ALTANA

Annual Report 2014

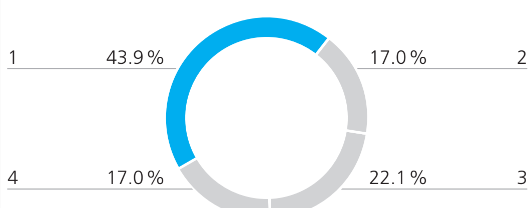
Group Profile 2014

ALTANA's divisions

ALTANA

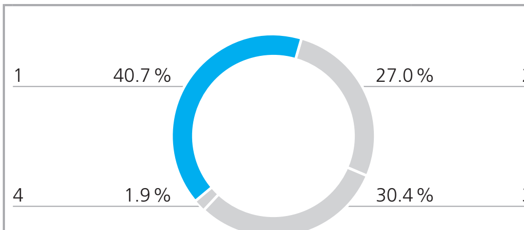
BYK Additives & Instruments | ECKART Effect Pigments | ELANTAS Electrical Insulation | ACTEGA Coatings & Sealants

Sales by division



in € million	**2014**
1 BYK Additives & Instruments	856.7
2 ECKART Effect Pigments	332.2
3 ELANTAS Electrical Insulation	431.2
4 ACTEGA Coatings & Sealants	332.1
Total	**1,952.3**

Sales by region



in € million	**2014**
1 Europe	795.1
2 Americas	527.1
3 Asia	593.0
4 Other regions	37.0
Total	**1,952.3**

Key figures at a glance

in € million	**2014**	2013	Δ %
Sales	1,952.3	1,765.4	11
Earnings before interest, taxes, depreciation and amortization (EBITDA)	397.4	335.7	18
EBITDA margin	*20.4 %*	*19.0 %*	
Operating income (EBIT)	267.7	229.1	17
EBIT margin	*13.7 %*	*13.0 %*	
Earnings before taxes (EBT)	251.8	212.6	18
EBT margin	*12.9 %*	*12.0 %*	
Net income (EAT)	179.2	151.6	18
EAT margin	*9.2 %*	*8.6 %*	
Research and development expenses	113.9	109.4	4
Capital expenditure on intangible assets and property, plant and equipment	90.4	94.3	-4
Cash flow from operating activities	298.2	258.8	15
Return on capital employed (ROCE)	*10.3 %*	*9.9 %*	
ALTANA Value Added (AVA)	51.9	38.7	34

in € million	**Dec. 31, 2014**	Dec. 31, 2013	Δ %
Total assets	2,756.2	2,546.0	8
Shareholders' equity	1,745.5	1,565.6	11
Net debt[1]	(280.1)	(303.6)	N/A
Headcount	6,064	5,741	6

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

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

Table of Contents

Dear Ladies and Gentlemen,

Sometimes it takes only a little to achieve more. This is an apt description of the effect of our specialty chemical solutions, which benefit our customers in their markets. What is decisive is the right dose. With a well-dosed mixture of continuity and change, the ALTANA Group continued on its successful path in 2014.

In doing so, we stuck to our proven formula: a focus on true specialty chemicals and sustainable value growth, leading positions in all of our target markets, trailblazing innovations, customer and market proximity worldwide, and a healthy combination of organic and inorganic growth.

An important driver of our dynamic growth in 2014 was the successful integration of the rheology activities we acquired from Rockwood into the BYK division. We managed to combine the sales strength and expertise of both organizations exceptionally well. In addition, ALTANA achieved worldwide growth through its own efforts. In all regions, we generated increasing sales volumes.

To be able to exploit growth opportunities in our global target markets even better in the future, we consistently push forward the regionalization of our business. In Asia, we invested significant amounts in new or expanded sites in 2014. ACTEGA's new research building for coatings and sealants in Foshan opened according to plan. At the world's largest wire enamels production facility in Tongling, the ELANTAS division increased capacities by another 40 percent. By purchasing an attractive piece of property in Shanghai, BYK laid the foundations for future growth in China. At its U.S. site in Wallingford, the division opened a significantly expanded plant in June 2014. As a result, it more than doubled its production capacity for additives in this important market. And with ACTEGA's acquisition of two Brazilian companies in the overprint varnishes and printing ink industry, we substantially strengthened our presence in South America's largest market and welcomed more than 200 additional employees.

The extended ALTANA Management Board (from left to right):
Dr. Christoph Schlünken, **Dr. Matthias L. Wolfgruber** (Chairman), **Martin Babilas**

"WITH A WELL-DOSED MIXTURE OF CONTINUITY AND CHANGE, THE ALTANA GROUP CONTINUED ON ITS SUCCESSFUL PATH IN 2014."

To accommodate the increasing scale of ALTANA, we made organizational adjustments in all of our divisions. Thanks to the realignment of research and development at BYK, for example, the most creative and experienced employees now have more freedom to develop new products. Today, more than 1,000 researchers and developers work in the ALTANA Group. By allocating around six percent of our sales for R&D, in 2014, we invested a disproportionately high amount in this area again. And by increasing our Management Board from two to three members, we took an important step toward ensuring that we can remain true to our aspirations in the future – to be leading in everything we do.

To this end, we also embarked on completely new paths in 2014. Our investment in Landa Digital Printing agreed upon in the summer gives us the opportunity to help shape the future of digital printing. With Landa, we have found a partner that sees eye to eye with us, sharing our understanding of innovation.

Innovation means changing perspectives, seeing something that is not recognizable at first glance but that then provides the decisive impetus. Our cooperation with Landa is a perfect example. And it is representative of our daily collaboration with a number of partners who enrich our own innovative ability.

As a true specialty chemicals company that thrives on innovation, we consistently integrate outside know-how into our innovation processes. Naturally, our customers play a special role. We work closely with them on various solutions to meet their individual challenges. But we have also entered into cooperation with customers of our customers, with technology leaders in entirely different industries and with renowned universities, which not only pays off for both sides, but above all for our customers.

In the magazine section of this annual report, we discuss a few of these cooperative ventures. At this juncture, we would like to thank our partners not only for their trusting and in many cases long-lasting excellent cooperation, but also for their willingness to be included in this annual report with texts and pictures.

"Knowledge is the only resource that grows when you share it." That's how one of our partners described his understanding of cooperation. And we agree wholeheartedly. For here too sometimes it takes only a little to achieve more. Openness and trust are the best prerequisites for future innovations and superior performance. Our employees play a key role, because they live out these values in their daily work. They make ALTANA strong. With them, we are ideally positioned to continue to grow profitably and sustainably.

We thank all of our employees for their contribution to the success and development of ALTANA in 2014. Thanks also go to the members of the Supervisory Board for their constructive backing, their support, and their trust in the work of ALTANA.

Dr. Matthias L. Wolfgruber **Martin Babilas** **Dr. Christoph Schlünken**

The Management Board

Dr. Matthias L. Wolfgruber
Chairman

Responsibility:
– Corporate Development / M & A
– Human Resources
– Innovation Management
– Corporate Communications
– Internal Audit

Martin Babilas

Responsibility:
– ELANTAS Electrical Insulation Division
– ACTEGA Coatings & Sealants Division
– Controlling
– Accounting
– Corporate Finance / Treasury
– Tax
– Information Technology
– Legal
– Compliance

Dr. Christoph Schlünken

Responsibility:
– BYK Additives & Instruments Division
– ECKART Effect Pigments Division
– Key Account Management
– ALTANA Excellence
– Environment & Safety
– Procurement

The Executive Management Team

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

(in alphabetical order)

Jörg Bauer
Vice President Human Resources

Dr. Guido Forstbach
President Division ELANTAS Electrical Insulation

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

Dr. Roland Peter
President Division ACTEGA Coatings & Sealants

Dr. Christoph Schlünken
President Division BYK Additives & Instruments

Dr. Wolfgang Schütt
President Division ECKART Effect Pigments

Dr. Georg F. L. Wießmeier
Chief Technology Officer

The Supervisory Board

Dr. Klaus-Jürgen Schmieder
Chairman

Ulrich Gajewiak[1]
Deputy Chairman

Susanne Klatten
Deputy Chairwoman

Dr. Anette Brüne[1]

Dr. Monika Engel-Bader

Armin Glashauser[1]

Olaf Jung[1]

Klaus Koch[1]

Werner Spinner

Dr. Lothar Steinebach

Dr. Antonio Trius

Stefan Weis[1]

Details on the corporate bodies can be found on page 136 f.

[1] Employee representative

Report of the Supervisory Board

The Supervisory Board closely followed the work of the Management Board in 2014 and dealt in depth with the situation and development of the company as well as with special issues. The Management Board regularly informed the Supervisory Board about the state of affairs of the company through oral reports in the meetings and documents on the agenda items discussed, as well as through written reports. Between Supervisory Board meetings, the Chairman of the Management Board informed the Chairman of the Supervisory Board about significant developments and events, and discussed pending or planned decisions with him. The Supervisory Board was involved in all major company decisions.

Meetings of the Supervisory Board

In the 2014 fiscal year, the Supervisory Board held four regular meetings. At the meetings, the economic situation and the development perspectives of the Group, as well as important business events, were discussed in detail. The Management Board reported regularly on the sales, earnings, and financial development of ALTANA. In addition, the Supervisory Board dealt repeatedly and in depth with the strategy of ALTANA and its individual divisions. Other issues addressed by the Supervisory Board in its work included the Printed Electronics platform, ALTANA's investment in Landa Corp., Israel, and ALTANA's business in the United States. In the latter context, the Supervisory Board visited three sites of ALTANA in the U.S. Furthermore, the Supervisory Board occupied itself with the extension of the Management Board contracts of Dr. Matthias L. Wolfgruber (by three years, until June 30, 2018) and Martin Babilas (by five years, until May 2, 2020), as well as with the appointment of Dr. Christoph Schlünken as a further Management Board member. At the Supervisory Board meeting held in December 2014, the Board members dealt extensively with the corporate planning for the next years and with the budget for 2015, which it approved.

Meetings of the Committees

The Human Resources Committee met four times in the year under review. The Audit Committee met twice in 2014. In the presence of the auditor as well as the Management Board, the Audit Committee discussed the annual financial statements of ALTANA AG and the ALTANA Group. In addition, it dealt with the statutory audit process mandating the auditor, the setting of audit fees, monitoring the auditor's independence, and the approval of non-auditing services of the auditor. Furthermore, the Audit Committee addressed the

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

identification and monitoring of risks in the Group, the Group's internal auditing activities, as well as ALTANA's Compliance Management System. The Mediation Committee, established in accordance with section 27 (3) of the German Codetermination Act, did not convene in the 2014 fiscal year.

Annual Financial Statements

The annual financial statements of ALTANA AG, the consolidated financial statements for the year ended December 31, 2014, and the management report of ALTANA AG as well as the Group management report were audited by PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, which was appointed by the Annual General Meeting and engaged by the Audit Committee of the Supervisory Board, and it issued an unqualified audit opinion in each case. The system for early risk recognition set up for the ALTANA Group pursuant to section 91 of the German Stock Corporation Act was audited. The examination revealed that the system properly fulfills its function.

The financial statement documentation, the annual report, and the reports of PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft on the audit of the annual financial statements and the consolidated financial statements, as well as the Management Board's proposal for the distribution of the profit, were made available to all Supervisory Board members. The Audit Committee of the Supervisory Board dealt at length with this documentation. The Supervisory Board plenum inspected the documentation and dealt with it in depth at its balance sheet meeting in the presence of the auditor, who reported on the main results of the examination. The Supervisory Board is in agreement with the findings of the audit, and, following its final examination, has no grounds for objection. At its meeting of March 19, 2015, the Supervisory Board approved the annual financial statements and consolidated financial statements prepared by the Management Board. The annual financial statements are thereby adopted. The Supervisory Board evaluated the Management Board's proposal for the distribution of the profit and is in agreement with its recommendation.

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

The Management Board prepared a report in accordance with section 312 of the German Stock Corporation Act on relations with affiliated companies for the 2014 fiscal year. The Supervisory Board inspected this report and found it to be accurate. The auditor issued the following audit opinion:

"On completion of our audit and assessment in accordance with professional standards, we confirm that the factual information in the report is correct and that the consideration made by the company for the transactions listed in the report was not unreasonably high."

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

Personnel Changes

Ralf Giesen, the representative of the Mining, Chemical and Energy Industrial Union (IG BCE) on the Supervisory Board of ALTANA AG, resigned from his mandate on April 30, 2014, because he took up another professional activity outside of the IG BCE. Effective as of May 8, 2014, Stefan Weis, Secretary to the Board of IG BCE, was appointed as a member of the Supervisory Board by the district court in Duisburg in accordance with section 104 of the German Stock Corporation Act. At the Supervisory Board meeting of June 24, 2014, Mr. Weis was elected to the Audit Committee. Effective as of November 1, 2014, Dr. Christoph Schlünken was appointed as a member of the Management Board of ALTANA AG for a period of three years.

The Supervisory Board would like to thank Ralf Giesen for the trusting and good cooperation of the last years. The Board also expresses its gratitude to the members of the Management Board and the company's management, as well as all employees in the Group, for their achievements and commitment during the last fiscal year.

Wesel, March 19, 2015

For the Supervisory Board

Dr. Klaus-Jürgen Schmieder
Chairman

Cooperation for Innovations

Innovation is an important driver of our business. It necessitates changing perspectives, seeing something that can't be recognized at first glance. To push forward innovations, we work together with a number of partners on a daily basis. We share knowledge, broaden our horizons, and develop new solutions together with them. In this section, we present some of the groundbreaking alliances we have forged.

SHARING KNOWLEDGE: INNOVATION MAKERS

COOPERATION WITH THE DWI – LEIBNIZ INSTITUTE AS A RESEARCH PARTNER ENABLES BYK TO MAKE GROUNDBREAKING INNOVATIONS.

Innovations are indispensable for business success. But how can a company gain access to the latest knowledge generated by university basic research to answer its customers' questions adequately and creatively? Our BYK division has developed a path that is paving the way for the entire Group.

For around ten years, BYK has cooperated with the DWI – Leibniz Institute for Interactive Materials located at RWTH Aachen University. The cooperation began when Professor Dr. Martin Möller, the institute's scientific director, started providing his expertise to the company as a consultant, addressing topics such as the role of additives in composites. It was "classic knowledge transfer," says Prof. Dr. Möller.

It soon became clear to him that "BYK is a technology-oriented company that views itself as a problem solver for its customers." Prof. Dr. Möller found this extraordinary, in particular, as "BYK's willingness and ability to innovate isn't self-evident for a company of this size."

Over time, joint research projects were launched in which BYK enabled young DWI scientists to develop the experimental part of their dissertations or master's theses in BYK labs. The knowledge gained on surfaces led to the development of three pioneering projects based on novel polymer technologies.

One additive is conceived expressly for Asian customers who, for example, manufacture coatings for electronics products. In this application, the technology is used to produce extremely smooth, anti-slip surfaces. Another additive is an excellent wetting and dispersing agent for all kinds of water- and solvent-based binding agents used in decorative and build-

"ALTANA cultivates open, dialogue-oriented exchange with science. As a result, we can translate knowledge from basic research faster into new products for our customers."

DR. JÜRGEN OMEIS, ALTANA

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PROF. DR. MARTIN MÖLLER, DWI – LEIBNIZ INSTITUTE

ing paints. "It's a true decathlete among additives," says Dr. Jürgen Omeis, Head of Corporate Innovation Science Relations at ALTANA. And a third additive increases the surface energy of coatings, enabling adhesives and foils to stick better.

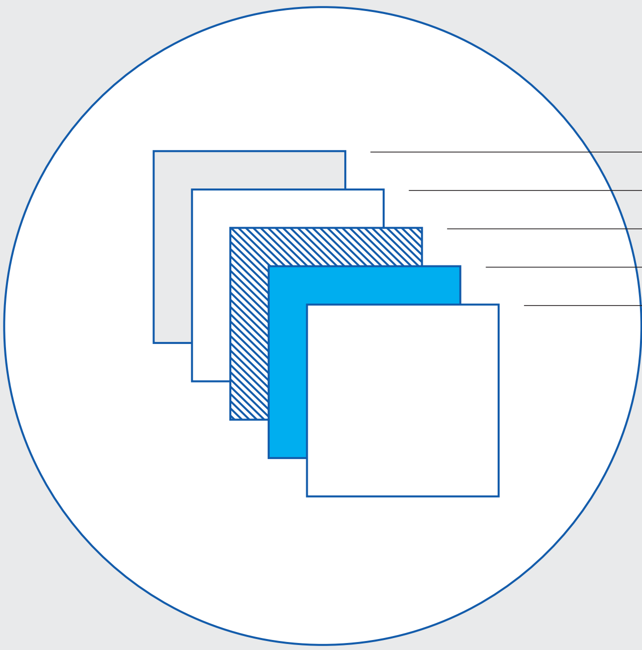
The subject of surfaces will continue to occupy the two partners in the future. "We want to deepen our understanding of the behavior of additives on surfaces even further," says Dr. Omeis. Among other things, BYK wants to use this knowledge to develop additives that promote the self-healing of materials, including paints and other coatings.

Model for the Entire Group

So what began as a knowledge transfer developed into intense cooperation in the course of the years. In the next step, it will be extended to the whole group. "We create platforms on which DWI researchers are linked and exchange ideas with ALTANA researchers on certain issues," explains Dr. Omeis. "As a result, we provide impetus for further innovations."

The concept of translational research known from the field of medicine has shown the way. In this context, translation means the accelerated conversion of basic research findings into new products. "Knowledge translation means that university researchers and applications scientists continuously exchange ideas and view the results of their cooperation as inspiration for tackling new questions," explains Prof. Dr. Möller.

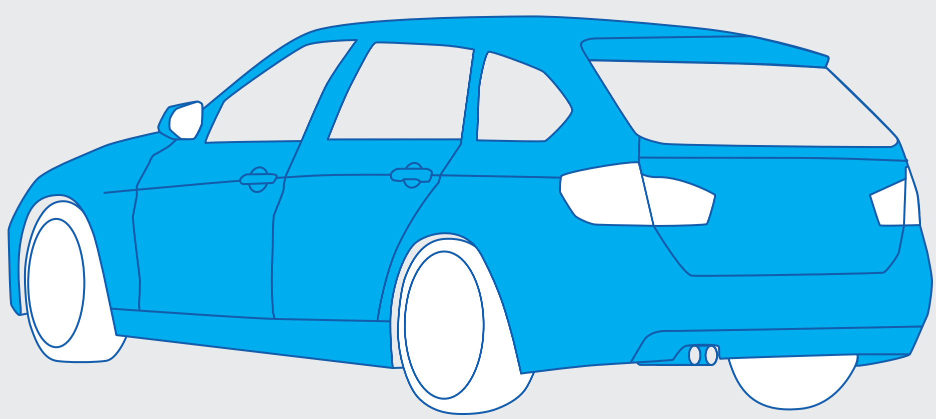
The decisive prerequisite for the success of knowledge translation is mutual respect. Equally important are intellectual openness, the ability to question one's own results, and a willingness to discuss issues. "Knowledge," say the two partners, "is the only resource that grows when you share it."



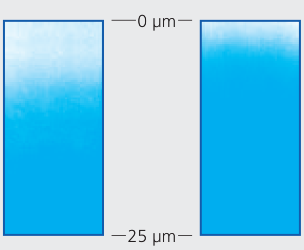
Structure of car paint

- Sheet metal body parts
- Primer
- Filler – One of the tasks of a filler is to ensure that the next coating layers adhere optimally.
- Basecoat
- Clearcoat

Together, the four layers applied to a car are only as thick as a human hair. Yet they have to protect the vehicle from environmental influences and produce an excellent color effect.



Thickness of the basecoat



coated on filler without BYK additive

coated on filler with BYK additive

The addition of a BYK additive increases the surface energy of coatings. The basecoat – which produces the color of the car – looks stronger and more even, although only a thin coat of paint is applied.

IS IT POSSIBLE TO MAKE CAR PAINT LOOK MORE BRILLIANT YET AT THE SAME TIME MORE RESISTANT TO ENVIRONMENTAL EFFECTS? YES IT IS. A MINIMAL AMOUNT OF THE ADDITIVE BYK-3560 GUARANTEES A RESULT THAT BENEFITS OUR CUSTOMERS AND ULTIMATELY CAR OWNERS.

COMBINING KNOW-HOW:

FUTURE SHAPERS

ECKART AND VARTA MICROBATTERY ARE WORKING ON FUTURE ENERGY STORAGE SOLUTIONS. THE NEW BATTERY LABORATORY IN WESEL IS PROVIDING SUPPORT.

Pigment manufacturers are masters of surface design. They can process the tiniest particles such that their surfaces fulfill precisely specified functions. With its metal-based effect pigments for coatings and printing inks, our ECKART division, based in Hartenstein, Germany, has developed singular know-how.

Could this knowledge benefit other industries, ECKART researchers wondered. The answer is yes. Since 2011, ECKART and VARTA Microbattery have joined forces to do research on future energy storage solutions. These include small, ultra-flat batteries, on the one hand, and rechargeable, stationary large-scale energy storage devices on the other. The new ALTANA battery laboratory in Wesel is supporting the two partners.

“With its outstanding ability to innovate, ECKART has become an indispensable partner for us,” says Dr. Martin Krebs about the research cooperation. The innovation manager, who heads the patent department of VARTA Microbattery, has no doubts: “Without this extraordinary material processing and refinement know-how, we would not be able to achieve the desired functions we’re planning for future batteries.”

Batteries that contain zinc are at the center of both projects. Alongside lithium-ion batteries, they are considered particularly promising for the future, because they have a high energy density and contain no harmful substances. In addition, zinc, the raw material used for the anodes, is widespread and therefore cost-effective.

ECKART is in charge of refining this raw material. “At bottom, it’s a matter of customizing the tiny zinc powder particles,” explains Kerstin Schindler, Head of Technology Evaluation New Business Development at ECKART.

“ALTANA purposefully enters into cooperation with technology leaders from other industries to develop new applications for proven products. The combination of our know-how with that of our partners gives rise to close-to-market innovations.”

KERSTIN SCHINDLER, ECKART

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DR. MARTIN KREBS, VARTA MICROBATTERY

Depending on the needs, ECKART changes the size, shape, or surface of the small particles. To this end, the company utilizes technologies it developed for pigment manufacture: special grindings, encapsulations, or coatings. “Our methods help improve the battery’s performance,” says Schindler.

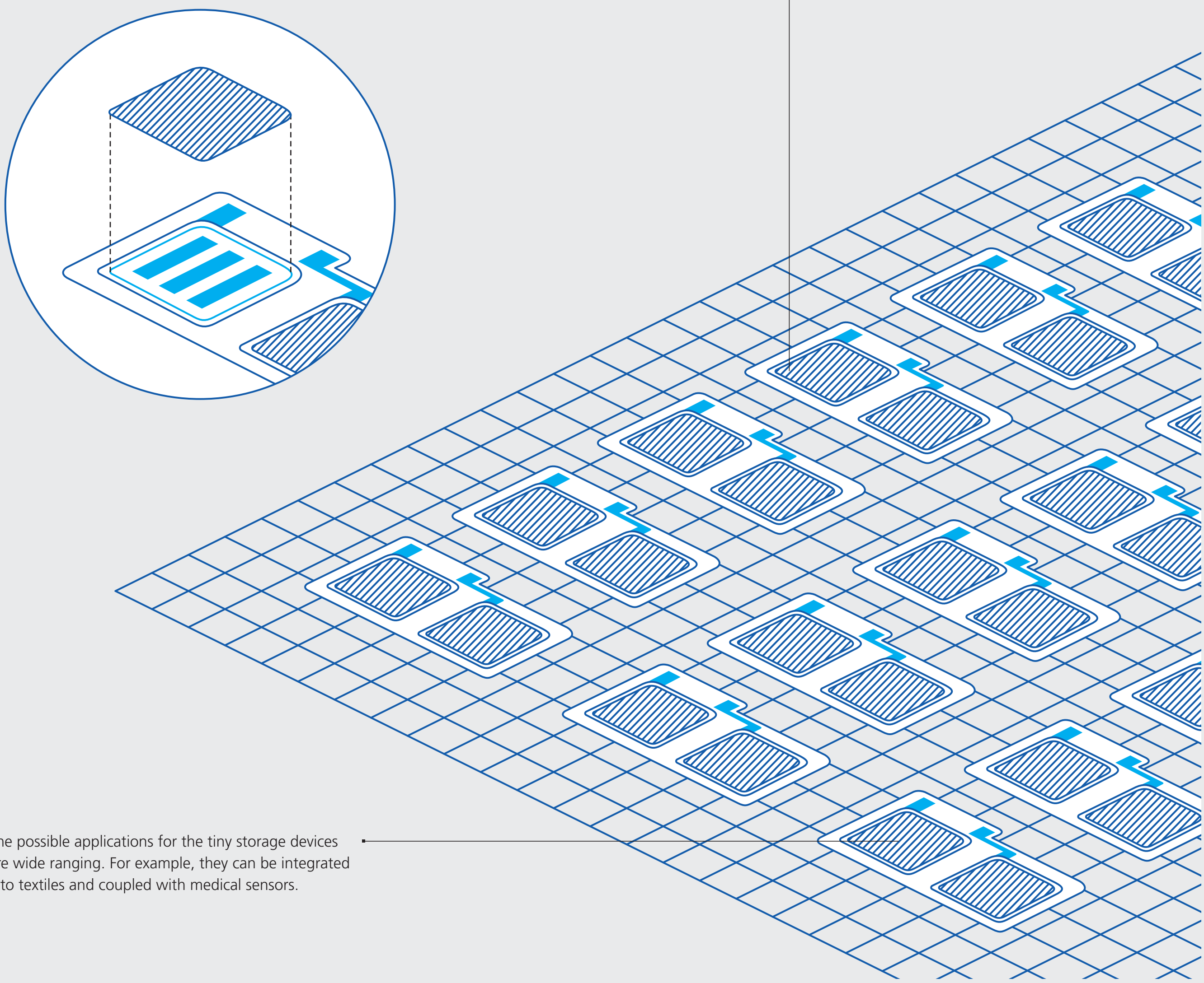
Over the years, the two companies have forged a true alliance. “Before our cooperation, I had never heard of ECKART,” Krebs freely admits. “But I quickly realized that we’re pursuing a common aim,” says the patent manager. “We’re working on ensuring that the German industry retains its edge in international competition when it comes to batteries.”

First Project Ready for the Market

As far as the small, ultra-flat batteries are concerned, the decisive work in the lab has been completed. “The technology is ready for the market,” says Krebs. For it, the team received a prize this year, the Demonstrator Award of the Organic and Printed Electronics Association (OE-A). The possible applications for the tiny storage devices are wide ranging. For example, they can be integrated into textiles and coupled with medical sensors. In intelligent packaging, they speed up data readout.

Regarding the stationary large-scale storage devices, fundamental questions have to be answered. How can zinc-air batteries be recharged on a permanent basis? So far, no one has managed this. The reason is the behavior of the zinc when the battery is discharged. “It forms dendrites,” explains Schindler. “These needle-shaped structures lead to a short circuit after a few charging processes. So it’s not possible for the batteries to be charged and discharged many times, which is required of stationary energy storage devices.”

The project aims to find an answer to this question in the course of 2015. After all, stationary, rechargeable large-scale storage devices are an integral part of the energy turnaround. With them, electricity generated by wind or solar energy can be used at any time – even when the sun is not shining and the wind is not blowing. “Many have tried to find an answer, but it’s a hard nut to crack,” says Krebs. “With ECKART as a partner, I’m confident we’ll be able to come up with a technically convincing solution.”



ECKART changes the size, shape, or surface of tiny zinc powder particles on batteries.

As a result, the battery's performance can be improved significantly.

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TECHNOLOGY OF THE FUTURE: UNLIKE OTHER BATTERY TYPES, BATTERIES CONTAINING ZINC HAVE AN ESPECIALLY HIGH ENERGY DENSITY AND CONTAIN NO HARMFUL SUBSTANCES.

CREATING VALUE:

QUALITY EXPERTS

THE WORLDWIDE COOPERATION BETWEEN ELANTAS AND SIEMENS HAS STOOD FOR QUALITY AND STABILITY FOR MORE THAN 100 YEARS.

It all began in Berlin in 1904, when Siemens decided to purchase the insulating material for its motors from Beck, a manufacturer also based in the German capital. Today Beck is part of our ELANTAS division and the cooperation with Siemens still exists, now on three continents.

From our six ELANTAS sites in Europe, the U.S., and Asia, we deliver impregnating resins and other insulating materials to 20 Siemens production sites. They are used, for example, to insulate and impregnate wires and coils used in motors and generators. Siemens manufactures such electrical machines for rail cars and wind power plants, among other things.

The most important requirement for an insulating material is that "it can be incorporated easily in the respective production system," says Dr. Alexander Beer, who coordinates ELANTAS' worldwide cooperation with Siemens.

When such materials are used in large motors, Siemens expects additional added value: "The insulating material has to have high chemical and thermal resistance," says Dr. Bernhard Klaußner. "That is the decisive proof of quality." Klaußner works in Siemens' Large Drives business division and is responsible for selecting non-metallic materials, including insulating materials.

He knows that it is only due to thermal resistance that the insulating material can endure the heat and extreme strain that motors are subjected to during their lifespan, which often extends over several decades.

This is not easy to achieve particularly with impregnating resins, which are produced in batches, says Klaußner. "It is successful because ELANTAS has its processes at the different sites under complete control,"

"Many customers of ALTANA have worldwide production sites where they manufacture the same products for different markets. They expect us to meet their quality requirements, especially when it comes to chemical and thermal stability, with the same level of reliability on all continents. We are creating value together."

DR. ALEXANDER BEER, ELANTAS

CREATING VALUE: QUALITY EXPERTS

THE WORLDWIDE COOPERATION BETWEEN ELANTAS AN
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This is not easy to ach
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"EXPERT KNOW-HOW IS NEEDED, PARTICULARLY FOR SOPHISTICATED APPLICATIONS. THEN YOU NEED HIGHLY QUALIFIED SPECIALISTS LIKE ALTANA."

DR. BERNHARD KLAUSSNER, SIEMENS

says the materials specialist. "And we benefit from the fact that ELANTAS and Siemens can engage in exchange on an equal footing. Innovative ideas are developed on both sides, ultimately leading to better products and processes."

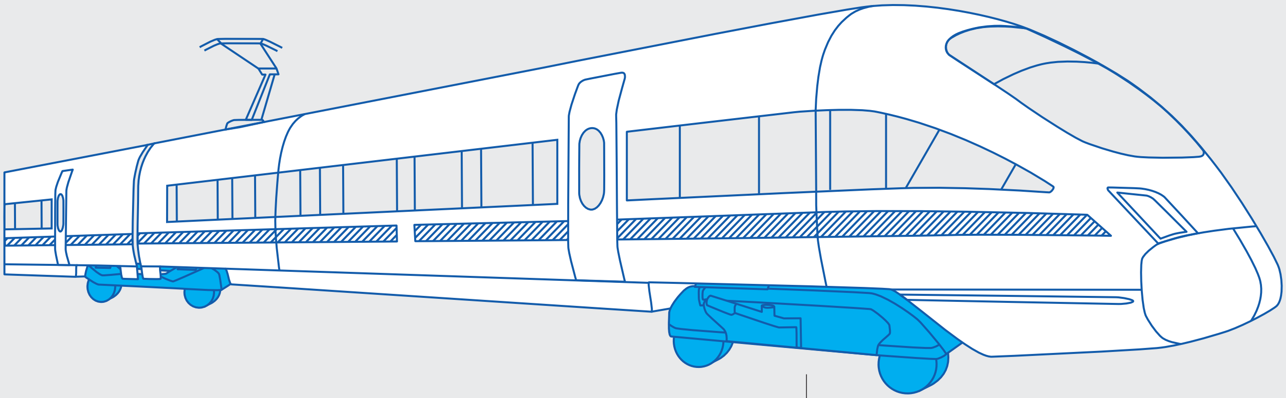
After many years of cooperation, the two partners are convinced that successful collaboration is based on open communication. This is particularly true when it comes to gaining insights into technical data, as well as measurement results. "We trust the experts at ELANTAS because we receive this information in time to provide certification," says Klaußner.

Quality Ensures Safety

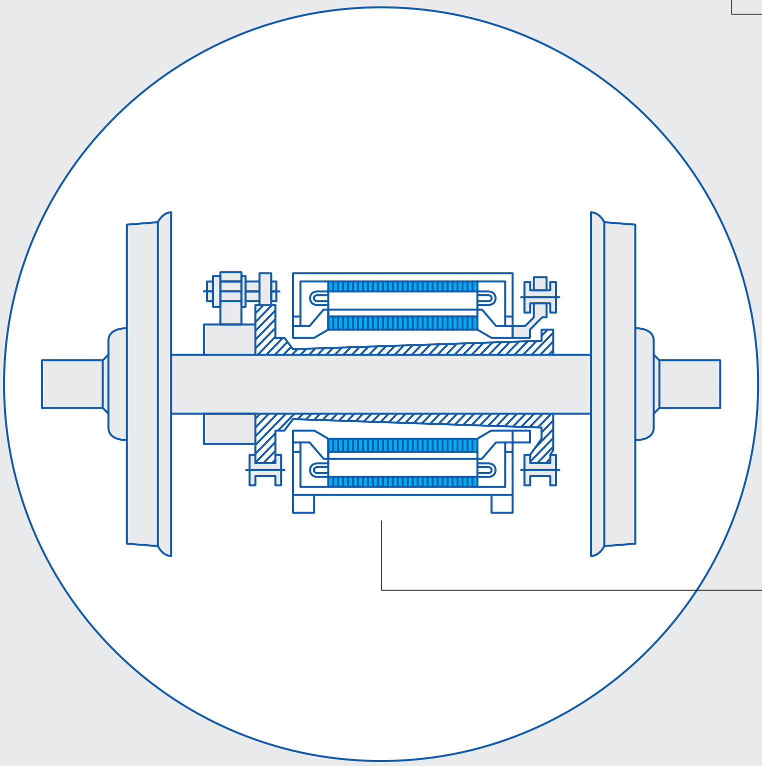
Open exchange provides impetus for new projects. The focus is on new, more efficient or more sustainable insulating materials, including our innovative, environmentally friendly ELAN-protect products. Among other things, they help companies build more compact and thus more efficient drives.

It can take two to three years before the right products are identified and then tested on the Siemens applications. This is because apart from answering the technical questions involved, we have to fulfill the regulatory conditions for the new materials in the respective regions. "Ultimately," says Klaußner, "it's about the safety of our motors. That's the top priority."

For ALTANA, successful collaboration goes beyond corporate matters. In various committees of the International Electrotechnical Commission (IEC), we work with Siemens representatives to develop new technical standards that electrical and chemical companies have to meet in the future. One of these standards involves specifications for insulating materials. We are creating value together on this path, too.



ELANTAS products protect motors from external influences such as heat, oil, and salt.



Impregnating resins and insulating agents improve mechanical and electrical properties. The coiling of the motor is fixed, the layer of insulation strengthened.

ELANTAS PRODUCTS IMPROVE THERMAL MANAGEMENT – HERE BASED ON THE EXAMPLE OF A DRIVE MOTOR. AS A RESULT, THEY INCREASE THE LIFECYCLE OF MOTORS AND HELP COMPANIES BUILD COMPACT AND EFFICIENT DRIVES.

DESIGNING BRAND EXPERIENCES: TRENDSETTERS

ACTEGA SPECIALISTS HELP GILLETTE DESIGN RAZOR PACKAGING, PROVIDING IMPORTANT IMPETUS FOR THE ENTIRE INDUSTRY.

Many brand manufacturers use ALTANA's products and know-how. Our specialists support them, among other things, in developing packaging designs that convey brand qualities and have emotional appeal. The design has to be eye-catching and has to fascinate consumers in retail, drugstores, and supermarkets. The best example is the cooperation with the razor manufacturer Gillette, a Procter & Gamble company. The results of their joint efforts have set trends for the entire packaging industry.

The keyword in the cooperative venture is MiraFoil. Under this brand name, our company in North America offers an environmentally friendly effect coating that is replacing time-consuming and costly foil board and foil stamping processes. It can be applied precisely and printed on cardboard as well as plastic substrates.

The result is shiny, almost holographic decoration. "They create the 'wow' effect we desire for our products," says Mike Marcinkowski. "As a result, our brand values cannot be overlooked on store shelves." As Principal R & D Engineer within Global Package Development, he was in charge of introducing the effect coating to Gillette eight years ago. Since then, MiraFoil has adorned the packages of the razor brands Fusion, Fusion Pro Glide, and Venus Embrace, to name but a few.

At first, Marcinkowski recalls, he was a little skeptical. But it was not only the series of tests conducted with researchers such as Dr. Albert Lin PhD, who was and currently is the formulation expert for MiraFoil, that convinced him of the aesthetic and technological advantages of the effect coating. Equally important was the involvement of the key account manage-

"We believe our most important task is to help our partners stay a step ahead of their competitors in their industries. As a result, we can set trends together, both in terms of technology and aesthetics. This is possible because we share our application knowledge with them. Hence we enable them to experience the plus of our products first hand."

DENNIS DRUMMOND, ACTEGA

DESIGNING BRAND EXPE

TRENDSETT

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MIKE MARCINKOWSKI, GILLETTE

ment, he says, which supported open cooperation with third parties. He's referring to the printing companies that work with the effect coating and apply it to the packaging.

"Open exchange is an integral part of our business model," says Dennis Drummond, Director of Key Accounts and Marketing at ACTEGA. "We very consciously share our application knowledge with brand manufacturers and their suppliers." The reason is obvious: "We enable them to experience the plus of our products firsthand," explains Drummond.

A Competitive Edge with the Effect Coating

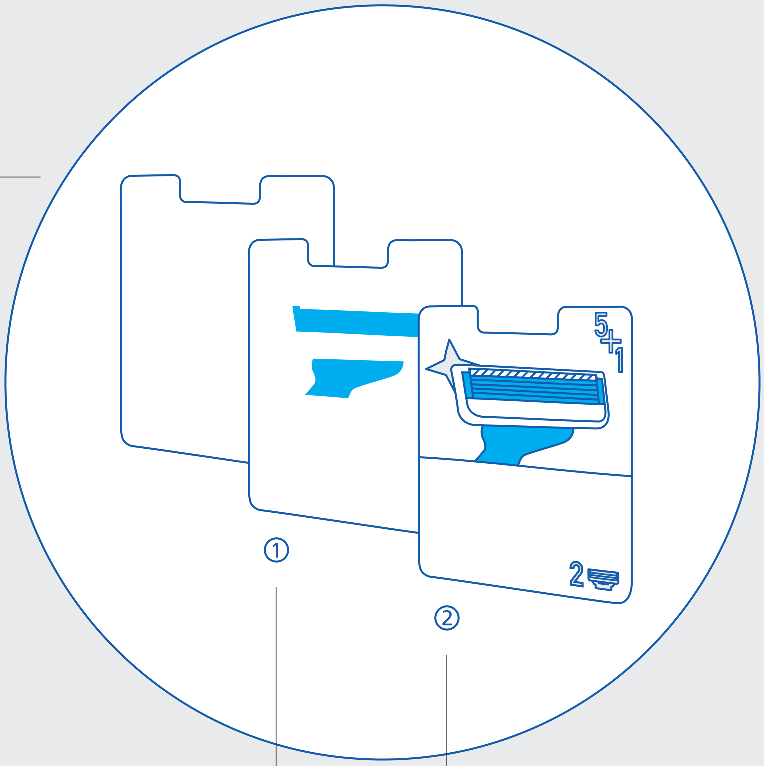
The trilateral exchange was the reason for this veritable win-win situation. For instance, the effect coating has considerable advantages over foils. Thanks to the uncomplicated processing, it makes a few production steps superfluous. The coating decreases production times and cuts costs. In addition, it meets high expectations regarding sustainability. Printed cardboard is easier to recycle than cardboard glued with foil.

Marcinkowski and Drummond both believe that the introduction of the effect coating has enabled Gillette to take an important step forward. On top of that: "We've set a new packaging technology trend," say the two cooperation partners, looking back. "We've shown the industry that effect coatings advance a brand aesthetically and that they are cost-effective and sustainable at the same time."

Every year, millions of people around the world are enchanted by the unique effects of Gillette packaging, and this triumph has whet the company's appetite for more. Now Gillette and ALTANA are working together on developing new and surprising packaging ideas. "ALTANA is fueling our creativity," says Marcinkowski. "And that's why both partners are so successful."

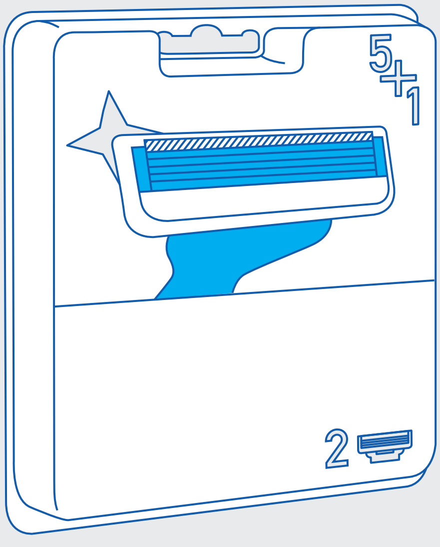
With MiraFoil, metallic and holographic effects can be realized in just two steps on a printing press.

Unlike the conventional foil board process, the paper board does not have to be pretreated and covered with foil.



In a second step, the paper board is printed on the same machine. The effect coating is now finished.

In a first step, only those parts on the paper board are covered with MiraFoil that should show a special effect.



Due to the fact that some production steps are not necessary, MiraFoil saves a lot of time and thus costs, and reduces the amount of material needed. In addition, printed paper board without foil is easier to recycle.

METALLIC AND HOLOGRAPHIC EFFECTS ADORN NUMEROUS PACKAGING MATERIALS AND UPGRADE THEM VISUALLY. WITH MIRAFOIL TECHNOLOGY, THESE EFFECTS CAN BE DIRECTLY ACHIEVED USING A PRINTING PRESS.

THINKING AHEAD: VISIONARIES

ALTANA AND LANDA DIGITAL PRINTING HAVE BEEN STRATEGIC PARTNERS SINCE 2014. THEIR AMBITIOUS GOAL: TO REVOLUTIONIZE THE PRINTING MARKET.

ALTANA and Landa Corporation (Landa Digital Printing) from Israel signed an equity financing agreement at the end of June 2014 according to which ALTANA will acquire a minority share in Landa Digital Printing for 100 million euros. Both companies see the agreement not only as a financial investment, but also as a starting point for a long-term strategic partnership to make the advantages of digital printing available to the commercial, packaging, and publishing markets.

The proceeds will be used for completing the development of Nanography™, Landa's water-based digital printing process, including engineering and production ramp-up of Landa Nanographic Printing® Presses and construction of manufacturing plants for Landa NanoInk® colorants.

ALTANA is expected to be an active partner in this development, drawing on the print industry expertise of its divisions including BYK, ECKART, and ACTEGA. "We are extremely excited to be partnering with an industry visionary like Benny Landa. We speak the same language in terms of innovation," says Dr. Matthias L. Wolfgruber, CEO of ALTANA AG. "I am confident that we are investing in a game-changing technology that can help our customers position themselves well for the future."

Closing the Gap Between Digital and Offset Printing

Nanographic Printing technology aims to cost-effectively produce high-quality small-to-medium-sized runs. Nanographic Printing presses combine the qualities and speed of offset with the versatility of digital printing at lower cost per printed page than is possible using conventional digital printing technologies. Furthermore, Nanographic Printing allows its customers to implement new and innovative business models, like bringing person-

"Innovation means solving the challenges of tomorrow today. For our customers in the printing and packaging industry this means that in the new age of digital printing, they can continue to rely on additives, effect pigments, and overprint varnishes that push them ahead in their markets. To this end, ALTANA is investing substantially in the future."

DR. MATTHIAS L. WOLFGRUBER, ALTANA

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Closing the Gap Bet Offset Printing

Nanographic Printing
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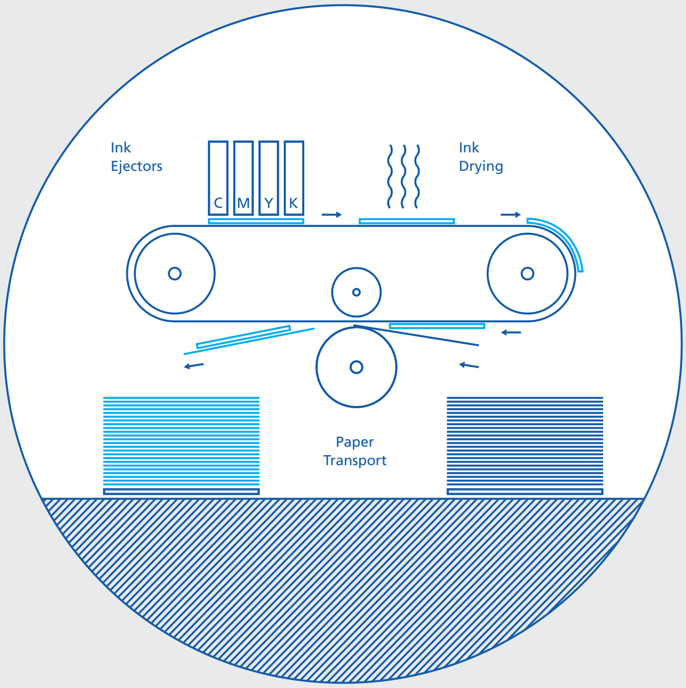
alization to packaging, and to minimize the complexity of their current workflows.

The lower price per page results from the combination of Landa NanoInk, the Nanography process, and the productivity of the Nanographic Printing presses. Landa NanoInk colorants absorb light more efficiently than conventional printing inks, and due to the indirect printing an image is transferred to the substrate without penetrating it. Therefore, with Landa NanoInk the layer of ink is only about 500 nm thick. Moreover, costs are cut on account of the reduced use of material. The Nanography process works with water-based inks, but unlike direct inkjet printing, with these inks there is no need for expensive special paper or special coatings even when the substrate is covered completely. As opposed to printers based on electrophotography, B1 formats can be printed and the higher reliability of the inkjet process can be utilized. Landa Nanographic Printing Presses are designed to be up to five times as productive as other digital machines and to print large-format B1 sheets at a speed of 6,500 sheets per hour, while other machines are limited to producing B2 sheets or smaller formats and print much more slowly.

With this technology, Landa intends to close the profitability gap between offset and digital printing and to provide the packaging industry, in particular, with the possibilities of digital printing.

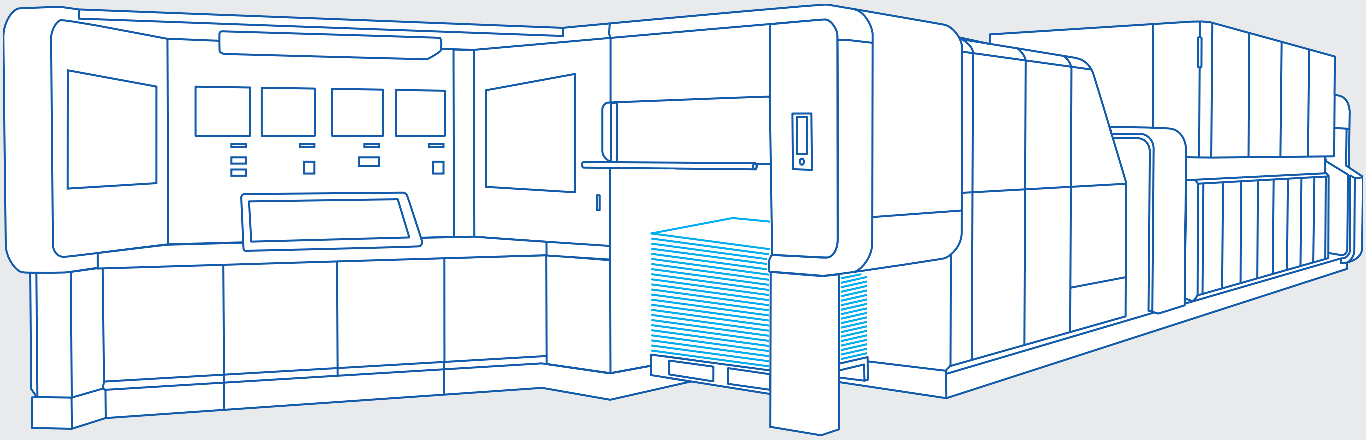
"We see our alliance with the ALTANA Group as a key milestone for our company and a strong vote of confidence in our mission to bring digital printing to mainstream commercial, packaging and publishing markets," says Benny Landa, Chairman and CEO of Landa Corporation. "In ALTANA, we have found a partner that shares our vision and understanding of innovation."

"We want to continue to support our customers to stand out from the competition with the help of our innovative products. We are convinced that the partnership with Landa will promote this strategy," says Wolfgruber.



The Nanographic Printing process ejects billions of Landa NanoInk droplets onto a heated transfer blanket. The thin printing image dries immediately and can be transferred to any kind of paper or plastic.

The Landa S10 Nanographic Printing Press offers a revolutionary user experience with a cockpit that places all information and functionality in a single, ergonomically designed press operator workspace for increased productivity.



THE NANOGRAPHIC PRINTING TECHNOLOGY COMBINES THE QUALITIES AND SPEED OF OFFSET WITH THE VERSATILITY OF DIGITAL PRINTING AT LOWER COST PER PRINTED PAGE THAN IS POSSIBLE USING CONVENTIONAL DIGITAL PRINTING TECHNOLOGIES.

Group Management Report

In the 2014 fiscal year, we continued on the path of growth and increased our profitability once again. The successful integration of acquisitions, as well as our consistent orientation to rapidly growing specialty chemicals markets, made major contributions. In the years to come, these two factors will remain important pillars enabling us to continue to successfully implement our strategy for profitable growth. Due to continued solid balance-sheet ratios and sufficient financial leeway, we are even able to tap new growth potential going beyond existing markets and positions.

Group Basics

Organization and Legal Structure

The ALTANA Group is a global supplier of specialized chemical products and related services for different branches of industry and application fields. In the 2014 fiscal year, the Group's 71 consolidated subsidiaries and associated companies achieved sales of around €2 billion. At the end of the year, the ALTANA Group employed more than 6,000 people.

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

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

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

The decentralized organizational structure combines the individual operating units' ability to act swiftly and cater to the needs of markets and customers with the advantages of a financially strong and internationally active Group. The organization is designed to adapt flexibly to changed market conditions and a volatile economic environment. In addition, new activities can be integrated in the organization in a short time.

Business Activity and Divisions

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

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

Activities of the Divisions

BYK Additives & Instruments

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

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

Business divisions and product portfolio

ALTANA

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

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

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

The division markets its products under the brands BYK (additives) and BYK-Gardner (instruments). Its customers are mainly in the coatings, printing inks, and plastics industries. Due to its comprehensive portfolio, BYK is a system supplier and partner of coatings manufacturers and plastics processors in particular. On the basis of its great problem-solving expertise, BYK has also attained an important market position in other industrial application fields in recent years.

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

The division is among the most innovative suppliers in its markets. It continually expands and supplements its product portfolio. To gear its innovation activities closely to the needs of the markets, BYK has its own network of development laboratories, which cooperate closely with customers in the respective regions. At the same time, new fields of application are continually tapped for existing or new products.

ECKART Effect Pigments

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

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

ECKART GmbH is the division's operating management company. It produces a large part of the effect pigments it sells worldwide in southern Germany (Hartenstein and Wackersdorf). Other production sites are located in the U.S., China, Switzerland, and Finland. The manufacturing process is characterized by a very high degree of value creation. In a number of successive steps, all kinds of pigments are made, refined chemically, and in some cases processed into finished printing inks.

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

As an important manufacturer of metal effect pigments, ECKART continually pushes forward the development of new product qualities and opens up new fields of application on the basis of sophisticated technological expertise and many years of know-how. The aim is to steadily expand functional application fields – on the one hand, to tap new growth potential, and on the other to make the division's activities less dependent on color trends.

ELANTAS Electrical Insulation

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

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

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

ELANTAS' most important sales region by far is Asia, and particularly China. A high proportion of global manufacture of electrical and electronic components and consumer goods is concentrated in this region. The division has had its own production sites in China and India for years. After China, its most important sales markets are the U.S., India, and Italy.

On the basis of comprehensive expertise in the manufacture and application of liquid insulating systems, the division is steadily expanding its activities. It seeks to tap new application fields and thus growth potential by developing new insulating materials and applying specific polymerization know-how.

ACTEGA Coatings & Sealants

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

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

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

In recent years, the division has concentrated on application fields and sales regions with above-average growth potential, making acquisitions in these areas and divestments in others. At the end of 2014, ACTEGA acquired three production sites in Brazil, thus expanding its presence in the emerging South American region.

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

Important Influences on Business Development

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

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

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

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

Long-term changes in demand for the Group's products and services are brought about on the one hand by global megatrends and the economic growth of certain regions. On the other hand, product and technological developments continually open up new sales potential or lead to product segments being discontinued.

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

Strategy and Control System

Strategy

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

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

At ALTANA, profitable growth is based on several pillars. The primary ones are to expand our operating activities in existing markets and to open up new adjacent sales segments. ALTANA's four divisions occupy significant competitive positions in their respective sales markets. This positioning is an important prerequisite for our being identified and acknowledged by market participants as a competent supplier of customized solutions. In addition to ALTANA's comprehensive product portfolio, innovation plays a key role in its high level of problem-solving expertise. To enable customers to create new applications and strengthen their portfolio, ALTANA continually pushes forward its own research and development activities. To this end, our employees' know-how and experience are just as important as investments in new technologies.

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

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

Control System and Goals

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

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

The calculation of the operating earnings starts with earnings before interest and taxes, which are adjusted for acquisition-related special effects and from which a calculated tax burden is deducted. The capital employed, in turn, encompasses those components of the assets and liabilities needed to achieve operating earnings. The cost of capital is determined from the weighted average of cost of debt and cost of equity. We regularly examine the weighted average cost of capital but only adjust it for the calculation of the AVA if it exceeds or falls below a certain range. In the last few years, we set our weighted average cost of capital at 8 %.

AVA is used for measuring the company's success and for determining variable compensation components. In addition, it is used as a criterion for making strategic and operative decisions at the Group holding, divisional, and individual subsidiary levels.

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

Sustainable profitable sales growth forms the basis for a long-term increase in our operating earnings and thus in the value of the company. ALTANA's goal is to outperform the general market growth in the most important sales segments and thus to obtain market shares. In the medium to long term, we aim to achieve average annual **sales growth** of 10 %. Of this amount, about half should be generated by operating growth and the rest through the acquisition of new companies and activities. The aim of our acquisitions is to purchase supplementary activities for our existing divisions and to possibly integrate new business activities. Our average annual sales growth in the last ten years was roughly in line with our target level.

But growth should not be achieved at the expense of profitability. Therefore, control of the **EBITDA margin** is very important for the ALTANA Group (EBITDA = earnings before interest, taxes, depreciation and amortization). The long-term target range for the EBITDA margin of the entire Group is 18 % to 20 %. Derived from this are long-term target margins for our four divisions, which deviate from the average target value for the Group due to the different business activities and market characteristics. In the last few years, the annual Group margin was within or slightly above the target range.

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

On average over several years, our **investments in property, plant and equipment and intangible assets** have been 5 % to 6 % of our sales. We expect the same ratio in the years to come. Due to this continuity, sharp increases in operating capital and resulting short-term fluctuations of the AVA can be minimized. In addition, every important investment is examined regarding its short- and long-term effects on the company's value. In the last few years, our investment volume was continually within the expected range.

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

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

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

Business Development

Integrated Planning Processes

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

The planning cycle also has a strategic planning component, which combines the analysis of the essential performance indicators for future business development at the product group level with a detailed representation of the changes expected in the market environment. From this, strategic measures are derived enabling us to react to expected developments at an early stage. These measures developed in the strategic planning process not only include fields of activity on current sales markets, but also concrete goals and planning steps for entry into new fields of business or application areas and changes in the portfolio of business activities.

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

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

General Business Setting

Overall Economic Situation

In 2014, the global economic development was similar to that of the previous years. According to estimates by the International Monetary Fund (IMF), world economy growth was 3.3 % last year, the same as in 2013. Once again, the main growth drivers were the emerging economic regions such as Asia, and particularly China. While growth in these countries did not quite reach the previous year's level, this was offset by an upswing in the established economic nations.

The key economic indicators in the sales regions important for ALTANA's business varied widely in the year under review.

While the economic performance in Europe had abated in the previous years, growth was achieved there again in 2014. According to current IMF estimates, growth in the Euro zone amounted to 0.8 % (previous year: -0.5 %). The German economy performed particularly well. Based on initial calculations made by the German Federal Office of Statistics, the country's gross domestic product rose by 1.5 % in 2014 (previous year: 0.1 %), clearly above the average in Europe. This development was driven by strong domestic demand as well as an increase in exports.

In the Americas, the economic development varied from country to country. In 2014, the U.S. economy performed well again, growing by 2.4 % (previous year: 2.2 %), thus remaining stable compared to the previous years. Growth in Canada (+ 2.4 %) and Mexico (+ 2.1 %) was similar to that of the U.S. But South America's largest economy showed much weaker growth. According to current IMF estimates, Brazil grew by only 0.1 % (previous year: +2.5 %).

Performance was also uneven in the Asian economic region. While the Chinese and Indian economies grew substantially again, by 7.4 % (previous year: 7.8 %) and 5.8 % (previous year: 5.0 %) respectively, the IMF expects a stagnant Japanese economy for 2014 (+ 0.1 % after + 1.6 % in the previous year). The largest economies in Southeast Asia (ASEAN-5) grew by 4.5 %, slightly below the previous year's figure (5.2 %).

Industry-Specific Framework Conditions

According to current estimates by the American Chemistry Council, global chemical production grew by 2.7 % in the year under review, after 2.9 % in 2013. As a result, growth in the sector lagged slightly behind that of the global economy.

Basically, the regional changes in chemical production reflect the regional economic development. As a result, growth in production of about 1.0 % is expected for Europe in the year under review. For Germany, however, the German Chemical Industry Association forecasts a slight decrease in chemical production, by 0.5 %.

The American Chemistry Council estimates that chemical production in the U.S. grew by 2.4 % in 2014.

Due to a strong increase in demand in China, the chemical sector in all of Asia is expected to have grown by 5.3 % in 2014. The Oxford Economic Institute estimates that chemical production in China grew by 9.8 %. Other Asian countries increased their chemical production to a much smaller extent, yet with growth rates of 2 % to 4 % outperformed many markets in Europe and the Americas.

Crude oil prices dropped considerably in the second half of 2014. While the price of a barrel of Brent Crude remained relatively stable in the first half of the year, ranging between 100 and just above 110 U.S. Dollars, it decreased steadily in the months to follow, finishing the year at less than 60 U.S. Dollars.

Important Events for Business Development

As in 2013, the ALTANA Group's business performance in 2014 was also influenced by non-operating effects. Of primary importance was the integration of the rheology business ALTANA acquired from the U.S. company Rockwood in October 2013. The business was integrated in ALTANA's BYK division. The incorporation of the activities had significant effects on the Group's sales and earnings performance last year.

Other acquisitions made by ACTEGA in 2013 and at the end of 2014 had only a slight influence on the Group's key performance indicators in 2014.

The acquisition of a non-controlling interest in Landa Corp., Rehovot/Israel, influenced ALTANA's balance-sheet figures on December 31, 2014, as well as its income statement for the past fiscal year.

In the year under review, the development of the exchange rates between the Euro and other currencies did not have significant effects on the Group's sales and earnings performance. The average exchange rates between the Euro and the U.S. Dollar, and the Euro and the Chinese Renminbi, were at the same level as in 2013. Negative effects from the translation of the income statement items arose from the appreciation of the Euro against the Japanese Yen. The price of one Euro rose from 130 Yen in 2013 to 140 Yen last year on an annual average. The same applies to the development of the exchange rate between the Euro and the Indian Rupee, though the impact was not as strong.

While the change of the annual average exchange rates did not have a significant effect on sales and earnings, the change of the Euro-U.S. Dollar exchange rate from the balance-sheet date at the end of 2013 to that at the end of 2014 had a strong effect on the consolidated balance sheet. This was due to the translation of balance-sheet items of U.S. Group companies to the Group currency, the Euro, at different exchange rates. The price of one Euro fell from 1.38 U.S. Dollars at the end of 2013 to 1.21 U.S. Dollars at the end of 2014. The price of the Chinese Renminbi against the Euro also increased significantly from the balance-sheet date in 2013 to that in 2014.

Business Performance

Key figures

	2014	2013	Δ %	Δ % op.[1]
in € million				
Sales	1,952.3	1,765.4	11	4
Earnings before interest, taxes, depreciation and amortization (EBITDA)	397.4	335.7	18	6
EBITDA margin	*20.4 %*	*19.0 %*		
Operating income (EBIT)	267.7	229.1	17	
EBIT margin	*13.7 %*	*13.0 %*		
Earnings before taxes (EBT)	251.8	212.6	18	
EBT margin	*12.9 %*	*12.0 %*		
Net income (EAT)	179.2	151.6	18	
EAT margin	*9.2 %*	*8.6 %*		

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

Group Sales Performance

In 2014, Group sales rose by 11 %, or € 186.9 million, to € 1,952.3 million (previous year: € 1,765.4 million). The acquisition of rheology activities, concluded on October 1, 2013, and their integration in the BYK division had a strong influence on this growth. Coupled with the significantly lower effects of purchases in the ACTEGA division, acquisitions comprised a total of 7 % of the Group's growth. Exchange-rate changes played only a secondary role in ALTANA's sales performance. Adjusted for acquisition and exchange-rate effects, operating sales increased by 4 %.

Both the Group's nominal and operating growth were largely in line with the anticipated business performance. At the beginning of 2014, we had forecast nominal sales growth in the high single-digit percentage range and operating growth in the low to medium single-digit range.

Higher sales volumes made a substantial contribution to the operating growth, above all in the BYK und ELANTAS divisions. Effects from price changes and shifts in the product mix also contributed to ALTANA's sales growth. These influences developed unevenly within the Group.

Due to the fact that the rheology business was consolidated for a whole year for the first time, and to different regional demand momentums, the regional sales structure shifted slightly compared to the previous year.

Accounting for 41 % of total Group sales (previous year: 42 %), Europe continued to be ALTANA's most important sales region. In the 2014 fiscal year, operating sales rose by 2 % when adjusted for acquisition and exchange-rate effects. This growth was driven by all of the important countries in the region. However, sales growth in ALTANA's third-largest individual market, Germany, was below average, similar to Europe as a whole.

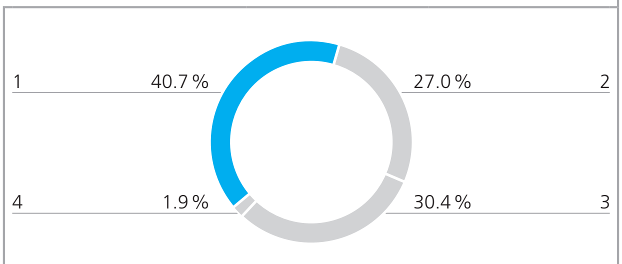
The Americas increased their proportion of sales further due to the integration of the rheology activities. In 2014, ALTANA generated a total of 27 % of its sales (previous year: 25 %), and therefore 20 % more than in the previous year, with customers in North and South America. Operating growth reached 4 %. With a 19 % share of ALTANA's worldwide sales, the U.S. is now the company's largest sales market.

Asia accounted for 30 % of Group sales (previous year: 31 %) in 2014. The nominal sales growth in the region was 8 %. The operating growth rate, adjusted for acquisition and exchange-rate effects, amounted to 5 %, the highest percentage of the company's three core regions. Sales growth in China, ALTANA's most important Asian market, was on a par with that of the entire region.

Sales Performance of BYK Additives & Instruments

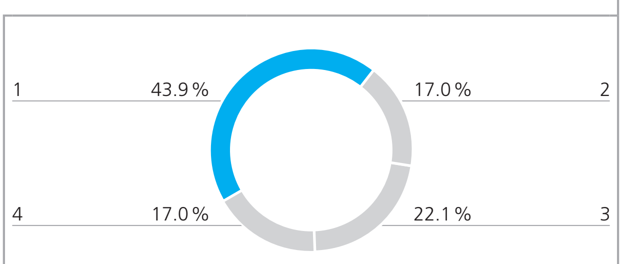
As in the previous year, the BYK division achieved the highest nominal and operating sales growth of the four divisions in 2014. BYK generated sales of €856.7 million (previous year: €691.5 million), an increase of € 165.3 million, or 24 %.

Sales by region



in € million	2014	2013	Δ %	Δ % op.
1 Europe	795.1	745.2	7	2
thereof Germany	*276.7*	*262.4*	*5*	*2*
2 Americas	527.1	438.4	20	4
thereof U.S.	*365.0*	*289.5*	*26*	*8*
3 Asia	593.0	547.4	8	5
thereof China	*309.8*	*287.8*	*8*	*5*
4 Other regions	37.0	34.3	8	3
Total	**1,952.3**	**1,765.4**	**11**	**4**

Sales by division



in € million	2014	2013	Δ %	Δ % op.
1 Additives & Instruments	856.7	691.5	24	7
2 Effect Pigments	332.2	334.6	-1	-1
3 Electrical Insulation	431.2	414.6	4	5
4 Coatings & Sealants	332.1	324.7	2	0
Total	**1,952.3**	**1,765.4**	**11**	**4**

This dynamic was driven primarily by the rheology business acquired in October 2013, whose sales were consolidated for a whole year for the first time in 2014. Adjusted for these acquisition effects and slightly positive exchange-rate influences, operating sales were up by 7 %.

This sales growth was driven in almost equal part by a higher sales volume and by price and product mix effects. Positive influences on the product mix resulted mainly from a sales shift toward higher-quality additives and instruments.

In regional terms, BYK mainly benefited from higher sales in Asia. In China and India, the division achieved double-digit operating sales growth. In North America, it increased its sales in 2014 by more than 50 % due to the rheology activities acquired. In addition to the U.S., Mexico and Canada also contributed to this growth. Even the adjusted operating growth rates in these countries showed above-average increases. In Europe, which is still BYK's largest region, the development of demand was more restrained, but still at a very high level. BYK reported increasing sales in nearly all of the European countries.

Sales Performance of ECKART Effect Pigments

Sales in the ECKART division decreased slightly in 2014. Amounting to €332.2 million (previous year: €334.6 million), sales were €2.4 million, or 1 %, lower than in the previous year. Adjusted for acquisition and exchange-rate effects, sales were also down by 1 %. This drop resulted from a lower average price level due to product mix shifts. The actual sales volume in 2014 was at the previous year's level.

We had basically forecast that the division's sales performance would be weaker than that of the Group as a whole. However, at the beginning of the year we had expected ECKART to achieve moderate sales growth in 2014.

In the 2014 fiscal year, regional demand for the division's products varied strongly. While the Americas achieved no-table sales growth, in Europe and Asia sales did not reach the previous year's level. Germany showed a positive business development, whereas in other important European industrial nations sales were down in year-to-year terms. China reached the level of 2013, while sales in Asia as a whole, and particularly in Southeast Asia, decreased.

Sales Performance of ELANTAS Electrical Insulation

The ELANTAS division boosted its sales by 4 % to €431.2 million in 2014 (previous year: €414.6 million). Negative exchange-rate effects, particularly the weakening of the Indian Rupee and Brazilian Real compared to the Group currency, the Euro, strained the development. Adjusted for all currency influences, operating sales rose by 5 %.

This sales dynamic is due solely to the increased sales volume. Changed sales prices or shifts in the product mix did not play a significant role.

The division achieved its biggest sales growth in Asia. Today, ELANTAS generates almost half of its sales in this region. Within Asia, India and China showed the strongest growth. The Americas lagged only slightly behind Asia. ELANTAS recorded excellent double-digit operating growth in this region, with particularly high sales growth in the U.S. The demand in Europe was restrained, though. Sales for the whole year were only slightly higher than in 2013.

Sales Performance of ACTEGA Coatings & Sealants

At €332.1 million (previous year: €324.7 million), sales in the ACTEGA division grew by 2 %, or €7.3 million. The increase includes positive acquisition effects from the purchase of activities integrated into the division in the middle of 2013. Adjusted for these influences and exchange-rate changes, operating sales were roughly the same as in the previous year. A slight increase in the sales volume was offset by negative effects from changed sales prices.

Toward the end of 2014, ACTEGA acquired two companies with a total of three production sites in Brazil. The integration of these activities did not have significant effects on the sales and earnings situation in the 2014 fiscal year.

At the beginning of the year, we had expected ACTEGA's sales development to be less dynamic than that of the ALTANA Group as a whole due to ongoing tendencies in the graphic arts industry's sales markets.

The regional sales structure shifted in 2014. Only in its core region Europe could the division increase its operating sales, although in Germany, its most important individual market in Europe, sales did not quite reach the 2013 level. In the Americas, sales were slightly lower than in the previous year. Moderate growth in the U.S. was offset by sales declines in other countries. The demand in Asia weakened considerably, particularly in China.

Earnings Situation

Our sales growth generally had a positive influence on the development of the important earnings indicators. Earnings before interest, taxes, depreciation and amortization (EBITDA) grew disproportionately by 18 %, increasing to €397.4 million (previous year: €335.7 million).

This earnings improvement is largely due to the integration of the rheology activities, which are characterized by above-average profitability. At the same time, exchange-rate changes put a slight burden on the EBITDA compared to the previous year. Adjusted for acquisition and exchange-rate effects, operating earnings rose by 6 %, which was higher than the operating sales increase. In the last fiscal year, the EBITDA margin was 20.4 %, after 19.0 % in the previous year.

Both the development of the absolute EBITDA and the EBITDA margin surpassed our expectations. At the beginning of 2014, we had anticipated the earnings development would be at the level of the sales growth and therefore our profitability would remain the same.

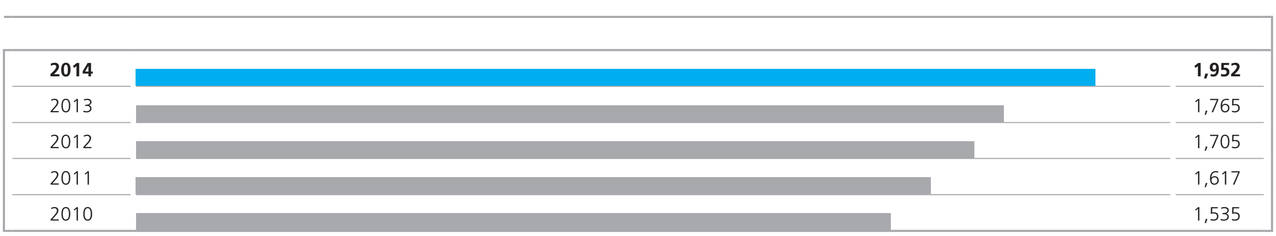
The positive deviation from our forecast is due primarily to a decrease in the materials usage ratio, the ratio of raw materials and packaging costs to sales. In 2014, this important cost factor for ALTANA grew disproportionately to the sales expansion, with the materials usage ratio falling from 44.2 % in 2013 to 42.8 %. This trend ran through all four divisions. Among other things, it is based on the backwards integration of certain production materials that has been pushed forward continuously in recent years, as well as on our ongoing focus on products and markets with increasing value creation. In addition, the prices on individual raw material markets were advantageous for ALTANA in 2014.

Other cost factors important for ALTANA either rose proportionately to sales or increased a little more strongly. Personnel expenses rose due to the completed wage adjustments, on the one hand, but they were also influenced by the expansion of the workforce in 2014 and in the previous year. Personnel expenses comprise 20.0 % of Group sales. The development of depreciation and amortization was negatively impacted by impairments of intangible assets and property, plant and equipment amounting to €10.0 million.

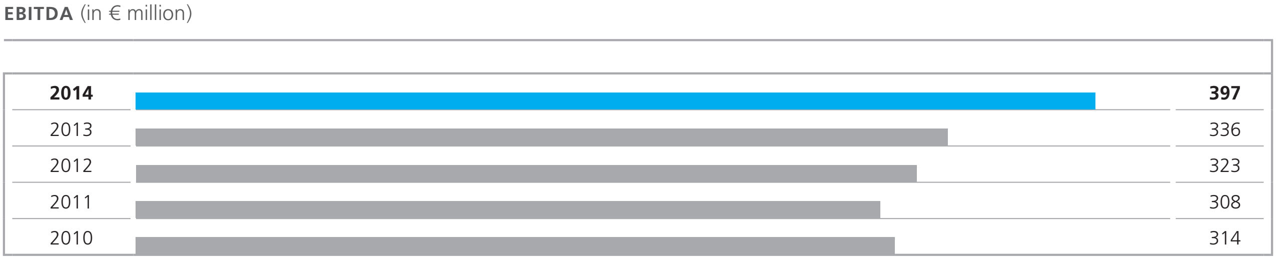
Production costs were disproportionately high due to the integration of the rheology activities with four new production sites in the BYK division. This is reflected by the increase of production-related personnel expenses and the rise in energy and maintenance expenses as well as depreciation and amortization.

Multi-period overview of the earnings situation

Sales (in € million)



EBITDA (in € million)



Of the selling and distribution expenses, the costs that depend directly on sales, including freight and sales commissions, rose corresponding to the sales dynamic.

Research and development expenses, however, showed disproportionately lower growth than sales. While personnel expenses increased in this functional area, other important cost factors were not significantly influenced by the integration of the rheology activities.

The same applies to general administration expenses, which rose due to the increase in personnel and project expenses, but not proportionally to the sales growth.

In 2014, earnings before interest and taxes (EBIT) reached €267.7 million (previous year: €229.1 million). The 17 % growth rate roughly corresponds to the EBITDA growth.

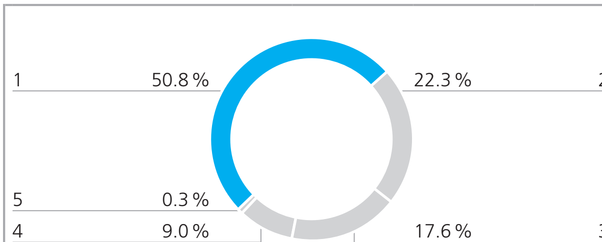
The financial result was €-14.1 million (previous year: €-17.3 million). A main reason for this improvement is the non-recurrence of expenses for hedging transactions, which had accrued in 2013 within the framework of the purchase of the rheology activities.

Earnings before taxes (EBT) rose to €251.8 million (previous year: €212.6 million), and net income (EAT) climbed to €179.2 million (previous year: €151.6 million).

Financial Position

Capital Expenditure

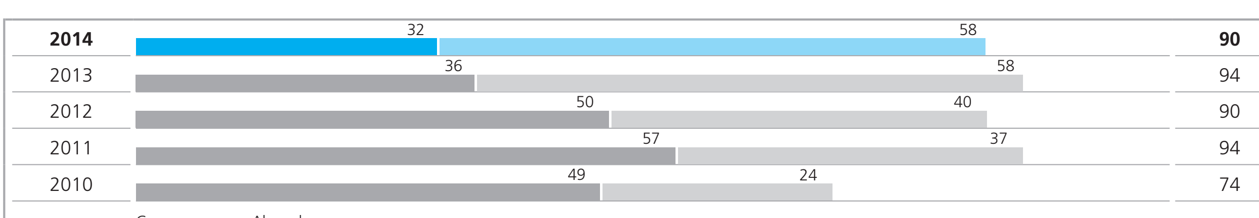
Capital expenditure by division



in € million	2014	2013	Δ %
1 Additives & Instruments	45.9	48.3	-5
2 Effect Pigments	20.1	19.6	3
3 Electrical Insulation	15.9	19.4	-18
4 Coatings & Sealants	8.2	7.0	17
5 Holding	0.3	0.0	> 100
Total	**90.4**	**94.3**	**-4**

In the 2014 fiscal year, ALTANA invested €90.4 million to expand intangible assets and property, plant and equipment, a similar amount to the previous year (€94.3 million). The investment ratio was 4.6 %, which was slightly lower than our long-term target range of 5 % to 6 %, but which

Capital expenditure ALTANA Group (in € million)



basically met our expectations for 2014. Only a few individual projects were not completed in the time frame envisioned or later than originally planned.

Of the total capital expenditure, €85.5 million were invested in property, plant and equipment (previous year: €77.6 million) and €4.9 million in intangible assets (previous year: €16.8 million). The sharp decrease in investments in intangible assets is primarily due to the non-recurrence of extensive expansions of the ERP infrastructure in the ECKART and BYK divisions carried out in 2013.

In terms of regions, as in the previous year our investment activities were geared most strongly to the U.S., followed by Germany. A little more than a third of our worldwide capital expenditure was allocated to each of these two countries. The rest was distributed between the other European countries and China.

In the BYK division, ALTANA finished a major project, completing the expansion of the production site for additives in Wallingford, U.S., and putting it into operation in 2014. Capacities were increased because of the strong development of demand in North America. Further investment focuses included the continual expansion of the largest additives production site in Wesel, as well as the extension of the new rheology additives manufacturing sites. In the 2014 fiscal year, BYK's total capital expenditure amounted to €45.9 million (previous year: €48.3 million).

Capital expenditure in the ECKART division totaled €20.1 million, remaining at the previous year's level (€19.6 million). Important projects included the acquisition of property on which ECKART manufactures effect pigments in the U.S., as well as the expansion of capacities for the manufacture of products for functional applications in the construction industry.

The ELANTAS division invested less in property, plant and equipment and intangible assets than in the previous year (€15.9 million in 2014 compared to €19.4 million in 2013). More than half of the capital expenditure was earmarked for the division's Italian sites.

ACTEGA invested the lowest amount of all of the divisions, with capital expenditure totaling €8.2 million (previous year: €7.0 million). Most of it was used to expand production capacities and as replacement investments in its European sites.

Balance Sheet Structure

Key figures

	2014	2013	Δ %
in € million			
Total assets	2,756.2	2,546.0	8
Shareholders' equity	1,745.5	1,565.6	11
Net debt[1]	(280.1)	(303.6)	N/A

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

The balance-sheet structure did not change significantly in the course of the 2014 fiscal year. Total assets rose from €2,546.0 million to €2,756.2 million. The increase of €210.1 million, or 8 %, is primarily due to ACTEGA's acquisition of three production sites in Brazil towards the end of the year under review, ALTANA's investment in Landa Corp. in 2014, and exchange-rate effects.

On the assets side of the balance sheet, intangible assets rose by €42.6 million. The increase is primarily due to the initial recognition of customer lists and goodwill on account of the acquisitions in Brazil as well as positive exchange-rate effects, above all from the translation of goodwill and intangible assets from acquisitions recognized in U.S. Dollars. Property, plant and equipment increased by €30.5 million, due almost exclusively to exchange-rate influences. The balance sheet item investments in associated companies climbed by €48.2 million due to the investment in Landa.

Non-current assets totaled €1,753.7 million on the balance sheet date (previous year: €1,627.6 million), 8 % higher than in the previous year. The share of non-current assets in total assets remained at 65 % on December 31, 2014.

Among current assets, particularly inventories and trade accounts receivable rose significantly, on the one hand due to the continual expansion of the company's business activity, and on the other to acquisitions and exchange-rate influences. The ratios of the net working capital, in relation to the business development of the preceding three months respectively, were 110 days on average and thus higher than in 2013. Due especially to higher inventory levels at BYK and ECKART, and to the influence of exchange-rate changes, we did not reach the forecast development at the low level of the previous year. On account of the increase in cash and cash equivalents, total current assets climbed by 9 % to €1,002.5 million (previous year: €918.5 million).

On the liabilities side, non-current debt decreased due to the repayment of the acquisition financing that ALTANA took up in 2013 within the framework of the acquisition of Rockwood's rheology activities. At the end of 2014, non-current debt included promissory note loans (German Schuldscheine) amounting to €350.0 million that were issued in the last few years. The decrease in debt was almost completely offset by the increase in employee benefit obligations. As a result, non-current liabilities totaled €701.2 million, roughly on a par with the previous year's level (€704.0 million). Their share in total assets decreased to 25 % (previous year: 28 %).

The increase in total current liabilities from €276.4 million at the end of 2013 to €309.5 million on December 31, 2014, is due to the expansion of trade accounts payable as well as current provisions.

The Group's shareholders' equity rose by €179.9 million to €1,745.5 million (previous year: €1,565.6 million). In addition to the net income in the 2014 fiscal year, the influence of exchange-rate changes led to a significant increase in shareholders' capital. The equity ratio climbed to 63 % on December 31, 2014 (previous year: 61 %).

The net financial debt, comprising the balance of cash and cash equivalents, current marketable securities, debt, and employee benefit obligations, amounted to €280.1 million at the end of the year. We were able to reduce it by €23.5 million in the course of 2014 (previous year: €303.6 million).

Structure of consolidated balance sheet

Assets	**Dec. 31, 2014**		Dec. 31, 2013	
	€ million	%	€ million	%
Non-current assets	1,753.7	64	1,627.6	64
Inventories, trade accounts receivable and other current assets	720.2	26	653.4	26
Cash and cash equivalents and marketable securities	282.3	10	265.1	10
Total assets	**2,756.2**	**100**	**2,546.0**	**100**

Shareholders' equity and liabilities	**Dec. 31, 2014**		Dec. 31, 2013	
	€ million	%	€ million	%
Shareholders' equity	1,745.5	63	1,565.6	61
Non-current liabilities	701.2	25	704.0	28
Current liabilities	309.5	11	276.4	11
Total shareholders' equity and liabilities	**2,756.2**	**100**	**2,546.0**	**100**

Principles and Goals of Our Financing Strategy

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

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

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

At the end of 2014, ALTANA's liabilities totaled €350 million due to the issuance of two promissory note loans in 2012 and 2013. The promissory note loans are divided into tranches with both variable and fixed interest rates and different maturities. The loans will be repaid with nearly stable annual contributions between 2016 and 2020. Furthermore, a general syndicated credit facility with a line of credit of €250 million that was not used in 2014 still exists.

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

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

Liquidity Analysis

Key figures

	2014	2013	Δ %
in € million			
Cash flow from operating activities	298.2	258.8	15
Cash flow from investing activities	(162.9)	(526.2)	N/A
Cash flow from financing activities	(123.2)	218.8	N/A

In the course of 2014, the level of cash and cash equivalents increased by €19.2 million (previous year: €-51.9 million) to €277.1 million (previous year: €257.9 million).

Cash inflow from operating activities rose by 15 % to €298.2 million (previous year: €258.8 million). This growth was buoyed by the improved consolidated net income despite significantly higher amortization and depreciation. To some extent, this influence on the operating cash flow was offset by higher net working capital. On the other hand, the development of provisions and income tax positions had a positive impact on the cash flow.

Compared to 2013, the cash outflow from investing activities decreased substantially to €-162.9 million in 2014. In the previous year, the cash flow from investing activities amounted to €-526.2 million, but a large part of it was due to the acquisition of the rheology activities and other acquisitions involving payments totaling €475.2 million. In 2014, payments for acquisitions and long-term investments amounted to only €77.1 million.

While in the previous year high cash inflows were generated to finance acquisitions within the framework of financing activities, in 2014 ALTANA was able to completely repay acquisition financing of €70.2 million still outstanding at the beginning of the year. With a dividend payment almost on a par with that of the previous year, the cash outflow from financing activities totaled €-123.2 million in the 2014 fiscal year (previous year: cash inflow of €218.8 million).

Value Management

ALTANA determines the change in the company's value via ALTANA Value Added (AVA). The key figures of our value management showed a positive development in 2014.

The Group's average capital employed rose from €2,021.2 million in 2013 to €2,299.6 million. The increase is primarily attributable to the acquisition of rheology activities in October 2013. In 2013, only part of the resulting tied-up capital was included in the average annual capital employed. In 2014, this effect had to be taken into account for the full year. In addition, the expansion of net working capital and exchange-rate effects led to an increase in operating capital.

At €235.9 million (previous year: €200.4 million), operating earnings rose by 17 % in the last fiscal year. The growth was facilitated by the increase in the EBIT. Due to the disproportionately high earnings improvement compared to the changes in capital, the return on capital employed (ROCE) was higher than in 2013, amounting to 10.3 % in 2014 (compared to 9.9 % in the previous year). With an unchanged cost of capital rate of 8 %, the relative AVA reached 2.3 % (previous year: 1.9 %).

Analogous to the increase in operating capital, the cost of capital increased to €184.0 million in 2014 (previous year: €161.7 million). As a result, the absolute AVA amounted to €51.9 million (previous year: €38.7 million).

Both the improvement of the ROCE and the increase in the absolute AVA exceeded the developments forecast at the beginning of 2014. While the increase in operating capital was basically in line with expectations, the operating earnings significantly exceeded the anticipated amount.

Key figures value management

	2014	2013
in € million		
Operating capital (annual average)	2,299.6	2,021.2
Operating earnings	235.9	200.4
Return on capital employed (ROCE)	*10.3 %*	*9.9 %*
Weighted average cost of capital	*8.0 %*	*8.0 %*
ALTANA Value Added (relative AVA)	*2.3 %*	*1.9 %*
ALTANA Value Added (absolute AVA)	51.9	38.7

Overall Assessment of the Business Performance and the Business Situation

In 2014, our business performance surpassed the forecasts made at the beginning of the year. We continued on the successful growth path of the previous years, achieving sales growth in all of our core regions. At the same time, we expanded our profitability once again and continued to increase our company's value.

With the successful integration of the rheology activities and the acquisitions we made in South America in 2014, important Group activities were bolstered even further.

Our continued solid balance-sheet structure and the comprehensive financing scope connected with it will enable us to make value-creating purchases and major investments in the years to come.

Innovation and Employees

Innovation

Alongside the continual development of our product and service portfolio, the use and interlinking of internal and external knowledge were the focal points of our activities and measures in the sphere of innovation in 2014.

ALTANA has a customized information and knowledge portal that enables direct and therefore fast worldwide communication on issues relating to research topics, new product developments, and technology processes.

To optimize the interlinking of know-how and resources in the company, ALTANA promotes the formation of internal competence networks. To this end, application fields and spheres of activity are defined in which ALTANA has a competitive edge or that are of vital importance to advance our business. Last year, we launched the new "Process Development and Engineering" competence network and realigned the "Nanotechnology and Graphene" competence network.

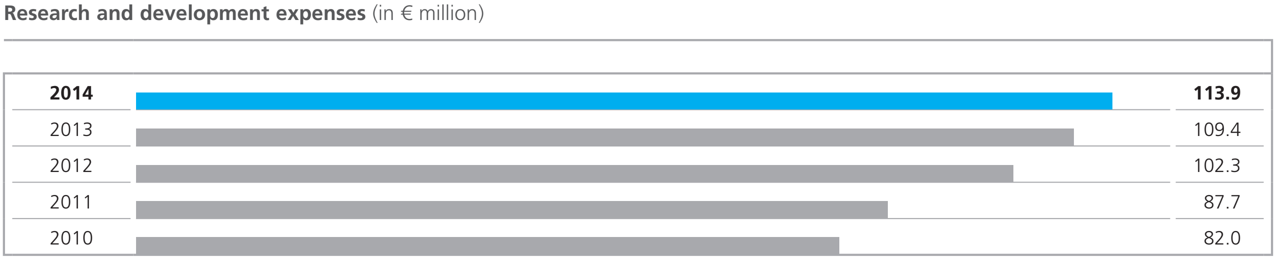
A further example of bundling know-how to evaluate and develop market potential is a feasibility study pushed ahead in 2014 on batteries and energy storage solutions. Within the framework of this project, different competencies of the divisions are to be brought together to develop innovative products and solutions for a strongly growing new market. Similar technology platforms already exist for printed electronics and industrial biotechnology.

At the holding level, a new sphere of responsibility was created to enhance the organization of links between ALTANA and external innovation partners. The goal is to incorporate external knowledge better and use it systematically in the company's own fields of activity.

An important organizational measure implemented in the area of innovation last year concerned the realignment of the BYK division's research and development structure. With the aim of reducing interfaces and thus optimizing development times, spheres of responsibility were restructured and tailored to market needs.

To continuously expand our research and development activities, we once again increased the number of employees and expenses in this area. At the end of 2014, more than 1,000 people worked in R&D for the first time. Expenses for research and development activities rose by 4 % to €113.9 million (previous year: 109.4 million), comprising 6 % of sales.

Research and development expenses (in € million)



Employees in research and development

Additives & Instruments	410
Effect Pigments	240
Electrical Insulation	156
Coatings & Sealants	207
Holding	6
Total	**1,019**

Employees

In the course of the year, the number of people working in the ALTANA Group rose by 323, or 6 %, to 6,064 (previous year: 5,741). This increase was mainly due to the acquisitions made in Brazil in December 2014. At the end of the year, 218 people were employed at the three new sites. Adjusted for this effect, the ALTANA Group's headcount increased by 2 % (+ 105 people).

The BYK division's workforce increased by 63 to 1,903 people (previous year: 1,840). As a result, BYK had the largest share of employees in the Group for the first time. The increase mainly concerned sites in Wesel and the U.S. New employees were hired in Wallingford following the expansion of production capacities for additives there. The number of people employed in the U.S. at the rheology additives manufacturing sites that ALTANA integrated in 2013 also rose. Due to the business performance and the prospects for the coming years, capacities are also to be expanded at these sites.

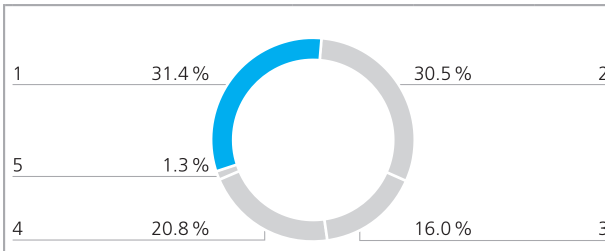
In the ECKART division, the number of employees remained almost constant (1,850 in 2014 versus 1,854 in the previous year). But the development within the division was uneven. Parts of the organizational structure were revamped and geared more closely to the needs of the persistently difficult market environment. This led to a decrease in administrative personnel, which was not completely offset by an increase in the sales workforce.

In the course of the year, the ELANTAS division increased its workforce by 14 people to 970 (previous year: 956). This increase was due to the fact that a new sales organization was established in Malaysia and at European sites.

The number of people working at ACTEGA rose by 246 to 1,259 employees (previous year: 1,013), the biggest increase of all of the divisions. With the new companies in Brazil, the headcount climbed by 218 people on December 31, 2014. New hirings in Germany also contributed to the increase.

The structure of the workforce did not change significantly in the 2014 fiscal year. As in the previous year, most of the employees continued to work in production (53 % or 3,205 people, compared to 3,010 in the previous year). 1,019 people were employed in research and development

Employees by division



	Dec. 31, 2014	Dec. 31, 2013	Δ %
1 Additives & Instruments	1,903	1,840	3
2 Effect Pigments	1,850	1,854	0
3 Electrical Insulation	970	956	1
4 Coatings & Sealants	1,259	1,013	24
5 Holding	82	78	5
Total	**6,064**	**5,741**	**6**

at the end of the year (previous year: 944). The number of employees in marketing and sales increased to 972 (previous year: 944). On December 31, 2014, the smallest share of the Group's workforce continued to work in administrative functions (868 versus 843 in 2013).

The regional structure shifted further in 2014. With 3,965 people (previous year: 3,901), the European companies continued to have by far the largest share of the Group's workforce. At the end of the year, 3,259 people were employed in Germany (previous year: 3,198), the majority of them at the ECKART and BYK divisions' largest production and development sites in Hartenstein and Wesel, respectively.

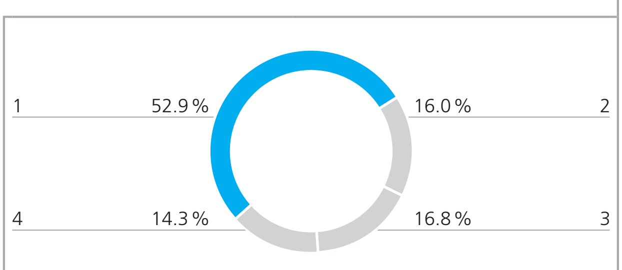
The workforce in the Americas showed a much stronger increase, from 1,098 people in the previous year to 1,348 at the end of 2014. Apart from the acquisitions in Brazil, this growth was driven by the expansion of BYK's U.S. sites.

On the other hand, the development of the workforce in Asian Group companies remained stable. The number of employees increased slightly to 751 (previous year: 742).

To further enhance our attractiveness as an employer and thus hold our own in the competition for specialists and managers, in 2014 we again implemented measures to strengthen our corporate culture and to advance our human resources management.

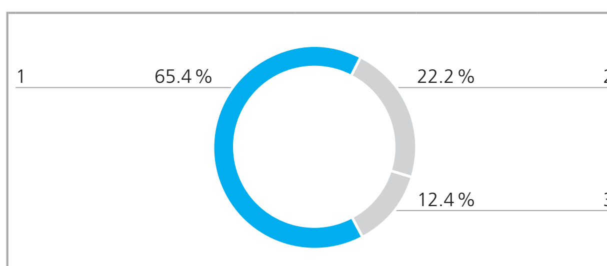
An important measure was a global employee survey. A special focus was on the values of ALTANA's Guiding Principles and the shaping of management culture in the ALTANA Group. We analyzed the results and are currently discussing them with our Group companies incorporating all employees. The goal is to develop concrete recommendations for how the corporate culture can still be improved and shaped at the individual sites.

Employees by functional area



	Dec. 31, 2014	Dec. 31, 2013	Δ %
1 Production and logistics	3,205	3,010	6
2 Marketing and sales	972	944	3
3 Research and development	1,019	944	8
4 Administration	868	843	3
Total	**6,064**	**5,741**	**6**

Employees by region



	Dec. 31, 2014	Dec. 31, 2013	Δ %
1 Europe	3,965	3,901	2
thereof Germany	*3,259*	*3,198*	*2*
2 Americas	1,348	1,098	23
thereof U.S.	*1,066*	*1,035*	*3*
3 Asia	751	742	1
thereof China	*461*	*452*	*2*
Total	**6,064**	**5,741**	**6**

To ensure that not only experience and expertise, but also social skills play a role in the hiring of managers, a so-called management check was introduced. With this instrument, potential managers are selected with an eye to ALTANA's Guiding Principles and corporate culture. The management check is applied not only for selecting external managers, but also for finding internal employees to fill vacant positions. The management check has already been implemented at the German and U.S. companies. Further regions are to follow.

ALTANA's Guiding Principles also play a role in the integration of new companies. Since ALTANA is steadily expanding its Group activities via acquisitions, successful integration of new companies is extremely important. The instruments used in the Group to anchor the Guiding Principles and management guidelines in the workforce and to strengthen the positive corporate culture are therefore being transferred to new sites step by step.

Subsequent Events

In June 2014, ALTANA and the Landa Group signed an agreement under which ALTANA acquired a non-controlling interest in Landa Digital Printing for a total of €100 million by way of two capital increases. After acquiring an initial share in Landa Corp., Rehovot/Israel, for €50 million in July 2014, in a second step ALTANA paid another €50 million in January 2015.

Expected Developments

Future Orientation of the Group

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

We do not expect our entry into new market segments or application areas to lead to any significant changes in our sales structure in the medium term. We expect the regional sales distribution to develop rather steadily, though we believe that the above-average growth of the emerging Asian and Latin American economies may lead to a slight shift in sales shares.

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

Economic and Industry Outlook

At the beginning of the year, the general economic situation was similar to that of the preceding months. And the global economy is expected to remain very stable for 2015 as a whole. The International Monetary Fund (IMF) forecasts an increase of 3.5 % in worldwide economic output, slightly higher than in the previous year.

In terms of the regions, however, a further shift in growth is expected. While the emerging Asian economies are expected to continue to have the highest growth, growth in China should decrease slightly to 6.8 % in 2015, continuing the trend of recent years. Accelerated growth is again forecast for the U.S. (+ 3.6 %), and economic recovery is expected for large parts of Europe as well. For the Euro zone, the IMF expects economic output to increase by 1.2 %.

ALTANA's important sales markets should benefit from the economic growth that is expected. We anticipate that general regional demand will for the most part develop in line with economic growth. The extent to which changes in the level of storage along the value chain will influence the actual demand for the products of our divisions largely depends on the expected short- to long-term development. Stock level changes can lead to significant effects.

For the chemical sector, steady growth is expected in light of the global economic prospects. The Oxford Economic Institute forecasts that worldwide chemical production will grow by 4.1 % in 2015, an even higher increase than in the previous year.

The development of crude oil prices cannot be predicted reliably due to the high volatility in recent months and on account of the current geopolitical risks. The availability, pricing, and consumption volume of chemical products are subject to the influence of the crude oil market, albeit to different extents.

As in the previous year, the volatility of the exchange-rate relations important for ALTANA might continue in 2015. Since the intensity and direction of the exchange rates cannot be predicted, it is not possible to make concrete statements about the influence.

Expected Earnings, Asset, and Financial Situation

Expected Sales and Earnings Performance

Since the global economy is generally expected to show stable growth, we expect the demand for our products and services to develop stably as well in the new fiscal year. Operating sales growth, in other words sales growth adjusted for exchange-rate and acquisition effects, should range from 2 % to 5 %. An increase in the sales volume should be the main growth driver.

We expect nominal sales growth to be higher. The reasons for this difference are the positive exchange-rate effects expected, especially due to the current U.S. Dollar-Euro exchange rate, and additional sales resulting from the integration of the sites acquired in Brazil at the end of 2014.

For the most part, operating sales in the divisions should grow at a similar pace to Group operating sales. But due to sales in different currency zones and acquisition effects in the ACTEGA division, nominal growth should vary.

In terms of the important cost factors, we do not expect significant shifts of cost ratios in relation to sales. We expect the materials cost ratio to generally develop stably. And we do not foresee the growth of personnel expenses and other fixed cost figures differing significantly from sales development.

The EBITDA should develop at a similar level to that of sales. As a result, we expect the EBITDA margin to be around 20 %.

After 2015, we anticipate continued stable growth with the same general profitability.

Expected Asset and Financial Situation

We do not expect any significant shifts in the balance-sheet structure in 2015. Our capital expenditure for property, plant and equipment and intangible assets should remain within our long-term target range of 5 % to 6 %. The development of the absolute values of net working capital should be analogous to the general business development, though we are striving to improve the ratios.

Based on the expected business performance, we will achieve significant liquidity surpluses from operating activities, which should be at level similar to that of 2014. These surpluses will be used to finance investments, for bolt-on acquisitions, and to pay dividends. The promissory note loans should be repaid from 2016 to 2020.

We expect a further slight improvement of the value management key figures in 2015 due to a disproportionate increase in operating earnings compared to operating capital.

Risks

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

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

Our strategic corporate planning is closely tied to our medium- to long-term financial planning. The extent of the fulfillment of our targets is examined in monthly reports on the company's business performance and in our short-term financial planning. Deviations can be recognized and countermeasures introduced if necessary.

Our internal control system, which is oriented to the standards of the internationally recognized COSO model, defines organizational measures for preventing damage from being done to the company. In connection with our established compliance organization, it aims to prevent possible violations of guidelines and laws on the part of employees.

At ALTANA, risk management in the strict sense is viewed as the systematic compilation, evaluation, documentation, and communication of relevant risks. Thus it is an essential component of the company's system for early risk recognition in accordance with section 91 (2) of the German Stock Corporation Act. This system was voluntarily examined by the auditor and was deemed capable of recognizing risks that can endanger the existence of the company at an early stage.

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

Some of the individual risks and risk fields described in the following pages could have a material adverse effect on the Group's earnings, financial, and asset situation in the years to come and thus give rise to a negative deviation from the forecast development. For individual risks categorized as "medium" and "high" we address changes in our appraisal compared to the previous year. In 2014, risks categorized as "very high" were not identified.

Economic and Industry Risks

The development of the general economic conditions worldwide has a decisive impact on our business performance. The performance of the important U.S., Chinese, and German economies has a particularly strong impact on the direction and intensity of demand for our products.

A global economic crisis leading to an economic collapse would bring about significant sales decreases with corresponding influences on our earnings. Recessions limited to certain regions in sales markets important for us could also significantly impair our business performance. With the specific orientation of our sales activities, we try to shape our dependence on regional or national markets in such a way that the effects of regionally confined economic crises on the Group are limited. No individual country currently accounts for more than 20 % of total Group sales. The distribution of our business activities in the core regions of Europe, Asia, and the Americas also has a balanced structure.

At the same time, we continually update our appraisal of the regional economic development in our internal reporting system to be able to react to foreseeable effects by controlling our procurement, production, and sales activities. We react to long-term shifts in regional economic performance by adjusting our sales and local production structures.

In addition to general economic risks, there are market-related sales risks concerning individual product groups or application areas. Particularly medium- to long-term trends that structurally lead to a decrease in demand in our target markets can mean that we will not achieve our growth and profitability targets. We try to control industry-related sales risks by broadly diversifying our offer. We supply many different industries, which in turn sell their end products in various markets. Therefore, our dependence on the underlying consumer segments is limited. We estimate that no single consumer segment (e. g. the automotive industry) accounts for more than 20 % of our sales.

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

The occurrence of a global economic crisis, similar to the extent of that of 2008/2009, or the emergence of regional economic crises, are two significant economic and industry risks that are rated as "high" or "medium" risks. In the 2014 fiscal year, we did not assess the probability of these risks occurring as being different from the previous year. However, due to the expansion of our business activities, potential damages and thus the assessment of the risk increased slightly.

Sales Risks

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

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

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

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

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

Risks from Company Acquisitions and Investments

Apart from operating growth, acquisitions play a key role for the implementation of the strategy for profitable growth at ALTANA. Depending on the size of the activities acquired, an unsuccessful integration can place a burden on the Group's earnings situation and limit its financial leeway. In addition, a business performance that is worse than what was expected when the acquisition was made can lead to impairments in the value of assets and be detrimental to earnings.

To minimize the effects of the risks from company acquisitions, we examine our acquisition targets systematically and comprehensively and analyze them in detail in a multistage approval process.

The assessment of the risk of impairments of assets from acquisitions is higher than it was last year. This is due to an increase in the probability of occurrence with the same potential damages. We continue to categorize the impairment risk as being high.

Procurement Risks

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

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

Financial Market Risks

Financial market risks primarily concern short-term and significant changes in exchange-rate relations and interest rates, as well as default risks and the covering of financial resource needs.

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

We safeguard against material transaction risks by concluding forward foreign exchange contracts in cases where we assume that the underlying business can be realized with a sufficient degree of certainty. The total amount expected is safeguarded in different tranches to offset short-term exchange-rate fluctuations. We generally counter risks resulting from changes in interest rates by hedging interest rates over the corresponding term of the respective underlying transaction. More information on our evaluation and accounting procedures for hedges can be found in the Notes on page 118 ff. (note 27).

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

We safeguard availability of financial resources through central control and monitoring of our Group-wide financial resources. In addition, by utilizing various financing instruments, we centrally provide a financial resources framework that covers medium-term needs going beyond the planned financial cash inflow from our operating business.

We did not adjust our assessment of the financial market risks significantly in comparison to the previous year. Continued high cash inflows from operating business activity and the existing general financial resources framework suffice to cover the expected cash outflows for investments, repayments, and dividends.

Innovation Risks

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

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

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

2014 saw no significant change in our assessment of innovation risks in comparison to the previous year.

Other Risks

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

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

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

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

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

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

Compliant Group Accounting

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

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

The financial statements of the individual Group companies are prepared decentrally by the local accounting departments. Hence the individual companies are responsible for preparing the financial statements, in keeping with Group guidelines and country-specific statutory accounting requirements. The work steps needed to prepare the financial statements are defined such that important process controls are already integrated. These include guidelines pertaining to the separation of functions and allocation of responsibilities, to control mechanisms, and to IT system access regulations. The respective management explicitly confirms to the Group's management that the annual financial statements are correct and complete. In addition, important financial statements are audited by the company or Group auditors in charge.

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

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

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

Opportunities

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

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

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

Economic and Industry Development

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

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

Innovation

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

Company Acquisitions and Portfolio Measures

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

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

Synergies

The ALTANA Group is decentralized to a large extent. Still, in some areas of the value-creation chain and in certain management functions, central units support the divisions and play a coordinating role. If we managed to push forward the networks within the Group more strongly than expected, this could result in potential to improve efficiency. This particularly concerns the rheology activities we acquired in 2013. We believe that the increasing integration of these activities in the BYK division will enable us to create sales and marketing synergies, since we appeal to the same customer industries with different product groups. If these synergies were realized faster than expected or went beyond the planned scope, this could have a positive impact on the Group's earnings situation.

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

In 2015, we expect the economy to show stable growth similar to that of the previous year. As a result, we expect operating sales growth and earnings profitability comparable to those of 2014. Due to the high stability of our operating capital, the key figures for value management should continue to improve slightly.

We believe that the risk of burdens from a muted or even recessive development of the global economy or in important core regions continues to be palpable. In addition, considerable risks to our short-term sales and earnings performance are posed by the higher price volatility on the raw materials markets and by short-term exchange-rate fluctuations. Overall, we have not found any risks that could endanger the continued existence of the company. The risks we face are set against numerous opportunities that could enable us to achieve sales and earnings performance surpassing our forecasts.

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

Corporate Governance

Corporate governance has a high priority at ALTANA. Even as a company that is not listed on the stock market, ALTANA orients itself to the rules of the German Corporate Governance Code.

In 2014, the Supervisory and Management Boards dealt in depth with the recommendations and suggestions of the German Corporate Governance Code and examined which recommendations and suggestions ALTANA can follow even as a company not listed on the stock exchange and apply within the company given its shareholder structure.

ALTANA follows the vast majority of the applicable recommendations and suggestions of the German Corporate Governance Code in the current version of June 24, 2014. This especially applies to the cooperation between the Management Board and the Supervisory Board, the responsibilities of the Chairman of the Supervisory Board and the Supervisory Board plenum, dealing with conflicts of interest and the independence of the Supervisory Board members, the setting up and composition of the committees, as well as matters relating to the audit.

Management and Control

Since November 1, 2014, the Management Board of ALTANA AG has had three members, who were appointed by the Supervisory Board for a period of three or five years. The Management Board members manage the Group independently and are solely committed to the interests of the company. Together with the presidents of the divisions and some heads of central functional areas, the Management Board forms the Executive Management Team. In regular meetings, this team discusses and analyzes the development of business and important business incidents.

The company's Supervisory Board has twelve members. Six of them are employee representatives, five of whom are elected by Group employees in Germany in accordance with the German Codetermination Act. The representative of the Mining, Chemical and Energy Industrial Union (IG BCE), Stefan Weis, was appointed to the Supervisory Board by the district court in Duisburg in accordance with section 104 of the German Stock Corporation Act after his predecessor Ralf Giesen resigned. The remaining six members are elected by the Annual General Meeting. The Supervisory Board members are elected for a period of five years. The Supervisory Board monitors and advises the Management Board in its management activities. At regular intervals, the Supervisory Board discusses business development and planning, as well as the company's strategy and its implementation. The Supervisory Board's tasks also include appointing Management Board members and approving the annual financial statements. Specially defined business decisions of the company, such as major acquisitions and divestments, require the approval of the Supervisory Board.

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

Basic Features of the Compensation System (Compensation Report)

The compensation of the Management Board members of ALTANA AG is related to the size of the company, to its economic and financial situation, as well as to the amount and structure of the Management Board compensation in comparable companies. Furthermore, the scope of duties, the experience, and the contribution of the respective Management Board member, as well as the compensation structure that otherwise exists in the company, are taken into account when assessing the compensation.

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

The short-term bonus for the last fiscal year was determined on a one-year basis. It is based on the development of the earnings before interest, taxes, depreciation and amortization (EBITDA) and the return on capital employed (ROCE), each in comparison to the target values defined by the Supervisory Board. The long-term bonus for 2014 was calculated based on the development of profit after capital costs ("ALTANA Value Added") over a rolling assessment period of three years. As a compensation component with a long-term incentive effect, in 2014 Management Board members received AEP Awards from the "ALTANA Equity Performance 2014" program. None of the members of the Management Board was entitled to further benefits in the case of premature or regular termination of activities.

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

There is a D&O liability insurance scheme for members of the Management and Supervisory Boards. The insurance covers personal liability risks in the event that a claim is made against members of the Management and Supervisory Boards while they are performing their activities. The insurance contract stipulates a deductible of 10 % of the damages, but a maximum of one-and-a-half times the amount of the fixed annual compensation of the respective member of the Management or Supervisory Board per insurance year.

Further information on the compensation of the Management and Supervisory Boards can be found on pages 133 f.

Responsible Behavior and Sustainability

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

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

Environmental Protection, Safety, and Corporate Social Responsibility

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

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

All of the managing directors of the ALTANA Group personally signed the internationally valid voluntary initiative of the chemical industry called Responsible Care. It is the basis of our actions and applies to all of our worldwide sites.

In addition, we are a member of the United Nations Global Compact initiative, in which some 12,000 companies and organizations from 145 countries are participating. In Germany, we also support the sustainability initiative "Chemie³," which was called into being by the German Chemical Industry Association (VCI), the German Mining, Chemical and Energy Industrial Union (IG BCE), and the German Federation of Chemical Employers (BAVC).

Environmental Protection

At ALTANA, responsible dealings with resources are based on three pillars. First, we make a concerted effort to use raw materials, water, and energy as sustainably as possible in production. Second, we try to reduce emissions wherever possible. Among them are carbon-dioxide (CO_2) and volatile organic compounds (VOC). Third, we steadily pursue our aim of reducing waste and wastewater by making improvements in production and production yields. We made further progress in all three areas in 2014.

To guide and control our resource consumption, we implement certified management systems. They are mandatory at all of our sites for purposes of environmental protection. This also applies to companies that become part of the ALTANA Group through acquisitions.

In 2014, the ELANTAS site in Brazil completed certification of its environmental management system. ACTEGA DS in Bremen and ECKART in Hartenstein received certification for their energy management back in 2013. ELANTAS Beck in Hamburg, BYK-Chemie in Wesel, and other German sites prepared for the process in 2014.

To protect the environment in the event of accidents or other incidents, we install basins and sumps that can catch leaking chemicals. These preventive measures proved very effective again in 2014.

Energy Efficiency and Reduction of CO_2 Emissions

Since 2007, the companies belonging to ALTANA prior to 2013 have reduced their specific CO_2 emissions by 20.3 %. Excluding acquisitions we have made since 2013, we would have come a big step closer to reaching the goal we set ourselves back then of reducing emissions by 30 % by 2020. To quantify the emissions, we relate the amount of climate-relevant emissions to gross value added, which is the sum of EBITDA and personnel expenses. Due to the fact that we acquired a few energy-intensive companies in 2013, the specific CO_2 emissions increased by 1.4 % compared to 2007.

The emission reduction is made possible by various technical measures that we continually implement to decrease energy consumption. In 2014, these included new and improved thermal exhaust air afterburning facilities at ECKART in Schererville, U.S., and at ACTEGA Rhenania in Grevenbroich, Germany, as well as the heat recovery plant at ELANTAS Beck India. In the Netherlands, BYK-Cera generates part of its electricity at its Deventer site with the help of a photovoltaic system.

Reduction of Solvent Emissions

Organic solvents are indispensable for the manufacture of some products. To reduce the resulting VOC emissions, we install special cleaning facilities. These include the carbon filters that ELANTAS installed at its Chinese sites in Tongling and Zhuhai in 2014, as well as the aforementioned exhaust air treatment facilities.

The use of closed systems in production is another method of cutting VOC emissions. The solvents used are pumped directly from raw material tanks into the production containers, thus avoiding any emissions. In new plants, such as the production building of BYK USA in Wallingford that opened in 2014, closed systems are now standard for us. At other sites we retrofit them if necessary. An example is ELANTAS Beck India, where we installed a closed system with three new tanks in 2014.

Product Responsibility

It is our products that contribute the most to minimizing emissions. More and more coatings, additives, and pigments are conceived for use in solvent-free, water-based, and other low-emission products. Moreover, we refrain from using critical raw materials wherever it is possible and economical. With all of these measures, we also support our customers' sustainability strategies.

A development made by ECKART is an excellent example of our understanding of product responsibility. For the first time, we are offering a pigment free of heavy metals that enables high-speed laser marking. This technique enables markings to be put on products and packaging that can be read exactly, that cannot be overwritten, and are extremely abrasion resistant.

Our product responsibility also includes publishing safety-relevant information. In this context, we support the "Global Product Strategy," a worldwide voluntary initiative on the part of the chemical industry.

Safety and Health Protection

In 2014, we had ten significant incidents according to the definition of the German Chemical Industry Association. In one of the three deflagrations that occurred, an employee suffered slight injuries. There were a total of six cases of chemicals being released. Only in two of them did this lead to contamination of the soil, which was remedied immediately. In all of the other cases the catch basins installed expressly for such incidents prevented environmental damage.

ALTANA's predefined key figures on occupational safety improved significantly in comparison to the previous year, as the tables on page 70 show. Consequently, our group's occupational safety record is better than the average of the chemical industry in Germany.

Overall, we achieved our safety aims in the year under review, and two divisions even reached the targets set for 2016.

Corporate Social Responsibility

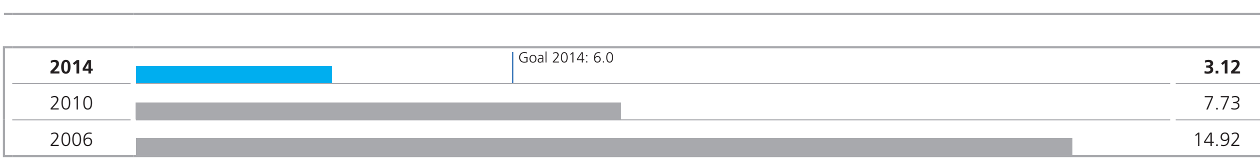
ALTANA promotes initiatives and projects focusing on education, science, and research. We particularly support initiatives near our sites in Germany and abroad in order to be a good neighbor and to strengthen our local environment.

The top priority of our activities is to arouse enthusiasm in young people for the natural sciences, mathematics, and computer science. To this end, we are involved in kindergartens and elementary schools in the Wesel area. In 2014, we supported so-called educational coaching, which an elementary school in downtown Wesel established for children with a migration background or who are socially disadvantaged. The project will run for three years.

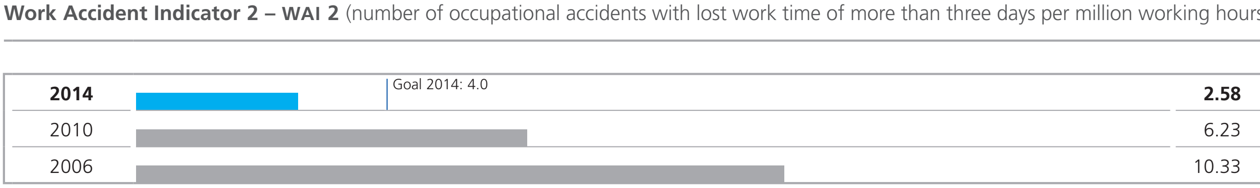
In 2014, we also promoted efforts to provide young people with professional orientation. For example, we participated in the "Boss for a Day" campaign, in which ten top managers in Germany let a high-school student fill in for them for a day. Within the framework of the Germany-wide online business game contest "Youth Start-Ups" organized by the Federal Ministry of Education and Research (BMBF), we awarded a special prize for the best business plan in the field of chemistry.

Last but not least, we regularly give grants to students in Germany and abroad.

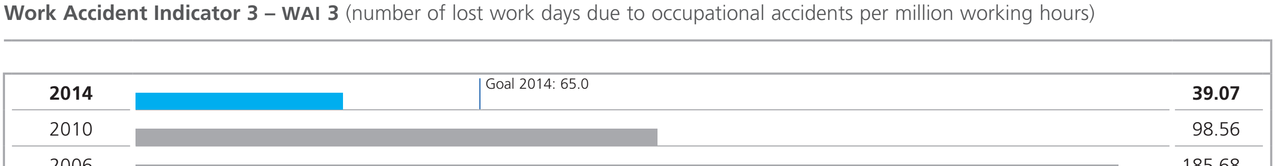
Work Accident Indicator 1 – WAI 1 (number of occupational accidents with lost work time of one day or more per million working hours)



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



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



Consolidated Financial Statements

Management Board Responsibility Statement

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

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

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

By resolution of the Annual General Meeting, the Chairman of the Audit Committee of the Supervisory Board appointed PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft as independent auditor of the consolidated financial statements. The auditors' report is reproduced on the following page. The consolidated financial statements, the Group Management Report and the auditors' report have been made available to the Supervisory Board for detailed discussion. The report of the Supervisory Board is contained on pages 8–11 of this Annual Report.

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

Wesel, Germany, February 20, 2015

ALTANA AG
The Management Board

Dr. Matthias L. Wolfgruber Martin Babilas Dr. Christoph Schlünken

Independent Auditors' Report

We have audited the consolidated financial statements prepared by the ALTANA Aktiengesellschaft, Wesel, comprising the statement of financial position, the income statement and the statement of comprehensive income, the statement of changes in shareholders' equity, the statement of cash flows, and the notes to the consolidated financial statements, together with the group management report for the business year from January 1 to December 31, 2014. The preparation of the consolidated financial statements and the group management report in accordance with the IFRS, as adopted by the EU, and the additional requirements of German commercial law pursuant to section 315a (1) HGB ("Handelsgesetzbuch": German Commercial Code) are the responsibility of the parent Company's Board of Managing Directors. Our responsibility is to express an opinion on the consolidated financial statements and on the group management report based on our audit.

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

Our audit has not led to any reservations.

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

Düsseldorf, Germany, February 26, 2015

PricewaterhouseCoopers Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Andreas Menke	Jörg Sechser
German Public Auditor	German Public Auditor

ALTANA Group Consolidated Income Statement

	Notes	**2014**	2013
in € thousand			
Net sales	4	**1,952,263**	**1,765,411**
Cost of sales	5	(1,210,440)	(1,098,902)
Gross profit		**741,823**	**666,509**
Selling and distribution expenses	6	(263,070)	(234,252)
Research and development expenses		(113,923)	(109,370)
General administration expenses		(101,163)	(93,858)
Other operating income	7	20,889	11,268
Other operating expenses	8	(16,878)	(11,178)
Operating income (EBIT)		**267,678**	**229,119**
Financial income	9	6,100	13,748
Financial expenses	10	(20,193)	(31,004)
Financial result		**(14,093)**	**(17,256)**
Income from associated companies		(1,823)	744
Income before income taxes (EBT)		**251,762**	**212,607**
Income taxes	11	(72,607)	(60,966)
Net income (EAT)		**179,155**	**151,641**
thereof attributable to non-controlling interests		732	512
thereof attributable to the shareholder of ALTANA AG		178,423	151,129

ALTANA Group Consolidated Statement of Comprehensive Income

	2014	2013
in € thousand		
Net income (EAT)	**179,155**	**151,641**
Remeasurement of the net defined employee benefit obligation	(55,052)	(2,010)
Income taxes	16,401	418
Items that will not be reclassified subsequently to profit or loss	**(38,651)**	**(1,592)**
Translation adjustments	99,362	(34,361)
thereof attributable to non-controlling interests	615	(795)
Gains and losses from financial assets available-for-sale	(359)	(638)
Gains and losses from derivative financial instruments	(3,208)	(4,037)
Change in fair value of financial assets available-for-sale	111	404
Change in fair value of derivative financial instruments	(5,264)	7,049
Income taxes	3,490	(812)
Items that may be reclassified subsequently to profit or loss	**94,132**	**(32,395)**
Other comprehensive income	**55,481**	**(33,987)**
Comprehensive income	**234,636**	**117,654**
thereof attributable to non-controlling interests	1,314	(314)
thereof attributable to the shareholder of ALTANA AG	233,322	117,968

ALTANA Group Consolidated Statement of Financial Position

Assets	Notes	**Dec. 31, 2014**	Dec. 31, 2013
in € thousand			
Intangible assets	13	924,988	882,388
Property, plant and equipment	14	740,285	709,817
Long-term investments	15	1,693	1,471
Investments in associated companies	16	56,545	8,308
Income tax refunds		725	1,102
Deferred tax assets	11	18,737	17,604
Other non-current assets	20	10,713	6,868
Total non-current assets		**1,753,686**	**1,627,558**
Inventories	17	275,999	248,423
Trade accounts receivable	18	345,457	308,043
Income tax refunds		13,509	11,745
Other current assets	20	84,749	84,695
Marketable securities	19	5,151	7,145
Cash and cash equivalents		277,128	257,929
Assets held for sale	14	491	491
Total current assets		**1,002,484**	**918,471**
Total assets		**2,756,170**	**2,546,029**

Liabilities, provisions and shareholders' equity	Notes	**Dec. 31, 2014**	Dec. 31, 2013
in € thousand			
Share capital[1]		136,098	136,098
Additional paid-in capital		151,276	150,455
Retained earnings		1,388,274	1,303,515
Accumulated other comprehensive income		64,204	(29,354)
Equity attributable to the shareholder of ALTANA AG		**1,739,852**	**1,560,714**
Non-controlling interests		5,627	4,900
Shareholders' equity	21	**1,745,479**	**1,565,614**
Non-current debt	23	351,856	420,642
Employee benefit obligations	24	207,476	147,047
Other non-current provisions	25	16,256	14,022
Deferred tax liabilities	11	101,105	108,566
Other non-current liabilities	26	24,485	13,746
Total non-current liabilities		**701,178**	**704,023**
Current debt	23	3,015	951
Trade accounts payable		123,687	119,324
Current accrued income taxes		42,254	37,318
Other current provisions	25	83,519	77,625
Other current liabilities	26	57,038	41,174
Total current liabilities		**309,513**	**276,392**
Total liabilities, provisions and shareholders' equity		**2,756,170**	**2,546,029**

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

ALTANA Group Consolidated Statement of Changes in Shareholders' Equity

	Share capital issued			Retained earnings	
	Number of shares	Share capital	Additional paid-in capital	Retained earnings	Remeasurement of the net defined employee benefit obligation
in € thousand					
Balance at Jan. 1, 2013	**136,097,896**	**136,098**	**146,949**	**1,272,060**	**(63,176)**
Comprehensive income				**151,129**	**(1,596)**
Dividends paid				(55,000)	
Change in reporting entities				14	
Sale of shares to non-controlling interests			3,506	84	
Balance at Dec. 31, 2013	**136,097,896**	**136,098**	**150,455**	**1,368,287**	**(64,772)**
Comprehensive income				**178,423**	**(38,659)**
Dividends paid				(55,000)	
Change in reporting entities				(5)	
Sale of shares to non-controlling interests			821		
Balance at Dec. 31, 2014	**136,097,896**	**136,098**	**151,276**	**1,491,705**	**(103,431)**

Accumulated other comprehensive income				Non-controlling interests		
Financial assets available-for-sale	Derivative financial instruments	Translation adjustments	Equity attributable to the shareholder of ALTANA AG	Shareholders' equity	Translation adjustments	Shareholders' equity
358	**1,200**	**653**	**1,494,142**	**4,970**	**(956)**	**1,498,156**
(127)	**2,108**	**(33,546)**	**117,968**	**516**	**(830)**	**117,654**
			(55,000)	(2,163)		(57,163)
			14			14
			3,590	4,143	(780)	6,953
231	**3,308**	**(32,893)**	**1,560,714**	**7,466**	**(2,566)**	**1,565,614**
(123)	**(5,930)**	**99,611**	**233,322**	**740**	**574**	**234,636**
			(55,000)	(1,357)		(56,357)
			(5)			(5)
			821	1,173	(403)	1,591
108	**(2,622)**	**66,718**	**1,739,852**	**8,022**	**(2,395)**	**1,745,479**

ALTANA Group Consolidated Statement of Cash Flows

	Notes	2014	2013
in € thousand			
Net income (EAT)		**179,155**	**151,641**
Depreciation and amortization of intangible assets and property, plant and equipment	13, 14	119,702	104,619
Impairment of intangible assets, property, plant and equipment and assets held for sale	13, 14	10,000	1,960
Impairment on long-term investments and marketable securities	15, 19	65	0
Net result from the disposal of intangible assets and property, plant and equipment	7, 8	1,032	726
Net result from the disposal of long-term investments and marketable securities	9, 10	(459)	81
Change in inventories	17	(12,075)	(416)
Change in trade accounts receivable	18	(14,702)	(6,264)
Change in income taxes	11	3,581	(1,101)
Change in provisions	24, 25	9,622	6,599
Change in trade accounts payable		(4,177)	1,604
Change in other assets and other liabilities	20, 26	(106)	(835)
Other		6,574	173
Cash flow from operating activities		**298,212**	**258,787**
Capital expenditure on intangible assets and property, plant and equipment	13, 14	(90,389)	(94,333)
Proceeds from the disposal of intangible assets and property, plant and equipment	13, 14	1,973	1,110
Acquisitions, net of cash acquired	3	(26,211)	(475,175)
Proceeds from the disposal of product groups		0	233
Purchase of long-term investment and investments in associated companies	15, 16	(50,929)	(48)
Proceeds from the disposal of long-term investments	15	45	44
Purchase of marketable securities	19	(45,718)	(90,800)
Proceeds from the disposal of marketable securities	9, 10	48,362	132,799
Cash flow from investing activities		**(162,867)**	**(526,170)**

	Notes	2014	2013
in € thousand			
Dividends paid		(56,357)	(57,163)
Proceeds from the sale of shares to non-controlling interests	3	1,591	6,953
Proceeds from long-term debt	23	1,523	340,303
Repayment of long-term debt	23	(70,220)	(70,937)
Net increase/decrease in short-term debt	23	294	(327)
Cash flow from financing activities		**(123,169)**	**218,829**
Effect of exchange rate changes		7,023	(3,364)
Change in cash and cash equivalents	2	**19,199**	**(51,918)**
Cash and cash equivalents as of January 1	2	257,929	309,847
Cash and cash equivalents as of December 31	2	**277,128**	**257,929**
Additional information on cash flows included in the cash flows from operating activities			
Income taxes paid		(82,223)	(69,612)
Interest paid		(9,283)	(3,354)
Income taxes received		13,393	7,335
Interest received		4,203	4,040
Dividends received		774	771

Notes to Consolidated Financial Statements

1. Basis of Presentation

The consolidated financial statements of ALTANA AG and its subsidiaries (the "Company" or "ALTANA") are prepared in accordance with International Financial Reporting Standards (IFRS), issued by the International Accounting Standards Board (IASB) as endorsed by the EU, and in accordance with section 315a of the German Commercial Code (HGB). The consolidated financial statements were authorized for issue by the Management Board on February 20, 2015 and were approved by the Supervisory Board in the Supervisory Board meeting on March 19, 2015.

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

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

2. Significant Accounting Policies

Consolidation

The consolidated financial statements of the Company include 22 (2013: 20) subsidiaries in Germany and 49 (2013: 44) subsidiaries abroad, in which ALTANA either directly or indirectly may exercise control. ALTANA controls an investee when it is exposed or has rights to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

The change in reporting entities in 2014 mainly results from two acquisitions in the form of a share deal. These acquisitions had no significant effect on the Company's net assets, financial position and result of operations. In the Coatings & Sealants division, a non-operating subsidiary was founded in preparation of anticipated acquisitions in Brazil. Additionally, in the Additives & Instruments division a subsidiary was founded in China, and two already existing German subsidiaries were merged. In Germany, an existing non-operating subsidiary was consolidated for the first time and two subsidiaries were founded.

ALTANA holds 75 % (2013: 78 %) of the listed company ELANTAS Beck India Ltd. (Beck India), India. The remaining shares are free float.

ALTANA holds a 39 % interest in Aldoro Indústria de Pós e Pigmentos Metálicos Ltda. (Aldoro), Brazil, and accounts for it by applying the equity method of accounting. Since June 25, 2014, ALTANA holds an interest in Landa Corp. (Landa), Israel, and accounts for it by applying the equity method of accounting (see note 16).

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

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

New Accounting Pronouncements Endorsed by the EU

The following Standards and Interpretations were initially adopted in the financial year 2014:

Standard/ Interpretation		Issued by the IASB	Effective date[1]	Effect on consolidated financial statements
IAS 32	Amendments to IAS 32 "Financial Instruments: Presentation" – Offsetting Financial Assets and Financial Liabilities	Dec. 2011	Jan. 1, 2014	no effect
IAS 36	Amendments to IAS 36 "Impairment of Assets"– Recoverable Amount Disclosures for Non-financial Assets	May 2013	Jan. 1, 2014	not material
IAS 39	Amendments to IAS 39 "Financial Instruments: Recognition and Measurement" – Novation of Derivatives and Continuation of Hedge Accounting	June 2013	Jan. 1, 2014	no effect

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

The following Standards and Interpretations are applicable at the earliest for financial years beginning after December 31, 2014. ALTANA has not early adopted these Standards and Interpretations.

Standard/ Interpretation		Issued by the IASB	Effective date[1]	Effect on consolidated financial statements
IAS 19	Amendments to IAS 19 "Employee Benefits"	Nov. 2013	Jan. 1, 2015	not material
IFRIC 21	IFRIC 21 "Levies"	May 2013	June 17, 2014	no effect
Sundry	Annual Improvements to IFRS 2010 to 2012 Cycle	Dec. 2013	Jan. 1, 2015	no effect
Sundry	Annual Improvements to IFRS 2011 to 2013 Cycle	Dec. 2013	Jan. 1, 2015	no effect

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

New Accounting Pronouncements not yet Endorsed by the EU

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

Standard/ Interpretation		Issued by the IASB	Effective date	Effect on consolidated financial statements
IFRS 7	Amendments to IFRS 7 "Financial Instruments: Disclosures" – Required Implementation Date for Transition Guidance	Dec. 2011	Jan. 1, 2015	impact currently evaluated
IFRS 9	IFRS 9 "Financial Instruments"	July 2014	Jan. 1, 2018	impact currently evaluated
IFRS 10 IFRS 12 IAS 28	"Investment Entities" Amendments to IFRS 10, IFRS 12 and IAS 28	Dec. 2014	Jan. 1, 2016	no effect
IFRS 11	Amendments to IFRS 11 "Joint Arrangements" – Accounting for Acquisitions of Interests in Joint Operations	May 2014	Jan. 1, 2016	no effect
IFRS 14	IFRS 14 "Regulatory Deferral Accounts"	Jan. 2014	Jan. 1, 2016	not applicable
IFRS 15	IFRS 15 "Revenue from Contracts with Customers"	May 2014	Jan. 1, 2017	impact currently evaluated
IAS 1	Amendments to IAS 1 "Presentation of Financial Statements"	Dec. 2014	Jan. 1, 2016	impact currently evaluated
IAS 16 IAS 38	Amendments to IAS 16 "Property, Plant and Equipment" and IAS 38 "Intangible Assets" – Clarification of Acceptable Methods of Depreciation and Amortization	May 2014	Jan. 1, 2016	no effect
IAS 16 IAS 41	IAS 16 "Property, Plant and Equipment" and IAS 41 "Agriculture" – Bearer Plants	June 2014	Jan. 1, 2016	not applicable
IAS 27	IAS 27 "Separate Financial Statements" – Equity method in Separate Financial Statements	Aug. 2014	Jan. 1, 2016	no effect
IAS 28 IFRS 10	Amendments to IAS 28 "Investments in Associates and Joint Ventures" and IFRS 10 "Consolidated Financial Statements"	Sep. 2014	Jan. 1, 2016	no effect
Sundry	Annual Improvements to IFRS 2012 to 2014 Cycle	Sep. 2014	Jan. 1, 2016	no effect

Foreign Currency

The consolidated financial statements of ALTANA are expressed in Euro.

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

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

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

	Spot rate		Average rate for the years ended Dec. 31	
	Dec. 31, 2014	Dec. 31, 2013	**2014**	2013
1 Euro				
U.S. Dollar	1.21	1.38	1.33	1.33
Swiss Franc	1.20	1.23	1.21	1.23
Japanese Yen	145.23	144.72	140.30	129.66
Chinese Renminbi	7.54	8.35	8.19	8.16
Indian Rupee	76.72	85.37	81.04	77.93
Brazilian Real	3.22	3.26	3.12	2.87

Revenue Recognition

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

Research and Development Expenses

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

Personnel and Interest Expense

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

Income Taxes

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

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

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

Fair Value

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

Intangible Assets

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

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

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

The following useful lives are applied:

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

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

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

Property, Plant and Equipment

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

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

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

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

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

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

Impairment of Intangible Assets and Property, Plant and Equipment

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

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

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

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

Government Grants

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

Long-term Investments and Marketable Securities

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

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

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

Investments in Associated Companies

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

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

Inventories

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

Trade Accounts Receivable

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

Cash and Cash Equivalents

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

Assets Held for Sale

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

Financial Instruments

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

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

Share-like Employee Incentive Plans

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

Employee Benefit Obligations

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

Other Provisions

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

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

Leases

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

Use of Estimates and Assumptions

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

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

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

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

3. Business Combinations and Disposals

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

Acquisitions in 2014

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

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

The following table provides an overview of the provisional allocation of the consideration transferred to the assets acquired and liabilities assumed by ALTANA as of the acquisition date. The allocation of the consideration transferred will be finalized as soon as all necessary information is available.

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

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

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

Disposals

In 2014, ALTANA sold 3.4 % of the Electrical Insulation division's shares in ELANTAS Beck India Ltd. to comply with legal requirement for companies listed on the Indian stock exchange to reach a free float of at least 25 %. ALTANA recognized €1.6 million from the sale.

4. Net Sales

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

	2014	2013
Additives & Instruments	856,744	691,454
Effect Pigments	332,211	334,563
Electrical Insulation	431,245	414,646
Coatings & Sealants	332,063	324,748
	1,952,263	**1,765,411**

5. Cost of Sales

Cost of sales includes the following items:

	2014	2013
Material expenses	836,387	781,069
Production expenses		
Personnel expenses	176,259	154,961
Depreciation and amortization	73,131	62,136
Energy expenses	37,970	31,313
Maintenance and repair expenses	26,177	21,677
Other	60,516	47,746
	1,210,440	**1,098,902**

6. Selling and Distribution Expenses

Selling and distribution expenses are as follows:

	2014	2013
Personnel expenses	89,378	80,524
Shipping, duties, insurance	56,289	48,791
Commissions	22,827	24,650
Depreciation and amortization	28,827	24,951
Other	65,749	55,336
	263,070	**234,252**

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

7. Other Operating Income

	2014	2013
Reversal of allowance for doubtful accounts	588	647
Gains on disposal of property, plant and equipment	494	122
Government grants	1,326	248
Foreign exchange gains/(losses), net	4,960	0
Insurance reimbursements	2,258	2,051
Reversal of provisions	0	461
Other	11,263	7,739
	20,889	**11,268**

Foreign exchange gains and losses are as follows:

	2014	2013
Foreign exchange gains	9,128	3,604
Foreign exchange (losses)	(4,168)	(7,375)
Net gain / net (loss)	**4,960**	**(3,771)**

8. Other Operating Expenses

	2014	2013
Bad debt expense	2,195	923
Losses from disposal of property, plant and equipment	1,526	848
Foreign exchange gains/(losses), net	0	3,771
Impairment loss on intangible assets and property, plant and equipment	10,000	1,959
Charitable donations	492	345
Other	2,665	3,332
	16,878	**11,178**

9. Financial Income

	2014	2013
Interest income	4,279	3,112
Gains on disposal of marketable securities	459	9,838
Gains on derivative financial instruments	148	161
Dividends received	192	160
Other financial income	1,022	477
	6,100	**13,748**

10. Financial Expenses

	2014	2013
Interest expenses	16,244	11,710
Impairment	65	0
Losses on derivative financial instruments	1,932	15,681
Other financial expenses	1,952	3,613
	20,193	**31,004**

11. Income Taxes

Income tax expense is as follows:

	2014	2013
Current taxes	72,907	65,691
Deferred taxes	(300)	(4,725)
Income taxes	**72,607**	**60,966**

As in 2013, the combined income tax rate is 29 %, consisting of the corporate tax rate of 15 %, the solidarity surcharge on corporate tax in Germany of 5.5 % and the trade tax of about 13 %. The trade tax rate is based on the weighted average of the collection rate of all German municipalities in which ALTANA operates business premises.

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

	2014	2013
Income before income taxes (EBT)	**251,762**	**212,607**
Income from associated companies	(1,823)	744
Income before income taxes – adjusted (EBT adjusted)	**253,585**	**211,863**
Tax expense applying the expected average income tax rate	73,540	61,440
Non-deductible expenses	3,318	4,556
Tax rate differential	891	(9)
Tax free income	(2,960)	(7,503)
Tax related to prior years	(7,274)	2,463
Other	5,092	19
Income taxes	**72,607**	**60,966**
Effective income tax rate[1]	28.6 %	28.8 %

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

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

	Dec. 31, 2014		Dec. 31, 2013	
	Assets	Liabilities and provisions	Assets	Liabilities and provisions
Intangible assets	1,551	(96,987)	1,375	(86,566)
Property, plant and equipment	3,293	(46,148)	3,028	(42,129)
Long-term investments	564	(2,609)	407	(2,462)
Inventories	13,716	(1,639)	11,070	(1,211)
Receivables and other assets	1,009	(5,625)	1,507	(4,291)
Marketable securities	0	0	0	(81)
Employee benefit obligations	39,705	(618)	21,387	(435)
Other provisions	7,404	(1,007)	3,223	(828)
Liabilities	4,765	(13)	3,119	(34)
Tax loss carry-forwards	4,517	0	4,650	0
Allowance for deferred tax assets	(2,257)	0	(2,106)	0
Outside bases differences	0	(1,989)	0	(585)
Netting	(55,530)	55,530	(30,056)	30,056
Deferred taxes, net	**18,737**	**(101,105)**	**17,604**	**(108,566)**

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

	2014	2013
Tax loss carry-forwards	**57,786**	**62,185**
unlimited	20,187	17,735
will expire through 2019 (prior year: 2018)	28,165	20,428
will expire after 2019 (prior year: 2018)	9,434	24,022

Deferred tax assets on tax loss carry-forwards of €44.2 million and €47.8 million were not recognized as of December 31, 2014 and 2013, respectively, due to the fact that the future utilization against taxable income is not probable. Tax loss carry-forwards for which no deferred tax assets were recognized amounting to €6.7 million have unlimited carry-forward periods, €28.2 million will expire through 2019, and €9.3 million will expire after 2019.

As of December 31, 2014 and 2013, a deferred tax liability was not recorded for the amounts of €52.5 million and €44.1 million, respectively, which represent the temporary differences between the undistributed earnings of certain investments in subsidiaries and the tax bases of these investments in subsidiaries, as the timing of their reversal can be controlled and is not probable in the foreseeable future.

12. Other Information on the Income Statement

Personnel Expenses

Personnel expenses consist of the following items:

	2014	2013
Wages and salaries	319,710	286,978
Social security contributions	55,991	51,483
Expenses for pensions and other post-retirement benefits	14,546	12,991
	390,247	**351,452**

Personnel expenses include expenses for employee incentive plans in both years reported (see note 22). In 2014 and 2013, €4.8 million and €4.6 million relate to the compensation plan for key members of the management, "ALTANA Equity Performance (AEP)," and €1.2 million and €0.9 million to the compensation plan for employees, "ALTANA Profit Participation."

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

	2014	2013
Number of employees by division		
Additives & Instruments	1,868	1,561
Effect Pigments	1,839	1,877
Electrical Insulation	956	951
Coatings & Sealants	1,047	998
Holding	80	78
	5,790	**5,465**

Amortization, Depreciation and Impairment Loss

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

	2014	2013
Amortization of intangible assets	50,426	41,620
Depreciation of property, plant and equipment	69,276	63,000
Impairment loss on intangible assets	6,758	0
Impairment loss on property, plant and equipment	3,242	1,959
	129,702	**106,579**

For information on the impairment loss recognized on intangible assets and property, plant and equipment see notes 13 and 14. Impairment losses on marketable securities are reported in financial expense (see note 10).

13. Intangible Assets

	Patents, licenses and similar rights	Goodwill	Software and others	Total
Cost				
Balance at Jan. 1, 2013	423,940	271,862	83,123	778,925
Additions	5,065	0	11,711	16,776
Disposals	(1,802)	0	(1,350)	(3,152)
Transfers	0	0	72	72
Translation adjustments	(7,431)	(13,573)	(541)	(21,545)
Change in reporting entities	188,935	256,955	1,677	447,567
Balance at Dec. 31, 2013	**608,707**	**515,244**	**94,692**	**1,218,643**
Additions	1,199	0	3,683	4,882
Disposals	(303)	0	(48)	(351)
Transfers	77	0	(17)	60
Translation adjustments	29,764	42,951	1,105	73,820
Change in reporting entities	22,549	10,522	92	33,163
Balance at Dec. 31, 2014	**661,993**	**568,717**	**99,507**	**1,330,217**
Accumulated amortization				
Balance at Jan. 1, 2013	198,339	47,804	57,253	303,396
Additions	32,798	0	7,554	40,352
Disposals	(1,802)	0	(1,321)	(3,123)
Impairment	0	0	0	0
Transfers	0	0	5	5
Translation adjustments	(3,492)	(626)	(257)	(4,375)
Change in reporting entities	0	0	0	0
Balance at Dec. 31, 2013	**225,843**	**47,178**	**63,234**	**336,255**
Additions	40,239	0	10,187	50,426
Disposals	(303)	0	(44)	(347)
Impairment	6,758	0	0	6,758
Transfers	0	0	0	0
Translation adjustments	9,492	1,942	703	12,137
Change in reporting entities	0	0	0	0
Balance at Dec. 31, 2014	**282,029**	**49,120**	**74,080**	**405,229**
Carrying amount				
Dec. 31, 2014	**379,964**	**519,597**	**25,427**	**924,988**
Dec. 31, 2013	382,864	468,066	31,458	882,388

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

In 2013, additions of €9.1 million related to SAP projects mainly in the Effect Pigments and the Additives & Instruments division for which directly attributable borrowing costs of €0.2 million were capitalized. The calculation was based on an interest rate of 2.8 %. Additions of €3.6 million to patents, licenses and other rights related to the acquisitions of customer lists and technologies in the Additives & Instruments division. The change in reporting entities mainly related to the acquisition of the rheology business in the Additives & Instruments division.

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

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

2015	49,414
2016	41,093
2017	38,699
2018	36,806
2019	31,362
Thereafter	185,596

As of December 31, 2014 and 2013, patents, licenses and similar rights include brand names with indefinite useful lives of €21.5 million and €21.2 million, respectively. These were classified as intangible assets with indefinite useful lives based on an analysis of the product life cycles and other relevant factors indicating that the future positive cash flows are expected to be generated for an indefinite period of time.

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

	Dec. 31, 2014	Dec. 31, 2013
Additives & Instruments	293,702	262,382
Effect Pigments	80,254	77,185
Electrical Insulation	75,620	72,944
Coatings & Sealants	70,021	55,555
	519,597	**468,066**

Impairment Test for Goodwill

The Company performed impairment tests on goodwill. Impairment tests are performed at least once a year in the fourth quarter based on long-term planning. The recently performed tests were based on the financial budgets for the years 2015 to 2019. These budgets were based on historical experience and represent management's best estimates about future developments. The weighted average growth rates used in the budgets were derived from corresponding industry forecasts. In order to perform impairment tests, the Company estimated cash flow projections beyond the budgets by extrapolating the projections using a steady growth rate for subsequent years. The Company then calculated the fair value less costs to sell for each cash-generating unit by applying the discounted cash flow method. The following parameters were applied: discount rate after income taxes of 7.5 %; growth rates: Additives & Instruments 2.0 %; Effect Pigments, Electrical Insulation and Coatings & Sealants 1.5 %. The fair value calculated was then compared to the carrying amount of the cash-generating unit.

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

In 2014, no impairment loss on goodwill was recognized. Sensitivity analyses indicated that even a reasonably likely change in the underlying parameters would not have resulted in an impairment.

In the period since the performance of the impairment test until December 31, 2014, no impairment indicators were identified.

Impairment Test for Intangible Assets Other Than Goodwill

In 2014 and 2013, no impairment losses on intangible assets with an indefinite useful life were recognized.

14. Property, Plant and Equipment

	Land, leasehold and buildings	Plant and machinery	Equipment	Advances/ construction in progress	Total
Cost					
Balance at Jan. 1, 2013	468,054	498,495	171,413	41,728	1,179,690
Additions	7,899	15,659	8,344	45,655	77,557
Disposals	(4,078)	(3,627)	(11,431)	(554)	(19,690)
Transfers	12,157	17,924	2,144	(32,297)	(72)
Translation adjustments	(4,455)	(5,687)	(1,921)	(1,332)	(13,395)
Change in reporting entities	12,991	40,076	512	1,241	54,820
Balance at Dec. 31, 2013	**492,568**	**562,840**	**169,061**	**54,441**	**1,278,910**
Additions	11,280	23,342	19,182	31,704	85,508
Disposals	(1,307)	(5,005)	(4,640)	(152)	(11,104)
Transfers	12,676	25,739	2,205	(40,680)	(60)
Translation adjustments	12,063	19,884	4,704	2,764	39,415
Change in reporting entities	196	(5,143)	336	0	(4,611)
Balance at Dec. 31, 2014	**527,476**	**621,657**	**190,848**	**48,077**	**1,388,058**
Accumulated depreciation					
Balance at Jan. 1, 2013	147,172	266,914	112,495	0	526,581
Additions	16,313	33,658	13,029	0	63,000
Disposals	(3,504)	(2,703)	(11,131)	0	(17,338)
Impairment	0	1,941	18	0	1,959
Transfers	0	0	(5)	0	(5)
Translation adjustments	(1,081)	(2,804)	(1,219)	0	(5,104)
Change in reporting entities	0	0	0	0	0
Balance at Dec. 31, 2013	**158,900**	**297,006**	**113,187**	**0**	**569,093**
Additions	17,169	38,887	13,220	0	69,276
Disposals	(392)	(3,476)	(4,234)	0	(8,102)
Impairment	1,476	1,142	624	0	3,242
Transfers	0	0	0	0	0
Translation adjustments	3,003	8,569	2,692	0	14,264
Change in reporting entities	0	0	0	0	0
Balance at Dec. 31, 2014	**180,156**	**342,128**	**125,489**	**0**	**647,773**
Carrying amount					
Dec. 31, 2014	**347,320**	**279,529**	**65,359**	**48,077**	**740,285**
Dec. 31, 2013	333,668	265,834	55,874	54,441	709,817

In 2014, additions of €18.4 million in the Additives & Instruments division related to the extension of production facilities in Wallingford (U.S.) for which directly attributable borrowing costs of €0.5 million were capitalized. The calculation was based on an interest rate of 2.4 %. Furthermore, additions of €13.1 million related to investments in German facilities. In the Effect Pigments division, €8.8 million were invested in the facilities in Hartenstein; additionally, an amount of €7.8 million was invested in U.S. facilities. In the Electrical Insulation division an amount of €8.2 million was invested in the extension of production and research capacities in Italy. In the Coatings & Sealants division, additions of €4.9 million related to investments in German facilities.

The change in reporting entities related to the acquisition of Brazilian companies in the Coatings & Sealants division (see note 3) with €1.6 million and to a subsequent adjustment of the allocation of the consideration transferred from the acquisition of the rheology business in the Additives & Instruments division with €-6.3 million.

In 2013, additions of €22.1 million in the Additives & Instruments division related to the extension of production facilities in Wallingford (U.S.) for which directly attributable borrowing costs of €0.2 million were capitalized. The calculation was based on an interest rate of 2.8 %. In the Effect Pigments division €9.6 million were invested in the facilities in Hartenstein; additionally, in the Electrical Insulation division an amount of €7.0 million was invested in the refurbishment and extension of the research and administrative building in St. Louis (U.S.). The change in reporting entities related to the acquisition of the rheology business in the Additives & Instruments division.

In 2013, disposals amounting to €0.5 million related to an undeveloped property which was reclassified to assets held for sale.

As of December 31, 2014 and 2013, respectively, assets with a net book value of less than €20 thousand and €0.1 million related to property, plant and equipment under finance leases, and €1.0 million and €2.0 million to investment property. As of December 31, 2014 and 2013, the fair value of this investment property amounted to €3.5 million and €4.3 million, respectively. The Company has no restrictions on disposal or other contractual obligations in connections with the investment property.

The Company did not receive any significant taxable or non-taxable government grants in 2014 and 2013.

In 2014, the Coatings & Sealants division recognized an impairment loss of €3.2 million for its European facilities (see note 13). In 2013, the Effect Pigments division recognized an impairment loss of €2.0 million for one Chinese facility.

In 2014, the mortgage on land and other assets serving as security for loans and amounting to €4.1 million in 2013 was released.

15. Long-term Investments

	Other investments	Other long-term financial assets	Total
Cost			
Balance at Jan. 1, 2013	1,880	500	2,380
Additions	0	48	48
Disposals	0	(44)	(44)
Translation adjustments	(79)	(25)	(104)
Change in reporting entities	0	(150)	(150)
Balance at Dec. 31, 2013	**1,801**	**329**	**2,130**
Additions	0	141	141
Disposals	0	(45)	(45)
Translation adjustments	237	8	245
Change in reporting entities	0	(30)	(30)
Balance at Dec. 31, 2014	**2,038**	**403**	**2,441**
Accumulated impairment			
Balance at Jan. 1, 2013	689	0	689
Impairment	0	0	0
Disposals	0	0	0
Translation adjustments	(30)	0	(30)
Change in reporting entities	0	0	0
Balance at Dec. 31, 2013	**659**	**0**	**659**
Impairment	0	0	0
Disposals	0	0	0
Translation adjustments	89	0	89
Change in reporting entities	0	0	0
Balance at Dec. 31, 2014	**748**	**0**	**748**
Carrying amount			
Dec. 31, 2014	**1,290**	**403**	**1,693**
Dec. 31, 2013	1,142	329	1,471

In 2014 and 2013, no impairment losses were recognized.

In both years reported an amount of €0.2 million of other long-term financial assets related to long-term employee loans bearing a weighted average interest rate of 4.3 % in 2014 and 4.4 % in 2013.

16. Investments in Associated Companies

	Investments in associated companies
Balance at Jan. 1, 2013	9,868
Additions	744
Disposals	(611)
Translation adjustments	(1,693)
Balance at Dec. 31, 2013	**8,308**
Additions	51,484
Disposals	(3,101)
Translation adjustments	(146)
Balance at Dec. 31, 2014	**56,545**

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

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

On June 25, 2014, ALTANA and Landa Corporation concluded an equity financing agreement under which ALTANA was going to invest € 100 million for a non-controlling interest in Landa Digital Printing. In July 2014, in a first step an interest of 20.0 % in Landa Corp. located in Rehovot, Israel, was acquired for a cash payment of €50 million. In January 2015, the second step of the agreement was consummated through a further payment in cash of €50 million and a resulting increase in the interest to 33.3 % (see note 33). ALTANA's share in the net assets at the date of initial recognition amounted to €6.3 million. An amount of €43.7 million was allocated to development cost and no goodwill was recognized.

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

	Dec. 31, 2014	Dec. 31, 2013
Assets	53,362	14,383
Liabilities	23,922	2,224
Net sales	13,256	14,208
Net income (EAT)	(18,597)	2,275

17. Inventories

	Dec. 31, 2014	Dec. 31, 2013
Raw materials and supplies	95,283	88,707
Work in progress	28,827	44,696
Finished products and goods	151,139	114,882
Prepayments	750	138
	275,999	**248,423**

In 2014 and 2013, inventories are stated net of write-downs of €19.6 million and €22.8 million, respectively.

18. Trade Accounts Receivable

	Dec. 31, 2014	Dec. 31, 2013
Trade accounts receivable	349,634	310,910
Allowance for doubtful accounts	(4,177)	(2,867)
	345,457	**308,043**

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

	2014	2013
Allowance at the beginning of the year	2,867	3,460
Translation adjustments	91	(48)
Additions	2,195	923
Reversal	(588)	(647)
Utilization	(388)	(821)
Allowance at the end of the year	**4,177**	**2,867**

The exposure to credit risk at December 31, 2014 and 2013 was as follows:

Trade accounts receivable	Carrying amount	Of which neither impaired nor past due at the reporting date	Of which not impaired at the reporting date and past due in the following periods				Impairment (net)
			up to 30 days	between 31 and 60 days	between 61 and 90 days	more than 90 days	
Dec. 31, 2014	**345,457**	**299,653**	**29,931**	**7,550**	**3,404**	**4,333**	**586**
Dec. 31, 2013	308,043	267,713	28,711	6,810	2,404	2,337	68

As of December 31, 2014 and 2013, respectively, there was no indication that trade accounts receivable which were neither written-down nor past due could not be collected.

19. Marketable Securities

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

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

	Amortized cost	Fair value	Unrealized gains	Unrealized losses
Dec. 31, 2013				
Money market funds	5,314	5,547	237	4
Share and equity funds	1,598	1,598	0	0
	6,912	**7,145**	**237**	**4**

20. Other Assets

	Dec. 31, 2014		Dec. 31, 2013	
	Other current assets	Other non-current assets	Other current assets	Other non-current assets
Balances due from employees	345	82	415	52
Cash surrender value of life insurance	39	1,920	63	1,899
Balances due from fiscal authorities	25,142	175	17,833	215
Prepayments	1,823	1	2,235	3
Loans	28	0	1,316	0
Prepaid expenses	4,697	1,263	5,341	2,222
Derivative financial instruments	3,785	358	9,051	747
Notes receivable	41,977	0	37,122	0
Other	6,913	6,914	11,319	1,730
	84,749	**10,713**	**84,695**	**6,868**

21. Shareholders' Equity

Issued Share Capital

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

Additional Paid-in Capital

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

Accumulated Other Comprehensive Income

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

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

Notes on Other Comprehensive Income

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

			2014			2013
	Before income taxes	Income taxes	Net of income taxes	Before income taxes	Income taxes	Net of income taxes
Remeasurement of the net defined employee benefit obligation	(55,052)	16,401	(38,651)	(2,010)	418	(1,592)
Items that will not be reclassified subsequently to profit or loss	**(55,052)**	**16,401**	**(38,651)**	**(2,010)**	**418**	**(1,592)**
Translation adjustments (including non-controlling interests)	99,362	864	100,226	(34,361)	20	(34,341)
Gains and losses from financial assets available-for-sale	(359)	121	(238)	(638)	217	(421)
Gains and losses from derivative financial instruments	(3,208)	966	(2,242)	(4,037)	1,211	(2,826)
Change in fair value of financial assets available-for-sale	111	(37)	74	404	(145)	259
Change in fair value of derivative financial instruments	(5,264)	1,576	(3,688)	7,049	(2,115)	4,934
Items that may be reclassified subsequently to profit or loss	**90,642**	**3,490**	**94,132**	**(31,583)**	**(812)**	**(32,395)**
Other comprehensive income	**35,590**	**19,891**	**55,481**	**(33,593)**	**(394)**	**(33,987)**

Additional Disclosures for Capital Management

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

In 2014, ALTANA's shareholders' equity increased by €179.9 million to €1,745.5 million. Due to the distribution of the ordinary dividend for 2013, shareholders' equity was reduced by €55.0 million, compared to an increase due to the 2014 consolidated net income of €179.2 million. The debt to asset ratio was at 37 %. Long-term and short-term debt represented 25 % and 11 % of total liabilities, provisions and shareholders' equity.

In 2013, ALTANA completed the financing process of the acquisition of the rheology business from Rockwood Holdings. An acquisition financing facility of €300 million was made available by an international banking syndicate. After completion of the acquisition, an amount of €200 million was refinanced by a promissory note loan (German Schuldschein). On December 31, 2014, the acquisition financing facility was repaid entirely. The promissory note loan of €200 million issued in 2013, the promissory note loan of €150 million issued in 2012 and the syndicated credit line of €250 million arranged in 2012 will expire in 2016 at the earliest.

The agreement with the banking syndicate for the syndicated credit line provides for a ratio (“financial covenant“) of net debt to EBITDA of 3.0 to 1 at a maximum to be complied with. As of December 31, 2014, ALTANA’s ratio was below 1.0 to 1. If the financial covenant is not met, the banking syndicate can renegotiate the terms or terminate the credit line.

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

For subsidiaries located in Brazil, India, and China regulatory foreign exchange restrictions exist.

Non-Controlling Interests

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

	Dec. 31, 2014	Dec. 31, 2013
Assets	35,996	33,209
Liabilities	13,487	10,530
Net sales	41,977	38,918
Net income (EAT)	2,927	2,370

In 2014 and 2013, respectively, net income of €0.7 million and €0.5 million relates to non-controlling interests and dividends of €1.4 million and €2.2 million were distributed to them. On December 31, 2014 and 2013, non-controlling interests held 25 % and 21.6 % of the shares, respectively.

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

22. Employee Incentive Plans

ALTANA Equity Performance (AEP)

Since 2010, ALTANA has offered a long-term incentive plan for key members of the management. The incentive plan provides for the issuance of rights (ALTANA Equity Performance Awards), which develop similar to the value of ALTANA’s shareholders’ equity. Under this program AEP Awards were issued in the years 2010 to 2014.

Entitled key management personnel make an initial investment in so-called ALTANA Equity Performance Rights which are Company-issued debt instruments. The measurement of these rights is based on the virtual development of the Company's shareholder value. This measurement represents the basis for the performance of the AEP Awards.

At the beginning of the incentive plan a preliminary number of AEP Awards is granted to the participants of the plan. The final number of the AEP Awards depends on the development of the value of the AEP Rights up to the end of the plan's term. The maximum number of finally awarded AEP Awards is limited to 150 % of preliminarily granted AEP Awards. The awards will be settled in cash at the end of the particular plan's term (four years which is the equivalent to the service period). The cash payment depends on the performance of the company value and is limited to a maximum of 250 % of the value of the preliminary awards granted.

On December 31, 2013, at the end of the term of the AEP Tranche 2010, 31,065 AEP Awards were finally allocated which resulted in payments of €5.2 million to beneficiaries in 2014.

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

	Initial fair value in € per award	Awards granted	End of term
Tranche AEP 2011	152.34	14,752	Dec. 31, 2014
Tranche AEP 2012	143.71	16,223	Dec. 31, 2015
Tranche AEP 2013	214.96	11,454	Dec. 31, 2016
Tranche AEP 2014	200.21	13,552	Dec. 31, 2017

Total expenses recognized for all plans amounted to €4.8 million and €4.6 million in 2014 and 2013 and the provision amounted to €8.0 million and €8.9 million, as of December 31, 2014 and 2013, respectively. The total initial investment made by the key management personnel, which is reported in other liabilities, was measured at €4.1 million and €3.3 million as of December 31, 2014 and 2013 (see note 26).

ALTANA Profit Participation (APP)

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

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

As of December 31, 2014 and 2013, respectively, €14.7 million and €10.7 million were recognized in other liabilities for the APPRs issued in 2014 and previous years. In 2014 and 2013, the one-time payment and the interest incurred resulted in an expense of €1.2 million and €0.9 million, respectively, which was recognized in personnel expenses.

23. Debt

	Dec. 31, 2014		Dec. 31, 2013	
	Non-current debt	Current debt	Non-current debt	Current debt
Borrowings from banks	1,856	3,008	70,635	894
Promissory note loan (German Schuldschein)	350,000	0	350,000	0
Lease obligations	0	7	7	57
	351,856	**3,015**	**420,642**	**951**

For general corporate financing purposes ALTANA uses different financing instruments. In 2012, in the course of restructuring its external financing, ALTANA issued a promissory note (German Schuldschein) for €150 million and a syndicated credit line of €250 million was issued by seven banks. As of December 31, 2014 the Company has not drawn on that credit line. The acquisition financing with the same seven banks arranged in 2013 was repaid entirely in 2014. In 2013, a further promissory note loan of €200 million was taken up. Furthermore, as of December 31, 2014, largely unused lines of credit in the amount of €10.1 million were available to ALTANA. The terms and conditions are based on market conditions and no collateral is provided.

As of December 31, 2014 and 2013, respectively, bank borrowings included €4.1 million and €0.2 million denominated in foreign currencies. Of these borrowings, amounts of €2.8 million and €0.1 million were denominated in U.S. Dollar as of December 31, 2014 and 2013, respectively.

As of December 31, 2014 and 2013, the aggregate amounts of indebtedness maturing during the next five years and thereafter were as follows:

	Dec. 31, 2014	Dec. 31, 2013
Due in 2015 (prior year: 2014)	3,008	894
Due in 2016 (prior year: 2015)	65,913	213
Due in 2017 (prior year: 2016)	72,612	135,211
Due in 2018 (prior year: 2017)	85,179	72,125
Due in 2019 (prior year: 2018)	80,030	85,015
Due thereafter	48,122	128,071
Total	**354,864**	**421,529**
Lease obligation (see note 28)	**7**	**64**
Total debt	**354,871**	**421,593**

24. Employee Benefit Obligations

Defined Benefit Plans

The defined benefit obligation is based on unfunded and funded plans. Of these plans approximately 97 % relate to obligations in Germany, the Netherlands, and the U.S. as follows:

	Dec. 31, 2014	Dec. 31, 2013
Germany	238,288	173,136
The Netherlands	21,565	13,870
U.S.	18,898	14,763
Other	9,792	8,408
Defined benefit obligation	**288,543**	**210,177**

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

All employees with an employment start date after December 31, 2009 are in a plan which is based on a capital commitment (ALTANA Vorsorgekapital / AVK). ALTANA pays the employer's contributions into external investment funds until the benefits are paid out. ALTANA also offers an employee-funded plan that grants the employees the right to have part of their earnings paid into a company pension scheme (AltersvorsorgeAktiv mit ALTANA / AAA) which are increased by employer's contributions, as necessary. For this plan too, the contributions are invested in external investment funds until pay-out (cf. AVK). The two post-employment benefit plans at ALTANA, AVK and AAA basically have the same features. ALTANA offers two models: A fixed income based model, where the Company guarantees a minimum interest yield on the contributions paid-in, corresponding to the interest rate of life insurance contracts of 1.75 % as of the reporting date, and an equity-based model, where ALTANA guarantees the payment contributions made, but without any additional interest guarantee. Obligations under the AVK and AAA plans are linked to the development of the fund assets, which results in a reduction of the overall business risk exposure. The remaining risk ALTANA is exposed to is represented by the risk that the performance of the funds does not cover the guaranteed minimum interest yield or the capital commitment.

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

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

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

			Dec. 31, 2014			Dec. 31, 2013
	Domestic	Foreign	Total	Domestic	Foreign	Total
Defined benefit obligation – funded	45,575	45,990	91,565	35,372	33,669	69,041
Fair value of plan assets	45,542	35,701	81,243	35,362	28,363	63,725
Funded status	**33**	**10,289**	**10,322**	**10**	**5,306**	**5,316**
Defined benefit obligation – unfunded	192,712	4,266	196,978	137,764	3,372	141,136
Net defined benefit obligation	**192,745**	**14,555**	**207,300**	**137,774**	**8,678**	**146,452**
Effect on asset ceiling limitation	–	–	–	–	273	273
Employee benefit obligation	**192,745**	**14,555**	**207,300**	**137,774**	**8,951**	**146,725**
Provision for other post-retirement benefits	**65**	**111**	**176**	**97**	**225**	**322**
Reported amount	**192,810**	**14,666**	**207,476**	**137,871**	**9,176**	**147,047**

	Present value of the defined benefit obligation	Fair value of plan assets	Total	Effect on asset ceiling limitation	Total
Balance at Jan. 1, 2013	**193,798**	**(54,218)**	**139,580**	**15**	**139,595**
Service cost					
Current service cost	8,403	–	8,403	–	8,403
Past service cost	95	–	95	–	95
Interest expense/(-income)	7,000	(1,950)	5,050	1	5,051
Administration cost	–	105	105	–	105
	15,498	**(1,845)**	**13,653**	**1**	**13,654**
Remeasurement					
Return on plan assets excluding amounts included in interest income	–	(3,645)	(3,645)	–	(3,645)
Gains/losses from changes in demographic assumptions	447	–	447	–	447
Gains/losses from changes in financial assumptions	595	–	595	–	595
Experience-based adjustments	4,356	–	4,356	–	4,356
Change in the asset ceiling limitation excluding amounts recognized in interest income	–	–	0	257	257
	5,398	**(3,645)**	**1,753**	**257**	**2,010**
Translation adjustment	(1,465)	1,282	(183)	–	(183)
Contributions:					
Employer	–	(5,070)	(5,070)	–	(5,070)
Beneficiaries of the plan	1,801	(1,801)	0	–	0
Pension payments	(5,345)	1,572	(3,773)	–	(3,773)
Change in reporting entities	353	–	353	–	353
Other	139	–	139	–	139
Balance at Dec. 31, 2013	**210,177**	**(63,725)**	**146,452**	**273**	**146,725**
Service cost					
Current service cost	9,063	–	9,063	–	9,063
Past service cost	(282)	–	(282)	–	(282)
Interest expense/(-income)	7,787	(2,446)	5,341	10	5,351
Administration cost	–	109	109	–	109
	16,568	**(2,337)**	**14,231**	**10**	**14,241**
Remeasurement					
Return on plan assets excluding amounts included in interest income	–	(7,235)	(7,235)	–	(7,235)
Gains/losses from changes in demographic assumptions	484	–	484	–	484
Gains/losses from changes in financial assumptions	56,326	–	56,326	–	56,326
Experience-based adjustments	5,757	–	5,757	–	5,757
Change in the asset ceiling limitation excluding amounts recognized in interest income	–	–	–	(283)	(283)
	62,567	**(7,235)**	**55,332**	**(283)**	**55,049**
Translation adjustment	2,547	(1,756)	791	–	791
Contributions:					
Employer	–	(5,686)	(5,686)	–	(5,686)
Beneficiaries of the plan	2,377	(2,377)	0	–	0
Pension payments	(5,816)	1,873	(3,943)	–	(3,943)
Change in reporting entities	–	–	–	–	–
Other	123	–	123	–	123
Balance at Dec. 31, 2014	**288,543**	**(81,243)**	**207,300**	**0**	**207,300**

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

	Dec. 31, 2014			Dec. 31, 2013		
	German plans	Dutch plans	U.S. plans	German plans	Dutch plans	U.S. plans
Discount rate	2.0 %	2.0 %	3.9 %	3.7 %	3.7 %	4.5 %
Rate of pension increase	1.8 %	0.5 %		2.0 %	0.5 %	

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

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

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

		Dec. 31, 2014		Dec. 31, 2013	
		Effect on defined benefit obligation		Effect on defined benefit obligation	
	Change in actuarial assumption	Defined benefit obligation	Change	Defined benefit obligation	Change
		in € thousand	in %	in € thousand	in %
Present value of the defined benefit obligation[1]		278,750	–	201,768	–
Discount rate	Increase by 0.5 basis points	257,597	(7.6)	188,062	(6.8)
	Decrease by 0.5 basis points	303,277	8.8	217,502	7.8
Rate of pension increase	Increase by 0.5 basis points	290,016	4.0	208,943	3.6
	Decrease by 0.5 basis points	268,626	(3.6)	195,329	(3.2)
Life expectancy	Increase by 1 year	286,950	2.9	207,162	2.7
	Decrease by 1 year	270,370	(3.0)	196,263	(2.7)

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

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

	Dec. 31, 2014			Dec. 31, 2013		
	Price quotation in an active market	No price quotation in an active market	Total	Price quotation in an active market	No price quotation in an active market	Total
Bonds	12,333		12,333	8,457		8,457
Money market funds	672		672	997		997
Mixed funds	44,504		44,504	33,865		33,865
Shares	8,670		8,670	6,897		6,897
Insurances		14,883	14,883		13,010	13,010
Cash and cash equivalents	57		57	399		399
Other		124	124		100	100
Fair value of plan assets	**66,236**	**15,007**	**81,243**	**50,615**	**13,110**	**63,725**

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

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

The actual return on the plan assets was €9.6 million and €5.5 million for 2014 and 2013, respectively.

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

The Company expects to pay benefits of €6.8 million to the retirees, compared to expected payments from plan assets of €2.4 million in 2015. Contributions to the plan assets are expected to be paid in an amount of €5.5 million in 2015. The expected expense for defined benefit plans for 2015 is estimated to amount to €16.1 million including net interest expenses.

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

Defined contribution plans

Defined contribution plans mainly exist in non-German subsidiaries. Additionally, the Company pays contributions to domestic and foreign governmental and private pension insurance organizations in accordance with legal regulations. The contributions are recognized as expense based on their function in the respective year and amounted to €21.0 million and €19.9 million in 2014 and 2013, respectively. No further obligations exist besides the contributions paid.

25. Other Provisions

	Employees	Sales and marketing	Warranty	Other	Total
Balance at Jan. 1, 2014	**51,933**	**17,790**	**3,065**	**18,859**	**91,647**
Additions	46,638	18,565	709	10,664	76,576
Utilization	(40,151)	(15,272)	(50)	(9,147)	(64,620)
Reversal	(1,347)	(2,853)	(800)	(1,896)	(6,896)
Transfers	0	338	0	(442)	(104)
Translation adjustments	2,029	391	30	607	3,057
Change in reporting entities	115	0	0	0	115
Balance at Dec. 31, 2014	**59,217**	**18,959**	**2,954**	**18,645**	**99,775**
Thereof non-current					
at Dec. 31, 2014	**12,336**	**160**	**0**	**3,760**	**16,256**
at Dec. 31, 2013	10,495	151	0	3,376	14,022

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

Provisions for sales and marketing pertain primarily to sales bonuses and commissions. Provisions for warranty cover commitments in connection with goods delivered and services rendered. ALTANA expects that the current portion of the provisions will be utilized during 2015.

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

26. Other Liabilities

Other liabilities consist of the following:

	Dec. 31, 2014		Dec. 31, 2013	
	Other non-current liabilities	Other current liabilities	Other non-current liabilities	Other current liabilities
Balances due to fiscal authorities (incl. payroll taxes)	225	12,226	4	9,370
Personnel-related liabilities	0	10,551	0	9,987
Social security contributions	375	2,251	363	2,099
Employee incentive plans	16,366	2,478	11,836	2,137
Commissions	0	3,078	65	3,731
Credit notes to customers	0	1,954	0	944
Balances due to related parties	0	24	0	0
Derivative financial instruments	2,127	14,711	1,013	537
Deferred income	3,563	1,625	391	364
Other	1,829	8,140	74	12,005
	24,485	**57,038**	**13,746**	**41,174**

27. Additional Disclosures for Financial Instruments

Measurement of Financial Instruments Based on Categories

ALTANA employs different financial instruments. In accordance with accounting regulations for financial instruments, these financial instruments are classified based on their nature and function into several valuation categories. The following tables provide reconciliation from the items of the statement of financial position to the different categories of financial instruments, their carrying amounts and their fair values at December 31, 2014 and 2013.

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

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

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

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

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

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

	Dec. 31, 2014 Carrying amount					Dec. 31, 2014 Fair value
	Loans and receivables	Available-for-sale financial assets		Financial assets at fair value through profit or loss	Hedging instruments (hedge accounting)	
	at amortized cost	at cost	at fair value	at fair value	at fair value	
Cash and cash equivalents	**277,128**					**277,128**
thereof in						
Cash and cash equivalents	277,128					277,128
Trade accounts receivable	**346,428**					**346,428**
thereof in						
Trade accounts receivable	345,457					345,457
Other current assets	971					971
Other interest-bearing non-derivative financial assets	**406**					**419**
thereof in						
Long-term investments	378					391
Other non-current assets	0					0
Other current assets	28					28
Other non-interest-bearing non-derivative financial assets	**44,308**	**133**				**44,441**
thereof in						
Other non-current assets		133				133
Other current assets	44,308					44,308
Marketable securities and long-term investments		**2,535**	**3,931**			**6,466**
thereof in						
Long-term investments		1,315				1,315
Marketable securities		1,220	3,931			5,151
Derivative financial assets – hedge accounting					**1,260**	**1,260**
thereof in						
Other non-current assets					270	270
Other current assets					990	990
Derivative financial assets – without hedge accounting				**2,883**		**2,883**
thereof in						
Other non-current assets				88		88
Other current assets				2,795		2,795

	Loans and receivables	Available-for-sale financial assets		Financial assets at fair value through profit or loss	Dec. 31, 2013 Carrying amount Hedging instruments (hedge accounting)	Dec. 31, 2013 Fair value
	at amortized cost	at cost	at fair value	at fair value	at fair value	
Cash and cash equivalents	**257,929**					**257,929**
thereof in						
Cash and cash equivalents	257,929					257,929
Trade accounts receivable	**308,474**					**308,474**
thereof in						
Trade accounts receivable	308,043					308,043
Other current assets	431					431
Other interest-bearing non-derivative financial assets	**2,020**					**2,028**
thereof in						
Long-term investments	299					307
Other non-current assets	98					98
Other current assets	1,623					1,623
Other non-interest-bearing non-derivative financial assets	**43,354**	**93**				**43,447**
thereof in						
Other non-current assets		93				93
Other current assets	43,354					43,354
Marketable securities and long-term investments		**2,770**	**5,547**			**8,317**
thereof in						
Long-term investments		1,172				1,172
Marketable securities		1,598	5,547			7,145
Derivative financial assets – hedge accounting					**6,718**	**6,718**
thereof in						
Other non-current assets					746	746
Other current assets					5,972	5,972
Derivative financial assets – without hedge accounting				**3,080**		**3,080**
thereof in						
Other non-current assets				1		1
Other current assets				3,079		3,079

	Dec. 31, 2014 Carrying amount				Dec. 31, 2014 Fair value
	Financial liabilities	Financial liabilities at fair value through profit or loss	Finance leases according to IAS 17	Hedging instruments (hedge accounting)	
	at amortized cost	at fair value	at amortized cost	at fair value	
Lease obligations			**7**		**7**
thereof in					
Non-current debt			0		0
Current debt			7		7
Trade accounts payable	**127,849**				**127,849**
thereof in					
Other non-current liabilities	0				0
Trade accounts payable	122,817				122,817
Other current liabilities	5,032				5,032
Other interest-bearing non-derivative financial liabilities	**354,914**				**368,074**
thereof in					
Non-current debt	351,856				365,016
Current debt	3,008				3,008
Other current liabilities	50				50
Other non-interest-bearing non-derivative financial liabilities	**5,793**				**5,793**
thereof in					
Other current liabilities	5,793				5,793
Derivative financial liabilities – hedge accounting				**5,172**	**5,172**
thereof in					
Other non-current liabilities				2,127	2,127
Other current liabilities				3,045	3,045
Derivative financial liabilities – without hedge accounting		**11,666**			**11,666**
thereof in					
Other non-current liabilities		0			0
Other current liabilities		11,666			11,666

	Financial liabilities at amortized cost	Financial liabilities at fair value through profit or loss at fair value	Finance leases according to IAS 17 at amortized cost	Hedging instruments (hedge accounting) at fair value	Dec. 31, 2013 Fair value
				Dec. 31, 2013 Carrying amount	
Lease obligations			**64**		**64**
thereof in					
Non-current debt			7		7
Current debt			57		57
Trade accounts payable	**123,247**				**123,247**
thereof in					
Other non-current liabilities	65				65
Trade accounts payable	118,507				118,507
Other current liabilities	4,675				4,675
Other interest-bearing non-derivative financial liabilities	**421,718**				**424,845**
thereof in					
Non-current debt	420,635				423,762
Current debt	894				894
Other current liabilities	189				189
Other non-interest-bearing non-derivative financial liabilities	**10,601**				**10,601**
thereof in					
Other current liabilities	10,601				10,601
Derivative financial liabilities – hedge accounting				**1,234**	**1,234**
thereof in					
Other non-current liabilities				999	999
Other current liabilities				235	235
Derivative financial liabilities – without hedge accounting		**316**			**316**
thereof in					
Other non-current liabilities		14			14
Other current liabilities		302			302

Income Effect According to Valuation Categories

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

		Net financial result	Net operating result	Net result
Loans and receivables	**2014**	**3,578**	**(1,607)**	**1,971**
	2013	1,288	(276)	1,012
Available-for-sale financial assets	**2014**	**712**	**0**	**712**
	2013	1,118	0	1,118
Financial liabilities measured at amortized cost	**2014**	**(8,756)**	**0**	**(8,756)**
	2013	(4,980)	0	(4,980)
Financial instruments at fair value through profit or loss	**2014**	**(2,079)**	**0**	**(2,079)**
	2013	(5,325)	0	(5,325)
Total	**2014**	**(6,545)**	**(1,607)**	**(8,152)**
	2013	(7,898)	(276)	(8,174)

The net financial result includes interest income generated by financial instruments measured at amortized cost amounting to €1.8 million and €1.6 million in 2014 and 2013, respectively. Total interest expense amounts to €8.8 million and €5.0 million in 2014 and 2013, respectively. Interest income and interest expense are measured by applying the effective interest method.

Risk Analysis

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

The following tables show the contractual amortization including the undiscounted interest payments for non-derivative and derivative financial instruments with a positive and a negative fair value. All non-derivative and derivative financial instruments as of December 31, 2014 and 2013, respectively, for which contractual payments had already been agreed, are included in the table. Variable interest payments resulting from non-derivative financial instruments were estimated based on the interest rates applicable at the respective reporting dates. For interest derivative financial instruments the cash flows were calculated by applying the respective forward interest rates. Budgeted amounts for future expected liabilities were not considered. Foreign currency amounts were translated based on the exchange rates as of the reporting dates. The cash flows attached to the foreign currency derivatives were calculated based on the respective forward rates.

		Due within one year	Due within two years	Due within three years	Due within four years	Due within five years	Due after five years
Lease obligations	**Dec. 31, 2014**	**7**	**0**				
	Dec. 31, 2013	63	7				
Trade accounts payable	**Dec. 31, 2014**	**127,849**					
	Dec. 31, 2013	123,247					
Other interest-bearing non-derivative financial liabilities	**Dec. 31, 2014**	**3,227**	**73,751**	**79,366**	**90,975**	**83,580**	**49,494**
	Dec. 31, 2013	9,438	8,559	143,243	78,026	90,338	131,683
Other non-interest-bearing non-derivative financial liabilities	**Dec. 31, 2014**	**5,793**					
	Dec. 31, 2013	10,601					
Total	**Dec. 31, 2014**	**136,876**	**73,751**	**79,366**	**90,975**	**83,580**	**49,494**
	Dec. 31, 2013	143,349	8,566	143,243	78,026	90,338	131,683

		Due within one year	Due within two years	Due within three years	Due within four years	Due within five years	Due after five years
Forward foreign exchange contracts with positive fair value							
Cash inflow	**Dec. 31, 2014**	**54,090**	**6,548**				
Cash outflow	**Dec. 31, 2014**	**(50,325)**	**(6,266)**				
Net	**Dec. 31, 2014**	**3,765**	**282**				
Cash inflow	Dec. 31, 2013	202,371	27,474				
Cash outflow	Dec. 31, 2013	(192,279)	(26,503)				
Net	Dec. 31, 2013	10,092	971				
Forward foreign exchange contracts with negative fair value							
Cash inflow	**Dec. 31, 2014**	**150,463**	**10,992**				
Cash outflow	**Dec. 31, 2014**	**(164,684)**	**(11,729)**				
Net	**Dec. 31, 2014**	**(14,221)**	**(737)**				
Cash inflow	Dec. 31, 2013	104,419	6,478				
Cash outflow	Dec. 31, 2013	(105,799)	(6,512)				
Net	Dec. 31, 2013	(1,380)	(34)				
Interest rate swaps with negative fair value							
Cash inflow	**Dec. 31, 2014**	**88**	**56**	**55**	**37**	**0**	
Cash outflow	**Dec. 31, 2014**	**(667)**	**(515)**	**(362)**	**(180)**	**0**	
Net	**Dec. 31, 2014**	**(579)**	**(459)**	**(307)**	**(143)**	**0**	
Cash inflow	Dec. 31, 2013	230	206	319	330	209	
Cash outflow	Dec. 31, 2013	(685)	(667)	(515)	(362)	(180)	
Net	Dec. 31, 2013	(455)	(461)	(196)	(32)	29	

As of December 31, 2014, no commodity swaps existed. As of December 31, 2013, net cash inflows of €22 thousand were expected for 2014.

Credit Risk: The Company is exposed to credit risk if business partners do not fulfill their obligations. ALTANA continuously analyzes the creditworthiness of significant debtors. Based on its international operations and a diversified customer structure ALTANA has no concentration of credit risk. The Company does not generate sales of more than 3 % with one single customer and less than 20 % with its ten most significant customers combined. Receivables are monitored locally in the operating subsidiaries on an ongoing basis. Financing transactions are mainly carried out with contractual partners that have a credit rating of at least A- or, in justified exceptional cases with contractual partners with "Investment Grade Rating" who are members of a deposit insurance association. Additionally, a credit limit is assigned to each contracting party, to limit the individual credit risk.

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

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

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

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

		Effect on profit or loss		Change in other comprehensive income	
		exchange rate plus 10 %	exchange rate minus 10 %	exchange rate plus 10 %	exchange rate minus 10 %
U.S. Dollar					
Derivatives	**Dec. 31, 2014**	**9,832**	**(9,832)**	**3,230**	**(3,230)**
	Dec. 31, 2013	9,173	(9,173)	3,828	(3,828)
Other financial instruments	**Dec. 31, 2014**	**(14,579)**	**14,579**	**–**	**–**
	Dec. 31, 2013	(7,638)	7,638	–	–
Total	**Dec. 31, 2014**	**(4,747)**	**4,747**	**3,230**	**(3,230)**
	Dec. 31, 2013	1,535	(1,535)	3,828	(3,828)
Japanese Yen					
Derivatives	**Dec. 31, 2014**	**900**	**(900)**	**2,095**	**(2,095)**
	Dec. 31, 2013	1,273	(1,273)	2,216	(2,216)
Other financial instruments	**Dec. 31, 2014**	**(1,512)**	**1,512**	**–**	**–**
	Dec. 31, 2013	(736)	736	–	–
Total	**Dec. 31, 2014**	**(612)**	**612**	**2,095**	**(2,095)**
	Dec. 31, 2013	537	(537)	2,216	(2,216)

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

The following table shows the profit or loss effect as well as changes in other comprehensive income on interest-bearing assets, liabilities and interest rate swaps resulting from a change in the average market rate of interest of 50 basis points. The sensitivity analysis was performed under the assumption that the interest rate will not decrease to below zero percent. The interest payments from the hedged items and the hedging instruments (cash flow hedge) are presented separately.

		Effect on profit or loss		Change in other comprehensive income	
		plus 50 basis points	minus 50 basis points	plus 50 basis points	minus 50 basis points
Derivatives	**Dec. 31, 2014**	**218**	**(218)**	**432**	**(168)**
	Dec. 31, 2013	220	(220)	637	(672)
Other financial instruments	**Dec. 31, 2014**	**(418)**	**418**	**765**	**(50)**
	Dec. 31, 2013	(768)	768	690	(212)
Total	**Dec. 31, 2014**	**(200)**	**200**	**1,197**	**(218)**
	Dec. 31, 2013	(548)	548	1,327	(884)

Hedging

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

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

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

Cash Flow Hedges

Hedging of Anticipated Sales Denominated in Foreign Currencies: ALTANA has entered into forward foreign exchange contracts for forecast sales transactions denominated in U.S. Dollar and Japanese Yen for its subsidiaries and has designated them as cash flow hedges. At December 31, 2014 and 2013, the fair values are as follows:

		Positive fair value	Negative fair value	Total fair value
U.S. Dollar	**Dec. 31, 2014**	**0**	**(3,158)**	**(3,158)**
	Dec. 31, 2013	1,440	(12)	1,428
Japanese Yen	**Dec. 31, 2014**	**967**	**(18)**	**949**
	Dec. 31, 2013	3,454	(226)	3,228

Amounts relating to forward foreign exchange contracts reported in the item "Derivative financial instruments" in accumulated other comprehensive income are reclassified into income when the hedged foreign currency risk is realized. In 2014 and 2013, respectively, a change in fair value of €4.5 million and €6.4 million was recognized in other comprehensive income and gains of €3.7 million and of €4.0 million were reclassified to net sales.

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

		Total nominal value	Nominal value due in 2015 (prior year: in 2014)	Nominal value due in 2016 (prior year: in 2015)
in thousand currency units				
U.S. Dollar	**Dec. 31, 2014**	**42,800**	**29,480**	**13,320**
	Dec. 31, 2013	50,834	37,264	13,570
Japanese Yen	**Dec. 31, 2014**	**2,902,000**	**1,882,000**	**1,020,000**
	Dec. 31, 2013	2,893,000	1,931,000	962,000

Hedging of External Debt: ALTANA entered into interest rate swaps for external loans which exchange variable to fixed-interest payments. The interest rate swaps were designated as cash flow hedges. Interest payments are due semi-annually. At December 31, 2014 and 2013, respectively, the fair values of these interest rate swaps are as follows:

		Positive fair value	Negative fair value	Total fair value
Interest swap	**Dec. 31, 2014**	**0**	**(1,266)**	**(1,266)**
	Dec. 31, 2013	0	(996)	(996)

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

In 2014 and 2013, respectively, a change in fair value of €-0.8 million and €0.6 million was recognized in other comprehensive income. Additionally, in 2014, expenses amounting to €0.5 million were recognized in the financial result (2013: none).

Fair Value Hedges

Hedging of Contracted Sales Denominated in Foreign Currencies: At December 31, 2014 and 2013, ALTANA entered into forward foreign exchange contracts with a nominal value of U.S. Dollar 7.4 million and U.S. Dollar 7.9 million and of Japanese Yen 840.0 million and Japanese Yen 720.0 million, respectively. These contracts relate to sales transactions denominated in U.S. Dollar and Japanese Yen with subsidiaries and are classified as fair value hedges. At December 31, 2014 and 2013 the fair values are as follows:

		Positive fair value	Negative fair value	Total fair value
U.S. Dollar	**Dec. 31, 2014**	**0**	**(614)**	**(614)**
	Dec. 31, 2013	337	0	337
Japanese Yen	**Dec. 31, 2014**	**293**	**(117)**	**176**
	Dec. 31, 2013	1,465	0	1,465

In 2014 and 2013, the effect of the fair value hedge on profit or loss amounted to €-4.6 million and €-3.5 million, respectively, and thereby offset the effect of the measurement of the hedged transactions.

Hedging of Intercompany Foreign Currency Loans

In 2014, ALTANA entered into forward foreign exchange contracts with a nominal value of U.S. Dollar 191.3 million (2013: U.S. Dollar 341.2 million), of Japanese Yen 1.0 billion (2013: Japanese Yen 2.1 billion) and of British Pound 3.0 million (2013: none), to hedge intercompany foreign currency loans for which no offsetting items existed. These forward foreign exchange contracts which serve as economic hedge of the foreign currency exchange rate risk are not designated in a hedging relationship that qualifies for hedge accounting and consequently, changes in their fair values are recognized in the financial result.

		Positive fair value	Negative fair value	Total fair value
Forward foreign exchange contracts	**Dec. 31, 2014**	**2,795**	**(11,665)**	**(8,870)**
	Dec. 31, 2013	3,080	(316)	2,764

Offsetting of Financial Instruments

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

		Gross carrying amount	Offsetting amounts, offset in the statements of financial position	Net carrying amount	Potential offsetting amounts, not offset in the statements of financial position	Net amount after potential offsetting
Forward foreign exchange contracts	**Dec. 31, 2014**	**4,055**	**–**	**4,055**	**3,882**	**173**
	Dec. 31, 2013	9,777	–	9,777	361	9,416
Trade accounts receivable	**Dec. 31, 2014**	**357,644**	**12,187**	**345,457**	**0**	**345,457**
	Dec. 31, 2013	316,061	8,018	308,043	0	308,043
Total	**Dec. 31, 2014**	**361,699**	**12,187**	**349,512**	**3,882**	**345,630**
	Dec. 31, 2013	325,838	8,018	317,820	361	317,459

		Gross carrying amount	Offsetting amounts, offset in the statements of financial position	Net carrying amount	Potential offsetting amounts, not offset in the statements of financial position	Net amount after potential offsetting
Forward foreign exchange contracts	**Dec. 31, 2014**	**15,572**	**–**	**15,572**	**3,882**	**11,690**
	Dec. 31, 2013	554	–	554	361	193
Interest swap	**Dec. 31, 2014**	**1,266**	**–**	**1,266**	**0**	**1,266**
	Dec. 31, 2013	996	–	996	0	996
Trade accounts payable	**Dec. 31, 2014**	**124,690**	**1,872**	**122,817**	**0**	**122,817**
	Dec. 31, 2013	119,739	1,233	118,507	0	118,507
Total	**Dec. 31, 2014**	**141,528**	**1,872**	**139,655**	**3,882**	**135,773**
	Dec. 31, 2013	121,289	1,233	120,057	361	119,696

28. Commitments and Contingencies

Guarantees and Other Commitments

	Dec. 31, 2014	Dec. 31, 2013
Purchase commitments for intangible assets	904	1,391
Purchase commitments for property, plant and equipment	8,690	19,033
Guarantee for pension obligation from divestments	10,364	10,738
Other	152	112
	20,110	**31,274**

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

Rental and Lease Arrangements

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

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

		Finance lease		Operating lease
	Dec. 31, 2014	Dec. 31, 2013	**Dec. 31, 2014**	Dec. 31, 2013
2014 (prior year: 2013)	8	63	6,280	6,002
2015 (prior year: 2014)	0	7	4,055	4,156
2016 (prior year: 2015)	0	0	2,805	2,586
2017 (prior year: 2016)	0	0	1,529	1,559
2018 (prior year: 2017)	0	0	962	843
Due thereafter	0	0	1,311	351
Total minimum lease payments	**8**	**70**	**16,942**	**15,497**
Less amount representing interest	1	7		
Present value of lease payments	**7**	**64**		
Less current portion	7	57		
Non-current lease obligation	**0**	**7**		

Total rent and lease expense was €12.7 million and €11.5 million for the years ended December 31, 2014 and 2013, respectively.

29. Related Party Transactions

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

Mrs. Susanne Klatten is the sole shareholder of SKion GmbH and deputy chairwoman of the Supervisory Board of ALTANA AG. Mrs. Klatten is also shareholder and member of the Supervisory Board of Bayerische Motoren Werke AG (BMW). In 2014 and 2013, ALTANA purchased or leased company cars from the BMW Group. The lease and purchase contracts were all concluded at arm's length.

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

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

	Dec. 31, 2014	Dec. 31, 2013
Balances due from related parties	4	15
Balances due to related parties	56	216

	2014	2013
Related party transactions		
Sales	306	536
Services and goods acquired	1,247	1,258
Lease expense	2,783	2,697

The lease expense relates to leasing contracts for company cars with Alphabet Fuhrparkmanagement GmbH (BMW Group). In 2014 and 2013, further transactions with BMW Group are included in revenues in the amount of €0.2 million and €0.5 million, respectively.

30. Compensation of the Supervisory Board and Management Board

In 2014 and 2013, the compensation of the Supervisory Board amounted to €1.1 million and €1.0 million. Of the total compensation, €0.6 million were fixed in both years and in 2014 an amount of €0.5 million and in 2013 an amount of €0.4 million related to the variable portion. The salary paid to employee representatives, in addition to the compensation paid out to them related to their function as Supervisory Board members is at arm's length.

In 2014 and 2013, respectively, total compensation paid in cash to the Management Board including remuneration in kind amounted to €2.9 million and €2.6 million, of which €1.1 million and €1.0 million related to fixed compensation and €1.8 million and €1.6 million related to variable compensation. On December 31, 2014 and 2013, provisions for post-employment benefits of €9.1 million and €5.9 million were recognized; the corresponding service cost amounted to €0.5 million and €0.4 million in 2014 and 2013, respectively.

In 2014, the Management Board members received ALTANA Equity Performance Awards as compensation with a long-term incentive effect from the plan "ALTANA Equity Performance 2014" (AEP). In 2014 and 2013, respectively, a preliminary number of 2,946 and 2,289 ALTANA Equity Performance Awards were granted to the Management Board, with a value of €0.6 million and €0.5 million. The final number of ALTANA Equity Performance Awards as well as the payout amount at the end of the four-year term of the plan depends on the development of the company value. In 2014, at the end of the term of the AEP Tranche 2010, 6,654 AEP Awards were finally allocated, resulting in payments of €1.1 million to beneficiaries. As of December 31, 2014 and 2013 the provisions for AEP Awards amounted to €1.9 million and €1.8 million and the initial investment was measured at €0.7 million and €0.6 million, and is recognized in other liabilities (see note 20). For more details on the AEP see note 22.

For former members of the Management Board and their surviving dependents, a pension provision in the amount of €13.9 million and €12.1 million was recorded as of December 31, 2014 and 2013, respectively. In 2014 and 2013 the pension payments totaled €1.2 and €1.1 million. Additionally, in 2014 and 2013, €0.3 million and €0.1 million were paid to former members of the Management Board resulting from deferred compensation items from prior years.

Further information referring to the compensation of the Supervisory and Management Boards is given in the Corporate Governance Report (see pages 64 ff.).

31. Fees Paid to the Auditor

	2014
Audit of the financial statements	1,171
Other assurance services	80
Tax advisory services	56
Other services	298
	1,605

32. Litigation

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

33. Subsequent Events

On January 15, 2015, ALTANA increased its interest in the associated company Landa to 33.3 % for a cash payment of €50 million.

34. Additional Information

Companies that are exempt from publishing their financial statements according to section 264 (3) and section 264b of the German Commercial Code (HGB):

ALTANA Chemie GmbH, Wesel
ALTANA Newco I GmbH, Wesel
HMP Handelsgesellschaft für metallbasierte Produkte GmbH, Wesel
BYK-Chemie GmbH, Wesel
MIVERA Vermögensanlagen GmbH, Wesel
BYK Kometra GmbH, Schkopau
BYK-Gardner GmbH, Geretsried
ECKART GmbH, Hartenstein
ALTANA Chemie Beteiligungs GmbH, Hartenstein
ECKART Beteiligungs GmbH, Hartenstein
ELANTAS GmbH, Wesel
ELANTAS Beck GmbH, Hamburg
ACTEGA GmbH, Wesel
ACTEGA DS GmbH, Bremen
ACTEGA Rhenania GmbH, Grevenbroich
ACTEGA Terra GmbH, Lehrte
ACTEGA Colorchemie GmbH, Büdingen

Supervisory Board of ALTANA AG

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

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

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

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

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

Ralf Giesen*
(resigned on April 30, 2014)
Mining, Chemical and Energy Industrial Union (IG BCE)

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

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

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

Werner Spinner
(appointed until the Annual General Meeting 2017)
Former Management Board member of Bayer AG
Other functions:
Corbion N.V. [2]
Zuellig Group International [2]

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

Dr. Antonio Trius
(appointed until the Annual General Meeting 2017)
Former Managing Director of Cognis GmbH
Other functions:
AZELIS SA [2]
Lonza Group AG [2]
MAXAM SL [2]
NUBIOLA SL [2]

Stefan Weis*
(since May 8, 2014, appointed until the
Annual General Meeting 2018)
Secretary of the Board of the Mining, Chemical and
Energy Industrial Union (IG BCE)

Supervisory Board Committees

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

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

Audit Committee
Dr. Lothar Steinebach (Chairman)
Ralf Giesen (until April 30, 2014)
Armin Glashauser
Werner Spinner
Stefan Weis (since June 24, 2014)

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

Management Board of ALTANA AG

Dr. Matthias L. Wolfgruber
Chairman
(appointed until June 30, 2018)
Other functions:
BYK-Chemie GmbH [1] (Chairman)
ECKART GmbH [1] (Chairman)
ELANTAS Beck India Ltd. [2] (Chairman)
Cabot Corporation [2]
Grillo Werke AG [1]

Martin Babilas
(appointed until May 2, 2020)
Other functions:
ACTEGA Kelstar Inc. [2]
BYK-Chemie GmbH [1]
ELANTAS Beck India Ltd. [2]
ELANTAS Italia s.r.l. [2]
ELANTAS PDG Inc. [2] (Chairman)

Dr. Christoph Schlünken
(since November 1, 2014, appointed until October 30, 2017)
Other functions:
BYK Additives (Shanghai) Co., Ltd. [2] (Chairman)
BYK Additives Inc. [2] (Chairman)
BYK Additives Ltd. [2]
BYK Asia Pacific Pte. Ltd. [2]
BYK Japan KK [2]
BYK Solutions (Shanghai) Co., Ltd. [2] (Chairman)
BYK (Tongling) Co., Ltd. [2] (Chairman)
BYK USA Inc. [2] (Chairman)
ECKART GmbH [1]

* Employee representative

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

Multi-Year Overview

Key figures at a glance

	2014	2013	2012	2011	2010	2009	2008	2007
in € million								
Sales	1,952.3	1,765.4	1,705.3	1,616.7	1,535.4	1,181.7	1,341.7	1,380.4
Earnings before interest, taxes, depreciation and amortization (EBITDA)	397.4	335.7	323.2	308.0	314.1	208.4	242.9	248.5
EBITDA margin	*20.4%*	*19.0%*	*19.0%*	*19.1%*	*20.5%*	*17.6%*	*18.1%*	*18.0%*
Operating income (EBIT)	267.7	229.1	226.9	217.0	230.2	53.5	170.3	166.6
EBIT margin	*13.7%*	*13.0%*	*13.3%*	*13.4%*	*15.0%*	*4.5%*	*12.7%*	*12.1%*
Earnings before taxes (EBT)	251.8	212.6	217.2	207.7	218.2	39.0	158.7	214.3
EBT margin	*12.9%*	*12.0%*	*12.7%*	*12.8%*	*14.2%*	*3.3%*	*11.8%*	*15.5%*
Net income (EAT)	179.2	151.6	154.7	147.5	152.3	11.0	103.4	138.4
EAT margin	*9.2%*	*8.6%*	*9.1%*	*9.1%*	*9.9%*	*0.9%*	*7.7%*	*10.0%*
Research and development expenses	113.9	109.4	102.3	87.7	82.0	70.6	72.1	67.4
Capital expenditure on property, plant and equipment and intangible assets	90.4	94.3	89.8	93.5	73.8	54.0	107.9	91.4
Cash flow from operating activities	298.2	258.8	274.5	170.0	238.6	224.6	204.5	169.4
Return on capital employed (ROCE)	*10.3%*	*9.9%*	*10.8%*	*11.2%*	*12.2%*	*7.6%*	*9.4%*	*9.8%*
ALTANA Value Added (AVA)	51.9	38.7	50.0	53.2	64.2	(5.4)	20.2	24.5
Total assets (Dec. 31)	2,756.2	2,546.0	2,121.3	2,001.9	1,943.6	1,707.8	1,749.6	1,724.8
Shareholders' equity (Dec. 31)	1,745.5	1,565.6	1,498.2	1,417.1	1,364.2	1,177.6	1,178.4	1,139.4
Net debt (-)/Net financial assets (+)[1] (Dec. 31)	(280.1)	(303.6)	68.2	(26.8)	79.7	(55.0)	(99.3)	(108.5)
Headcount (Dec. 31)	6,064	5,741	5,363	5,313	4,937	4,789	4,791	4,646

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

Sales by division

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

Sales by region

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

Change in country allocation as of 2012

Contact

Andrea Neumann
Head of Corporate Communications
Abelstr. 43
46483 Wesel, Germany
Tel +49 281 670-10900
Fax +49 281 670-10999
press@altana.com

Credits

Publisher
ALTANA AG
Abelstr. 43, 46483 Wesel, Germany
Tel +49 281 670-8
Fax +49 281 670-10999
info@altana.com
www.altana.com

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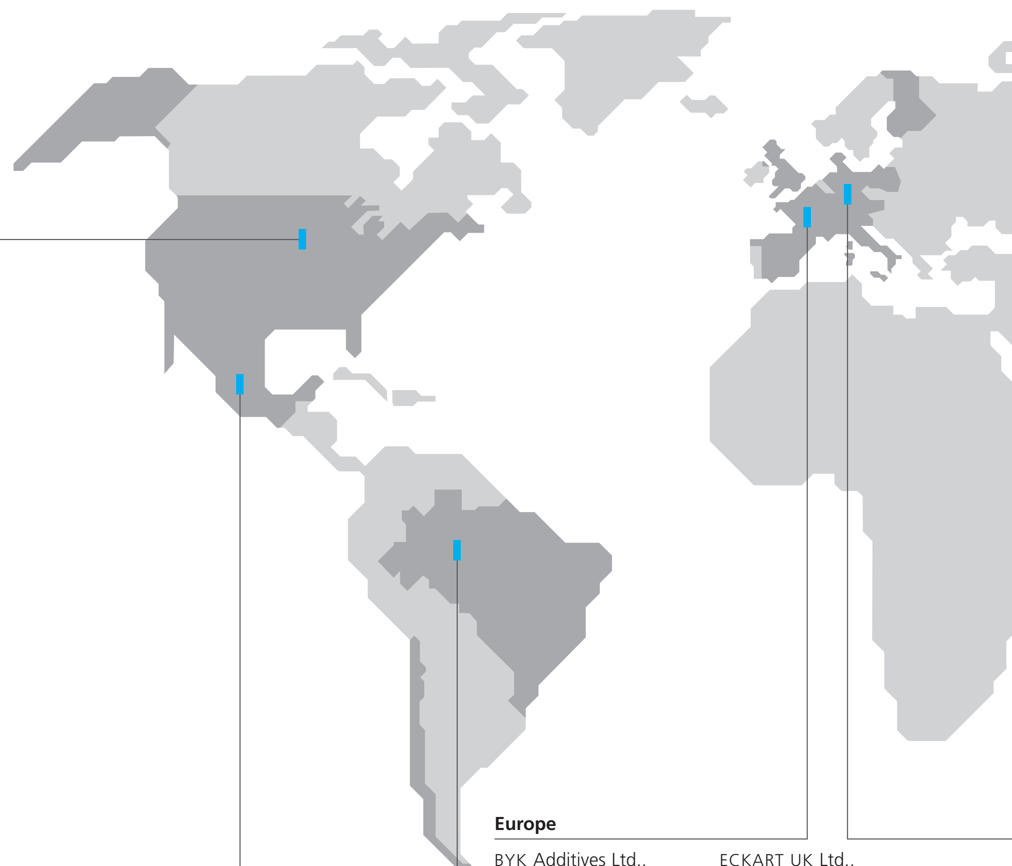
Eberl Print GmbH, Immenstadt

Overview of ALTANA locations



U.S.

BYK Additives Inc.,
Gonzales, TX
■ ■ 100 %

BYK USA Inc.,
Wallingford, CT
■ ■ 100 %

BYK Gardner USA,
Columbia, MD
■ 100 %

ECKART America Corp.,
Painesville, OH
■ ■ 100 %

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

ACTEGA Kelstar Inc.,
Cinnaminson, NJ
■ ■ 100 %

ACTEGA WIT Inc.,
Lincolnton, NC
■ ■ 100 %

Central America

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

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

South America

ACTEGA do Brasil Ltda.,
São Paulo (BR)
■ ■ 100 %

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

ELANTAS Isolantes Elétricos
do Brasil Ltda., Cerquilho,
Estado de São Paulo (BR)
■ ■ 100 %

Europe

BYK Additives Ltd.,
Widnes (GB)
■ ■ 100 %

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

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

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

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

ECKART Pigments KY,
Pori (FI)
■ 100 %

ECKART Suisse SA,
Vétroz (CH)
■ 100 %

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

ELANTAS Italia s.r.l.,
Collecchio (I)
■ ■ 100 %

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

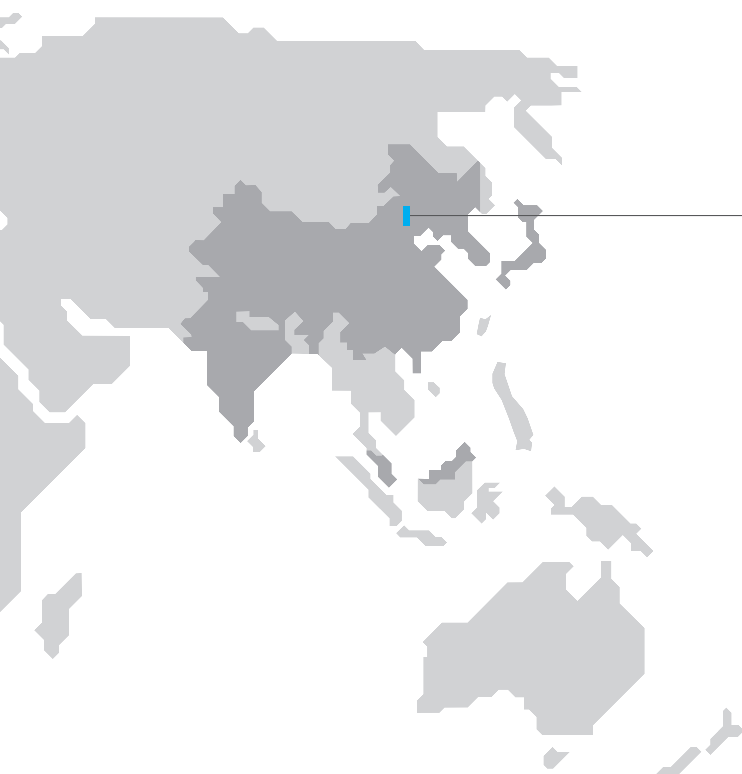
ACTEGA Colorchemie
France Sarl, Henriville (F)
■ ■ 100 %

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

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

ACTEGA Rhenacoat SAS,
Sedan (F)
■ ■ 100 %

as of December 31, 2014



Asia

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

BYK Japan KK,
Tokyo (J)
■ 100 %

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

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

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

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

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

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

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

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

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

Germany

ALTANA AG, Wesel

ALTANA Chemie GmbH,
Wesel
100 %

BYK-Chemie GmbH,
Wesel
■ ■ 100 %

ECKART GmbH,
Hartenstein
■ ■ 100 %

ELANTAS GmbH,
Wesel
100 %

ACTEGA GmbH,
Wesel
100 %

BYK-Gardner GmbH,
Geretsried
■ ■ 100 %

BYK Kometra GmbH,
Schkopau
■ ■ 100 %

ELANTAS Beck GmbH,
Hamburg
■ ■ 100 %

ACTEGA Colorchemie GmbH,
Büdingen
■ ■ 100 %

ACTEGA DS GmbH,
Bremen
■ ■ 100 %

ACTEGA Rhenania GmbH,
Grevenbroich
■ ■ 100 %

ACTEGA Terra GmbH,
Lehrte
■ ■ 100 %

Sales ■ Production ■

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

www.altana.com