Net financial assets (+)[1] (Dec. 31)	(108.5)	(99.39)	(55.0)	79.7	(26.8)	68.2	(303.6)	(280.1)	(114.2)
Headcount (Dec. 31)	4,646	4,791	4,789	4,937	5,313	5,363	5,741	6,064	6,096

[1] Comprises cash and cash equivalents, marketable securities, debt, and employee benefit obligations.

Sales by division

	2007	2008	2009	2010	2011	2012	2013	2014	2015
in € million									
BYK Additives & Instruments	445.1	450.5	419.9	541.2	581.9	618.4	691.5	856.7	870.0
ECKART Effect Pigments	362.9	350.7	282.3	356.6	346.8	340.5	334.6	332.2	349.7
ELANTAS Electrical Insulation	350.8	326.5	272.7	377.4	390.9	412.5	414.6	431.2	463.2
ACTEGA Coatings & Sealants	221.6	214.0	206.8	260.2	297.0	333.9	324.7	332.1	376.4

Sales by region

	2007	2008	2009	2010	2011	2012	2013	2014	2015
in € million									
Europe	678.0	664.8	555.1	683.7	740.8	751.7	745.2	795.1	795.6
thereof Germany	*239.6*	*231.0*	*188.0*	*234.5*	*258.5*	*266.1*	*262.4*	*276.7*	*269.8*
Americas	330.6	305.9	267.7	361.5	373.3	412.0	438.4	527.1	607.1
thereof U.S.	*222.5*	*203.7*	*178.4*	*242.0*	*243.2*	*268.4*	*289.5*	*365.0*	*416.1*
Asia	329.7	325.7	317.9	439.0	447.7	509.6	547.4	593.0	618.9
thereof China	*162.1*	*152.9*	*164.3*	*224.2*	*228.5*	*252.5*	*287.8*	*309.8*	*315.6*
Other regions	42.1	45.3	41.0	51.2	54.9	31.9	34.3	37.0	37.7

Change in country allocation as of 2012

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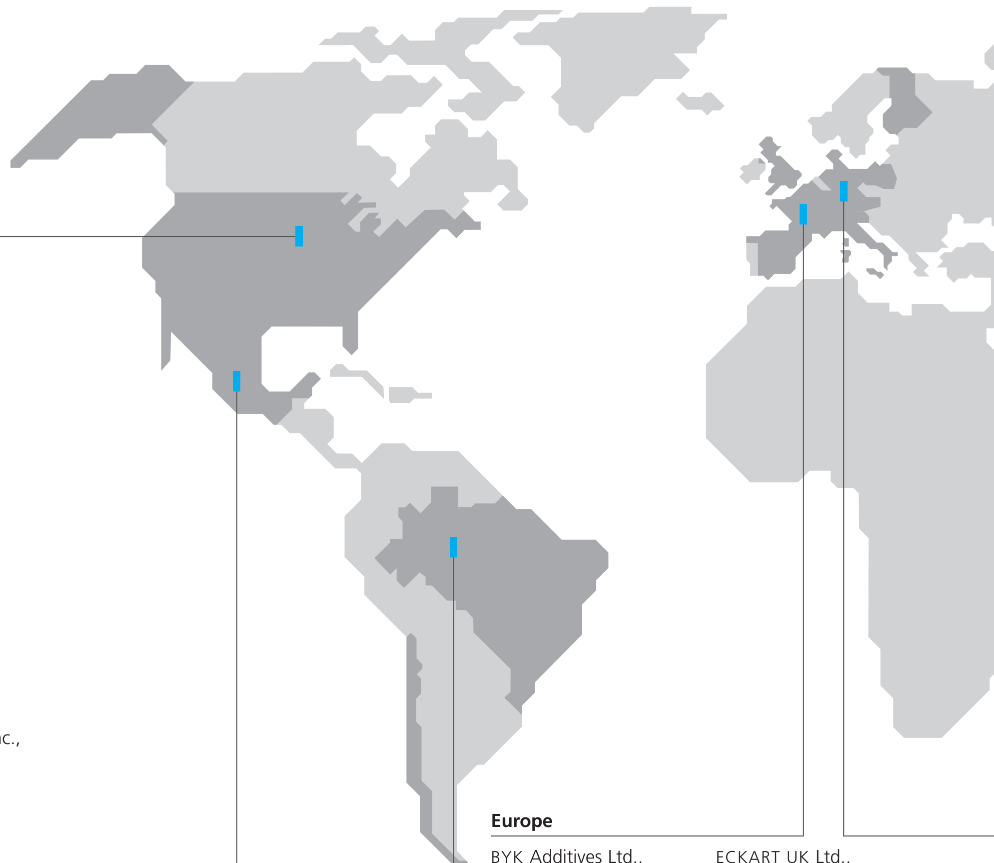
Overview of ALTANA locations



U.S.

BYK Additives Inc.,
Gonzales, TX
100 %

BYK USA Inc.,
Wallingford, CT
100 %

BYK Gardner USA,
Columbia, MD
100 %

ECKART America Corp.,
Painesville, OH
100 %

ELANTAS PDG Inc.,
St. Louis, MO
100 %

ACTEGA North America Inc.,
Delran, NJ
100 %

Central America

BYK Chemie de México,
S. de R.L. de C.V.,
Cuautitlán Izcalli (MX)
100 %

ECKART de México Industrias,
S. de R.L. de C.V.,
Cuautitlán Izcalli (MX)
100 %

South America

ACTEGA Premiata Tintas
e Vernizes Gráficos Ltda.,
São Paulo (BR)
100 %

ACTEGA Terra Chile Ltda.,
Santiago de Chile (CL)
100 %

ELANTAS Isolantes Elétricos
do Brasil Ltda.,
Cerquilho (BR)
100 %

Europe

BYK Additives Ltd.,
Widnes (GB)
100 %

BYK-Cera B.V.,
Deventer (NL)
100 %

ECKART Benelux B.V.,
Uden (NL)
100 %

ECKART France SAS,
Saint-Ouen (F)
100 %

ECKART Italia Srl.
a Socio unico,
Rivanazzano (I)
100 %

ECKART Pigments KY,
Pori (FI)
100 %

ECKART Suisse SA,
Vétroz (CH)
100 %

ECKART UK Ltd.,
Ampthill, Bedfordshire (GB)
100 %

ELANTAS Europe Srl.,
Collecchio (I)
100 %

ACTEGA Artística S.A.U.,
Vigo (E)
100 %

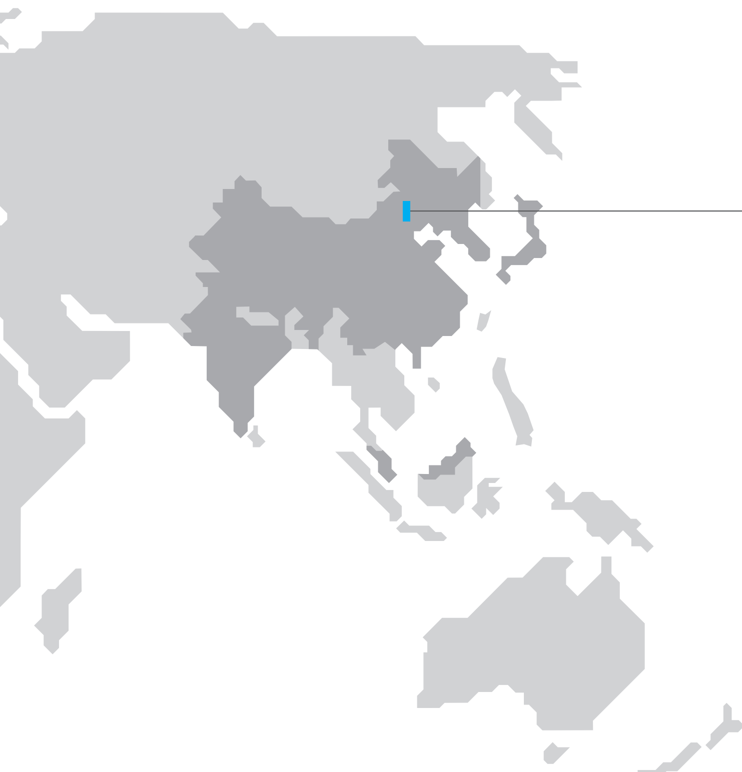
ACTEGA Colorchemie
France Sarl, Henriville (F)
100 %

ACTEGA Colorchemie
Österreich GesmbH,
Neuhofen a.d. Krems (A)
100 %

ACTEGA Colorchemie Polska
Sp. z o.o., Prochowice (PL)
100 %

ACTEGA Rhenacoat SAS,
Sedan (F)
100 %

as of January 1, 2016



Germany

ALTANA AG, Wesel

ALTANA Chemie 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 Colorchemie GmbH,
Büdingen
■ ■ 100 %

ACTEGA DS GmbH,
Bremen
■ ■ 100 %

ACTEGA Rhenania GmbH,
Grevenbroich
■ ■ 100 %

ACTEGA Terra GmbH,
Lehrte
■ ■ 100 %

Asia

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

BYK Japan KK,
Tokyo (J)
■ 100 %

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

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

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

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

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

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

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

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

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

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

Sales ■ Production ■

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