

Q3 FINANCIAL REPORT 2017



ALZCHEM AT A GLANCE

INNOVATIVE SINCE

1908

~ € 273
mn

sales generated by
AlzChem in the first nine
months of 2017



1,523

employees support the processes
and products of AlzChem with their
know-how on a daily basis*

* As of September 30, 2017

~ € 41
mn

adjusted EBITDA* AlzChem
achieved from January to
September 2017

* Adjusted for non-recurring costs in connection with the IPO



AlzChem products are sold worldwide

~ € 25
mn

was the cash flow from
operating activities after the
first nine months of 2017

ALZCHEM AT A GLANCE

THREE REPORTING SEGMENTS

40.5 % BASICS & INTERMEDIATES

Production of chemical intermediates for direct sale or refinement as specialty chemicals products

51.9 % SPECIALTY CHEMICALS

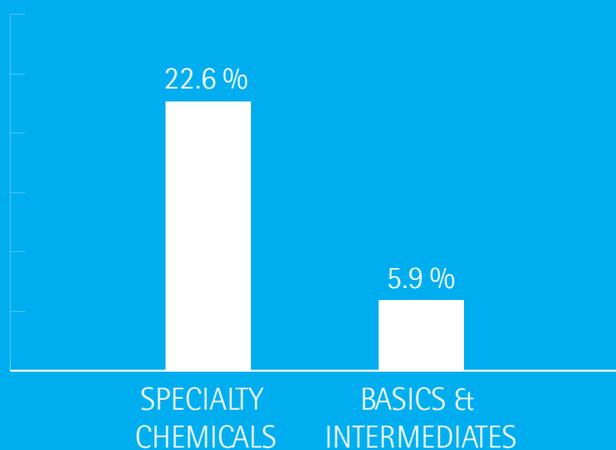
Production and distribution of high-quality chemical products

7.6 % OTHER & HOLDING

Other activities, mainly services related to the chemical parks Trostberg and Hart

CONTRIBUTION TO SALES
IN THE NINE-MONTH PERIOD
2017

EBITDA MARGIN BY MAIN SEGMENTS



MARKETS



FOOD



FINE CHEMISTRY



AGRICULTURE



METALLURGY



RENEWABLE ENERGIES

TABLE OF CONTENT

TO OUR SHAREHOLDERS

- 04 Letter of the Management Board
- 06 About AlzChem

SOFTMATIC AG

- 12 Quarterly financial report of SOFTMATIC AG

INTERIM GROUP MANAGEMENT REPORT OF ALZCHEM AG

- 18 Principles of the group
- 19 Economic situation and business development
- 24 Assets, financial and earnings position
- 28 Forecast, opportunity and risk report
- 30 Important events after the balance sheet date

INTERIM CONSOLIDATED FINANCIAL STATEMENTS OF ALZCHEM AG

- 31 Consolidated income statement
- 33 Consolidated statement of comprehensive income
- 35 Consolidated balance sheet
- 37 Consolidated statement of changes in equity
- 39 Consolidated cash flow statement
- 41 Notes
- 52 Responsibility statement

SOFTMATIC AG (SINCE OCTOBER 2, 2017 ALZCHEM GROUP AG)

- 53 Consolidated financial statement of SOFTMATIC AG

FURTHER INFORMATION

- 57 List of abbreviations
- 58 Imprint
- 58 Financial calendar 2017/2018
- 58 Remarks

LETTER OF THE MANAGEMENT BOARD

Dear shareholders,

Global demand for specialty chemicals is consistently high. As a vertically integrated specialty chemicals provider, we have developed a leading position in select niche markets in recent years. This has been reflected in the positive operating performance of the first nine months of 2017. All three segments have experienced sales growth. At the same time, we have also improved our earnings power. As of the reporting date, September 30, 2017, AlzChem recorded sales revenues of around EUR 272.7 million at Group level, nearly 9% more than in the same period of the previous year (EUR 250.5 million). Adjusted EBITDA amounted to EUR 40.5 million. Compared with the previous year (EUR 35.9 million), this represents an increase of 13.0%, whereby both figures are adjusted for one-time charges for the IPO. The adjusted EBITDA margin is 14.9% after the first nine months. We are satisfied with this business performance.

Fiscal year 2017 to this point has reinforced our choice of a promising future strategy for AlzChem. We are positioning ourselves as a fully integrated chemical company with its growth plan clearly focused on the Specialty Chemicals business segment. Some specialty chemicals have managed to exceed our expectations. In recent months, we have set the course for continued positive development in this important segment. Our feed additive CreAMINO® exemplifies this. CreAMINO®'s approval for American chicken production in November 2016 was a significant step into another attractive market. We intend to continue expanding our position there in the coming months. At the same time, the Management Board and Supervisory Board have jointly decided to invest around EUR 50 million in a new CreAMINO® production facility at our Trostberg site. This is the largest investment in AlzChem's history, which we're managing with borrowed capital and internal resources. Groundbreaking is scheduled for the spring of 2018. The expected tripling of CreAMINO® production capacities from 7,000 to 21,000 metric tons per year will position us to sustainably anticipate the expected increase in demand. At present, we are using existing production facilities as well as future-oriented inventories for our global customer delivery. We manage this with close cooperation with our longstanding sales partner Evonik.

Demand for the other specialty chemicals such as the food supplement Creapure® and the plant growth regulator Dormex® has also developed positively.

AlzChem achieved a further milestone in its strategic corporate development with its successful move to the Regulated Market (Prime Standard) of the Frankfurt Stock Exchange on October 9, 2017. This was made possible by AlzChem AG's contribution in kind to the listed AlzChem Group AG (formerly Softmatic AG). Access to the capital market adds yet more potential to our existing growth financing options.

The demand for our agro products is characterized by a certain seasonality. Spring in the

Northern Hemisphere typically results in a strong second quarter, whereas demand in the final quarter of the year is usually comparatively low. At Group level, we continue to expect a slight to medium increase in sales for the full year 2017 in the mid to high single-digit percentage range. In terms of adjusted EBITDA, we continue to expect a slight increase in the low single-digit percentage range, following the high increases in the previous year. The reason for the disproportionately lower earnings growth compared to sales is the sharp increase in raw material costs in the second half of 2017 and the strong euro against the US dollar. In summary, we expect overall positive business development for 2017 as a whole.

We are constantly developing AlzChem so that we can continue to make the most of the growth opportunities offered to us. Special thanks goes to our employees, whose daily efforts have enabled AlzChem's successes to this point, and who form the foundation of sustainable company success. We are delighted to have you forge ahead with AlzChem on this exciting path to a successful future

Kind regards,

AlzChem AG / AlzChem Group AG Management Board



Ulli Seibel, CEO



Andreas Niedermaier, CFO



Klaus Englmaier, COO



Ulli Seibel



Andreas Niedermaier



Klaus Englmaier

ABOUT ALZCHEM

AlzChem Group AG is a vertically integrated, internationally active manufacturer of various chemical products based on the NCN chain. These products have typical nitrogen-carbon-nitrogen bonding used in a variety of industries. These primarily include the food industry, fine chemicals, agriculture, metallurgy and renewable energies.

AlzChem Group AG's operative business can be divided into three segments along the entire value chain. The Specialty Chemicals segment, the largest segment that accounts for more than 50% of sales, comprises the production and distribution of high-quality chemical products. The Basics & Intermediates segment combines the production of chemical intermediates based on the starting materials calcium carbide and calcium cyanamide. These intermediates are either sold directly to third parties or further processed into specialty chemicals. The third operating segment Other & Holding encompasses all other activities. These largely entail services related to the chemical parks operated by AlzChem (also for third parties) in Trostberg and Hart.

	2014	2015	2016 9M/16	9M/17	
Net sales (EUR mn)	290.7	322.6	327.2	250.5	272.7
EBITDA (EUR mn)	32.4	33.2	38.6	29.6	38.2
Adjusted EBITDA (EUR mn)*	-	-	44.9	35.9	40.5
EBITDA margin	11.1%	10.3%	11.8%	11.8%	14.0%
Adjusted EBITDA margin*	-	-	13.7%	14.3%	14.9%
Cash flow from operating activities (EUR mn)	17.9	28.2	33.1	28.3	24.6

*Adjusted for non-recurring costs in connection with the IPO

PRODUCTION FACILITIES

GERMANY:

Trostberg, Hart, Schalchen, Waldkraiburg

SWEDEN:

Sundsvall

SALES ORGANISATIONS

USA:

Atlanta, GA

CHINA:

Shanghai

INTEGRATED PRODUCTION

A key feature of the AlzChem Group is its vertical integration along the calcium carbide/calcium cyanamide chain (NCN chain). This means that most of the company's products are based on the same starting materials: lime and coal. AlzChem performs many processing steps itself and is increasingly starting with material refinement.

The operation of this integrated production system is only possible due to its four historically grown sites in the Bavarian Chemical Triangle which enjoy such close proximity.

Integrated production allows AlzChem to react flexibly to changes in demand as many products from the Basics & Intermediates segment are also raw materials for the Specialty Chemicals segment. Synergies also exist in the production process as well as research and development. As a result of integrated production, the company is also less dependent on external suppliers.



GROWTH DRIVER

POPULATION GROWTH

In 1900, around 1.7 billion people lived on our planet. By the year 2000, this figure had increased to more than 6.1 billion. Only 17 years later, in 2017, the world population amounted to around 7.6 billion. The United Nations expects a realistic increase by the year 2030 to over 8.6 billion people.¹ At the same time, agricultural areas are limited worldwide. Against this backdrop, efficient processes are necessary to provide the growing population with food for the future as well as possible. The AlzChem Group's products meet these requirements and can be used in increasingly optimized agricultural production.

CreAMINO®

Under the brand CreAMINO®², AlzChem distributes a feed additive for efficient agricultural production processes. CreAMINO® is a guanidinoacetic acid (GAA) and is further processed into the body's own substance creatine once absorbed in the body of the animal. This process improves feed utilization, meaning nutrients in the feed can be better absorbed. Increased feed utilization also stimulates natural muscle growth. This in turn leads to a reduction in the total feed quantity required as well as a smaller holding time for animals. Using CreAMINO® can thus lead to cost savings for users. CreAMINO® is approved in important markets such as the EU and the US, mainly in the poultry sector. AlzChem also wants to address more animal species going forward.

Dormex®

The AlzChem product Dormex®³ is a growth regulator (so-called dormancy breaker) for cultivated plants such as table grapes, cherries and blueberries. With the help of Dormex®, farmers in permanently warm climates can control the budding of their plants in order to coordinate harvests at need. In addition, using Dormex® increases the number of buds per plant, which in turn leads to an increase in crop yield. The properties of Dormex® contribute to ensuring a continuous supply of fruit and vegetables from the most diverse regions of the world to the end consumer throughout the whole year.

¹ United Nations (UN)

² CreAMINO® brand of Evonik

³® refers to trademarks for the European Union or at least one country in the EU.



GROWTH DRIVER

HEALTHY AGING

The world population, especially in western industrial nations, is constantly aging. The average global life expectancy in 2000 was around 66.4 years.⁴ Already by the year 2015, humans lived an average of about 71.4 years.⁵ Scientists expect life expectancy to rise significantly in the coming years.⁶ Medical progress is a key factor in the prevention and treatment of diseases. So-called civilization diseases and age-related diseases are no exceptions, however. At the same time, awareness of health and nutrition is gaining in importance, so older people in particular are increasingly active in sports and consciously paying attention to a healthy diet. With its products, the AlzChem Group wants to support these developments in the pharmaceutical, cosmetics and healthcare sectors.

Creapure®

AlzChem, under the brand name Creapure®, provides a dietary supplement consisting of the body's own creatine, which is mainly used for muscle building and physical activity. Due to these characteristics, Creapure® addresses the sports/fitness industry as well as the age group of over 55-year-olds. Natural decrease in muscle mass tends to start around this age. In order to reduce an age-related decline in muscle strength, older people can proactively react with the daily intake of Creapure® in combination with regular strength training. The European Food Safety Authority (EFSA) officially confirmed the positive effect of creatine in 2017.

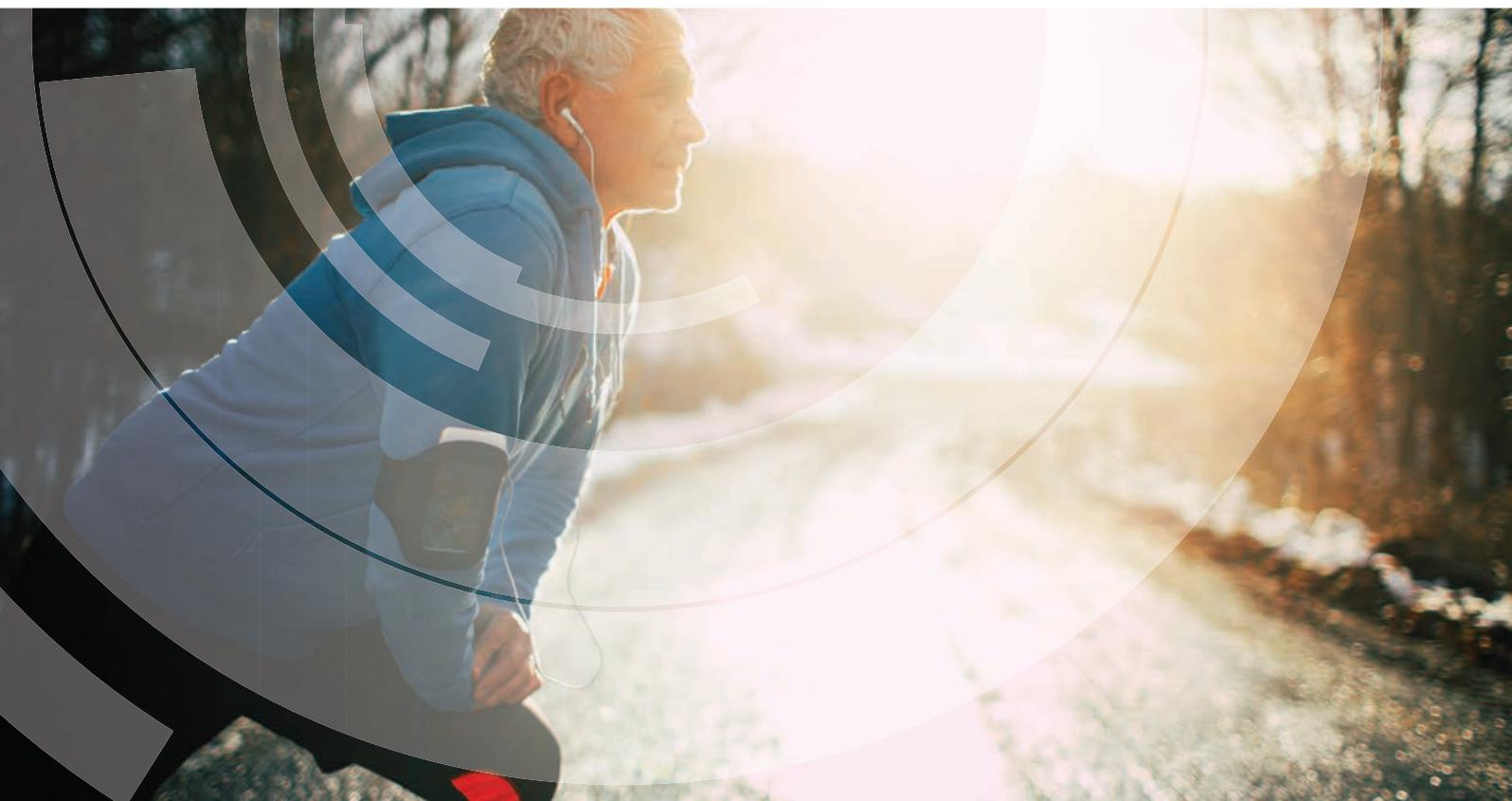
BioSELECT®

With BioSELECT®, AlzChem produces high-purity guanidine salts such as guanidine hydrochloride or guanidinium thiocyanate. These products are used, for example, in the biotechnological production of pharmaceutical drugs as well as in DNA diagnostics. The decisive factor here is the consistently high quality of the products, which AlzChem can reliably deliver thanks to its integrated production.

⁴World Health Organisation (WHO)

⁵Ebenda

⁶Lancet Medical Journal



GROWTH DRIVER

ENERGY EFFICIENCY

Energy efficiency and renewable energy are gaining in importance worldwide. This is on the one hand due to legal and regulatory requirements; on the other hand, many technologies are now at a stage where the economic benefit is attractive. Accordingly, the demand for photovoltaic and wind power plants is increasing. Globally installed wind and solar power systems increased from about 80 GW in 2006 to more than 762 GW in 2016, which corresponds to average annual growth of more than 25%.⁷ This growth trend is expected to continue in the future. AlzChem sees itself well positioned to participate in this development.

Silzot®

Under the Silzot® brand, AlzChem is launching silicon nitride powders that open up various application possibilities. Silzot® can be used as a release agent for the production of photovoltaic cells. Using Silzot® protects cells from contamination from the mold. Silzot® thus improves the purity of solar modules in the production process. Silzot® is also used in the ceramics industry for parts that must withstand extreme mechanical and thermal influences. These include ball bearings used in windmills.

DYHARD®

DYHARD® is a brand for a variety of different thermosetting epoxy curing and accelerating systems. Such systems are used with almost all modern composite materials such as fiber glass-reinforced plastics or carbon components. DYHARD® products can be found in a variety of end products. These are used both in the production of rotor blades for windmills, CNG pressure cylinder containers, automotive and sports articles as well as in aircraft construction.

⁷International Renewable Energy Agency (IRENA): Renewable Capacity Statistics 2017



OVERVIEW

Since October 9, 2017, 101,763,355 ordinary shares of AlzChem Group AG have been listed in the Regulated Market (Prime Standard) of the Frankfurt Stock Exchange. AlzChem AG successfully transformed into the listed AlzChem Group AG (formerly Softmatic AG) through a combined cash and non-cash capital increase, raising AlzChem Group AG's share capital from EUR 310,000.00 to EUR 101,763,355.00. The non-cash capital increase was recorded in the commercial register on October 2, 2017.

Thanks to the successful contribution, AlzChem Group AG now serves as the parent company of the AlzChem Group. The company is headquartered in Norderstedt, Germany.

On November 10, 2017, AlzChem Group AG's market capitalization was EUR 391.8 million.

MASTER DATA

ISIN/WKN	DE000A0AHT46/A0AHT4
Ticker symbol	SFP1
Type and number of shares	101,763,355 no-par-value bearer shares
Trading segment	Regulated Market (Prime Standard)
Designated sponsor	Baader Bank AG
Market capitalization on November 10, 2017*	EUR 391.8 million

*Xetra closing price as of November 10, 2017

SHAREHOLDER STRUCTURE

SHAREHOLDERS	%
LIVIA Corporate Development SE	47.70
HDI Preminger GmbH	26.38
Edelweiß Holding GmbH	19.79
Jan Ulli Seibel	4.93
Free float	1.19

SOFTMATIC AG

NORDERSTEDT (since October 2, 2017 AlzChem Group AG)

QUARTERLY FINANCIAL REPORT AS OF SEPTEMBER 30, 2017

The content of this quarterly financial report

At the Annual General Meeting of Softmatic AG held on August 4, 2017, capital increases against contributions in kind and in cash were resolved. The capital increases against contributions in kind and cash capital increases were carried out on September 26, 2017. The entry in the commercial register was still pending on the balance sheet date of September 30, 2017, and took effect on October 2, 2017. Upon registration of the completion of the capital increases in the commercial register, the company will be renamed "AlzChem Group AG" and become the parent company of the AlzChem Group. The business activities of AlzChem AG and its subsidiaries (together the "AlzChem Group" or "AlzChem") will then become the company's business.

The change in business activity will have a significant impact on the future net assets, financial position and results of operations of the company. The statements about the future business development of the company correspond to the statements about the future business development of AlzChem AG. For a better assessment of the future business development and future net assets, financial position and earnings position, this quarterly financial report contains the following reports:

- (1) Quarterly statement of Softmatic AG as of September 30, 2017, including the balance sheet and income statement in accordance with HGB
- (2) The Consolidated Interim Management Report of AlzChem AG as of September 30, 2017
- (3) IFRS Interim Consolidated Financial Statements of AlzChem AG as of September 30, 2017
- (4) IFRS Consolidated Balance Sheet of Softmatic AG (since October 2, 2017 AlzChem Group AG) assuming that the capital increases had already been fully executed as of September 30, 2017

QUARTERLY STATEMENT AS OF SEPTEMBER 30, 2017

BALANCE SHEET AS OF SEPTEMBER 30, 2017

ASSETS

in EUR	09/30/2016	12/31/2016	09/30/2017
A. FIXED ASSETS			
Financial assets			
Shares in affiliated companies	0.00	0.00	230,743,679.70
B. CURRENT ASSETS			
I. Accounts receivable and other assets	9,971.50	9,731.81	2,114,531.00
II. Cash and cash equivalents, federal bank deposits, cash at banks and checks	2,256.31	2,014.17	1,154,618.00
C. PREPAID EXPENSES			
Active accruals	0.00	913.00	0.00
D. DEFICIT NOT COVERED BY EQUITY	38,327.93	51,730.24	0.00
TOTAL ASSETS	50,555.74	64,389.22	234,012,828.70

LIABILITIES

in EUR	09/30/2016	12/31/2016	09/30/2017
A. EQUITY			
I. Subscribed capital	310,000.00	310,000.00	310,000.00
II. Capital reserve	41,493,948.82	51,000.00	51,000.00
III. Loss carried forward	-41,826,926.73	-383,977.91	-412,730.24
IV. Net loss for the year	-15,350.02	-28,752.33	-235,222.39
Of which not covered	38,327.93	51,730.24	0.00
V. Payments made to carry out the resolved capital increase	0.00	0.00	233,342,806.50
<i>Of which subscribed capital</i>	<i>0.00</i>	<i>0.00</i>	<i>101,453,355.00</i>
BOOK VALUE OF EQUITY	0.00	0.00	233,055,853.87
B. PROVISIONS	1,500.00	10,200.00	622,606.04
C. LIABILITIES			
1. Trade liabilities, of which with a remaining term of up to one year EUR 259,950.83 (prior year: EUR 0.00)	0.00	0.00	259,860.83
2. Liabilities to affiliated companies	48,805.74	54,189.22	74,507.96
3. Other liabilities	250.00	0.00	0.00
TOTAL ASSETS	50,555.74	64,389.22	234,012,828.70

PROFIT AND LOSS ACCOUNT FOR THE PERIOD JANUARY 1 - SEPTEMBER 30, 2017

in EUR	01/01/2016 – 09/30/2016	01/01/2017 – 09/30/2017
1. Other operating income	0.00	921,755.25
2. Other operating expenses	-15,350.02	-1,156,658.90
3. Other interest and similar earnings	0.00	0.00
4. Interest and similar expenses - of which from affiliated companies EUR 318.74	0.00	-318.74
5. Taxes on income	0.00	0.00
6. EARNINGS AFTER TAXES	-15,350.02	-235,222.39
7. NET LOSS	-15,350.02	-235,222.39

BASIS OF PREPARATION

For the quarterly statement as of September 30, 2017, the same accounting policies have been applied as in the last annual financial statements:

The valuation of assets and liabilities takes into account all identifiable risks according to prudent business judgment.

The valuation of assets and liabilities is carried out without following the going concern premise.

The receivables, other assets and debts are valued at amortized acquisition and production costs.

Provisions are recognized at the settlement amount required by reasonable commercial judgment.

Provisions with a term of more than one year were discounted in accordance with Section 253 (2) sentence 1 HGB.

The provision for retention has a remaining term of more than one year. For reasons of materiality, discounting of the provision for safekeeping was dispensed with.

Pursuant to Section 274 HGB, deferred taxes are formed for temporary differences between the accounting and tax-related carrying amounts insofar as these differences are expected to reverse in future fiscal years and the deferred taxation pursuant to Section 274 (1) HGB must be made mandatory.

No deferred taxes are recognized for deferred tax assets due to temporary differences and existing tax loss carryforwards, if applicable, in accordance with the option under Section 274 (2) HGB.

There were no changes in the composition of the scope of consolidation; there are still no companies that need to be included/consolidated.

SIGNIFICANT EVENTS AND TRANSACTIONS IN THE PERIOD JANUARY – SEPTEMBER 2017

CAPITAL INCREASES IN 2017

Capital increases against contributions in kind and cash were resolved at the Annual General Meeting held on August 4, 2017. The capital increases against contributions in kind and cash increases were carried out on September 26, 2017, and the entry in the commercial register was still outstanding as of the balance sheet date of September 30, 2017, and took effect on October 2, 2017. As of the balance sheet date, the company already has beneficial ownership of the assets from the cash and capital increase in kind. Therefore, the assets are accounted for as of September 30, 2017. Since the capital increase became legally effective only with entry in the commercial register on October 2, 2017, the counterpart in equity as of the balance sheet date is "Deposits made to carry out the resolved capital increase."

By way of the capital increase against contributions in kind, the share capital of the company was increased by EUR 100,323,339.00 to EUR 100,633,339.00 and the capital reserve by EUR 130,420,340.70 against the contribution of all shares of AlzChem AG based in Trostberg valued at EUR 310,000.00. As part of the cash capital increase, the share capital of the company was increased by an additional EUR 1,130,016.00 to EUR 101,763,355.00 and the capital reserve by EUR 1,469,020.80. As part of the capital increases against non-cash and cash contributions, a total of 101,453,355 new no-par-value shares were issued with a pro rata amount of the share capital of EUR 1.00 per share and a full dividend right from January 1, 2017. The gross proceeds from the capital increase against cash contributions amount to EUR 2,599,036.80. The net issue proceeds ensure the full repayment of existing loans and the financing of the company's ongoing administrative costs. The shares in AlzChem AG amounting to EUR 230,743,679.70 are reported under financial assets.

With the cash capital increase on September 26, 2017, the company has already received cash of EUR 1,130,016.00 corresponding to the nominal capital increase. As a result, bank balances increased significantly compared to December 31, 2016. The remaining amount from the cash capital increase was not paid until after entry in the commercial register, but it had already been recognized in the amount of EUR 1,469,020.80 under the item "Receivables and other assets" as of September 30, 2017.

Various expenses were incurred in preparing for the capital increases, which account for the increase in other operating expenses, trade payables and provisions. In a cooperation agreement, AlzChem AG has undertaken to bear all costs in connection with the capital increase in kind and cash capital increase and the listing of all shares in the company. Insofar as the expenses were incurred by Softmatic AG, they were charged to AlzChem AG. The income from the recharging is shown under other operating income and explains the increase compared to the same period of the previous year.

CHANGE IN BUSINESS ACTIVITY/NEW APPOINTMENT OF THE MANAGEMENT BOARD

The company continued to have no business activity of its own during the reporting period. Upon registration of the completion of the capital increases in the commercial register, the company will change its name to "AlzChem Group AG" and become the parent company of the AlzChem Group. The business activities of AlzChem AG and its subsidiaries (together the "AlzChem Group" or "AlzChem") will then become the company's business. At the same time, the members of the Management Board of AlzChem AG, Ulli Seibel, Andreas Niedermaier and Klaus Englmaier, will also serve as members of the Management Board of AlzChem Group AG.

EFFECTS ON NET ASSETS, THE FINANCIAL POSITION AND EARNINGS POSITION

The change in business activity will have a significant impact on the company's future net assets, financial position and earnings position. The statements on the company's future business development correspond to the statements on the future business development of AlzChem AG. For a better assessment of the future business development and future asset, financial and earnings positions, the company's quarterly financial report includes the following additional voluntary reports to which reference is made here:

- Consolidated Interim Management Report of AlzChem AG as of September 30, 2017
- IFRS Interim Consolidated Financial Statements of AlzChem AG as of September 30, 2017
- IFRS Consolidated Financial Statements of Softmatic AG (since October 2, 2017 AlzChem Group AG), assuming that the capital increases had already been fully executed as of 30 September 2017.

Norderstedt, October 31, 2017

The Management Board



Ulli Seibel, CEO



Andreas Niedermaier, CFO



Klaus Englmaier, COO



ALZCHEM AG

TROSTBERG

INTERIM GROUP FINANCIAL REPORT AS OF SEPTEMBER 30, 2017

INTERIM GROUP MANAGEMENT REPORT

1. PRINCIPLES OF THE GROUP

1.1. BUSINESS MODEL

The companies of the AlzChem AG Group develop, produce and market chemical products of all kinds and provide services, also as a chemical park operator. AlzChem's **networked production structure** "der Verbund" creates a powerful value-added chain that can be used for basic products such as metallurgical additives or fertilizers, but also for special products for a variety of different markets.

AlzChem produces at four locations in the Bavarian Chemical Triangle and in Sundsvall, Sweden. Furthermore, AlzChem has sales companies in the strategically important US and Chinese markets.

As of December 31, 2016, AlzChem prepared segment reporting in accordance with IFRS 8 for the first time. IFRS 8 requires segmentation into operating segments in accordance with the internal organizational and reporting structure. Based on the internal reporting structure, AlzChem's business model was divided into the three operational reportable business segments "**Specialty Chemicals**", "**Basics & Intermediates**" and "**Other & Holding**" for fiscal year 2016. The previous year's figures were also determined according to these three segments.

The "Specialty Chemicals" segment focuses on the production and distribution of high-quality growth products that contain specialty chemicals such as **CreAMINO®**, **Creapure®**, **BioSelect®**, **Silzot®**, **DYHARD®** and **Dormex®**.

The "Basics & Intermediates" segment covers the production of basic and intermediate products. On the one hand, these can be marketed as independent products, for example in steelmaking, farming and in the automotive sector; on the other hand, these basic and intermediate products also serve as raw materials for the production of specialty chemicals.

The "Other & Holding" segment comprises all other activities that cannot be assigned to the other segments. The segment offers infrastructure and energy services at our sites for the two main segments and for external customers.

1.2. GROUP STRUCTURE

As of the balance sheet date of September 30, 2017, the following companies were included in the **scope of consolidation** of the AlzChem Group:

Company	Seat	Consolidation
AlzChem AG	Trostberg, Germany	Parent company
AlzChem International GmbH	Trostberg, Germany	Fully consolidated
AlzChem Stahltechnik GmbH	Trostberg, Germany	Fully consolidated
AlzChem Nutrition GmbH	Trostberg, Germany	Fully consolidated since July 2, 2015; operationally active since 2016.
Nigu Chemie GmbH	Waldkraiburg, Germany	Fully consolidated
AlzChem Shanghai Co. Ltd.	Shanghai, China	Fully consolidated
AlzChem LLC	Atlanta, USA	Fully consolidated
Dormex Company LLC	Atlanta, USA	Fully consolidated
Nordic Carbide AB Sundsvall, Sweden	Sundsvall, Sweden	Fully consolidated

2. ECONOMIC SITUATION AND BUSINESS DEVELOPMENT

2.1. BUSINESS & GENERAL CONDITIONS

The International Monetary Fund (IMF) expects **global** economic output to increase by 3.6% this year and by 3.7% next year. The global economy grew by 3.2% in 2016, the lowest increase since the financial crisis in 2008. Industrialized countries can thus grow by 2.2% (2017) and 2.0% (2018), slightly more than had been assumed in July 2017. Growth in developing and emerging countries is significantly higher at 4.6% (2017) and 4.9% (2018).¹

According to the IMF, the economy in the **eurozone** will grow by an average of 2.1% (2017) and 1.9% (2018).²

The **German economy** is experiencing a steady and broadly based upswing with a solid domestic foundation. Capacities are well utilized, employment continues to rise and consumer prices are stable. In its fall forecast, the German federal government expects the gross domestic product to rise by 2.0% after adjustments for the current year. An increase of 1.9% is expected for 2018.³

The production of the **chemical-pharmaceutical industry** has continuously increased in recent months. Cumulatively for the first eight months of 2017, the production of chemicals and pharmaceuticals is now 2.6% above the same period of the previous year.⁴

If we look exclusively at the **foreign trade** of the chemical industry, imports of chemical and pharmaceutical products in 2017 are about 8% above the previous year. Exports exceeded the previous year's level by 7.7%. Exports to Europe and the NAFTA region were particularly dynamic. Extremely strong import increases can be reported from Asia, Africa and Latin America.⁵

The global development of AlzChem's **end-user industries** varied in the first nine months of 2017. There were regional differences as well as different developments within the industries. Demand from the area of **nutrition** (feed and nutritional supplements) continued to show strong momentum and was able to seamlessly follow the pleasing trend of the previous year. The increase in capacity utilization in **crude steel production**⁶ largely translated into higher sales of metallurgical products.

The global **agricultural chemicals**⁷ market developed relatively heterogeneously. This was also reflected in AlzChem's business, so that the company perceived significant regional and product-related differences in this sector. Particularly in South America, gains were recorded in terms of direct marketing and the extension of the areas of application. Likewise, contrary to the general trend,⁸ stable quantities of specialty fertilizers were sold in the domestic market. In contrast, intermediate production developed in a much more subdued manner. Deliveries to the **pharmaceutical** industry were below the levels of the previous year, contrary to the macroeconomic trend.⁹

¹ <http://www.dw.com/de/iwf-weltwirtschaft-bleibt-auf-moderatem-wachstumskurs/a-40893103>

² <http://www.handelsblatt.com/politik/international/iwf-prognose-im-schatten-von-brexit-und-trump/20437140.html>

³ <https://www.bmwi.de/Redaktion/DE/Dossier/wirtschaftliche-entwicklung.html>

⁴ Chemie – Barometer VCI as of October 20, 2017

⁵ Chemie – Barometer VCI as of October 20, 2017

⁶ <http://www.stahl-online.de/index.php/statistiken/#konjunkturlage>

⁷ <http://www.chemanager-online.com/news-opinions/grafiken/agrarchemiemarkt-spuert-klimaeffekte>

⁸ <http://www.chemanager-online.com/news-opinions/grafiken/agrarchemiemarkt-spuert-klimaeffekte>

⁹ <https://www.vci.de/die-branche/wirtschaftliche-lage/vci-chemie-barometer-chemiekonjunktur.jsp>

2.2. BUSINESS DEVELOPMENT

2.2.1. Business development after nine months

Total revenue after the first nine months of 2017 increased by EUR 22,261 thousand (8.7%) to EUR 272,723 thousand compared to the first nine months of the previous year. With largely stable prices, the increase in sales was primarily achieved by increasing the volumes sold. Positive sales development was achieved across all three segments, whereby the absolute highest increase was achieved in the **Specialty Chemicals** segment.

EBITDA and EBIT also improved compared to the previous year, although this increase was disproportionately low compared to sales. At Group level, adjusted¹⁰ EBITDA increased by EUR 4,672 thousand (13.0%) to EUR 40,525 thousand and adjusted EBIT by EUR 3,893 thousand (14.8%) to EUR 30,218 thousand. The **Specialty Chemicals** segment was the largest absolute contributor to the increase in EBITDA and EBIT. The significant and sustained increases in raw material prices, in Q3 2017 in particular, increasingly burdened the Group's profitability.

Employee bonus for the successful IPO (IPO Bonus)

As of January 1, 2016, AlzChem AG concluded a new **investment and site development agreement**. This agreement calls for the AlzChem Group to grant a bonus to the employees of AlzChem AG and NIGU Chemie GmbH under this contract in the event that AlzChem AG concludes a successful IPO or is sold to a third party. Depending on the length of service, the bonus comprises a maximum of one month's salary and must be paid out in the month following the IPO or sale.

In the financial statements for the third quarter of the previous year, the expense and an associated provision, taking deferred taxes into account, were already fully taken into account in the estimated employee bonus. The amount due in the next twelve months was calculated by forecasting the number of employees in the company at the estimated date of the IPO, taking into account any potential salary changes up to that date. An amount of EUR 6,256 thousand, including deferred taxes of EUR 1,752 thousand, was recognized.

Key figure in EUR thousand	09/30/2016	Key figure in EUR thousand	09/30/2016
EBIT	20,069	EBITDA	29,597
IPO bonus	6,256	IPO bonus	6,256
Adjusted EBIT	26,325	Adjusted EBITDA	35,853

Scheduled depreciation at Group level increased by EUR 779 thousand (8.2%) to EUR 10,307 thousand compared to the nine-month figures for 2016. The continued negative financial result at Group level improved by EUR 1,895 thousand (50.1%) in 2017 to EUR -1,884 thousand compared to the same period in 2016. This improvement is mainly attributable to a lower interest rate component for pension provisions.

In summary, it can be said that AlzChem successfully asserted itself on the sales markets despite a continuously competitive market environment, significantly increased its sales overall, strengthened the market position of its established products and continuously expanded the positioning of its new products.

¹⁰ In a company agreement, a bonus was agreed for the employees of the AlzChem AG Group subject to this agreement in the event of a successful IPO. In the quarterly financial statements for Q3 2016, the expense for this bonus was calculated and an associated provision was made, taking deferred taxes into account. The provision amounted to EUR 6,256 thousand, including deferred taxes of EUR 1,752 thousand. For better comparability of the periods, therefore, adjusted EBITDA is used. **Adjusted EBITDA** = EBITDA excluding the employee bonus for a successful IPO (EUR 6,256 thousand) and the one-off project costs (EUR 2,278 thousand) for the IPO

The most important financial performance indicators developed as follows during the reporting period:

Figure	Calculation	12/31/2016	09/30/2017	Delta
Equity ratio in %	$\frac{\text{equity}}{\text{total assets}}$	20.3	21.2	+0.9% points
Inventory assets in EUR thousand	Absolute stock	64,052	62,787	-1,265

The operating performance in the first three quarters of 2017 was quite positive for the AlzChem AG Group.

The key profitability indicators of the AlzChem AG Group developed as follows:

Figure	Calculation	09/30/2016	09/30/2017	Delta
Adjusted EBITDA in EUR thousand	Earnings before interest, income taxes and depreciation	35,853	40,525	+4,672
Adjusted EBIT in EUR thousand	Earnings before interest and income taxes	26,325	30,218	+3,893
Adjusted EBITDA margin in %	$\frac{\text{EBITDA}}{\text{Sales revenues}}$	14.3	14.9	+0.6% -Punkte

2.2.2. Development of the segments

SEGMENT SPECIALTY CHEMICALS

KEY PERFORMANCE INDICATORS FOR THE SEGMENT

in EUR thousand	01 – 09/2016	01 – 09/2017	Delta
External sales	128,007	141,594	13,587
EBITDA	29,905	32,045	2,140
Depreciation	3,671	3,769	98
EBIT	26,234	28,276	2,042
Inventories	35,613	39,724	4,111

The sustained growth in the **Specialty Chemicals** segment continued with sales growth of +11%. Sales in the first nine months that ended on September 30, 2017, amounted to EUR 141,594 thousand.

The nutrition sector (food and nutritional supplements) with the brands **CreAMINO®** and **Creapure®** was the main source of growth. In addition, the positioning of the **Dormex®** brand was expanded even further. Shipments of Dyhard® to the wind energy sector¹¹ were slightly down on the previous year, although demand¹² clearly picked up, in the third quarter of 2017 in particular. AlzChem expects to be able to participate more in the expected positive market development with new solutions in the future.

As planned, inventories of **CreAMINO®** were increased. The expected market growth can therefore be accompanied longer from the existing production plant. A new production facility for **CreAMINO®** is scheduled to go into operation in 2019. A corresponding investment decision has already been made. The capacity for **CreAMINO®** production would then triple from about 7,000 tons annually to about 21,000 tons.

¹¹ <https://www.wind-energie.de/presse/pressemitteilungen/2017/ausbauzahlen-fuer-das-erste-halb-jahr-2017-deutschland-windenergie>

¹² http://windmonitor.iwes.fraunhofer.de/windmonitor_de/1_wind-im-strommix/1_energiewende-in-deutschland/5_Ausbau_der_Windenergie/

SEGMENT BASICS & INTERMEDIATES

KEY PERFORMANCE INDICATORS FOR THE SEGMENT

in EUR thousand	01 – 09/2016	01 – 09/2017	Delta
External sales	104,259	110,540	6,281
EBITDA	4,769	6,494	1,725
Depreciation	2,779	3,134	355
EBIT	1,990	3,360	1,370
Inventories	20,464	21,047	583

In the **Basics & Intermediates** segment, sales increased by 6.0% or EUR 6,281 thousand to EUR 110,540 thousand.

Despite sharply rising raw material prices, AlzChem achieved significant earnings growth. Above all, the expansion of the delivery volume in the **automotive** sector contributed significantly to the positive business development.

The metallurgical business largely followed the general market trend and also benefited from continued volume growth of the new product **CalciPro®**, albeit at a still low level.

AlzChem also generated growth in the **NITRALZ®** brand, whereby the optimized market position in Asia contributed significantly to this growth.

The slight increase in inventories in the segment reflected higher than planned sales.

SEGMENT OTHER & HOLDING

KEY PERFORMANCE INDICATORS FOR THE SEGMENT

in EUR thousand	01 – 09/2016	01 – 09/2017	Delta
External sales	18,207	20,632	2,425
EBITDA	489	-729	-1,218
Depreciation	2,996	3,312	316
EBIT	-2,507	-4,041	-1,534
Inventories	1,651	3,659	2,008

The volume of business from the chemical parks in Trostberg and Hart recorded a significant increase in sales of EUR 2,425 thousand (13.3%) to EUR 20,632 thousand. This was mainly due to the increased demand for the site services power generation, warehousing and logistics services as well as disposal services. The decline in EBITDA and EBIT compared to the prior year period is mainly due to one-time project costs prior to the planned contribution of AlzChem AG to Softmatic AG, which took place in October 2017.

The increase in segment inventories by EUR 2,008 thousand to EUR 3,659 thousand is due in part to a temporary increase in supplies.

2.2.3. Other important events

On February 7, 2017, AlzChem AG postponed its initial listing on the Regulated Market (Prime Standard) of the Frankfurt Stock Exchange scheduled for February 10, 2017. However, the original target of an initial listing for the company during the course of fiscal year 2017 was retained.

In April 2017, AlzChem AG was informed that its shareholders LIVIA Corporate Development SE, HDI Preminger GmbH, Edelweiss Holding GmbH and Mr. Jan Ulli Seibel were considering contributing the shares in the company as part of a combined capital increase against contributions in kind and cash into Softmatic AG. Softmatic AG is a listed company without operational activities, which would be activated by AlzChem's contribution.

The Management Board of AlzChem AG fully supported this endeavor. Both the shareholders of AlzChem AG and Softmatic AG approved of the activation of Softmatic AG at the respective general meetings by contributing AlzChem AG as part of a combined capital increase against contributions in kind and cash.

The transactions were entered in the commercial register on October 2, 2017. Furthermore, the Annual General Meeting of Softmatic AG held on August 4, 2017, approved various amendments to the Articles of Association that are required as part of the planned activation of the company and the associated **reorientation of business operations**. Essentially, the object of the company, the company (new: **AlzChem Group AG**) and the composition of the Supervisory Board were changed

The scope of consolidation of the **AlzChem Group AG Group** includes from October 2017 on:

Company	Seat	Consolidation
AlzChem Group AG	Norderstedt (in the future Trostberg), Germany	Parent company
AlzChem AG	Trostberg, Germany	Fully consolidated
AlzChem International GmbH	Trostberg, Germany	Fully consolidated
AlzChem Stahltechnik GmbH	Trostberg, Germany	Fully consolidated
AlzChem Nutrition GmbH	Trostberg, Germany	Fully consolidated since July 2, 2015; operationally active since 2016.
Nigu Chemie GmbH	Waldkraiburg, Germany	Fully consolidated
AlzChem Shanghai Co. Ltd.	Shanghai, China	Fully consolidated
AlzChem LLC	Atlanta, USA	Fully consolidated
Dormex Company LLC	Atlanta, USA	Fully consolidated
Nordic Carbide AB Sundsvall, Sweden	Sundsvall, Sweden	Fully consolidated

3. ASSETS, FINANCIAL AND EARNINGS POSITION

3.1. Asset position

in EUR thousand	12/31/2016	09/30/2017
ASSETS		
Intangible assets	807	822
Fixed assets	104,827	106,399
Non-current financial assets	20	20
Other receivables and assets	270	358
Deferred tax assets	28,361	25,704
Non-current assets	134,285	133,303
Inventories	64,052	62,787
Trade receivables	35,444	47,322
Current financial assets	0	36
Other receivables and assets	17,962	16,619
Tax assets	42	47
Cash and cash equivalents	12,089	12,742
Current assets	129,589	139,552
Assets	263,874	272,855
CAPITAL		
Equity	53,487	57,901
Non-current foreign capital	149,323	141,743
Current foreign capital	61,065	73,210
Total assets	263,874	272,855

The **Group equity ratio** has remained largely stable since December 31, 2016, (20.3%) at 21.2%. In the reporting period, this key figure was positively influenced by the strong operating performance and the decline in pension provisions due to the higher level of interest rates. Due to the distributed cash dividend in almost the same amount, this effect was counteracted.

Inventories amounted to EUR 62,787 thousand as of September 30, 2017, which is EUR 1,265 thousand (2.0%) lower than the year-end 2016 figure due to the high volumes, mainly within the Basics & Intermediates segment.

Trade receivables showed a strong increase compared to December 31, 2016. This was mainly due to the very strong increase in sales in 2017 in areas with payment terms of more than 45 days.

The decline in **deferred tax assets** mainly resulted from the interest-related decrease in pension provisions compared to December 31, 2016.

The reduction in **non-current foreign capital** is mainly due to the decrease in pension provisions and the scheduled repayment of loan liabilities.

Current foreign capital increased significantly by EUR 12,145 thousand (19.9%) to EUR 73,210 thousand. The main reason for this is the use of short-term financing lines in the amount of EUR 9,240 thousand, which were not available as of December 31, 2016.

3.2. Financial position

3.2.1. Investments

Investments totaling EUR 12,187 thousand were made in the first nine months of fiscal year 2017. As a result, investments were EUR 89 thousand below the prior-year period. Investments were made mainly in the areas of production and infrastructure. The investment objectives mainly included conservation, expansion, modernization and rationalization.

3.2.2. Liquidity

The change in **cash and cash equivalents** is as follows:

in EUR thousand	01 – 09/2016	01 – 09/2017
Cash and cash equivalents on January 1	10,273	12,089
Cash inflow from operating activities (Net cash flow)	28,312	24,602
Cash outflow from investing activities	-12,181	-12,124
Cash outflow from financing activities	-11,383	-11,737
Exchange rate-related changes in cash and cash equivalents	-47	-88
Cash and cash equivalents on September 30	14,973	12,742
Net decrease (-) / increase (+) in cash and cash equivalents	4,747	741

Cash and cash equivalents amounted to EUR 12,742 thousand compared to EUR 12,089 thousand on December 31, 2016.

The cash outflow from financing activities included a cash dividend of EUR 17,775 thousand, which was thus EUR 9,775 thousand higher than in the same period of the previous year. The repayments of non-current loans decreased by EUR 129 thousand. The utilization of current financing lines increased by EUR 9,240 thousand to EUR 9,240 thousand compared to the same period of the previous year.

3.3. Earnings position

3.3.1. Earnings position

The result for the first nine months of 2017 is calculated as follows:

in EUR thousand	01 – 09/2016	01 – 09/2017	Delta
Sales revenue	250,462	272,723	22,261
Changes in finished goods and work in progress	-2,261	-961	1,300
Other operating earnings	8,672	7,570	-1,102
Costs of materials	-95,007	-105,364	-10,357
Operating personnel expenses	-77,602	-81,823	-4,221
Employee bonus for the successful IPO	-6,256	0	6,256
Other operating expenses	-48,412	-53,898	-5,486
EBITDA	29,597	38,247	8,650
Depreciation	-9,528	-10,307	-779
EBIT	20,069	27,939	7,870
Other interest and similar earnings	274	434	160
Interest and similar expenses	-4,053	-2,318	1,735
Financial result	-3,779	-1,884	1,895
Result from ordinary business activities	16,290	26,055	9,765
Taxes on income and profit	-4,447	-7,048	-2,601
Consolidated result	11,843	19,008	7,165
Of which non-controlling shareholdings in the consolidated result	-57	168	225
Of which shareholdings of the shareholders of AlzChem AG in the consolidated result	11,900	18,840	6,940
Earnings per share in EUR (undiluted and diluted)¹³	1.08	1.71	0.63

¹³ based on 11,000,000 shares (The number of shares of AlzChem AG before contribution to AlzChem Group AG)

3.3.2. Operational earnings position

The operating result for 01 – 09/2016 (excluding the IPO bonus) is as follows compared to the nine-month period of the current fiscal year 2017:

in EUR thousand	01 – 09/2016	01 – 09/2017	Delta
Sales revenues	250,462	272,723	22,261
Changes in finished goods and work in progress	-2,261	-961	1,300
Other operating earnings	8,672	7,570	-1,102
Costs of materials	-95,007	-105,364	-10,357
Operating personnel expenses	-77,602	-81,823	-4,221
Other operating expenses ¹⁴	-48,412	-51,620	-3,208
Adjusted EBITDA	35,853	40,525	4,672
Depreciation	-9,528	-10,307	-779
Adjusted EBIT	26,325	30,218	3,893
Other interest and similar earnings	274	434	160
Interest and similar expenses	-4,053	-2,318	1,735
Financial result	-3,779	-1,884	1,895
Result from ordinary operating activities	22,546	28,334	5,788

3.3.3. Development of Key figures

Compared to the same period of the previous year, **sales** increased by EUR 22,261 thousand (8.9%) to EUR 272,723 thousand. The product groups **CreAMINO®** and the products of the brand **NITRALZ®** in particular contributed significantly and sustainably to the increase in sales. Despite a difficult market environment for European agriculture, the volumes of the fertilizer **Perlka®** sold could be increased in this market as well.

Other operating income decreased by EUR 1,102 thousand (12.7%) to EUR 7,570 thousand compared to the previous year. This was due in particular to lower income from currency translation of EUR 425 thousand and EUR 966 thousand lower income from the reversal of provisions and liabilities.

The **cost of materials** increased by EUR 10,357 thousand (10.9%) to EUR 105,364 thousand due to higher sales. The cost of materials ratio – the ratio of cost of materials to sales – increased by 0.7 percentage points to 38.6% after nine months (previous year: 37.7%). The rising raw material costs were the main reason for this development.

Operating¹⁵ **personnel expenses** increased in the nine-month period by EUR 4,221 thousand (5.4%) to EUR 81,823 thousand compared to the same period of the previous year. The wage increase at the German sites was 2.0%. Wages and salaries at foreign sites rose by between 2% and 7%. The personnel expense ratio as a ratio of operating personnel expenses to sales fell from 31.0% in the previous year to 30.0%. This includes an increase of 1.75% in the regular wage increase applicable at the German sites and an additional increase of 0.25% based on an EBIT margin of > 9.5% in fiscal year 2016.

On September 30, 2017, the AlzChem AG Group had a total of 1,523 **employees** and increased its headcount significantly compared to the previous year's reporting date (September 30, 2016: 1,490 employees). The buildup was essentially due to increasing production volumes.

¹⁴ Excluding project costs for the IPO in amount of EUR 2,278 thousand

¹⁵ Excluding the employee bonus for the successful IPO

Other operating expenses increased by EUR 3,208 thousand (6.6%) to EUR 51,620 thousand. There was a substantial increase in third-party services and maintenance expenses. On the one hand, this was due to the slight increase in the chemical park business, and on the other hand to the partly higher capacity utilization and correspondingly increased maintenance requirements. As a further consequence of the increased production volumes, external environmental and disposal costs also increased. Furthermore, project costs for the contribution of AlzChem AG to AlzChem Group AG are also reflected. These non-operating one-off costs amounted to EUR 2,278 thousand.

Research and development expenses included in other operating expenses are only external research and development costs. In total, research and development costs of EUR 6,869 thousand (previous year: EUR 6,379 thousand) were expensed in the period.

in EUR thousand	01 – 09/2016	01 – 09/2017	Delta
Research and development expenses	6,379	6,869	+490
In relation to sales	2.5%	2.5%	-% points

Scheduled **depreciation** for intangible assets and property, plant and equipment increased by EUR 779 thousand to EUR 10,307 thousand compared to the same period in 2016. The increase in the depreciation is attributable to the Group's extensive **investment activity** in previous years.

The financial result improved by EUR 1,895 thousand (50.1%) to EUR -1,884 thousand. For the most part, this was due to significantly lower interest on long-term provisions (mainly pension and landfill provisions) than in the prior-year period.

Tax expenses rose to EUR 7,048 thousand due to the nearly stable tax rate as a result of earnings.

The resulting **net profit for the year** (including the employee bonus for the successful IPO) improved significantly by EUR 7,165 thousand (60.5%) to EUR 19,008 thousand. The share of profit attributable to non-controlling interests increased due to the fact that 6% of the shares in AlzChem International GmbH were distributed to shareholders by way of a non-cash dividend and the earnings contribution of this Group company is now recognized proportionately in the result of non-controlling interests.

The increase in the consolidated annual result also led to an increase in **earnings per share** of EUR 0.63 to EUR 1.71 per share, based on a total of 11,000,000 shares in AlzChem AG as of the reporting date of September 30, 2017.

4. FORECAST, OPPORTUNITY AND RISK REPORT

4.1. Forecast report

Due to its own planning as well as external market analyses and estimates for the full year 2017, the Management Board of the AlzChem AG Group continues to expect a competitive, but fundamentally stable, **market environment**. No significant changes are expected with regard to the intensity and aggressiveness of competitors, especially from the Indian and Asian regions.

The Management Board of the AlzChem AG Group continues to expect **organic growth** in the **Specialty Chemicals** segment in 2017. The forecast for significantly higher sales in the management report as of December 31, 2016, still applies. Although shifts will occur within the segment, the targeted profitability targets will be met or exceeded. The volumes in the industrial chemicals business and the agricultural chemicals market remain under pressure, but can be more than offset by rising demand from the food and renewable energy sectors. The development of customer-specific specialty chemical solutions is also looking very positive.

Despite a continuing burden on the market environment¹⁶ in the steel industry, AlzChem expects a solid volume development and thus a slight increase in sales in the **Basics & Intermediates** segment. In particular, the new and innovative products such as CalciPro® and new developments in the Nitralz® range can have a compensatory effect in terms of the rise in raw material prices and the increasing price and quantity pressure of metallurgical applications.

For the chemical park business in the **Other & Holding** segment, AlzChem expects a slight increase in sales in 2017 as a whole. At the beginning of the year, AlzChem had anticipated a slight decline in sales.

Taking into account the anticipated segment developments, the Management Board confirms its full-year forecast for Group-level sales (slight to medium increase) communicated in the 2016 Group Management Report.

The Board of Management sticks to the forecast for the development of the key figures **EBITDA** and **EBIT** at Group level. At the segment level, **Specialty Chemicals** will continue to grow strongly in terms of EBITDA and EBIT. For **Basics & Intermediates**, a stable development of EBITDA and EBIT is expected, with clear signs of developments in the commodity markets.¹⁷ In the **Other & Holding** segment, the one-time costs for the contribution of AlzChem AG to AlzChem Group AG as well as the necessary technical reorganization measures put a strain on the result, so that the stable development of EBITDA and EBIT are no longer fully confirmed. The Management Board expects a slight decline in both key figures in this segment.

With regard to the key performance indicator **inventories**, the Management Board assumes that the absolute value will develop slightly below the forecast given in the 2016 annual financial statements.

The strong operating result and the increase in interest rates for the calculation of pension provisions led to a largely stable development of the equity ratio despite a high dividend, so that a slight increase in the equity ratio can still be expected.

In the Group Management Report as of December 31, 2016, the Management Board anticipated the possibility of a significant improvement in the **equity ratio** against the background of a successful IPO including a capital increase. Since the IPO was not carried out in its originally planned form, this situation has not materialized.

Nevertheless, in order to be able to support the growth, which is mainly due to the expansion of production capacities for **CreAMINO**® under the changed conditions, the company is already engaged in promising financing negotiations. Based on the planned form of financing, there will be an increase in the debt capital ratio in the Group.

Future-oriented statements are based, among other aspects, on unchanged regulatory framework conditions, such as the continuation of the Renewable Energy Sources Act (**EEG**), Section 19 (2) StromNEV, electricity price compensation or product approvals. It also contains forward-looking statements based on the management's current estimates and currently available information.

Such statements are subject to risks and uncertainties beyond AlzChem's ability to control or accurately estimate, such as the future market environment and economic conditions, the behavior of other market participants, the successful integration of acquisitions and realization of expected synergies, and governmental actions. Should any of these uncertainties or other uncertainties materialize, or should the assumptions on which these statements are based prove to be incorrect, the actual results could differ materially from those expressed or implied by such statements.

¹⁶ Media information: Steel industry welcomes new EU anti-dumping rules - practical test still pending (Economic Association Steel)

¹⁷ COKE & ANTHRACITE MARKET REPORT September 25, 2017

4.2. Opportunity and Risk Report

As an internationally operating Group with a broad product portfolio, the AlzChem AG Group is subject to numerous **opportunities** and **risks**. The individual opportunities and risks were defined in detail in the Risk and Opportunity Report of the Group Management Report as of December 31, 2016, and an assessment of the significance for the AlzChem AG Group was made. The risk situation of the AlzChem AG Group has changed marginally compared to the end of 2016 to some extent. Nevertheless, the current valuation continues to show that none of the reported risks threaten the existence of the company. Furthermore, there are still no signs of interdependencies that could threaten the survival of the company.

Due to the diversified **product portfolio**, the know-how and market expertise as well as the sustained innovative strength, the Management Board of the company is convinced that the opportunities arising from its entrepreneurial activities can be realized and the challenges arising from the risks mentioned in the 2016 Group Management Report successfully met.

5. IMPORTANT EVENTS AFTER THE BALANCE SHEET DATE

In September 2017, the shareholders of AlzChem AG contributed their shares in AlzChem AG to Softmatic AG by way of a contribution in kind in exchange for new shares (capital increase in kind).

At the Annual General Meeting of Softmatic AG on August 4, 2017, a cash capital increase was approved in addition to the capital increase in kind. The capital increase in kind and cash capital increases were carried out on September 26, 2017, while the entry in the commercial register was still pending on the balance sheet date of September 30, 2017, and took place on October 2, 2017.

At the Annual General Meeting on August 4, 2017, it was also resolved to change the Articles of Association and the name of Softmatic AG to **AlzChem Group AG**, which also became effective upon entry in the commercial register on October 2, 2017.

By way of the capital increase in kind, the share capital of Softmatic AG will be increased by EUR 100,323,339.00 from EUR 310,000.00 to EUR 100,633,339.00 in return for the contribution of all shares in AlzChem AG. As part of the cash capital increase, the share capital of the company will be increased by another EUR 1,130,016.00 to EUR 101,763,355.00. As part of the capital increases against contributions in kind and cash, a total of 101,453,355 new no-par-value shares with a pro rata amount of the share capital of EUR 1.00 per share and a full dividend right will be issued from January 1, 2017, on. The gross proceeds from the capital increase against cash contributions amounted to EUR 2,599,036.80.

The transaction will not become legally effective until it has been entered in the commercial register and will therefore only be accounted for as of the reporting date of October 2, 2017.

As of the reporting date of the capital increase in kind in the commercial register, in other words as of October 2, 2017, the members of the Management Board of AlzChem AG, Ulli Seibel, Andreas Niedermaier and Klaus Englmaier were also appointed members of the Management Board of AlzChem Group AG.

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENT

OF ALZCHEM AG, TROSTBERG, FOR THE PERIOD FROM JANUARY 1 TO SEPTEMBER 30, 2017

in EUR thousand	01/01 - 09/30/2016	01/01 - 09/30/2017
Sales revenue	250,462	272,723
Changes to the inventory of finished goods and work in progress	-2,261	-961
Other operating income	8,672	7,570
Costs of materials	-95,007	-105,364
Operative personnel expenses	-77,602	-81,823
Employee bonus for the successful IPO	-6,256	0
Other operating expenses	-48,412	-53,898
EBITDA	29,597	38,247
Depreciation	-9,528	-10,307
EBIT	20,069	27,939
Other interest and similar earnings	274	434
Interest and similar expenses	-4,053	-2,318
Financial result	-3,779	-1,884
Result from ordinary business activities	16,290	26,055
Income taxes	-4,447	-7,048
Consolidated result/net income	11,843	19,008
Of which non-controlling interests in the consolidated result	-57	168
Of which shares of shareholders in AlzChem AG in the consolidated result	11,900	18,840
Earnings per share in EUR (undiluted and diluted)	1.08	1.71

CONSOLIDATED INCOME STATEMENT

OF ALZCHEM AG, TROSTBERG, FOR THE PERIOD FROM JULY 1 TO SEPTEMBER 30, 2017

in EUR thousand	07/01/-09/30/2016	07/01/-09/30/2017
Sales revenue	76,969	89,909
Changes to the inventory of finished goods and work in progress	723	-2,498
Other operating income	2,974	2,336
Cost of materials	-30,284	-36,441
Operative personnel expenses	-24,753	-25,625
Employee bonus for the successful IPO	-6,256	0
Other operating expenses	-14,094	-17,358
EBITDA	5,278	10,322
Depreciation	-3,260	-3,483
EBIT	2,019	6,839
Other interest and similar earnings	57	119
Interest and similar expenses	-1,348	-962
Financial result	-1,291	-844
Result from ordinary business activities	727	5,996
Income taxes	-224	-1,635
Consolidated result/net income	504	4,360
Of which non-controlling interests in the consolidated result	-37	23
Of which shareholdings of shareholders in AlzChem AG in the consolidated result	541	4,337
Earnings per share in EUR (undiluted and diluted)	0.05	0.39

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

OF ALZCHEM AG, TROSTBERG, FOR THE PERIOD FROM JANUARY 1 TO SEPTEMBER 30, 2017

in EUR thousand	01/01 - 09/30/2016	01/01 - 09/30/2017
Consolidated result	11,843	19,008
Other earnings		
Items that are not reclassified to the income statement:		
Result from the revaluation of defined benefit plans	-25,464	5,667
Deferred taxes on items that are not reclassified to the income statement	7,133	-1,587
Total items that are not reclassified to the income statement	-18,331	4,080
Items that are reclassified to the income statement:		
Market valuation of derivatives in hedging relationships	0	0
Differences arising from currency translation	-153	-901
Deferred taxes on items that are reclassified to the income statement	0	0
Total items that are reclassified to the income statement	-153	-901
Other comprehensive income	-18,483	3,179
Of which non-controlling interests in other comprehensive income	-5	-16
Of which shareholdings of shareholders in AlzChem AG in other comprehensive income	-18,479	3,195
Total comprehensive income/loss	-6,640	22,187
Of which non-controlling interests in total comprehensive income/loss	-61	152
Of which shareholdings of shareholders of AlzChem AG in total comprehensive income/loss	-6,579	22,035

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

OF ALZCHEM AG, TROSTBERG, FOR THE PERIOD FROM JULY 1 TO SEPTEMBER 30, 2017

in EUR thousand	07/01/-09/30/2016	07/01/-09/30/2017
Consolidated result	504	4,360
Other earnings		
Items that are not reclassified to the income statement:		
Result from the revaluation of defined benefit plans	71	-29
Deferred taxes on items that are not reclassified to the income statement	-20	8
Total items that are not reclassified to the income statement	51	-21
Items that are reclassified to the income statement:		
Market valuation of derivatives in hedging relationships	0	0
Differences arising from currency translation	30	-287
Deferred taxes on items that are reclassified to the income statement	0	0
Total items that are reclassified to the income statement	30	-287
Other comprehensive income	81	-308
Of which non-controlling interests in other comprehensive income	-1	-3
Of which shareholdings of shareholders in AlzChem AG in other comprehensive income	82	-305
Total comprehensive income/loss	585	4,052
Of which non-controlling interests in total comprehensive income/loss	-38	20
Of which shareholdings of shareholders of AlzChem AG in total comprehensive income/loss	622	4,032

CONSOLIDATED BALANCE SHEET

OF ALZCHEM AG, TROSTBERG, AS OF SEPTEMBER 30, 2017

ASSETS

in EUR thousand	12/31/2016	09/30/2017
Non-current assets		
Intangible assets	807	822
Fixed assets	104,827	106,399
Financial assets	20	20
Other receivables and assets	270	358
Deferred tax claims	28,361	25,704
Total non-current assets	134,285	133,303
Current assets		
Inventories	64,052	62,787
Trade receivables	35,444	47,322
Financial assets	0	36
Other receivables and assets	17,962	16,619
Income tax claims	42	47
Cash and cash equivalents	12,089	12,742
Total current assets	129,589	139,552
Total Assets	263,874	272,855

EQUITY AND DEBT

in EUR thousand	12/31/2016	09/30/2017
EQUITY		
Capital and reserves		
Subscribed capital	11,000	11,000
Capital reserve	24,981	24,981
Other cumulative equity	-30,984	-27,788
Net profit	48,353	47,493
	53,350	55,687
Non-controlling interests	137	2,215
Total equity	53,487	57,901
DEBT		
Non-current debt		
Pension provisions and similar commitments	104,904	101,054
Other provisions	17,051	17,716
Loan liabilities to credit institutes	24,805	20,604
Financing lease liabilities	223	223
Other liabilities	0	10
Deferred tax liabilities	2,340	2,137
Total non-current debt	149,322	141,743
Total debt		
Other provisions	7,183	7,315
Loan liabilities to credit institutes	5,601	15,942
Financial liabilities	142	0
Accounts payable trade	21,701	22,449
Other liabilities	23,425	24,735
Income tax liabilities	3,011	2,769
Total other debt	61,065	73,210
Total debt	210,388	214,955
Total equity and debt	263,874	272,855

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

OF ALZCHEM AG, TROSTBERG FOR THE PERIOD FROM JANUARY 1 TO SEPTEMBER 30, 2017

in EUR thousand	Subscribed capital	Capital reserve
Status as of 01/01/2016	1,000	24,981
Capital increase from own equity	10,000	0
Dividend	0	0
Payment to non-controlling interests	0	0
Total transactions with shareholders	10,000	0
Consolidated result	0	0
Other result	0	0
Total consolidated result	0	0
Status as of 09/30/2016	11,000	24,981
Status as of 01/01/2017	11,000	24,981
Cash dividend	0	0
Non-cash dividend	0	0
Payment to non-controlling interests	0	0
Total transactions with shareholders	0	0
Consolidated result	0	0
Other result	0	0
Total consolidated result	0	0
Status as of 09/30/2017	11,000	24,981

Other cumulative equity	Net profit	Shareholdings of the shareholders in AlzChem AG	Non-controlling interests	Total equity
-20,152	51,075	56,904	200	57,104
0	-10,000	0	0	0
0	-8,000	-8,000	0	-8,000
0	0	0	-52	-52
0	-18,000	-8,000	-52	-8,052
0	11,900	11,900	-57	11,843
-18,479	0	-18,479	-5	-18,483
-18,479	11,900	-6,579	-61	-6,640
-38,631	44,975	42,325	87	42,412
-30,984	48,353	53,350	137	53,487
0	-17,775	-17,775	0	-17,775
0	-1,925	-1,925	1,925	0
0	0	0	0	0
0	-19,700	-19,700	1,925	-17,775
0	18,840	18,840	168	19,008
3,195	0	3,195	-16	3,179
3,195	18,840	22,035	152	22,187
-27,788	47,493	55,687	2,215	57,901

CONSOLIDATED CASH FLOW STATEMENT

OF ALZCHEM AG, TROSTBERG, FOR THE PERIOD FROM JANUARY 1 TO SEPTEMBER 30, 2017

in EUR thousand	01/01/-09/30/2016	01/01/-09/30/2017
Consolidated earnings before taxes	16,290	26,055
(+) Depreciation on fixed and intangible assets	9,528	10,307
Increase/decrease in pension provisions	-419	-471
Profit (-) from the sale of non-current assets	-11	-62
Addition employee bonus for the IPO	6,256	0
Other non-cash income (-) and expenses (+)	1,349	3,831
Financial result	3,779	1,884
Interest received	239	215
Interest paid	-605	-473
Income taxes paid	-3,982	-6,886
Decrease in inventories	2,519	61
Increase in account receivables	-7,111	-10,607
Decrease in liabilities arising from trade payables, other liabilities and other provisions	455	1,074
Increase in other balance sheet items	24	-326
Cash inflow from ongoing operations (Net cash flow)	28,312	24,602
Cash outflows for investments in fixed assets	-12,276	-12,187
Cash inflows from the sale of fixed assets	95	63
Cash outflow from investing activity	-12,181	-12,124
Free cash flow	16,130	12,478
Deposits/disbursements from short-term financing lines	0	9,240
Repayment of bank loans	-3,331	-3,202
Dividend payments	-8,000	-17,775
Dividend payments to non-controlling interests	-52	0
Cash outflow from financing activity	-11,383	-11,737
Net increase in cash and cash equivalents	4,747	741
Cash and cash equivalents at the beginning of the period (as of the reporting date of the previous year)	10,273	12,089
Changes due to changes in exchange rates	-47	-88
Cash and cash equivalents at the end of the period	14,973	12,742
Net increase in cash and cash equivalents	4,747	741

CONSOLIDATED CASH FLOW STATEMENT

OF ALZCHEM AG, TROSTBERG, FOR THE PERIOD FROM JULY 1 TO SEPTEMBER 30, 2017

in EUR thousand	07/01/-09/30/2016	07/01/-09/30/2017
Consolidated earnings before taxes	727	5,996
(+) Depreciation on fixed and intangible assets	3,260	3,483
Increase/decrease in pension provisions	-140	-158
Profit (-) from the sale of non-current assets	0	-2
Addition employee bonus for the IPO	6,256	0
Other non-cash income (-) and expenses (+)	611	-486
Financial result	1,291	844
Interest received	36	115
Interest paid	-105	-129
Income taxes paid	-1,519	-1,686
Increase in inventories	-2,143	6,050
Increase in trade payables and other payables	7,237	-3,544
Decrease in liabilities arising from trade payables, other liabilities and other provisions	-355	184
Increase in other balance sheet items	170	-87
Cash inflow from ongoing operations (Net cash flow)	15,326	10,579
Cash outflows for investments in fixed assets	-5,376	-4,691
Cash inflows from the sale of fixed assets	80	2
Cash outflow from investing activity	-5,296	-4,689
Free cash flow	10,030	5,890
Deposits/disbursements from short-term financing lines	-2,500	-4,795
Repayment of bank loans	-1,400	-402
Cash outflow from financing activity	-3,900	-5,197
Net increase in cash and cash equivalents	6,130	693
Cash and cash equivalents at the beginning of the period (as of the reporting date of the previous year)	8,855	12,070
Changes due to changes in exchange rates	-13	-21
Cash and cash equivalents at the end of the period	14,972	12,742
Net increase in cash and cash equivalents	6,130	693

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

I. SEGMENT REPORTING

Segment reporting by operative segments for the period from January 1 to September 30, 2017:

in EUR thousand	Specialty Chemicals	Basics & Intermediates	Other & Holding	Employee bonus for the successful IPO	Consolidation	Group
External sales	141,594	110,540	20,632	0	-43	272,723
EBITDA	32,045	6,494	-729	0	437	38,247
Depreciation	-3,769	-3,134	-3,312	0	-92	-10,307
EBIT	28,276	3,360	-4,041	0	345	27,940
Other interest and similar income						434
Interest and similar expenses						-2,318
Financial result						-1,884
Result of ordinary operating activities						26,055
Inventories as of 09/30/2017:	39,724	21,047	3,659	0	-1,643	62,787

Segment reporting by operative segments for the period from January 1 to September 30, 2016:

in EUR thousand	Specialty Chemicals	Basics & Intermediates	Other & Holding	Employee bonus for the successful IPO	Consolidation	Group
External sales	128,007	104,259	18,207	0	-11	250,462
EBITDA	29,905	4,769	489	-6,256	690	29,597
Depreciation	-3,671	-2,779	-2,996	0	-82	-9,528
EBIT	26,234	1,990	-2,507	-6,256	608	20,069
Other interest and similar income						
Interest and similar expenses						-4,053
Financial result						-3,779
Result of ordinary operating activities						16,290
Inventories as of 09/30/2016:	35,613	20,464	1,651	0	-1,119	56,610

Segment reporting by operative segments for the period from July 1 to September 30, 2017:

in EUR thousand	Specialty Chemicals	Basics & Intermediates	Other & Holding	Employee bonus for the successful IPO	Consoli- dation	Group
External sales	45,083	37,849	7,037	0	-60	89,909
EBITDA	9,094	1,740	149	0	-661	10,322
Depreciation	-1,273	-1,061	-1,119	0	-30	-3,483
EBIT	7,821	679	-970	0	-691	6,839
Other interest and similar income						119
Interest and similar expenses						-962
Financial result						-844
Result of ordinary operating activities						5,996

Segment reporting by operative segments for the period from July 1 to September 30, 2016:

in EUR thousand	Specialty Chemicals	Basics & Intermediates	Other & Holding	Employee bonus for the successful IPO	Consoli- dation	Group
External sales	35,732	35,473	5,786	0	-22	76,969
EBITDA	8,108	2,994	318	-6,256	114	5,278
Depreciation	-1,239	-961	-1,035	0	-25	-3,260
EBIT	6,869	2,033	-717	-6,256	90	2,019
Other interest and similar income						57
Interest and similar expenses						-1,348
Financial result						-1,291
Result of ordinary operating activities						727

Segment reporting by regions:

in EUR thousand	Domestic	Foreign	Group
External sales from 01/01 – 09/30/2017:	118,814	153,909	272,723
External sales from 07/01 – 09/30/2017:	42,030	47,879	89,909
External sales from 01/01 – 09/30/2016:	102,077	148,385	250,462
External sales from 07/01 – 09/30/2016:	34,742	42,227	76,969
Non-current assets as of 09/30/2017:	104,779	2,442	107,221
Non-current assets as of 09/30/2016:	100,378	2,599	102,977

II. PRELIMINARY REMARKS

The consolidated interim financial statements include AlzChem AG, a corporation under German law domiciled in Dr.-Albert-Frank-Str. 32, Trostberg, Germany, and its subsidiaries. The competent registry court is located in Traunstein. AlzChem AG is the parent company of the AlzChem Group and prepares these condensed IFRS interim consolidated financial statements as of September 30, 2017.

The companies of the AlzChem Group develop, produce and market chemical products of all kinds and provide services, as a chemical park operator, for example. The basic raw materials coal, lime and electricity are used in further production steps at the sites in Trostberg, Schalchen, Hart, Waldkraiburg and Sundsvall (Sweden) to produce highly versatile products with typical nitrogen-carbon-nitrogen compounds in very high quality. Furthermore, smaller sales units are located in Atlanta (USA) and Shanghai (China).

III. NOTES TO THE ACCOUNTING PRINCIPLES AND METHODS USED IN THE INTERIM FINANCIAL STATEMENTS

ACCOUNTING PRINCIPLES

The condensed consolidated interim financial statements of AlzChem AG as of September 30, 2017, have been prepared in accordance with the International Accounting Standards Board (IASB), London, in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU. The interpretations of the IFRS Interpretations Committee (formerly IFRIC and SIC) have been applied. Accordingly, these interim consolidated financial statements have been prepared in accordance with the requirements of IAS 34 "Interim Financial Reporting".

The interim consolidated financial statements are presented in euros (EUR), the functional currency of the parent company AlzChem AG. For reasons of clarity, the figures in the interim consolidated financial statements are stated in thousand euros (EUR thousand) unless stated otherwise. All values have been rounded up or down to EUR thousand in accordance with commercial rounding so that individual figures do not add up exactly to the stated sum.

The provisions of the International Financial Reporting Standards (IFRS) were applied which had to be applied by the balance sheet date of September 30, 2017. Early adoption of the standards was not required as of September 30, 2017.

The explanations in the Notes to the Consolidated Financial Statements for 2016 apply in particular with regard to the significant accounting policies. The interim consolidated financial statements are prepared on the premise of the going concern.

Starting with fiscal year 2017, the amendments to IAS 12 Income Taxes and IAS 7 Cash Flow Statements would have to be applied for the first time. However, the changes have not yet been adopted by the EU Commission and have thus not yet been applied in these interim consolidated financial statements. Further information on published but not yet applied standards, interpretations and changes, as well as details on the recognition and measurement of balance sheet items as well as discretionary decisions and estimation uncertainties can be found in the chapter "Accounting principles" of the Notes to the Consolidated Financial Statements as of December 31, 2016.

SCOPE OF CONSOLIDATION

In the reporting period, a dividend in kind of 6% of the shares in AlzChem International GmbH was distributed to the shareholders of AlzChem AG. As a result of the dividend in kind, the ownership interest of AlzChem AG in AlzChem International GmbH fell to 94%. Furthermore, there were no changes in the scope of consolidation.

IV. NOTES TO THE INCOME STATEMENT

1. OTHER OPERATING INCOME

in EUR thousand	01/01/-09/30/2016	01/01/-09/30/2017
Own work capitalized	3,697	3,744
Income from currency conversion	1,691	1,164
Income from services to third parties	642	589
Income from the reversal of provisions and liabilities	1,665	700
Income from subsidies	159	318
Income from energy tax refunds	81	80
Other income	737	975
	8,672	7,570

Other miscellaneous income includes EUR 179 thousand (previous year: EUR 77 thousand) in income from positive changes in value of derivative currency hedges that were not recognized in other comprehensive income as part of hedge accounting.

2. OTHER OPERATING EXPENSES

in EUR thousand	01/01/-09/30/2016	01/01/-09/30/2017
Cost of sales	11,843	11,538
Other third-party services	7,426	8,045
Maintenance	5,519	6,937
Environmental/disposal costs	4,663	5,407
Consulting, research and development costs	2,557	2,919
Expenses from currency translation	3,030	3,235
Insurance	1,652	1,734
Other fees and costs	1,244	1,354
IT costs	1,489	1,623
Rent, lease and leasing	1,239	1,559
Other taxes	1,086	1,325
Travel expenses	831	798
Marketing	826	936
Auditing expenses	706	1,206
Other expenses	4,301	5,282
	48,412	53,898

Other expenses include EUR 0 thousand (previous year: EUR 704 thousand) in expenses for negative changes in value of

derivative currency hedges that were not recognized in other comprehensive income as part of hedge accounting.

3. FINANCIAL RESULT

The financial result for the reporting period includes interest expense from the addition to pension provisions in the amount of EUR 1,373 thousand (previous year: EUR 1,619 thousand).

V. NOTES TO THE BALANCE SHEET

1. EQUITY

The share capital of AlzChem AG, Trostberg, amounts to EUR 11,000 thousand (December 31, 2016: EUR 11,000 thousand) as of the reporting date and is divided into 11,000,000 (December 31, 2016: 11,000,000) bearer shares with a notional par value of EUR 1.00 each.

In the reporting period, a dividend of EUR 19,122 thousand (previous year: EUR 8,000 thousand) was distributed to the shareholders of AlzChem AG. The dividend in the current fiscal year was distributed in the amount of EUR 17,775 thousand as a cash dividend and a non-cash dividend. The non-cash dividend consisted of 6% of the shares in AlzChem International GmbH. As a result of the non-controlling interests that have now been granted, the items of equity of AlzChem International GmbH previously reported under controlling interests were reclassified pro rata to non-controlling interests in the amount of EUR 1,925 thousand.

2. PENSION PROVISIONS AND SIMILAR OBLIGATIONS

Provisions for pensions and similar obligations decreased by EUR 3,851 thousand to EUR 101,054 thousand as of September 30, 2017, compared to December 31, 2016. The decrease includes an amount of EUR 5,667 thousand, which was recognized directly in equity in other comprehensive income. The reason for the decrease in the provision for pensions is the increase in the discount rate from 1.75% as of December 31, 2016, to 2.00% as of September 30, 2017. The associated deferred tax assets, the change of which was also recognized in other comprehensive income, decreased from EUR 1,587 thousand to EUR 11,120 thousand as of September 30, 2017.

3. FINANCIAL ASSETS AND LIABILITIES

The fair value of a financial instrument is the amount for which an asset is exchanged, or a liability is settled, between knowledgeable, willing parties in an arm's length transaction. The following table presents the carrying amounts and fair values of financial assets per measurement category in accordance with IAS 39:

in EUR thousand	At amortized costs		At fair value		Total amount	
	Assets available for sale	Loans and receivables	Assets held for trading purposes	Derivates in hedge accounting	Carrying amount	Fair value
Balance sheet item	Carrying amount	Carrying amount	Carrying amount	Carrying amount	Carrying amount	Fair value
12/31/2016						
Financial assets	20	-	-	-	20	20
Other receivables and assets	-	15,798	-	-	15,798	15,798
Trade receivables	-	35,444	-	-	35,444	35,444
Cash and cash equivalents	-	12,089	-	-	12,089	12,089
Total financial assets	20	63,331	-	-	63,351	63,351
09/30/2017						
Financial assets	20	-	36	-	56	56
Other receivables and assets	-	14,459	-	-	14,459	14,459
Trade receivables	-	47,322	-	-	47,322	47,322
Cash and cash equivalents	-	12,742	-	-	12,742	12,742
Total financial assets	20	74,523	36	-	74,579	74,579

The following table presents the carrying amounts and fair values of financial liabilities per measurement category in accordance with IAS 39:

in EUR thousand	At amortized costs		At fair value		Total amount	
	Other liabilities		Liabilities held for trading purposes	Valuation according to IAS 17		
	Carrying amount		Carrying amount	Carrying amount	Carrying amount	Fair value
12/31/2016						
Loan liabilities to credit institutes	30,406		-	-	30,406	32,299
Liabilities from finance leasing	-		-	223	223	266
Trade liabilities	21,701		-	-	21,701	21,701
Financial liabilities	-		142	-	142	142
Other liabilities	5,795		-	-	5,795	5,795
Total financial liabilities	57,902		142	223	58,267	60,203
09/30/2017						
Loan liabilities to credit institutes	36,546		-	-	36,546	37,930
Liabilities from finance leasing	-		-	223	223	265
Trade liabilities	22,449		-	-	22,449	22,449
Financial liabilities	-		-	-	-	-
Other liabilities	7,518		-	-	7,518	7,518
Total financial liabilities	66,513		-	223	66,736	68,162

The fair values of the financial instruments were determined on the basis of the market information available on the balance sheet date and using the methods and premises described below.

Due to the short-term maturities of trade receivables, other financial assets in the category loans and receivables and cash and cash equivalents, it is assumed that the fair values correspond approximately to the book values.

The balance sheet items trade accounts payable and other liabilities generally include liabilities with regularly short maturities, so that, as assumed, the fair values approximately correspond to the carrying amounts shown.

The fair values of the derivative financial instruments in the balance sheet items financial liabilities were calculated using present value and option price models. The relevant market prices and interest rates, which were obtained from recognized external sources, were used as input parameters for these models to the extent possible. This approach corresponds to level 2 in the hierarchy level of IFRS 13.

Loan liabilities to banks and finance lease liabilities include current and non-current financial liabilities. The fair values of liabilities with residual terms of more than one year are calculated by discounting the cash flows associated with the liabilities, taking into account the current interest rate parameters observable on the market. The individual credit ratings of the Group are taken into account in the form of customary creditworthiness and liquidity spreads in the present value determination. This approach corresponds to level 2 in the hierarchy level of IFRS 13.

The following table shows the assets and liabilities recognized at fair value during the reporting period and their allocation to the valuation hierarchy in accordance with IFRS 13:

12/31/2016

in EUR thousand	Level 2	Total
ASSETS		
Financial assets held for trading purposes		
Forward exchange transactions	0	0
Derivatives in hedge accounting		
Forward exchange transactions	0	0
Total assets	0	0
LIABILITIES		
Financial liabilities held for trading purposes		
Forward exchange transactions	142	142
Derivatives in hedge accounting		
Forward exchange transactions	0	0
Total liabilities	142	142

09/30/2017

in EUR thousand	Level 2	Total
ASSETS		
Financial assets held for trading purposes		
Forward exchange transactions	36	36
Derivatives in hedge accounting		
Forward exchange transactions	0	0
Total assets	36	36
LIABILITIES		
Financial liabilities held for trading purposes		
Forward exchange transactions	0	0
Derivatives in hedge accounting		
Forward exchange transactions	0	0
Total liabilities	0	0

There were no reclassifications between the individual fair value hierarchies during the reporting period.

Derivatives

As of the balance sheet date of September 30, 2017, foreign currency derivatives existed to hedge future sales in JPY with a total nominal volume of EUR 938 thousand (December 31, 2016: EUR 3,751 thousand).

The requirements for hedge accounting were not met during the reporting period. Changes in the fair value of open forward foreign exchange contracts were recognized in profit or loss through the income statement.

VI. OTHER EXPLANATORY NOTES

1. NOTES TO THE SEGMENT REPORTING

The presentation of the key figures in the segment reporting follows the internal management reporting.

One customer (one customer in the previous year's reporting period) contributed at least 10% of total Group sales in the reporting period. This customer's revenue is as follows and is included in the Specialty Chemicals, Basic & Intermediates and Other & Holding segments:

in EUR thousand	01/01/-09/30/2016	01/01/-09/30/2017
Customer	31,262	44,254
	31,262	44,254

2. RELATED PARTY DISCLOSURES

Related persons include key persons in the AlzChem Group. These are the member of the Management Board of AlzChem AG.

The companies controlled by the major shareholders LIVIA Corporate Development SE, HDI Preminger GmbH and Edelweiss Holding GmbH (all Munich) and their shareholders or legal representatives are regarded as related parties of the AlzChem Group.

AlzChem AG was preparing for an IPO up until February 2017 that did not take place in the planned structure, however. The shareholders of AlzChem AG had committed themselves to bear the costs incurred by the preparation of the IPO, but were not directly attributable to the company's planned capital increase. The receivable from this as of December 31, 2016, amounted to EUR 1,024 thousand and was settled in the current fiscal year. The accrued receivable of EUR 1,829 thousand as of the balance sheet date was offset against the dividend payment.

In September 2017, the shareholders of AlzChem AG contributed their shares in AlzChem AG to Softmatic AG due to a contribution in kind in exchange for new shares. The entry in the commercial register was still pending on the balance sheet date of September 30, 2017. Softmatic AG is a listed company and was without any operational activity until the day of the contribution. AlzChem shareholder LIVIA Corporate Development SE already held a 72.40% stake in Softmatic AG prior to the transaction, which is why Softmatic AG was one of the related companies of AlzChem AG during the reporting period. In addition to the capital increase in kind, all shareholders of Softmatic AG, with the exception of LIVIA Corporate Development SE, were granted the right to receive a number of new shares corresponding to their stake in Softmatic AG in return for a cash contribution corresponding to the contribution in kind. In a cooperation agreement, AlzChem AG has undertaken to bear all costs in connection with the capital increase in kind and the cash capital increase, as well as the listing of all shares in the company. If the costs were incurred by Softmatic AG, they will be charged to AlzChem AG. In the reporting period, a total of EUR 300 thousand was recognized as an expense in AlzChem AG. As of the balance sheet date, there are no receivables or liabilities to Softmatic AG.

3. SEASONAL INFLUENCES

AlzChem Group's business is partly subject to seasonal influences. In particular, the delivery cycles for agrochemical products lead to a slight increase in sales and therefore EBITDA in the first half of a fiscal year compared to the second half of the year.

4. EVENTS AFTER THE BALANCE SHEET DATE

In September 2017, the shareholders of AlzChem AG contributed their shares in AlzChem AG to Softmatic AG by way of a contribution in kind against granting of new shares (capital increase in kind).

At the Annual General Meeting of Softmatic AG on August 4, 2017, a cash capital increase was approved in addition to the capital increase in kind. The capital increase in kind and cash capital increases were carried out on September 26, 2017, while the entry in the commercial register was still pending on the balance sheet date of September 30, 2017, and took place on October 2, 2017.

By way of the capital increase in kind, the share capital of Softmatic AG will be increased by EUR 100,323,339.00 from EUR 310,000.00 to EUR 100,633,339.00 in return for the contribution of all shares in AlzChem AG. As part of the cash capital increase, the share capital of the company will be increased by another EUR 1,130,016.00 to EUR 101,763,355.00. As part of the capital increases against non-cash and cash contributions, a total of 101,453,355 new no-par-value shares with a pro rata amount of the share capital of EUR 1.00 per no-par-value share and full profit participation rights will be issued from January 1, 2017. The gross issue proceeds from the capital increase against cash contributions amount to EUR 2,599,036.80.

The transaction does not become legally effective until it has been entered in the commercial register and consequently only recognized from that date on. The requirements for accounting for the transaction in accordance with IFRS mean that the balance sheet values from the consolidated financial statements of AlzChem AG are to be updated and supplemented by the balance sheet items of Softmatic AG.

Trostberg, October 31, 2017

AlzChem AG

The Management Board



Ulli Seibel, CEO



Andreas Niedermaier, CFO



Klaus Englmaier, COO

RESPONSIBILITY STATEMENT

We assure to the best of our knowledge that the consolidated interim financial statements in accordance with the applicable accounting principles for interim financial reporting give a true and fair view of the Group's net assets, financial position and earnings position, and that the course of business, including the business results and the position of the Group, are presented in the Interim Group Management Report such that they accurately describe the actual situation and the main opportunities and risks of the expected development of the Group in the remaining fiscal year.

Trostberg, October 31, 2017

AlzChem AG



Ulli Seibel, CEO



Andreas Niedermaier, CFO



Klaus Englmaier, COO

SOFTMATIC AG

NORDERSTEDT (since October 2, 2017 AlzChem Group AG)

IFRS CONSOLIDATED FINANCIAL STATEMENTS AS OF SEPTEMBER 30, 2017, ASSUMING FULL EXECUTION OF THE CAPITAL INCREASES

In September 2017, the shareholders of AlzChem AG contributed their shares in AlzChem AG to Softmatic AG by way of a contribution in kind.

At the Annual General Meeting of Softmatic AG held on August 4, 2017, a cash capital increase was approved in addition to the capital increase in kind. The capital increase in kind and cash capital increases were carried out on September 26, 2017, while the entry in the commercial register was still pending on the balance sheet date of September 30, 2017, and took effect on October 2, 2017.

By way of the capital increase in kind, the share capital of Softmatic AG is being increased by EUR 100,323,339.00 from EUR 310,000.00 to EUR 100,633,339.00 in return for the contribution of all shares in AlzChem AG. As part of the cash capital increase, the share capital of the company is being increased by another EUR 1,130,016.00 to EUR 101,763,355.00. As part of the capital increases against contributions in kind and cash, a total of 101,453,355 new no-par-value shares with a pro rata amount of the share capital of EUR 1.00 per share and a full dividend right are being issued from January 1, 2017, on. The gross issue proceeds from the capital increase against cash contributions amount to EUR 2,599,036.80.

The transaction will not become legally effective until it has been entered in the commercial register and consequently only be recognized from that date on. To better understand the effects of the transaction on the assets, financial position and earnings position of AlzChem AG, we present below the IFRS consolidated balance sheet of AlzChem AG based on the assumption that the transaction was already legally executed and included all cash flows on September 30, 2017, The following accounting rules were applied:

Basically, the contribution of AlzChem AG by way of a capital increase in kind to Softmatic AG is a company acquisition in accordance with the regulations of IFRS 3 Business Combinations. In this particular case, it is a reverse acquisition because the former shareholders of AlzChem AG also exercise control over the new Group after the capital increase in kind. Furthermore, Softmatic AG does not constitute a business operation in accordance with IFRS 3. As a result, the application of IFRS 3 is generally ruled out, however, with certain exceptions, the rules for mapping an inverse business combination must be applied accordingly.

Due to the capital increase in kind, Softmatic AG is obliged to publish consolidated financial statements. Nevertheless, assuming that the capital increase in kind and the cash capital increase have already been fully executed, the IFRS consolidated financial statements of Softmatic AG as of September 30, 2017, constitute a continuation of the consolidated financial statements of AlzChem AG in this special constellation:

- The assets and liabilities of AlzChem AG are to be carried at their book value in accordance with IFRS as of September 30, 2017, in the new Group.
- The assets and liabilities of Softmatic AG are to be included in the new Group at their fair value as of September 30, 2017, in accordance with IFRS.
- All equity components initially correspond to the Group equity of AlzChem AG as of September 30, 2017.
- The subscribed capital is to be replaced by the subscribed capital of Softmatic AG (legal parent company) and amounts to EUR 101,763 thousand. The difference from the adjustment of the subscribed capital of AlzChem AG to that of Softmatic AG is to be deducted as an adjustment amount from the capital reserve of the new Group without affecting income. The adjustment will be made in the item "Capital reserve adjustment items from reverse acquisition".
- The consideration for the reverse acquisition of Softmatic AG is determined in accordance with the regulations of IFRS 2 Share-based Payment and deducted from the capital reserve of the new group without affecting income. The adjustment is to be made in the item "Capital reserve adjustment items from reverse acquisition".
- The difference in consideration for the reverse acquisition of Softmatic AG and the net assets (total assets less total debt) of Softmatic AG as part of the reverse business combination are to be recognized in profit or loss. Goodwill under IFRS 3 does not arise.
- Transaction costs in connection with the execution of the capital increases in accordance with the criteria of IAS 32.37 are to be deducted from the capital reserve of the new Group, taking deferred taxes into account. The adjustment is to be made in the item "Capital reserve adjustment items from reverse acquisition".

The consolidated financial information of Softmatic AG as of September 30, 2017, according to IFRS, assuming that the capital increase in kind and cash capital increase have already been executed, is based on the explanations given above and is supplemented by the following adjustments:

- The inflow from the cash capital increase in the amount of EUR 2,599 thousand increases the cash and cash equivalents on the assets side and accordingly the subscribed capital by EUR 1,130 thousand and the capital reserve by EUR 1,469 thousand on the liability side.

ASSETS

in EUR thousand	09/30/2017
Non-current assets	
Intangible assets	822
Fixed assets	106,399
Financial assets	20
Other claims and assets	358
Deferred tax assets	25,704
Total non-current assets	133,303
Current assets	
Inventories	62,787
Trade receivables	47,322
Financial assets	36
Other receivables and assets	16,644
Income tax claims	47
Cash and cash equivalents	15,365
Total current assets	142,200
Total ASSETS	275,503

EQUITY AND DEBT

in EUR thousand	09/30/2017
EQUITY	
Capital and reserves	
Subscribed capital	101,763
Capital reserve adjustment items from reverse acquisition	-89,629
Capital reserve	26,450
Other cumulative equity	-27,788
Net profit	47,202
	57,998
Non-controlling interests	2,215
Total equity	60,213
DEBT	
Non-current debt	
Pension provisions and similar commitments	101,054
Other provisions	17,716
Loan liabilities to credit institutes	20,604
Finance lease liabilities	223
Other liabilities	10
Deferred tax debt	2,137
Total non-current debt	141,743
Current debt	
Other provisions	7,315
Loan liabilities to credit institutes	15,942
Trade liabilities	22,710
Other liabilities	24,810
Income tax liabilities	2,769
Total current debt	73,546
Total debt	215,290
Total EQUITY and DEBT	275,503

LIST OF ABBREVIATIONS

AB	Aktiebolag
€/EUR	Euro
AG	Aktiengesellschaft
CNY	Renminbi Yuan
DBO	Defined Benefit Obligation
EBIT	Earnings before interest and taxes
EBITDA	Earnings before interest, taxes, depreciation and amortization
EFRAG	European Financial Reporting Advisory Group
EU	European Union
GmbH	Gesellschaft mit beschränkter Haftung
HGB	Handelsgesetzbuch
IAS	International Accounting Standard
IASB	International Accounting Standards Board
IFRIC	International Financial Reporting Interpretations Committee
IFRS	International Financial Reporting Standards
IPO	Initial Public Offering
JPY	Yen
LLC	Limited Liability Company
Ltd.	Limited
Mio.	Millions
Nr.	Number
OCI	Other Comprehensive Income
p. a.	per anno
S.à.r.l.	société à responsabilité limitée
SEK	Swedish crown
SIC	Standing Interpretations Committee
USA	United States of America (Vereinigte Staaten von Amerika)
USD	United States Dollar

IMPRINT

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FINANCIAL CALENDAR 2017/2018

December 31, 2017	End of fiscal year
March 2018	Full Year 2017 Report and analyst conference
May 2018	Q1 Financial Report 2018
May 2018	Annual General Meeting 2018
September 2018	Half Year Report 2018
November 2018	Q3 Financial Report 2018

REMARKS

This report may contain forward-looking statements based on current assumptions and forecasts made by the management of AlzChem AG / AlzChem Group AG. Such statements are subject to risks and uncertainties. These and other factors may cause actual results, financial position, development or performance of the Company to differ materially from the estimates made here. The company assumes no liability whatsoever to update such forward-looking statements or to conform them to future events or developments.

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