ALTANA

Annual Report 2010

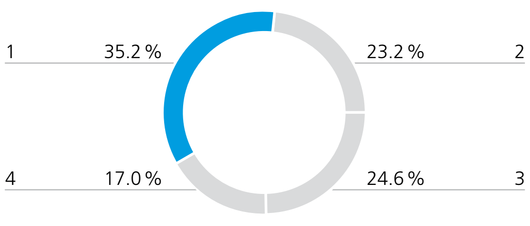
Group Profile 2010

ALTANA and its divisions

ALTANA

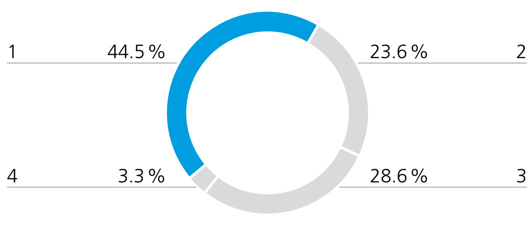
BYK Additives & Instruments | ECKART Effect Pigments | ELANTAS Electrical Insulation | ACTEGA Coatings & Sealants

Sales by division



in € million	**2010**
1 BYK Additives & Instruments	541.2
2 ECKART Effect Pigments	356.6
3 ELANTAS Electrical Insulation	377.4
4 ACTEGA Coatings & Sealants	260.2
Total	**1,535.4**

Sales by region



in € million	**2010**
1 Europe	683.7
2 Americas	361.5
3 Asia	439.0
4 Other regions	51.2
Total	**1,535.4**

Key figures at a glance

	2010	2009	Δ %
in € million			
Sales	1,535.4	1,181.7	30
Earnings before interest, taxes, depreciation and amortization (EBITDA)	314.1	208.4	51
EBITDA margin	*20.5%*	*17.6%*	
Operating income (EBIT)	230.2	53.5	>100
EBIT margin	*15.0%*	*4.5%*	
Earnings before taxes (EBT)	218.2	39.0	>100
EBT margin	*14.2%*	*3.3%*	
Net income (EAT)	152.3	11.0	>100
EAT margin	*9.9%*	*0.9%*	
Research and development expenses	82.0	70.6	16
Capital expenditure on property, plant and equipment and intangible assets	73.8	54.0	37
Cash flow from operating activities	238.6	224.6	6
Return on Capital Employed (ROCE)	*12.2%*	*7.6%*	

	Dec. 31, 2010	Dec. 31, 2009	Δ %
in € million			
Total assets	1,943.6	1,707.8	14
Shareholders' equity	1,364.2	1,177.6	16
Net debt (-)/Net financial assets[1]	79.7	(55.0)	
Headcount	4,937	4,789	3

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

This annual report may contain minor differences between single values, and sums or percentages derived from these due to rounding.

Content

Dear Ladies and Gentlemen,

This is the first annual report of ALTANA AG as a private company. Based on the resolution of the Annual General Meeting on June 30, 2010, in Duisburg, ALTANA's stock market listing ended after 33 years in August 2010.

Although a successful phase of ALTANA's history came to an end, there is no reason to be wistful. On the contrary, the company's sole shareholder, the Management Board, and the employees are convinced that the new ownership structure offers us the best prerequisites to continue our course of profitable growth and to further strengthen our long-term and sustainable business model.

This is because our success factors are still valid: the strong focus on innovation, a high degree of service and customer orientation, leading positions in our worldwide target markets, short decision-making paths due to decentralized management, and an entrepreneurial way of thinking that relies on personal responsibility and promotes the discovery of new market opportunities.

This is all based on well-trained and motivated employees who benefit from our open corporate culture and at the same time help shape it. We expect a lot from our employees, but also trust them greatly. Their diverse opinions, cultural backgrounds, and areas of expertise are the basis for our ability to develop the best solution for sustainable products and services. In the magazine section of this annual report, you will find four portraits of employees from different Group companies, continents, and positions.

Dear ladies and gentlemen, the past business year was remarkable not only due to the change in our ownership structure. As mentioned in the foreword of last year's annual report, we initially assumed, even taking into consideration the recovery tendencies already apparent at that time, that we would reach our level of business of 2007 in 2011 at the earliest. Now, only around one year after the worldwide economic crisis, we can state that ALTANA was able to more than compensate for the crisis-related sales and profit decreases already in 2010. The dynamics of this development were not foreseeable, neither by us, nor others, and continued over the course of the year.

Dr. Matthias L. Wolfgruber (on the left), Chief Executive Officer,
Martin Babilas (on the right), Chief Financial Officer

Among other things, this is a result of our leading technological position. It became apparent that the differentiating power of innovation is particularly important in difficult economic times. In such periods, our customers mainly look for products, technical solutions and services that give them a decisive advantage in the market. As a result, it is and remains important not to make innovation and the related investments dependent on the current economic situation, but to view innovation as a fundamental strategic way of ensuring the company's long-term success. For us, research and development is and remains the key to success.

In their analysis of the economic crisis, many observers agree that in the future we should expect significantly shorter and more abrupt economic cycles and that it will be more difficult to reliably forecast long-term economic developments. This is also true for ALTANA; however, we consider ourselves excellently positioned in this increasingly uncertain economic environment. On the one hand, we have a relatively robust position due to our wide range of products, due to the fact that we are not very dependent on individual industries, and due to our global presence. On the other hand, our decentralized, flexible structure guarantees that fast corporate decisions can be made on the basis of a sound knowledge of markets. The way we dealt with the economic crisis demonstrated that we are able to make necessary decisions quickly and sweepingly without losing sight of our long-term corporate goals.

Thus, ALTANA can be optimistic about the future as – and particularly as – a private company. We are convinced we will continue our company's success story.

As part of these efforts, and in line with our self-image and our corporate culture, we will continue to very openly communicate to all interested groups in the future. We will continue to inform you in a timely manner of important developments at ALTANA in a detailed annual report, among other things.

We would like to thank our employees for their work and dedication that made the excellent results in 2010 possible. In addition, we extend our gratitude to the members of the Supervisory Board for their constructive support and trust in ALTANA's work. Together we intend to lead ALTANA to success in the future as well.

Dr. Matthias L. Wolfgruber
Chief Executive Officer

Martin Babilas
Chief Financial Officer

The Management Board

Dr. Matthias L. Wolfgruber
Chief Executive Officer

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

Martin Babilas
Chief Financial Officer

Responsibility:
– Controlling
– Accounting
– Corporate Finance / Treasury
– Tax
– Legal
– Compliance
– Procurement
– Information Technology

The Executive Management Team

The Executive Management Team is an advisory body in which strategic and operative issues that are important for ALTANA and its 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 other selected executives of the company.

(in alphabetical order)

Jörg Bauer
Vice President Human Resources

Dr. Guido Forstbach
President Division Coatings & Sealants

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

Dr. Roland Peter
President Division Additives & Instruments

Dr. Christoph Schlünken
President Division Effect Pigments

Dr. Wolfgang Schütt
President Division Electrical Insulation

Dr. Georg F. L. Wießmeier
Chief Technology Officer

The Supervisory Board

Dr. Fritz Fröhlich
Chairman

Ulrich Gajewiak[1]
Deputy Chairman

Susanne Klatten
Deputy Chairwoman

Dr. Helmut Eschwey

Ralf Giesen[1]

Armin Glashauser[1]

Olaf Jung[1]

Klaus Koch[1]

Dr. Götz Krüger[1]

Dr. Klaus-Jürgen Schmieder

Werner Spinner

Dr. Carl Voigt

Details on the corporate bodies can be found on page 135ff.

[1] Employee representative

Report of the Supervisory Board

The Supervisory Board closely followed the work of the Management Board in the 2010 business year and dealt extensively with the development of the company as well as with other special issues. The Management Board regularly informed the Supervisory Board through oral reports in their meetings, through documents on the treated agenda items, as well as through regular written reports about the current state of affairs of the company. In addition, the Chairman of the Management Board informed the Chairman of the Supervisory Board on a regular basis about significant developments and events and discussed with him pending or planned decisions. The Supervisory Board was involved in all major company decisions.

Meetings of the Supervisory Board

In the business year 2010, the Supervisory Board held four regular meetings. At its meetings, the Supervisory Board examined in detail the economic situation and the development perspectives of the Group and gathered information about important business events. In addition to the regular reports on sales, earnings, and financial data, the Supervisory Board dealt with the strategy of ALTANA and its individual divisions.

As a result of the so-called squeeze-out request pursuant to section 327a (1) of the German Stock Corporation Act which SKion GmbH made on February 2, 2010, and specified on April 29, 2010, the Supervisory Board dealt in its meeting of March 16, 2010, with the legal basis and the rights and duties of the Supervisory Board within the framework of a squeeze-out procedure. At its meeting on May 10, 2010, the Supervisory Board addressed the specified squeeze-out request, the cash compensation amounting to €15.01 per share fixed by SKion GmbH for the transfer of ALTANA shares, and the agenda of ALTANA's Ordinary Annual General Meeting on June 30, 2010. In this framework, the Supervisory Board had the expert opinion of Ebner Stolz Mönning Bachem GmbH & Co. KG Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft, commissioned by SKion GmbH, on the calculation of the value of ALTANA AG as of June 30, 2010, as well as the report on the appropriateness of the cash compensation by IVC Independent Valuation Consulting Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, appointed by court, explained to it in depth. Due to her position as Managing Director and sole shareholder of SKion GmbH, Mrs. Susanne Klatten, who is also a member and Deputy Chairwoman of the Supervisory Board, did not participate in the deliberations on the squeeze-out request and the presentation of the expert opinion on the fixed appropriate cash compensation, nor in the deliberations and the resolution on the agenda of the Annual General Meeting of ALTANA AG on June 30, 2010, and did not exert influence in any other way in order to avoid potential conflicts of interest.

At its meeting on September 21, 2010, which took place in Shanghai, China, the Supervisory Board dealt extensively with the activities of ALTANA and its divisions in China. In its meeting of December 3, 2010, the Supervisory Board deliberated on and approved the corporate planning for the next years and the budget for 2011.

Meetings of the Committees

The Supervisory Board installed four committees:

– The Audit Committee met three times in 2010 and additionally held one conference call. In the presence of the auditor as well as the Chief Executive Officer and the Chief Financial Officer, it dealt with the annual financial statements of ALTANA AG and the ALTANA Group and with the proposal to the Annual General Meeting for the distribution of the profit. It also dealt with interim financial reports on the first quarter and the first half-year with the auditor and the Management Board before they were published. In addition, it concentrated on the statutory audit process mandating the auditor and monitoring his independence, the setting of fees, and the approval of non-auditing services of the auditor. Furthermore, the Audit Committee dealt in depth with the identification and monitoring of risks in the Group, with the work and the findings of its internal auditing as well as with ALTANA's Compliance Management System. The chairman of the Audit Committee is Dr. Klaus-Jürgen Schmieder. He has the necessary knowledge and expertise in the fields of accounting and auditing.

– The Human Resources Committee met twice. It dealt with the preparation of the resolution on the basis for variable compensation of the Management Board for 2011, as well as with the preparation of the resolution on the long-term incentive plan for Management Board members for 2011, made by the Supervisory Board plenum.

– In 2009, a special Supervisory Board committee was formed in connection with SKion GmbH's voluntary public purchase offer to the remaining shareholders of ALTANA AG. The task of the special committee was to accompany further proceedings related to the offer and possible legal measures resulting from it, such as a squeeze out. The special committee consisted of four members, two shareholder representatives and two employee representatives. The chairman of the special committee was the Chairman of the Supervisory Board, Dr. Fritz Fröhlich. On April 21, 2010, the special committee dealt in depth with the corporate planning and the valuation of the company in connection with the fix-

Dr. Fritz Fröhlich, Chairman of the Supervisory Board of ALTANA AG

ing of an appropriate cash compensation for shareholders who transferred their shares from ALTANA AG to SKion GmbH. The tasks of the special committee ended when the transfer resolution was recorded in the Commercial Register.

– The Mediation Committee, established in accordance with section 27 (3) of the German Codetermination Act, did not convene in the business year 2010.

The Supervisory Board was kept regularly informed about the activities of the committees.

Corporate Governance

At its meetings, the Supervisory Board dealt with the further development of the corporate governance principles and their application in the company. At the meeting of December 3, 2010, the Supervisory and Management Boards issued a declaration of compliance with the German Corporate Governance Code. It is published on the company's website. Although following the termination of its stock market listing ALTANA is no longer legally obliged to issue an annual declaration of compliance in accordance with section 161 of the German Stock Corporation Act, the Management and Supervisory Boards intend to continue to largely comply with the recommendations of the version of the German Corporate Governance Code of May 26, 2010. The Management and Supervisory Boards provide further information on corporate governance on pages 64ff. of this annual report.

Annual Financial Statements

The annual financial statements of ALTANA AG, the consolidated financial statements for the year ended December 31, 2010, and the management report 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 they 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 of 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 extensively 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 has no grounds for objection following its final examination. At its meeting on March 18, 2011, 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 financial year 2010. The Supervisory Board inspected this report and found it to be accurate. The auditors 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 auditors' findings were approved by the Supervisory Board. Following 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

At the end of May 9, 2010, Walter Ziegler stepped down from the Supervisory Board as the representative of the Association of Employed Academics (VAA) due to age-related reasons. Klaus Koch, who had been elected as the substitute member for Mr. Ziegler during the Supervisory Board elections in 2008, took over the office as of May 10, 2010. There were no further personnel changes in the Management and Supervisory Boards. The Supervisory Board expresses its gratitude to Walter Ziegler for the trustful cooperation.

Furthermore, the Supervisory Board would like to extend its gratitude to the members of the Management Board, the company's management as well as to all employees of the ALTANA Group for their efforts and commitment in the business year 2010.

Wesel, March 18, 2011

For the Supervisory Board

Dr. Fritz Fröhlich
Chairman

Working at ALTANA

All over the world people work for ALTANA. In the pages to follow, we provide portraits of 4 of the company's 5,000 worldwide employees.

Dirk Plas, President of BYK USA in Wallingford

BYK USA, Wallingford

"My **scope of responsibility** enables me to make **quick decisions**."

About 5,000 people work at ALTANA in 4 business divisions, 36 production sites, and 47 research and laboratory sites.

But ALTANA is not a run-of-the-mill specialty chemicals company. A fundamental component of ALTANA's business and corporate structure is the company's strong decentralization. Within a defined framework, corporate decisions are made by the individual companies at their respective location, be it Germany, the U.S., China, or India. This guarantees proximity to the respective markets and customers, giving the company a decisive competitive advantage.

As the President of BYK USA in Wallingford, Dirk Plas is one of the decision-makers at the site and a member of ALTANA's top management. "I set goals for our company based on the guidelines of the Group as well as those of the Additives & Instruments division, and plan the strategic implementation of these goals. I am responsible for sales and production in the U.S. and Mexico as well as administration. The diversity of tasks I have to perform makes my work challenging, but our excellent employees make it easy."

Short decision-making paths

What does Plas think of ALTANA's decentralized organization? "The company's executive management gives us sufficient freedom to make corporate decisions and to assume responsibility for them." However, he says, these are not solitary decisions but normally the result of teamwork and communication. "In the end, decentralized activity thrives on trust – trust by the Group that the right decisions will be made by local management, as well as the local management's trust that it will be supported by the Group management. At ALTANA, we jointly define ambitious yet realistic targets. This is how we prove ourselves, particularly as managers."

For Dirk Plas, decentralization is also inextricably tied to cooperation and collabo-

Corporate decisions are normally the result of communication and teamwork.

ration. “Our flexible business model requires particularly intense communication. All of the managers meet regularly with one another or with the management of the holding company. We continuously work jointly on global projects, discuss issues with each other, try to find the best solution for the company as a whole, and contribute different areas of expertise and cultural viewpoints for the company’s success.”

Global presence as an answer to increasingly dynamic markets

The economic environment is changing rapidly, and the markets are becoming more and more dynamic. Flexibility and speed are the keys to success. “In the age of globalization, our customers’ business can quickly move from one country to another. As a company, we have to follow our customers and ensure they receive the level of technology and service they need in every relevant market.”

ALTANA’s global presence is a big advantage. An example: A while back, we helped a U.S. customer to set up a laboratory in India. “Together with an Indian colleague from another ALTANA company whom I knew from the Management Development Program (MDP), we supported this customer as he entered the market and ensured that the transfer of his activities went smoothly.”

To achieve such feats, good and motivated staff are needed. “When it comes to corporate culture, management has a special obligation. We enable employees to optimally develop their abilities and talents in an atmosphere of trust.” For many staff members, this culture is an important reason why they work at ALTANA. “I often hear new colleagues say: Wow, what a great company.”

“We can offer our customers the **required level of technology and service** in every relevant market.”

ALTANA accompanies customers through the whole process

- Choice of site
- Assists in hiring of people
- Provides necessary facilities and equipment

CUSTOMER
PRODUCTION IN THE U.S.

Plans to set up a new laboratory in India.

The customer turns to ALTANA

BYK USA

Dirk Plas from BYK USA establishes contact with Rajeev Bhide from ELANTAS Beck India.

Close cooperation

ELANTAS BECK INDIA

ELANTAS has the necessary expertise and resources in the region.

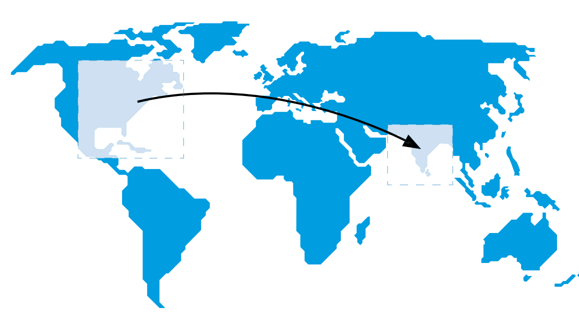
CUSTOMER
LABORATORY IN INDIA

Safeguards follow-up business.

COOPERATION

Global Network

ALTANA managers work together worldwide to meet the needs of their customers.



Sigrid Ehlers, Head of Service Lab at ACTEGA Rhenania, Grevenbroich, Germany

ACTEGA Rhenania, Germany

"At ALTANA, **research is geared to customers' needs**."

Sigrid Ehlers

"We realize solutions that are developed by our researchers and that are tailored to our customers' individual needs."

This is how Sigrid Ehlers, Head of Service Lab at ACTEGA Rhenania in Grevenbroich, sums up her tasks and those of her team. "Our goal is to deliver added value to customers and thus make an important contribution to the success of their products." ALTANA's 47 research and laboratory sites worldwide not only ensure that the quality of the products remains at the same high level. In addition, they act as an interface between customer requirements and the Group's own research activities.

Individual solutions for customers

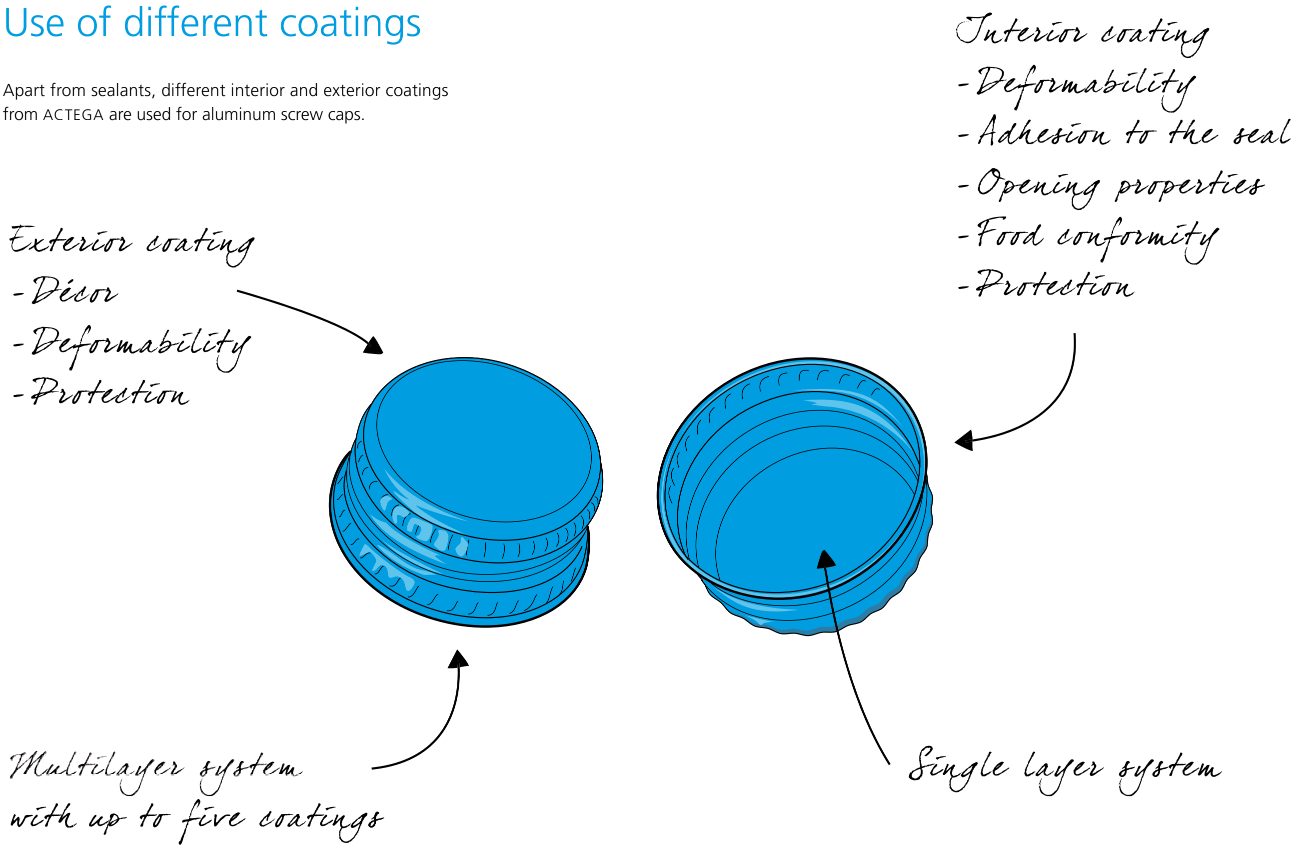
ACTEGA Rhenania manufactures coatings for rigid and flexible packaging, especially for the food and beverage industry. They include heat-seal coatings for yogurt containers. In consultation with the client, Sigrid Ehlers' lab developed new color shades, say, for painting the outside of coffee cartridges or wine bottle closures. The coating is checked in connection with the respective application area and is subjected to various tests before a shade is selected. Due to the close cooperation with the customer, the service lab can make small batches of sample material after about a week and, once it is approved by the customer, can produce it in series. "We adapt our formulations to individual needs so that they can be optimally processed in our customer's production facilities," the manager explains the lab's approach. Modifying existing formulations is another task she performs. This becomes necessary when the customer adds a new requirement for its products, for example the use of epoxy- or melanin-free coatings for its packaging. At the same time, the formulations have to meet the strict legal requirements of individual countries such as those in the EU and the U.S.

Sigrid Ehlers and colleagues examine newly developed color shades for wine bottle closures.

BEVERAGE AND PACKAGING INDUSTRY

Use of different coatings

Apart from sealants, different interior and exterior coatings from ACTEGA are used for aluminum screw caps.



To further increase the environmental compatibility of products is becoming more and more important in the future. “Which is why we are working with our colleagues from research on developing water-based coating formulations or are examining the use of substitute raw materials for environmentally friendlier formulations,” says Ehlers.

Flexibility through new service lab structures

The organization of her service laboratory was restructured a while back. With her team, Sigrid Ehlers redefined and further optimized the procedures. Today, the service lab consists of two areas, each of which has a group head and several service employees and testers. The latter can be employed within her group and across the groups. “As a result, we can react faster, balance out resources, and absorb peaks better. Apart from having shorter paths, we’ve been able to further improve the quality of our work,” she says, explaining the advantage of the restructuring measures.

The service laboratory manager has worked for the company since 1989. In Sigrid Ehlers’ eyes, what distinguishes ALTANA as an employer are promotion and further training opportunities. The company has confidence in its employees, offering them numerous possibilities to develop further and grow into positions within the Group. “Saying ‘yes’ to employees is not just idle talk in our company. It is a reality.”

Yao Guoqing, Foreman at ELANTAS Zhuhai, China

ELANTAS Zhuhai, China

"My ideas from everyday work in the plant find an open ear and **lead to efficiency enhancements**."

姚国清

Yao Guoqing

At ELANTAS Zhuhai in the Chinese province of Guangdong, 40 tons of wire enamels, among other things, are produced as insulating materials every day.

They are found in electric motors, household appliances, wind turbines, and generators. These devices are powered by so-called rotation machines consisting of a winding wire (primarily made of copper or aluminum). To prevent direct electrical short circuits between different wires, these wires are covered with an enamel insulating layer. Modern life with the innumerable electrical and electronic devices would be inconceivable without such insulation of components.

Competitive advantage through local production

Almost all of the wire enamels produced in Zhuhai are sold to about 50 customers in the Chinese market. Beforehand, however, they go through Yao Guoqing's hands. He is a Foreman at the ELANTAS plant in Zhuhai, responsible for handling and shipping of the wire enamels that have been produced.

"Environmental protection also means **dealing frugally and responsibly with our resources** in production."

"I ensure that the daily production of wire enamels is recorded, packaged, put in interim storage, and subsequently sent to our customers," says Yao Guoqing. "At the end of each month, I check the current stock and compare it with the amounts that should be there. It is a regular stocktaking for our own control purposes, you might say."

What is particularly important when performing this task? "Reliability," says Yao. "You have to be meticulous and reliable so there aren't any delays and we can deliver punctually to our customers. In the end, all the work we do is geared to customers. We don't want to disappoint them, but rather to contribute to their success with our products."

Environmental protection and sustainability are very important

Environmental protection is also important for Yao Guoqing. "At our modern production sites in China, we see how important environmental protection and sustainable development are for ALTANA." In his view, it is not only a matter of responsibility or a social task. "Environmental protection also means dealing frugally and responsibly with our resources in production. It is not only a responsibility our company has towards the environment, it also helps us remain competitive."

He sees ALTANA, above all, as a global company. "We are known for the excellent quality of our products, for innovation, technology, and customer service. My work is at the end of the value creation chain, namely, in production and the subsequent shipping." Without him, all of the preliminary work, innovations, and technological developments might be useless. "The customer expects good products and punctual delivery of them. So my work – and that of my colleagues – noticeably contributes to the success of the whole company."

Transparency and openness

Yao Guoqing is motivated by open commu-

Even the best products have to be delivered to customers on time. Yao Guoqing and his colleagues take care of warehousing and on-time shipping.

nication with his coworkers and superiors. "When I make suggestions about how we can work more efficiently and successfully, we discuss them. All of the employees are looking for ways of improving and becoming more successful. They can only be found if we talk to one another openly and trustfully and if good ideas – no matter whom they are from – are given a hearing."

CHINA SITE

Production close to customers

A large part of the wire enamels produced in Zhuhai is delivered within the Chinese market.

Tricia Achenbach, Project Manager at ECKART, Germany

ECKART, Germany

"ALTANA offers me the opportunity **to work in a global environment**."

Young people who work at ALTANA benefit from the Group's lean, decentralized organization. Flat hierarchies, close contact with customers, and short decision-making processes are typical of ALTANA and characterize its corporate culture.

In addition, ALTANA has long invested in programs for young employees to promote development opportunities within the Group as a whole. Boundaries, whether between individual companies, countries, or fields of activity, should be made as open as possible so our staff can keep on developing within our global company.

Tricia Achenbach is a good example of this strategy. She not only changed divisions, but also continents. While her professional career started at ELANTAS PDG in St. Louis / U.S., she has worked since 2008 at ECKART in Güntersthal. Her tasks are to plan and control technical projects, iron out problems, and keep an eye on deadlines and costs. "It's very varied and multifaceted," says Achenbach. She says she has mainly to find individual, project-related solutions rather than performing regular standard tasks. The fact that she is an engineer is an important prerequisite. "Projects are carried out similarly everywhere at ALTANA. Consequently, over time, you can build on a wealth of experience, which helps you evaluate new situations correctly and master them."

Management Development Program

At ALTANA, Tricia Achenbach took part in a special personnel development program for young, talented, and motivated employees, the Management Development Program, or MDP for short. Over a period of 18 months, participants are taught skills revolving around leadership, project management, business administration, work techniques and much more. Intense international exchange, open communication with the executive management, and project work are also on the agenda. Apart from this internationally oriented scheme, “The **Management Development Program** has promoted my abilities and skills in a targeted manner and effectively prepared me for future tasks and projects.”

An exemplary
career
at ALTANA

Junior Project Manager

Project Manager

MDP

2003 – 2008

ELANTAS PDG Inc.,
St. Louis, MO, U.S.
Junior Project Manager
- Responsible for engineers, capital budget, and installation contractors
- Project Manager of new manufacturing facility
- Project Manager of environmental capture and control process and equipment installation
- Project Manager inventory reduction and logistics improvement project

2006 – 2008

ALTANA
Management Development Program
A selection of managers chosen from global locations to participate in quarterly training taking place in different countries; covering a wide range of managerial topics including:

- Leadership
- Finance
- Negotiation
- Global Project Management
- Life Skills

SINCE 2008

ECKART GmbH,
Güntersthal, Germany
Project Manager
- Rollout Manager SAP ERP project
- Project Manager of multi-metal atomizing equipment
- Project Manager research and development equipment

Tricia Achenbach and her project team check the plant installation.

ALTANA offers regional development programs (DP), for example in the U.S., China, and Germany. The aim of these programs is to imbue competitive and committed employees with the potential to carry out additional tasks and projects within the company.

Taking on challenges

"Having completed an international MDP, I had the opportunity to switch from the U.S. to another division of the ALTANA Group in Germany," she says. "I could stay at ALTANA, yet I could take on a new professional challenge. It meant not only changing my workplace, but also new personal experiences. Everything together is enhancing my language proficiency, expanding my cultural horizons, and surely having some impact on my personality."

In the future, Group structures will be made even more open and permeable, and thus more attractive for staff. "I gladly took advantage of the opportunities ALTANA offered me," says Tricia Achenbach. This concerns her professional development as well as the extensive network of colleagues in many countries she met in the MDP. She can benefit from this experience later, she says, when she undertakes new tasks and projects.

Further development possibilities through the new Talent Evaluation Process

To recognize and promote talented staff even better, ALTANA launched the Talent Evaluation Process (TEP) this year. The aim is to ensure that people with potential are identified and given an opportunity to develop in the long term. It is geared to employees who seek a professional change in the foreseeable future. Initially, the target group is staff in Germany. Later, the program will be internationalized.

Jörg Bauer, Vice President Human Resources of the ALTANA Group

ALTANA

"Our **corporate culture** is our great strength."

Mr. Bauer, what is characteristic of ALTANA as an employer?
BAUER: Our employees can expect open and fair treatment. We require performance and dedication, but trust our employees and give them responsibility in return. We offer young people the possibility to gain competence relatively quickly. This distinguishes us from large corporate groups in the chemical industry, where young chemists often work in the main lab and can develop only rigidly and slowly.

According to a survey, more than 80 percent of ALTANA's staff recommend the company as an employer. Why is there so much identification with the company?
BAUER: I think ALTANA is a reliable employer. When promises are made, they are kept. In addition to countering trust with trust, we offer concrete instruments that make us attractive as an employer. These include modern retirement provisions with no additional costs for the employee, lifetime work savings accounts, and additional private provision possibilities for employees.

In an age of fierce competition, motivated and dedicated staff make the difference. What do you do to keep employees' motivation and commitment high?
BAUER: We try to inform our employees as well as possible about where the company stands and about where our opportunities and challenges lie. We enable our staff to participate directly in the company's development through employee and management events. This participation also relates to the company's success, for example, through employee incentive plans and bonus plans. We also make a concerted effort to ensure that our employees work safely and remain healthy, say, through special health days.

In the context of corporate culture, values play a big role. What experiences did you have with the issue of values in the crisis year?
BAUER: Very good experiences. We did not throw our values overboard, although the outside world and the economic situation put us under a lot of pressure. We managed to develop sensible measures with the works council to avoid dismissals. These included the use of short-time work as well as the use of wage reopener clauses. Bonuses were reduced for exempt employees, because they are automatically coupled with the company's results. Overall, we felt the employees were very accommodating and understanding.
Now that we've happily managed to come out of the crisis relatively quickly, we are of course trying to give these things back again, through monetary benefits, among other things.

As an international, global company, you need to strike a balance between local and regional peculiarities and central control. What do you think is the right balance between the Group headquarters in Wesel and the regional companies?
BAUER: To generalize somewhat: We intend to intervene as little as possible, only when true synergies can be exploited or general Group interests are at stake.
We're happy that our managers and the managing directors think in entrepreneurial ways. If we were now to set too many guidelines, our colleagues could pull back and say: "I only did what the people in Wesel told me to do." That's not what we want. We want our managers to

"Our employees can expect **open and fair treatment**. We require performance and dedication."

Jörg Bauer talking with Dr. Karsten Schulte.

be daring and take responsibility within the scope of the powers conferred on them. We want them to be aware of their tasks in the decentralized ALTANA Group.

What, in your opinion, will be the biggest personnel-related challenges in the next five years?

BAUER: In the first place, we want to make the company even better known and even more attractive as an employer. We've started going to universities and carrying out targeted marketing there. We increased such activities also and especially during the economic crisis. Our efforts are now starting to bear fruit. On the other hand, we're thinking about the increasing age of our workforce. We will all work longer. As a result, we are checking our workplaces and putting more thought into how to make them more suitable for older employees, for example by means of improved ergonomics. In addition, we intend to offer seminars to improve communication between young, new employees and staff who are over 60, so that cooperation in mixed teams functions even better.

What role does the lack of specialists play today and what role will it play in the future?

BAUER: Even before the crisis, we found it difficult to fill jobs in certain areas. Then the economic crisis came and brought us relief in a certain sense, because demand was no longer as high and we had enough candidates at our disposal. Now we again feel that we need a lot more time to fill positions requiring scientists or engineers with the special background knowledge requested to work for us.

The interview was conducted by Dr. Karsten Schulte, Great Place to Work® Institute, Germany.

Group Management Report

The business year 2010 was an outstanding year for ALTANA in many respects. We left the economic crisis behind us and exceeded our expectations as well as the pre-crisis level with our sales and earnings in the past year. As a result, we have returned to our long-term growth path. In the coming years, too, we intend to consistently exploit the growth potential available to us.

Business and Economic Environment

Group Structure and Business Activities

Range of Products and Services and Organizational Structure

The ALTANA Group unites worldwide operating business units that concentrate on the development, manufacture, and sale of highly specialized chemical products and services. The company's product portfolio encompasses additives and pigments for the coatings, printing inks, and plastics industries, products used in the manufacture of packaging materials and cosmetics as well as coatings and printing inks, and impregnating resins for the electrical and electronics industries.

ALTANA's activities are bundled in four operating divisions: BYK Additives & Instruments, ECKART Effect Pigments, ELANTAS Electrical Insulation, and ACTEGA Coatings & Sealants. All of these divisions have globally leading market positions and they largely operate in a decentralized way in their markets. Nearly all of the activities within the Group are performed by wholly owned subsidiaries; associated companies play only a subordinate role within the Group.

Each division has its own management and organizational structures. The decentralized orientation of the Group's organization is reflected by a diversified production structure, with a total of 36 sites worldwide. In addition, the Group has its own sales companies and a dense network of agents and other external sales partners, which enable the company to cater directly to regional market and customer needs. Apart from the strong orientation to regional requirements, a strong focus on the core competencies of innovation and customer service is an essential feature of the Group's organization. ALTANA has nearly 50 laboratory and service sites worldwide, which develop solutions and drive product innovations in close contact with local customers. Nearly 5,000 people work at the Group's worldwide sites.

Within the Group, Wesel-based ALTANA AG functions as the strategic holding and managing company. The Group's parent company is a stock corporation in accordance with German law, and 100 % of its shares are held by SKion GmbH, an investment company owned by Susanne Klatten. As the majority stakeholder, SKion bought an increasing number of shares in recent years, finally acquiring the last remaining shares in August 2010.

Prior to that date, the Annual General Meeting of ALTANA AG on June 30, 2010, had adopted a resolution to transfer the remaining free float of shares to the majority shareholder. The transfer resolution was entered in the Commercial Register on August 27, 2010. On that same date, the stock market listing of the ALTANA share was discontinued.

Activities and Strategies of the Divisions

BYK Additives & Instruments

The Additives & Instruments division supports customers in the coatings and plastics industries with a wide range of products for refining surfaces. Among its important product groups are so-called wetting and dispersing additives for even distribution of solids in coatings, as well as defoamers and air-release additives, which control production processes and eliminate air bubbles in coatings and plastics. In addition to additives for the coatings and plastics industries, the division offers measuring and testing instruments for determining surface properties.

Additives & Instruments' holding company is based in Wesel and operates the division's most important production and development site there. The division also manufactures additives in its own production sites in the Netherlands, the U.S., and China. The measuring and testing instruments sold worldwide are manufactured at a site in Germany.

Business divisions and product portfolio

ALTANA

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

By concentrating on innovative developments and new technologies, the division has continually improved its positioning as a leading international manufacturer. To be able to achieve above-average growth rates in the future as well, Additives & Instruments intends to continuously offer new products and enter new market segments under the established brands BYK (for coatings and plastics additives) and BYK-Gardner (for the instruments business). The core components of its strategic orientation are to enter new application markets – for example the paper and adhesives industries – and to expand its product portfolio. It intends to particularly add environmentally friendly products and additives that enable customers to gear their product range to an environmentally compatible orientation.

ECKART Effect Pigments

ALTANA's competencies in the manufacture of effect pigments for the coatings, printing inks, and plastics industries are bundled in the Effect Pigments division. The principal raw materials used to produce effect pigments are metals (aluminum, copper, and zinc). Other natural and synthetic substrates are also employed, processed via different value-creation levels into different-shaped, different-sized, and different-colored pigments. As a result, the product portfolio meets a wide number of technical and visual requirements. Customers use the products offered under the ECKART brand to achieve visual effects and for certain functional applications.

The Effect Pigments division is also organized via a holding company, which operates important production sites in Güntersthal and Wackersdorf (both in Germany) and unites a large part of the division's research and development activities. Further sites produce directly in the U.S. and Chinese sales markets as well as in Switzerland and Finland.

The division has a very high degree of value creation, making it a leading manufacturer of effect pigments. By continually expanding its application areas, Effect Pigments intends to improve its competitive position even more in the years to come. The main pillars of its strategy are its research and development activities and its growing market position in Asia and South America.

ELANTAS Electrical Insulation

The Electrical Insulation division concentrates on liquid insulation materials for wires as well as electrical and electronic components. A focal point of its business activities is the wire enamel resins synthesis and wire enamels formulation, which are used by wire producers to insulate magnet wires. Manufacturers of electrical and electronic components use insulation materials to fix and protect coils, motors, circuit boards, and sensors.

Electrical Insulation has its own holding structure with a managing company in Wesel. The latter organizes and manages the division's production units in Italy, the U.S., China, India, Germany, and Brazil. The division has an important research and development site in Hamburg.

In recent years, Electrical Insulation has strongly grown its international business activities and thus bolstered its position in the world market. An important component of the division's strategy is to expand its activities in the emerging industrial countries and to continually add innovative products to its product range. An important aim of the division is to strengthen its market position in electronic application areas in order to benefit from the rapid growth in this market segment.

ACTEGA Coatings & Sealants

With its product portfolio, the Coatings & Sealants division specializes in meeting the requirements of the packaging and printing industries. Its portfolio consists of sealing materials and special adhesives for rigid and flexible food and medicine packaging, as well as special coatings that influence the properties of packaging materials. The division's product range also includes printing inks and overprint varnishes that are tailor-made for customers in the graphics industry.

Coating & Sealants' wide-ranging product portfolio is produced at different sites in Germany, the U.S., and China. In addition, the division has production sites in Spain and France. Coatings & Sealants' research and development activities are also largely decentralized. The division controls its activities via a holding company based in Wesel.

By combining its competencies in the areas of converting specialties and graphic arts, Coatings & Sealants has established itself as a strategic partner for its customers and has steadily improved its competitive positions. To further positively influence its growth potential, the division intends to add new product developments to its range of services and selectively acquire companies, as well as to concentrate more on expansion possibilities in Asia.

Principal Regional Sales Markets

Due in particular to the above-average growth of the chemical industry in China and to the fact that ALTANA has extended its production sites there, the Group's regional sales structure has shifted in recent years towards Asia. Today, the company achieves nearly 30 % of its sales in Asia, and around 15 % in China. India, South Korea, and Japan are also important sales countries for ALTANA in the region.

Europe, however, remains the Group's most important core region, accounting for approximately 45 % of its sales. Germany continues to be ALTANA's most important single market in Europe, followed by Italy and France.

Around a quarter of Group sales are achieved in the Americas (North and South America), with U.S. sales comprising by far the largest share.

Seasonal Influences

There are no significant product- or market-specific seasonal influences that could lead to a pronounced asymmetrical distribution of demand in the course of a business year.

Group Control, Goals and Strategies

Management and Control

ALTANA AG has a dual management and supervisory structure. The Management Board currently has two members, who are appointed by the Supervisory Board for a period of five years. The Management Board members manage the Group independently and are fully committed to the interests of the company. The Management Board forms the Executive Management Team together with the heads of the divisions and selected heads of central functions. In regular meetings, this team discusses and analyzes the development of business and important business incidents. The Supervisory Board has 12 members, half of whom are elected by German Group employees in accordance with the German Codetermination Act. The other six members are elected by the shareholders. The Supervisory Board members are elected for a period of five years. In addition to appointing Management Board members, the Supervisory Board's main tasks are to monitor the company's management, approve the annual financial statements, and to approve separately defined business decisions. In addition, the Supervisory Board advises the Management Board.

Further information on ALTANA's corporate bodies can be found in the Corporate Governance Report (pages 64–68).

Value-oriented Group Management

Control of the Group is geared to sustainably increasing the company's value in the long term. Via definitions of targets for certain success parameters, this aim is anchored at the highest levels of the Group. The divisions and Group companies derive their own goals from this overriding objective.

The superordinate control parameter used within the Group is the ALTANA Value Added (AVA). It is calculated by subtracting the costs for capital employed in the company from the earnings achieved. This value is derived by determining the Return on Capital Employed (ROCE). ROCE, in turn, is the ratio of operating profit to capital employed, set against weighted average cost of capital. The aim is for a premium to be earned on the costs of capital each year and for all divisions to make a sustainable positive contribution to the AVA.

In addition to the overriding aim of continuously and sustainably increasing the AVA, ALTANA has identified further performance features to ensure a parallel orientation of the Group's activities. For these financial and non-financial indicators, individual targets are defined for the divisions.

The targets can have a short-term, medium-term, or long-term horizon. The expected development of the defined key figures is reflected in the Group's planning process, which encompasses a long-term component (strategic planning), a medium-term planning horizon (three years), and a short-term horizon (current business year). Continuous examination of the current development with the targets and the concluded planned figures is an essential component of ALTANA's management.

ALTANA's operating activities focus on market segments in which the growth potential is above average and in which the company can expect attractive profitability. To meet these requirements, ALTANA evaluates the markets within the framework of its strategic planning process based on different criteria and forecasts their future development. In addition, the company monitors whether it has a leading competitive position in the corresponding core markets or whether it can attain one sustainably. Only then can the Group companies optimally benefit from the positive market characteristics and use their innovative power.

Within the framework of our strategic planning, we also analyze our research and development activities and evaluate our technological and application-technological know-how as well as the resulting possibilities and risks. Continuous monitoring of our product portfolio and expected market introductions against the background of the competitive situation on the corresponding markets is an essential prerequisite for building up and using resources in accordance with our targets. Steady further development of our product portfolio helps us sustainably achieve growth potential and profitability. To ensure this, we invest approximately 5 % to 6 % of our sales in research and development.

Essential risk factors from the Group's portfolio are also controlled on the strategic level. On the one hand, we aim to gear our activities to customer structures and end customer markets in a balanced way in order to offset individual demand fluctuations in customer industries as far as possible. On the other hand, we monitor our dependence on individual products, product groups, raw materials, and suppliers in order to evaluate the associated risks and possibly introduce countermeasures.

On the basis of the results of the annual strategy process, systematic analyses of existing acquisition possibilities are undertaken. The goals can include entry into new markets or application areas, as well as integration of additional know-how and further technologies. By comparing different criteria, we examine companies and their business activities to see whether they are compatible with ALTANA's business model and its strategic orientation.

The measures resolved within the framework of strategic planning are subsequently included in our medium-term-oriented financial planning. The development of important key figures is then set against the individual targets and analyzed accordingly. This process primarily focuses on the growth potential and profitability expected in the future as well as the resulting changes in the earnings, financial and asset situation.

As a concrete sales growth target, we strive for an annual growth of 10 % on average in the long term, with this value comprising both organic growth and acquisitions of companies or activities. ALTANA has defined EBITDA (earnings before interest, taxes, depreciation and amortization) as an indicator of profitability, i. e. the relationship of earnings to sales. The long-term target is >18 %.

Orienting the future business performance to these targets and monitoring whether these targets are reached helps the Group companies' focus on high-growth activities with above-average profitability.

In addition to the essential targets discussed above, we also monitor and control the capital efficiency through medium-term financial planning. The focus of the capital structure and employment of capital are efficient binding of financial resources in fixed assets, optimization of net working capital (inventories and trade accounts payable and receivable), and the ratio of equity to debt.

The performance indicators derived from this concern the amount of investments in assets in relation to sales, the scope of inventories as well as of trade accounts payable and receivable. For these values, we have target values for the Group and for the individual divisions in order to achieve a corresponding capital efficiency development. Related to the origin of the capital, the equity ratio and the net debt development are monitored at the Group level.

A component of the short-term-oriented monitoring of targets is the analysis of the business development within a business year. We use all essential key figures to examine whether the planning targets are reached and, in the case of undesirable developments, counter them with appropriate measures.

Survey of Overall Business Conditions

General Economic Situation

The economic environment in 2010 was markedly shaped by a worldwide economic recovery following the deep recession in the previous year. The gross domestic product of many industrial and emerging countries grew strongly. In the first half of the year, the growth was slightly higher than in the second half. This is primarily attributable to the expiration of expansive governmental economic stimulus programs. With a forecast increase of almost 5 %, the worldwide gross domestic product grew more dynamically than expected. In 2009, it had decreased by 1 %.

In terms of regions, the Asian countries achieved the highest growth, which was mainly driven by the Chinese economy's double-digit growth rate. Even in 2009, despite the worldwide economic crisis, China was able to achieve a growth at a comparable level. Apart from China, other industrial and emerging countries in Asia recovered substantially due to a resurgence of exports and higher domestic demand.

The recovery in Europe and America was less dynamic than in Asia. Due in particular to the debt and budget situation of individual countries, the development in these regions was non-uniform and the growth was driven only by a few strong economies. The overall economic situation in Germany, in particular, rebounded more quickly after the crisis than in many other economies.

The strong price fluctuations on the raw material markets during the financial and economic crisis continued in 2010. The price for a barrel of Brent crude oil ranged between just under $70 a barrel to more than $90 a barrel. The price was particularly volatile in the second half of the year, rising by 35 %. The markets for industrial metals also demonstrated volatility, as in 2009, with prices fluctuating widely in the 2010 business year. The price of copper showed an especially strong increase, climbing from a year low of slightly more than $6,000/t to nearly $9,500/t at the end of 2010.

The exchange rate between important key currencies developed just as turbulently. While the exchange rate between the U.S. Dollar and the Euro was about $1.45/€ at the beginning of 2010, it fell to below $1.20/€ in the middle of the year. In the second half of the year, the exchange rate rose to over $1.40/€ again, but starting in November sank, within just a few weeks, to a level of slightly more than $1.30/€ at the end of the year. The Chinese Renminbi showed a similar development, with its influence on the global economy steadily growing due to the increasing economic importance of China. The Japanese Yen gained even more ground against the Euro due to the strong recovery of the Japanese economy.

Industry-specific Framework Conditions

The chemical industry supplies raw materials and intermediate products to many processing industries and is therefore influenced by the demand situation of many industrial sectors. The recovery of the global economy, which was driven by almost all branches of industry, therefore had a positive effect on the development of order entries and sales in the chemical industry in 2010. Chemical companies in Europe and China particularly benefited from this, while the growth in the U.S. was comparably modest.

The demand was positively influenced not only by the recovery of the general economic environment, but also by restocking along the entire value chain all the way to the end consumer. In the previous years 2008 and 2009, some companies massively reduced their stock to improve liquidity during the crisis. At the end of 2009, an opposite trend began, and stock was continuously adjusted to the increasing production level.

Both producers of base chemicals and manufacturers of highly refined specialty chemicals benefited from the general development in the industry. However, the companies in the chemical industry were impaired by the highly fluctuating raw material prices to different extents. The passing on of raw oil price increases and the high degree of fluctuation of other raw materials important for the industry had a strong impact on the business performance. In addition, production capacities in individual segments had been reduced significantly due to the crisis and could only slowly be adapted to the new demand situation. Thus, strong price fluctuations and delivery bottlenecks were the main challenges that chemical companies had to overcome in 2010.

Earnings, Financial, and Asset Situation

Business Performance and Earnings Situation

Key figures

	2010	2009	Δ %	Δ % op.[1]
in € million				
Sales	1,535.4	1,181.7	30	24
Earnings before interest, taxes, depreciation and amortization (EBITDA)	314.1	208.4	51	40
EBITDA margin	*20.5 %*	*17.6 %*		
Operating income (EBIT)	230.2	53.5	> 100	
EBIT margin	*15.0 %*	*4.5 %*		
Earnings before taxes (EBT)	218.2	39.0	> 100	
EBT margin	*14.2 %*	*3.3 %*		
Earnings after taxes (EAT)	152.3	11.0	> 100	
EAT margin	*9.9 %*	*0.9 %*		

[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.

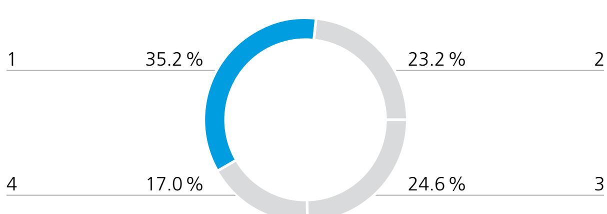
Sales Performance

Driven by the general economic recovery, ALTANA significantly increased Group sales in 2010. Achieving sales of € 1,535.4 million (2009: € 1,181.7 million), our sales grew by 30 % compared to the previous year. As a result, we not only more than compensated for the crisis-related sales drop of 12 % in the previous business year 2009, but generated Group sales that even exceeded the sales achieved in 2007 (€ 1,380.4 million), the last year that was not influenced by the crisis, by € 155.0 million.

The growth was accelerated in the course of the year by positive exchange-rate effects as well as by sales from acquisitions of activities. An increase of 3 % is attributable to changes in exchange-rate relations, primarily due to the translation of the sales achieved by subsidiaries into the Group currency, the Euro. The biggest influences resulted from the appreciation of the U.S. Dollar, the Chinese Renminbi, and the Japanese Yen as against the previous year.

Acquisitions and divestments of business activities in 2009 and 2010 also accounted for a sales increase of 3 %. Operating sales growth adjusted for these two effects was 24 %.

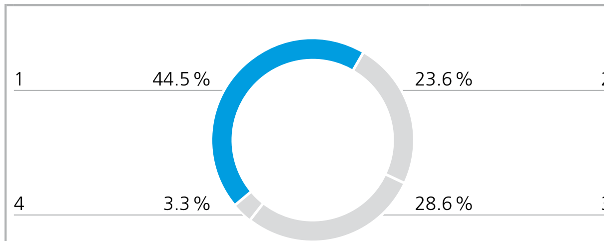
Sales by division



in € million	2010	2009	Δ %	Δ % op.
1 Additives & Instruments	541.2	419.9	29	27
2 Effect Pigments	356.6	282.3	26	24
3 Electrical Insulation	377.4	272.7	38	30
4 Coatings & Sealants	260.2	206.8	26	12
Total	**1,535.4**	**1,181.7**	**30**	**24**

Over the course of the year sales developed with only minor fluctuations. In the first half of the year, the positive demand trend that began in the summer of 2009 continued, and sales reached their highest level in the middle of the year. In the second half of the year, our business performance stabilized at a high level, falling only slightly towards the end of the year due to seasonal influences. The strong demand situation in the summer was primarily driven by an increase in stocks on the part of our customers and at the subsequent stages in the value chain. The reasons for this were restocking of inventories to a normal level following the destocking in the course of the crisis and the expectation of rising prices on account of the development of raw material prices.

Sales by region



in € million	2010	2009	Δ %	Δ % op.
1 Europe	683.7	555.1	23	22
thereof Germany	*234.5*	*188.0*	*25*	*24*
2 Americas	361.5	267.7	35	21
thereof U.S.	*242.0*	*178.4*	*36*	*19*
3 Asia	439.0	317.9	38	31
thereof China	*224.2*	*164.3*	*36*	*31*
4 Other regions	51.2	41.0	25	25
Total	**1,535.4**	**1,181.7**	**30**	**24**

However, in comparison to the previous year, the sales performance differed perceptibly over the course of the year. While sales in the first two quarters were more than 40 % higher than the previous year's figures, the growth dynamic abated noticeably in the second half of the year against the background of the strongly rebounding business activity in the same period of 2009.

The highly dynamic sales growth in 2010 is reflected by the sales performance of the four divisions, albeit to varying degrees. At 38 %, the Electrical Insulation division achieved the strongest sales growth. Sales in Additives & Instruments grew by 29 %, and Effect Pigments and Coatings & Sealants both were able to improve sales by 26 % compared to the previous year. Some of the operating sales changes adjusted for exchange rate and acquisition effects diverge significantly from the nominal growth rates. Particularly in Coatings & Sealants – due to the acquisition of the business of the American company Water Ink Technologies Inc. (today ACTEGA WIT) in 2009 and a high share of sales in the U.S. Dollar area – and Electrical Insulation (due to the strong focus on the Asian region), the operating sales increase was significantly lower than the nominal sales growth.

The influence of exchange rate and acquisition effects is also reflected in the regional sales performance. While the nominal sales growth in Asia (38 %) and the Americas (35 %) exceeded the growth in Europe (23 %), the structure of the operating sales growth was different. While here, too, Asia showed the strongest growth momentum, achieving a sales growth of 31 %, the growth in Europe (22 %) when adjusted for exchange-rate and acquisition effects was slightly higher than the growth in America (21 %).

Order Development

The indicator function of order receipts as a means of forecast for the future sales performance is only useful to a limited extent at ALTANA, because the period between receipt of an order and the delivery of products is often only two to three weeks. In the course of the business year, the order situation developed parallel to sales but always a step ahead.

Earnings Performance and Development of Key Positions of the Consolidated Income Statement

In 2010, Group earnings benefited from the extremely strong sales growth, and we were able to considerably increase all earnings figures compared to the previous year.

In 2010, the Group's EBITDA amounted to €314.1 million (2009: €208.4 million) and was therefore significantly higher than the pre-crisis level. The increase of €105.7 million compared to 2009 corresponds to a growth of 51 %, following a 16 % decrease in earnings in the previous year due to the crisis.

The EBITDA margin was 20.5 %, which was not only significantly higher than in the previous year (17.6 %), but was also above the average of the past and the long-term target margin. The basis for this above-average profitability is the strong sales growth – particularly in the high-margin activities – coupled with the still noticeable results of the cost reduction measures that were being phased out in 2010. Added to that are the lasting effects of the production and sales structure optimizations continuously implemented in the previous years.

At 43.8 %, the materials usage ratio was roughly the same as in the previous business year (43.2 %). But the comparative values of 2010 and 2009 developed in opposite directions over the course of the year. In 2009, the materials usage ratio fell due to decreasing raw material prices, while there was an opposite trend in 2010.

The development of the individual function costs was strongly influenced by the increasing capacity utilization. Furthermore, the measures implemented in 2008 and 2009 to relieve the cost situation during the economic crisis could largely be terminated in the past business year. The individual Group companies managed this process taking into close consideration the respective individual business development and capacity utilization.

Since many cost reduction measures implemented in the previous year focused on personnel costs, all areas of operation were burdened by the higher personnel costs. In addition to the discontinuation of measures, the buildup of the workforce also contributed to an increase in personnel expenditure.

In relative terms, the selling and distribution expenses increased the most, negatively affected, in particular, by the higher expenditure for freight and sales commissions. These expenses correlate directly with the sales performance. The production costs also show the influence of the positive business development. In addition to the increase in personnel expenditure, this mainly concerns the higher energy and maintenance expenses. Research and development expenses and general administration expenses were driven by the increase in personnel costs.

In 2010, we achieved a Group EBIT of €230.2 million (2009: €53.5 million). In the comparison with the previous year, however, it should be taken into account that the EBIT in 2009 was strongly influenced by impairments of goodwill and property, plant and equipment of €76.7 million. The depreciation and amortization of property, plant and equipment and intangible assets increased insignificantly in 2010 due to the lower investment activity during the crisis compared to 2009.

In comparison to the previous year, the financial result also reflects special factors. This mainly concerns impairments on long-term investments and financial investments, which totaled €4.8 million in 2009. Since January 1, 2010, the financial result has included the net interest expense from employee benefit obligations, which in the past were recorded as personnel expense in function costs. The previous year's figures were adjusted accordingly in this report. In 2010, the financial result totaled €-13.1 million (2009: €-15.3 million).

The Group's earnings before taxes (EBT) amounted to €218.2 million (2009: €39.0 million). Net income (EAT) of €152.3 million was also significantly higher than in the prior year (€11.0 million).

Multi-period overview of the earnings situation

Sales (in € million)

2010	**1,535**
2009	1,182
2008	1,342
2007	1,380
2006	1,294

EBITDA (in € million)

2010	**314**
2009	208
2008	247
2007	251
2006	189

Business Performance in the Divisions

Additives & Instruments

The Additives & Instruments division's sales increased by 29 % to €541.2 million in 2010 (2009: €419.9 million), thus significantly exceeding the pre-crisis level. Since its business through the sale of additives for the coatings and plastics industries already showed a dynamic development in the second half of 2009, during the latter part of the past business year the growth dynamic continuously abated compared to 2009.

The dynamic demand development concerned all of the division's product groups and application areas. The regional development was also relatively uniform. The highest sales growth was achieved in Asia. The growth rates in the American region and Europe were lower. The division reported only slight effects from acquisitions and divestments. As a result, at 27 %, the operating sales performance was on a par with the nominal growth level.

Effect Pigments

The activities in the Effect Pigments division also benefited from the extraordinarily good demand situation in 2010, although the division's sales of €356.6 million (2009: €282.3 million), representing an increase of 26 %, did not quite reach the level of 2007, the year before the crisis (€362.9 million). The effect pigments markets were hit harder by the crisis than many other segments and the recovery began later and was less dynamic. Moreover, the division consciously terminated activities and stopped selling certain products.

The sales growth was driven, among other things, by the growing demand for gold bronze pigments as well as higher sales of pigments for functional applications. The use of aluminum pigments for applications in the automobile industry also increased noticeably. Sales rebounded particularly strongly in the American region, followed by Asia and Europe. The nominal sales growth was positively influenced by exchange-rate effects in 2010. The adjusted operating sales growth was 24 %.

Electrical Insulation

The Electrical Insulation division's sales rose by 38 % to €377.4 million (2009: €272.7 million). As a result, the division generated the highest growth of all of the Group's divisions. All product groups contributed to the sales increase, with insulating materials for the electronics industry and technical applications achieving the highest growth rates.

Electrical Insulation particularly benefited from its very good market position in Asia, which had a decisive impact on the growth especially in the first half of the year. But the division also reported extraordinarily high growth in Europe and the American region. On account of the high share of sales with customers outside of the Euro zone and the acquisitions made in 2009, the operating growth of 30 % was lower than the nominal growth in 2010.

Coatings & Sealants

Generating sales of €260.2 million (2009: €206.8 million), the Coatings & Sealants division achieved a growth of 26 %. The sales growth was positively influenced, in particular, by the acquisition of the American company Water Ink Technologies in October 2009. The operating sales growth adjusted for exchange rate and acquisition effects was 12 %, a relatively low level. It should be taken into account, however, that the packaging materials markets, which are important for the division, experienced fewer burdens than many other segments during the crisis, and as a result the recovery potential for Coatings & Sealants after the economic crisis was relatively limited.

Within the division, the products for the graphics industry met with the highest demand. The acquisition effect is reflected significantly in the regional sales structure. The American region had the highest growth rates in 2010, followed by Asian business and sales to customers in Europe.

Financial Position

Balance Sheet Structure

Key figures

	2010	2009	Δ %
in € million			
Total assets	1,943.6	1,707.8	14
Shareholders' equity	1,364.2	1,177.6	16
Net debt (-)/Net financial assets[1]	79.7	(55.0)	

[1] Corresponds to the balance of cash and cash equivalents, marketable securities, debt and employee benefit obligations.

Due to the highly dynamic business development, ALTANA's total assets and balance sheet structure changed compared with the previous year. On December 31, 2010, total assets were up by 14 % to €1,943.6 million (2009: €1,707.8 million).

On the assets side of the balance sheet, this development was particularly reflected by the current assets, and especially by the cash and cash equivalents which more than doubled from €103.7 million in 2009 to €244.4 million in 2010. Inventories and trade accounts receivable also increased significantly, to €210.4 million (2009: €189.2 million) and €254.5 million (2009: €219.4 million), respectively. Both balance sheet items reflect the sales dynamic of the past business year, although the respective scopes decreased due to the optimization of the net working capital. At balance sheet date, current assets amounted to €860.5 million (2009: €646.7 million), 33 % or €213.8 million more than on December 31, 2009. Non-current assets, on the other hand, hardly changed. At €1,083.1 million, they were insignificantly higher than the previous year's figure (€1,061.1 million), primarily due to exchange rates.

On the liabilities side of the balance sheet, the increase in the balance sheet total is chiefly due to the expansion of shareholders' equity resulting from the increase in earnings and exchange rate effects. At the end of the year, shareholders' equity totaled €1,364.2 million, €186.6 million, or 16 %, higher than the previous year's figure (€1,177.6 million). The equity ratio improved slightly to 70 % (2009: 69 %). In non-current liabilities, there was an increase in the debt position, which at €296.1 million exceeds the previous year's

Structure of consolidated balance sheet

Assets	Dec. 31, 2010		Dec. 31, 2009	
	€ million	%	€ million	%
Non-current assets	1,083.1	56	1,061.1	62
Inventories and trade accounts receivable	527.3	27	448.0	26
Cash and cash equivalents and marketable securities	333.2	17	198.7	12
Total assets	**1,943.6**	**100**	**1,707.8**	**100**

Shareholders' equity and liabilities	Dec. 31, 2010		Dec. 31, 2009	
	€ million	%	€ million	%
Shareholders' equity	1,364.2	70	1,177.6	69
Non-current liabilities	296.1	15	261.2	15
Current liabilities	283.4	15	269.1	16
Total shareholders' equity and liabilities	**1,943.6**	**100**	**1,707.8**	**100**

level (€261.2 million). Current liabilities, however, rose only slightly, to €283.4 million. This development was primarily driven by the increase in trade accounts payable, which climbed to €107.0 million (2009: €81.1 million) due to the increased production level.

At the end of 2010, net financial assets (comprising cash and cash equivalents, marketable securities, debt and employee benefit obligations) reached €79.7 million, after a net debt position of €55.0 million in 2009.

Financial Strategy

In general, both the financing and the investment of surplus liquidity occur centrally in the ALTANA Group. Exceptions only concern those subsidiaries that operate with a direct financial management due to existing restrictions on capital movements or currency risks. In addition, some Group companies still have outstanding loans whose early repayment would not be reasonable. ALTANA's primary source of financing is a syndicated credit line of €400 million which was agreed with an international consortium of banks until 2012. €340 million of this sum is available until 2013. From this facility, which can be drawn in different currencies, €156.7 million had been used as of December 31, 2010. We safeguard the interest rate throughout the credit period largely by means of interest rate hedging transactions.

As a part of the central financial management, cash pools for the Euro and U.S. Dollar zone have been set up. Via these cash pools, the accounts of the Group companies in the currency zone in question are balanced daily.

Off-balance-sheet Financing Instruments

We continued to use off-balance-sheet financing instruments to a very limited extent, mainly for purchasing commitments, operating leasing commitments, and guarantees for pension plans. Details on existing financing instruments can be found in the Notes to the Consolidated Financial Statements.

Liquidity Analysis

Key figures

	2010	2009	Δ %
in € million			
Cash flow from operating activities	238.6	224.6	6
Cash flow from investing activities	(92.2)	(197.1)	53
Cash flow from financing activities	(12.1)	(28.0)	57

The individual cash flow figures reflect the business development. The cash flow from operating activities reached €238.6 million in 2010, a high amount exceeding the previous year's figure (€224.6 million) by €14 million. Within the cash flow the increase in earnings – adjusted for depreciation, amortization and impairments – is set against a below-average expansion of net working capital. While in the previous year a positive liquidity effect resulted from the change in net working capital, above all due to destocking of inventories, the corresponding balance sheet items expanded again in 2010 due to the higher sales growth.

The cash flow from investing activities amounted to €-92.2 million in 2010, after €-197.1 million in the previous year. While investments in intangible assets and property, plant and equipment increased significantly (+€19.8 million), payments for acquisitions decreased as did the deferred payments in connection with the sale of the pharmaceuticals business.

In 2010, cash flow from financing activities totaled €-12.1 million (2009: €-28.0 million) and had only a slight influence on the change of cash and cash equivalents. In addition to dividend payments, the cash outflow included the repayment of current and non-current debts.

Capital Expenditure

After capital expenditure had been considerably reduced in the previous year due to the slump in demand, expenditure for intangible assets and property, plant and equipment rose again in 2010. We particularly pressed on with projects which had been postponed due to the crisis.

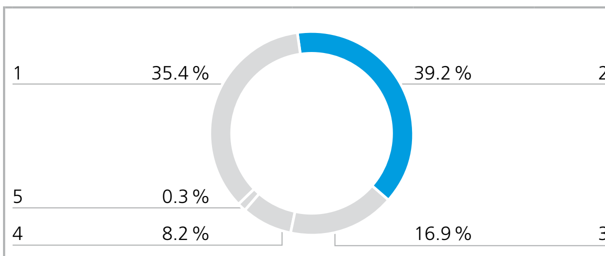
In 2010, investments totaled €73.8 million (2009: €54.0 million). €71.5 million of this amount was invested in property, plant and equipment, and €2.3 million in intangible assets. As in the previous years, ALTANTA invested by far the largest share in German companies.

The Additives & Instruments division invested €26.1 million in the past business year (2009: €19.7 million). The most important projects were the construction of a laboratory building to expand capacities in research and development at the division's main site in Wesel and the acquisition of a production facility for alkoxylates in Antwerp.

At €28.9 million (2009: €18.5 million) capital expenditure of the Effect Pigments division accounted for the largest share in the Group's investments. The high value creation of the activities in the manufacturing of effect pigments goes hand in hand with higher capital intensity. The most important investment project by far in 2010 involved the expansion of paste production capacities due to the shift of production from Italy, where it had been terminated in 2009, to the division's main site in Güntersthal.

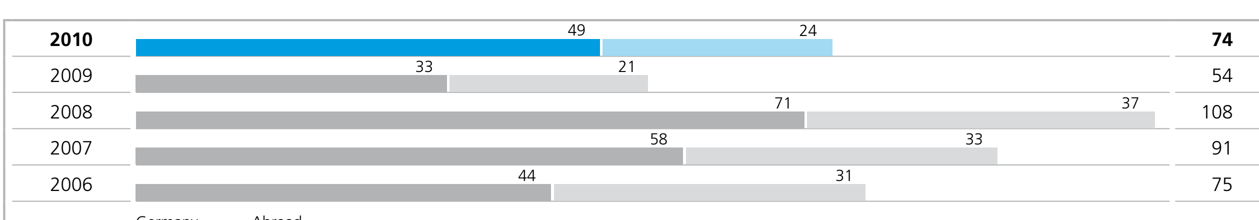
The investment levels of the Electrical Insulation and Coatings & Sealants divisions were much lower due to their different production structures. In the business year 2010, Electrical Insulation invested €12.5 million (2009: €10.2 million) and Coatings & Sealants invested €6.1 million (2009: €3.2 million).

Capital expenditure by division



in € million	**2010**	2009	Δ %
1 Additives & Instruments	26.1	19.7	32
2 Effect Pigments	28.9	18.5	56
3 Electrical Insulation	12.5	10.2	23
4 Coatings & Sealants	6.1	3.2	88
5 Holding	0.3	2.4	89
Total	**73.8**	**54.0**	**37**

Capital expenditure ALTANA Group (in € million)



Value Management

The Group's average operating capital employed increased to €1,543.8 million in 2010 (2009: €1,530.3 million). This increase was primarily driven by the expansion of property, plant and equipment and the increase in net working capital on account of the sales growth. Due to the earnings performance, operating earnings also rose significantly to €187.8 million (2009: €117.1 million).

While in the previous year, on account of the crisis, the Return on Capital Employed (ROCE) of 7.6% did not quite reach the cost of capital (8.0%) for the first time, we achieved significant growth in value again in 2010 with a ROCE of 12.2%. The ALTANA Value Added (AVA) amounted to 4.2%, or €64.2 million. As a result, we were able to more than compensate for the negative value added of the previous year (-0.4% or €-5.4 million).

Overall Statement by the Management Board on the Business Situation

Following the recovery of demand in nearly all product segments, both sales and earnings exceeded our expectations in 2010. As a result, ALTANA picked up on the long-term growth dynamic of the past and balanced out the declines it suffered in the course of the economic crisis. Thus, we could prove that ALTANA is in a position to master even difficult market developments and, at the same time, to not lose sight of its long-term growth targets.

We used the crisis to improve the Group's position in its markets and to realize efficiency potential. Therefore, ALTANA was able to overcome the economic crisis quickly and profitably and simultaneously further strengthen its financial position.

Research and Development

Successful and efficient work in research and development is anchored Group-wide as an overriding aim. Only via strong innovativeness can we continue the growth dynamic we achieved in the past and continue to guarantee an attractive profitability. The excellent market position of nearly all our Group's activities, too, can only be assured and improved if our product portfolio is continuously further developed and thus protected against the strong competition.

ALTANA's research and development activities are based on manifold measures which are decentralized to a large extent and driven by the individual companies. At the level of the divisions and ALTANA's holding company, central Chief Technology Officer (CTO) positions are implemented to enable all of our development activities to be concurrently geared to the Group's strategic goals, to support the individual companies centrally, and to leverage synergies between the divisions.

We continuously strengthen our existing core activities and enter new application areas. Close cooperation between the researchers and the sales and marketing area is just as important as an intensive exchange with our customers. Application technologies are very important factors, which enable us to consistently gear our development activities to market needs. The divisions' specific know-how in relation to the application of their products is bundled in 47 laboratories worldwide. Consequently, our customers have access to competent regional contact and development partners.

In 2010, we continued our innovation activities at a high level – as we did even during the months of the economic crisis. In addition to our defined core research and development activities, we specified further strategic areas in which ALTANA intends to expand in a focused way in the future. The choice of these target segments was made on the basis of a detailed analysis of our core competencies and supported by in depth market and feasibility studies.

In the meantime, work groups have initiated efforts to drive the corresponding development activity and market entry.

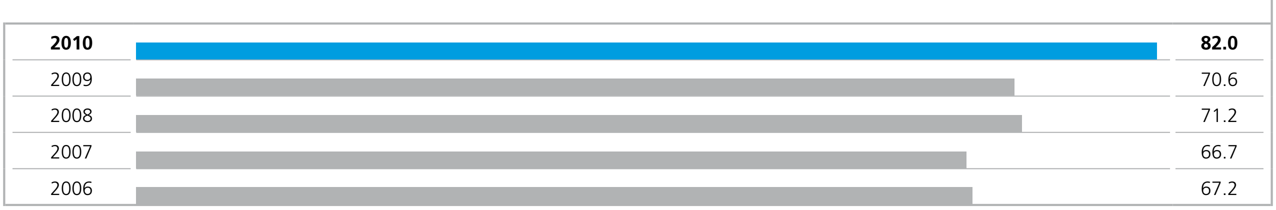
Via the annual ALTANA Innovation Conference, at which all our leading researchers and developers worldwide come together, strategic issues can be driven forward efficiently. Furthermore, the event helps us to identify synergies and promote interdisciplinary cooperation across the divisions.

The number of employees working in research and development worldwide increased to 791 (2009: 763). While, at 5.3 %, the ratio of research and development expenditure to sales was lower than in the previous year, this was solely due to the dynamic sales growth. Indeed, at €82.0 million (2009: €70.6 million), Group-wide research and development expenditure reached a new high in 2010. In the past business year, new processes were implemented to efficiently control expenditure. The assessment of development projects is now supplemented by a uniform evaluation methodology, to gear allocation of expenditure more to the value creation resulting from projects.

R&D employees

	R&D employees
Additives & Instruments	300
Effect Pigments	241
Electrical Insulation	137
Coatings & Sealants	109
Holding	4
Total	**791**

R&D expenses (in € million)



Employees

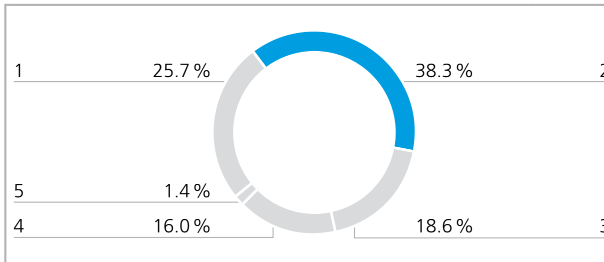
Development and Structure of the Workforce

While the number of employees decreased slightly in 2009 due to the restrictive hiring policy on account of the crisis, we built up the workforce again by the end of the past business year. On December 31, 2010, the Groups' worldwide companies employed 4,937 people (2009: 4,789). This represents an increase of 148 employees or 3 %. In 2010, company acquisitions played no role in the development of employee numbers; in 2009, 140 employees had been added due to the acquisition of ACTEGA WIT.

There were different employee growth rates in the four Group divisions. On the basis of the extraordinarily strong business expansion, Additives & Instruments showed the most significant increase in the number of employees. Electrical Insulation and Coatings & Sealants had roughly the same percentage employee growth in 2010. The number of employees in Effect Pigments remained relatively unchanged. This was due, on the one hand, to the fact that, in comparison to the other Group activities, the effect pigments markets recovered later and initially less dynamically. On the other hand, the measures introduced in 2009 to optimize production and sales structures played a key role in the development of the workforce.

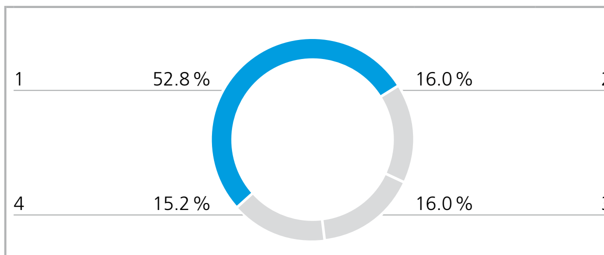
The largest share of the new employees works in production. The number of employees in sales and research and development also increased. However, the number of staff working in administrative areas as of the balance sheet date decreased slightly in comparison to 2009. The regional distribution of the workforce hardly changed in the course of the past business year. Against the background of the strong sales growth in Asia, the number of employees in this region rose slightly, while the workforce in the Americas decreased slightly.

Employees by division



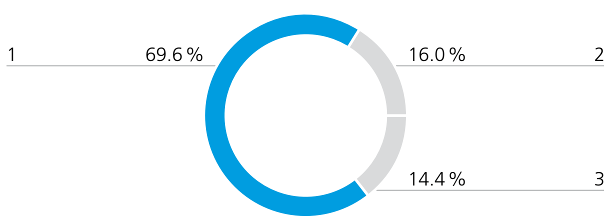
	Dec. 2010	Dec. 2009	Δ %
1 Additives & Instruments	1,271	1,189	7
2 Effect Pigments	1,889	1,878	1
3 Electrical Insulation	918	886	4
4 Coatings & Sealants	790	770	3
5 Holding	69	66	5
Total	**4,937**	**4,789**	**3**

Employees by area of operation



	Dec. 2010	Dec. 2009	Δ %
1 Production and logistics	2,607	2,509	4
2 Marketing and sales	787	763	3
3 Research and development	791	763	4
4 Administration	752	754	0
Total	**4,937**	**4,789**	**3**

Employees by region



	Dec. 2010	Dec. 2009	Δ %
1 Europe	3,437	3,333	3
thereof Germany	*2,866*	*2,739*	*5*
2 Americas	789	781	1
thereof U.S.	*749*	*742*	*1*
3 Asia	711	675	5
thereof China	*391*	*371*	*5*
Total	**4,937**	**4,789**	**3**

Philosophy and Initiatives

In order to continue to optimally exploit our growth and earnings potential in the future, we have to be in a position to bind competitive and capable employees to the company in the long term and to obtain new motivated employees. We therefore continuously work on enhancing our attractiveness as an employer. This includes launching compensation initiatives as well as introducing measures to examine and further develop other issues that are important for employees and the interaction between the workforce and the company.

To bind employees to the Group in the long run, we introduced two long-term employee profit-sharing instruments in 2010. The programs have the character of share-based compensation and allow employees to take part in the company's long-term value and earnings growth. For their part, managers have to make a significant personal investment which has an additionally positive effect on their attachment to the company and their commitment to excellence. In addition to the existing instruments of an attractive basic salary and a short-term variable bonus, we thus added further long-term variable components to the compensation-based incentive system.

In 2010, we also introduced two new models to optimize retirement provisions. We expanded and further developed our employee benefit plans in Germany and introduced a pension plan in our Chinese companies. In addition, we introduced life work-time accounts for employees in Germany, an instrument which via company subsidies (demographic contributions) and possible additional employee contributions enables staff to influence the age at which they receive retirement benefits.

The issue of "corporate culture" was a special focus in 2010. Employees from all divisions and regions are involved in updating ALTANA's Guiding Principles. We want to clearly and comprehensibly convey to employees the basic values on which Group-wide cooperation is based and which are the goals pursued therewith. Transparent and proactive communication is very important to ALTANA. Particularly during the crisis, it was our experience that by continually and openly describing the current business situation and that expected in the short term, we could reduce uncertainty among the workforce and had a positive influence on staff motivation. At the same time, we created an understanding for the implementation of necessary countermeasures. In the course of 2010, the last measures introduced during the crisis to reduce personnel costs were terminated.

We regularly conduct employee surveys to identify further improvement potential and to define additional fields of action for the future. Following a survey of a limited number of randomly selected employees carried out locally in

Germany in 2010, we are planning another global employee survey for 2011.

An attractive compensation system, continuous further development of our employees' work environment, and a focus on social components of cooperation will be supplemented by an additional pillar encompassing further education and training measures. At issue is not only training of future specialized staff – which is indispensable due to the demographic shift – but above all active support of our employees' career planning within the ALTANA Group. In 2010, we again stepped up measures aimed at individual employee development. The international and regional programs, which were already carried out in the past, were supplemented in 2010 by a new instrument catering to the structured identification of high-potential staff within the Group. With this instrument, we can promote employees' individual career planning. At the same time, it promotes flexible work possibilities and the binding of employees to ALTANA. For an internationally operating company like ALTANA, it is important in this context to consider the regionally different cultural working environments. Therefore, we intend to initiate a new employee development program in 2011 conceived specifically for the Group companies in Asia, in order to optimally cater to regional particularities and create an individual environment for employees' career planning.

In terms of obtaining new staff, we are now benefiting from the increased cooperation with selected universities of recent years. The aim is to enhance ALTANA's image as an attractive employer for certain careers and to establish contact with potential employees at an early stage. The instruments include taking part in university careers fairs, delivering expert lectures and carrying out projects with universities, as well as offering students scholarships and internships.

In the last few years, individual Group companies have specifically expanded their activities in the area of health management. We intend to give this issue even more attention in 2011 Group-wide and intensify it by means of centrally controlled instruments. By holding information events and issuing brochures, we intend to heighten employees' and managers' knowledge of specific diseases and promote preventive measures. Closer cooperation between Group companies should ensure an exchange of experiences and knowledge as well as orientation to high standards. Strengthening health management also helps us to better understand and tackle the increasing demographic changes.

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

For the financial year 2010, the Management Board of ALTANA AG prepared a report in accordance with section 312 of the German Stock Corporation Act on relations with related companies and concluded that the consideration received by ALTANA AG for the transactions listed in the report were adequate considering the circumstances known at the time the company entered into said transactions.

Subsequent Events

In January 2011, ALTANA concluded a contract to acquire Kometra Kunstoff-Modifikaktoren und -Additiv GmbH. The company produces polymer modifiers in Schkopau (Saxony-Anhalt, Germany), and is being integrated into the Additives & Instruments division.

Risk Report

Integrated Risk Management

Dealing with opportunities and risks in the right way is crucial for both short-term and long-term corporate success. Opportunities and risks are a component of every corporate decision and therefore have to be considered accordingly and have an influence on the daily work of every employee. This applies even more in a company with largely decentralized organization structures like the ALTANA Group. By anchoring an integrated risk management and control system as a comprehensive concept in the company's organization, we promote conscious dealings with opportunities and risks.

Essential components of this concept are regular reporting on the current business situation, various planning and evaluation processes to assess the expected short-, medium-, and long-term business development, analyses of the market and competitive situation and current product developments, as well as established compliance and auditing structures in conjunction with the existing internal regulations. In addition, there is a process for structured compilation, evaluation, documentation, and communication of individual risks relevant to us.

With the help of these measures, ALTANA's management at all Group levels can recognize strategic and operating risks at an early stage and take them into account when making decisions. Furthermore, our integrated risk management system enables us to assess how to deal with individual risks and to define action options.

The correctness of Group accounting is also ensured by an internal control system which is integrated into ALTANA's risk management. The aim is to guarantee that legal accounting guidelines are adhered to and that the representation of our asset, financial, and earning situation corresponds to the actual situation.

ALTANA's system for early risk recognition in accordance with section 91 (2) of the German Stock Corporation Act 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.

Economic and Industry Risks

A negative development of the economic or sector-specific environment could pose noticeable risks to ALTANA's sales performance. We counter these risks by diversifying our business activities. We manage our strategic product portfolio with the aim of achieving a balanced sales distribution across different industries, end consumer markets, and regions, and thus reducing the susceptibility of the Group as a whole to negative developments in individual industries and insufficient sales in individual countries.

It was our experience during the global economic crisis in 2008 and 2009 that with our current sales structure we supply certain application areas that are less volatile than the general economy is. This particularly concerns the packaging sales markets and to a limited extent the entire printing inks industry. Thus, we want to strengthen these activities in a targeted way.

Apart from diversifying our product portfolio in relation to application markets, we also try to achieve a balanced regional sales structure. Our European customers' traditionally high share in our sales has continually decreased in the past. This is due on the one hand to the fact that we have increased our presence in the North American markets in recent years, and on the other to the above-average growth of demand in Asia. In the years to come, we will continue to enhance our regional diversification. The expected positive economic performance in the Asian industrial and emerging countries, as well as the strategic orientation of our sales and production structure in the growth regions of Asia, South America, and Eastern Europe, will particularly contribute to this development.

We react to regional or sector-specific sales slumps or negative market trends by taking locally oriented countermeasures and through restructuring. In the past, we successfully implemented various measures to adapt regional and sector-specific production and organizational structures to expected market developments. This primarily involved the Coatings & Sealants, Electrical Insulation, and Effect Pigments divisions. The experiences we have had with the reorganization of regional structures and adjustment of product and market portfolios will help us deal with similar situations in the future.

We react to a worldwide economic recession by taking centrally coordinated countermeasures to guarantee parallel action. In addition, locally organized measures adapted to individual market developments are implemented at the divisional and individual company level. In the future, we can use the experiences we had during the global economic crisis to react even more quickly and efficiently to unexpected market movements. Furthermore, due to our successful handling of the situation in 2008 and 2009, we are confident that we will be able to master crises successfully in the future, too.

The sale of our products is partially dependent on general color trends and the resulting consumer behavior. This primarily concerns the Effects Pigments division, some of whose products are used by their customers to achieve certain visual effects. If the demand decreases, for instance for silver- or gold-colored consumer products or for products with certain visual properties (metallic gloss or pearlescent effect), the sale of effect pigments can be adversely affected.

Corporate Strategy Risks

Our strategies, formulated based on our goals, to increase the long-term value of the company particularly focus on innovativeness, market and competitive positioning, customer orientation, and sustainable growth.

Risks Regarding Innovativeness and Market and Competitive Positioning

Innovation and technology leadership, as well as market and competitive leadership in the core markets relevant for us, are important success factors for our business activities. As a supplier of specialty chemical products, it is essential that we continually market new products and that our customers perceive us as a competent and innovative manufacturer. If we no longer achieve this in the future or if competitors patent know-how used by us, risks could arise regarding sustainable growth, the attainment of our profitability goals, or ALTANA's positioning in the relevant markets.

With our focus on innovation culture at all organizational levels, we stress the meaning of innovation and ensure its importance. Both locally and at the Group level, ALTANA's research and development activities are continually evaluated and controlled based on financial and non-financial criteria. By investing above-average sums in research and development, with a strong focus on product adaptations and new developments, we can continually introduce products tailored to individual customer needs and thus positively influence our competitive edge.

It is important for us to protect the know-how we have developed via patents to convert a knowledge advantage into business success. This includes safeguarding technologies we use or method and product features so that they cannot be patented by other companies, preventing us from continuing to use them or allowing us to use them to a limited extent only.

A stronger concentration of competitors resulting from mergers or cooperative ventures can worsen our activities' relative competitive position. This can present the risk that ALTANA is no longer perceived as the leading supplier on the market and thus be detrimental to our reputation. This would have a negative effect on our sales.

Risks Regarding Customer Orientation

A misappraisal of market trends and customer needs poses the risk of bad investments or product developments that cannot be sold on the market.

To limit this risk, we actively seek close contact with our customers. This helps us to appraise current needs and needs expected in the future and to develop solutions that can be successfully introduced on the market. Our worldwide network of application technology laboratories helps us in this endeavor. The laboratories are our customers' first contact point and offer specialized and competent know-how, enabling us to solve problems in close cooperation with the users. In addition, we regularly stage customer events at which we present new products. Furthermore, ALTANA is represented at all the important product and service trade fairs in the respective industries.

We have set up a key account management at the Group level that coordinates, cultivates, and drives the individual divisions' cooperation with strategically important customers, thus heightening customer loyalty.

Due to company mergers at the customer level we can become more dependent on individual customers. If following the merger the customer starts to procure products from several suppliers, this can mean that we will have to make price concessions or that our sales volume will decrease. To minimize this risk, we continually implement measures aimed at improving customer loyalty. These include close cooperation on product adaptations and new developments, as well as our service offer and training measures.

Sustainable Growth

We pursue demanding growth targets and have set ourselves the goal of achieving an annual average sales growth of at least 10 % in the long term. This growth should be both organic and realized through acquisitions.

Organic growth is necessary to safeguard profitability against the negative effects of cost inflation. Since our personnel expenses account for a large share of our total costs, annual wage increases have to be offset by earnings growth. The cost inflation in Asia in particular will be at an above-average level. In China, for example, all of our divisions have their own production sites. The risk of a burden on profitability due to personnel cost inflation mainly concerns the Effect Pigments division, which has higher personnel intensity than the Group's other divisions.

Company acquisitions and acquisitions of parts of companies entail high risks. The purchase price paid reflects concrete earnings expectations and synergies that can be generated within the Group. If an acquisition fails to meet our expectations, this can be detrimental to the company's profitability or restrict ALTANA's financial leeway. Possible impairments of goodwill and other balance sheet items acquired within the framework of acquisitions can also have a negative impact.

To counter these risks, we examine acquisition objects in a structured and comprehensive way, and the multistage approval process is accompanied by a detailed analysis. In the process, we orient ourselves to clearly defined acquisition criteria that serve as a basis for our decision-making.

We take similar measures when we make extensive and complex investments in buildings and technical facilities. Approval processes and guidelines for necessary analyses have been defined for the entire Group, helping us examine needs and ensuring that our investment expenses lead to profitability.

Risks Due to Political and Regulatory Conditions

We sell our products in many countries worldwide and have a regionally oriented production structure. On account of political or social unrest, our control of our assets can be impaired or even lost completely. Furthermore, restrictions on trade or foreign exchange transactions can make it more difficult for us to conduct business with our customers or completely prevent us from doing business with them. We regularly examine the respective environment in the countries important for us and consider current conditions when we evaluate business relationships. Changes in regulatory requirements for products can make it impossible for us to sell certain materials or require that we have to sell them in a modified form, or that we provide comprehensive evidence of the qualities of such materials. Particularly due to the European REACH regulation, the corresponding guidelines for the chemical industry have become significantly more stringent. The regulations governing applications in the food industry are also becoming increasingly strict worldwide.

To counter this development, we deal at an early stage with possible changes and participate in legislative procedures and accompanying discussions. We also engage external advisors, who develop appraisals of alternative courses of action. As a result, we are in a position to anticipate requirements that are implemented later and to prepare ourselves for the situation early on, or to even gain a competitive edge from the new regulations.

Procurement Risks

The procurement process gives rise to risks relating to the availability and the price development of raw materials.

To ensure that we can obtain sufficient important raw materials, we conclude long-term contracts and try to use different suppliers. The procurement of strategically important raw materials and raw materials that we buy in high quantities is coordinated centrally. At the same time, we are working on producing some raw materials ourselves. With this backward integration of value creation, we are becoming less dependent on tight procurement markets in which only a few suppliers are active.

The development of raw material prices can have a significant effect on the profitability of Group activities. In particular, abrupt price increases that cannot be immediately passed on to the markets present significant risks to the company.

To ensure that raw material price increases are passed on quickly, we have flexible supply contracts with our customers. This can concern the period of the contract and price-fixing deadlines, the contracts can have price adjustment clauses, or there can be price supplements. In addition, we use hedges for certain raw materials sold on the stock markets.

Mergers between suppliers and the resulting dependence on individual producers can have an adverse effect on product availability and pricing. As a result, we regularly seek new supply sources on the markets and continually search for substitutes for the raw materials important to our business.

Production and Environmental Risks

The production processes at ALTANA can be disrupted by faulty operation of equipment, technical deficiencies, or by external influences. This can harm people or damage the environment, or can impede our ability to deliver products. The same consequences can result from damages in conjunction with warehousing or transport of products.

We minimize production downtime risks by operating production lines that are as independent from one another as possible, or that are even distributed over several sites of a division. We also define process standards and quality assurance measures within the framework of our health, environmental, and safety management. Furthermore, we conclude insurances to protect the Group from possible pecuniary losses.

Product Risks

Use and handling of products sold by ALTANA involve risks that can cause damages to people, property, or the environment. If these damages are the result of erroneous behavior on our part, this can have significant effects on the Group's asset situation. Higher-risk product groups include solvent-based products, metallic powders, and so-called nanoparticles.

To ensure proper and safe use and handling of our products, we inform our customers about possible risks and dangerous ingredients. Moreover, we continually observe and evaluate the dangerous potential of raw materials and finished products.

Financial Risks

Among the significant financial risks we face are exchange rate fluctuations, interest rate changes, default risks, and covering of financial resources needs. To limit the influence of these risks on the Group's earnings and financial situation, we carry out hedging transactions, among other things.

We conclude forward foreign exchange contracts only for transactions that are expected with a sufficient degree of certainty. The total amount expected is safeguarded at an early stage with increasing shares in different tranches to cushion the effects of short-term exchange rate fluctuations. Forward foreign exchange contracts are concluded only to cover goods deliveries and not for speculative purposes.

We counter the risk of interest rate changes by carrying out corresponding hedging transactions. With these transactions, interest rates are fixed for certain periods and predictably determined largely independent of market developments.

More information on our evaluation and accounting procedures for hedges can be found in the Notes on page 119ff. (note 28).

To effectively control default risks, we examine the credit rating and payment behavior of our counterparties (customers, banks, business partners). In addition, systematic claims management is carried out Group-wide to minimize defaults on trade accounts receivable.

To safeguard financial resources needs, our worldwide financial resources are continuously monitored. In addition, short- and medium-term liquidity needs are forecast and safeguarded accordingly. In the Euro and the U.S. Dollar zones, we have set up cash pools to centrally manage liquidity, facilitating central control of financial resources.

Compliant Group Accounting

Essential accounting-related risks result particularly from processing of extraordinary and non-routine issues. These include, for example, initial inclusion 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 erroneous applications and conscious criminal activities 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, which guarantee a standardized procedure for preparing financial statements. In addition, 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 locally by the local accounting departments. Hence, the individual companies are responsible for preparing the financial statements in keeping with the 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 distribution of responsibilities, to control mechanisms (dual control principle, among others), and to access regulations in the IT system. The respective management explicitly confirms to the Group's management that the annual financial statements are correct and complete. Furthermore, the financial statements are audited by the responsible auditors or by the Group auditors.

The local accounting statements are recorded and consolidated in a central IT system. Both manual and IT-assisted control mechanisms are implemented at the divisional and holding company level. 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, treasury, and tax departments. 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.

Issues, processes, and control systems relevant for the generation of financial statements are examined by the auditor and Group auditor, as well as by the Supervisory Board and the Audit Committee of the Supervisory Board. 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, the optimization potential identified at the different levels is exchanged and necessary adjustments of the processes are planned.

Personnel Risks

Safeguarding the know-how of our workforce in the long term is an important factor for the future development of our business. We expect the competition for specialized qualified employees and managers to further increase in the coming years. This poses the risk that we will not be able to keep high performers or no longer be able to recruit a sufficient number of up-and-coming junior staff members. This situation is exacerbated by the demographic development in some countries.

ALTANA offers its employees an attractive compensation system, supplemented by various programs and support for pension plans and wealth creation. To increase employees' motivation, identification with and attachment to the Group, compensation components include short-, medium-, and long-term participation in the company's development.

Moreover, with comprehensive further training and education programs, the skills and competences of our employees are continuously further developed, thus preparing the staff for new tasks. As a result, we are able to meet our needs for specialist and managerial staff largely from our own human resources.

Information Technology Risks

Information technologies form the basis for 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. Furthermore, risks can arise from a loss of data or theft of business secrets.

ALTANA attaches great importance to the smooth provision of IT applications and IT services. To guarantee this, corresponding processes and organizational structures are established. Emergency plans are in place in case of significant disruptions or losses of data.

Compliance Risks

Legal violations can give rise to liability risks or tarnish our reputation, which can have a significant effect on the Group's asset situation.

We counter these risks by regularly informing our employees about existing and new laws and regulations and by offering them training in cooperation with external expert advisors. At the same time, we heighten our employees' awareness of the consequences of legal violations within the framework of our compliance program and ALTANA's Code of Conduct.

Our compliance management system focuses on corruption avoidance, antitrust law, financial reporting, personnel, information technology, taxes, environmental protection, safety and health (EH&S), customs, external economic relations, and data protection.

In comparison to the previous year, the requirements relating to possible compliance risks were eased since ALTANA AG's stock market listing was discontinued.

Other Risks and Legal Disputes

Exercising of entrepreneurial activities gives rise to risks that can lead to legal proceedings against ALTANA. Therefore, we are occasionally involved in legal disputes. At present, no third parties have made claims against ALTANA from which we expect a material influence on our asset, financial, and earnings situation.

Overall Statement on the Risk Situation

Our risk situation did not change significantly compared to the previous year. We still regard negative market developments occurring in the short term and the related effects on the Group's sales situation as being the most significant risks. They can be triggered by a new economic crisis, regional economic slumps, or changed purchase behavior, as well as by a heightened competitive situation, consolidations on the part of customers or suppliers, or new technological developments. Other significant risks we have identified are risks arising from company acquisitions and major investments.

We still assess the company's risks as being manageable. We did not identify any risks which could endanger the existence of the company.

Outlook

General Business Setting

Overall Economic Situation in the Future

We expect the economic upswing to continue in the next two years. However, we anticipate the growth dynamic to weaken compared to the growth in 2010, which was influenced by recovery effects.

Asia and the emerging countries in South America should continue to have higher growth rates than the established industrial countries in Europe and North America. This development should be driven by higher domestic demand due to the increasing wealth of the populations. On the other hand, the state budget situations in many industrial countries and the related uncertainty should lead to curbed spending. Exceptions are export-focused economies, which should particularly benefit from the global economic growth.

In addition to being endangered by the consequences of the debt situation of public budgets, the economic upturn is threatened by the partially still unstable financial sector. On account of this situation, exchange rates should remain extremely volatile. While we do not expect the exchange rate relations important for our business to change much on an annual average compared to 2010, we believe that strong short-term fluctuations are possible.

Future Situation of the Chemical Industry

Due to the supply relationships with a number of different customer segments and industries, the chemical industry should develop roughly in line with the general economy. The growth rates achieved in 2010 were significantly influenced by extraordinary inventory effects, which are not expected in the coming years.

While we expect the end consumer markets relevant for ALTANA to develop positively in the next two years, different regions should develop at different speeds. In the construction sector, the strong Chinese market should slow down slightly, while building activity in the U.S. should pick up again following the crisis. The development in China will chiefly depend on the extent of political intervention, as the Chinese government controls building investments centrally. For Europe, we expect the building sector to continue to show moderate development, mainly due to the lack of public investments in some countries. We assume that the increase in worldwide automobile manufacturing will continue. This concerns all regions, although for the U.S. we expect a catch-up effect after the collapse of demand due to the crisis, and for China we expect the dynamic to weaken. Following the upheavals resulting from the crisis and the government measures to promote sales, European automobile production should show sustainable growth again. We anticipate that worldwide use of packaging materials will steadily increase. This development should be driven mainly by the industrial emerging countries, in which food packaging consumption should continue to grow significantly.

Future Orientation of the Group

We do not plan on making any fundamental changes to our strategic orientation in the next two years. The Group will continue to concentrate on offering high-quality and innovative specialty products in rapidly growing markets. By focusing on the core competencies of the Group, we intend to further strengthen our divisions' positioning. The organic growth should be supplemented by selective acquisitions in existing business fields and by entry into new markets and application areas.

In the years to come, the regional sales structure should continue to shift slightly towards the Asian region. We do not expect this development to significantly affect the structure of our production capacities and our workforce initially. Acquisitions, however, could have a significant impact on the Group's regional structure.

Expected Sales and Earnings Performance

Due to manifold factors of influence, it is not possible to quantify ALTANA's future sales and earnings performance with sufficient certainty. However, we expect the general economy and the chemical industry to continue to grow, and we expect to benefit from this in the next two years in conjunction with our strategic orientation. Following the end of the economic crisis and the subsequent recovery effects in 2010, we expect our organic sales growth in 2011 to slow down significantly compared to the previous year and, due to the fact that inventory buildup effects no longer play a role, to be in the low single-digit percentage range. Starting in 2012, the sales growth should again be at the sustainable level of the pre-crisis years. In this forecast, the influence of company acquisitions that have not been completed yet is not taken into account.

On the basis of our sales forecast, we expect to be able to also increase our earnings in the coming years. Whether we can reach the very good profitability of the past business year again, however, depends on various developments. On the one hand, it should be taken into account that 2010 was positively influenced, among other things, by the strong sales growth, particularly in very profitable segments, and by the still ongoing effects of our cost-cutting program. On the other hand, we expect the essential cost figures to increase significantly in the coming years.

In this context, the development of raw material prices will have a significant effect on our earnings situation. In the course of the further economic recovery, we expect the prices of the raw materials important for us to continue to rise in 2011 and 2012. In addition, the availability of individual raw materials may continue to decrease and therefore accelerate the price development. Thus, it is very important for us to pass on these cost increases. Relative to other important cost figures, we anticipate that personnel costs will continue to rise due to increases in pay rates and the continuous expansion of our workforce. We also expect disproportionate increases in energy costs in the future.

Expected Asset and Financial Situation

Our investment activity, which again increased to a sustainable level after the end of the crisis, should continue to grow in the years go come. However, we assume that the ratio of capital expenditure to sales will continue to be around 6 %. This percentage has proven sustainable so far. Our focus is on investments to expand development capacities and production facilities for innovative products and process technologies. We will also invest in standardizing and modernizing IT systems.

On account of the expected earnings situation, we should continue to have a clearly positive cash flow in the years to come. In the short term, however, the cash flow may lie below the very good figures of the last two years. We do not expect to be able to overcompensate for the increase in working capital resulting from business expansion and the higher investments compared to the previous year in our results.

The cash flow should enable us to finance bolt-on acquisitions without borrowings. Moreover, starting in 2012, we will use liquidity surpluses to successively reduce the existing bank loans. The concrete changes that will occur on the balance sheet in the next two years largely depend on our financial needs for acquisitions and on our profit distribution policy.

Opportunities for Future Development

Our future development will be influenced by a number of different factors and can therefore deviate from our current expectations. The essential risks posed by developments not corresponding to our expectations are described in the risk report (page 53ff.). However, there are also many opportunities, which could have a positive impact on our business performance. In general, the risks described in the risk report are set against direct opportunity potential. This is why risk management involves opportunities management, in which the focus is put on the essential factors of influence for our business development. The aim is to not only minimize risks, but also to take advantage of the resulting opportunities.

A significant opportunity can arise if the global economy continues to grow strongly. Due to our leading market positions, we can benefit from an above-average increase in demand. As we have well-established production and sales structures in all of the important industrial and emerging countries, we have created a basis for also using individual regional economic growth opportunities to expand our business activities and thus further improve our market position.

In the past, we already used acquisitions as an essential pillar for profitable Group growth. Nearly all of the acquisitions integrated into the Group create value. In the future too, we see acquisitions as an opportunity to positively influence our sales and earnings performance and increase the value of our company.

Moreover, we believe we have the opportunity to anchor the Group-wide orientation of our research and development activities even more strongly in our strategic and operating decision-making processes. By gearing our resource allocation to value-creating and future-oriented innovations, we can further increase our efficiency, develop and utilize new technologies, and further increase our business performance due to short development times and successful market introductions.

The Management Board's Overall Statement on the Anticipated Development of the Group

In the years to come, we expect further increases in our sales volume, primarily driven by the development of the global economy and of the sales markets important for us. However, due to the fact that general economic risks will continue to exist, we expect an economic environment that is characterized by a rather volatile development. Overall, we assume that following the crisis ALTANA has returned to its sustainable growth path.

Corporate Governance

Even after the delisting of the ALTANA share, corporate governance remains very important to the ALTANA Group. Therefore, ALTANA intends to continue to largely comply with the recommendations and suggestions of the German Corporate Governance Code in the future, too. In the next pages, the Management and Supervisory Boards report on the concrete implementation of the German Corporate Governance Code in the Group.

Corporate Governance After the End of ALTANA's Stock Exchange Listing

On August 27, 2010, the ALTANA share was delisted from the stock exchange when the Annual General Meeting's resolution to transfer the shares of the minority shareholders to SKion GmbH was recorded in the Commercial Register. As a result, the Management and Supervisory Boards are no longer legally obliged to issue a declaration of compliance regarding the recommendations of the German Corporate Governance Code in accordance with section 161 of the German Stock Corporation Act. However, even though there are no longer any legal obligations, the Management and Supervisory Boards are of the opinion that the high degree of good corporate governance achieved shall be maintained. This is why in the future too, ALTANA will continue to use the recommendations and suggestions of the German Corporate Governance Code as a reference for shaping the company's corporate governance. At the same time, ALTANA will take its new ownership structure into due account. ALTANA will no longer be able to comply with recommendations and suggestions that relate concretely to the stock market listing or the handling of annual general meetings of companies listed on the stock market.

Recommendations and Suggestions of the German Corporate Governance Code

On December 3, 2010, ALTANA's Management and Supervisory Boards issued the following declaration of compliance regarding the German Corporate Governance Code:

"Since the last declaration of compliance on November 26, 2009, until the end of the company's stock exchange listing on August 27, 2010, ALTANA has complied with the recommendations of the German Corporate Governance Code in the version of June 18, 2009. Only the following recommendations of the German Corporate Governance Code were not applied:

No Nomination Committee (section 5.3.3)
ALTANA does not comply with the recommendation to form a nomination committee composed exclusively of shareholder representatives which proposes suitable candidates to the Supervisory Board for recommendation to the Annual General Meeting. Due to the size of ALTANA's Supervisory Board and ALTANA's shareholder structure, the establishment of a nomination committee is not expected to enhance efficiency.

No Severance Payment Cap Agreed Upon (section 4.2.3)
The Management Board contracts do not contain provisions according to which payments including fringe benefits made to the Management Board members on premature termination of their contracts without serious cause must not exceed the value of two years' compensation (severance payment cap). Nor do Management Board contracts contain a promise of payments in the case of premature termination of the contracts due to a change of control. It is legally doubtful whether a severance payment cap in the form stipulated by the German Corporate Governance Code can be effectively agreed upon in the case of a termination of a Management Board contract without serious cause.

Even after the delisting of its share, ALTANA intends to largely comply with the recommendations of the German Corporate Governance Code in the version of May 26, 2010."

Suggestions
Until the discontinuation of its stock market listing, ALTANA followed nearly all of the suggestions of the German Corporate Governance Code in the version of June 18, 2009. The variable compensation of ALTANA's Supervisory Board

members is calculated based on the absolute EBIT of the respective business year. In the course of time the company's long-term success is also reflected, through the development of the EBIT, by the amount of compensation provided to the Supervisory Board. Thus, the variable compensation of Supervisory Board members, in accordance with the suggestion in section 5.4.5 of the German Corporate Governance Code, also contains components related to the company's long-term success.

The Ordinary Annual General Meeting in 2010 was not broadcast on the Internet. Thus, ALTANA did not follow the suggestion of the German Corporate Governance Code in section 2.3.4.

In the future too, ALTANA intends to continue to largely comply with the suggestions of the German Corporate Governance Code.

Management and Supervisory Boards

The Management and Supervisory Boards cooperate closely to the benefit of the company. The Management Board is responsible for managing the company. It informs the Supervisory Board regularly, without delay and comprehensively, about business development, the economic situation of the company, important events, corporate planning and the Group's strategic further development. The Supervisory Board monitors and advises the Management Board in its management activities. The Supervisory Board discusses business development and planning, as well as the strategy and its implementation, at regular intervals.

Between Supervisory Board meetings, the Chairman of the Management Board informs the Chairman of the Supervisory Board about important developments and events and consults with him about upcoming or planned decisions. Important acquisitions and sales of shareholdings and business areas require the approval of the Supervisory Board.

Conflicts of interest of Management Board or Supervisory Board members which have to be revealed to the Supervisory Board without delay did not occur in the business year 2010. Mrs. Susanne Klatten is the Deputy Chairwoman of the Supervisory Board of ALTANA AG and also the sole shareholder and managing director of SKion GmbH. At the request of SKion GmbH, the Management and Supervisory Boards put the resolution regarding the transfer of the shares of the remaining shareholders of ALTANA AG to SKion GmbH in return for an appropriate cash compensation of €15.01 per no-par value bearer share pursuant to section 327a ff. of the German Stock Corporation Act on the agenda of ALTANA's Annual General Meeting held on June 30, 2010. On May 10, 2010, the Supervisory Board dealt intensively with the assessment of ALTANA AG's company value by Ebner Stolz Mönning Bachem GmbH & Co. KG Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft, commissioned by SKion GmbH, as well as with the report on the review of the appropriateness of the cash compensation by the court-appointed and commissioned adequacy auditor, IVC Independent Valuation Consulting Aktiengesellschaft Wirtschaftsprüfungsgesellschaft. In order to avoid possible conflicts of interest, Mrs. Susanne Klatten did not participate in the deliberation or resolution of the Supervisory Board regarding the company valuation or the invitation to the Ordinary Annual General Meeting in 2010, and did not exert influence in any other way.

Supervisory Board Committees

Besides the legally required Mediation Committee, the Supervisory Board formed an Audit Committee and a Human Resources Committee, each consisting of two shareholder representatives and two employee representatives, in accordance with section 27 (3) of the German Codetermination Act. In connection with the voluntary public purchase offer made by SKion GmbH to the shareholders of ALTANA AG, a Special Committee of the Supervisory Board was formed back in 2009 to accompany possible company legal measures resulting from the offer, such as a squeeze out. The Special Committee's tasks ended when the transfer resolution was recorded in the Commercial Register. The Chairman of the Human Resources Committee and the Mediation Committee in accordance with section 27 (3) of the German Codetermination Act is the Chairman of the Supervisory Board, Dr. Fritz Fröhlich. He was also the Chairman of the Special Committee. The Chairman of the Audit Committee is Dr. Klaus-Jürgen Schmieder. He has the necessary knowledge and expertise in the fields of accounting and auditing in accordance with the regulations of the German Stock Corporation Act.

Shareholder Structure

On February 3, 2010, SKion GmbH, whose sole shareholder and managing director is the Deputy Chairwoman of the Supervisory Board, Mrs. Susanne Klatten, informed the company that it had acquired 2,024,607 ALTANA shares at a price of €15.50. ALTANA promptly published this information pursuant to section 15a (4) of the German Securities Trading Act (WpHG). The day before, SKion GmbH had informed ALTANA that it held 95.04 % of the shares in ALTANA and requested the so-called squeeze out pursuant to section 327 ff. of the German Stock Corporation Act. On August 27, 2010, the transfer resolution adopted at ALTANA's Annual General Meeting on June 30, 2010, was recorded in the Commercial Register. Since then, SKion GmbH has owned 100 % of the shares in ALTANA AG.

Compensation of the Management and Supervisory Boards

The amount of 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 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 predominantly dependent on performance. It consists of three components: a fixed compensation, a variable bonus, and a compensation component with a long-term incentive effect. In addition, the Management Board members receive pension grants as well as noncash compensation, primarily from company car usage and premiums for insurances.

The variable compensation is conceived as an annualized incentive system combining an absolute earnings component and a relative earnings component in the form of return on capital. The bonus is assessed based on the development of the operating income before depreciation and amortization, interest and taxes (EBITDA) and the Return on Capital Employed (ROCE) each in comparison to the target values defined by the Supervisory Board. As compensation components with a long-term incentive effect, in 2010 Management Board members received ALTANA Equity Performance Awards (AEP awards) from the "ALTANA Equity Performance 2010" program.

None of the members of the Management Board was entitled to further benefits in the case of premature or regular termination of activities (compensation grants, transitional compensation, Change of Control clauses, and similar benefits).

The compensation of the Supervisory Board is determined in 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 of the ALTANA Group (EBIT). In addition, all expenses arising in connection with the mandate, as well as the added VAT, are reimbursed to the members of the Supervisory Board.

There is a D&O liability insurance scheme for members of the Management and Supervisory Boards. The insurance covers personal liability risk in the event that a claim is made against members of the Management and Supervisory Boards while they are performing their activities.

Further information on the compensation of the Management and Supervisory Boards can be found on page 132f. in the Notes.

Responsible Risk Management

Early recognition of risks is extremely important to ensure the long-term existence of the company. ALTANA's risk management system is examined by the auditor to ascertain whether it is adequate to recognize, identify, and evaluate risks at an early stage so that suitable preventive and other measures can be taken. Details can be found in the risk report on pages 53ff.

Voluntary Commitment to Responsible Behavior

ALTANA's Code of Conduct contains rules and references regarding responsible behavior. It calls on all staff members to act lawfully and ethically, and aims to sensitize them to issues such as antitrust and insider law, environmental protection, safety, anti-corruption provisions, as well as discrimination. Together with the company's Guiding Principles, the Code of Conduct provides orientation for responsible corporate action. The Guiding Principles and the Code of Conduct 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 adhere to social and environmental standards as well as the protection of human rights. By joining "Global Compact", ALTANA not only acknowledged the principles of the Compact, but also showed a general willingness to support and promote overall U.N. aims.

Environmental Protection, Safety and Corporate Social Responsibility

The areas of safety, health and environmental protection, as well as corporate social responsibility, play an important role for the company.

Protecting the natural bases of life, the safety and health of our employees, and social responsibility as a company are very important at ALTANA. Concerning environmental and health-protection issues, the company orients itself to international agreements whose goals are implemented in our companies. The main component and guideline for action is "Responsible Care", the chemical industry's worldwide voluntary commitment focusing on environmental protection, work safety and health protection, process security, as well as dialog with the public.

In addition, ALTANA is a member of the "Global Compact" initiative, which was called into being by the former UNO General Secretary Kofi Annan. Today, companies and organizations from some 80 countries participate in Global Compact, which defines 10 principles in the areas of human rights, work standards, environmental protection, and anti-corruption. The content of the Global Compact initiative is fully compatible with the values and goals of ALTANA AG. At the end of 2010, ALTANA presented the prescribed annual progress report for Global Compact. It can be called up at www.altana.com.

In 2007 and 2009, ALTANA published comprehensive environmental reports describing the status of its development and perspectives for the future. The main focus of the reports was on environmental protection, supplemented by information on work and plant safety. This collection of data was and is continually updated. It can also be called up at www.altana.com.

Not least to provide a summary of our social involvement, ALTANA is planning to publish a first report in the business year 2011 devoted to all of the company's activities in the respective areas of environmental protection and work and plant safety, as well as the social sphere.

This comprehensive report will appear on a regular basis. It will replace the environmental report and will incorporate the progress report for the Global Compact initiative.

The areas of environmental protection, safety, and corporate social responsibility will continue to be dealt with in a separate chapter in the annual reports to come. In the future, however, detailed information can be found in the aforementioned comprehensive company report.

Environmental Protection

ALTANA explicitly supports initiatives promoting responsible use of the environment. In order to not only formulate this aim in an unbinding way but implement it, we established an environmental management system. This system is binding for all affected employees.

As a producing chemical company, ALTANA's business has an impact on the environment. The primary areas are:

- Consumption of electricity and thus creation of climate-relevant gases from energy generation
- Emission of volatile organic compounds (VOC), e.g. solvents
- Production of non-hazardous and hazardous waste. This is connected with different kinds of waste treatment, including recycling, thermal utilization, and dumping
- Consumption of fossil fuels and metals
- Consumption of water

ALTANA has set itself ambitious improvement goals in these respective areas. These aims are pursued in numerous environmental protection initiatives and projects. The report planned for 2011 will contain an extensive list of projects with descriptions. A few of these initiatives will now be cited.

Reduction of Climate-relevant Gases and CO_2 Emissions
The photovoltaic plant installed in 2009 at ELANTAS Deatech in Ascoli, Italy, supplied electricity all year long for the first time in 2010. A total of 1 million kilowatt hours were produced, accounting for around 20 percent of ELANTAS Deatech's electricity needs. As a result, around 600 tons less CO_2 were released into the environment.

Another approach for reducing CO_2 emissions apart from generating renewable sources is energy efficiency. In 2010, various measures were implemented at ECKART in this area, primarily involving use of residual or waste heat from mills or compressors. In all of the projects together, a total of 600 tons of CO_2 emissions were saved.

The new BYK laboratory building currently being erected in Wesel will be more energy efficient due to a number of construction measures. Its energy consumption will be around 40 percent lower than that of comparable buildings.

Reduction of Volatile Organic Compound Emissions

In the ACTEGA division, ever more water-based coatings are being developed to replace fossil fuel-based solvents.

In the last few years, three new exhaust purification plants that significantly reduce volatile organic compound emissions have gone into operation company-wide. The facilities were installed at ELANTAS PDG, St. Louis, ELANTAS Deatech, Ascoli, and ELANTAS Deatech in Quattordio.

Work Safety and Health Protection

Improvement of work safety is a central goal of ALTANA. This issue is addressed in corresponding agreements with the responsible experts and managers.

At the same time, we intend to continuously improve our employees' attitude and behavior to firmly anchor a safety culture in the company. Numerous studies and experiences in other industries and companies show that the main cause of accidents is employee error and not defective technology. Consequently, comprehensive training programs and workshops for educating and sensitizing employees are organized in nearly all of ALTANA's subsidiaries and in the holding company.

In 2006, ALTANA began to record work-related accidents based on a worldwide measurement system. This system is geared to lost work time of one day or more per million work hours. For 2010, the company set itself the goal of having less than five work-related accidents per million work hours.

This target was achieved in the second and third quarters of 2010. In the first quarter, however, the number was significantly higher than the target value primarily due to accidents arising on account of the severe winter in Germany. Thus, the goal could not be achieved for the whole year.

Cases of Damage

Cases of damage include fire, explosions, and the release of chemicals. "Significant cases of damage" are events that fall into at least one of the following four categories:

- Release of material or energy amounting to more than five tons
- Accidents leading to lost work time of an employee
- A hospital stay of a third party
- Fire or explosion with direct costs exceeding €20 thousand

In 2010 there were three significant cases of damage company-wide:

- A tube that was under pressure exploded, causing acid burns to an employee
- A boiler deflagrated when it was being filled, causing burns to an employee
- A substance escaped from a leaky pipe but was completely caught by collecting vessels used for this purpose

Health Protection

ALTANA has committed itself to preventive health protection. Employees and the company benefit from this, and so do, consequently, social welfare systems such as health insurance schemes. In addition to promoting the health and well-being of employees, for ALTANA this also means less lost work time and better utilization of employee potential; for health insurance companies it means lower costs.

Work accident indicator (number of work-related accidents with lost work time per million work hours)

2010	**7.9**
2009	8.2
2008	11.3
2007	12.1

Due to the demographic development, the average age of ALTANA's workforce is increasing. Against this background, preventive health protection is becoming increasingly important. Lost work time due to health problems is 40 times higher than lost work time resulting from work-related accidents. Although preventive health protection cannot put a stop to all health-related lost work time, this figure underlines that there is enormous potential for improvement.

At the two sites with the most employees (Wesel and Güntersthal), an initiative has been launched to develop an operational health management system. In Güntersthal, a steering committee was founded consisting of the managing directors, the works doctor, the Environmental Protection and Safety manager, and other participants. A comprehensive analysis was carried out to determine problem areas and to define the action that should be taken. The findings show that musculoskeletal disorders and addictive drug use are deficits. Subsequently, concrete initiatives were launched, including a health week and an ergonomy project with external advisors. In addition, ECKART is offering training for preventing drug dependence.

Local projects to actively promote health protection are being carried out at other ALTANA sites as well. At the Wesel site, for instance, the company offers back training.

Corporate Social Responsibility

As a company, ALTANA is involved in social initiatives in various ways. Our activities in this area focus on education, research, and science. They range from measures to promote disabled or disadvantaged children and youth, to supporting university research, to science funding. ALTANA employees are also personally involved in various projects, for example, in cooperation with the Stifterverband, a German industry initiative promoting science and learning.

Apart from regional and national projects, ALTANA has also supported projects in India, Brazil, and Tibet since 2007. The aim of these endeavors is to give children and young people a good education and thus enable them to lead a largely self-determined life. In India, ALTANA is promoting the building and equipping of a vocational school at which young people can receive training to become laboratory technicians, nurses' aids, and computer programmers. The project in Tibet involves a center for the blind for which ALTANA is financing the procurement of special printers and computers and enabling grants to be provided. After their training, all of the blind pupils will be qualified to work as trainers at centers for the blind and visually impaired. In Brazil, ALTANA is offering a scholarship to selected students in cooperation with an organization. Apart from giving students the opportunity to receive the best-possible education, the aim is to heighten awareness of and commitment to social problems in the country. A prerequisite for the scholarship is independent involvement in social projects.

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). Additionally, the consolidated financial statements are prepared in full conformity with the International Financial Reporting Standards.

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 8–12 of this Annual Report.

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

Wesel, Germany, February 18, 2011

The Management Board

Dr. Matthias L. Wolfgruber

Martin Babilas

Independent Auditors' Report

We have audited the consolidated financial statements prepared by the ALTANA Aktiengesellschaft, Wesel, comprising the income statement, the statement of comprehensive income, the consolidated statement of financial position, the statement of cash flows, the statement of changes in share-holders' equity and the notes to the consolidated financial statements, together with the group management report for the business year from January 1 to December 31, 2010. The preparation of the consolidated financial statements and the group management report in accordance with the IFRSs, 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. In addition we have been instructed to express an opinion as to whether the consolidated financial statements comply with full IFRS.

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 IFRSs as adopted by the EU, the additional requirements of German commercial law pursuant to section 315a (1) HGB and full IFRS 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 25, 2011

PricewaterhouseCoopers Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Peter Albrecht
German Public Auditor

Klaus Höfer
German Public Auditor

ALTANA Group Consolidated Income Statement

in € thousand	Notes	2010	2009
Net sales	4	**1,535,390**	**1,181,675**
Cost of sales	5	(937,717)	(741,159)
Gross profit		**597,673**	**440,516**
Selling and distribution expenses	6	(199,345)	(160,737)
Research and development expenses		(81,964)	(70,649)
General administration expenses		(88,093)	(75,714)
Other operating income	7	14,671	7,196
Other operating expenses	8	(12,790)	(87,094)
Operating income (EBIT)		**230,152**	**53,518**
Financial income	9	10,162	6,278
Financial expenses	10	(23,230)	(21,600)
Financial result		**(13,068)**	**(15,322)**
Income from associated companies	11	1,090	755
Income before income taxes (EBT)		**218,174**	**38,951**
Income taxes	12	(65,923)	(27,965)
Net income (EAT)		**152,251**	**10,986**
thereof attributable to non-controlling interests		641	554
thereof attributable to the shareholder of ALTANA AG		151,610	10,432

ALTANA Group Consolidated Statement of Comprehensive Income

	2010	2009
in € thousand		
Net income (EAT)	**152,251**	**10,986**
Translation adjustments	40,467	2,654
thereof attributable to non-controlling interests	382	110
Profit and loss from available-for-sale securities	(229)	2,939
Profit and loss from derivative financial instruments	3,078	3,431
Change in fair value of available-for-sale securities	400	(239)
Change in fair value of derivative financial instruments	(5,106)	545
Change in actuarial gains and losses	562	(7,729)
Income taxes	705	277
Other comprehensive income	**39,877**	**1,878**
Comprehensive income	**192,128**	**12,864**
thereof attributable to non-controlling interests	1,023	664
thereof attributable to the shareholder of ALTANA AG	191,105	12,200

ALTANA Group Consolidated Statement of Financial Position

Assets	Notes	Dec. 31, 2010	Dec. 31, 2009
in € thousand			
Intangible assets	14	472,832	478,293
Property, plant and equipment	15	579,249	551,660
Long-term investments	16	1,754	2,921
Investments in associated companies	17	11,012	9,045
Income tax refunds		2,070	700
Deferred tax assets	12	11,560	8,475
Other non-current assets	21	4,637	10,010
Total non-current assets		**1,083,114**	**1,061,104**
Inventories	18	210,370	189,220
Trade accounts receivable	19	254,504	219,438
Income tax refunds	12	12,294	12,068
Other current assets	21	45,853	27,263
Marketable securities	20	88,832	95,047
Cash and cash equivalents		244,373	103,694
Assets held for sale	15	4,300	0
Total current assets		**860,526**	**646,730**
Total assets		**1,943,640**	**1,707,834**

Liabilities, provisions and shareholders' equity	Notes	**Dec. 31, 2010**	Dec. 31, 2009
in € thousand			
Share capital [1]		136,098	136,098
Additional paid-in capital		146,949	146,949
Retained earnings		1,084,521	937,969
Revaluation reserve		(4,721)	(3,418)
Translation adjustments		(2,689)	(43,101)
Equity attributable to the shareholder of ALTANA AG		**1,360,158**	**1,174,497**
Non-controlling interests		4,009	3,057
Shareholders' equity	22	**1,364,167**	**1,177,554**
Non-current debt	24	132,771	107,276
Employee benefit obligations	25	90,632	89,031
Other non-current provisions	26	14,141	14,901
Deferred tax liabilities	12	48,248	43,539
Other non-current liabilities	27	10,324	6,432
Total non-current liabilities		**296,116**	**261,179**
Current debt	24	30,110	57,437
Trade accounts payable		107,037	81,114
Current accrued income taxes	12	40,096	36,915
Other current provisions	26	79,178	57,887
Other current liabilities	27	26,936	35,748
Total current liabilities		**283,357**	**269,101**
Total liabilities, provisions and shareholders' equity		**1,943,640**	**1,707,834**

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

Consolidated Statement of Changes in Shareholders' Equity of ALTANA Group

	Share capital issued		Additional paid-in capital		
	Number of shares	Share capital	due to employee incentive plans	paid-in by the shareholders of ALTANA AG	Retained earnings
in € thousand					
Balance at Jan. 1, 2009	**140,400,000**	**140,400**	**15,059**	**131,890**	**1,192,771**
Comprehensive income					**10,432**
Retirement of treasury shares	(4,302,104)	(4,302)			(216,463)
Dividends paid					(13,610)
Balance at Dec. 31, 2009	**136,097,896**	**136,098**	**15,059**	**131,890**	**973,130**
Comprehensive income					**151,610**
Dividends paid					(5,444)
Balance at Dec. 31, 2010	**136,097,896**	**136,098**	**15,059**	**131,890**	**1,119,296**

			Treasury shares			Non-controlling interests		
Revaluation reserve	Actuarial gains and losses	Translation adjustments	Number of shares	Purchase price	Equity attributable to the shareholder of ALTANA AG	Shareholders' equity	Translation adjustments	Shareholders' equity
(8,740)	**(29,626)**	**(45,082)**	**(4,302,104)**	**(220,765)**	**1,175,907**	**3,125**	**(679)**	**1,178,353**
5,322	**(5,535)**	**1,981**			**12,200**	**554**	**110**	**12,864**
			4,302,104	220,765	0			0
					(13,610)	(53)		(13,663)
(3,418)	**(35,161)**	**(43,101)**	**0**	**0**	**1,174,497**	**3,626**	**(569)**	**1,177,554**
(1,303)	**386**	**40,412**			**191,105**	**641**	**382**	**192,128**
					(5,444)	(71)		(5,515)
(4,721)	**(34,775)**	**(2,689)**	**0**	**0**	**1,360,158**	**4,196**	**(187)**	**1,364,167**

ALTANA Group Consolidated Statement of Cash Flows

	Notes	2010	2009
in € thousand			
Net income (EAT)		**152,251**	**10,986**
Depreciation and amortization of intangible assets and property, plant and equipment	14, 15	82,677	78,172
Impairment of intangible assets and property, plant and equipment	14, 15	1,276	76,746
Impairment on long-term investments and marketable securities	16, 20	0	4,844
Net result from the disposal of intangible assets and property, plant and equipment	3, 7, 8	677	(160)
Net result from the disposal of product groups	3	(5,476)	0
Net result from the disposal of long-term investments and marketable securities	9, 10	190	(134)
Change in inventories	18	(13,949)	31,877
Change in trade accounts receivable	19	(28,434)	(8,382)
Change in income taxes	12	2,188	20,311
Change in provisions	25, 26	22,680	11,944
Change in trade accounts payable		22,966	4,362
Change in other assets and other liabilities	21, 27	2,032	(5,471)
Other		(477)	(517)
Cash flow from operating activities		**238,601**	**224,578**
Capital expenditure on intangible assets and property, plant and equipment	14, 15	(73,848)	(54,006)
Proceeds from the disposal of intangible assets and property, plant and equipment	14, 15	372	861
Acquisitions, net of cash acquired	3	(10,536)	(42,583)
Proceeds from the disposal of product groups	3	5,500	0
Payments related to sale of the Pharmaceuticals business	3	(12,222)	(63,856)
Purchase of long-term investments	16	(64)	(392)
Proceeds from the disposal of long-term investments	16	1,332	1,644
Purchase of marketable securities	20	(181,349)	(77,609)
Proceeds from disposal of marketable securities	9, 10	178,581	38,880
Cash flow from investing activities		**(92,234)**	**(197,061)**

	Notes	**2010**	2009
in € thousand			
Dividends paid	22	(5,515)	(13,663)
Repayment of long-term debt	24	(4,451)	(2,549)
Net increase/decrease in short-term debt	24	(2,113)	(11,779)
Cash flow from financing activities		**(12,079)**	**(27,991)**
Effect of exchange rate changes		6,391	5
Change in cash and cash equivalents	**2**	**140,679**	**(469)**
Cash and cash equivalents as of January 1	2	103,694	104,163
Cash and cash equivalents as of December 31	**2**	**244,373**	**103,694**
Additional information on cash flows included in the cash flows from operating activities			
Paid income taxes		(66,408)	(78,842)
Paid interest		(2,282)	(15,830)
Received income taxes		4,525	17,928
Received interest		1,248	1,739
Received dividends		519	477

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 are prepared in full conformity with the International Financial Reporting Standards. The consolidated financial statements were authorized for issue by the Management Board on February 18, 2011 and were approved by the Supervisory Board in the Supervisory Board meeting on March 18, 2011.

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. On June 30, 2010, the Annual General Meeting passed a resolution to transfer the shares held by the remaining shareholders of ALTANA AG to SKion GmbH, located in Bad Homburg v.d. Höhe. This resolution of the Annual General Meeting was registered in the Commercial Register on August 27, 2010 and the listing of the ALTANA AG shares on the stock exchange was ceased on the same day.

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

2. Significant Accounting Policies

Consolidation

The consolidated financial statements of the Company include 15 (2009: 14) subsidiaries in Germany and 45 (2009: 45) subsidiaries abroad, in which ALTANA either directly or indirectly holds the majority of the voting rights or has the power to govern the subsidiaries' financial and operating policies.

In 2010, the Company completed two acquisitions through asset deals which, taken as a whole, had no significant impact on the Company's net assets, financial position and result of operations.

ALTANA holds a 39 % interest in Aldoro Indústria de Pós e Pigmentos Metálicos Ltda., Brazil (Aldoro) and accounts for it by applying the equity method of accounting.

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 main subsidiaries included in the consolidated financial statements are listed on page 138 of the annual report. A complete list of all subsidiaries of the ALTANA Group is published in the electronic Federal Gazette (elektronischer Bundesanzeiger).

New Accounting Pronouncements Endorsed by the EU

The following Standards and Interpretations were initially adopted in the financial year 2010:

Standard/ Interpretation		Issued by the IASB	Effective date[1]	Effect on consolidated financial statements in 2010
IFRS 1	Improvement to IFRS 1 "First-time Adoption of International Financial Reporting Standards" – new structure of the Standard	Nov. 2008	Jul. 1, 2009	not applicable
IFRS 1	Amendments to IFRS 1 "First-time Adoption of International Financial Reporting Standards"	Jul. 2009	Jan. 1, 2010	not applicable
IFRS 2	Amendments to IFRS 2 "Share-based Payment" – Group cash-settled share-based payments	Jun. 2009	Jan. 1, 2010	no effect
IFRS 3	Improvement to IFRS 3 "Business Combinations"	Jan. 2008	Jul. 1, 2009	no effect
IAS 24	Improvement to IAS 24 "Related Party Disclosures"	Nov. 2009	Jan. 1, 2011	no effect (early adoption)
IAS 27	Amendments to IAS 27 "Consolidated and Separate Financial Statements"	Jan. 2008	Jul. 1, 2009	no effect
IAS 39	Amendments to IAS 39 "Financial Instruments: Recognition and Measurement" – Eligible hedged items	Jul. 2008	Jul. 1, 2009	no effect
IAS 39 a. IFRIC 9	Amendments to IFRIC 9 "Reassessment of Embedded Derivatives" and to IAS 39 "Financial Instruments: Recognition and Measurement"	Mar. 2009	Jul. 1, 2009	no effect
IFRIC 17	IFRIC 17 "Distribution of Non-cash Assets to Owners"	Nov. 2008	Jul. 1, 2009 (EU: Oct. 31, 2009)	no effect
IFRIC 18	IFRIC 18 "Transfers of Assets from Customers"	Jan. 2009	Jul. 1, 2009 (EU: Oct. 31,2009)	no effect
Sundry	Improvements to IFRS (Annual improvement project 2008–2009)	Apr. 2009	Jan. 1, 2010/ Jul. 1, 2009	no effect

[1] Effective for reporting periods beginning on or after that date. The effective date according to the respective Commission Regulation is only disclosed if the differing date would have an effect on the annual reporting period.

The following Standards and Interpretations have been early adopted in the financial year 2009:

Standard/ Interpretation		Issued by the IASB	Effective date[1]	Effect on consolidated financial statements in 2010
IFRS 5	Amendments to IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations" – Gradual disposal of an interest	May 2008	Jul. 1, 2009	no effect
IFRIC 12	IFRIC 12 "Service Concession Arrangements"	Nov. 2006	Jan. 1, 2008 (EU: Mar. 29, 2009)	not applicable
IFRIC 15	IFRIC 15 "Agreements for the Construction of Real Estate"	Jul. 2008	Jan. 1, 2009 (EU: Jan. 1, 2010)	not applicable
IFRIC 16	IFRIC 16 "Hedge of a Net Investment in a Foreign Operation"	Jul. 2008	Oct. 1, 2008 (EU: Jun. 30, 2009)	no effect

[1] Effective for reporting periods beginning on or after that date. The effective date according to the respective Commission Regulation is only disclosed if the differing date would have an effect on the annual reporting period.

The following Standards and Interpretations are applicable at the earliest for financial years beginning after December 31, 2010. ALTANA has not early adopted these Standards and Interpretations.

Standard/ Interpretation		Issued by the IASB	Effective date [1]	Effect on consolidated financial statements in 2010
IFRS 1	Amendments to IFRS 1 "First-time Adoption of International Financial Reporting Standards" – Limited exemptions for first-time adopters for comparative disclosure in accordance with IFRS 7 "Financial Instruments: Disclosure"	Jan. 2010	Jul. 1, 2010	not applicable
IAS 32	Amendments to IAS 32 "Financial Instruments: Presentation" – Accounting for rights issues	Oct. 2009	Feb. 1, 2010	no effect
IFRIC 14	Amendments to IFRIC 14 "IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirement and their Interaction" – Prepayments of a Minimum Funding Requirement	Nov. 2009	Jan. 1, 2011	no effect
IFRIC 19	IFRIC 19 "Extinguishing Financial Liabilities with Equity Instruments"	Nov. 2009	Jul. 1, 2010	no effect

[1] Effective for reporting periods beginning on or after that date. The effective date according to the respective Commission Regulation is only disclosed if the differing date would have an effect on the annual reporting period.

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 1	Amendments to IFRS 1 "First-time Adoption of International Financial Reporting Standards"	Dec. 2010	Jul. 1, 2011	no effect
IFRS 7	Amendments to IFRS 7 "Financial Instruments: Disclosure" – Transfers of financial assets	Oct. 2010	Jul. 1, 2011	no effect
IFRS 9	IFRS 9 "Financial Instruments" – Classification and measurement of financial assets	Nov. 2009	Jan. 1, 2013	impact currently evaluated
IFRS 9	IFRS 9 "Financial Instruments" – Classification and measurement of financial liabilities	Oct. 2010	Jan. 1, 2013	impact currently evaluated
IAS 12	Amendments to IAS 12 "Income Taxes"	Dec. 2010	Jul. 1, 2011	no effect
Sundry	Improvements to IFRS (Annual improvement project 2008–2010)	May 2010	Jan. 1, 2011/ Jul. 1, 2010/ (Jul. 1, 2009)	impact currently evaluated

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 net income and are reported as a separate component of other comprehensive income in equity.

Transactions realized in foreign currencies are translated to the local currency using the exchange rate prevailing at the transaction date.

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 as far as 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, 2010	Dec. 31, 2009	**2010**	2009
1 Euro				
U.S. Dollar	1.34	1.44	1.33	1.39
Swiss Franc	1.25	1.48	1.38	1.51
Japanese Yen	108.65	133.16	116.24	130.34
Chinese Renminbi	8.82	9.84	8.97	9.53
Indian Rupie	59.76	67.04	60.59	67.36
Brazilian Real	2.22	2.51	2.33	2.77

Revenue Recognition

Revenues mainly result from the sale of products and goods and are recognized if the revenue can be reliably measured, it is probable that the economic benefits of the transaction will flow to the Company and all related costs can be reliably measured. As such, ALTANA records revenue from product sales when significant risks and rewards of ownership of the goods are transferred to the customer. Provisions for discounts and rebates to customers and returns of goods are recorded in the same period in which the related sales are recorded 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 and are capitalized if certain criteria are met. Uncertainties regarding the commercialization of products inherent in the development of ALTANA's products preclude the capitalization of development costs under intangible assets according to IAS 38. Therefore, development costs are expensed as incurred.

Personnel and Interest Expense

The net interest expense from employee benefit obligations is no longer reported under personnel expense but under interest expense to increase transparency of the financial reporting. Accordingly, prior-year figures were adjusted by €4.3 million (see notes 5, 6, 10 and 13).

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 function 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 amount 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. A deferred tax asset is recognized only to the extent that it is probable that future taxable income will be available against which the credits and tax loss carry-forwards can be used.

Intangible Assets

Intangible assets, including software, are accounted for in accordance with IAS 38, and are capitalized 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 a definite useful life are measured at cost less accumulated amortization. They are amortized straight-line over the shorter of their contractual term or their estimated useful lives.

The following amortization periods are applied:

	Years
Patents, licenses and similar rights	5 to 20
Other intangible assets	1 to 10

Amortization expense of all intangible assets with a definite useful life is recorded based on their function as cost of sales, selling and distribution expenses, research and development expenses or general administration expenses.

Intangible assets with an indefinite useful life as well as goodwill are not amortized but tested for impairment regularly. Impairment losses of 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 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
Assets under finance lease	2 to 25
Equipment	2 to 30

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

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

Impairments 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.

If these tests result in an impairment the related loss is recorded 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 would consider the need to reverse all or a portion of the impairment charge except for goodwill.

Government Grants

Taxable and non-taxable government grants for the acquisition of certain non-current assets are recorded as a reduction of the cost basis of the acquired or constructed assets. Non-refundable reimbursement of cost is recorded as other operating income to the extent that the conditions stipulated are met. The reimbursement received for the social security tax levied on the employer in respect of the cyclical short-time work was treated as a government grant and offset with personnel expenses.

Long-term Investments and Marketable Securities

In accordance with IAS 39 "Financial Instruments: Recognition and Measurement", the Company classified all marketable securities and certain long-term investments (see note 16) as available-for-sale. Therefore, at the reporting date these securities are carried at fair value or amortized cost, with unrealized gains and losses recorded in other comprehensive income (revaluation reserve), net of deferred 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.

Impairments of marketable securities are recognized in the financial result if the decrease in value is material and permanent in nature at the reporting date.

Investments in Associated Companies

Associated entities are companies in which ALTANA holds between 20 % and 50 % of the voting power of the investee and therefore can exercise significant influence.

Investments in associated companies are accounted for by applying the equity method in accordance with IAS 28, "Investments in Associates". The 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 and loss of the investee is recognized in the Company's income statements while changes in the investee's other comprehensive income are recognized directly in the Company's other comprehensive income. Goodwill included in such investments is not tested for impairment separately in accordance with IAS 36. Instead, the entire carrying amount of the investment is tested for impairment by comparing the carrying amount with the recoverable amount, if there is an indication of impairment in accordance with IAS 39.

Inventories

Inventory is 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 to complete and the estimated selling expense. Generally, acquisition and manufacturing costs are determined on the basis of weighted average costs. Manufacturing costs comprise material, payroll and direct overhead, including depreciation and amortization.

Trade Accounts Receivable

Trade accounts receivable are initially recognized at their fair value. Subsequently, accounts receivable are measured at amortized cost. The Company estimates an allowance for doubtful accounts based on a review of individual customer receivables and historical uncollectibility.

Cash and Cash Equivalents

ALTANA considers cash in banks and highly liquid investments with original maturities of three months or less to be 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 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 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). Changes in the fair value of derivative instruments qualifying for hedge accounting are recognized in income or in other comprehensive income (revaluation reserve) 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 fair value of the hedged item and the derivative are recognized in the income statement. For derivatives designated as a cash flow hedge, changes in fair value of the effective portion of the hedging instrument are recognized in other comprehensive income (revaluation reserve) until the hedged item is recognized in the income statement. The ineffective portion of derivatives designated as cash flow hedges and fair value changes of derivatives which do not qualify for hedge accounting are recognized in the income statement in financial income (expenses) immediately. This is also applicable to components excluded from hedging instruments qualifying as cash flow hedges. At the inception of the hedge the Company documents the designation and 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).

Employee Incentive Plans

In line with the Company's long-term incentive program it 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 so determined 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 the income statement.

Employee Benefit Obligations

The accounting for pension liabilities is based on the projected unit credit method in accordance with IAS 19, "Employee Benefits" and is measured based on an actuary's opinion. Actuarial gains and losses are fully recognized in other comprehensive income in the period they occur. The provisions therefore generally equal the fair value of the obligations at the reporting dates.

Provisions

In accordance with IAS 37, "Provisions, Contingent Liabilities and Contingent Assets", the Company recognizes a provision when it has a present 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.

Obligations in connection with product warranties are estimated based on the actual expenses of the last two or 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 records the estimated obligation under provisions. The provision is adjusted to reflect changes in estimates. Other provisions include personnel related obligations measured in accordance with IAS 19.

Use of Estimates and Assumptions

The preparation of the consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and disclosure of contingent assets and liabilities reported at the end of any given period and the reported 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 significant 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 various pension plans is based on the projected unit credit method applying different parameters, including the expected discount rate, the rate of compensation and pension increase, and the return on plan assets as of the reporting date. A significant change in the underlying parameters could have a material impact on the defined benefit obligations (see note 25).

Impairments: The impairment analysis for goodwill, other intangible assets and property, plant and equipment is principally based upon discounted estimated future cash flows from the use and eventual disposal of the assets. Factors like lower than anticipated sales and resulting decreases of net cash flows as well as changes in the discount rates used could lead to impairments. Regarding the carrying amounts of goodwill, other intangible assets and property, plant and equipment see notes 14 and 15.

3. Business Combinations and Dispositions

In accordance with IFRS 3 "Business Combinations", the Company accounts for business combinations by applying the purchase method as of the date when control over the financial and operating policies is effectively obtained. Any excess of the cost of the business combination 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 date of sale.

Acquisitions in 2010

In 2010, two insignificant acquisitions were completed. In the Electrical Insulation division the PU casting resins business of ABB Schweiz AG was acquired in an asset deal. The acquired company's net sales amounted to €2.6 million in 2009. The purchase price was €2.0 million, and no goodwill was recognized.

In the Coatings & Sealants division the Company acquired Aquaprint GmbH's coatings business for in-mold labels and other labels as well as water-born overprint varnishes for use on paper, cardboard and foils in an asset deal. The acquired company's net sales amounted to €6.0 million in 2009. The purchase price was €8.4 million, and goodwill of €0.5 million was recognized.

Dispositions in 2010

In 2010, the Additives & Instruments division sold its PU-foam-stabilizers business generating net sales of €5.0 million per annum for €5.0 million.

Significant Adjustments Relating to Acquisitions made in 2009

In 2010, the contingent consideration resulting from the acquisition of parts of the formulated products business of Quadrant Chemical Corp. in the Electrical Insulation division was reduced by €2.0 million. The related provision recognized in 2009 was offset against the acquired intangible assets.

4. Net Sales

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

	2010	2009
Additives & Instruments	541,183	419,939
Effect Pigments	356,594	282,273
Electrical Insulation	377,401	272,699
Coatings & Sealants	260,212	206,764
	1,535,390	**1,181,675**

5. Cost of Sales

Cost of sales is as follows:

	2010	2009
Material expenses	673,048	511,011
Production expenses		
Personnel expenses	125,192	108,802
Depreciation and amortization	49,440	49,095
Energy expenses	25,692	22,470
Maintenance and repair expenses	17,209	12,436
Other	47,136	37,345
	937,717	**741,159**

6. Selling and Distribution Expenses

Selling and distribution expenses are as follows:

	2010	2009
Personnel expenses	61,598	52,653
Shipping, duties, insurance	43,012	32,255
Commissions	24,737	19,072
Depreciation and amortization	18,339	15,421
Other	51,659	41,336
	199,345	**160,737**

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

7. Other Operating Income

	2010	2009
Reversal of allowance for doubtful accounts	1,086	547
Gains on disposal of property, plant and equipment	307	364
Government grants	372	388
Net result from the disposal of product groups	5,603	0
Other	7,303	5,897
	14,671	**7,196**

8. Other Operating Expenses

	2010	2009
Bad debt expense	1,577	3,025
Losses from disposal of property, plant and equipment	984	204
Foreign exchange gains/(losses), net	414	2,512
Exceptional expenses	2,866	80,510
Charitable donations	531	255
Other	6,418	588
	12,790	**87,094**

The item other includes cost for litigation and compensation for damages of €4.5 million.

Foreign exchange gains and losses were as follows:

	2010	2009
Foreign exchange gains	10,333	6,644
Foreign exchange (losses)	(10,747)	(9,156)
Net gain / net (loss)	**(414)**	**(2,512)**

Exceptional expenses relate to the following:

	Notes	2010	2009
Impairment of intangible assets (incl. goodwill)	14	341	47,048
Impairment of property, plant and equipment	15	935	29,698
Cost of relocation of production and structural measures		1,590	3,764
		2,866	**80,510**

9. Financial Income

	2010	2009
Interest income	1,496	1,600
Gains on disposal of marketable securities	5,843	135
Gains on derivative financial instruments	2,313	3,983
Dividends received	161	151
Other financial income	349	409
	10,162	**6,278**

10. Financial Expenses

	2010	2009
Interest expense	9,876	8,069
Impairment	0	4,845
Losses on disposal of marketable securities	953	1
Losses on derivative financial instruments	11,372	8,316
Other financial expenses	1,029	369
	23,230	**21,600**

In 2009, impairment losses on investment funds of €3.0 million were recorded. Additionally, the Company recorded impairment losses of €1.1 million relating to the investment in Nanophase Technologies Corporation and of €0.7 million relating to the investment in METAPOL S.A. de C.V.

11. Income from Associated Companies

Income from associated companies amounted to €1.1 million and €0.8 million in 2010 and 2009, respectively.

12. Income Taxes

Income tax expense is as follows:

	2010	2009
Total current taxes	64,995	38,822
Total deferred taxes	928	(10,857)
Income taxes	**65,923**	**27,965**

As in 2009, the combined income tax rate is 29 % consisting of the corporate tax rate of 15 % plus 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.

In the years reported the product of income before income tax multiplied by the applicable expected combined income tax rate of 29 % differed from the effective income tax as follows:

	2010	2009
Income before income taxes (EBT)	**218,174**	**38,951**
Tax expense at the applicable expected average income tax rate	63,270	11,296
Non-deductible expenses	3,038	15,168
Tax rate differential	1,377	(3,425)
Tax free income	(3,409)	(1,599)
Tax related to prior years	2,231	416
Other	(584)	6,109
Income taxes	**65,923**	**27,965**
Effective income tax rate	30.2 %	71.8 %

In 2009, the effective income tax rate was influenced by impairments recorded in the Effect Pigments division for which deferred tax assets were recognized only partially.

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

	Dec. 31, 2010		Dec. 31, 2009	
	Assets	Liabilities and provisions	Assets	Liabilities and provisions
Intangible assets	2,400	(25,017)	2,216	(21,963)
Property, plant and equipment	12,636	(27,866)	11,797	(26,316)
Long-term investments	377	(4,593)	1,193	(4,269)
Inventories	7,977	(1,668)	6,106	(1,670)
Receivables and other assets	491	(4,824)	550	(1,938)
Marketable securities	0	(117)	62	(80)
Employee benefit obligations	9,011	(865)	8,804	(816)
Other provisions	6,117	(9,063)	5,668	(10,456)
Liabilities	3,437	(821)	1,871	(1,259)
Tax loss carry-forwards	3,230	–	2,284	–
Allowance for deferred tax assets	(6,704)	–	(6,848)	–
Outside bases differences	–	(826)	–	–
Netting	(27,412)	27,412	(25,228)	25,228
Deferred taxes, net	**11,560**	**(48,248)**	**8,475**	**(43,539)**

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

	2010	2009
Tax loss carry-forwards	**62,654**	**55,788**
unlimited carry-forwards	22,357	19,961
will expire until 2015 (prior year: 2014)	10,833	2,767
will expire after 2015 (prior year: 2014)	29,464	33,060

Deferred tax assets on tax loss carry-forwards of €52.8 million and €49.0 million were not recognized as of December 31, 2010 and 2009, 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 €12.6 million have unlimited carry-forward periods, €10.7 million will expire through 2015, and €29.5 million will expire after 2015.

As of December 31, 2010 and 2009, a deferred tax liability was not recorded for the amounts of €31.3 million and €25.3 million, respectively, which represent the temporary differences for financial reporting under IFRS and the undistributed earnings over the tax bases of certain investments in subsidiaries, as the timing of their reversal can be controlled and is not probable in the foreseeable future.

13. Other Information on the Income Statement

Personnel Expenses

Personnel expenses consist of the following items:

	2010	2009
Wages and salaries	237,480	207,923
Social security contributions	39,717	37,796
Expenses for pensions and other post-retirement benefits	11,185	6,040
	288,382	**251,759**

Personnel expenses include expenses for employee incentive plans in both years reported (see note 23). In 2010 and 2009, €0.6 million and €0.7 million of these expenses, respectively, relate to the share-based compensation plan for key members of the management ("ALTANA Share Performance"). Additionally, in 2010, €1.3 million relate to the new incentive plan for key members of the management ("ALTANA Equity Performance") and €0.3 million to the incentive plan for employees ("ALTANA Profit Participation"). In 2009, severance expenses of €3.3 million relating to the Effect Pigments division are included in personnel expenses.

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

	2010	2009
Number of employees by division		
Additives & Instruments	1,221	1,194
Effect Pigments	1,886	1,888
Electrical Insulation	905	887
Coatings & Sealants	781	668
Holding	69	66
	4,862	**4,703**

The average number of employees classified in the main categories is as follows:

	2010	2009
Number of employees by categories		
Blue collar worker	1,969	1,911
White collar worker	2,514	2,406
Management	379	386
	4,862	**4,703**

Amortization, Depreciation and Impairments

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

	2010	2009
Amortization of intangible assets	34,021	29,002
Depreciation of property, plant and equipment	48,656	49,170
Impairment of intangible assets	341	47,048
Impairment of property, plant and equipment	935	29,698
	83,953	**154,918**

Regarding the impairment charges for intangible assets and for property, plant and equipment recognized, see notes 14 and 15. Impairment losses recognized on long-term financial assets and marketable securities are reported in financial expenses (see note 10).

14. Intangible Assets

	Patents, licenses and similar rights	Goodwill	Software and others	Total
Cost				
Balance at Jan. 1, 2009	361,529	232,787	54,454	648,770
Additions	8	0	5,806	5,814
Disposals	(14,420)	0	(178)	(14,598)
Transfers	0	0	173	173
Translation adjustments	501	1,038	(150)	1,389
Changes in reporting entities	24,513	11,718	0	36,231
Balance at Dec. 31, 2009	**372,131**	**245,543**	**60,105**	**677,779**
Additions	153	0	2,170	2,323
Disposals	(901)	0	(260)	(1,161)
Transfers	15	0	1,028	1,043
Translation adjustments	9,677	11,347	368	21,392
Changes in reporting entities	7,863	(17)	0	7,846
Balance at Dec. 31, 2010	**388,938**	**256,873**	**63,411**	**709,222**
Accumulated amortization				
Balance at Jan. 1, 2009	104,558	0	33,917	138,475
Additions	23,745	0	5,257	29,002
Disposals	(14,420)	0	(178)	(14,598)
Impairment	44	47,000	4	47,048
Transfers	0	0	0	0
Translation adjustments	(334)	0	(107)	(441)
Changes in reporting entities	0	0	0	0
Balance at Dec. 31, 2009	**113,593**	**47,000**	**38,893**	**199,486**
Additions	26,896	0	7,125	34,021
Disposals	(901)	0	(176)	(1,077)
Impairment	341	0	0	341
Transfers	0	0	0	0
Translation adjustments	3,357	0	262	3,619
Changes in reporting entities	0	0	0	0
Balance at Dec. 31, 2010	**143,286**	**47,000**	**46,104**	**236,390**
Carrying amount				
Dec. 31, 2010	**245,652**	**209,873**	**17,307**	**472,832**
Dec. 31, 2009	258,538	198,543	21,212	478,293

In 2010, additions of €1.8 million relate to software, software licenses and prepayments in the Additives & Instruments division. In 2009, additions related to software and software licenses in the Additives & Instruments division in the amount of €4.6 million.

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

2011	32,901
2012	31,255
2013	29,390
2014	26,050
2015	21,594
Thereafter	101,934

Patents, licenses and similar rights include a brand name from the acquisition of the ECKART group in 2005 of €18.9 million. This brand name was classified as an intangible asset with an indefinite useful life because the analyses of the product life cycles and other relevant factors indicated that the future positive cash flows are expected to be generated for an indefinite period of time.

As of December 31, 2010 and 2009, respectively, the carrying amount of goodwill by cash-generating unit was as follows:

	Dec. 31, 2010	Dec. 31, 2009
Additives & Instruments	10,496	10,430
Effect Pigments	76,012	69,339
Electrical Insulation	77,461	74,732
Coatings & Sealants	45,904	44,042
	209,873	**198,543**

Impairment Test for Goodwill

The Company performed impairment tests on goodwill. Impairment tests are performed at least once a year in the fourth quarter of each year based on long-term planning. The recently performed tests were based on the financial budgets for the years 2011 to 2015. The 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 8.0 % (2009: 8.5 %). The following parameter remained unchanged to 2009: growth rate: Additives & Instruments 2.0 %, Effect Pigments 2.0 %, Electrical Insulation 1.5 %, 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 2010, no impairment for goodwill was recognized. Sensitivity analyses indicated that even a reasonably likely change of the underlying parameters would not have resulted in an impairment.

In 2009, based on the impairment test performed in the Effect Pigments division for the subsidiaries ECKART Pigments Ky, located in Pori, Finland, ECKART America Corp., located in Painesville, U.S. and ECKART Italia s.r.l., located in Rivanazzano, Italy, impairment losses were recognized for property, plant and equipment (see note 15). Considering these impairment losses, the impairment test for goodwill in the Effect Pigments division resulted in an impairment of €47.0 million in 2009.

In the period since the performance of the impairment test until December 31, 2010, no additional impairment indicators were identified.

Impairment Test for Intangible Assets other than Goodwill

In 2010, an impairment loss of €0.3 million was recognized for brand names in the Coatings & Sealants division. In 2009, no impairment losses for intangible assets with an indefinite useful life were recognized.

15. Property, Plant and Equipment

	Land, leasehold and buildings	Plant and machinery	Equipment	Advances/ construction in progress	Total
Cost					
Balance at Jan. 1, 2009	343,671	345,229	136,698	73,045	898,643
Additions	10,847	16,013	6,619	14,713	48,192
Disposals	(612)	(414)	(3,311)	(54)	(4,391)
Transfers	36,984	13,514	2,047	(52,718)	(173)
Translation adjustments	(564)	(1,606)	(808)	24	(2,954)
Changes in reporting entities	0	169	191	0	360
Balance at Dec. 31, 2009	**390,326**	**372,905**	**141,436**	**35,010**	**939,677**
Additions	4,211	12,986	9,303	45,025	71,525
Disposals	(6,642)	(7,239)	(4,361)	(1)	(18,243)
Transfers	5,017	5,486	646	(12,192)	(1,043)
Translation adjustments	6,331	7,748	2,643	1,660	18,382
Changes in reporting entities	0	50	79	0	129
Balance at Dec. 31, 2010	**399,243**	**391,936**	**149,746**	**69,502**	**1,010,427**
Accumulated depreciation					
Balance at Jan. 1, 2009	90,741	139,818	84,014	0	314,573
Additions	13,913	24,922	10,335	0	49,170
Disposals	(220)	(350)	(3,120)	0	(3,690)
Impairment	3,959	25,637	102	0	29,698
Transfers	0	400	(400)	0	0
Translation adjustments	(445)	(794)	(495)	0	(1,734)
Changes in reporting entities	0	0	0	0	0
Balance at Dec. 31, 2009	**107,948**	**189,633**	**90,436**	**0**	**388,017**
Additions	14,574	23,502	10,580	0	48,656
Disposals	(2,098)	(6,622)	(4,236)	0	(12,956)
Impairment	360	575	0	0	935
Transfers	43	13	(56)	0	0
Translation adjustments	1,556	3,390	1,580	0	6,526
Changes in reporting entities	0	0	0	0	0
Balance at Dec. 31, 2010	**122,383**	**210,491**	**98,304**	**0**	**431,178**
Carrying amount					
Dec. 31, 2010	**276,860**	**181,445**	**51,442**	**69,502**	**579,249**
Dec. 31, 2009	282,378	183,272	51,000	35,010	551,660

In 2010, additions of €6.5 million relate to the construction of a laboratory building in Wesel, Germany and €5.9 million to an extension of a production plant at BYK-Chemie. In the Effect Pigments division €6.5 million were invested in paste production facilities at the site in Güntersthal, Germany.

In 2009, additions of €4.7 million related to the new administrative building of ALTANA in Wesel and €4.2 million to a photovoltaic plant located in Ascoli, Italy. The Company invested €8.7 million in the location in Güntersthal and an additional €2.2 million in the extension of the German location in Geretsried.

As of December 31, 2010 and 2009, €0.2 million and €3.9 million, respectively, of the net book value, related to property, plant and equipment under finance leases. The Company did not receive any significant taxable or non-taxable government grants in 2010 and 2009.

In 2010, the Company recorded impairment losses of €0.9 million. Of that amount €0.3 million relate to reclassified land and buildings of the production plant in Italy (carrying amount less impairment €4.3 million) to assets held for sale and €0.6 million relate to production plants located in the U.S. In 2009, the Company recorded impairment losses of €29.7 million in the Effect Pigments division relating to production plants in the U.S. (€12.6 million), Finland (€12.4 million) and Italy (€4.7 million).

Bank borrowings of €5.6 million and €6.5 million were secured by mortgages (land and other assets) as of December 31, 2010 and 2009, respectively.

16. Long-term Investments

	Other investments	Other long-term financial assets	Total
Cost			
Balance at Jan. 1, 2009	10,644	2,928	13,572
Additions	0	392	392
Disposals	(579)	(1,488)	(2,067)
Translation adjustments	(59)	(7)	(66)
Balance at Dec. 31, 2009	**10,006**	**1,825**	**11,831**
Additions	0	64	64
Disposals	(8,280)	(1,332)	(9,612)
Translation adjustments	131	20	151
Balance at Dec. 31, 2010	**1,857**	**577**	**2,434**
Accumulated impairment			
Balance at Jan. 1, 2009	7,552	0	7,552
Impairment	1,802	0	1,802
Disposals	(423)	0	(423)
Translation adjustments	(21)	0	(21)
Balance at Dec. 31, 2009	**8,910**	**0**	**8,910**
Impairment	0	0	0
Disposals	(8,280)	0	(8,280)
Translation adjustments	50	0	50
Balance at Dec. 31, 2010	**680**	**0**	**680**
Carrying amount			
Dec. 31, 2010	**1,177**	**577**	**1,754**
Dec. 31, 2009	1,096	1,825	2,921

In 2010, no impairment loss was recognized. In 2009, impairment losses of €1.1 million on the investment in Nanophase Technologies Corporation and of €0.7 million on the investment in METAPOL S.A. de C.V. were recognized.

In 2010 and 2009, respectively, an amount of €0.3 million of other long-term financial assets related to long-term employee loans bearing a weighted average interest rate of 4.1 % in 2010.

17. Investments in Associated Companies

	Investments in associated companies
Balance at Jan. 1, 2009	6,637
Additions	755
Disposals	(326)
Translation adjustments	1,979
Changes in reporting entities	0
Balance at Dec. 31, 2009	**9,045**
Additions	1,090
Disposals	(358)
Translation adjustments	1,235
Changes in reporting entities	0
Balance at Dec. 31, 2010	**11,012**

The investment of 39 % in the associated company Aldoro is accounted for by applying the equity method of accounting. At the acquisition date in 2005, ALTANA's share of the net assets acquired was €2.8 million which resulted in the recognition of goodwill of €4.4 million.

The following financial information relates to Aldoro and represents 100 % and not the proportionate 39 % share in the Company:

	Dec. 31, 2010	Dec. 31, 2009
Assets	16,576	12,656
Liabilities	1,771	1,323
Net sales	15,472	12,125
Net income (EAT)	2,794	1,935
Employees (annual average)	78	72

18. Inventories

	Dec. 31, 2010	Dec. 31, 2009
Raw materials and supplies	78,641	65,780
Work in progress	41,124	39,248
Finished products and goods	90,407	83,905
Prepayments	198	287
	210,370	**189,220**

In 2010 and 2009, respectively, inventory write-downs of € 14.8 million and € 16.8 million were recognized and deducted from the respective inventory categories.

19. Trade Accounts Receivable

	Dec. 31, 2010	Dec. 31, 2009
Trade accounts receivable	260,089	225,749
Non-current trade accounts receivable (see note 21)	(807)	(741)
Allowance for doubtful accounts	(4,778)	(5,570)
	254,504	**219,438**

Additions to the allowances for doubtful accounts are recorded in other operating expenses. The roll-forward of the allowance for doubtful accounts was as follows:

	2010	2009
Allowance at the beginning of the year	5,570	4,184
Translation adjustments	138	(34)
Additions	1,577	3,025
Reversal	(1,086)	(547)
Utilization	(1,421)	(1,072)
Changes in reporting entities	0	14
Allowance at the end of the year	**4,778**	**5,570**

The exposure to credit risk at December 31, 2010 and 2009 was as follows:

Trade accounts receivable including non-current portion	Carrying amount	Of which neither written-down nor past due at the reporting date	Of which not written-down at the reporting date and past due in the following periods				Written-down (net)
			less than 30 days	between 30 and 60 days	between 61 and 90 days	more than 90 days	
Dec. 31, 2010	**255,311**	**227,745**	**18,466**	**3,397**	**901**	**1,783**	**3,019**
Dec. 31, 2009	220,179	189,749	19,014	5,080	1,762	3,172	1,402

As of December 31, 2010 and 2009, respectively, there was no indication that trade accounts receivable that were neither written-down nor past due could not be collected.

20. 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 the revaluation reserve, net of income tax, were as follows:

	Amortized cost	Fair value	Unrealized gains	Unrealized losses
Dec. 31, 2010				
Money market funds	85,339	85,665	331	5
Equity securities	3,167	3,167	0	0
	88,506	**88,832**	**331**	**5**

	Amortized cost	Fair value	Unrealized gains	Unrealized losses
Dec. 31, 2009				
Money market funds	78,413	78,567	163	9
Equity securities	16,480	16,480	0	0
	94,893	**95,047**	**163**	**9**

In 2010, no impairment loss on marketable securities was recognized. In 2009, ALTANA recognized an impairment loss on marketable securities amounting to €3.0 million.

21. Other Assets

	Dec. 31, 2010		Dec. 31, 2009	
	Other current assets	Other non-current assets	Other current assets	Other non-current assets
Balances due from employees	385	54	287	44
Cash surrender value of life insurance	78	1,940	0	1,908
Balances due from fiscal authorities	10,364	342	8,459	279
Prepayments	993	1	855	0
Balances due from related parties	59	0	181	0
Prepaid expenses	2,838	249	2,026	329
Derivative financial instruments	414	202	1,303	66
Non-current trade account receivable	0	807	0	741
Promissory notes	20,000	0	10,000	0
Other	10,722	1,042	4,152	6,643
	45,853	**4,637**	**27,263**	**10,010**

22. Shareholders' Equity

Issued Share Capital

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

Authorized Capital

As of December 31, 2010, the Management Board was authorized to increase the Company's share capital with the approval of the Supervisory Board by up to €28.0 million through single or several issues of shares in exchange for cash (authorized capital I) and by up to €28.0 million in exchange for cash and/or contributions in kind (authorized capital II). The Management Board was also authorized to increase the share capital by up to €14.0 million through single or several issues of shares in exchange for cash with the exclusion of shareholders' subscription rights at an issue price that is not significantly lower than the market price at the time of issuance (authorized capital III), in accordance with the articles of association of ALTANA. These authorizations will expire as of April 30, 2013. None of the authorized capital has been issued.

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 several equity-settled share-based payment transactions.

Revaluation Reserve

In accordance with IAS 39, accumulated unrealized gains and losses resulting from changes in fair values of available-for-sale marketable securities are recorded in other comprehensive income (revaluation reserve) net of income taxes unless an impairment loss is recognized. The revaluation reserve is a separate section of shareholders' equity. Additionally, changes in the fair value of derivative financial instruments qualifying as cash flow hedges are recognized in other comprehensive income (revaluation reserve) net of income taxes, if all hedge accounting criteria under IAS 39 are met.

Other Comprehensive Income

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

	2010			2009		
	before Income taxes	Income taxes	net of Income taxes	before Income taxes	Income taxes	net of Income taxes
Translation adjustments (including non-controlling interests)	40,467	327	40,794	2,654	(563)	2,091
Profit and loss from available-for-sale securities	(229)	71	(158)	2,939	22	2,961
Profit and loss from derivative financial instruments	3,078	(923)	2,155	3,431	(1,029)	2,402
Change in fair value of available-for-sale securities	400	(126)	274	(239)	(183)	(422)
Change in fair value of derivative financial instruments	(5,106)	1,532	(3,574)	545	(164)	381
Change in actuarial gains and losses	562	(176)	386	(7,729)	2,194	(5,535)
Other comprehensive income	**39,172**	**705**	**39,877**	**1,601**	**277**	**1,878**

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 liquid funds within the Group and the management of liquidity. The majority of ALTANA's operations are financed by the Company's operating cash flows. Excess funds required are financed by borrowings.

In 2010, ALTANA's shareholders' equity increased by €186.6 million to €1,364.2 million. Due to the distribution of the ordinary dividend of €0.04 per share, shareholders' equity was reduced by €5.4 million, which was partly offset by the 2010 income after income tax of €152.3 million. The debt to asset ratio decreased from 31 % as of December 31, 2009, to 30 % as of December 31, 2010. Long-term and short-term debt represented 15 % of total liabilities, provisions and shareholders' equity. A credit line of €400 million is available to ALTANA as an external financing source. This credit line was made available by an international banking syndicate and can be drawn in different currencies (see note 24). The agreed term of the credit line expires in 2012. For a partial amount of €340 million the term was extended until 2013 by the international banking syndicate.

According to the agreement with the international banking syndicate a ratio ("financial covenant") of net debt to EBITDA of 3 to 1 at the maximum has to be complied with. As of December 31, 2010 ALTANA reports a net cash position. If this financial covenant is not met the international banking syndicate can early terminate the credit line or renegotiate the terms.

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 structure of the statement of financial position – including bolt-on acquisitions – should be adequate for the requirements of an investment grade rating.

23. Employee Incentive Plans

ALTANA Share Performance (ASP)

On July 1, 2008 ALTANA initiated a share-based compensation plan for key members of the management, the ALTANA Share Performance Plan (ASP plan). The ASP plan allowed for issuance of virtual shares (performance shares). The fair value of these shares would be settled in cash after a service period of three years (June 30, 2011) to those eligible. 147,056 performance shares were granted to key members of the management.

Due to the increase of the holding of SKion GmbH in ALTANA the plan's major valuation parameters could no longer be determined appropriately. Therefore, the Management and Supervisory Boards concluded in 2009 to terminate the ASP plan and to indemnify the eligible employees. For each preliminarily granted performance share ALTANA will pay an indemnification of €13.00 to the eligible employees in July 2011. This amount is based on the average of the ASP performance share valuation as of November 6, 2008 and December 31, 2008, performed by an external expert.

In 2010 and 2009, share-based compensation expenses amounted to €0.6 million and €0.7 million, respectively.

ALTANA Equity Performance (AEP)

On January 1, 2010, ALTANA initiated a new 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.

Entitled key management personnel make an initial investment in so-called ALTANA Equity Performance Rights which are Company-issued debt instruments with a nominal value of €100 each. The measurement of these rights is based on the virtual development of the Company's shareholders' equity. 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 was 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 plan's term on December 31, 2013. 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 granted awards.

In 2010, 21,335 AEP Awards were granted to key members of the management. Consequently a total expense of €1.3 million was recognized in 2010. The total initial investment made by the management was measured at €2.0 million and is recognized in other liabilities (see note 27).

ALTANA Profit Participation Program (APP)

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

The APPRs are debt instruments issued by ALTANA AG with a minimum term of four years and a nominal value of €100 each. A basic interest rate of 3% per year of the nominal amount is granted as well a as an additional bonus interest rate if applicable. This bonus interest represents 150% of the relative value added. The latter corresponds to the excess Return on Capital Employed (ROCE) generated by ALTANA in a respective business year over the average cost of capital.

Additionally, subscribers of APPRs are granted a one-time earnings-related payment of a maximum of €360 per employee.

An amount of €2.3 million was recognized in other liabilities for the APPRs, issued in December 2010. The one-time payment resulted in an expense of €0.3 million, which was recognized in personnel expenses.

24. Debt

	Dec. 31, 2010		Dec. 31, 2009	
	Non-current debt	Current debt	Non-current debt	Current debt
Borrowings from banks	132,764	30,107	103,376	57,157
Lease obligations	7	3	3,900	233
Other	0	0	0	47
	132,771	**30,110**	**107,276**	**57,437**

For general corporate purposes ALTANA has received a line of credit amounting to €400.0 million from a banking syndicate consisting of 17 banks. The credit line may be drawn in different currencies. As of December 31, 2010, the Company had drawn €156.7 million (€100.0 million and U.S. Dollar 75.7 million) and reported an amount of €129.9 million in non-current debt and €26.7 million in current debt. As of December 31, 2009, the Company had drawn €152.5 million (€100.0 million and U.S. Dollar 75.7 million) and reported an amount of €100.0 million in non-current debt and €52.5 million in current debt. Due to hedging the interest exposure of a U.S. Dollar 40.0 million debt tranche until 2013, ALTANA intends to use that debt tranche until that date and has reclassified this amount from current to non-current debt. As of December 31, 2010 and 2009, from the original credit line amounting to €400.0 million an unused credit line of €243.3 million and €247.5 million, respectively, was available. In addition, as of December 31, 2010, further largely unused lines of credit in the amount of €18.0 million were available. The terms and conditions are based on market conditions and no collateral is provided.

As of December 31, 2010 and 2009, respectively, bank borrowings included €58.9 million and €56.0 million denominated in foreign currencies. Of these borrowings, amounts of €57.0 million and €52.5 million were denominated in U.S. Dollars as of December 31, 2010 and 2009, respectively.

As of December 31, 2010 and 2009, the aggregate amounts of indebtedness maturing during the next five years and thereafter were as follows:

	Dec. 31, 2010	Dec. 31, 2009
Due in 2011 (prior year: 2010)	30,107	57,204
Due in 2012 (prior year: 2011)	100,287	229
Due in 2013 (prior year: 2012)	30,228	234
Due in 2014 (prior year: 2013)	1,737	100,240
Due in 2015 (prior year: 2014)	199	2,187
Due thereafter	313	486
Total	**162,871**	**160,580**
Lease obligation (see note 29)	**10**	**4,133**
Total debt	**162,881**	**164,713**

25. Employee Benefit Obligations

The Company's employee benefit plans consist of defined contribution as well as defined benefit plans.

The majority of the employee benefit plans are defined benefit plans, either funded or unfunded. A major part of the Company's employee benefit obligations relate to German employees. Employee benefit obligations are determined based on the years of service, estimated compensation increase and country specific mortality (for Germany by applying the guiding tables of Prof. Dr. Klaus Heubeck RT 2005 G). Employee benefit obligations are generally measured based on the aforementioned parameters, as well as salaries and number of employees as of September 30. The applied parameters and underlying data are reviewed for unexpected fluctuations as of December 31, and a re-measurement is performed if material deviations from September 30, are identified.

The defined contribution plans are mainly located in non-German subsidiaries. Additionally, the Company pays contributions to national and foreign governmental and private pension insurance organizations based on legal regulations. The contributions are recognized as expense based on their function in the respective year and amounted to €17.7 million and €17.9 million in 2010 and 2009, respectively. No further obligation exists besides the contributions paid.

Obligations for other post-retirement benefits mainly relate to German employees. To improve the transparency of financial reporting, the fund units resulting from the conversion of employees' remuneration to a trust model in 2008 as well as other obligations in connection with the termination of employee contracts in foreign subsidiaries were reclassified from other post-retirement obligations to the provisions for pension benefits. Prior year's comparative figures were adjusted accordingly by €2.3 million.

The provision for the Company's pension benefits and other post-retirement obligations was as follows:

	Dec. 31, 2010	Dec. 31, 2009
Defined benefit obligation – unfunded	85,832	85,124
Defined benefit obligation – funded	45,290	42,148
Defined benefit obligation	**131,122**	**127,272**
Less fair value of plan assets	40,833	38,529
Less past service cost not yet recognized	0	15
Employee benefit obligations	**90,289**	**88,728**
Provision for other post-retirement benefits	**343**	**303**
Total	**90,632**	**89,031**

In 2010 and 2009, funded defined benefit obligations are in excess of the plan assets by €4.5 million and €3.6 million, respectively.

As of December 31, for each of the periods presented below, the significant amounts in respect of the provision for employee benefit obligations were as follows:

	Dec. 31, 2010	Dec. 31, 2009	Dec. 31, 2008	Dec. 31, 2007	Dec. 31, 2006
Defined benefit obligation	131,122	127,272	110,000	107,663	116,387
Fair value of plan assets	40,833	38,529	30,413	29,440	27,914
Funded status	90,289	88,743	79,587	78,223	88,473
Experience adjustments	(1,867)	756	(800)	(940)	1,235
thereof plan assets	342	3,622	(6,272)	(1,260)	(189)
thereof defined benefit obligation	(2,209)	(2,866)	5,472	320	1,424

The provision for pensions was as follows:

	2010		2009	
	German plans	Non-German plans	German plans	Non-German plans
Defined benefit obligation				
Balance at Jan. 1	93,173	34,099	80,233	29,767
Translation adjustments	0	1,860	0	(213)
Service cost	4,792	844	2,534	716
Past service cost not yet recognized	0	0	0	15
Settlement and curtailment	163	384	0	0
Interest cost	4,834	1,781	4,479	1,621
Actuarial gains/(losses)	(941)	686	7,549	4,097
Employee contribution	1,950	0	1,713	0
Benefits paid	(3,386)	(2,344)	(3,346)	(1,562)
Other changes	0	(6,773)	11	(342)
Balance at Dec. 31	**100,585**	**30,537**	**93,173**	**34,099**
Plan assets				
Balance at Jan. 1	12,553	25,976	8,896	21,517
Translation adjustments	0	1,317	0	66
Expected return on plan assets	688	1,546	485	1,198
Actuarial gains/(losses)	960	(617)	1,375	2,247
Employer contribution	1,540	3,693	347	1,497
Employee contribution	1,950	0	1,713	0
Benefits paid	(201)	(1,184)	(263)	(532)
Other changes	0	(7,388)	0	(17)
Balance at Dec. 31	**17,490**	**23,343**	**12,553**	**25,976**
Funded status at Dec. 31	**83,095**	**7,194**	**80,620**	**8,123**
Less past service cost not yet recognized	0	0	0	15
Provision at Dec. 31	**83,095**	**7,194**	**80,620**	**8,108**

The following table shows the different asset categories into which the plan assets are divided:

	Dec. 31, 2010		Dec. 31, 2009	
Asset category				
Equity securities	5,363	13 %	14,888	39 %
Mixed funds	15,744	39 %	0	0 %
Money market funds	1,791	4 %	783	2 %
Bonds and fond-based funds	1,951	5 %	8,671	23 %
Real estate	0	0 %	564	1 %
Other	15,984	39 %	13,623	35 %
	40,833	**100 %**	**38,529**	**100 %**

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 expected long-term return on plan assets per asset class is determined based on capital market analyses and predicted return on assets. The actual return on the plan assets was €2.6 million and €5.3 million for 2010 and 2009, respectively.

The Company expects to pay benefits to the retirees of €4.1 million and to make contributions to the plan assets in an amount of €3.0 million in 2011.

The following table provides the underlying actuarial assumptions for the pension plans:

	Dec. 31, 2010		Dec. 31, 2009	
	German plans	Non-German plans	German plans	Non-German plans
Weighted average assumptions				
Discount rate	5.5 %	5.1 %	5.3 %	5.3 %
Expected return on plan assets	5.5 %	5.4 %	5.3 %	5.5 %
Rate of compensation increase	3.5 %	2.2 %	3.5 %	1.7 %
Rate of pension increase	2.0 %	0.2 %	2.0 %	1.0 %

The components of net periodic pension cost were as follows:

	2010		2009	
	German plans	Non-German plans	German plans	Non-German plans
Service cost	4,792	844	2,534	716
Other	163	1,019	0	(398)
Pension expense	**4,955**	**1,863**	**2,534**	**318**
Interest cost	4,834	1,781	4,479	1,621
Expected return on plan assets	(688)	(1,546)	(485)	(1,198)
Financial result – pension	**4,146**	**235**	**3,994**	**423**
Net periodic pension cost	**9,101**	**2,098**	**6,528**	**741**

Net periodic pension cost were allocated to the functional cost as follows:

	2010	2009
Cost of sales	2,638	1,048
Selling and distribution expenses	1,186	479
Research and development expenses	1,209	666
General administration expenses	987	659
Total functional cost	**6,020**	**2,852**
not allocated to functional cost	798	0
Pension expense	**6,818**	**2,852**

26. Other Provisions

	Employees	Sales and marketing	Warranty	Other	Total
Balance at Jan. 1, 2010	**40,605**	**10,719**	**1,595**	**19,869**	**72,788**
Additions	34,345	15,907	262	14,428	64,942
Utilization	(24,191)	(8,959)	(48)	(7,689)	(40,887)
Reversal	(1,124)	(707)	(189)	(1,248)	(3,268)
Translation adjustments	899	124	0	592	1,615
Changes in reporting entities	0	0	0	(1,871)	(1,871)
Balance at Dec. 31, 2010	**50,534**	**17,084**	**1,620**	**24,081**	**93,319**
Thereof non-current					
at December 31, 2010	**13,810**	**101**	**0**	**230**	**14,141**
at December 31, 2009	14,030	94	108	669	14,901

The employee-related provisions mainly comprise of accruals for vacation entitlements. 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 2011.

The item other includes litigation, legal cost and professional fees, provision for taxes other than income taxes and the expected remaining purchase price from the acquisition of the business of Quadrant Chemical Corp.

27. Other Liabilities

Other liabilities consist of the following:

	Dec. 31, 2010		Dec. 31, 2009	
	Other non-current liabilities	Other current liabilities	Other non-current liabilities	Other current liabilities
Payroll taxes	0	7,562	0	6,721
Wages and salaries	0	2,245	0	1,725
Social security contributions	0	2,085	0	2,313
Employee incentive plans	4,261	0	0	0
Commissions	0	2,683	0	2,643
Credit notes to customers	0	1,070	0	1,951
Balances due to related parties	0	301	0	299
Derivative financial instruments	5,290	3,210	5,924	1,437
Deferred income	459	372	415	145
Other	314	7,408	93	18,514
	10,324	**26,936**	**6,432**	**35,748**

28. 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 can be 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, 2010 and 2009.

	Dec. 31, 2010 Carrying amount					Dec. 31, 2010 Fair value
	Loans and receivables	Available-for-sale financial assets	Available-for-sale financial assets	Financial assets at fair value through profit and loss	Hedging instruments (hedge accounting)	
	Amortized cost	Cost	Fair value	Fair value	Fair value	
Cash and cash equivalents	**244,373**					**244,373**
thereof in						
Cash and cash equivalents	244,373					244,373
Trade accounts receivable	**255,573**					**255,573**
thereof in						
Trade accounts receivable	254,504					254,504
Other non-current assets	807					807
Other current assets	262					262
Other interest-bearing non-derivative financial assets	**25,502**					**25,524**
thereof in						
Long-term investments	282					303
Other non-current assets	6					6
Other current assets	25,215					25,215
Other non-interest-bearing non-derivative financial assets	**59**					**59**
thereof in						
Other current assets	59					59
Marketable securities and long-term investments		**4,639**	**85,665**			**90,304**
thereof in						
Long-term investments		1,472				1,472
Marketable securities		3,167	85,665			88,832
Derivative financial assets – hedge accounting					**616**	**616**
thereof in						
Other non-current assets					202	202
Other current assets					414	414

					Dec. 31, 2009 Carrying amount	Dec. 31, 2009 Fair value
	Loans and receivables	Available-for-sale financial assets	Available-for-sale financial assets	Financial assets at fair value through profit and loss	Hedging instruments (hedge accounting)	
	Amortized cost	Cost	Fair value	Fair value	Fair value	
Cash and cash equivalents	**103,694**					**103,694**
thereof in						
Cash and cash equivalents	103,694					103,694
Trade accounts receivable	**220,384**					**220,384**
thereof in						
Trade accounts receivable	219,438					219,438
Other non-current assets	741					741
Other current assets	205					205
Other interest-bearing non-derivative financial assets	**16,536**					**16,523**
thereof in						
Long-term investments	1,530					1,517
Other non-current assets	5,006					5,006
Other current assets	10,000					10,000
Other non-interest-bearing non-derivative financial assets	**181**					**181**
thereof in						
Other current assets	181					181
Marketable securities and long-term investments		**17,871**	**78,568**			**96,439**
thereof in						
Long-term investments		1,391				1,391
Marketable securities		16,480	78,568			95,048
Derivative financial assets – hedge accounting					**1,369**	**1,369**
thereof in						
Other non-current assets					66	66
Other current assets					1,303	1,303

	Dec. 31, 2010 Carrying amount				Dec. 31, 2010 Fair value
	Financial liabilities	Financial liabilities at fair value through profit and loss	Finance leases according to IAS 17	Hedging instruments (hedge accounting)	
	Amortized cost	Fair value	Amortized cost	Fair value	
Lease obligations			**9**		**9**
thereof in					
Non-current debt			7		7
Current debt			2		2
Trade accounts payable	**110,607**				**110,607**
thereof in					
Trade accounts payable	106,854				106,854
Other current liabilities	3,753				3,753
Other interest-bearing non-derivative financial liabilities	**163,172**				**163,111**
thereof in					
Non-current debt	132,764				132,703
Current debt	30,107				30,107
Other current liabilities	301				301
Other non-interest-bearing non-derivative financial liabilities	**4,765**				**4,765**
thereof in					
Other current liabilities	4,765				4,765
Derivative financial liabilities – hedge accounting				**8,500**	**8,500**
thereof in					
Other non-current liabilities				5,290	5,290
Other current liabilities				3,210	3,210

	Financial liabilities	Financial liabilities at fair value through profit and loss	Finance leases according to IAS 17	Hedging instruments (hedge accounting)	Dec. 31, 2009 Fair value
				Dec. 31, 2009 Carrying amount	
	Amortized cost	Fair value	Amortized cost	Fair value	
Lease obligations			**4,133**		**4,133**
thereof in					
Non-current debt			3,900		3,900
Current debt			233		233
Trade accounts payable	**85,474**				**85,474**
thereof in					
Trade accounts payable	80,880				80,880
Other current liabilities	4,594				4,594
Other interest-bearing non-derivative financial liabilities	**160,880**				**160,778**
thereof in					
Non-current debt	103,376				103,274
Current debt	57,204				57,204
Other current liabilities	300				300
Other non-interest-bearing non-derivative financial liabilities	**13,725**				**13,725**
thereof in					
Other current liabilities	13,725				13,725
Derivative financial liabilities – hedge accounting				**7,361**	**7,361**
thereof in					
Other non-current liabilities				5,924	5,924
Other current liabilities				1,437	1,437

For financial instruments measured at fair value the following regulations apply. The fair value of marketable securities and equity investments corresponds to prices quoted for identical financial assets on active markets (hierarchy level 1). The fair value of derivative financial instruments and debts was determined applying valuation techniques for which all significant inputs are based on observable market data (hierarchy level 2).

The carrying amounts of cash and cash equivalents as well as 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 traded on the stock exchange the fair values correspond to the quotation on the stock exchange. 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 amount of derivative financial assets and liabilities equal their fair values. The fair value is calculated by employing present value models using market parameters.

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 financial instruments generally have a short-term remaining maturity, therefore, their carrying amount approximates their fair value.

Income Effect According to Valuation Categories

The following table provides the net result from financial instruments according to the valuation categories. The net financial result contains interest income, interest expense, changes in the fair value of financial instruments valued through profit and loss, gains and losses from the sale of financial instruments and dividends received. The net operating result includes write-downs of trade accounts receivable and exchange differences. The net result does not include financial income or expense generated from non-financial instruments and their categories like interest expense from employee benefit and lease obligations or changes in the fair value and interest recognized in connection with hedge accounting.

		Net financial result	Net operating result	Net result
Loans and receivables	**2010**	**586**	**(3,280)**	**(2,693)**
	2009	1,600	(8,392)	(6,792)
Available-for-sale financial assets	**2010**	**910**	**0**	**910**
	2009	(4,216)	0	(4,216)
Financial liabilities measured at amortized cost	**2010**	**(1,929)**	**(390)**	**(2,319)**
	2009	(3,054)	165	(2,889)
Financial instruments at fair value through profit and loss	**2010**	**(432)**	**0**	**(432)**
	2009	0	0	0
Total	**2010**	**(865)**	**(3,670)**	**(4,534)**
	2009	(5,670)	(8,227)	(13,897)

Interest income and interest expense from financial instruments not measured at fair value through profit and loss is calculated in accordance with the effective interest method and amounts to €1.1 million and €1.6 million in 2010 and 2009, respectively. Total interest expense amounts to €1.9 million and €3.0 million in 2010 and 2009, respectively. The net result of €-0.8 million and €-1.4 million in 2010 and 2009, respectively, is included in net financial result.

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 negative fair value. All non-derivative and derivative financial instruments as of December 31, 2010 and 2009, respectively, for which contractual payments were already 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 derivative financial instruments the cash flows were calculated by applying the forward interest rates. Budgeted amounts for future expected liabilities were not considered. Foreign currency amounts were reported based on the exchange rates as of the reporting dates.

		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, 2010**	**3**	**3**	**2**	**2**	**1**	**0**
	Dec. 31, 2009	365	684	684	2,739	0	0
Trade accounts payable	**Dec. 31, 2010**	**110,607**	**0**	**0**	**0**	**0**	**0**
	Dec. 31, 2009	85,474	0	0	0	0	0
Other interest-bearing non-derivative financial liabilities	**Dec. 31, 2010**	**33,510**	**100,982**	**30,361**	**1,846**	**211**	**324**
	Dec. 31, 2009	60,961	1,460	1,460	101,460	2,268	508
Other non-interest-bearing non-derivative financial liabilities	**Dec. 31, 2010**	**4,765**	**0**	**0**	**0**	**0**	**0**
	Dec. 31, 2009	13,725	0	0	0	0	0
Total	**Dec. 31, 2010**	**148,752**	**101,038**	**30,366**	**1,887**	**252**	**324**
	Dec. 31, 2009	160,474	2,195	2,144	104,199	2,268	508

		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, 2010**	**10,463**	**6,339**				
Cash outflow	**Dec. 31, 2010**	**(10,145)**	**(6,185)**				
Net	**Dec. 31, 2010**	**318**	**154**				
Cash inflow	Dec. 31, 2009	25,182	4,803				
Cash outflow	Dec. 31, 2009	(24,430)	(4,765)				
Net	Dec. 31, 2009	752	38				
Forward foreign exchange contracts with negative fair value							
Cash inflow	**Dec. 31, 2010**	**37,676**	**13,170**				
Cash outflow	**Dec. 31, 2010**	**(39,621)**	**(12,958)**				
Net	**Dec. 31, 2010**	**(1,945)**	**212**				
Cash inflow	Dec. 31, 2009	23,074	10,678				
Cash outflow	Dec. 31, 2009	(24,837)	(11,175)				
Net	Dec. 31, 2009	(1,764)	(497)				
Interest rate swaps with positive fair value							
Cash inflow	**Dec. 31, 2010**	**710**	**0**				
Cash outflow	**Dec. 31, 2010**	**(1,054)**	**0**				
Net	**Dec. 31, 2010**	**(344)**	**0**				
Cash inflow	Dec. 31, 2009	0	0				
Cash outflow	Dec. 31, 2009	0	0				
Net	Dec. 31, 2009	0	0				
Interest rate swaps with negative fair value							
Cash inflow	**Dec. 31, 2010**	**1,846**	**1,287**	**417**	**147**	**0**	
Cash outflow	**Dec. 31, 2010**	**(5,518)**	**(4,439)**	**(664)**	**(182)**	**0**	
Net	**Dec. 31, 2010**	**(3,672)**	**(3,152)**	**(247)**	**(35)**	**0**	
Cash inflow	Dec. 31, 2009	2,298	3,139	2,445	644	184	
Cash outflow	Dec. 31, 2009	(6,761)	(5,241)	(4,164)	(517)	(196)	
Net	Dec. 31, 2009	(4,463)	(2,102)	(1,719)	127	(12)	

Market risk: At December 31, 2010, ALTANA was not exposed to any significant market risk.

Credit risk: The Company is exposed to credit risk if business partners do not fulfill their obligation. ALTANA continuously analyses 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 regularly and locally in the operating subsidiaries. Financing transactions are mainly carried out with contractual partners that have a credit rating of at least A- or are members of a deposit insurance association. Additionally, a credit limit is assigned to each contracting party.

The carrying amount of all receivables (see also note 19), long-term financial investments, 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 risks associated with its international operations. Foreign currency risk occurs for monetary 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 majority of the 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 and loss and the revaluation reserve (see table "Foreign Currency" in note 2):

		Effect on profit and loss		Change in revaluation reserve	
		exchange rate plus 10 %	exchange rate minus 10 %	exchange rate plus 10 %	exchange rate minus 10 %
U.S. Dollar					
Derivatives	**Dec. 31, 2010**	**223**	**(223)**	**3,838**	**(3,838)**
	Dec. 31, 2009	235	(235)	3,260	(3,260)
Other financial instruments	**Dec. 31, 2010**	**(2,573)**	**2,573**	**–**	**–**
	Dec. 31, 2009	(3,396)	3,396	–	–
Total	**Dec. 31, 2010**	**(2,350)**	**2,350**	**3,838**	**(3,838)**
	Dec. 31, 2009	(3,631)	3,631	3,260	(3,260)
Japanese Yen					
Derivatives	**Dec. 31, 2010**	**395**	**(395)**	**2,097**	**(2,097)**
	Dec. 31, 2009	316	(316)	1,762	(1,762)
Other financial instruments	**Dec. 31, 2010**	**(789)**	**789**	**–**	**–**
	Dec. 31, 2009	(485)	485	–	–
Total	**Dec. 31, 2010**	**(394)**	**394**	**2,097**	**(2,097)**
	Dec. 31, 2009	(169)	169	1,762	(1,762)

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. If these assets or liabilities are variable rate instruments, changes in the interest rate will result in changes of the expected cash flows and will affect net income. Changes in the interest rate of financial assets classified to the category available-for-sale which are measured at fair value affect the fair value and as such are reported in the revaluation reserve in shareholders' equity.

The following table shows the profit and loss effect as well as changes in the revaluation reserve on interest-bearing assets, liabilities and interest rate swaps resulting from a change in the average market rate of interest of 100 basis points (bp). Interest payments from the hedged items and the hedging instruments (cash flow hedge) are shown separately.

		Effect on profit and loss		Change in revaluation reserve	
		plus 100 basis points	minus 100 basis points	plus 100 basis points	minus 100 basis points
Derivatives	**Dec. 31, 2010**	**1,349**	**(1,349)**	**2,182**	**(2,068)**
	Dec. 31, 2009	1,362	(1,362)	2,940	(3,060)
Other financial instruments	**Dec. 31, 2010**	**(1,417)**	**1,417**	**857**	**(857)**
	Dec. 31, 2009	(1,452)	1,452	786	(786)
Total	**Dec. 31, 2010**	**(68)**	**68**	**3,039**	**(2,925)**
	Dec. 31, 2009	(90)	90	3,726	(3,846)

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 intercompany transactions except for net investments in foreign operations. Hedging instruments are used to hedge U.S. Dollar and Japanese Yen sales transactions between subsidiaries with terms of 18 months. In accordance with the hedging strategy of the Company, 75 % of the forecasted transactions of the first six months, 60 % of the second six months, and 30 % of the last six months of the forecasted transactions are hedged. Forecasted 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.

Interest Rate Swaps: Most of ALTANA's debts are variable rate instruments. The Company uses interest rate swaps to limit the cash flow risk from interest rate fluctuations of the long-term debt drawn under the syndicated lines of credit.

Cash Flow Hedges

Hedging of Intercompany Transactions: ALTANA has entered into forward foreign exchange contracts for forecast sales transactions denominated in U.S. Dollar and Japanese Yen with consolidated subsidiaries and has designated them as cash flow hedges. At December 31, 2010 and 2009, the fair values are as follows:

		Positive fair value	Negative fair value	Total fair value
U.S. Dollar	**Dec. 31, 2010**	**588**	**(1,072)**	**(484)**
	Dec. 31, 2009	740	(535)	205
Japanese Yen	**Dec. 31, 2010**	**0**	**(1,857)**	**(1,857)**
	Dec. 31, 2009	417	(380)	37

Forward foreign exchange contracts reported in the revaluation reserve are reclassified into income when the hedged foreign currency risk is realized. In 2010, the revaluation reserve was decreased by €6.2 million due to fair value fluctuations and expenses of €3.4 million were realized in net sales.

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

		Total nominal value	Nominal value due in 2011 (prior year: in 2010)	Nominal value due in 2012 (prior year: in 2011)
in thousand foreign currency units				
U.S. Dollar	**Dec. 31, 2010**	**52,100**	**37,100**	**15,000**
	Dec. 31, 2009	45,400	31,300	14,100
Japanese Yen	**Dec. 31, 2010**	**2,650,000**	**1,740,000**	**910,000**
	Dec. 31, 2009	2,295,000	1,535,000	760,000

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 classified as cash flow hedges. Interest payments are due either quarterly, semi-annually or annually. At December 31, 2010 and 2009, respectively, the fair values of these interest rate swaps are:

		Positive fair value	Negative fair value	Total fair value
Interest swap	**Dec. 31, 2010**	**4**	**(4.881)**	**(4.877)**
	Dec. 31, 2009	0	(5.951)	(5.951)

Currently, the maturities of the interest rate swaps are between one and four years.

In 2010, the revaluation reserve increased by €1.1 million due to fair value fluctuations and income of €0.3 million was realized in financial income.

Fair Value Hedges

Hedging of Intercompany Transactions: At December 31, 2010 and 2009, ALTANA had entered into forward foreign exchange contracts with a nominal value of U.S. Dollar 3.1 million and U.S. Dollar 6.0 million and of Japanese Yen 520.0 million and Japanese Yen 375.0 million, respectively. These contracts relate to intercompany sales transactions denominated in U.S. Dollar and Japanese Yen with consolidated subsidiaries and are classified as fair value hedges. At December 31, 2010 and 2009 the fair values are as follows:

		Positive fair value	Negative fair value	Total fair value
U.S. Dollar	**Dec. 31, 2010**	**24**	**(122)**	**(98)**
	Dec. 31, 2009	163	(31)	132
Japanese Yen	**Dec. 31, 2010**	**0**	**(568)**	**(568)**
	Dec. 31, 2009	49	(210)	(161)

In 2010 and 2009, the effect on income of the fair value hedge was €3.0 million and €5.2 million, respectively, and has therefore offset the effect of the measurement of the hedged transaction.

Hedging of Internal Foreign Currency Debt: In 2010, all intercompany debt denominated in a foreign currency were covered by offsetting items and ALTANA did therefore not hedge these debts by means of foreign exchange contracts. In 2009, such hedges were designated as fair value hedges and had a nominal value of U.S. Dollar 9.8 million and a negative fair value of €0.3 million. The effect on income was €-0.3 million in 2009 and has therefore offset the effect of the measurement of the hedged transaction.

29. Commitments and Contingencies

Guarantees and Other Commitments

	Dec. 31, 2010	Dec. 31, 2009
Commitments for intangible assets	519	272
Commitments for property, plant and equipment	23,393	5,820
Guarantee for pension obligation from divestments	12,397	12,992
	36,309	**19,084**

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. These leases are classified either as operating or finance leases. Lease obligations are amortized over the term of the respective lease. 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, 2010	Dec. 31, 2009	**Dec. 31, 2010**	Dec. 31, 2009
2011 (prior year: 2010)	3	365	7,670	8,827
2012 (prior year: 2011)	3	684	5,771	6,110
2013 (prior year: 2012)	2	684	4,281	4,995
2014 (prior year: 2013)	2	2,739	1,530	3,235
2015 (prior year: 2014)	1	0	839	567
Due thereafter	0	0	1,494	916
Total minimum lease payments	**11**	**4,472**	**21,585**	**24,650**
Less amount representing interest	2	339		
Present value of lease payments	**9**	**4,133**		
Less current portion	2	233		
Non-current lease obligation	**7**	**3,900**		

Total rent and lease expense was €10.8 million and €10.3 million for the years ended December 31, 2010 and 2009, respectively.

30. Related Party Transactions

Mrs. Susanne Klatten is the sole shareholder of SKion GmbH. As of August 27, 2010, SKion GmbH is the sole shareholder of ALTANA AG. Mrs. Susanne Klatten is therefore considered a related party. Furthermore, she is deputy chairwoman of the Supervisory Board. During the years reported, there were no transactions between her and the Company except for dividends distributed and the regular compensation for her function on the Supervisory Board.

Mrs. Susanne Klatten is also shareholder and member of the Supervisory Board of Bayerische Motoren Werke AG (BMW). In 2010 and 2009, the Company purchased or leased company cars from the BMW group. The lease and purchase contracts were all concluded at arm's length.

Associated companies that are not included in the consolidated financial statements are also considered related parties. Balances due to and due from related parties are recorded in other assets and other liabilities.

All balances und transactions with related parties are as follows:

	Dec. 31, 2010	Dec. 31, 2009
Balances due from related parties	59	184
Balances due to related parties	674	471

	2010	2009
Related party transactions		
Sales	743	575
Services and goods acquired	1,035	765
Lease expense	2,226	1,727
Interest income	0	2
Interest expense	0	1

The lease expense relates to leasing contracts for company cars with Alphabet Fuhrpark-management GmbH (BMW group). Further transactions with BMW group are included in sales and services in the amount of €0.1 million in both years reported.

31. Compensation of the Supervisory Board and Management Board

In 2010 and 2009, the compensation of the Supervisory Board amounted to €1.0 million and €0.7 million, respectively. Of the total compensation for 2010 and 2009, €0.6 million were fixed in both years reported, and €0.4 million and €0.1 million, respectively, related to the variable portion.

Total compensation paid in cash to the Management Board including remuneration in kind amounted to €3.0 million and €1.9 million for the years 2010 and 2009, respectively. In 2010 and 2009, of these total amounts €0.8 million and €0.7 million, respectively, related to fixed compensation and €2.1 million and €1.1 million, respectively, related to variable compensation.

In 2010, the Management Board members received ALTANA Equity Performance Awards as compensation with a long-term incentive effect from the plan "ALTANA Equity Performance 2010" (AEP). In 2010, a preliminary number of 4,436 ALTANA Equity Performance Awards was granted to the Management Board having an allotment value of €0.4 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. For more details on AEP see note 23.

For former members of the Management Board and their surviving dependents, a pension provision in the amount of €12.2 million and €12.5 million was recorded as of December 31, 2010 and 2009, respectively. The pension payments totaled €1.1 million in each of the years reported. Additionally, in 2010 an amount of €0.5 million was paid to former members of the Management Board resulting from deferred compensation items from prior years.

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

32. Fees Paid to the Auditor

	2010
Audit of the financial statements	989
Other assurance services	2
Tax advisory services	10
Other services	262
	1,263

33. 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.

34. Subsequent Events

On January 20, 2011, ALTANA signed an agreement to acquire Kometra Kunststoff-Modifikatoren und -Additiv GmbH by way of a share deal. In 2010, net sales of the acquired business amounted to €6.9 million. The business with polymer modifiers, which are used in the refinement of standards plastics and are applied particularly in technical applications for example in the automotive industry, will be integrated into the Additives & Instruments division.

35. Additional Information

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

ALTANA Chemie GmbH, Wesel
ACTEGA GmbH, Wesel
ELANTAS GmbH, Wesel
ALTANA Chemie Beteiligungs GmbH, Hartenstein
BYK-Chemie GmbH, Wesel
BYK-Gardner GmbH, Geretsried
MIVERA Vermögensanlagen GmbH, Wesel
ACTEGA DS GmbH, Bremen
ACTEGA Rhenania GmbH, Grevenbroich
ACTEGA Terra GmbH, Lehrte
ELANTAS Beck GmbH, Hamburg
ECKART GmbH, Hartenstein
ECKART Beteiligungs GmbH, Hartenstein

36. Statement of Compliance with the German Corporate Governance Code

On December 3, 2010, the Management and Supervisory Boards of the Company reconfirmed the corporate governance statement of compliance. This statement is available on the website of the Company (see chapter Corporate Governance on pages 64ff.).

Supervisory Board of ALTANA AG

Dr. Fritz Fröhlich
Chairman
(appointed until the Annual General Meeting 2012)
Former Deputy Chairman and Chief Financial Officer of Akzo Nobel N.V.
Other functions:
Allianz Nederland N.V.[2]
ASML Holding N.V.[2]
Draka Holding N.V.[2] (Chairman)
Randstad Holding N.V.[2] (Chairman)
Rexel SA[2]

Ulrich Gajewiak*
Deputy Chairman
(appointed until the Annual General Meeting 2013)
Chemical Technician
Chairman of the Group's works council

Susanne Klatten
Deputy Chairwoman
(appointed until the Annual General Meeting 2013)
Entrepreneur
Other functions:
Bayerische Motoren Werke AG[1]
SGL Carbon SE[1]
UnternehmerTUM GmbH[2]

Dr. Helmut Eschwey
(appointed until the Annual General Meeting 2012)
Former Chairman of the board of
Heraeus Holding GmbH
Other functions:
Exova Group Ltd.[2]
Kurtz Holding GmbH[2]
Reifenhäuser GmbH & Co. KG Maschinenfabrik[2]
TMD Friction Group S.A.[2]

Ralf Giesen*
(appointed until the Annual General Meeting 2013)
Degree in Economics
Mining, Chemical and Energy Industrial Union
Secretary of the board VB 1
Other functions:
EVONIK Industries AG[1]

Armin Glashauser*
(appointed until the Annual General Meeting 2013)
State Certified Electrical Engineering Technician
Full-time member and head of works council
ECKART GmbH
Other functions:
ECKART GmbH[1]

Olaf Jung*
(appointed until the Annual General Meeting 2013)
Staff member production ACTEGA DS GmbH

Klaus Koch*
(since May 10, 2010, appointed until the Annual General Meeting 2013)
Manager operational controlling ECKART GmbH

Dr. Götz Krüger*
(appointed until the Annual General Meeting 2013)
Business line manager Plastics Additives
BYK-Chemie GmbH

Dr. Klaus-Jürgen Schmieder
(appointed until the Annual General Meeting 2011)
Former Management Board member of L'Air Liquide S.A.
Other functions:
LURGI GmbH[1]

* Employee representative

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

Werner Spinner
(appointed until the Annual General Meeting 2012)
Degree in Business Administration
Former Management Board member of Bayer AG
Other functions:
CSM N.V.[2]
Roeser GmbH[2] (Chairman)

Dr. Carl Voigt
(appointed until the Annual General Meeting 2012)
Degree in Chemistry
Former Management Board member of Degussa AG
Other functions:
Freudenberg New Technologies KG[2]

Walter Ziegler*
(until May 9, 2010)
Former worldwide production manager of metallic effect pigments of ECKART GmbH

Supervisory Board Committees

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

Human Resources Committee
Dr. Fritz Fröhlich (Chairman)
Ulrich Gajewiak
Olaf Jung
Susanne Klatten

Audit Committee
Dr. Klaus-Jürgen Schmieder (Chairman)
Ralf Giesen
Armin Glashauser
Werner Spinner

Mediation Committee
(in accordance with section 27 (3)
of the German Codetermination Act)
Dr. Fritz Fröhlich (Chairman)
Ulrich Gajewiak
Susanne Klatten
Klaus Koch (since May 10, 2010)
Walter Ziegler (until May 9, 2010)

Special Committee formed in connection with the purchase offer from SKion GmbH and the squeeze out (until August 27, 2010)
Dr. Fritz Fröhlich (Chairman)
Ulrich Gajewiak
Dr. Götz Krüger
Dr. Klaus-Jürgen Schmieder

Management Board of ALTANA AG

Dr. Matthias L. Wolfgruber
Chairman
(appointed until June 30, 2015)
Other functions:
BYK-Chemie GmbH[1] (Chairman)
BYK USA, Inc.[2] (Chairman)
ECKART GmbH[1] (Chairman)
ELANTAS Beck India Ltd.[2] (Chairman)
ELANTAS Deatech s.r.l.[2]
ELANTAS PDG, Inc.[2] (Chairman)

Martin Babilas
Chief Financial Officer
(appointed until May 2, 2015)
Other functions:
BYK-Chemie GmbH[1]
ECKART GmbH[1]

* Employee representative

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

Major Consolidated Companies

Amounts for 2010	Share of capital	Equity[1]	Sales[1]	Earnings for the year[1]	Employees
	in %	in € million	in € million	in € million	
Holding					
ALTANA AG, Wesel		1,925	–	94	62
ALTANA Chemie GmbH, Wesel	100	1,476	–	163[2]	7
Additives & Instruments					
BYK-Chemie GmbH, Wesel	100	125	385	123[2]	705
BYK-Gardner GmbH, Geretsried	100	10	33	6[2]	144
MIVERA Vermögensanlagen GmbH, Wesel	100	89	–	7[2]	–
BYK USA Inc., Wallingford (U.S.)	100	71	73	4	110
BYK-Cera B.V., Deventer (NL)	100	45	71	6	117
BYK Japan KK, Tokyo (J)	100	11	51	2	48
BYK (Tongling) Co. Ltd., Tongling (CN)	100	11	22	1	42
Effect Pigments					
ECKART GmbH, Hartenstein	100	496	255	17[2]	1,444
ECKART America Corp., Painesville (U.S.)	100	12	61	5	176
ECKART Italia s.r.l., Rivanazzano (I)	100	16	18	(1)	12
ECKART Pigments Ky, Pori (FI)	100	1	11	(2)	68
ECKART Suisse SA, Vétroz (CH)	100	39	15	2	38
ECKART Asia Ltd., Hong Kong (CN)	100	26	35	1	31
Electrical Insulation					
ELANTAS Beck GmbH, Hamburg	100	33	32	1[2]	122
ELANTAS Beck India Ltd., Pune (IND)	89	34	42	5	204
ELANTAS PDG Inc., St. Louis (U.S.)	100	33	70	7	173
ELANTAS Deatech s.r.l., Ascoli Piceno (I)	100	103	87	10	140
ELANTAS (Tongling) Co. Ltd., Tongling (CN)	100	31	63	8	79
ELANTAS (Zhuhai) Co. Ltd., Zhuhai City (CN)	100	28	38	7	81
ELANTAS Camattini SPA, Collecchio (I)	100	15	37	4	70
Coatings & Sealants					
ACTEGA Rhenania GmbH, Grevenbroich	100	11	44	6[2]	127
ACTEGA DS GmbH, Bremen	100	7	48	3[2]	120
ACTEGA Terra GmbH, Lehrte	100	8	49	8[2]	120
ACTEGA Kelstar Inc., Cinnaminson (U.S.)	100	36	45	1	71
ACTEGA Artística S.A.U., Vigo (E)	100	17	11	2	42

[1] Amounts in accordance with International Financial Reporting Standards
[2] Amounts before transfer of results

Contact

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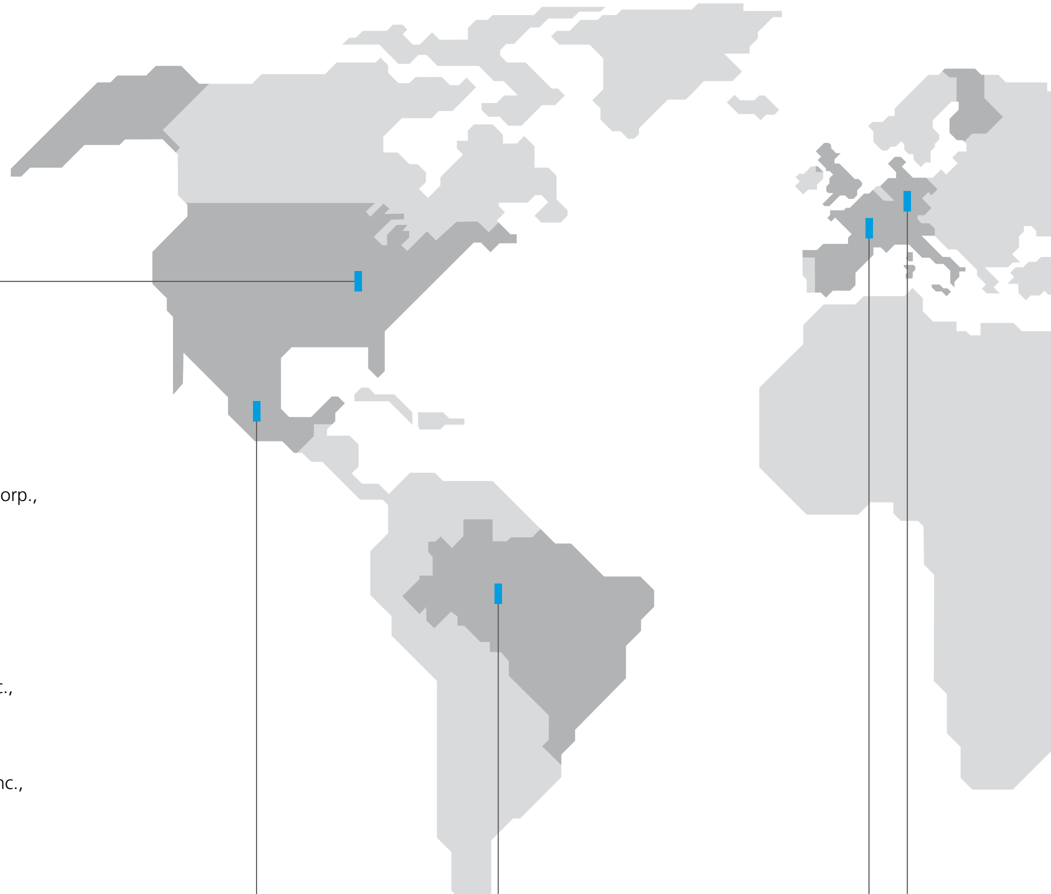


U.S.

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 Radcure Inc.,
Fairfield, NJ
100 %

ACTEGA WIT Inc.,
Lincolnton, NC
100 %

Central America

BYK Chemie de Mexico,
S. de R.L. de C.V.,
San Pablo Xalpa (MX)
100 %

ECKART de Mexico Industries,
S.R.L. de C.V.,
San Pablo Xalpa (MX)
100 %

Latin America

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

Europe

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

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

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

ECKART Pigments KY,
Pori (FI)
100 %

ECKART Italia s.r.l.,
Rivanazzano (I)
100 %

ECKART Suisse SA,
Vétroz (CH)
100 %

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

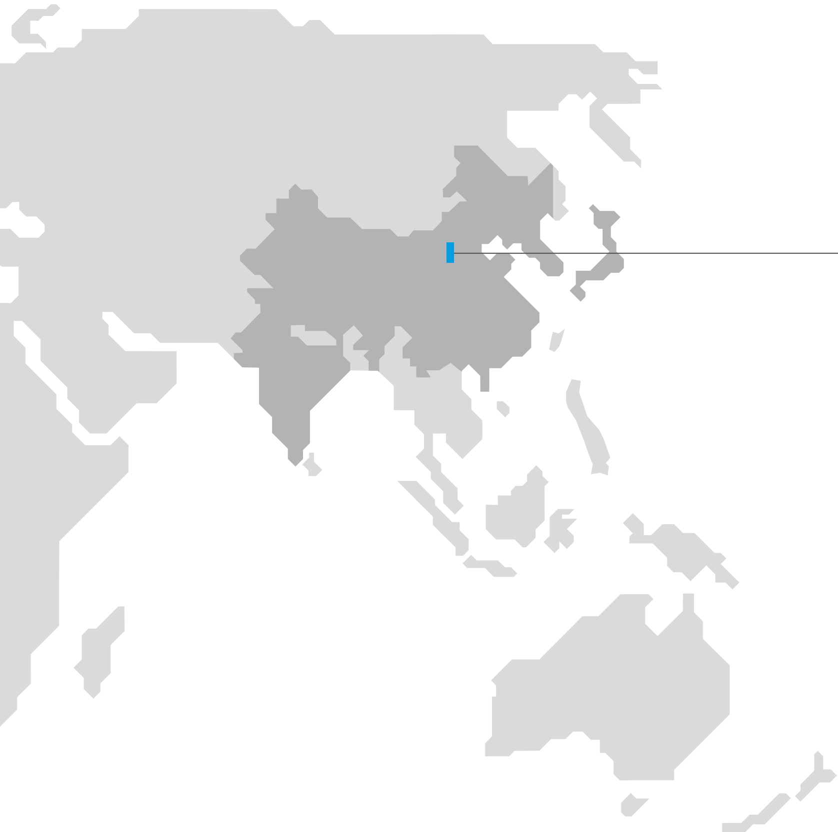
ELANTAS Camattini S.p.A.,
Collecchio (I)
100 %

ELANTAS Deatech s.r.l.,
Ascoli Piceno (I)
100 %

ELANTAS UK Ltd.,
Manchester (GB)
100 %

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

ACTEGA Rhenacoat S.A.,
Sedan (F)
100 %



Asia

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

BYK Japan KK,
Tokyo (J)
100 %

BYK Solutions (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)
89 %

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 %

ELANTAS Beck GmbH,
Hamburg
100 %

ACTEGA DS GmbH,
Bremen
100 %

ACTEGA Rhenania GmbH,
Grevenbroich
100 %

ACTEGA Terra GmbH,
Lehrte
100 %

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