# ALTANA

Annual Report 2012

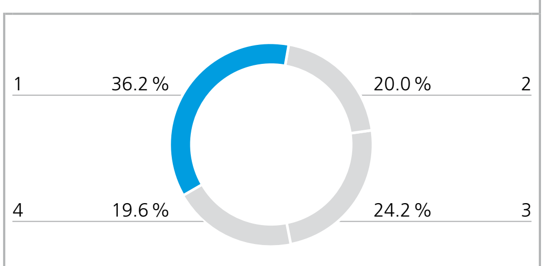
# Group Profile 2012

## ALTANA's divisions

ALTANA

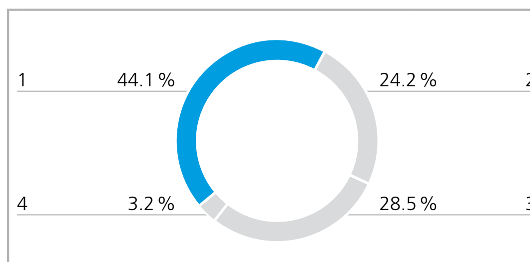
BYK Additives & Instruments | ECKART Effect Pigments | ELANTAS Electrical Insulation | ACTEGA Coatings & Sealants

## Sales by division




| in € million | 2012 |
|---|---|
| 1 BYK Additives & Instruments | 618.4 |
| 2 ECKART Effect Pigments | 340.5 |
| 3 ELANTAS Electrical Insulation | 412.5 |
| 4 ACTEGA Coatings & Sealants | 333.9 |
| **Total** | **1,705.3** |

## Sales by region




| in € million | 2012 |
|---|---|
| 1 Europe | 751.7 |
| 2 Americas | 412.0 |
| 3 Asia | 486.1 |
| 4 Other regions | 55.5 |
| **Total** | **1,705.3** |

## Key figures at a glance

| in € million | 2012 | 2011 | Δ % |
|---|---|---|---|
| Sales | 1,705.3 | 1,616.7 | 5 |
| Earnings before interest, taxes, depreciation and amortization (EBITDA) | 323.2 | 308.0 | 5 |
| *EBITDA margin* | *19.0%* | *19.1%* | |
| Operating income (EBIT) | 226.9 | 217.0 | 5 |
| *EBIT margin* | *13.3%* | *13.4%* | |
| Earnings before taxes (EBT) | 217.2 | 207.7 | 5 |
| *EBT margin* | *12.7%* | *12.8%* | |
| Net income (EAT) | 154.7 | 147.5 | 5 |
| *EAT margin* | *9.1%* | *9.1%* | |
| Research and development expenses | 102.3 | 87.7 | 17 |
| Capital expenditure on property, plant and equipment and intangible assets | 89.8 | 93.5 | -4 |
| Cash flow from operating activities | 274.5 | 170.0 | 62 |
| *Return on Capital Employed (ROCE)* | *10.8%* | *11.2%* | |
| ALTANA Value Added (AVA) | 50.0 | 53.2 | -6 |

| in € million | Dec. 31, 2012 | Dec. 31, 2011 | Δ % |
|---|---|---|---|
| Total assets | 2,121.3 | 2,001.9 | 6 |
| Shareholders' equity | 1,498.2 | 1,417.1 | 6 |
| Net debt (-)/Net financial assets (+)[1] | 68.2 | (26.8) | n. s. |
| Headcount | 5,363 | 5,313 | 1 |

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

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

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Management Board

Dear Ladies and Gentlemen,

"Only those who change stay true to themselves." These words aptly sum up ALTANA AG's last business year. 2012 was characterized by great uncertainty and strong changes in the general economic conditions influencing our business, specialty chemicals. And once again, we proved our agility and achieved our goals almost precisely in spite of economic fluctuations.

This was possible because we created alternatives, acted flexibly, and reacted quickly. In this way, we were able to counteract stagnating sales volumes by shifting to higher-grade specialty products and by raising prices. We are convinced that only if we are willing and able to change, can we create sustainable values in a rapidly changing environment. The best example of this is our success story. In the last 35 years, ALTANA has developed from a listed conglomerate with very different divisions into a focused private company with leading market positions worldwide. We continue to adhere to our goal of creating sustainable value by means of profitable growth. This requires a constant willingness to advance and to transform. And we brought this to a new level in 2012.

As of November 1, the presidents of the BYK, ECKART, ELANTAS, and ACTEGA business divisions each became the head of another division of ALTANA AG. In spite of all the change, however, we have retained that which has proven itself – the decentralized positioning of our divisions. It is this market-oriented structure, not least, that has made us flexible enough to react quickly to changes. And this ability will continue to be important in 2013. To remain successful, we have to be in a position to adapt to different scenarios.

By rotating the division presidents, we are enhancing the know-how transfer within the Group and thus the flexibility and innovative strength of the entire company. Moreover, we are setting a clear example as the executive management. For we know that if we expect our employees to be open and willing to change, we have to serve as role models. We are firmly convinced that the four division presidents will continue their successful work in their new positions and will provide fresh impetus with their proven expertise and experience. That will help us open up new growth perspectives.

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

But innovation and growth are not only the results of synergies. In 2012, we again invested above-average sums in research and development in an industry comparison, even increasing our expenditure clearly in this area vis-à-vis the previous year. ALTANA stands for innovation. We are setting standards here.

The basis for innovation is knowledge. But this valuable raw material can only be harnessed through networking. In the ALTANA Innovation Community, more than 300 experts are linked with each other. State-of-the-art communications possibilities and an emphasis on a culture of innovation promote an exchange between these experts and the use of external knowledge.

Aside from expanding our product portfolio through our own developments, we also grew through acquisitions in 2012. In May, we acquired the casting resins business of the Italian Marbo Group, thus strengthening the electronic and engineering materials field of ELANTAS. In December, we continued to expand BYK in the U.S., acquiring the wax additives business of Chemical Corporation of America (ChemCor).

We created more room for further growth by issuing a promissory note loan (German Schuldschein) with a volume of 150 million Euros in March and by successfully completing a 250 million Euro syndicated credit facility in July. These moves ensure financial flexibility for the years to come. The fact that we are meeting our own high requirements of being a leader in everything we do in this area too, was confirmed in November when we were granted the award "Treasury of the Year 2012."

Ladies and gentlemen, only those who change stay true to themselves – and their customers remain true to them too. For it is not only economic cycles, financial markets, and real markets that change. So do the needs and demands of our customers. The success and satisfaction of our customers are at the center of our work. Therefore, we cooperate with them closely to develop solutions today for the challenges they will face tomorrow. This requires a long-term approach and entrepreneurial courage – qualities that ALTANA actively fosters in its employees and from which our customers also benefit. Our customers can count on our innovative strength and on our stability as a partner that is focusing on value-oriented growth in the long term.

A few examples of such value-creating and often longtime partnerships can be found in the magazine section of this annual report. We would like to express our sincere thanks to our customers who contributed texts and pictures to this section.

We are changing so that we can remain a leader in everything we do. The people who contribute to this every day are the decisive factor. We would like to thank our employees for their contribution to the success and development of ALTANA in 2012. Thanks also go to the active and retired members of the Supervisory Board for their constructive dialogue, as well as their support and confidence in ALTANA's work.

2012 proved that our Guiding Principles are not lip service, but are lived out. In the new business year, we intend to continue to capitalize on our strengths in order to tap ALTANA's enormous potential in a sustainable way. With this in mind, we look forward to new challenges in 2013.

**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 the divisions are discussed and deliberated on. In addition to the members of the Management Board, the Executive Management Team includes the four presidents of the divisions as well as selected executives of the company.

(in alphabetical order)

**Jörg Bauer**
Vice President Human Resources

**Dr. Guido Forstbach**
President Division Electrical Insulation

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

**Dr. Roland Peter**
President Division Coatings & Sealants

**Dr. Christoph Schlünken**
President Division Additives & Instruments

**Dr. Wolfgang Schütt**
President Division Effect Pigments

**Dr. Georg F. L. Wießmeier**
Chief Technology Officer

# The Supervisory Board

**Dr. Klaus-Jürgen Schmieder**
Chairman

**Ulrich Gajewiak**[1]
Deputy Chairman

**Susanne Klatten**
Deputy Chairwoman

**Dr. Monika Engel-Bader**

**Ralf Giesen**[1]

**Armin Glashauser**[1]

**Olaf Jung**[1]

**Klaus Koch**[1]

**Dr. Götz Krüger**[1]

**Werner Spinner**

**Dr. Lothar Steinebach**

**Dr. Antonio Trius**

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

[1] Employee representative

# Report of the Supervisory Board

The Supervisory Board closely followed the work of the Management Board in the 2012 business year and dealt in depth with the situation and development of the company as well as with special issues. The Management Board regularly informed the Supervisory Board about the state of affairs of the company through oral reports and documents on the agenda items discussed in its meetings, as well as through regular written reports. In addition, the Chairman of the Management Board informed the Chairman of the Supervisory Board between Supervisory Board meetings about significant developments and events and discussed pending or planned decisions with him. The Supervisory Board was involved in all major company decisions.

## Meetings of the Supervisory Board

In the 2012 business year, four regular Supervisory Board meetings were held. In the Supervisory Board Meetings, the economic situation and the development perspectives of the Group, as well as important business events, were discussed in detail. In addition to the regular reports on sales, earnings, and financial data, the Supervisory Board addressed the strategy of ALTANA and its individual divisions. Further focal points of the Supervisory Board's work were, among other things, ALTANA's position and strategy in Asia, the results of ALTANA's employee survey, the financing of the ALTANA Group, Management Board compensation, as well as innovation and research. In its December meeting, the Supervisory Board addressed corporate governance issues and dealt in depth with and approved the corporate planning for the next years and the budget for 2013.

## Meetings of the Committees

The Human Resources Committee met twice in the year under review. The Audit Committee also met twice in 2012. In the presence of the auditor as well as the Chief Executive Officer and the Chief Financial Officer, the Audit Committee dealt with the annual financial statements of ALTANA AG and the ALTANA Group. In addition, it dealt with 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 focused on the identification and monitoring of risks in the Group, on the work of its internal auditing, as well as on ALTANA's Compliance Management System. The Mediation Committee, established in accordance with section 27 (3) of the German Codetermination Act, did not convene in the business year 2012.

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

## Annual Financial Statements

The annual financial statements of ALTANA AG, the consolidated financial statements for the year ended December 31, 2012, 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 20, 2013, 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 2012. 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 the completion of its own review, the Supervisory Board has no objections to the Management Board's statement at the end of the report.

## Personnel Changes

With the end of the ordinary Annual General Meeting held on June 22, 2012, the Chairman of the Supervisory Board hitherto, Dr. Fritz Fröhlich, as well as Dr. Helmut Eschwey and Dr. Carl Voigt, with the end of their terms of office, stepped down from the Supervisory Board. The Annual General Meeting appointed Dr. Monika Engel-Bader, Dr. Lothar Steinebach, and Dr. Antonio Trius as new members of the Supervisory Board. Furthermore, Werner Spinner, with the end of his term of office, was reelected as a member of the Supervisory Board. The Supervisory Board appointed Dr. Klaus-Jürgen Schmieder as the new Chairman of the Supervisory Board, automatically making him the Chairman of the Human Resources Committee and of the committee required by law in accordance with section 27 (3) of the German Codetermination Act. Dr. Klaus-Jürgen Schmieder stepped down from his office as member and Chairman of the Audit Committee. The Supervisory Board appointed Dr. Lothar Steinebach as the new Chairman of the Audit Committee. Werner Spinner was reelected as a member of the Audit Committee by the Supervisory Board. There were no further personnel changes in the Management or Supervisory Boards in 2012.

The Supervisory Board would like to thank Dr. Fritz Fröhlich, Dr. Helmut Eschwey, and Dr. Carl Voigt for their valuable contributions to deliberations and resolutions adopted by the Supervisory Board and for their trustworthy cooperation. In addition, the Supervisory Board expresses its gratitude to the members of the Management Board and the company's management, as well as all employees of the ALTANA Group for their achievements and successful engagement in the last business year.

Wesel, March 20, 2013

For the Supervisory Board

Klaus Schmieder

**Dr. Klaus-Jürgen Schmieder**
Chairman

# Customer Orientation at ALTANA

Globally operating companies like ALTANA have to keep their eyes on many things. Ultimately, however, the most important factors for our success are the success and satisfaction of our customers.

This guiding principle characterizes all of our companies' processes and, therefore, our daily activities.

# FROM CUSTOMERS TO PARTNERS

Due to the close and continuous exchange with our clients, their trust in ALTANA grows, giving rise to successful and sustainable business relationships.

As specialty chemicals experts, we offer more than just products. We offer solutions and effects that are of great benefit to our customers. Whether it's additives, effect pigments, or special coatings, we make a decisive contribution towards improving our customers' products and manufacturing processes. Thanks to this, our customers can thrive in their markets. This is our top priority. With our solutions we create added value for them.

Good products – and we agree on this across all of ALTANA's divisions – can only be manufactured if we truly understand our customers' needs. First, this means listening to them exactly. Second, it means developing an appropriate solution together with the client.

To this end, we not only provide our customers with our highly specialized know-how. They also have access to the technical infrastructure in our laboratories. There, our experts examine our clients' products in application tests with a practical orientation, so that we can subsequently tailor our offers precisely to the customer's formulation.

### Innovations That Drive Our Customers Forward

A common understanding of quality and our high technical standards connect us with our clients worldwide. We supplement this with another strength: our innovativeness.

This requires flexibility as well as the ability and courage to depart from well-trodden paths and embark on something new. For us, it is enriching to develop new applications for our clients' products together with them. With our support, our customers can conquer new markets. To achieve this, we bank on new methods and technologies.

To develop innovations that create sustainable value, a great deal of patience and staying power is required. Persistence and perseverance are among the qualities our customers can rely on. These abilities enable us to find answers to myriad questions together with our clients. This concerns product development as well as the optimization of processes and the introduction of new methods.

Our service orientation is at least as important as our innovative prowess. Our customers not only acquire high-quality products, but complete solutions. With these solutions, they can take advantage of our comprehensive technical service.

## Lively Dialogue and Knowledge Transfer

It is extremely important to us to have an exchange with our customers. And we continuously cultivate this exchange. We use the annual ALTANA Innovation Conference as a platform for a knowledge transfer between our divisions and selected customers as well as external experts.

Dialogue with and proximity to customers have many facets at ALTANA. These include seminars and training programs as well as on-site customer service in the respective national language and joint development of market strategies, depending on the individual situation of our business partners.

On the basis of such intensive cooperation, our relationships with our customers have grown and matured over the years, and our clients have put more and more trust in us. Many relationships have turned into true partnerships. In this way, we succeed in jointly generating sustainable growth.

In the pages to follow, you can read about these partnerships in detail.

# HATS OFF TO OUR CUSTOMERS

Our clients come from all kinds of industries. Among them are paint and coatings manufacturers as well as packaging specialists and magnet wire producers. What they all have in common are their high standards of quality and service.

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**EXEMPLARY:** STRATEGIC CONTROL IN A JOINT COCKPIT

To ensure that its paints and coatings are of high quality, BASF Coatings has long put its trust in BYK additives and ECKART effect pigments. In our joint "cockpit" in Germany, we steer our internationally successful cooperation, ranging from product development to technical cooperation.

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**BRILLIANT:** FROM CO-ENGINEERING TO CO-MARKETING

The Munich-based hubergroup chose ECKART as a development partner for a new series of inks. Together they brought gold and silver inks for offset printing onto the market. The worldwide success of these inks is spurring us on. Together, we intend to keep on growing. To this end, we are working on new developments as well as on applications for new markets.

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**HARMONIOUS:** VALUE CREATION THANKS TO A COMMON UNDERSTANDING OF QUALITY

The Italian IRCE Group uses finishing varnishes from ELANTAS for primary insulation of their magnet wires. What began as a conventional supplier relationship has developed into a cooperation that is setting standards. We work together on technical norms. This is only possible because the two companies have the same understanding of quality and value creation.

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**SUSTAINABLE:** JOINT COOPERATION WITH BRAND MANUFACTURERS

The packaging manufacturer Amcor Flexibles Rorschach relies on specialty coatings from ACTEGA. They know that we adapt our coatings precisely to the requirements of the respective materials, to the packaging process, and to the contents. This business model has spawned a unique cooperative endeavor. Together with Amcor Flexibles we support brand manufacturers, from the planning to the finished product.

"Our strategic co-operation with BYK is opening up new horizons for us."

Gudrun Wiemann,
Coatings Division of BASF

# A joint cockpit is steering the worldwide cooperation between BYK and ECKART and BASF's Coatings division.

There are good reasons for success. In our cooperation with BASF's Coatings division, success mainly hinges on structured processes and good organization. A special "cockpit" is responsible for this. It is developed and used by a cross-company team consisting of representatives of BASF and our BYK and ECKART divisions. In it, ideas are generated, projects are defined and prioritized, and milestones are specified and checked for achievement. Both companies consider the cockpit model to be exemplary.

> "Our strategic cooperation with BYK is opening up new horizons for us."
>
> Gudrun Wiemann,
> Coatings Division of BASF

As a leading international manufacturer of automotive OEM coatings, automotive refinishes, industrial coatings, and decorative paints, the Coatings division of BASF has for years relied on additives from BYK and effect pigments from ECKART. These products enable BASF to adapt lacquered surfaces to various requirements such as gloss, durability, and scratch resistance and at the same time to attune the coatings to different surfaces.

## Special Quality Measurement

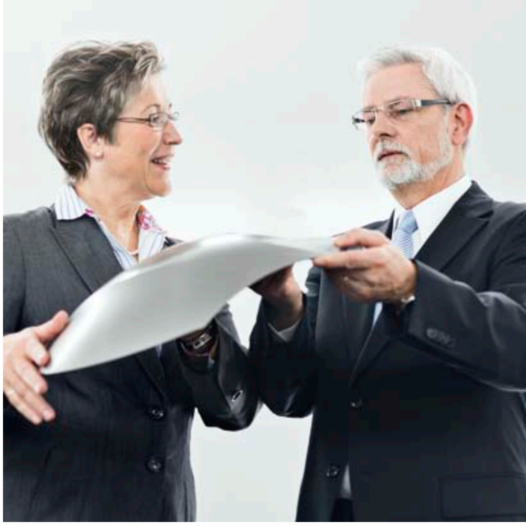
In the course of time, our divisions have proved more than once that we truly understand the concrete requirements of our customers and implement them appropriately. The best example are the investments that BYK made in its own production site in Wesel to undertake a special quality measurement desired by BASF.

With the cockpit, which was installed a while back, this proven customer-supplier relationship has obtained a new quality. The two partners are using it to jointly steer their strategic cooperation. With it, they can plan ahead and organize from Germany new projects that impact on both companies' daily activities worldwide.

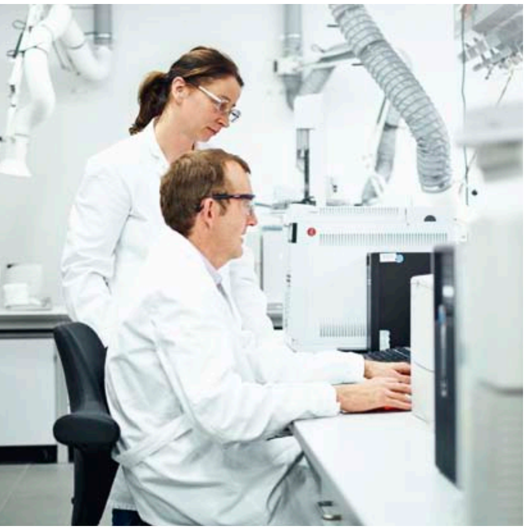
The focus of the collaboration is on the further development of products, for example, in the automotive coatings sector, and on the question of what new pigments will be used in the future. Technical issues play a key role. Together, we investigate how we can adapt additives and coatings even better to new materials, to more effective application processes, and to other challenges in the automotive and vehicle construction or the industrial coatings sectors, in order to optimize the adhesion of coatings to the respective surface, among other things.

The wealth of projects we are carrying out together proves that successful cooperation rests on openness and mutual understanding.












BYK

BYK

"In ECKART, we have found an engineering partner we can grow with."

Jürgen Maeckelburg, hubergroup

# From Co-engineering to Joint Marketing: How ECKART Supports the hubergroup

Those who plan special effects should put their trust in specialists. That was the reason why the Munich-based hubergroup sought a particularly competent supplier in its efforts to develop new metallic inks for offset printing.

The old-established manufacturer of printing inks was looking for a strong partner for the co-engineering of metallic inks, a partner that could accompany the development work with its know-how from the very outset. For the stabilization of metallic pigments in binding agents requires special expertise. The hubergroup found this partner in our ECKART division, which specializes in effect pigments and finished metallic printing inks. Even beforehand, ECKART had had a business relationship with the hubergroup for many years.

> "In ECKART, we have found an engineering partner we can grow with."
>
> Jürgen Maeckelburg, hubergroup

## High-quality Metallic Inks

The result of this co-engineering venture came on to the market in 2006. Under the brand names Alchemy and Alchemy Miracle, the hubergroup sells a range of high-quality gold and silver printing inks worldwide. They are used, among other things, for packaging and advertising material.

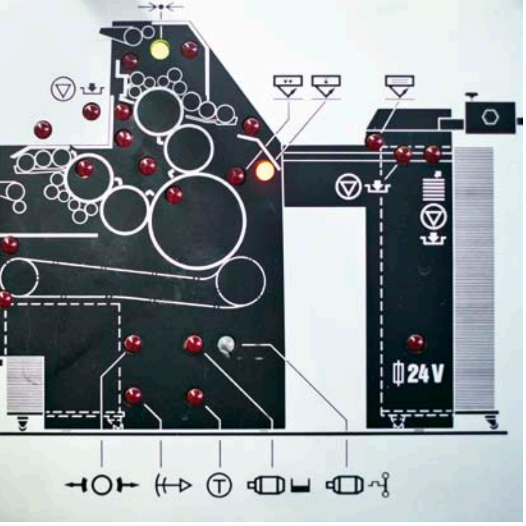
Both ink families are marketed with the explicit reference that they were developed together with ECKART and that they contain our pigments. In the case of the Alchemy Miracle premium series, these consist of specially polished, wafer-thin platelets based on aluminum. They heighten the gloss considerably, thus producing extraordinary visual effects.

Spurred on by the success of both ink families, we have further intensified our cooperation, which has lasted for years. The key account management set up at ECKART is one contributor. Our goal: We want to generate growth together. At the center of interest are new products as well as new markets.

## Sights Set on New Applications

On the one hand, we are extending our co-engineering activities to other product groups. For example, we intend to advance the offer of low-migration metallic printing inks. From a technological standpoint, this is a very complex and sophisticated project.

On the other hand, we want to develop new applications in the packaging sector together and thus open up new sales markets for our metallic ink families. To this end, we will present and advertise our products to brand manufacturers and end customers in joint marketing activities.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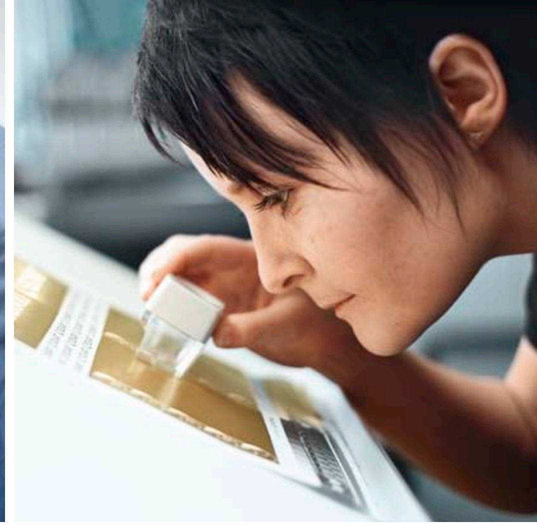
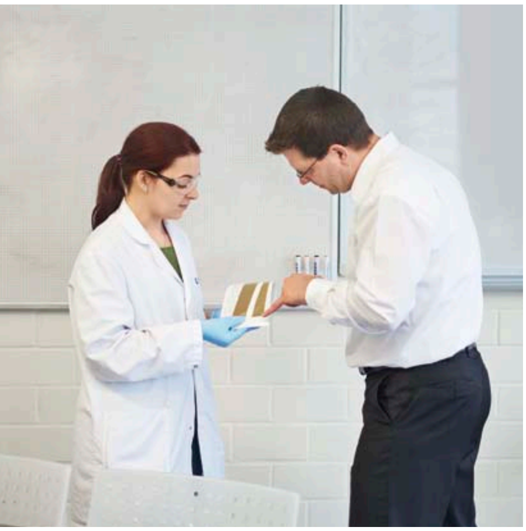



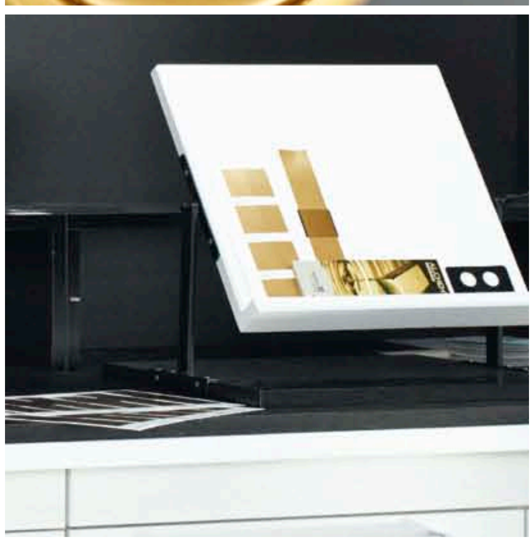

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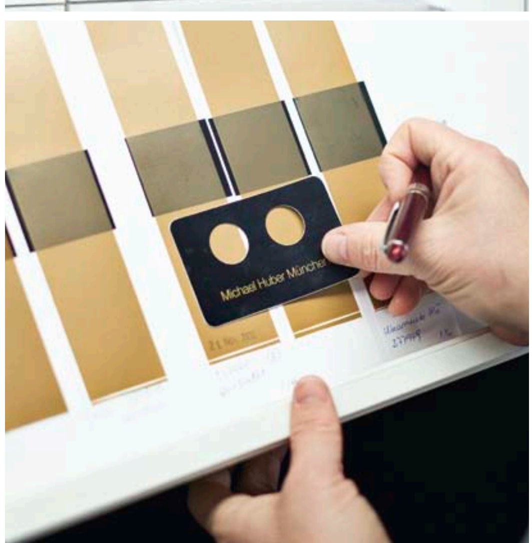
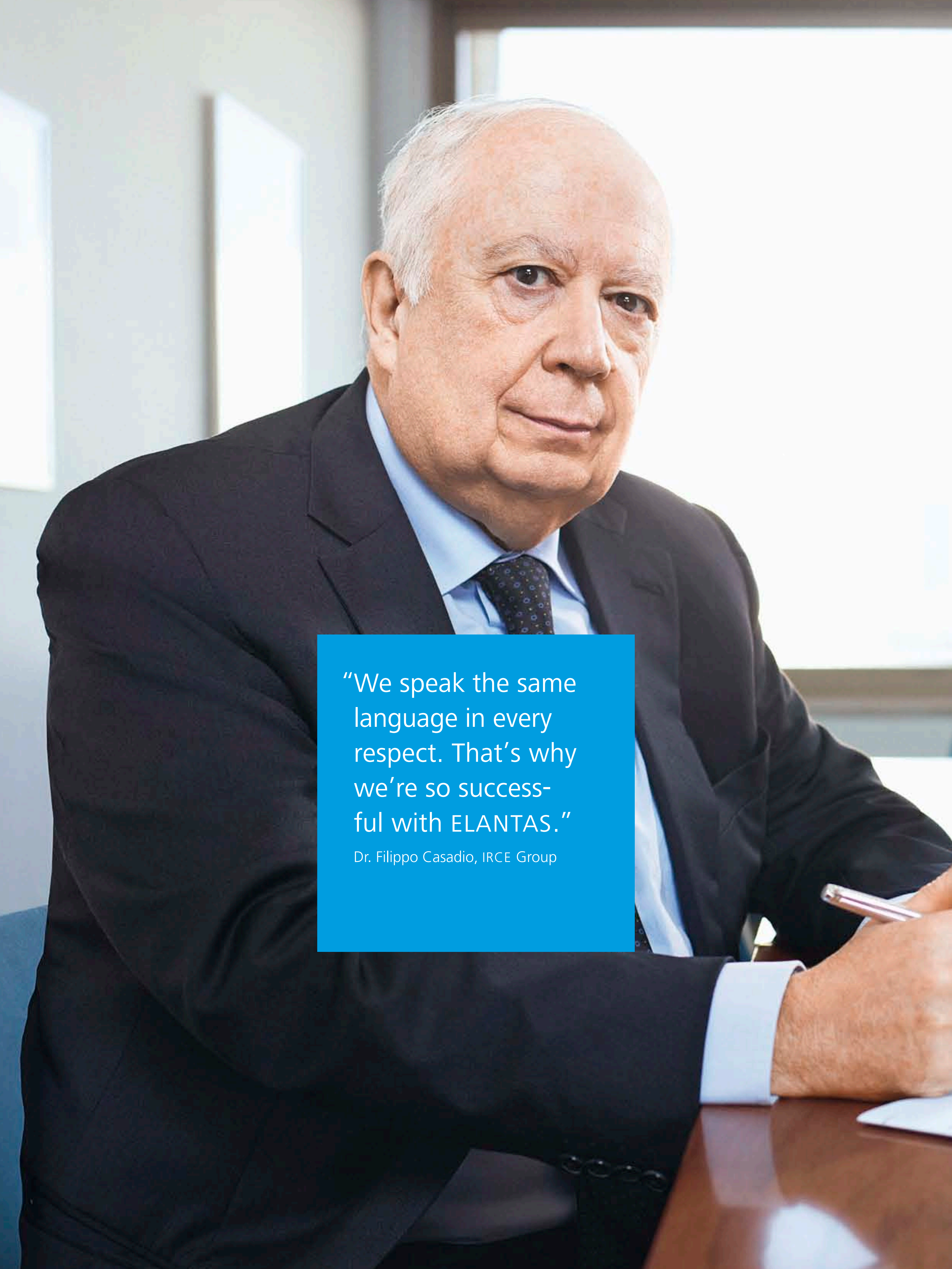

Michael Huber München

"We speak the same language in every respect. That's why we're so success-ful with ELANTAS."

Dr. Filippo Casadio, IRCE Group


IRCE Group

# Strong Partnership Setting Standards of Quality: IRCE Group and ELANTAS

Trust grows through positive experiences. When the Italian IRCE Group looked for a supplier of primary insulating materials more than 20 years ago, two things were important to the company: prompt delivery and technical service in the national language. Our ELANTAS division offered both. Within two hours, we can deliver wire enamels from our production plant in Ascoli Piceno, Italy, to Imola, where the largest production site of the globally successful manufacturer of magnet wires and cables is located.

> "We speak the same language in every respect. That's why we're so successful with ELANTAS."
>
> Dr. Filippo Casadio, IRCE Group

What began as a classic customer-supplier relationship is today a partnership that is setting standards. IRCE and ELANTAS jointly develop products and coordinate their supply chains. But that is not all. They also work together on the issue of technical standardization in the committees of the national and international electrotechnical commission. The basis of the cooperation is common values. The two companies have the same understanding of reliability and loyalty, of technical quality and value creation.

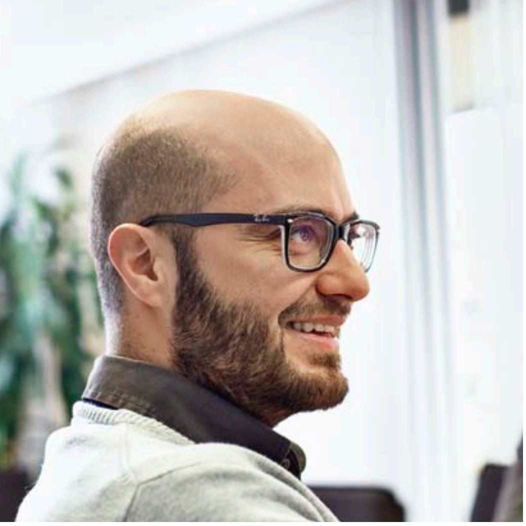
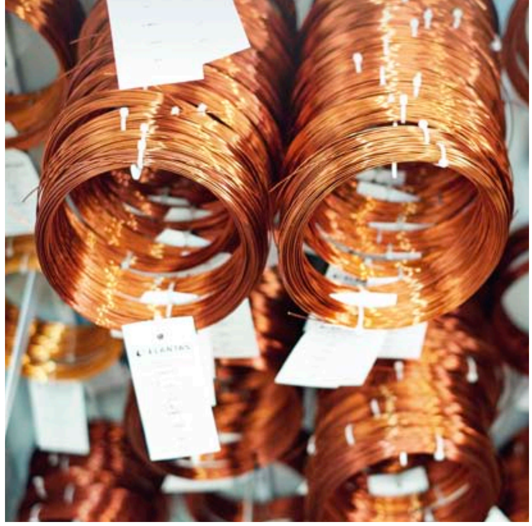
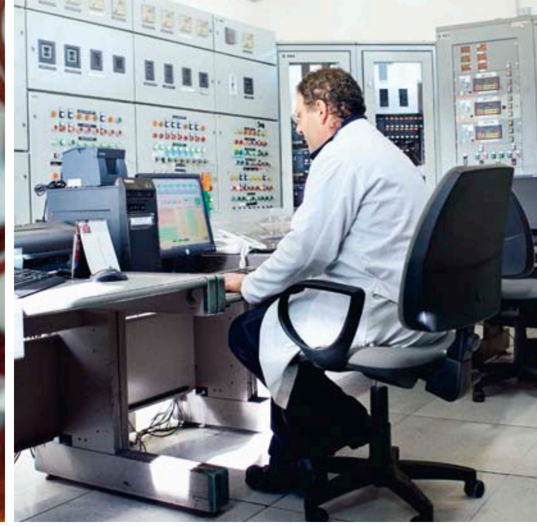
## Efficiency Offensive as a Milestone

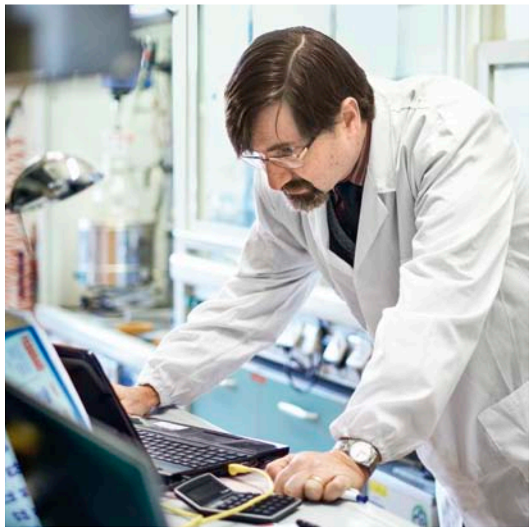
One of the milestones of the cooperation is a joint efficiency offensive. The ELANTAS development team has succeeded in precisely adapting the recipes of our insulating coatings to the production parameters of the IRCE Group. The main challenge was to achieve a high-quality, evenly distributed coating of the wires at extremely high speeds. In this way, the ELANTAS team has helped the IRCE Group make its magnet wire production more efficient. Production times have been decreased, and there are less rejects.

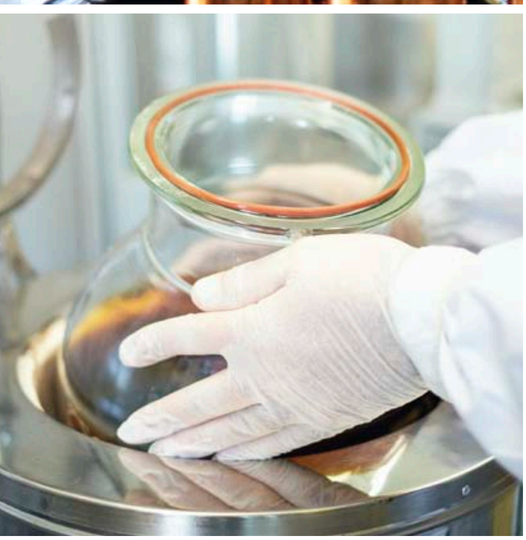
At the same time, our primary insulating materials facilitate further processing of the IRCE products. With this quality promise, IRCE can triumph in its own markets worldwide. On the basis of our comprehensive know-how regarding wire insulation, we have adapted the formulation of our primary coatings to the secondary insulation processes which take place at IRCE's customers.

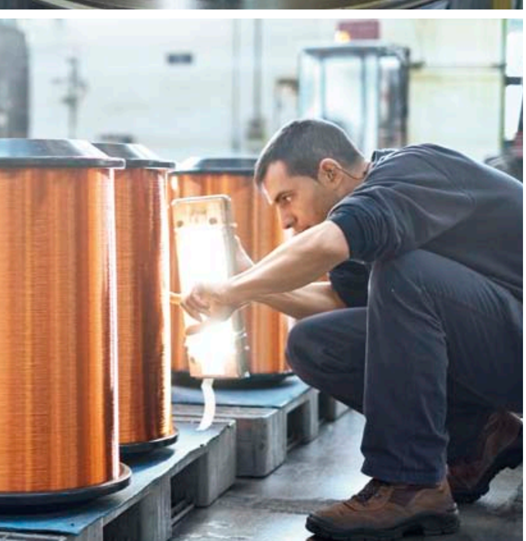
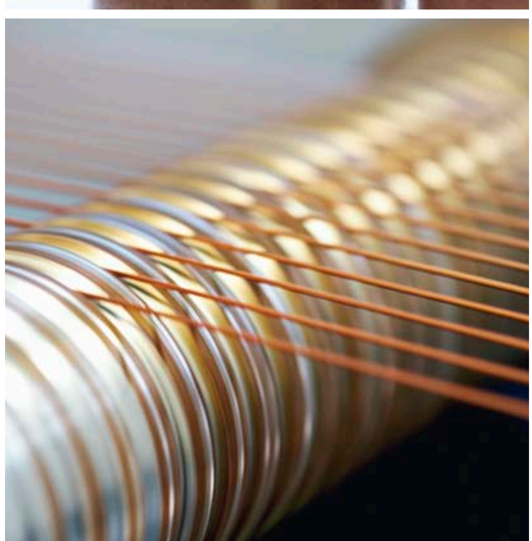
## Technological Leaders

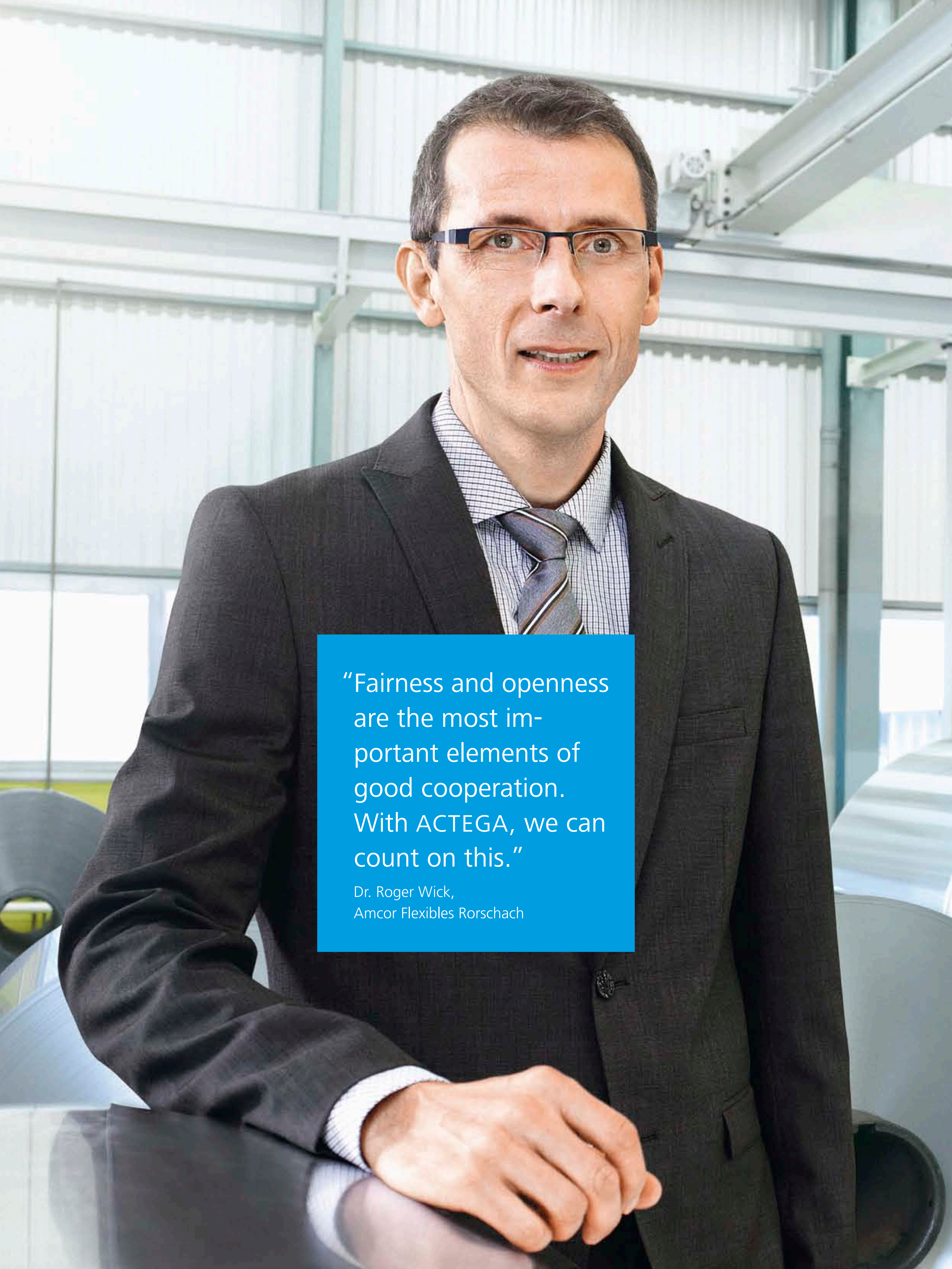
Successful cooperation requires trust, which in turn is rooted in openness. This applies not least to the exchange of knowledge and experience in complex technical matters. The partners are planning their future cooperation on these foundations. The goal is clear: Thanks to joint innovations, the two companies can occupy leading technological positions in their respective fields.





"Fairness and openness are the most important elements of good cooperation. With ACTEGA, we can count on this."

Dr. Roger Wick,
Amcor Flexibles Rorschach

# Cooperation with Brand Manufacturers: Amcor Flexibles Rorschach Develops Food and Pet Food Packaging with ACTEGA

Individual, customized special coatings – that is the recipe for success of our ACTEGA division. It is also the reason why Amcor Flexibles Rorschach, a manufacturing site of the Flexibles division of Amcor, one of the world's largest packaging groups, chose our Converting Specialties business line in the 1980s as the supplier for the coatings it uses to coat its products.

In the course of the years, a classic supplier relationship has become a partnership in which the two companies develop individual product packaging solutions together with the respective brand manufacturers. The solutions we develop with Amcor Flexibles include containers for pet food, as well as food and beverage packaging, such as capsules for coffee and tea.

> "Fairness and openness are the most important elements of good cooperation. With ACTEGA, we can count on this."
>
> Dr. Roger Wick,
> Amcor Flexibles Rorschach

### Sophisticated Coatings for Foils

The special coatings we supply serve to coat materials – for example, aluminum foil or aluminum-plastic foils – on the inside and outside. The special challenge: The coatings (which are often pigmented) have to comply with stringent food legislation and at the same time often endure very high temperatures. The latter arise, among other things, from heat sealing of the packaging materials, but also when the contents are sterilized. Not least, our coatings have to facilitate further processing such as printing. Together with Amcor Flexibles, we put together special teams for the respective project consisting of employees from both companies. In consultation with the brand manufacturers, these teams shape and supervise the entire process, from the first planning considerations, to the individual development steps, up to the final packaging solution. We also support each other in production and planning.

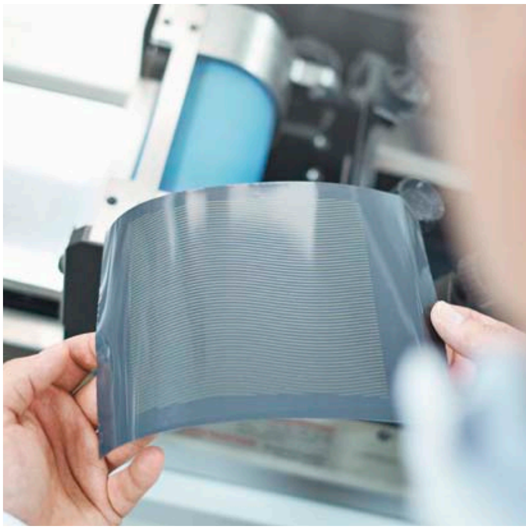
### A Network of Relationships

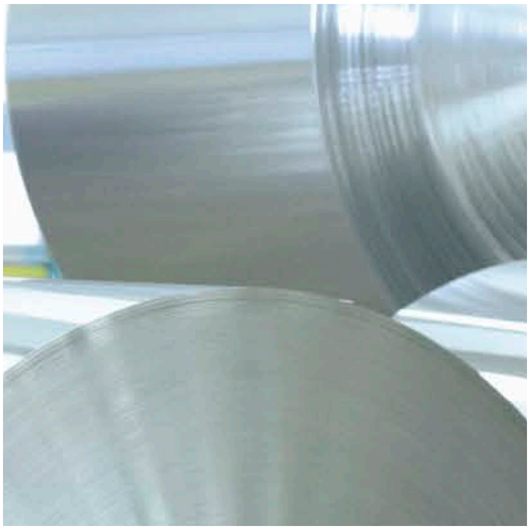
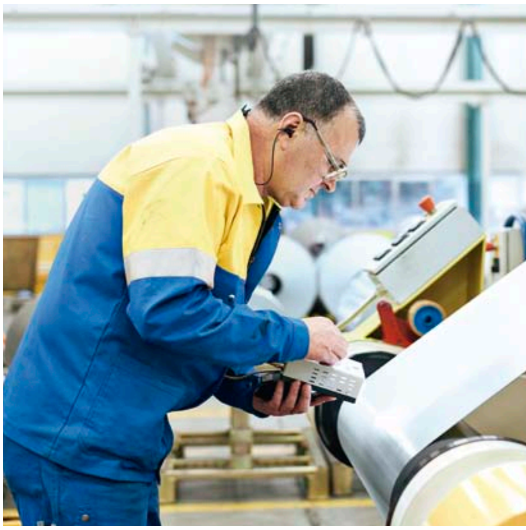
Hence in the course of the years a network of relationships has emerged at all levels of both companies, from the management to production. It constitutes the framework for the fair and cooperative dealings we have with one another and for the confidence we have in each other.

We agree that good, successful cooperation includes not only a willingness to share know-how. It thrives on the personal commitment of all of the participants to continue to take a joint path even in difficult situations. For it is precisely this which gives rise to the experiences that will drive us further forward in the future.





ACTEGA
Coatings & Sealants

# Group Management Report

In 2012, we grew our sales in an increasingly uncertain business environment, stabilized our profitability at a high level, and again made a significant contribution to the development of the company's value. Moreover, we pushed ahead our strategic orientation by concentrating our range of services on niche markets in the specialty chemicals sector. In the new business year, we will continue to introduce innovative products and open up new markets. As a result, we are in an excellent position to continue on our profitable growth path in the years to come.

# Business Model

## Organization and Legal Structure

The ALTANA Group bundles the competence of around 60 subsidiaries and associated companies in the development, manufacture, and sale of specialized chemical products and services. In 2012, more than 5,300 employees achieved Group sales of more than €1.7 billion.

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

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

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

The decentralized organizational structure, with ALTANA AG as the management holding company, combines the individual operating units' ability to act swiftly and cater to customers with the advantages of a financially strong and internationally active Group. The organization is designed to adapt flexibly to changed market conditions and an increasingly volatile economic environment. In addition, new activities can be integrated in the organization at short notice.

## Business Activity and Divisions

As a globally active specialty chemicals company, ALTANA focuses its core activities on sophisticated markets and customers who need individual solutions, particularly in the coatings, surface refinement, and functional packaging sectors.

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

### Activities of the Divisions

#### BYK Additives & Instruments

The Additives & Instruments division is one of the leading suppliers of special-purpose ingredients, so-called additives, used in coatings, paints, plastics, and other industrial applications. The division's products, most of which are used in only small amounts, have a decisive influence on the properties of the end products or enable the client to improve its manufacturing process. Wetting and dispersing additives, which are the strongest-selling product group, lead to an improved distribution of color pigments and filling materials, for example in coatings and plastics. Air-release additives and defoamers prevent foaming during the process of manufacturing coatings and paints, for instance, as well as in end customers' applications. With the help of surface additives, shiny, matte or smooth surfaces can be produced. Another product group, rheological additives, influences the flow

**Business divisions and product portfolio**

ALTANA

| BYK Additives & Instruments | ECKART Effect Pigments | ELANTAS Electrical Insulation | ACTEGA Coatings & Sealants |
|---|---|---|---|
| Paint additives | Coatings | Primary insulation | 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 | | |

behavior of liquid coatings and plastic systems. Finally, the division makes measuring and testing instruments, which can be used to determine surface properties, color shades, and mechanical properties.

BYK-Chemie GmbH, Wesel, Germany, is the management company of Additives & Instruments. It is also the additives division's biggest production and development site and the ALTANA Group subsidiary with the highest sales. Additives are also produced at other sites in Germany, the Netherlands, the U.S., and China. All of the measuring and testing instruments are manufactured at a site in southern Germany.

Additives & Instruments markets its products under the brands BYK (additives) and BYK-Gardner (instruments). Its main customers are in the coatings, printing inks, and plastics industries. Due to its comprehensive service portfolio, ranging from additives to improve coatings and plastics properties, to instruments for objective assessment of color and physical properties, the division is a valuable system supplier and partner of coatings manufacturers and plastics processors.

The products are sold by the division's own companies and branches in the important regional markets, as well as via a dense network of dealers and agents worldwide. The division generates the highest share of its sales in Europe, followed by Asia and the Americas. The largest individual market is the U.S., followed by Germany and China, where sales are more or less equal.

The division is among the most innovative suppliers in its markets. It continually expands and supplements its product portfolio. To gear its innovation activities closely to the needs of the markets, Additives & Instruments has its own network of development laboratories, which cooperate closely with regional customers in the respective markets. At the same time, new fields of application are continually opened up for existing or new products. For example, the division's additives are used in paper surface refinement products, for the manufacture of adhesives and sealants, and in construction chemicals.

### ECKART Effect Pigments

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

Aluminum-based effect pigments comprise the largest part of the division's business. They are used by customers in particular to achieve silver and other metallic effects, e. g. for car paints. Copper effect pigments are used to generate golden effects in paints, printing inks, and plastic products. Zinc pigments, on the other hand, are processed by customers in special paints used to achieve functional properties, particularly for corrosion protection. Aluminum pigments are also used for functional purposes, for example for the manufacture of aerated concrete.

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

The effect pigments are marketed predominantly via the division's own sales structures, but also via sales partners. Like the Additives & Instruments division, the Effect Pigments division's important customers include international manufacturers of coatings, printing inks, and plastics. Further important customers are producers in the construction industry and the cosmetics sector. Effect Pigments achieves more than half of its sales on the European continent, primarily in the largest individual market, Germany. The sales volumes in the Americas and Asia are roughly equal.

As one of the leading manufacturers of metal effect pigments, the Effect Pigments division continually pushes forward the development of new product qualities and opens up new fields of application on the basis of sophisticated technological expertise and many years of know-how. A particularly important aim of the division is to expand the possibilities of functional usage of its products – on the one hand, to tap new growth potential, and on the other to make its activities less dependent on color trends.

### ELANTAS Electrical Insulation

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

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

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

Electrical Insulation's most important sales region by far is Asia, and particularly China. A high proportion of the division's global manufacture of electrical and electronic components and consumer goods is concentrated in this region. The division has had its own production sites in China and India for years and has accompanied many internationally active customers as they built up their own regional production structures. After China and the U.S., Electrical Insulation's most important regional sales markets are India and Italy.

On the basis of comprehensive expertise in the manufacture and application of liquid insulating systems, the division will continue to expand its activities. The focus is on the development of new insulating materials to open up hitherto untapped market potential and the application of specific polymerization know-how to enter new product segments.

### ACTEGA Coatings & Sealants

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

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

Important product groups of the division include water-based coatings and printing inks, as well as sealants and adhesives used to make packaging materials. A focal point of its product portfolio is geared specifically to the needs of the food industry with its high quality requirements. Another important part of the portfolio comprises printing inks and overprint varnishes used by customers in the graphic arts industry. The division bundles its diversified product portfolio under the umbrella brand ACTEGA. Coatings & Sealants' largest regional sales market is Europe, followed by the Americas. Germany and the U.S. are the most important individual markets of Coatings & Sealants.

In recent years, the division has focused on markets with above-average growth potential, making acquisitions in these areas and divestments in others. Together with the packaging industry, it develops new and improved functionalities. Its innovation activities primarily aim to improve the safety and shelf life of packaged foods.

### Important Influences on Business Development

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

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

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

The competitive situation in the different product-specific market segments can have similar effects on customer behavior. The entry of new manufacturers into a market or withdrawal of existing manufacturers from a market and the competitors' prices can have a short-term effect on demand if one's own products can be substituted for.

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

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

## Strategy and Control System

### Strategy

Current market requirements, and market demands expected for the future, determine the ALTANA Group's corporate action. The success and satisfaction of customers are at the center of our business endeavors. Our top financial priority is to sustainably increase the company's value. To implement this focus successfully, ALTANA pursues a clear strategy of orienting itself to profitable growth in future-oriented specialty-chemicals markets.

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

We are continually expanding our specialized portfolio through operating growth and by regularly acquiring businesses or business activities. As a result, our market positions keep on improving and new value creation steps are integrated in the Group. This also gives us access to new markets and technologies.

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

### Control System and Goals

ALTANA's control system is fundamentally oriented to the goal of a sustainable increase in the company's value. A number of financial ratios are derived whose developments are analyzed and for which operating target values exist.

A change in the company's value in a given period is calculated by using the so-called ALTANA Value Added (AVA). The absolute AVA is calculated by subtracting the cost of capital employed in the Group from the operating earnings. The relative AVA constitutes this difference in proportion to the capital employed. The starting point for the calculation of the operating earnings are earnings before interest and taxes (EBIT), which are adjusted for acquisition-related special effects and from which a calculated tax burden is deducted. The capital employed, in turn, encompasses those components of the assets and liabilities needed for the achievement of business purposes. The cost of capital is determined from the weighted average of cost of debt and cost of equity. We regularly examine the weighted average cost of capital but only adjust it for the calculation of the AVA if it exceeds or falls below a certain range. In the last few years, we set our weighted average cost of capital at 8 %.

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

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

Sustainable profitable sales growth helps form the basis for a long-term increase in our operating earnings and thus in the value of the company. ALTANA's goal is to exceed the market's growth in the most important sales segments and thus to constantly obtain market shares. In the medium to long term, we aim to achieve an average annual sales growth of 10 %. Of this amount, nearly 6 % should be generated by operating growth and the rest through the acquisition of new companies and activities. The aim of our acquisitions is to purchase supplementary activities for our existing divisions and to possibly integrate a completely new division. Our average annual sales growth in the last ten years was roughly in line with our target level.

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

Other financial indicators also help us analyze and control profitable growth. The most important ones are cost figures (cost of materials and functional costs).

The level of orders is not an essential financial control parameter in the Group. As a rule, our products are delivered to customers about two to four weeks after they were ordered. This period is too short to use the receipt of orders as a control figure or to derive measures from it.

In addition to achieving long-term profitable sales growth, another focus to increase the value of the company is control of the operating capital. The main performance indicators in this context are the development of fixed assets and of net working capital.

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

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

To guarantee that all activities are geared to the Group's strategy, there are also non-financial key performance indicators. But these play only a subordinate role within the framework of Group management and control and are limited to a qualitative evaluation of activities whose financial measurability is restricted.

They include data for evaluating innovativeness, for analyzing sales markets and the position of competitors, and for gauging customer satisfaction.

### Integrated Planning Processes

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

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

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

During a business year, the financial planning for the current year is updated several times. This planning component is used to assess and control short-term business developments as well as to see whether we have achieved our goals.

# Business Development

## General Business Setting

### Overall Economic Situation

The momentum of the global economy abated further in the course of 2012. The International Monetary Fund (IMF) currently estimates that, at just over 3 %, the increase in the real gross domestic product in 2012 will be lower than that of the previous year (3.8 %). The slackening growth is due on the one hand to the economic crisis in parts of Europe, triggered by the government debt crisis, the ongoing instability of the financial sector, and uncertainty about the impact this will have on the real economy. Another reason was that a few emerging economies – particularly China – could not grow as much as in the previous years.

The weakening of the global economic growth is reflected by the development of the German economy, which was hit particularly hard by the European economic crisis. According to the calculations of the German Federal Office of Statistics, the gross domestic product in Germany rose by 0.7 % in 2012, after an increase of 3.0 % in the previous year. In a difficult global economic environment, the German economy benefited once again from its strong international exports. Private and government consumption also contributed to the growth, while investment expenditure decreased.

With its growth, the German economy proved to be more robust than the economies of many other European industrial nations. Overall, the economic performance of the Euro countries fell slightly by 0.5 % in 2012. Southern European countries, in particular, are suffering from harsh recessions, accelerated by increasing public debt and the resulting spending cuts.

The U.S., however, was able to increase its gross domestic product in 2012 (+2.2 %), and South America's burgeoning economy was also able to keep growth at a satisfactorily high level (+3.2 %, according to IMF forecasts).

While Asian countries still achieved stronger growth than other core economic regions, the growth was noticeably weaker than in 2011. According to current IMF estimates, the increase in China's gross domestic product fell to below 8 %, after a growth rate of 10 % in the previous years.

**Industry-specific Framework Conditions**

The downturn of the world economy also placed a burden on the chemical industry. The European Chemical Industry Council (CEFIC) estimates that the production of chemical goods in Europe decreased by 2 % in 2012. In Germany, it is expected to have declined by 3 % (according to a current estimate of the Chemical Industry Association in Germany). The main reason for this development was decreasing demand in the construction sector and other branches of industry important for the chemical industry (e. g., the automotive industry). Due to the general economic situation, other industrial nations worldwide also recorded lower production and sales levels in the chemical industry.

The crude oil markets remained very volatile in 2012. Influenced by geopolitical events and uncertainty about how the economy would develop in certain regions, crude oil prices fluctuated widely, particularly in the first half of the year, before stabilizing somewhat in the last months of 2012.

**Important Events for Business Development**

The ALTANA Group's business activities in 2012 were primarily influenced by the general economic situation. Apart from that there were no other specific factors of influence that had a significant effect on the demand for products and services offered by our divisions.

Non-operating influences on the Group's earnings resulted from the development of currency exchange rates. In 2012, the exchange rates between the Euro and the U.S. Dollar, the Chinese Renminbi, and the Japanese Yen were at a different level than in the previous year. As an important part of our business activities is focused on these countries, the conversion of the positions of the income statements of the respective Group companies from the specific local currency to the Euro, the Group's currency, had positive sales and earnings effects compared to the previous year.

Group sales and earnings in the year under review were also impacted by the acquisition and sale of companies and activities. The results of the ACTEGA Colorchemie Group (Coatings & Sealants division), which was acquired in July 2011, were included in the ALTANA Group's consolidated financial statements for a full business year for the first time. The sale of our cosmetics business based on natural mica (Effect Pigments division) in January 2012, on the other hand, led to a slight decrease in sales, for structural reasons, in comparison to 2011, while the acquisition of the production of Metalure pigments in the fall of 2011 had a positive effect on earnings. The activities for specialty wax additives in the U.S. acquired at the end of 2012 did not yet make sales or earnings contributions to the Additives & Instruments division in the past business year. Only the takeover of the employees and inventories had an influence on the Group's key figures.

## Business Performance

**Key figures**

| | **2012** | 2011 | Δ % | Δ % op.[1] |
|---|---|---|---|---|
| in € million | | | | |
| Sales | 1,705.3 | 1,616.7 | 5 | 1 |
| Earnings before interest, taxes, depreciation and amortization (EBITDA) | 323.2 | 308.0 | 5 | -1 |
| *EBITDA margin* | *19.0 %* | *19.1 %* | | |
| Operating income (EBIT) | 226.9 | 217.0 | 5 | |
| *EBIT margin* | *13.3 %* | *13.4 %* | | |
| Earnings before taxes (EBT) | 217.2 | 207.7 | 5 | |
| *EBT margin* | *12.7 %* | *12.8 %* | | |
| Earnings after taxes (EAT) | 154.7 | 147.5 | 5 | |
| *EAT margin* | *9.1 %* | *9.1 %* | | |

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

### Group Sales Performance

In 2012, Group sales rose by 5 %, or €88.6 million, to €1,705.3 million (previous year: €1,616.7 million). The growth in 2012 was decisively influenced by positive effects from changed exchange-rate relations and by acquisitions. 3 % of the total sales increase is attributable to exchange-rate effects. The main driver for this development were the significantly changed exchange-rate relations, on an annual average comparison, between the Group currency, the Euro, and the U.S. Dollar and the Chinese Renminbi. In the previous year, changed exchange rates still put a slight burden on our sales performance.

Acquisitions had a positive effect of 1 % on sales growth. This growth was due almost solely to the incorporation of ACTEGA Colorchemie Group, which we acquired in the middle of 2011 and which was included in ALTANA's consolidation for a full business year for the first time in 2012. Other effects from acquisitions and divestments played only a subordinate role for the sales performance.

Operating sales, adjusted for the effects mentioned, rose by 1 %, which was due exclusively to the year-on-year product mix improvement and price increases. However, there was no operating change in sales volume compared to 2011.

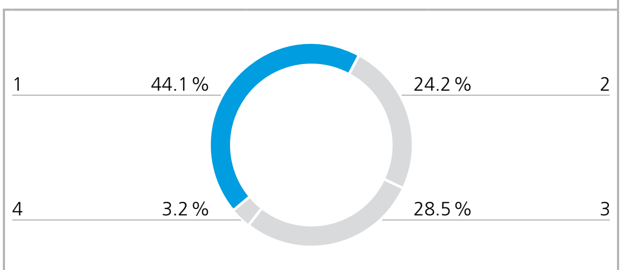
As in the previous year, the sales dynamics in the different regions were not uniform. Our business activities in North and South America achieved steady growth in the course of 2012. Nominal sales in this region grew by 10 %, higher than in the Group's other core regions. However, a large part of this sales growth was due to positive exchange-rate effects resulting from changes in the value of the U.S. Dollar in relation to the Euro. Adjusted operating growth reached 4 %.

The nominal sales growth in Asia was roughly the same as the operating growth. At 9 %, the nominal sales growth was significantly higher than in the previous year. In the first half of 2012, however, the growth rates in Asia, and especially in China, were at a lower level. During this period, our operating sales were even lower than in 2011. Only in the second half of 2012 did the sales situation in Asia improve significantly, with sales growing by a double-digit figure compared to the weaker second half of 2011. Adjusted for exchange-rate effects, operating sales in Asia climbed by 4 % in 2012, almost on a par with the Americas region.

Due to declining demand in many southern European countries, the sales growth in the Europe region was not as high as in other core regions. Nominal sales growth was 1 %. This growth, however, was positively influenced by the acquisition of the ACTEGA Colorchemie Group in the middle of 2011. The companies in this group gear their business activities almost exclusively to customers in Europe. Adjusted for acquisition and exchange-rate effects, operating sales in Europe were down by 2 % compared to 2011.

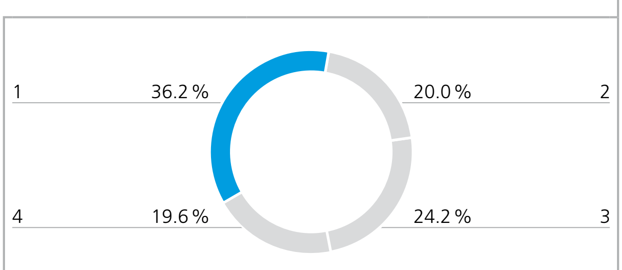
Shifts in the regional structure of the sales volume resulted from different growth momentums. At 44 % in 2012, the share of sales achieved in Europe was lower than in the previous year (46 %), while this percentage in the other

**Sales by region**




| in € million | 2012 | 2011 | Δ % | Δ % op. |
|---|---|---|---|---|
| 1 Europe | 751.7 | 740.8 | 1 | -2 |
| *thereof Germany* | *266.1* | *258.5* | *3* | *-3* |
| 2 Americas | 412.0 | 373.3 | 10 | 4 |
| *thereof U.S.* | *268.4* | *243.2* | *10* | *2* |
| 3 Asia | 486.1 | 447.7 | 9 | 4 |
| *thereof China* | *252.5* | *228.5* | *10* | *2* |
| 4 Other regions | 55.5 | 54.9 | 1 | 1 |
| **Total** | **1,705.3** | **1,616.7** | **5** | **1** |

**Sales by division**




| in € million | 2012 | 2011 | Δ % | Δ % op. |
|---|---|---|---|---|
| 1 Additives & Instruments | 618.4 | 581.9 | 6 | 3 |
| 2 Effect Pigments | 340.5 | 346.8 | -2 | -4 |
| 3 Electrical Insulation | 412.5 | 390.9 | 6 | 2 |
| 4 Coatings & Sealants | 333.9 | 297.0 | 12 | 2 |
| **Total** | **1,705.3** | **1,616.7** | **5** | **1** |

two regions increased. Sales in Asia accounted for 29 % of Group sales, sales in the Americas for 24 %.

The development of both sales volumes and revenues was largely in line with the expectations published in our outlook section of the 2011 annual report. In the Group management report, we had forecasted that the operating sales volume would not change significantly compared to the previous year and that we expected a sales growth in the lower single-digit range. Due to the difficult economic environment, the sales performance at the Group level was below our medium-term strategic target.

### Sales Performance of BYK Additives & Instruments

The Additives & Instruments division boosted its sales in the business year 2012 by 6 % to €618.4 million (previous year: €581.9 million). The increase was partially due to positive effects from exchange-rate changes and low sales growth from the acquisition of BYK Kometra, made at the beginning of 2011, which together account for 3 %. With operating sales growth of 3 %, the division achieved the highest operating growth in the ALTANA Group. In comparison to 2011, the sales growth accelerated in the course of the year. In the second half of the year, the growth rates were considerably higher than in the first six months of 2012.

Both the demand for coatings additives and the sale of products for the plastics industry and industrial applications increased in the course of the year. Nearly all of the application areas contributed to this, despite the partially only moderate development of consumer demand in the automotive and construction sectors. Additives for industrial applications and our business with measuring and testing instruments showed especially strong growth. Both product groups achieved double-digit growth rates.

In terms of regions, Asia and the Americas achieved the highest sales growth. The main drivers were the division's most important individual markets, the U.S. and China. In the last months of 2012, our sales growth in China was particularly strong compared to the weaker final months of the previous year. Sales with European customers, however, fell slightly in some countries compared to 2011.

At the end of 2012, Additives & Instruments acquired the activities of Chemical Corporation of America Inc., a U.S. manufacturer of specialty wax additives. As a result, the division expanded its U.S. business with water-based wax products and special additives for a number of applications.

**Sales Performance of ECKART Effect Pigments**

Sales in the Effect Pigments division amounted to €340.5 million, a slight decrease of 2 % compared to the previous year (€346.8 million). Various influences were responsible for the decline. Due to the general market slowdown, the ongoing shift of interest from silver effects to white, black, and color hues, and growing price pressure triggered by fiercer competition, the sales volume was lower than in the previous year. This development could not be completely offset by positive exchange-rate effects. In the course of the year, there were seasonal influences, and there was a significant downturn in market demand in the second half of 2012.

The decrease in sales concerned nearly all of the division's product groups and application areas. The fashion trend away from the use of metallic effects continued in 2012. Demand in the automotive sector and for industrial coatings applications was particularly affected. In the use of effect pigments on print products in the graphics industry, there is an ongoing tendency toward products with lower refinement. Business encompassing products for the cosmetics industry showed a positive development. The mounting demand for some new product developments also ensured that the division could almost maintain its sales level in this challenging environment.

The market development was generally difficult in all regions. Due to the economic development in some of the individual markets that are important for the division, sales decreased the most in Europe. In the Americas and Asia regions, the Effect Pigments division was able to achieve a nominal sales increase. But this was primarily due to positive effects from exchange-rate changes compared to 2011.

**Sales Performance of ELANTAS Electrical Insulation**

The Electrical Insulation division continued its growth trend, achieving a sales increase of 6 % in the business year 2012. The division generated total sales of €412.5 million (previous year: €390.9 million). Even after the adjustment for positive exchange-rate effects there was an increase in sales, in spite of the overall weak economic situation, which generally has a strong influence on the demand for the division's electrical insulation products. In all quarters of 2012, Electrical Insulation achieved sales growth in comparison to the respective figures of the previous year.

Important drivers for the operating sales growth were price increases and a higher sales volume in the field of secondary insulation.

The sales growth was not uniform in the regions. By far the strongest growth was achieved in the Americas. Even adjusted for the strong positive exchange-rate effects, sales grew by a high single-digit figure. The division's sales growth in the Asia and Europe regions was considerably lower. In both regions, sales increased only slightly in a year-to-year comparison. In Europe, the economic crisis in a few southern markets impeded a stronger sales development, and in Asia – outside China – demand developed only moderately.

**Sales Performance of ACTEGA Coatings & Sealants**

The Coatings & Sealants division recorded the highest nominal sales growth in 2012. The sales volume reached €333.9 million (previous year: €297.0 million), 12 % higher than in 2011. But the increase was driven by the fact that the Colorchemie Group, which was acquired in mid-2011, was included in consolidation for a full business year for the first time in 2012. Adjusted for this effect, and for positive exchange-rate changes, operating sales rose by 2 %. Due to Coatings & Sealants' ongoing orientation to profitable market segments, the sales growth in 2012 was based again on the changed product mix with a shift toward higher-grade products. In operating terms, however, the volume of sales decreased slightly.

Coatings & Sealants achieved good sales growth in its business with functional products for the packaging industry. There was a higher demand particularly for sealants and coatings used in the food industry. New product developments had a high share in the sales, which benefited from the trend toward environmentally friendly applications. The graphic arts industry's demand for overprint varnishes and special coatings did not develop as well in some areas.

In terms of regions, the sales growth was mainly driven by the higher demand in the emerging countries in Central America, South America, and Asia. Asia recorded the highest operating growth rates. At a significantly higher absolute sales level, the division also increased its sales in the Americas. Sales in Europe, adjusted for effects from the acquisition of the Colorchemie Group, remained at the previous year's level.

## Earnings Situation

The sales increase is reflected by the development of the important Group earnings figures. Earnings before interest, taxes, depreciation and amortization (EBITDA) rose to €323.2 million in 2012 (previous year: €308.0 million). At 5 %, this increase was on a par with the sales growth. The EBITDA margin was 19.0 %, roughly the same as in the previous year (19.1 %), and therefore continued to be in the strategic target range of 18 % to 20 %. Like sales, earnings grew by a low single-digit percentage, as forecasted in the outlook section of the 2011 annual report.

In terms of the important cost factors, different influences played a role. The cost of materials ratio, i.e. the ratio of raw material costs to sales, fell slightly from 45.8 % in 2011 to 45.0 % in the past business year. This is attributable to the relatively stable raw materials prices, which go hand in hand with slightly rising sales prices and the shift toward higher-grade special products.

Other important types of costs, however, showed above-average increases. Personnel expenses, in particular, rose more sharply than sales, due to the general increase in standard wages and the continual expansion of the workforce. This development impacts all functional cost areas. The backward integration in the Effect Pigments division carried out in 2011, due to the acquisition of the production of Metalure pigments as well as the acquisition of the Colorchemie Group, had an additional influence on the cost figures in 2012.

Production as well as selling and distribution expenses increased at a comparable level. Higher personnel expenses and significantly increased depreciation and amortization resulting from the company's investment activity were the most important reasons for the increase in the production costs. Added to that are the costs for energy, above all for the energy-intensive production steps for the manufacture of effect pigments. The selling and distribution expenses, as well as the production costs, were influenced by the higher personnel expenses. At the same time, directly sales-dependent costs – such as freight costs and sales commissions – rose as a result of the sales increase. With the continual expansion of our sales activities, advertising and travel expenses also increased.

Of all the function cost areas, research and development recorded the highest cost increase. The expansion of our activities toward the development of new technologies and products was consistently oriented to the potential identified for the coming years. Within the research and development expenses, personnel expenses as well as depreciation and amortization and consulting expenses therefore also increased.

General administration expenses grew at a disproportionally low level compared with the other function cost areas. The increase is due to the rise in personnel expenses.

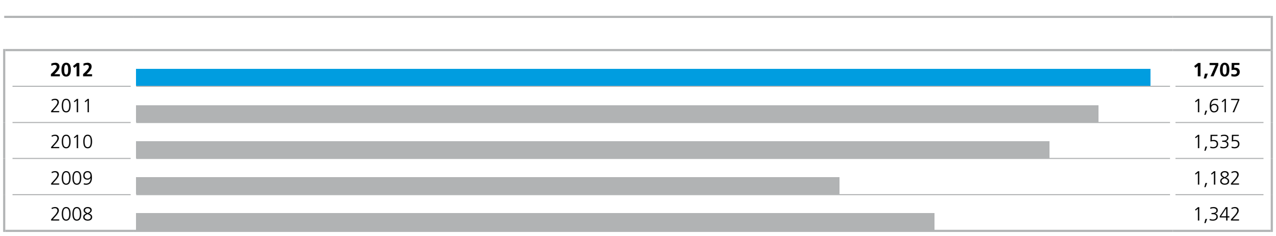
In tandem with the EBITDA, earnings before interest and taxes (EBIT) grew by 5 % to €226.9 million (previous year: €217.0 million). The increase in depreciation and amortization parallel to the sales growth resulted from the continuous expansion of production capacities, and particularly research and development capacities, in the previous years.

The financial result amounted to €-10.8 million, roughly the same as the previous year's level (€-10.0 million). In 2012, the financial result included foreign exchange losses, while in 2011 there were foreign exchange gains. On the other hand, there were no impairment losses on marketable securities, as still recognized in the previous year.

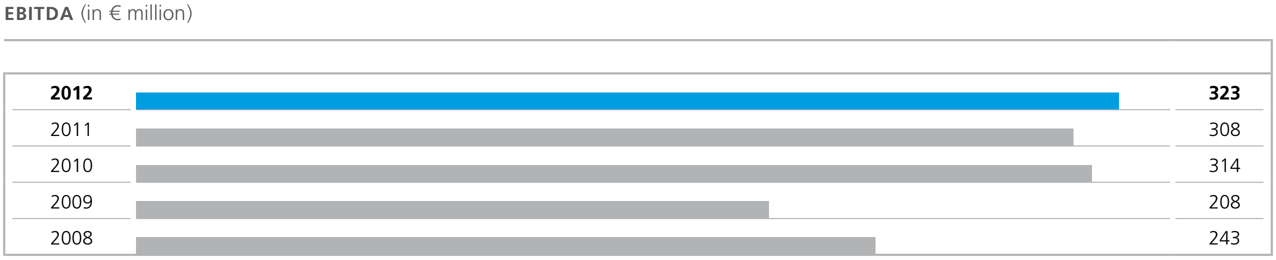
Earnings before taxes increased by €9.5 million to €217.2 million (previous year: €207.7 million). Net income climbed by 5 % to €154.7 million (previous year: €147.5 million).

### Multi-period overview of the earnings situation

**Sales** (in € million)



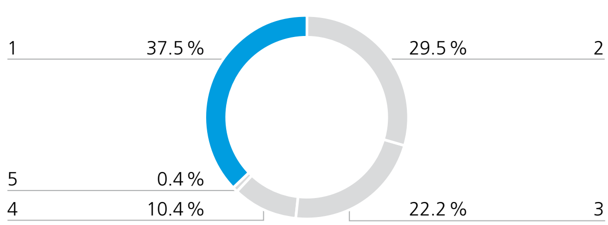

**EBITDA** (in € million)



## Financial Position

### Capital Expenditure

**Capital expenditure by division**




| in € million | **2012** | 2011 | Δ % |
|---|---|---|---|
| 1 Additives & Instruments | 33.6 | 45.4 | -26 |
| 2 Effect Pigments | 26.5 | 21.5 | 23 |
| 3 Electrical Insulation | 19.9 | 17.7 | 13 |
| 4 Coatings & Sealants | 9.4 | 7.8 | 20 |
| 5 Holding | 0.3 | 1.1 | -72 |
| **Total** | **89.8** | **93.5** | **-4** |

Amounting to €89.8 million, capital expenditure on intangible assets and property, plant and equipment was only slightly below the previous year's figure (€93.5 million). It was not possible, however, to implement all of the projects in the planned scope or the planned time frame. Therefore, our capital expenditure in 2012 was lower than we had expected in the outlook section of the 2011 annual report (around €100 million). Comprising 5.3 % of Group sales, investments remained within our strategic target range of 5 % to 6 %, though.

Of the total capital expenditure, €77.4 million were invested in property, plant and equipment (previous year: €81.9 million). In all of our divisions, we purposefully expanded the existing production capacities and implemented efficiency measures. Another focus of our investment activity was the expansion of capacities in the area of technology and product development. Group-wide, we invested a total of €12.4 million (previous year: €11.6 million) in intangible assets, particularly in the continuous expansion and optimization of our ERP structures in 2012.

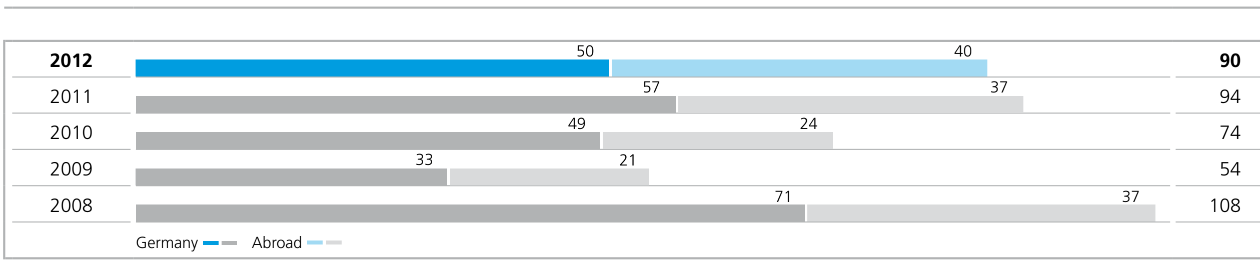
As the largest part of our production infrastructure is in Germany, more than half of our investments were made in German sites. We also made significant investments in the U.S., China, Italy, and the Netherlands.

In the Additives & Instruments division, investments focused on the expansion of production capacities for special plastic modifiers at the site of BYK Kometra, which we acquired in 2011. In addition, the first steps were implemented within the framework of the extensive expansion of the production capacities for coatings and plastics additives in the U.S. The division also invested in expansions and efficiency measures implemented at all of its sites. In all, Additives & Instruments' capital expenditure amounted to €33.6 million in 2012 (previous year: €45.4 million).

The Effect Pigments division's capital expenditure amounted to €26.5 million in the business year 2012 (previous year: €21.5 million). The largest share was invested in the division's biggest production site in Güntersthal. Investment focuses included efficiency measures in the production of gold-bronze pigments and expenditure for implementing ERP systems. Major investment projects were also implemented at the sites in the U.S. and Switzerland. Due to the division's high degree of value creation in the production of effect pigments, regular replacement and expansion measures accounted for a large part of its investment activity again in 2012.

At €19.9 million, the Electrical Insulation division's capital expenditure was higher than in the previous year (€17.7 million). The increase was due on the one hand to the expansion of the ERP systems at the division's Italian sites. On top of that, investments were made to modernize research and development as well as administrative facilities

**Capital expenditure ALTANA Group** (in € million)




at our U.S. site, and to expand production and development capacities in Germany and Italy.

The capital expenditure of the Coatings & Sealants division amounted to €9.4 million in 2012 (previous year: €7.8 million). Investments were made at all of the division's major sites.

## Balance Sheet Structure

### Key figures

| | 2012 | 2011 | Δ % |
|---|---|---|---|
| in € million | | | |
| Total assets | 2,121.3 | 2,001.9 | 6 |
| Shareholders' equity | 1,498.2 | 1,417.1 | 6 |
| Net debt (-)/ Net financial assets (+)[1] | 68.2 | (26.8) | n.s. |

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

In the course of the year, total assets rose by €119.4 million or 6% to €2,121.3 million on December 31, 2012 (previous year: €2,001.9 million).

On the assets side of the balance sheet, the increase in total assets was primarily due to the significantly higher cash and cash equivalents. On December 31, 2012, cash and cash equivalents and marketable securities amounted to €360.8 million, after €234.1 million on December 31, 2011. The increase is due to the high operating cash flow in connection with lower payments within the framework of investing and financing activities in 2012. In all, due to the expansion of business activities, inventories and trade accounts receivable increased by €12.0 million to a total of €508.9 million (previous year: €496.9 million). Total current assets rose by €121.9 million to €947.0 million (previous year: €825.1 million).

Regarding the non-current assets, there were no major changes compared to the previous year's balance sheet date, neither in terms of the absolute amount nor the structure. At €653.1 million, property, plant and equipment again accounted for the largest part of the non-current assets (previous year: €638.5 million). At the end of the year, non-current assets totaled €1,174.3 million (previous year: €1,176.8 million). Intangible assets fell slightly to €475.5 million (previous year: €494.3 million).

On the liabilities side, the balance sheet extension is reflected above all by the increase in shareholders' equity reported for 2012. In the course of the year, the equity rose by €81.1 million to €1,498.2 million (previous year: €1,417.1 million) as a result of the generated Group profit. Group equity accounted for 71% of total assets on the balance sheet date, the same as on December 31, 2011.

Among the liabilities, the structure of the maturity of debt shifted significantly due to the reorganization of the company's financing. With the issueing of a promissory note loan (German Schuldschein) with a volume of €150 million and the arrangement of a new syndicated credit line, the company's refinancing was completed in 2012. Due to the fact that the old credit facility was no longer used at the end of 2012, the amount of current liabilities fell in the course of the year by €113.8 million to €246.5 million (previous year: €360.3 million). Of this decrease, debt accounted for €122.9 million. Among the current liabilities, trade accounts payable rose slightly due to the business expansion.

In contrast to the development of the current liabilities, there was a rise in non-current liabilities by €152.2 million to a total of €376.7 million (previous year: €224.5 million). This is attributable to the increase in non-current debt resulting from the first-time reporting of the promissory note loan (German Schuldschein). Employee benefit obligations also increased, amounting to €140.0 million on the balance sheet date (previous year: €103.6 million). The increase is primarily due to a significantly lower discount factor for future claims, which changed in keeping with the general interest rate development.

The net financial assets, comprising the balance of cash and cash equivalents, current marketable securities, debt, and employee benefit obligations, amounted to €68.2 million at the end of the year. In the previous year, a net debt of €26.8 million was reported. The increase in the net financial assets is due to the increase in cash and cash equivalents.

### Principles and Goals of the Financing Strategy

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

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

**Structure of consolidated balance sheet**

| **Assets** | **Dec. 31, 2012** | | Dec. 31, 2011 | |
|---|---|---|---|---|
| | € million | % | € million | % |
| Non-current assets | 1,174.3 | 55 | 1,176.8 | 59 |
| Inventories, trade accounts receivable and other current assets | 586.2 | 28 | 591.0 | 29 |
| Cash and cash equivalents and marketable securities | 360.8 | 17 | 234.1 | 12 |
| **Total assets** | **2,121.3** | **100** | **2,001.9** | **100** |

| **Shareholders' equity and liabilities** | **Dec. 31, 2012** | | Dec. 31, 2011 | |
|---|---|---|---|---|
| | € million | % | € million | % |
| Shareholders' equity | 1,498.2 | 71 | 1,417.1 | 71 |
| Non-current liabilities | 376.7 | 18 | 224.5 | 11 |
| Current liabilities | 246.5 | 11 | 360.3 | 18 |
| **Total shareholders' equity and liabilities** | **2,121.3** | **100** | **2,001.9** | **100** |

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

In the year under review, ALTANA revamped its financing structure. To provide the generally necessary financing framework for the long term, we issued a promissory note loan (German Schuldschein) for the first time in 2012. It has a volume of €150 million and a maturity period of four and six years. To achieve the greatest possible flexibility, we also syndicated a new consortial line of credit. This credit line has a volume of €250 million and replaces the agreement from 2007. The new financing structure offers ALTANA the flexibility it needs to appropriately take advantage of short-term and investment-intensive growth opportunities. In addition, with the diversification of our financing instruments, we contributed to reducing our dependence on individual lenders or market developments during times of great uncertainty.

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

### Liquidity Development

**Key figures**

| | **2012** | 2011 | Δ % |
|---|---|---|---|
| in € million | | | |
| Cash flow from operating activities | 274.5 | 170.0 | 62 |
| Cash flow from investing activities | (79.1) | (139.0) | -43 |
| Cash flow from financing activities | (53.5) | (107.3) | -50 |

In 2012, the cash flow development was very different from that of the previous year. The cash flow from operating activities rose to €274.5 million, and was therefore considerably higher than the previous year's figure (2011: €170.0 million). The increase was primarily due to the successful control of the net working capital, a higher level of provisions, and lower tax payments compared to the previous year. In making a comparison to 2011, one should also consider the fact that the income tax payments in the previous year were burdened by tax payments in arrears for previous years and that at the end of 2011 the notes receivable were reported as other current receivables for the first time due to changed framework conditions for bill of exchange transactions in China. In the previous year, both effects led to a reduction of the operating cash flow.

As in the previous years, the operating cash flow sufficed to fully finance the investing and acquisition activities in 2012. The cash outflow from the total investing activities reached €79.1 million (previous year: €-139.0 million). This includes investments in property, plant and equipment and intangible assets in a similar amount to that of the previous year. On the other hand, payments for acquisitions decreased. In 2012, such payments were made in particular to acquire the activities of the U.S. specialty wax additives business for the Additives & Instruments division, while in 2011 we expanded our activities much more strongly with the acquisition of the Colorchemie Group, Kometra, and the Metalure pigments business. In 2012, the balance of the change in marketable securities and long-term investments remained the same as in the previous year.

At €53.5 million, the cash outflow from financing activities was also lower than in the previous year (€-107.3 million). The decrease is due to the lower dividend paid by ALTANA AG in 2012. The changes in debt were insignificant for the development of cash flow from financing activities.

## Value Management

The Group's average operating capital employed rose by 7 % to €1,762.2 million (previous year: €1,653.9 million). In the course of the year, the amount of operating capital fluctuated within a very small range. The significant increase resulted from the fact that the annual average for 2011 only takes account of parts of the acquisitions made in that year, while the assets acquired in 2011 were a component of the operating capital for all of the 2012 business year.

Reaching €191.0 million (previous year: €185.5 million), the operating earnings did not increase as much as the operating capital. The slight increase is due to the higher EBIT, on the one hand, and on the other to the slightly reduced Group tax rate, which we use to calculate the tax burden within the framework of value management. As a result, the return on capital employed (ROCE) fell from 11.2 % in the previous year to 10.8 % in 2012.

As the increase in the average capital employed at a constant weighted average cost of capital of 8 % gives rise to a corresponding increase in the absolute cost of capital, the cost of capital increased more than the operating earnings. The relative ALTANA Value Added (AVA) less the weighted average cost of capital was 2.8 % (previous year: 3.2 %). Thus, we achieved an absolute AVA of €50.0 million in 2012 (previous year: €53.2 million) and therefore again made a significantly positive contribution to the development of the company's value.

**Key figures value management**

| | **2012** | 2011 |
|---|---|---|
| in € million | | |
| Operating capital (annual average) | 1,762.2 | 1,653.9 |
| Operating earnings | 191.0 | 185.5 |
| *Return on capital employed (ROCE)* | *10.8 %* | *11.2 %* |
| *Weighted average cost of capital* | *8.0 %* | *8.0 %* |
| *ALTANA Value Added (relative AVA)* | *2.8 %* | *3.2 %* |
| ALTANA Value Added (absolute AVA) | 50.0 | 53.2 |

## Overall Assessment of the Business Situation

The business year 2012 was characterized by ongoing uncertainty about the further general economic development. This gave rise to only a moderate development of demand, which, however, was offset by positive exchange-rate and acquisition effects. We kept the cost drivers determining earnings performance in a stable range. In a difficult business environment, we therefore managed to keep the Group's key performance indicators in line with our medium- to long-term target values once again in 2012, and again made a significantly positive contribution to increasing the company's value.

Due to significant liquidity surpluses, the financial situation has continued to show a sustained positive development. ALTANA continues to have a solid balance-sheet structure. At the same time, in 2012 we restructured our financing basis to support our future needs and to expand the Group's scope of action.

# Innovation and Employees

ALTANA's key non-financial performance indicators focus on its innovation efforts and capabilities, as well as the expertise and commitment of the Group's employees.

## Research and Development

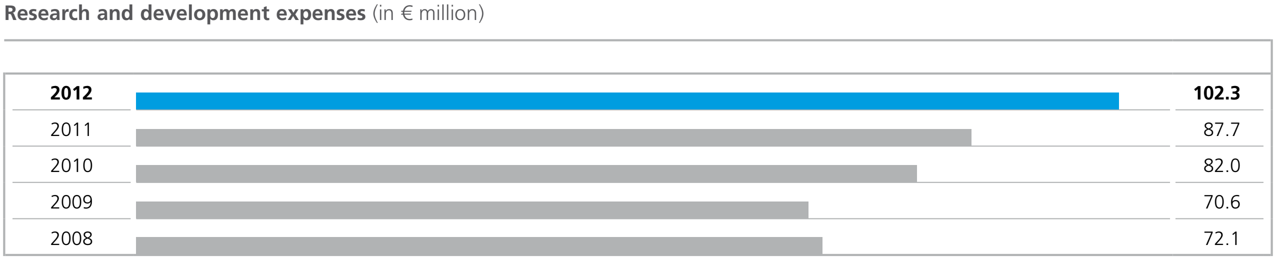
In the year under review, we continued to expand our activities relating to the development of new products and services as well as new technologies. In the process, we further intensified our cooperation with our most important customers within the framework of our key account management. Close interaction between market activities and the control of development activity is a basic prerequisite for our being able to gear our innovation efforts to the needs of customers. In line with this goal, we are expanding our network of application-technology laboratories and representations, which we pushed forward in 2012, among other things, by opening a laboratory in Dubai.

In the business year 2012, the Group invested a total of €102.3 million in research and development activities, €14.6 million or 17 % more than in the previous year (€87.7 million). The ratio of research and development expenses to sales rose from 5.4 % to 6.0 %.

As in the previous years, the Additives & Instruments division accounted for the largest share of the Group's expenditure. It also recorded the highest ratio of research and development expenses to sales of all divisions. Additives & Instruments continued to extend its competencies to new applications and sales markets. The main focus was on the adhesives and paper treatment markets. The division also advanced its know-how in the development of products enabling our customers to manufacture environmentally and health friendly coatings and plastics formulations and thus has a positive influence on the development opportunities of the entire sector.

The Effect Pigments division also invested a high percentage of its sales – comparable to that of Additives & Instruments – in research and development. The further development of the coating and printing technology has an impact on the projects relating to the development of new effect pigments and manufacturing processes. New, environmentally friendly coatings formulations require altered or additionally chemically treated metallic and pearlescent effect pigments to achieve the same or improved visual properties. The second main focus was on innovation in the printing inks area. Continual further and new development of printing technologies (e. g. in digital printing) also opens up new fields of application and sales markets for the division, which can be served with new products. In addition to focusing on new developments for visual applications, Effect Pigments significantly stepped up the expansion of its portfolio by adding new functional products.

**Research and development expenses** (in € million)



In 2012, the Electrical Insulation division used its expertise in electrical and electronic insulation to intensify its activities in the development of new applications. The aim is to open up new sales markets which so far have not been catered to due to the division's product focus on liquid primary and secondary insulating materials. Another focus is on the continual testing of possibilities of using new raw materials to deepen the value chain even more.

The main drivers for the Coatings & Sealants division's innovation activities are constant optimization of the use of resources in the packaging sector and lengthening the shelf life of packaged foods. With its products, the division provides the packaging industry with new possibilities to increase sustainability. This trend determines both the development activities in the packaging materials area (including sealants) and the innovativeness of products for the graphics industry.

Apart from the innovation activities in the four divisions, ALTANA promotes cross-divisional research and development projects in whose framework different competencies are combined to offer new products and services. These centrally coordinated activities include product developments (e. g. in the printed electronics area) and technology platforms (e. g. biotechnology and nanotechnology).

**Employees in research and development**

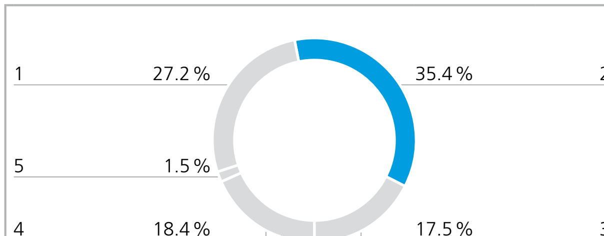
| | |
|---|---|
| Additives & Instruments | 331 |
| Effect Pigments | 240 |
| Electrical Insulation | 149 |
| Coatings & Sealants | 156 |
| Holding | 8 |
| **Total** | **884** |

## Employees

In the course of the business year 2012, the number of employees Group-wide rose by 50 to 5,363 (previous year: 5,313). The acquisition of the new U.S. specialty wax additives manufacturing site at the end of 2012 accounted for half of the slight increase of 1 %.

Within the Group, the changes in the number of staff were not uniform. While the Additives & Instruments division, in which the new U.S. site was integrated at the end of the year, recorded an increase of 81 employees to 1,458 (previous year: 1,377), the number of people employed in the Effect Pigments division decreased by 74 to 1,901 (previous year: 1,975). The decline is the result of the sale of the pearlescent pigments business based on the natural raw material mica. As a consequence, the division's production capacities in Finland were reduced. Furthermore, the Effect Pigments division implemented cost-cutting measures

**Employees by division**



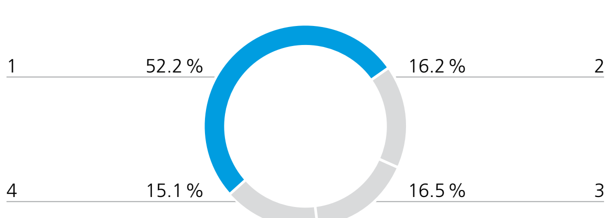

| | **Dec. 31, 2012** | Dec. 31, 2011 | Δ % |
|---|---|---|---|
| 1 Additives & Instruments | 1,458 | 1,377 | 6 |
| 2 Effect Pigments | 1,901 | 1,975 | -4 |
| 3 Electrical Insulation | 941 | 918 | 3 |
| 4 Coatings & Sealants | 985 | 968 | 2 |
| 5 Holding | 78 | 75 | 4 |
| **Total** | **5,363** | **5,313** | **1** |

and, due to the difficult market development, reduced staff numbers at the division's largest production site in Güntersthal. This move was made in a socially compatible way and there were no dismissals for operational reasons. The Electrical Insulation and Coatings & Sealants divisions slightly increased their workforce due to the expansion of their business activities. At the end of 2012, the worldwide headcount of the Electrical Insulation division was 941 (previous year: 918), while 985 people worked for Coatings & Sealants (previous year: 968).

The structure of the workforce did not change significantly. At the end of the year, 52 % of all employees worked in production. The percentages of the other functional areas were also similar to those of the previous year. At balance sheet date, 884 people, or 17 % of the workforce, were employed in research and development. 16 % of the total staff worked in sales and marketing, and 15 % of our workforce was employed in administrative areas.

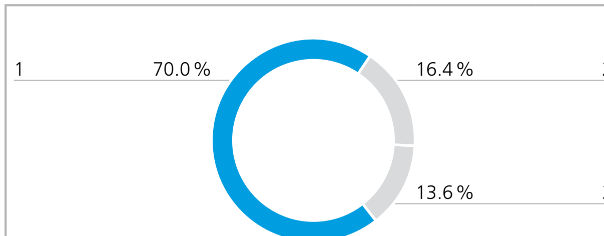
The regional composition of our workforce hardly changed either in the course of 2012. A total of 3,153 people worked at our German sites on December 31, 2012. The Europe region (including Germany) accounted for 70 % of our Group workforce. At 3,754, the number of ALTANA employees employed in Europe remained at a constant level compared to the previous year. The high percentage of employees in Germany and Europe is due to the fact that the Additives & Instruments and Effect Pigments divisions have their largest production sites by far in Wesel and Güntersthal. The Americas region continued to employ the second-highest share of staff. Taking into account the acquisition in the U.S. completed at the end of the year, the Group sites in North and South America employed a total of 879 people, corresponding to 16 % of the Group's total workforce worldwide, and 42 more people than on December 31, 2011. 730 people, or 14 % of the total workforce, were employed at our sites in Asia, most of them in China and India.

**Employees by functional area**




| | **Dec. 31, 2012** | Dec. 31, 2011 | Δ % |
|---|---|---|---|
| 1 Production and logistics | 2,801 | 2,814 | 0 |
| 2 Marketing and sales | 868 | 822 | 6 |
| 3 Research and development | 884 | 859 | 3 |
| 4 Administration | 810 | 818 | -1 |
| **Total** | **5,363** | **5,313** | **1** |

**Employees by region**




| | **Dec. 31, 2012** | Dec. 31, 2011 | Δ % |
|---|---|---|---|
| 1 Europe | 3,754 | 3,758 | 0 |
| *thereof Germany* | *3,153* | *3,124* | *1* |
| 2 Americas | 879 | 837 | 5 |
| *thereof U.S.* | *827* | *796* | *4* |
| 3 Asia | 730 | 718 | 2 |
| *thereof China* | *447* | *430* | *4* |
| **Total** | **5,363** | **5,313** | **1** |

In the business year under review, extensive measures promoting employees' commitment and expertise were implemented in all of the regions.

A major focus was the implementation of the Guiding Principles, which were newly developed in 2011. At events staged at all Group sites worldwide, the new principles were presented and discussed intensively with all employees. The training program on ALTANA Value Added (AVA) launched in 2011 was also continued in 2012. In two-day training sessions, qualified employees and managers engage intensively with the background and derivation of, as well as the factors of influence on AVA. This comprehensive further training program will be continued in the new business year.

We know that we face strong competition from other employers, particularly when it comes to retaining specialists and managerial staff. Therefore, we further enhanced our attractiveness as an employer last year. This includes the development of a new compensation component geared to the medium-term development of the absolute AVA, which we will introduce in 2013. In addition, we implemented measures to make it easier for interested employees to move to a different company within the Group. One such measure was the rotation of the division presidents in the fall of 2012. This step heightens the transparency of personnel changes across divisions and facilitates the realization of operational synergies in the cooperation between all areas of the Group.

In order to intensify contact with people who are embarking on careers, we extended our university recruiting activities. We stepped up our cooperation with certain universities, including our contact with specific industry forums for young budding employees. The measures implemented in this context include visits to higher education fairs and promotion of students via scholarships.

## Subsequent Events

In February 2013, the Electrical Insulation division reduced its stake in the Indian Group company ELANTAS Beck India Ltd. from almost 90 % to below 80 %. ALTANA received about €7 million for the sale of this share.

# Expected Developments

## Future Orientation of the Group

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

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

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

## Economic and Industry Outlook

The prevailing uncertainty about the general economic development in the core markets important for ALTANA in 2012 continued at the beginning of 2013.

An important factor of influence is the development of demand in Europe, which will continue to largely depend on how expectations regarding solutions to the government debt crisis and the stability of the financial markets progress. We do not expect any significant growth impetus to materialize in Europe in 2013. For the U.S., we expect the general economy to develop stably at the previous year's level (about + 2 %), though the introduction of comprehensive budget consolidation measures could have negative effects on the economy in the U.S. too. In general, we expect the Asian growth regions to achieve above-average growth again, though not at the same level as in the past. We do not expect the overall economic growth in China to differ much from that of the previous year (about + 8 %).

The exchange-rate relations important for us may continue to show strong volatility in the years to come. An important factor of influence here is the actual and expected development of the government debt crisis and of the financial market sector.

The development of the national economic performance will have a significant influence on the development of the sales markets important for ALTANA. Therefore, we also expect different regional growth impetuses in our sales sectors. The actual manifestation of the market development will be additionally and decisively influenced by changes in our level of storage along the value chain up to the end customer.

In general, we expect the construction industry to develop stably, but do not anticipate any growth impetus in this sector in Europe due to the recession in the southern European countries. We believe that the situation in the U.S. will continue to improve and that in the Asian economic regions the ongoing momentum will have a positive impact on the construction industry too.

We see a similar regional shift in the automotive industry. In 2013, Europe should only achieve moderate sales of small and medium-sized cars. In the U.S., the strong growth in the last quarters is expected to slacken slightly. In China, the registration figures should achieve a growth level similar to that of 2012.

We believe that both the ongoing uncertainty about the short-term economic development and existing geopolitical challenges could continue to lead to corresponding volatilities of raw material prices.

## Expected Earnings, Asset, and Financial Situation

### Expected Sales and Earnings Performance

The continued uncertainty about the short-term development of the economic environment and the resulting volatilities on the markets important for ALTANA's business activity significantly impede our ability to make a forecast for the current business year.

If the demand for our products develops in line with the expectations we presented regarding the developments of national economies, we see our sales growing by a low single-digit figure in 2013. This increase should primarily result from an increased sales volume. We do not expect the effects of price changes or structural shifts in the product mix to have a significant influence on the sales level.

Short-term changes in raw material prices and the question of how quickly and at what rate they can be passed on to customers could have a significant influence on ALTANA's earnings. In general, we do not believe that the prices of raw materials will change due to structural aspects in 2013. Nor do we expect structural features to affect the other important cost figures. Personnel expenses should increase to different extents in the different regions, depending on the respective economic momentum and level of inflation. We do not plan an above-average change in the number of employees in 2013 compared to the previous years. Due to the expected sales increase, the Group's most important earnings figures (EBITDA, EBIT, EBT, EAT) should also rise by low single-digit percentages. Hence we expect the return on sales to be on a par with that of the previous business year. As the operating capital should increase moderately in the new year due to the planned investments, we expect, on the basis of the planned earnings improvement, a constant development of the ROCE and, with a continued weighted average cost of capital of 8 %, an ALTANA Value Added at the level of 2012.

The four divisions should achieve comparable sales growth in the current business year. Compared to the previous year, only the activities in the Effect Pigments division should still be burdened in 2013 by the sale of the pearlescent pigments business based on natural mica. Therefore, we expect Effect Pigments to generate below-average sales growth. In general, both changes in the currency exchange-rate relationships that are most important for ALTANA and the acquisition or sale of companies and activities can lead to the Group's key figures changing significantly compared to the previous year. The momentum of exchange rates cannot be predicted. The Group will continue to actively seek expansion of its business activity via acquisitions. But the realization of individual steps cannot be forecasted due to the dependence on third parties in terms of time and scope. At this point in time, significant changes to ALTANA's business portfolio in 2013 are not foreseeable. The purchase of the specialty wax additives business in the U.S. at the end of 2012 will not have a significant influence on the development of the Group's key figures in 2013.

**Expected Asset and Financial Situation**

In the wake of the long-term realignment of the ALTANA Group's debt financing in 2012, the financing structures achieved at the end of the last business year should not change significantly in the coming years.

In 2013, the level of our capital expenditure for property, plant and equipment will grow significantly, but this is due to a few large projects catering to the expansion of production capacities. In principle, this will not result in a structural shift of Group asset relationships. In the years to follow, the investment level should again be within our long-term target range of 5 % to 6 % of Group sales.

Optimization of the current assets remains a top priority in all divisions. But the level of inventory range as well as the range of trade accounts receivable and payable should develop stably.

On the basis of the expected business performance, we will continue to achieve significant liquidity surpluses from operating activities. They will be used to finance investments in property, plant and equipment, for bolt-on acquisitions, and for dividend payments.

## Risks

The management and control of the ALTANA Group is geared to the strategy and the target levels derived from it. Due to changes in the economic environment or on account of internal factors of influence, it might not be possible to implement the strategy successfully or to realize target levels in the planned time frame or the planned degree of achievement. To be prepared for such situations as well as possible, we systematically identify, evaluate, and consider risks within the framework of decision-making processes.

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

Our strategic corporate planning is closely tied to our medium- to long-term financial planning. The targets derived from this are examined regarding the extent of their fulfillment in the monthly reports on the company's business performance and in our short-term financial planning. Deviations and increased probabilities of specific risks occurring can be recognized and possible countermeasures introduced if necessary.

Our internal control system defines organizational measures for adhering to instructions for action and for preventing damage from being done to the company. In connection with the established compliance organization, possible violations of employees to guidelines and laws are to be prevented.

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

The evaluation of individual risks and risk groups carried out within the framework of our risk management caters to the internal appraisal of trend developments over time and to the prioritization within the risk inventory. The probabilities of risks occurring that were ascertained and potential damages should be understood in this context. The core deductions derived from this are taken into account for making assumptions within the framework of the financial planning and forecast processes. The prioritization resulting from the evaluation in turn determines the focal points for the development and introduction of concrete countermeasures. A separate discussion of the quantitative evaluation of individual risks in this risk report is not essential for appraising the risks and is not sensible.

The individual risks and risk fields described in the following pages can partially have a considerably detrimental influence on the Group's earnings, financial, and asset situation in the years to come. The sequence of the risk fields discussed provides an indication of the rated relative assessment of the possible risk effects for ALTANA. For the important individual risks, we describe the changes in the rated assessments.

We still assess the company's risks as being manageable. We did not identify any risks which according to our present level of knowledge could endanger the continued existence of the company.

### Economic and industry risks

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

A global economic crisis leading to a collapse of the economic development would give rise to significant sales decreases with corresponding influences on our earnings. Recessions limited to certain regions in sales markets important for us could also significantly impair our business performance. With the specific orientation of our sales activities we try to shape our dependence on regional or national individual markets in such a way that the effects of economic crises confined to individual regions on the Group are limited. No individual country currently accounts for more than 16 % of the total Group sales. The regional distribution of our business activities to the core regions of Europe, Asia, and the Americas also has a balanced structure.

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

In addition to general economic risks, there are market-related sales risks concerning individual product groups or application areas. Particularly medium- to long-term trends that structurally trigger a decrease in demand in our target markets can mean that we will not achieve our growth and profitability targets.

We try to control industry-related sales risks by broadly diversifying our offer. We supply many different industries, which in turn sell their end products in diverse markets. Therefore, our dependence on the underlying consumer segments is limited. We estimate that no single consumer segment (e. g. the automotive industry) accounts for more than 20 % of our sales.

The analysis of our industries' and end consumers' sales is an elementary component of our annual strategy process. We also examine the change in future growth potential due to demand trends and technological developments, and adjust our strategic orientation in the individual divisions if necessary.

Our assessments of the economic risks we face changed compared to the previous year. Due to the ongoing uncertainty about the short- to medium-term economic development in important economic nations, we see an increased probability of a worldwide economic crisis or regionally confined crises.

**Sales Risks**

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

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

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

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

We continue to see the development of the share of silver and gray shades for achieving visual effects in consumer products as being an essential product group-specific risk. This trend has an influence on the Effect Pigments division's growth.

In the year under review, we only slightly adjusted our assessments of the probabilities of occurrence and loss potential from sales risks.

**Risks from Company Acquisitions**

Apart from operating growth, acquisitions play an important role for the implementation of a profitable growth strategy at ALTANA. Depending on the size of the activities acquired, an unsuccessful integration can place a burden on the Group's earnings situation and limit its financial leeway. In addition, a worsening business performance compared to the assumptions made at the time of the purchase can lead to impairments in the value of assets that are detrimental to earnings.

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

At present, we assess the risks resulting from the acquisition of companies as being slightly higher than they were last year. One factor is the ongoing uncertainty in our business environment. A sudden or continual slowdown of business prospects increases the probability of impairments occurring, especially regarding recognized goodwill and other intangible assets acquired within the framework of acquisitions.

**Procurement Risks**

Limited availability of individual raw materials or considerable price increases for raw materials that we cannot pass on to the markets in the short term, or only partially, constitute the primary procurement risks. These can be detrimental to the Group's earnings situation.

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

Due to the consistent implementation of a focused supplier management and the repeatedly successful implementation of a backwards integration strategy, in whose framework we now manufacture individual intermediate products ourselves, we currently assess the probability of negative effects arising from procurement risks as being lower than in the previous year.

**Financial Market Risks**

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

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

We safeguard against transaction risks by concluding forward foreign exchange contracts in cases in which we assume that the underlying business can be realized with a sufficient degree of certainty. The total amount expected is safeguarded in different tranches to offset short-term exchange-rate fluctuations. We generally counter risks resulting from changes in interest rates by hedging interest rates over the corresponding term of the respective underlying transaction. More information on our evaluation and accounting procedures for hedges can be found in the Notes on page 122 ff. (note 28).

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

Our financial resource needs are safeguarded via central control and monitoring of the Group-wide financial resources. In addition, via the central utilization of various financing instruments, a financial resource framework is provided that covers medium-term needs going beyond the planned financial cash inflow stemming from our operating business.

We have not adjusted the assessment of the financial market risks that we made last year. Due to our safeguarding strategy, we do not see increasing risks, not even resulting from the ongoing instability of the financial sector. But there is a tendency for translation risks to grow. On the one hand, the absolute amounts of the earnings and asset shares of our foreign currency companies are increasing. On the other hand, the currency markets remain very volatile.

### Innovation Risks

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

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

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

### Other Risks

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

Information technologies form the basis of nearly all of ALTANA's business and communications processes. Breakdowns or other disruptions of IT systems can lead to far-reaching impairments in all of the Group's value-added stages, which can have significant effects on business performance (IT risks). In addition, there are possible risks 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.

Delivery of faulty products can cause damages to people, property, or the environment, and thus cause liability risks. This can have significant effects on the Group's asset situation. We minimize this risk by means of high process standardization in production and comprehensive quality-control measures. In addition, we continually conduct analyses to be able to assess the hazardous potential of our input materials and our products, and we conclude insurances.

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

Legal violations (compliance risks) can give rise to liability risks or tarnish our reputation, which can have significant effects on the Group's earnings and asset situation. We counter these risks within the framework of our compliance management system, among other things, by regularly informing our employees about new legal requirements and offering them training.

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

### 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 fraudulent 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 other things), 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.

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 levels. They encompass an analysis and a plausibility examination of the registered data and the consolidated results by Group accounting as well as by the controlling department and further expert 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. The auditor reports on the audit directly to the Supervisory Board and the Audit Committee. In certain cases, audits are carried out by the central Internal Audit department.

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

## Opportunities

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

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

Below, major opportunities are described that could lead to ALTANA's surpassing its short-, medium-, or long-term goals.

### Economic and Industry Development

In the short term, we expect only moderate economic development in a few of the sales markets important for our business. Should the business environment recover globally more quickly than expected, e.g. if the uncertainty about the further development of the debt situation in Europe or the U.S. disappeared, unexpected growth impetus could arise. As a result, the demand for our products and services also could develop positively. The same applies to growth in the most important emerging countries in Asia and South America. Should growth in these nations exceed the expected rates, we should be able to benefit from this to a disproportionately high extent due to our market position.

In addition to regional reasons, growth impetus can also result from individual branches of industry. If the European automotive sector returned to earlier growth rates, this would significantly accelerate our sales growth, as would a strong recovery of the construction sector in Europe.

### Innovation

The continual further development of our product and service portfolio is an important prerequisite for our being able to continue to implement our profitable growth strategy in the long term. Should ALTANA manage to enhance its innovativeness more quickly than expected and to increase the share of new products with high demand potential beyond the target level, there would be even better prospects for growth.

The same applies to entering new markets and opening up new application fields for our products.

**Company Acquisitions and Portfolio Measures**
Acquisitions play a central role in ALTANA's long-term value creation. In recent years, we have continually developed the company further in strategic terms via bolt-on acquisitions and the acquisition of the Effect Pigments division. At the same time, we cleansed our portfolio of those activities that were not in line with our strategic criteria and for which there were no long-term value-creation perspectives within the Group.

In the future, we will continue to grow through the acquisition of companies and activities. This is an elementary prerequisite for our achieving our strategic growth targets. Should possibilities arise in the future that exceed our expectations and that we can use successfully, new activities could help us strengthen market positions and open up new market segments. This could have a positive impact on the attainment of our strategic targets.

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

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

We expect the economic environment in 2013 to be similar to that of the last business year. We expect a positive sales and revenues performance. But due to the ongoing uncertainty and regional differences in the development of market demand, we anticipate that the growth will be lower than the long-term average. For 2013, we expect our return on sales and capital to be similar to 2012.

Due to the ongoing uncertainty about the worldwide economic development, we continue to assess the risk from burdens from a moderate or even recessive economy in important core regions as being high. Furthermore, major risks for the short-term sales and earnings development can arise from high price volatility on the raw material markets and from short-term fluctuations of exchange-rate relations. Overall, we have not found any risks that could endanger the continued existence of the company. The risks are set against numerous opportunities that could result in a sales and earnings performance that surpasses our forecasts.

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

# Corporate Governance

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

In 2012, the Supervisory and Management Boards again dealt in depth with the different recommendations and suggestions of the German Corporate Governance Code. They examined which recommendations and suggestions ALTANA can follow as a company not listed on the stock exchange and which ones are appropriate to be applied within the company given its shareholder structure.

ALTANA follows the large majority of the applicable recommendations and suggestions of the German Corporate Governance Code in the current version of May 15, 2012. This especially applies to the cooperation between the Management Board and the Supervisory Board, the responsibilities of the Chairman of the Supervisory Board and the Supervisory Board plenum, dealing with conflicts of interest and the independence of the Supervisory Board members, the setting up and composition of the committees, as well as matters relating to the audit.

## Management and Control

ALTANA has a dual management and supervisory structure. The Management Board has two members, who were 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. Together with the presidents of the divisions and selected heads of central functional areas, the Management Board forms the Executive Management Team. In regular meetings, this team discusses and analyzes the development of business and important business incidents.

The Supervisory Board of ALTANA AG has twelve 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 Annual General Meeting. The Supervisory Board members are elected for a period of five years. The Supervisory Board monitors and advises the Management Board in its management activities. At regular intervals, the Supervisory Board discusses business development and planning, as well as the strategy and its implementation. The Supervisory Board's tasks also include appointing Management Board members and approving the annual financial statements. Specially defined business decisions of the company, such as major acquisitions and the sale of important participations and divisions, require the approval of the Supervisory Board.

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

The Management and Supervisory Boards cooperate closely for the benefit of the company. The Management Board informs the Supervisory Board regularly, in a timely manner, and comprehensively about business development, the economic situation of the company, important events, corporate planning, and the Group's strategic further development. 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. Conflicts of interest of Management Board or Supervisory Board members have to be revealed to the Supervisory Board without delay.

## Basic Features of the Compensation System

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

The compensation of the Management Board is predominantly dependent on performance. It consists of 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 non-cash compensation, primarily from company car usage and premiums for insurances.

The variable compensation for the business year 2012 was determined on a yearly basis. It is 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 2012 Management Board members received ALTANA Equity Performance Awards (AEP awards) from the "ALTANA Equity Performance 2012" program. None of the members of the Management Board was entitled to further benefits in the case of premature or regular termination of activities.

As of the beginning of 2013, a part of the variable compensation previously determined on a yearly basis has been transferred to a multi-year component. The basis is the development of profit after capital costs ("ALTANA Value Added") over a rolling assessment period of three years. The bonus is paid out yearly. Starting in 2013, the predominant part of the variable compensation of the members of the Management Board will therefore have a multi-year assessment basis.

The compensation of the Supervisory Board is determined in section 18 of the company's articles of association. The amount of the Supervisory Board compensation is oriented to the tasks and responsibilities of the Supervisory Board members and to the size and economic success of the company.

The compensation of the members of the Supervisory Board is comprised of a fixed and a variable component. The variable compensation is determined based on the operating income of the ALTANA Group (EBIT).

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

Further information on the compensation of the Management and Supervisory Boards can be found on page 138.

## Responsible Behavior and Sustainability

ALTANA's Code of Conduct contains binding, company-wide rules and references regarding responsible behavior. It calls on all staff members to act lawfully and ethically, especially regarding 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 its principles but also showed a general commitment to support and promote overall U.N. aims.

## Environmental Protection, Safety, and Corporate Social Responsibility

The ALTANA Group has firmly integrated its commitment to sustainable management in its Guiding Principles and corporate strategy.

ALTANA highlights the outstanding importance of sustainability by publishing an annual Sustainability Report. You can read or order it at www.altana.com/sustainability. Here you can also find extensive documentation of our efforts to operate on a sustainable basis. In this annual report, we give you a brief overview of the most important issues addressed in the 2012 Sustainability Report.

The basis of our sustainability efforts is our voluntary commitment to Responsible Care, the chemical industry's worldwide action guideline. In keeping with Responsible Care, companies commit themselves to continual, systematic improvements in the areas of product responsibility, process safety, work safety, health protection for staff, environmental protection, and public dialog. This voluntary commitment applies at all of our locations worldwide and was signed by all managing directors.

In addition, our Sustainability Reports keep tabs on the progress made by the United Nations' Global Compact initiative. ALTANA is a member of this initiative, to which companies and organizations from around 80 countries belong. Global Compact defines standards valid worldwide in the spheres of human rights, work norms, environmental protection, and fighting corruption. The content of the initiative is fully in line with the values and goals of ALTANA.

## Environmental Protection

ALTANA views sustainable use of resources and the protection of the environment as an entrepreneurial duty. Nearly all of the companies in the ALTANA Group have set up environmental management systems. In 2012, the three ELANTAS sites in Italy and ACTEGA Colorchemie fulfilled the requirements of a certified environmental management system for the first time.

At ALTANA, environmental protection embraces consumption of natural resources and the corresponding effects. We view resources as encompassing the raw materials, water, and energy we use to manufacture our products. In addition, we monitor emissions of carbon dioxide ($CO_2$), volatile organic compounds (VOC), as well as sewage and waste.

The ALTANA Group's main effects on the environment are as follows:

– Consumption of raw materials: fossil, bio-based, metallic (e.g. aluminum, copper, zinc)
– Consumption of water: drinking water, and ground and surface water for cooling
– Consumption of energy: oil, natural gas, electricity
– Emissions: predominantly $CO_2$ from energy consumption; no other climate-relevant gases from manufacturing processes
– Emissions of volatile organic compounds such as solvents from production sites and a few products (coatings)
– Waste, hazardous and non-hazardous, the disposal of both, but we prefer thermal utilization or recycling
– No relevant amounts of ozone-damaging substances
– Relatively low chemical-specific emissions in wastewater; in particular, no heavy metals.

Other emissions in soil or water do not occur in normal operations. To minimize any effect on the environment, ALTANA set up further collection containers in 2012. We installed new and in part additional extinguishing water retention basins at ACTEGA Foshan and ELANTAS Zhuhai in China, and at ACTEGA Rhenacoat in France. As a result, all of our Chinese sites are now equipped with retention basins. At ACTEGA Rhenacoat, we rebuilt the entire courtyard, sealed it, and set up a new warehouse with sufficient collection volume.

We are constantly working on optimizing our production processes and material yields. Today, our waste corresponds to only 5 % of our total production volume. We are making ongoing efforts to reduce this amount. In the last five years, we were able to particularly decrease waste not subject to thermal recycling.

From 2007 to 2012, ALTANA reduced its specific water consumption by 31 %. This was primarily driven by optimizations at ECKART in Finland, where the manufacturing process had been relatively water intensive. Now, thanks to the use of a different basic raw material, this process functions completely differently.

**Energy Efficiency and Reduction of $CO_2$ Emissions**

In 2007, ALTANA set itself the goal of reducing $CO_2$ emissions relating to gross value added (GVA = EBITDA plus personnel expenses) by 30 % by 2020 – and we are right on track. Our interim target was a reduction by 10 % by 2012, and we achieved 21 %. All of our companies contributed to this.

– For example, the ALTANA Group's first combined heat and power (CHP) plant went into operation at ELANTAS' Italian site in Ascoli in May 2012. The plant is very $CO_2$ efficient and, moreover, is operated with a certified bio-based and thus additionally $CO_2$-reduced fuel. We are currently analyzing the economic viability of a CHP plant at BYK in Wesel, too.
– At the end of 2012, our largest energy consumer, ECKART in Hartenstein, received certification in accordance with ISO 50001 and, on this basis, has realized various potentials for increasing energy efficiency. In 2012, ECKART's heating oil consumption led to emissions of 6,080 tons of $CO_2$. A switch to natural gas proves to be of economic interest and will reduce $CO_2$ emissions for thermal energy by 20 %. For the implementation of the project in 2013, around 8.5 km of gas pipelines will be laid.
– The new laboratory complex at BYK in Wesel, which opened in 2012, received LEED (Leadership in Energy and Environmental Design) Platinum certification from the U.S. Green Building Council (USGBC). The latter gives the award not only for energy efficiency, but also for other aspects of sustainable construction, including the wellbeing of the staff. In the planning, BYK attached special importance to efficient energy usage. Thanks to surface geothermal energy, heat pumps, and heat recovery systems, the primary energy consumption could be reduced by 30 % compared to standard buildings.
– BYK in Wesel is also systematically investigating its cooling water system to find potential for optimization. In 2012, €850 thousand were invested in improvements, which are expected to lead to a reduction of 1,200 tons of $CO_2$ emissions and savings of approximately €275 thousand a year.
– ELANTAS Beck India in Pimpri began operating a new administrative building in 2012. Architects specialized in environmentally friendly construction contributed their experience to the project and received awards for their work.

**Reduction of Solvent Emissions**

ALTANA's environmental footprint includes emissions from organic solvents into the air during production. As a rule, these emissions are reduced considerably by means of exhaust air purification units. ALTANA has installed various such units in recent years. In 2012, investments were made in an exhaust air purification unit at ACTEGA Foshan (China). It works by means of adsorption on activated carbon. Thanks to the system, the solvent emissions are now below 10 % of the legally permitted limit.

Another possibility of reducing solvent emissions is to use raw material tanks, because then one can largely work in closed systems without emissions. We made exemplary investments in 2012, installing additional tanks at our ELANTAS Zhuhai site in China, at ELANTAS Beck India in Ankleshwar, and ACTEGA Rhenacoat in France. The new raw material tanks also make an important contribution to waste reduction, as barrels for the respective raw materials no longer have to be cleaned.

A much bigger lever for reducing solvent emissions, however, lies within our products themselves. We are continually expanding our range of water-based products, particularly at ACTEGA. Moreover, we are enabling our customers to manufacture products with lower emissions, such as water-based coatings and powder coatings.

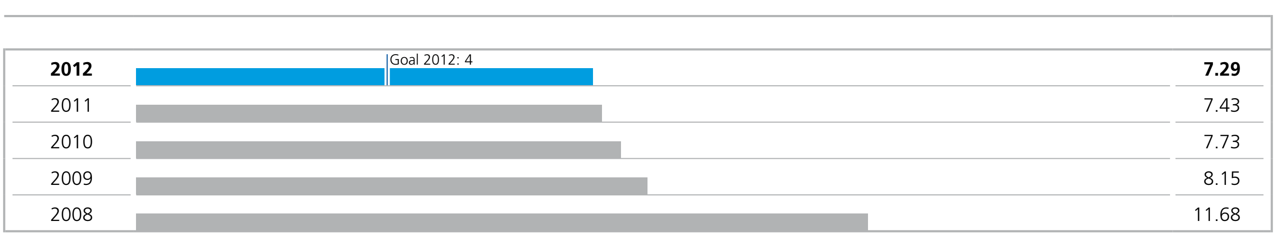
**Product Responsibility**

Global Product Strategy is a worldwide voluntary commitment on the part of the chemical industry to make safety-relevant information and risk management measures pertaining to chemical substances publicly available on the Internet. The initiative is contributing to safe handling of chemicals worldwide. In 2012, ALTANA provided such information on three substances registered in compliance with REACH, the EU chemicals legislation.

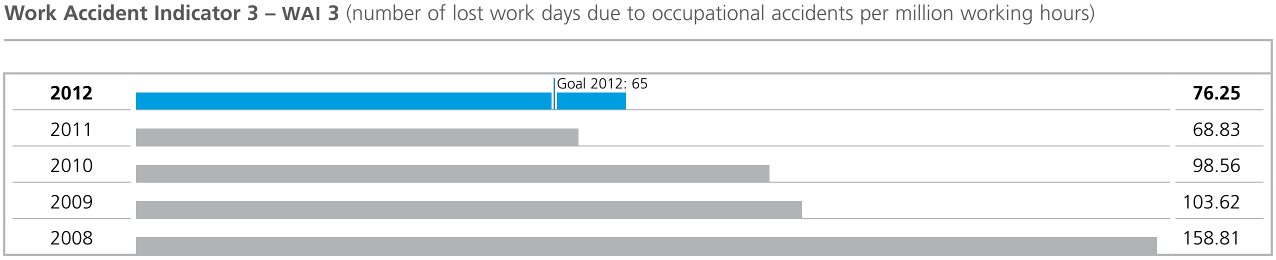
The REACH review is currently being discussed at the EU level. ALTANA is contributing its experience to the discussion and pleading for only a few changes to be made. One change we desire is simplification of communication in the supply chain by means of extended safety data sheets.

Policymakers also seek tighter regulations for nanotechnology under REACH. But after a few improvements have been clarified, we consider the state of today's EU chemicals guidelines to be appropriate. Sound judgment is needed so as not to endanger the technology. A reduction of qualifying quantities and the related increase of the data quantities would put a greater cost burden on manufacturers. Even the definition of nanomaterial provided by the EU overshoots sensible proportions. In fact, the measuring technology needed might not even be able to be implemented.

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




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



And even if measurement were possible, there are concerns that nearly all powdery substances will be regarded as nanomaterial.

## Safety and Health Protection

In 2012, we had three significant incidents according to the definition of the German Chemical Industry Association (fire, explosion, release of chemicals). In 2011, there were six such incidents. We deeply regret that a worker in the U.S. suffered severe burn wounds from a deflagration.

The development of the key figures on occupational safety is shown in the Work Accident Indicator (WAI) diagrams on page 73.

Since 2006, we have made great progress in occupational safety thanks to various measures and almost reached our goal of WAI 3 (65). We did not manage to reach our target of WAI 1 (4), though.

To achieve further improvements in plant and occupational safety, in 2013 our sites will conduct self-evaluations and derive measures from them. If necessary, we will also commission an outside evaluation enabling us to develop additional steps.

We also made progress in preventive health protection. This includes Health Days at all our German sites. Telephone consulting for employees with special psychological burdens is being offered at our Wesel site. The experiences have been positive. In most cases, three consulting sessions suffice to improve the situation.

## Corporate Social Responsibility

As a "good corporate citizen" ALTANA considers itself responsible for the support of social projects. We promote initiatives focusing on education, science and research, near our sites in Germany and abroad. All of the projects are presented in detail in the Sustainability Report.

For example, we are making an effort to arouse interest in the so-called MINT subjects (mathematics, information technology, natural sciences, and technology). ALTANA directs its efforts comprehensively and seamlessly towards education from pre-school to university, to strengthen the local environment. This encompasses cooperative ventures with pre-schools, providing chemical sets to elementary schools, supporting junior academies, promoting Euregio projects at secondary schools, and sponsoring scholarships at universities in Germany and abroad. Among them are the Innovation Alliance of the universities in North Rhine-Westphalia, Rhine-Waal University of Applied Sciences, and Hochschule Niederrhein University of Applied Sciences. We also help young adults during their career orientation process and in their search for apprenticeships, supporting an educational initiative in the Wesel district and "Joblinge", Munich, among others. Our commitment goes beyond education, training, and university studies; we also support advanced projects and networks, such as the High-Tech Gründerfonds (HTGF) and the Industrial Biotechnology Cluster.

In the last business year, we once again offered targeted support for social projects that serve to directly strengthen our local environment.

# Consolidated Financial Statements

# Management Board Responsibility Statement

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

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

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

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

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

Wesel, Germany, February 22, 2013

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 statement of financial position, the income statement and the statement of comprehensive income, the statement of changes in shareholders' equity, the statement of cash flows, and the notes to the consolidated financial statements, together with the group management report for the business year from January 1 to December 31, 2012. 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.

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

Düsseldorf, Germany, February 27, 2013

PricewaterhouseCoopers Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

| | |
|---|---|
| Andreas Menke | Jörg Sechser |
| German Public Auditor | German Public Auditor |

# ALTANA Group Consolidated Income Statement

| | Notes | 2012 | 2011 |
|---|---|---|---|
| in € thousand | | | |
| **Net sales** | 4 | **1,705,319** | **1,616,694** |
| | | | |
| Cost of sales | 5 | (1,065,165) | (1,015,598) |
| **Gross profit** | | **640,154** | **601,096** |
| | | | |
| Selling and distribution expenses | 6 | (226,771) | (209,821) |
| Research and development expenses | | (102,314) | (87,693) |
| General administration expenses | | (91,014) | (84,891) |
| Other operating income | 7 | 14,129 | 10,196 |
| Other operating expenses | 8 | (7,261) | (11,918) |
| **Operating income (EBIT)** | | **226,923** | **216,969** |
| | | | |
| Financial income | 9 | 10,249 | 11,885 |
| Financial expenses | 10 | (21,080) | (21,906) |
| **Financial result** | | **(10,831)** | **(10,021)** |
| | | | |
| Income from associated companies | 11 | 1,127 | 787 |
| **Income before income taxes (EBT)** | | **217,219** | **207,735** |
| | | | |
| Income taxes | 12 | (62,531) | (60,213) |
| **Net income (EAT)** | | **154,688** | **147,522** |
| | | | |
| thereof attributable to non-controlling interests | | 454 | 440 |
| thereof attributable to the shareholder of ALTANA AG | | 154,234 | 147,082 |

# ALTANA Group Consolidated Statement of Comprehensive Income

| | **2012** | 2011 |
|---|---|---|
| in € thousand | | |
| **Net income (EAT)** | **154,688** | **147,522** |
| | | |
| Translation adjustments | (7,631) | 10,849 |
| thereof attributable to non-controlling interests | (267) | (502) |
| Gains and losses from available-for-sale securities | (683) | (281) |
| Gains and losses from derivative financial instruments | 3,589 | 256 |
| Change in fair value of available-for-sale securities | 643 | 529 |
| Change in fair value of derivative financial instruments | 4,537 | 390 |
| Change in actuarial gains and losses | (31,355) | (9,422) |
| Income taxes | 5,911 | 3,119 |
| **Other comprehensive income** | **(24,989)** | **5,440** |
| | | |
| **Comprehensive income** | **129,699** | **152,962** |
| thereof attributable to non-controlling interests | 187 | (62) |
| thereof attributable to the shareholder of ALTANA AG | 129,512 | 153,024 |

# ALTANA Group Consolidated Statement of Financial Position

| Assets | Notes | Dec. 31, 2012 | Dec. 31, 2011 |
|---|---|---|---|
| in € thousand | | | |
| Intangible assets | 14 | 475,529 | 494,293 |
| Property, plant and equipment | 15 | 653,109 | 638,474 |
| Long-term investments | 16 | 1,691 | 1,950 |
| Investments in associated companies | 17 | 9,868 | 10,339 |
| Income tax refunds | | 1,442 | 1,768 |
| Deferred tax assets | 12 | 24,146 | 24,676 |
| Other non-current assets | 21 | 8,562 | 5,293 |
| **Total non-current assets** | | **1,174,347** | **1,176,793** |
| | | | |
| Inventories | 18 | 229,048 | 234,030 |
| Trade accounts receivable | 19 | 279,843 | 262,841 |
| Income tax refunds | 12 | 13,447 | 20,236 |
| Other current assets | 21 | 63,331 | 73,877 |
| Marketable securities | 20 | 50,973 | 64,047 |
| Cash and cash equivalents | | 309,847 | 170,084 |
| Assets held for sale | 15 | 500 | 0 |
| **Total current assets** | | **946,989** | **825,115** |
| | | | |
| **Total assets** | | **2,121,336** | **2,001,908** |

| Liabilities, provisions and shareholders' equity | Notes | **Dec. 31, 2012** | Dec. 31, 2011 |
|---|---|---|---|
| in € thousand | | | |
| Share capital[1] | | 136,098 | 136,098 |
| Additional paid-in capital | | 146,949 | 146,949 |
| Retained earnings | | 1,208,884 | 1,125,134 |
| Accumulated other comprehensive income | | 2,211 | 5,001 |
| **Equity attributable to the shareholder of ALTANA AG** | | **1,494,142** | **1,413,182** |
| Non-controlling interests | | 4,014 | 3,885 |
| **Shareholders' equity** | 22 | **1,498,156** | **1,417,067** |
| | | | |
| Non-current debt | 24 | 151,282 | 33,105 |
| Employee benefit obligations | 25 | 140,030 | 103,558 |
| Other non-current provisions | 26 | 17,363 | 16,025 |
| Deferred tax liabilities | 12 | 54,813 | 61,744 |
| Other non-current liabilities | 27 | 13,218 | 10,095 |
| **Total non-current liabilities** | | **376,706** | **224,527** |
| | | | |
| Current debt | 24 | 1,299 | 124,246 |
| Trade accounts payable | | 114,058 | 106,053 |
| Current accrued income taxes | 12 | 34,813 | 30,289 |
| Other current provisions | 26 | 70,303 | 67,993 |
| Other current liabilities | 27 | 26,001 | 31,733 |
| **Total current liabilities** | | **246,474** | **360,314** |
| | | | |
| **Total liabilities, provisions and shareholders' equity** | | **2,121,336** | **2,001,908** |

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

# ALTANA Group Consolidated Statement of Changes in Shareholders' Equity

| | Share capital issued | | Additional paid-in capital | | Retained earnings | |
|---|---|---|---|---|---|---|
| | Number of shares | Share capital | due to employee incentive plans | paid-in by the shareholders of ALTANA AG | Retained earnings | Actuarial gains and losses |
| in € thousand | | | | | | |
| **Balance at Jan. 1, 2011** | **136,097,896** | **136,098** | **15,059** | **131,890** | **1,119,296** | **(34,775)** |
| **Comprehensive income** | | | | | **147,082** | **(6,469)** |
| Dividends paid | | | | | (100,000) | |
| **Balance at Dec. 31, 2011** | **136,097,896** | **136,098** | **15,059** | **131,890** | **1,166,378** | **(41,244)** |
| **Comprehensive income** | | | | | **154,234** | **(21,932)** |
| Dividends paid | | | | | (50,000) | |
| Change in reporting entities | | | | | 1,448 | |
| **Balance at Dec. 31, 2012** | **136,097,896** | **136,098** | **15,059** | **131,890** | **1,272,060** | **(63,176)** |

| Accumulated other comprehensive income | | | | Non-controlling interests | | |
|---|---|---|---|---|---|---|
| Marketable securities available-for-sale | Derivative financial instruments | Translation adjustments | Equity attributable to the shareholder of ALTANA AG | Shareholders' equity | Translation adjustments | Shareholders' equity |
| **219** | **(4,940)** | **(2,689)** | **1,360,158** | **4,196** | **(187)** | **1,364,167** |
| **167** | **452** | **11,792** | **153,024** | **440** | **(502)** | **152,962** |
| | | | (100,000) | (62) | | (100,062) |
| **386** | **(4,488)** | **9,103** | **1,413,182** | **4,574** | **(689)** | **1,417,067** |
| **(28)** | **5,688** | **(8,450)** | **129,512** | **454** | **(267)** | **129,699** |
| | | | (50,000) | (58) | | (50,058) |
| | | | 1,448 | | | 1,448 |
| **358** | **1,200** | **653** | **1,494,142** | **4,970** | **(956)** | **1,498,156** |

# ALTANA Group Consolidated Statement of Cash Flows

| | Notes | 2012 | 2011 |
|---|---|---|---|
| in € thousand | | | |
| **Net income (EAT)** | | **154,688** | **147,522** |
| Depreciation and amortization of intangible assets and property, plant and equipment | 14, 15 | 96,174 | 87,483 |
| Impairment of intangible assets, property, plant and equipment and assets held for sale | 14, 15 | 89 | 3,540 |
| Impairment on long-term investments and marketable securities | 16, 20 | 0 | 1,544 |
| Net result from the disposal of intangible assets and property, plant and equipment | 3, 7, 8 | 851 | (780) |
| Net result from the disposal of product groups | 3 | (2,182) | 0 |
| Net result from the disposal of long-term investments and marketable securities | 9, 10 | (376) | 99 |
| | | | |
| Change in inventories | 18 | 8,783 | (10,980) |
| Change in trade accounts receivable | 19 | (17,132) | 1,528 |
| Change in income taxes | 12 | 15,030 | (18,331) |
| Change in provisions | 25, 26 | 10,630 | (9,057) |
| Change in trade accounts payable | | 8,821 | (4,283) |
| Change in other assets and other liabilities | 21, 27 | 14 | (27,713) |
| Other | | (841) | (580) |
| **Cash flow from operating activities** | | **274,549** | **169,992** |
| | | | |
| Capital expenditure on intangible assets and property, plant and equipment | 14, 15 | (89,771) | (93,516) |
| Proceeds from the disposal of intangible assets and property, plant and equipment | 14, 15 | 681 | 2,260 |
| Acquisitions, net of cash acquired | 3 | (12,131) | (74,219) |
| Proceeds from the disposal of product groups | 3 | 1,750 | 0 |
| Payments related to sale of the Pharmaceuticals business | 3 | (7,304) | (393) |
| Purchase of long-term investments | 16 | (75) | (70) |
| Proceeds from the disposal of long-term investments | 16 | 179 | 53 |
| Purchase of marketable securities | 20 | (73,159) | (61,548) |
| Proceeds from the disposal of marketable securities | 9, 10 | 100,730 | 88,448 |
| **Cash flow from investing activities** | | **(79,100)** | **(138,985)** |

| | Notes | **2012** | 2011 |
|---|---|---|---|
| in € thousand | | | |
| Dividends paid | | (50,058) | (100,062) |
| Proceeds from long-term debt | 24 | 150,000 | 0 |
| Repayment of long-term debt | 24 | (895) | (629) |
| Net increase/decrease in short-term debt | 24 | (152,497) | (6,570) |
| **Cash flow from financing activities** | | **(53,450)** | **(107,261)** |
| | | | |
| Effect of exchange rate changes | | (2,235) | 1,965 |
| | | | |
| **Change in cash and cash equivalents** | 2 | **139,764** | **(74,289)** |
| | | | |
| Cash and cash equivalents as of January 1 | 2 | 170,084 | 244,373 |
| **Cash and cash equivalents as of December 31** | 2 | **309,847** | **170,084** |
| | | | |
| **Additional information on cash flows included in the cash flows from operating activities** | | | |
| Income taxes paid | | (61,836) | (85,104) |
| Interest paid | | (4,063) | (6,249) |
| Income taxes received | | 11,690 | 8,011 |
| Interest received | | 2,932 | 2,653 |
| Dividends received | | 660 | 679 |

# 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 (IFRSs), issued by the International Accounting Standards Board (IASB) as endorsed by the EU, and in accordance with section 315a of the German Commercial Code (HGB). The consolidated financial statements were authorized for issue by the Management Board on February 22, 2013 and were approved by the Supervisory Board in the Supervisory Board meeting on March 20, 2013.

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

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

## 2. Significant Accounting Policies

**Consolidation**

The consolidated financial statements of the Company include 18 (2011: 18) subsidiaries in Germany and 41 (2011: 44) 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 2012, the Company completed one asset deal, which had no significant impact on the Company's net assets, financial position and result of operations. Furthermore, the corporate structure of the Effect Pigments division in the U.S. was consolidated resulting in the merger of four subsidiaries and the liquidation of one subsidiary. In the Coatings & Sealants division, two German subsidiaries were merged and the ACTEGA Terra Chile Ltd., Chile was initially consolidated. In Germany one non-operating subsidiary was also initially consolidated.

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 143 of the annual report. A complete list of all subsidiaries of the ALTANA Group is published in the Federal Gazette (Bundesanzeiger).

**New Accounting Pronouncements Endorsed by the EU**

The following Standards and Interpretations were initially adopted in the financial year 2012:

| Standard/ Interpretation | | Issued by the IASB | Effective date[1] | Effect on consolidated financial statements |
|---|---|---|---|---|
| IFRS 7 | Amendments to IFRS 7 "Financial Instruments: Disclosures" – Transfers of Financial Assets | Oct. 2010 | July 1, 2011 | no effect |
| IFRS 1 | Amendments to IFRS 1 "First-time Adoption of International Financial Reporting Standards" – Fixed Transition Date and Severe Hyperinflation | Dec. 2010 | July 1, 2011 | not applicable |
| IAS 12 | Amendments to IAS 12 "Income Taxes" | Dec. 2010 | Jan. 1, 2012 | no effect |

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

The following Standards and Interpretations are applicable at the earliest for financial years beginning after December 31, 2012. ALTANA has not early adopted these Standards and Interpretations.

| Standard/ Interpretation | | Issued by the IASB | Effective date[1] | Effect on consolidated financial statements |
|---|---|---|---|---|
| IAS 1 | Amendments to IAS 1 "Presentation of Financial Statements" – Presentation of Items of Other Comprehensive Income | June 2011 | July 1, 2012 | impact currently evaluated |
| IAS 19 | Amendments to IAS 19 "Employee Benefits" | June 2011 | Jan. 1, 2013 | not material |
| IFRS 7 | Amendments to IFRS 7 "Financial Instruments: Disclosures" – Offsetting Financial Assets and Financial Liabilities | Dec. 2011 | Jan. 1, 2013 | impact currently evaluated |
| IFRS 10 | IFRS 10 "Consolidated Financial Statements" | May 2011 | Jan. 1, 2013 | no effect |
| IFRS 11 | IFRS 11 "Joint Arrangements" | May 2011 | Jan. 1. 2014 | no effect |
| IFRS 12 | IFRS 12 "Disclosure of Interests in Other Entities" | May 2011 | Jan. 1. 2014 | impact currently evaluated |
| IFRS 13 | IFRS 13 "Fair Value Measurement" | May 2011 | Jan. 1. 2014 | impact currently evaluated |
| IAS 27 | Revised IAS 27 "Separate Financial Statements" | May 2011 | Jan. 1. 2014 | no effect |
| IAS 28 | Revised IAS 28 "Investments in Associates and Joint Ventures" | May 2011 | Jan. 1. 2014 | no effect |
| IAS 32 | Amendments to IAS 32 "Financial Instruments: Presentation" – Offsetting Financial Assets and Financial Liabilities | Dec. 2011 | Jan. 1. 2014 | impact currently evaluated |
| IFRIC 20 | IFRIC 20 "Stripping Costs in the Production Phase of a Surface Mine" | Oct. 2011 | Jan. 1, 2013 | not applicable |

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

### New Accounting Pronouncements not yet Endorsed by the EU

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

| Standard/ Interpretation | | Issued by the IASB | Effective date | Effect on consolidated financial statements |
|---|---|---|---|---|
| IFRS 1 | Amendments to IFRS 1 “First-time Adoption of International Financial Reporting Standards” – Loans Received from Government at a Below-market Rate Interest | March 2012 | Jan. 1, 2013 | not applicable |
| IFRS 7 | Amendments to IFRS 7 “Financial Instruments: Disclosures” – Required Implementation Date for Transition Guidance | Dec. 2011 | Jan. 1, 2015 | impact currently evaluated |
| IFRS 9 | IFRS 9 “Financial Instruments” – Classification and Measurement of Financial Assets | Nov. 2009 | Jan. 1, 2015 | impact currently evaluated |
| IFRS 9 | IFRS 9 “Financial Instruments” – Classification and Measurement of Financial Liabilities | Oct. 2010 | Jan. 1, 2015 | impact currently evaluated |
| IFRS 10 | Amendments to IFRS 10 “Consolidated Financial Statements” – Transition Guidance | June 2012 | Jan. 1, 2013 | impact currently evaluated |
| IFRS 10 | Amendments to IFRS 10 “Consolidated Financial Statements” – Investment Entities | Oct. 2012 | Jan. 1. 2014 | impact currently evaluated |
| IFRS 11 | Amendments to IFRS 11 “Joint Arrangements” – Transition Guidance | June 2012 | Jan. 1, 2013 | impact currently evaluated |
| IFRS 12 | Amendments to IFRS 12 “Disclosure of Interests in Other Entities” – Transition Guidance | June 2012 | Jan. 1, 2013 | impact currently evaluated |
| IFRS 12 | Amendments to IFRS 12 “Disclosure of Interests in Other Entities” – Investment Entities | Oct. 2012 | Jan. 1. 2014 | impact currently evaluated |
| IAS 27 | Amendments to IAS 27 “Separate Financial Statements” – Investment Entities | Oct. 2012 | Jan. 1. 2014 | impact currently evaluated |
| Sundry | Annual Improvements to IFRS (2009–2011 Cycle) | May 2012 | Jan. 1, 2013 | 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 profit or loss and are reported in other comprehensive income.

Transactions realized in foreign currencies are translated to the local currency using the exchange rate prevailing at the transaction 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 to the extent that they relate to the translation of financial assets or liabilities, in financial income or expenses.

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

| | Spot rate | | Average rate for the years ended Dec. 31, | |
|---|---|---|---|---|
| | **Dec. 31, 2012** | Dec. 31, 2011 | **2012** | 2011 |
| 1 Euro | | | | |
| U.S. Dollar | 1.32 | 1.29 | 1.28 | 1.39 |
| Swiss Franc | 1.21 | 1.22 | 1.21 | 1.23 |
| Japanese Yen | 113.61 | 100.20 | 102.49 | 110.96 |
| Chinese Renminbi | 8.22 | 8.16 | 8.11 | 9.00 |
| Indian Rupee | 72.56 | 68.71 | 68.60 | 64.89 |
| Brazilian Real | 2.70 | 2.42 | 2.51 | 2.33 |

### Revenue Recognition

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

### Research and Development Expenses

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

### Personnel and Interest Expense

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

### Income Taxes

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

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

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

### Intangible Assets

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

Intangible assets with definite useful lives are measured at cost less accumulated amortization. Borrowing costs that are directly attributable to qualifying assets are capitalized. These intangible assets are amortized straight-line over the shorter of their contractual term or their estimated useful lives.

The following useful lives are applied:

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

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

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

### Property, Plant and Equipment

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

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

| | Years |
|---|---:|
| Buildings and leasehold | 2 to 75 |
| Plant and machinery | 2 to 30 |
| Equipment | 2 to 30 |

Maintenance and repairs are expensed as incurred while replacements and improvements, 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 expense of property, plant and equipment is recorded based on their function in cost of sales, selling and distribution expenses, research and development expenses or general administration expenses.

### 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 reported in other operating expenses.

If there is any indication that the considerations which led to an impairment of property, plant and equipment or intangible assets no longer exist, the Company 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 recognized as a reduction of the cost basis of the acquired or constructed assets. Non-refundable reimbursement of cost is recorded as other operating income if all the conditions stipulated are met.

### Long-term Investments and Marketable Securities

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

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

### Investments in Associated Companies

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

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

### 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 costs, including depreciation and amortization.

### Trade Accounts Receivable

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

### Cash and Cash Equivalents

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

### Assets Held for Sale

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

### Financial Instruments

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

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

### Share-like Employee Incentive Plans

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

### Employee Benefit Obligations

The accounting for pension liabilities is based on the projected unit credit method in accordance with IAS 19, "Employee Benefits" and is measured based on actuarial reports. 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 respective reporting dates.

### Other Provisions

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

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

**Use of Estimates and Assumptions**

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

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

Employee Benefit Obligations: The measurement of the 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: Impairment testing for goodwill, other intangible assets and property, plant and equipment is generally based on discounted estimated future cash flows generated from the continuing use and ultimate disposal of the assets. Factors such as lower than anticipated sales and resulting reduced net cash flows as well as changes in the discount rates used could lead to impairments. For information on the carrying amounts of goodwill, other intangible assets and property, plant and equipment see notes 14 and 15.

## 3. Business Combinations and Disposals

In accordance with IFRS 3, "Business Combinations", the Company accounts for business combinations by applying the acquisition method as of the date when control over the financial and operating policies is effectively obtained. Any excess of the consideration transferred over the fair value of the net assets acquired is recorded as goodwill, which is allocated to those cash-generating units that are expected to benefit from the business combination. The results of operations of the acquired businesses are included in the Company's consolidated financial statements from the respective dates of acquisition until the date of sale.

**Acquisitions in 2012**

On December 27, 2012, ALTANA acquired the business of the U.S. producer of specialty wax additives, Chemical Corporation of America Inc. (ChemCor) through an asset deal. The business was integrated into the Additives & Instruments division. The total purchase price of €12.0 million was paid in cash.

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

| in € million | |
|---|---|
| Goodwill | 2.3 |
| Intangible assets | 5.2 |
| Property, plant and equipment | 1.9 |
| Inventories | 2.8 |
| Liabilities | (0.2) |
| **Cost** | **12.0** |
| thereof purchase price paid in cash | 12.0 |

The provisional allocation of the consideration transferred resulted in goodwill amounting to €2.3 million. Since the acquisition was effected on December 27, 2012 it had no effect on the reporting period's consolidated net sales or consolidated net income. Had ChemCor been acquired on January 1, 2012 the business would have contributed €13.6 million to consolidated net sales and €1.2 million to consolidated net income. The carrying amount of the assets acquired and the liabilities assumed before the acquisition date was €2.8 million. The allocation of the consideration transferred will be finalized as soon as all necessary information is available.

The factors contributing to goodwill acquired are essentially the expected synergies from the utilization of the worldwide distribution network of ALTANA, new technologies and the utilization of joint research activities.

**Disposals**

In 2012, ALTANA sold the Effect Pigments division's pearlescent pigments business based on natural mica which generated annual net sales of €3.7 million to Sudarshan Chemical Industries Limited, India.

Related to the sale of the Pharmaceutical business in 2006, the Company paid €7.3 million for income taxes and interest in 2012, which had been provided for in prior years.

## 4. Net Sales

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

| | **2012** | 2011 |
|---|---|---|
| Additives & Instruments | 618,364 | 581,941 |
| Effect Pigments | 340,518 | 346,803 |
| Electrical Insulation | 412,514 | 390,907 |
| Coatings & Sealants | 333,923 | 297,043 |
| | **1,705,319** | **1,616,694** |

## 5. Cost of Sales

Cost of sales includes the following items:

| | **2012** | 2011 |
|---|---|---|
| Material expenses | 766,892 | 740,579 |
| Production expenses | | |
| Personnel expenses | 142,919 | 132,675 |
| Depreciation and amortization | 58,713 | 53,100 |
| Energy expenses | 28,501 | 25,277 |
| Maintenance and repair expenses | 18,128 | 17,895 |
| Other | 50,012 | 46,072 |
| | **1,065,165** | **1,015,598** |

## 6. Selling and Distribution Expenses

Selling and distribution expenses are as follows:

| | **2012** | 2011 |
|---|---|---|
| Personnel expenses | 74,088 | 65,994 |
| Shipping, duties, insurance | 46,478 | 43,826 |
| Commissions | 24,558 | 24,893 |
| Depreciation and amortization | 21,309 | 19,101 |
| Other | 60,338 | 56,007 |
| | **226,771** | **209,821** |

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

## 7. Other Operating Income

| | **2012** | 2011 |
|---|---|---|
| Reversal of allowance for doubtful accounts | 1,300 | 1,251 |
| Gains on disposal of property, plant and equipment | 233 | 1,407 |
| Government grants | 152 | 367 |
| Foreign exchange gains/(losses), net | 0 | 1,288 |
| Net result from the disposal of product groups | 2,182 | 0 |
| Insurance reimbursements | 1,590 | 191 |
| Reversal of provisions | 1,059 | 0 |
| Other | 7,613 | 5,692 |
| | **14,129** | **10,196** |

## 8. Other Operating Expenses

| | **2012** | 2011 |
|---|---|---|
| Bad debt expense | 849 | 1,666 |
| Losses from disposal of property, plant and equipment | 1,084 | 627 |
| Foreign exchange gains/(losses), net | 1,493 | 0 |
| Exceptional expenses | 469 | 6,401 |
| Charitable donations | 353 | 460 |
| Other | 3,013 | 2,764 |
| | **7,261** | **11,918** |

Foreign exchange gains and losses are as follows:

| | **2012** | 2011 |
|---|---|---|
| Foreign exchange gains | 6,274 | 8,270 |
| Foreign exchange (losses) | (7,767) | (6,982) |
| **Net gain / net (loss)** | **(1,493)** | **1,288** |

Exceptional expenses relate to the following:

| | Notes | **2012** | 2011 |
|---|---|---|---|
| Impairment loss on property, plant and equipment | 15 | 89 | 1,875 |
| Impairment loss on assets held for sale | 15 | 0 | 1,665 |
| Cost of relocation of production and structural measures | | 380 | 2,861 |
| | | **469** | **6,401** |

## 9. Financial Income

| | **2012** | 2011 |
|---|---|---|
| Interest income | 2,770 | 2,613 |
| Gains on disposal of marketable securities | 5,452 | 4,870 |
| Gains on derivative financial instruments | 1,473 | 2,923 |
| Dividends received | 212 | 131 |
| Other financial income | 342 | 1,348 |
| | **10,249** | **11,885** |

## 10. Financial Expenses

| | **2012** | 2011 |
|---|---|---|
| Interest expenses | 11,022 | 8,764 |
| Impairment | 0 | 1,544 |
| Losses on disposal of marketable securities | 92 | 2 |
| Losses on derivative financial instruments | 8,568 | 11,250 |
| Other financial expenses | 1,398 | 346 |
| | **21,080** | **21,906** |

## 11. Income from Associated Companies

Income from associated companies amounted to €1.1 million and €0.8 million in 2012 and 2011, respectively.

## 12. Income Taxes

Income tax expense is as follows:

| | **2012** | 2011 |
|---|---|---|
| Current taxes | 62,780 | 63,533 |
| Deferred taxes | (249) | (3,320) |
| **Income taxes** | **62,531** | **60,213** |

As in 2011, the combined income tax rate is 29 % consisting of the corporate tax rate of 15 %, the solidarity surcharge on corporate tax in Germany of 5.5 % and the trade tax of about 13 %. The trade tax rate is based on the weighted average of the collection rate of all German municipalities in which ALTANA operates business premises.

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

| | **2012** | 2011 |
|---|---|---|
| **Income before income taxes (EBT)** | **217,219** | **207,735** |
| Tax expense applying the expected average income tax rate | 62,994 | 60,243 |
| Non-deductible expenses | 2,662 | 3,314 |
| Tax rate differential | 44 | (1,682) |
| Tax free income | (3,332) | (2,596) |
| Tax related to prior years | 4,276 | 5,511 |
| Other | (4,113) | (4,577) |
| **Income taxes** | **62,531** | **60,213** |
| Effective income tax rate | 28.8 % | 29.0 % |

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

| | **Dec. 31, 2012** | | Dec. 31, 2011 | |
|---|---|---|---|---|
| | Assets | Liabilities and provisions | Assets | Liabilities and provisions |
| Intangible assets | 6,014 | (37,774) | 5,902 | (36,232) |
| Property, plant and equipment | 5,629 | (32,979) | 7,395 | (32,655) |
| Long-term investments | 362 | (2,516) | 339 | (2,571) |
| Inventories | 9,686 | (1,254) | 10,134 | (2,071) |
| Receivables and other assets | 948 | (3,061) | 1,007 | (4,400) |
| Marketable securities | 4 | (171) | 0 | (195) |
| Employee benefit obligations | 21,317 | (512) | 11,688 | (531) |
| Other provisions | 3,971 | (688) | 4,057 | (1,197) |
| Liabilities | 1,927 | (1,263) | 4,737 | (1,253) |
| Tax loss carry-forwards | 5,591 | 0 | 3,111 | 0 |
| Allowance for deferred tax assets | (3,098) | 0 | (3,892) | 0 |
| Outside bases differences | 0 | (2,800) | 0 | (441) |
| Netting | (28,205) | 28,205 | (19,802) | 19,802 |
| **Deferred taxes, net** | **24,146** | **(54,813)** | **24,676** | **(61,744)** |

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

| | **2012** | 2011 |
|---|---|---|
| **Tax loss carry-forwards** | **57,138** | **65,571** |
| unlimited | 20,076 | 23,966 |
| will expire until 2017 (prior year: 2016) | 19,319 | 14,931 |
| will expire after 2017 (prior year: 2016) | 17,743 | 26,674 |

Deferred tax assets on tax loss carry-forwards of €40.6 million and €56.2 million were not recognized as of December 31, 2012 and 2011, 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 €4.1 million have unlimited carry-forward periods, €19.3 million will expire through 2017, and €17.2 million will expire after 2017.

As of December 31, 2012 and 2011, a deferred tax liability was not recorded for the amounts of €33.3 million and €37.5 million, respectively, which represent the temporary differences between the undistributed earnings of certain investments in subsidiaries and the tax bases of these investments in subsidiaries, as the timing of their reversal can be controlled and is not probable in the foreseeable future.

## 13. Other Information on the Income Statement

### Personnel Expenses

Personnel expenses consist of the following items:

| | 2012 | 2011 |
|---|---|---|
| Wages and salaries | 271,318 | 246,209 |
| Social security contributions | 48,234 | 43,874 |
| Expenses for pensions and other post-retirement benefits | 12,752 | 9,842 |
| | **332,304** | **299,925** |

Personnel expenses include expenses for employee incentive plans in both years reported (see note 23). In 2012 and 2011, €3.4 million and €1.0 million relate to the compensation plan for key members of the management, "ALTANA Equity Performance" and €0.7 million and €0.6 million to the compensation plan for employees, "ALTANA Profit Participation".

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

| | 2012 | 2011 |
|---|---|---|
| Number of employees by division | | |
| Additives & Instruments | 1,408 | 1,331 |
| Effect Pigments | 1,944 | 1,927 |
| Electrical Insulation | 936 | 921 |
| Coatings & Sealants | 980 | 872 |
| Holding | 77 | 73 |
| | **5,345** | **5,124** |

### Amortization, Depreciation and Impairments

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

| | 2012 | 2011 |
|---|---|---|
| Amortization of intangible assets | 36,346 | 34,356 |
| Depreciation of property, plant and equipment | 59,828 | 53,127 |
| Impairment loss on property, plant and equipment | 89 | 1,875 |
| Impairment loss on assets held for sale | 0 | 1,665 |
| | **96,263** | **91,023** |

For information on the impairment charges for property, plant and equipment, and assets held for sale, see note 15.

## 14. Intangible Assets

| | Patents, licenses and similar rights | Goodwill | Software and others | Total |
|---|---|---|---|---|
| **Cost** | | | | |
| Balance at Jan. 1, 2011 | 388,938 | 257,463 | 63,411 | 709,812 |
| Additions | 1,663 | 0 | 9,960 | 11,623 |
| Disposals | (2,673) | 0 | (311) | (2,984) |
| Transfers | 10 | 0 | 239 | 249 |
| Translation adjustments | 2,592 | 2,709 | 238 | 5,539 |
| Changes in reporting entities | 29,394 | 11,316 | 65 | 40,775 |
| **Balance at Dec. 31, 2011** | **419,924** | **271,488** | **73,602** | **765,014** |
| Additions | 1,312 | 0 | 11,069 | 12,381 |
| Disposals | (506) | 0 | (1,453) | (1,959) |
| Transfers | 10 | 0 | 112 | 122 |
| Translation adjustments | (2,181) | (1,972) | (207) | (4,360) |
| Changes in reporting entities | 5,381 | 2,346 | 0 | 7,727 |
| **Balance at Dec. 31, 2012** | **423,940** | **271,862** | **83,123** | **778,925** |
| | | | | |
| **Accumulated amortization** | | | | |
| Balance at Jan. 1, 2011 | 143,286 | 47,590 | 46,104 | 236,980 |
| Additions | 28,314 | 0 | 6,042 | 34,356 |
| Disposals | (2,673) | 0 | (185) | (2,858) |
| Transfers | 0 | 0 | 47 | 47 |
| Translation adjustments | 1,533 | 494 | 169 | 2,196 |
| Changes in reporting entities | 0 | 0 | 0 | 0 |
| **Balance at Dec. 31, 2011** | **170,460** | **48,084** | **52,177** | **270,721** |
| Additions | 29,755 | 0 | 6,591 | 36,346 |
| Disposals | (502) | 0 | (1,408) | (1,910) |
| Transfers | 0 | 0 | (1) | (1) |
| Translation adjustments | (1,374) | (280) | (106) | (1,760) |
| Changes in reporting entities | 0 | 0 | 0 | 0 |
| **Balance at Dec. 31, 2012** | **198,339** | **47,804** | **57,253** | **303,396** |
| | | | | |
| **Carrying amount** | | | | |
| **Dec. 31, 2012** | **225,601** | **224,058** | **25,870** | **475,529** |
| Dec. 31, 2011 | 249,464 | 223,404 | 21,425 | 494,293 |

In 2012, additions of €8.9 million related to SAP projects mainly in the Effect Pigments division and the Electrical Insulation division. In this context borrowing costs of €0.1 million were capitalized. The calculation was based on a capitalization rate of 3.2 %.

In 2011, additions of €5.9 million related to software, software licenses and prepayments in the Additives & Instruments division.

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

| | |
|---|---|
| 2013 | 35,250 |
| 2014 | 31,855 |
| 2015 | 27,328 |
| 2016 | 19,910 |
| 2017 | 22,005 |
| Thereafter | 86,302 |

As of December 31, 2012 and 2011, patents, licenses and similar rights include brand names with indefinite useful lives of €20.9 million. These were classified as intangible assets with indefinite useful lives based on an analysis of the product life cycles and other relevant factors indicating that the future positive cash flows are expected to be generated for an indefinite period of time.

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

| | **Dec. 31, 2012** | Dec. 31, 2011 |
|---|---|---|
| Additives & Instruments | 16,217 | 13,876 |
| Effect Pigments | 78,375 | 78,173 |
| Electrical Insulation | 75,425 | 76,830 |
| Coatings & Sealants | 54,041 | 54,525 |
| | **224,058** | **223,404** |

### 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 2013 to 2017. 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. In the years reported the following parameters were applied: discount rate after income taxes of 8.0 %; 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 2012, no impairment loss on goodwill was recognized. Sensitivity analyses indicated that even a reasonably likely change of the underlying parameters would not have resulted in an impairment.

In the period since the performance of the impairment test until December 31, 2012, no impairment indicators were identified.

### Impairment Test for Intangible Assets Other Than Goodwill

In 2012 and 2011, no impairment losses on 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, 2011 | 399,243 | 391,936 | 149,746 | 69,502 | 1,010,427 |
| Additions | 20,924 | 20,918 | 12,762 | 29,925 | 84,529 |
| Disposals | (4,665) | (1,841) | (6,692) | (222) | (13,420) |
| Transfers | 18,310 | 35,543 | 2,990 | (57,092) | (249) |
| Translation adjustments | 1,483 | 3,999 | 1,227 | 302 | 7,011 |
| Changes in reporting entities | 10,863 | 14,524 | 1,347 | 558 | 27,292 |
| **Balance at Dec. 31, 2011** | **446,158** | **465,079** | **161,380** | **42,973** | **1,115,590** |
| Additions | 14,650 | 18,381 | 12,732 | 31,627 | 77,390 |
| Disposals | (2,398) | (2,110) | (5,546) | (62) | (10,116) |
| Transfers | 9,445 | 19,363 | 3,443 | (32,374) | (123) |
| Translation adjustments | (1,596) | (1,925) | (720) | (436) | (4,677) |
| Changes in reporting entities | 1,795 | (293) | 124 | 0 | 1,626 |
| **Balance at Dec. 31, 2012** | **468,054** | **498,495** | **171,413** | **41,728** | **1,179,690** |
| | | | | | |
| **Accumulated depreciation** | | | | | |
| Balance at Jan. 1, 2011 | 122,383 | 210,491 | 98,304 | 0 | 431,178 |
| Additions | 14,023 | 27,206 | 11,898 | 0 | 53,127 |
| Disposals | (4,091) | (1,772) | (6,203) | 0 | (12,066) |
| Impairment | 243 | 1,632 | 0 | 0 | 1,875 |
| Transfers | 0 | 0 | (47) | 0 | (47) |
| Translation adjustments | 726 | 1,509 | 814 | 0 | 3,049 |
| Changes in reporting entities | 0 | 0 | 0 | 0 | 0 |
| **Balance at Dec. 31, 2011** | **133,284** | **239,066** | **104,766** | **0** | **477,116** |
| Additions | 15,998 | 31,041 | 12,789 | 0 | 59,828 |
| Disposals | (1,708) | (1,676) | (4,748) | 0 | (8,132) |
| Impairment | 89 | 0 | 0 | 0 | 89 |
| Transfers | 0 | (78) | 79 | 0 | 1 |
| Translation adjustments | (500) | (1,088) | (446) | 0 | (2,034) |
| Changes in reporting entities | 9 | (351) | 55 | 0 | (287) |
| **Balance at Dec. 31, 2012** | **147,172** | **266,914** | **112,495** | **0** | **526,581** |
| | | | | | |
| **Carrying amount** | | | | | |
| **Dec. 31, 2012** | **320,882** | **231,581** | **58,918** | **41,728** | **653,109** |
| Dec. 31, 2011 | 312,874 | 226,013 | 56,614 | 42,973 | 638,474 |

In 2012, additions of €5.5 million in the Additives & Instruments division related to the extension of the U.S. production facilities in Wallingford, and of €4.6 million to the expansion of the domestic site in Schkopau. In the Effect Pigments division €10.8 million were invested in the facilities in Güntersthal and additionally, in the Electrical Insulation division an amount of €4.8 million was invested in the refurbishment and extension of the research and administration building in St. Louis (U.S.).

In 2011, additions of €9.4 million in the Additives & Instruments division related to the construction of a laboratory building and €5.1 million to the extension of production and administrative facilities in Wesel. €6.8 million were invested in a new production plant at the production site in the Netherlands. €9.9 million were invested to expand the production capacity at the Effect Pigments location in Güntersthal. Additionally, land and buildings located in Italy which had been classified as assets held for sale in 2010 were reclassified into property, plant and equipment at their fair value of €2.7 million subsequent to the recognition of an impairment loss of €1.6 million.

As of December 31, 2012 and 2011, €0.4 million and €0.5 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 2012 and 2011.

In 2012, an impairment loss in the Effect Pigments division of €0.1 million was recognized in the context of the classification of land and building as assets held for sale (reclassified carrying amount less impairment €0.5 million).

In 2011, impairment losses of €0.2 million and €1.6 million were recognized for the sites in France and Finland, respectively, in the Effect Pigments division.

Borrowings of €4.6 million and €5.2 million were secured by mortgages (land and other assets) as of December 31, 2012 and 2011, respectively.

## 16. Long-term Investments

| | Other investments | Other long-term financial assets | Total |
|---|---|---|---|
| **Cost** | | | |
| Balance at Jan. 1, 2011 | 1,857 | 577 | 2,434 |
| Additions | 0 | 70 | 70 |
| Disposals | 0 | (53) | (53) |
| Translation adjustments | 59 | (4) | 55 |
| Changes in reporting entities | 0 | 147 | 147 |
| **Balance at Dec. 31, 2011** | **1,916** | **737** | **2,653** |
| Additions | 0 | 75 | 75 |
| Disposals | 0 | (179) | (179) |
| Translation adjustments | (36) | (13) | (49) |
| Changes in reporting entities | 0 | (120) | (120) |
| **Balance at Dec. 31, 2012** | **1,880** | **500** | **2,380** |
| | | | |
| **Accumulated impairment** | | | |
| Balance at Jan. 1, 2011 | 680 | 0 | 680 |
| Impairment | 0 | 0 | 0 |
| Disposals | 0 | 0 | 0 |
| Translation adjustments | 23 | 0 | 23 |
| Changes in reporting entities | 0 | 0 | 0 |
| **Balance at Dec. 31, 2011** | **703** | **0** | **703** |
| Impairment | 0 | 0 | 0 |
| Disposals | 0 | 0 | 0 |
| Translation adjustments | (14) | 0 | (14) |
| Changes in reporting entities | 0 | 0 | 0 |
| **Balance at Dec. 31, 2012** | **689** | **0** | **689** |
| | | | |
| **Carrying amount** | | | |
| **Dec. 31, 2012** | **1,191** | **500** | **1,691** |
| Dec. 31, 2011 | 1,213 | 737 | 1,950 |

In 2012 and 2011, no impairment losses were recognized.

In 2012 and 2011, an amount of €0.3 million and €0.4 million, respectively, of other long-term financial assets related to long-term employee loans bearing a weighted average interest rate of 4.2 % in both years reported.

## 17. Investments in Associated Companies

| | Investments in associated companies |
|---|---:|
| Balance at Jan. 1, 2011 | 11,012 |
| Additions | 787 |
| Disposals | (548) |
| Translation adjustments | (912) |
| **Balance at Dec. 31, 2011** | **10,339** |
| Additions | 1,127 |
| Disposals | (448) |
| Translation adjustments | (1,150) |
| **Balance at Dec. 31, 2012** | **9,868** |

The investment of 39 % in the associated company Aldoro is accounted for by applying the equity method. At the acquisition date in 2005, ALTANA's share of the net assets acquired amounted to €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, 2012** | Dec. 31, 2011 |
|---|---:|---:|
| Assets | 15,937 | 16,261 |
| Liabilities | 1,650 | 2,081 |
| Net sales | 15,253 | 15,452 |
| Net income (EAT) | 2,891 | 2,018 |
| Employees (annual average) | 85 | 85 |

## 18. Inventories

| | **Dec. 31, 2012** | Dec. 31, 2011 |
|---|---:|---:|
| Raw materials and supplies | 84,970 | 83,480 |
| Work in progress | 45,856 | 43,401 |
| Finished products and goods | 98,029 | 106,232 |
| Prepayments | 193 | 917 |
| | **229,048** | **234,030** |

In 2012 and 2011, respectively, inventory write-downs of €14.2 million and €16.7 million were deducted from the respective inventory categories.

## 19. Trade Accounts Receivable

| | **Dec. 31, 2012** | Dec. 31, 2011 |
|---|---|---|
| Trade accounts receivable | 283,327 | 267,067 |
| Non-current trade accounts receivable (see note 21) | (24) | (24) |
| Allowance for doubtful accounts | (3,460) | (4,202) |
| | **279,843** | **262,841** |

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

| | **2012** | 2011 |
|---|---|---|
| Allowance at the beginning of the year | 4,202 | 4,778 |
| Translation adjustments | (13) | 32 |
| Additions | 849 | 1,666 |
| Reversal | (1,300) | (1,250) |
| Utilization | (278) | (1,439) |
| Changes in reporting entities | 0 | 415 |
| **Allowance at the end of the year** | **3,460** | **4,202** |

The exposure to credit risk at December 31, 2012 and 2011 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, 2012** | **279,868** | **243,182** | **25,044** | **5,055** | **2,243** | **2,743** | **1,601** |
| Dec. 31, 2011 | 262,866 | 228,730 | 21,699 | 5,760 | 2,168 | 2,787 | 1,722 |

As of December 31, 2012 and 2011, respectively, there was no indication that trade accounts receivable which 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 shareholders' equity, net of income tax, were as follows:

| | Amortized cost | Fair value | Unrealized gains | Unrealized losses |
|---|---|---|---|---|
| **Dec. 31, 2012** | | | | |
| Money market funds | 48,785 | 49,309 | 528 | 4 |
| Share and equity funds | 1,664 | 1,664 | 0 | 0 |
| | **50,449** | **50,973** | **528** | **4** |

| | Amortized cost | Fair value | Unrealized gains | Unrealized losses |
|---|---|---|---|---|
| Dec. 31, 2011 | | | | |
| Money market funds | 61,754 | 62,348 | 599 | 5 |
| Share and equity funds | 1,699 | 1,699 | 0 | 0 |
| | **63,453** | **64,047** | **599** | **5** |

In 2012, no impairment losses on marketable securities were recognized.

In 2011, the Company recognized an impairment loss on marketable securities in accordance with the method determined by ALTANA (see note 2) amounting to €1.5 million because the fair value at the reporting date was significantly below amortized cost or the decrease in value was permanent in nature.

## 21. Other Assets

| | Dec. 31, 2012 | | Dec. 31, 2011 | |
|---|---|---|---|---|
| | Other current assets | Other non-current assets | Other current assets | Other non-current assets |
| Balances due from employees | 319 | 37 | 460 | 52 |
| Cash surrender value of life insurance | 85 | 1,935 | 82 | 1,958 |
| Balances due from fiscal authorities | 13,812 | 1,149 | 12,202 | 590 |
| Prepayments | 1,873 | 0 | 2,608 | 1 |
| Loans | 0 | 1,338 | 0 | 1,304 |
| Balances due from related parties | 5 | 0 | 554 | 0 |
| Prepaid expenses | 4,964 | 1,530 | 3,842 | 383 |
| Derivative financial instruments | 3,158 | 1,533 | 304 | 4 |
| Non-current trade accounts receivable | 0 | 24 | 0 | 24 |
| Notes receivable | 29,860 | 0 | 29,552 | 0 |
| Promissory notes | 0 | 0 | 15,000 | 0 |
| Other | 9,255 | 1,016 | 9,273 | 977 |
| | **63,331** | **8,562** | **73,877** | **5,293** |

## 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.

### Additional Paid-in Capital

The additional paid-in capital contains excess amounts over the calculated value resulting from the issuance of shares of ALTANA AG and from equity-settled share-based payment transactions.

### Accumulated Other Comprehensive Income

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 in the item "Marketable securities available-for-sale" net of income taxes unless an impairment loss is recognized.

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

## Notes on Other Comprehensive Income

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

| | | | **2012** | | | 2011 |
|---|---|---|---|---|---|---|
| | Before income taxes | Income taxes | Net of income taxes | Before income taxes | Income taxes | Net of income taxes |
| Translation adjustments (including non-controlling interests) | (7,631) | (1,086) | (8,717) | 10,849 | 441 | 11,290 |
| Gains and losses from available-for-sale securities | (683) | 222 | (461) | (281) | 89 | (192) |
| Gains and losses from derivative financial instruments | 3,589 | (1,077) | 2,512 | 256 | (77) | 179 |
| Change in fair value of available-for-sale securities | 643 | (210) | 433 | 529 | (170) | 359 |
| Change in fair value of derivative financial instruments | 4,537 | (1,361) | 3,176 | 390 | (117) | 273 |
| Change in actuarial gains and losses | (31,355) | 9,423 | (21,932) | (9,422) | 2,953 | (6,469) |
| **Other comprehensive income** | **(30,900)** | **5,911** | **(24,989)** | **2,321** | **3,119** | **5,440** |

## Additional Disclosures for Capital Management

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

In 2012, ALTANA's shareholders' equity increased by €81.1 million to €1,498.2 million. Due to the distribution of the ordinary dividend, shareholders' equity was reduced by €50.0 million, which was offset by the 2012 consolidated net income of €154.7 million. The debt to asset ratio remained unchanged at 29 %. Long-term and short-term debt represented 18 % and 12 % of total liabilities, provisions and shareholders' equity.

In 2012, ALTANA finalized the restructuring process of its external financing and replaced its existing credit line of €400 million. As long-term financing facility ALTANA has taken out a promissory note loan (German Schuldschein) of €150 million. Additionally, a new credit line of €250 million was made available by an international banking syndicate. As of December 31, 2012 the Company had not drawn on the credit line. The promissory note loan and the credit line will expire in 2016 at the earliest.

The agreement with the international banking syndicate provides for a ratio ("financial covenant") of net debt to EBITDA of 3.0 to 1 at a maximum to be complied with. As of December 31, 2012, however, ALTANA reports a net cash position. If the financial covenant is not met, the international banking syndicate can 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 financing structure – including bolt-on acquisitions – should be adequate for the requirements of an investment grade rating.

## 23. Employee Incentive Plans

**ALTANA Equity Performance (AEP)**

Since 2010, ALTANA has offered a long-term incentive plan for key members of the management. The incentive plan provides for the issuance of rights (ALTANA Equity Performance Awards), which develop similar to the value of ALTANA's shareholders' equity. Under this program AEP awards were issued in 2010, 2011 and 2012.

Entitled key management personnel make an initial investment in so-called ALTANA Equity Performance Rights which are Company-issued debt instruments with an initial fair value of €100.00 each. The measurement of these rights is based on the virtual development of the Company's shareholder value. This measurement represents the basis for the performance of the AEP Awards.

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

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

| | Initial fair value in € per award | Awards granted | End of term |
|---|---|---|---|
| Tranche AEP 2010 | 100.00 | 21,098 | Dec. 31, 2013 |
| Tranche AEP 2011 | 152.34 | 15,213 | Dec. 31, 2014 |
| Tranche AEP 2012 | 143.71 | 17,124 | Dec. 31, 2015 |

Total expenses recognized for all plans amounted to €3.4 million and €1.0 million in 2012 and 2011 and the provision amounted to €4.5 million and €1.8 million, as of December 31, 2012 and 2011, respectively. The total initial investment made by the management, which is reported in other liabilities, was measured at €3.1 million and €2.4 million as of December 31, 2012 and 2011 (see note 27).

### ALTANA Profit Participation (APP)

At the end of 2010 ALTANA initiated an incentive plan for employees not eligible for the AEP plan. Since then, this incentive plan allows annually 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. A basic interest rate of 3 % per year of the debt instrument is granted as well as an additional bonus interest rate if applicable. This bonus interest represents 150 % of the relative ALTANA Value Added. The latter corresponds to the excess Return on Capital Employed (ROCE) generated by ALTANA in the respective financial year over the average cost of capital.

Additionally, subscribers of APPRs were granted a one-time earnings-related country-specific payment.

As of December 31, 2012 and 2011, respectively, €7.3 million and €4.6 million were recognized in other liabilities for the APPRs issued in 2012 and previous years. In 2012 and 2011, the one-time payment and the interest incurred resulted in an expense of €0.7 million and €0.6 million, respectively, which was recognized in personnel expenses.

## 24. Debt

| | **Dec. 31, 2012** | | Dec. 31, 2011 | |
|---|---|---|---|---|
| | Non-current debt | Current debt | Non-current debt | Current debt |
| Borrowings from banks | 1,279 | 1,297 | 33,100 | 124,244 |
| Promissory note loan (German Schuldschein) | 150,000 | 0 | 0 | 0 |
| Lease obligations | 3 | 2 | 5 | 2 |
| | **151,282** | **1,299** | **33,105** | **124,246** |

For general corporate financing purposes ALTANA uses different financing instruments. In 2012, ALTANA replaced its existing credit line of €400 million by a promissory note loan (German Schuldschein) of €150 million and a syndicated credit line of €250 million was issued by seven banks. As of December 31, 2012, the Company had not drawn on the credit line. In addition, as of December 31, 2012, further largely unused lines of credit in the amount of €17.6 million were available to ALTANA. The terms and conditions are based on market conditions and no collateral is provided.

As of December 31, 2012 and 2011, respectively, bank borrowings included €0.6 million and €54.3 million denominated in foreign currencies. Of these borrowings, amounts of €0.4 million and €53.9 million were denominated in U.S. Dollars as of December 31, 2012 and 2011, respectively.

As of December 31, 2012 and 2011, the aggregate amounts of indebtedness maturing during the next five years and thereafter were as follows:

| | **Dec. 31, 2012** | Dec. 31, 2011 |
|---|---|---|
| Due in 2013 (prior year: 2012) | 1,297 | 124,244 |
| Due in 2014 (prior year: 2013) | 755 | 31,310 |
| Due in 2015 (prior year: 2014) | 211 | 1,278 |
| Due in 2016 (prior year: 2015) | 65,203 | 200 |
| Due in 2017 (prior year: 2016) | 110 | 203 |
| Due thereafter | 85,000 | 109 |
| **Total** | **152,576** | **157,344** |
| **Lease obligation (see note 29)** | **5** | **7** |
| **Total debt** | **152,581** | **157,351** |

## 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 €19.5 million and €18.7 million in 2012 and 2011, respectively. No further obligation exists besides the contributions paid.

Obligations for other post-retirement benefits mainly relate to German employees.

Beginning May 31, 2012, the determination of the discount rate applied to employee benefit obligations in the Euro zone was based on an extended data base due to the change of market data to ensure an appropriate discount rate in accordance with IAS 19. In the preceding months, the downgrading of numerous corporations with an AA-rating has significantly reduced the bond spectrum. The method of deriving the interest curve from the different bonds remained unchanged. As of December 31, 2012, the determination of the discount rate based on the previous, reduced data base was no longer reliably possible. Estimates suggest that the discount rate could have been 40 basis points below the discount rate actually applied which would have resulted in a higher employee benefit obligation of €10.7 million.

The Company does not expect that the initial adoption of the Amendments to IAS 19 will have a significant impact on its consolidated financial statements.

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

| | **Dec. 31, 2012** | Dec. 31, 2011 |
|---|---|---|
| Defined benefit obligation – unfunded | 131,189 | 96,560 |
| Defined benefit obligation – funded | 62,609 | 49,754 |
| **Defined benefit obligation** | **193,798** | **146,314** |
| Less fair value of plan assets | 54,218 | 43,905 |
| Asset ceiling | 15 | 786 |
| **Employee benefit obligations** | **139,595** | **103,195** |
| **Provision for other post-retirement benefits** | **435** | **363** |
| **Total** | **140,030** | **103,558** |

The employee benefit obligations would have decreased by €127.3 million, if the discount rate had increased by 0.5 percentage points.

In 2012 and 2011, funded defined benefit obligations are in excess of the plan assets by €8.4 million and €5.8 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, 2012** | Dec. 31, 2011 | Dec. 31, 2010 | Dec. 31, 2009 | Dec. 31, 2008 |
|---|---|---|---|---|---|
| Defined benefit obligation | 193,798 | 146,314 | 131,122 | 127,272 | 110,000 |
| Fair value of plan assets | 54,218 | 43,905 | 40,833 | 38,529 | 30,413 |
| Funded status | 139,580 | 102,409 | 90,289 | 88,743 | 79,587 |
| Experience adjustments | 457 | (402) | (1,867) | 756 | (800) |
| thereof plan assets | 3,799 | (2,716) | 342 | 3,622 | (6,272) |
| thereof defined benefit obligation | (3,342) | 2,314 | (2,209) | (2,866) | 5,472 |

The provision for pensions was as follows:

| | 2012 | | 2011 | |
|---|---|---|---|---|
| | German plans | Non-German plans | German plans | Non-German plans |
| **Defined benefit obligation** | | | | |
| Balance at Jan. 1 | 114,604 | 31,710 | 100,585 | 30,537 |
| Changes in reporting entities | 0 | 0 | 239 | 0 |
| Translation adjustments | 0 | (610) | 0 | 602 |
| Service cost | 5,851 | 951 | 4,798 | 927 |
| Past service cost | 2,249 | (87) | 649 | (207) |
| Interest cost | 5,659 | 1,423 | 5,439 | 1,453 |
| Actuarial (gains)/losses | 29,949 | 5,997 | 4,107 | 1,789 |
| Employee contribution | 2,162 | 208 | 2,510 | 140 |
| Benefits paid | (4,361) | (1,843) | (3,723) | (1,059) |
| Other changes | 0 | (64) | 0 | (2,472) |
| **Balance at Dec. 31** | **156,113** | **37,685** | **114,604** | **31,710** |
| | | | | |
| **Plan assets** | | | | |
| Balance at Jan. 1 | 21,112 | 22,794 | 17,490 | 23,343 |
| Translation adjustments | 0 | (539) | 0 | 385 |
| Expected return on plan assets | 1,056 | 1,202 | 962 | 1,241 |
| Actuarial gains/(losses) | 1,730 | 2,069 | (2,007) | (708) |
| Employer contribution | 2,965 | 2,009 | 2,435 | 1,696 |
| Employee contribution | 2,162 | 208 | 2,510 | 140 |
| Benefits paid | (847) | (1,639) | (278) | (831) |
| Other changes | 0 | (64) | 0 | (2,473) |
| **Balance at Dec. 31** | **28,178** | **26,040** | **21,112** | **22,793** |
| | | | | |
| **Funded status at Dec. 31** | **127,935** | **11,645** | **93,492** | **8,917** |
| Asset ceiling | 0 | 15 | 0 | 786 |
| **Provision at Dec. 31** | **127,935** | **11,660** | **93,492** | **9,703** |

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

| | **Dec. 31, 2012** | | Dec. 31, 2011 | |
|---|---|---|---|---|
| **Asset category** | | | | |
| Share and equity funds | 5,604 | 10 % | 5,122 | 12 % |
| Mixed funds | 26,306 | 49 % | 19,396 | 44 % |
| Bonds and fond-based funds | 8,209 | 15 % | 6,764 | 15 % |
| Money market funds | 1,369 | 3 % | 1,640 | 4 % |
| Insurance | 10,382 | 19 % | 8,872 | 20 % |
| Other | 2,348 | 4 % | 2,111 | 5 % |
| | **54,218** | **100 %** | **43,905** | **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 on predicted return on assets. The actual return on the plan assets was €6.1 million and €-0.5 million for 2012 and 2011, 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 €4.9 million in 2013.

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

| | **Dec. 31, 2012** | | Dec. 31, 2011 | |
|---|---|---|---|---|
| | German plans | Non-German plans | German plans | Non-German plans |
| **Weighted average assumptions** | | | | |
| Discount rate | 3.7 % | 3.5 % | 5.0 % | 4.7 % |
| Expected return on plan assets | 3.7 % | 3.5 % | 5.0 % | 5.2 % |
| Rate of compensation increase | 3.5 % | 1.7 % | 3.5 % | 1.7 % |
| Rate of pension increase | 2.0 % | 0.2 % | 2.0 % | 0.2 % |

The components of net periodic pension cost are as follows:

| | 2012 | | 2011 | |
|---|---|---|---|---|
| | German plans | Non-German plans | German plans | Non-German plans |
| Service cost | 5,851 | 951 | 4,798 | 927 |
| Past service cost | 2,249 | (87) | 649 | (207) |
| **Pension expense** | **8,100** | **864** | **5,447** | **720** |
| Interest cost | 5,659 | 1,423 | 5,439 | 1,453 |
| Expected return on plan assets | (1,056) | (1,202) | (962) | (1,241) |
| **Financial result – pension** | **4,603** | **221** | **4,477** | **212** |
| **Net periodic pension cost** | **12,703** | **1,085** | **9,924** | **932** |

Net periodic pension cost is allocated to functional costs as follows:

| | 2012 | 2011 |
|---|---|---|
| Cost of sales | 3,268 | 2,426 |
| Selling and distribution expenses | 1,595 | 1,458 |
| Research and development expenses | 1,798 | 1,351 |
| General administration expenses | 2,303 | 932 |
| **Total functional cost** | **8,964** | **6,167** |
| not allocated to functional cost | 0 | 0 |
| **Pension expense** | **8,964** | **6,167** |

## 26. Other Provisions

| | Employees | Sales and marketing | Warranty | Other | Total |
|---|---|---|---|---|---|
| **Balance at Jan. 1, 2012** | **47,610** | **17,161** | **2,188** | **17,059** | **84,018** |
| Additions | 38,199 | 15,498 | 1,183 | 11,456 | 66,336 |
| Utilization | (33,127) | (14,168) | (54) | (9,070) | (56,419) |
| Reversal | (1,535) | (1,882) | (268) | (2,177) | (5,862) |
| Translation adjustments | (372) | (43) | (16) | (175) | (606) |
| Changes in reporting entities | 0 | 0 | 0 | 199 | 199 |
| **Balance at Dec. 31, 2012** | **50,775** | **16,566** | **3,033** | **17,292** | **87,666** |
| | | | | | |
| **Thereof non-current** | | | | | |
| **at December 31, 2012** | **15,278** | **110** | **0** | **1,975** | **17,363** |
| at December 31, 2011 | 13,922 | 103 | 0 | 2,000 | 16,025 |

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 2013.

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

## 27. Other Liabilities

Other liabilities consist of the following:

| | Dec. 31, 2012 | | Dec. 31, 2011 | |
|---|---|---|---|---|
| | Other non-current liabilities | Other current liabilities | Other non-current liabilities | Other current liabilities |
| Balances due to fiscal authorities (incl. payroll taxes) | 0 | 9,767 | 0 | 10,765 |
| Wages and salaries | 0 | 2,845 | 0 | 2,309 |
| Social security contributions | 349 | 1,836 | 333 | 1,790 |
| Employee incentive plans | 10,364 | 0 | 6,988 | 0 |
| Commissions | 0 | 2,803 | 0 | 2,901 |
| Credit notes to customers | 0 | 1,403 | 0 | 1,276 |
| Balances due to related parties | 0 | 164 | 0 | 307 |
| Derivative financial instruments | 1,927 | 840 | 2,207 | 5,052 |
| Deferred income | 395 | 212 | 400 | 307 |
| Other | 183 | 6,131 | 167 | 7,026 |
| | **13,218** | **26,001** | **10,095** | **31,733** |

## 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 are classified based on their nature and function into several valuation categories. The following tables provide reconciliation from the items of the statement of financial position to the different categories of financial instruments, their carrying amounts and their fair values at December 31, 2012 and 2011.

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

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

The carrying amount of derivative financial assets and liabilities equal their fair values (hierarchy level 2). 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.

| | Dec. 31, 2012 Carrying amount | | | | | Dec. 31, 2012 Fair value |
|---|---|---|---|---|---|---|
| | Loans and receivables | Available-for-sale financial assets | | Financial assets at fair value through profit or loss | Hedging instruments (hedge accounting) | |
| | at amortized cost | at cost | at fair value[1] | at fair value[2] | at fair value[2] | |
| **Cash and cash equivalents** | **309,847** | | | | | **309,847** |
| thereof in | | | | | | |
| Cash and cash equivalents | 309,847 | | | | | 309,847 |
| **Trade accounts receivable** | **280,569** | | | | | **280,569** |
| thereof in | | | | | | |
| Trade accounts receivable | 279,843 | | | | | 279,843 |
| Other non-current assets | 24 | | | | | 24 |
| Other current assets | 702 | | | | | 702 |
| **Other interest-bearing non-derivative financial assets** | **5,581** | | | | | **5,624** |
| thereof in | | | | | | |
| Long-term investments | 324 | | | | | 340 |
| Other non-current assets | 1,338 | | | | | 1,365 |
| Other current assets | 3,919 | | | | | 3,919 |
| **Other non-interest-bearing non-derivative financial assets** | **30,976** | **40** | | | | **31,016** |
| thereof in | | | | | | |
| Other non-current assets | | 40 | | | | 40 |
| Other current assets | 30,976 | | | | | 30,976 |
| **Marketable securities and long-term investments** | | **3,030** | **49,309** | | | **52,339** |
| thereof in | | | | | | |
| Long-term investments | | 1,366 | | | | 1,366 |
| Marketable securities | | 1,664 | 49,309 | | | 50,973 |
| **Derivative financial assets – hedge accounting** | | | | | **4,264** | **4,264** |
| thereof in | | | | | | |
| Other non-current assets | | | | | 1,524 | 1,524 |
| Other current assets | | | | | 2,740 | 2,740 |
| **Derivative financial assets – without hedge accounting** | | | | **427** | | **427** |
| thereof in | | | | | | |
| Other non-current assets | | | | 9 | | 9 |
| Other current assets | | | | 418 | | 418 |

[1] Marketable securities amounting to €49,309 thousand are measured at fair value of hierarchy level 1.
[2] Derivative financial assets amounting to €4,691 thousand are measured at fair value of hierarchy level 2.

| | | | | | Dec. 31, 2011 Carrying amount | Dec. 31, 2011 Fair value |
|---|---|---|---|---|---|---|
| | Loans and receivables | Available-for-sale financial assets | | Financial assets at fair value through profit or loss | Hedging instruments (hedge accounting) | |
| | at amortized cost | at cost | at fair value¹ | at fair value² | at fair value² | |
| **Cash and cash equivalents** | **170,084** | | | | | **170,084** |
| thereof in | | | | | | |
| Cash and cash equivalents | 170,084 | | | | | 170,084 |
| **Trade accounts receivable** | **263,768** | | | | | **263,768** |
| thereof in | | | | | | |
| Trade accounts receivable | 262,841 | | | | | 262,841 |
| Other non-current assets | 24 | | | | | 24 |
| Other current assets | 903 | | | | | 903 |
| **Other interest-bearing non-derivative financial assets** | **20,663** | | | | | **20,835** |
| thereof in | | | | | | |
| Long-term investments | 351 | | | | | 374 |
| Other non-current assets | 1,304 | | | | | 1,453 |
| Other current assets | 19,008 | | | | | 19,008 |
| **Other non-interest-bearing non-derivative financial assets** | **30,106** | | | | | **30,106** |
| thereof in | | | | | | |
| Other non-current assets | | | | | | |
| Other current assets | 30,106 | | | | | 30,106 |
| **Marketable securities and long-term investments** | | **3,298** | **62,348** | | | **65,646** |
| thereof in | | | | | | |
| Long-term investments | | 1,599 | | | | 1,599 |
| Marketable securities | | 1,699 | 62,348 | | | 64,047 |
| **Derivative financial assets – hedge accounting** | | | | | **308** | **308** |
| thereof in | | | | | | |
| Other non-current assets | | | | | 4 | 4 |
| Other current assets | | | | | 304 | 304 |
| **Derivative financial assets – without hedge accounting** | | | | **0** | | **0** |
| thereof in | | | | | | |
| Other non-current assets | | | | 0 | | 0 |
| Other current assets | | | | 0 | | 0 |

[1] Marketable securities amounting to €62,348 thousand are measured at fair value of hierarchy level 1.
[2] Derivative financial assets amounting to €308 thousand are measured at fair value of hierarchy level 2.

| | Dec. 31, 2012 Carrying amount | | | | Dec. 31, 2012 Fair value |
|---|---|---|---|---|---|
| | Financial liabilities | Financial liabilities at fair value through profit or loss | Finance leases according to IAS 17 | Hedging instruments (hedge accounting) | |
| | at amortized cost | at fair value[1] | at amortized cost | at fair value[1] | |
| **Lease obligations** | | | **5** | | **5** |
| thereof in | | | | | |
| Non-current debt | | | 3 | | 3 |
| Current debt | | | 2 | | 2 |
| **Trade accounts payable** | **117,745** | | | | **117,745** |
| thereof in | | | | | |
| Trade accounts payable | 113,538 | | | | 113,538 |
| Other current liabilities | 4,207 | | | | 4,207 |
| **Other interest-bearing non-derivative financial liabilities** | **152,739** | | | | **152,764** |
| thereof in | | | | | |
| Non-current debt | 151,279 | | | | 151,304 |
| Current debt | 1,297 | | | | 1,297 |
| Other current liabilities | 163 | | | | 163 |
| **Other non-interest-bearing non-derivative financial liabilities** | **5,814** | | | | **5,814** |
| thereof in | | | | | |
| Other current liabilities | 5,814 | | | | 5,814 |
| **Derivative financial liabilities – hedge accounting** | | | | **2,495** | **2,495** |
| thereof in | | | | | |
| Other non-current liabilities | | | | 1,769 | 1,769 |
| Other current liabilities | | | | 726 | 726 |
| **Derivative financial liabilities – without hedge accounting** | | **272** | | | **272** |
| thereof in | | | | | |
| Other non-current liabilities | | 158 | | | 158 |
| Other current liabilities | | 114 | | | 114 |

[1] Derivative financial liabilities amounting to €2,767 thousand are measured at fair value of hierarchy level 2.

| | Financial liabilities at amortized cost | Financial liabilities at fair value through profit or loss at fair value[1] | Finance leases according to IAS 17 at amortized cost | Hedging instruments (hedge accounting) at fair value[1] | Dec. 31, 2011 Fair value |
|---|---|---|---|---|---|
| | | | | Dec. 31, 2011 Carrying amount | |
| **Lease obligations** | | | **7** | | **7** |
| thereof in | | | | | |
| Non-current debt | | | 5 | | 5 |
| Current debt | | | 2 | | 2 |
| **Trade accounts payable** | **110,193** | | | | **110,193** |
| thereof in | | | | | |
| Trade accounts payable | 106,016 | | | | 106,016 |
| Other current liabilities | 4,177 | | | | 4,177 |
| **Other interest-bearing non-derivative financial liabilities** | **157,651** | | | | **157,613** |
| thereof in | | | | | |
| Non-current debt | 33,100 | | | | 33,062 |
| Current debt | 124,244 | | | | 124,244 |
| Other current liabilities | 307 | | | | 307 |
| **Other non-interest-bearing non-derivative financial liabilities** | **5,309** | | | | **5,309** |
| thereof in | | | | | |
| Other current liabilities | 5,309 | | | | 5,309 |
| **Derivative financial liabilities – hedge accounting** | | | | **7,259** | **7,259** |
| thereof in | | | | | |
| Other non-current liabilities | | | | 2,207 | 2,207 |
| Other current liabilities | | | | 5,052 | 5,052 |
| **Derivative financial liabilities – without hedge accounting** | | | **0** | | **0** |
| thereof in | | | | | |
| Other non-current liabilities | | | 0 | | 0 |
| Other current liabilities | | | 0 | | 0 |

[1] Derivative financial liabilities in the amount of €7,259 thousand are measured at fair value hierarchy level 2.

### Income Effect According to Valuation Categories

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

| | | Net financial result | Net operating result | Net result |
|---|---|---|---|---|
| **Loans and receivables** | **2012** | **1,292** | **3,015** | **4,306** |
| | 2011 | 2,809 | 219 | 3,028 |
| **Available-for-sale financial assets** | **2012** | **1,745** | **0** | **1,745** |
| | 2011 | (132) | 0 | (132) |
| **Financial liabilities measured at amortized cost** | **2012** | **(4,679)** | **191** | **(4,488)** |
| | 2011 | (2,269) | (159) | (2,428) |
| **Financial instruments at fair value through profit or loss** | **2012** | **(980)** | **0** | **(980)** |
| | 2011 | (404) | 0 | (404) |
| **Total** | **2012** | **(2,623)** | **3,206** | **583** |
| | 2011 | 4 | 60 | 64 |

The net financial result includes interest income generated by financial instruments measured at amortized cost amounting to €1.4 million and €1.8 million in 2012 and 2011, respectively. Total interest expense amounts to €4.7 million and €2.3 million in 2012 and 2011, respectively. Interest income and interest expense are measured by applying the effective interest method.

### Risk Analysis

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

The following tables show the contractual amortization including the undiscounted interest payments for non-derivative and derivative financial instruments with a positive and negative fair value. All non-derivative and derivative financial instruments as of December 31, 2012 and 2011, respectively, for which contractual payments had already been agreed, are included in the table. Variable interest payments resulting from non-derivative financial instruments were estimated based on the interest rates applicable at the respective reporting dates. For interest derivative financial instruments the cash flows were calculated by applying the respective forward interest rates. Budgeted amounts for future expected liabilities were not considered. Foreign currency amounts were translated based on the exchange rates as of the reporting dates. The cash flows attached to the foreign currency derivatives were calculated based on the respective forward rates. In accordance with the contractual provisions the net cash flow of commodity derivatives was based on its fair value.

| | | 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, 2012** | **3** | **2** | **1** | **0** | **0** | **0** |
| | Dec. 31, 2011 | 3 | 3 | 2 | 1 | 0 | 0 |
| **Trade accounts payable** | **Dec. 31, 2012** | **117,745** | **0** | **0** | **0** | **0** | **0** |
| | Dec. 31, 2011 | 110,193 | 0 | 0 | 0 | 0 | 0 |
| **Other interest-bearing non-derivative financial liabilities** | **Dec. 31, 2012** | **5,138** | **4,433** | **3,870** | **68,706** | **2,414** | **87,123** |
| | Dec. 31, 2011 | 126,095 | 31,838 | 1,312 | 203 | 198 | 113 |
| **Other non-interest-bearing non-derivative financial liabilities** | **Dec. 31, 2012** | **5,814** | **0** | **0** | **0** | **0** | **0** |
| | Dec. 31, 2011 | 5,309 | 0 | 0 | 0 | 0 | 0 |
| **Total** | **Dec. 31, 2012** | **128,700** | **4,435** | **3,871** | **68,706** | **2,414** | **87,123** |
| | Dec. 31, 2011 | 241,600 | 31,841 | 1,314 | 204 | 198 | 113 |

| | | 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, 2012** | **50,391** | **26,911** | | | | |
| **Cash outflow** | **Dec. 31, 2012** | **(47,468)** | **(25,342)** | | | | |
| **Net** | **Dec. 31, 2012** | **2,923** | **1,569** | | | | |
| Cash inflow | Dec. 31, 2011 | 1,915 | 0 | | | | |
| Cash outflow | Dec. 31, 2011 | (1,855) | 0 | | | | |
| Net | Dec. 31, 2011 | 60 | 0 | | | | |
| **Forward foreign exchange contracts with negative fair value** | | | | | | | |
| **Cash inflow** | **Dec. 31, 2012** | **79,610** | **31,337** | | | | |
| **Cash outflow** | **Dec. 31, 2012** | **(80,539)** | **(31,604)** | | | | |
| **Net** | **Dec. 31, 2012** | **(929)** | **(267)** | | | | |
| Cash inflow | Dec. 31, 2011 | 48,317 | 20,491 | | | | |
| Cash outflow | Dec. 31, 2011 | (52,213) | (21,956) | | | | |
| Net | Dec. 31, 2011 | (3,896) | (1,465) | | | | |
| **Interest rate swaps with negative fair value** | | | | | | | |
| **Cash inflow** | **Dec. 31, 2012** | **197** | **169** | **249** | **275** | **271** | **167** |
| **Cash outflow** | **Dec. 31, 2012** | **(695)** | **(681)** | **(667)** | **(515)** | **(362)** | **(180)** |
| **Net** | **Dec. 31, 2012** | **(498)** | **(512)** | **(418)** | **(240)** | **(91)** | **(13)** |
| Cash inflow | Dec. 31, 2011 | 2,133 | 241 | 15 | 0 | 0 | 0 |
| Cash outflow | Dec. 31, 2011 | (4,267) | (537) | (54) | 0 | 0 | 0 |
| Net | Dec. 31, 2011 | (2,134) | (296) | (39) | 0 | 0 | 0 |

Commodity swaps with a positive fair value will presumably lead to a net cash inflow of €7 thousand (2011: €245 thousand) within the next year. Commodity swaps with a negative fair value will presumably lead to a net cash outflow of €122 thousand (2011: €6 thousand) within the next year.

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

The carrying amount of all receivables (see also note 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 risk 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 main currency fluctuation risks relate to exchange rate changes of the U.S. Dollar and the Japanese Yen.

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

| | | Effect on profit or loss | | Change in other comprehensive income | |
|---|---|---|---|---|---|
| | | exchange rate plus 10 % | exchange rate minus 10 % | exchange rate plus 10 % | exchange rate minus 10 % |
| **U.S. Dollar** | | | | | |
| **Derivatives** | **Dec. 31, 2012** | **8,982** | **(8,982)** | **4,590** | **(4,590)** |
| | Dec. 31, 2011 | 412 | (412) | 3,418 | (3,418) |
| **Other financial instruments** | **Dec. 31, 2012** | **(11,386)** | **11,386** | **–** | **–** |
| | Dec. 31, 2011 | (2,510) | 2,510 | – | – |
| **Total** | **Dec. 31, 2012** | **(2,404)** | **2,404** | **4,590** | **(4,590)** |
| | Dec. 31, 2011 | (2,098) | 2,098 | 3,418 | (3,418) |
| **Japanese Yen** | | | | | |
| **Derivatives** | **Dec. 31, 2012** | **1,181** | **(1,181)** | **2,970** | **(2,970)** |
| | Dec. 31, 2011 | 415 | (415) | 2,171 | (2,171) |
| **Other financial instruments** | **Dec. 31, 2012** | **(1,719)** | **1,719** | **–** | **–** |
| | Dec. 31, 2011 | (2,169) | 2,169 | – | – |
| **Total** | **Dec. 31, 2012** | **(538)** | **538** | **2,970** | **(2,970)** |
| | Dec. 31, 2011 | (1,754) | 1,754 | 2,171 | (2,171) |

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

The following table shows the profit or loss effect as well as changes in other comprehensive income on interest-bearing assets, liabilities and interest rate swaps resulting from a change in the average market rate of interest of 100 basis points. The sensitivity analysis was performed under the assumption that the interest rate will not decrease to below zero.

The interest payments from the hedged items and the hedging instruments (cash flow hedge) are presented separately.

| | | Effect on profit or loss | | Change in other comprehensive income | |
|---|---|---|---|---|---|
| | | plus 100 basis points | minus 100 basis points | plus 100 basis points | minus 100 basis points |
| **Derivatives** | **Dec. 31, 2012** | **445** | **(445)** | **1,708** | **(1,011)** |
| | Dec. 31, 2011 | 1,324 | (1,324) | 730 | (713) |
| **Other financial instruments** | **Dec. 31, 2012** | **(445)** | **445** | **2,038** | **(619)** |
| | Dec. 31, 2011 | (1,391) | 1,391 | 623 | (623) |
| **Total** | **Dec. 31, 2012** | **0** | **0** | **3,746** | **(1,630)** |
| | Dec. 31, 2011 | (67) | 67 | 1,353 | (1,336) |

Commodity Price Risk: The Company depends on various commodities for its production processes. In the Effect Pigments division metals, in particular copper, aluminum and zinc represent a major commodity group. To prevent supply shortages ALTANA purchases defined volumes of these metals at fixed prices (fixed forward rates). These fixed forward rate agreements are exposed to price risks if the market price level of the commodity decreases and the purchase price of ALTANA is above this level. This could result in a competitive disadvantage for ALTANA. Additionally, the Company is exposed to price risks resulting from commodity purchase contracts with variable prices. Price risks which cannot be passed on based on price surcharges are hedged by derivative hedging instruments. The instruments employed by ALTANA to hedge commodity price risks are described in the section "Hedging".

The most significant commodity price risks result from changes in the price of the commodity aluminum.

The following table provides the effects on profit or loss from commodity derivatives resulting from a 10 % price change:

| | | Effect on profit or loss | |
|---|---|---|---|
| | | Commodity price plus 10 % | Commodity price minus 10 % |
| **Commodity hedge derivatives** | **Dec. 31, 2012** | **(313)** | **313** |
| | Dec. 31, 2011 | (284) | 284 |

### Hedging

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

Forward Foreign Exchange Contracts: The Company uses forward foreign exchange contracts to hedge foreign currency exchange risks resulting from expected transactions of subsidiaries, except for net investments in foreign operations. Hedging instruments are used to hedge U.S. Dollar and Japanese Yen sales transactions of subsidiaries with terms of up to 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. Furthermore, forward foreign exchange contracts are used to hedge the foreign exchange risk attached to intercompany loans denominated in foreign currencies.

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

Commodity Swaps: ALTANA uses commodity swaps to hedge its exposure to commodity price risks. The aluminum prices on the London Metal Exchange (LME) serve as reference prices for compensation payments. All contracts for physical commodity deliveries are rated at market developments on a regular basis in the short and medium term. Hedging instruments are concluded when the expected change in the commodity price falls below a predetermined floor price (fixed price forwards) or exceeds a predetermined cap price (variable price forwards).

### Cash Flow Hedges

Hedging of Sales denominated in Foreign Currencies: ALTANA has entered into forward foreign exchange contracts for forecast sales transactions denominated in U.S. Dollar and Japanese Yen for its subsidiaries and has designated them as cash flow hedges. At December 31, 2012 and 2011, the fair values are as follows:

| | | Positive fair value | Negative fair value | Total fair value |
|---|---|---|---|---|
| **U.S. Dollar** | **Dec. 31, 2012** | **1,077** | **(403)** | **674** |
| | Dec. 31, 2011 | 24 | (2,000) | (1,976) |
| **Japanese Yen** | **Dec. 31, 2012** | **2,796** | **(82)** | **2,714** |
| | Dec. 31, 2011 | 0 | (2,563) | (2,563) |

Amounts relating to forward foreign exchange contracts reported in the item "Derivative financial instruments" in accumulated other comprehensive income are reclassified into income when the hedged foreign currency risk is realized. In 2012 and 2011, respectively, the change in the fair value of €4.3 million and €-2.6 million, was recognized in other comprehensive income and expenses of €3.7 million and €0.5 million were reclassified to net sales.

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

| | | Total nominal value | Nominal value due in 2013 (prior year: in 2012) | Nominal value due in 2014 (prior year: in 2013) |
|---|---|---|---|---|
| in thousand foreign currency units | | | | |
| **U.S. Dollar** | **Dec. 31, 2012** | **58,370** | **41,370** | **17,000** |
| | Dec. 31, 2011 | 51,095 | 35,070 | 16,025 |
| **Japanese Yen** | **Dec. 31, 2012** | **2,897,000** | **1,786,000** | **1,111,000** |
| | Dec. 31, 2011 | 2,679,000 | 1,720,000 | 959,000 |

Hedging of External Debt: ALTANA entered into interest rate swaps for external loans which exchange variable to fixed-interest payments. The interest rate swaps were designated as cash flow hedges. Interest payments are due semi-annually. At December 31, 2012 and 2011, respectively, the fair values of these interest rate swaps are as follows:

| | | Positive fair value | Negative fair value | Total fair value |
|---|---|---|---|---|
| **Interest swap** | **Dec. 31, 2012** | **0** | **(1,651)** | **(1,651)** |
| | Dec. 31, 2011 | 0 | (1,874) | (1,874) |

Currently, the maturities of the interest rate swaps are between one and six years corresponding to the terms of the respective hedged item.

In 2012 and 2011, respectively, the change in the fair value of €0.2 million and €0.3 million was recognized in other comprehensive income and income of €0.1 million and €0.3 million were reclassified to financial income.

### Fair Value Hedges

Hedging of Sales Denominated in Foreign Currencies: At December 31, 2012 and 2011, ALTANA entered into forward foreign exchange contracts with a nominal value of U.S. Dollar 6.7 million and U.S. Dollar 6.0 million and of Japanese Yen 793.0 million and Japanese Yen 521.0 million, respectively. These contracts relate to sales transactions denominated in U.S. Dollar and Japanese Yen with subsidiaries and are classified as fair value hedges. At December 31, 2012 and 2011 the fair values are as follows:

| | | Positive fair value | Negative fair value | Total fair value |
|---|---|---|---|---|
| **U.S. Dollar** | **Dec. 31, 2012** | **35** | **(183)** | **(148)** |
| | Dec. 31, 2011 | 39 | (191) | (152) |
| **Japanese Yen** | **Dec. 31, 2012** | **349** | **(55)** | **294** |
| | Dec. 31, 2011 | 0 | (625) | (625) |

In 2012 and 2011, the effect of the fair value hedge on profit or loss amounted to €4.5 million and €0.3 million, respectively, and therefore offset the effect of the measurement of the hedged transactions.

Hedging of Commodity Purchases: As of December 31, 2012 and 2011, respectively, ALTANA hedged aluminum purchases of 2,000 tons and 2,050 tons by commodity swaps which were designated as fair value hedges. The hedging instruments have a maximum term of one year. These hedges were concluded for commodity purchases made by subsidiaries. As of December 31, 2012 and 2011, the fair values are as follows:

| | | Positive fair value | Negative fair value | Total fair value |
|---|---|---|---|---|
| **Commodity hedge derivatives** | **Dec. 31, 2012** | **7** | **(122)** | **(115)** |
| | Dec. 31, 2011 | 245 | (6) | 239 |

In 2012 and 2011, the effect on profit or loss of the hedged items was completely offset by the hedging instrument.

### Hedging of intercompany foreign currency loans

In 2012, ALTANA entered into forward foreign exchange contracts with a nominal value of U.S. Dollar 112.0 million and of Japanese Yen 2.1 billion, to hedge intercompany foreign currency loans for which no offsetting items existed. These forward foreign exchange contracts which serve as economic hedge of the foreign currency exchange rate risk are not designated in a hedging relationship that qualifies for hedge accounting and consequently, changes in their fair values are recognized in the financial result.

| | | Positive fair value | Negative fair value | Total fair value |
|---|---|---|---|---|
| **Forward foreign exchange contracts** | **Dec. 31, 2012** | **427** | **(271)** | **156** |
| | Dec. 31, 2011 | 0 | 0 | 0 |

## 29. Commitments and Contingencies

### Guarantees and Other Commitments

| | **Dec. 31, 2012** | Dec. 31, 2011 |
|---|---|---|
| Purchase commitments for intangible assets | 1,397 | 2,832 |
| Purchase commitments for property, plant and equipment | 10,224 | 13,384 |
| Guarantee for pension obligation from divestments | 11,248 | 11,535 |
| | **22,869** | **27,751** |

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, 2012** | Dec. 31, 2011 | **Dec. 31, 2012** | Dec. 31, 2011 |
| 2013 (prior year: 2012) | 3 | 3 | 7,861 | 8,503 |
| 2014 (prior year: 2013) | 2 | 3 | 3,694 | 6,282 |
| 2015 (prior year: 2014) | 1 | 2 | 2,378 | 2,689 |
| 2016 (prior year: 2015) | 0 | 1 | 1,569 | 1,592 |
| 2017 (prior year: 2016) | 0 | 0 | 761 | 1,185 |
| Due thereafter | 0 | 0 | 722 | 1,520 |
| **Total minimum lease payments** | **6** | **9** | **16,985** | **21,771** |
| Less amount representing interest | 1 | 2 | | |
| **Present value of lease payments** | **5** | **7** | | |
| Less current portion | 2 | 2 | | |
| **Non-current lease obligation** | **3** | **5** | | |

Total rent and lease expense was €12.3 million and €11.1 million for the years ended December 31, 2012 and 2011, respectively.

## 30. Related Party Transactions

Mrs. Susanne Klatten is the sole shareholder of SKion GmbH, which in turn 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 2012 and 2011, 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 which are not included in the consolidated financial statements and investments in associates accounted for at equity are also considered related parties. Balances due to and due from related parties are reported in other assets and other liabilities.

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

| | **Dec. 31, 2012** | Dec. 31, 2011 |
|---|---|---|
| Balances due from related parties | 75 | 564 |
| Balances due to related parties | 375 | 372 |

| | 2012 | 2011 |
|---|---|---|
| **Related party transactions** | | |
| Sales | 459 | 1,902 |
| Services and goods acquired | 1,422 | 1,090 |
| Lease expense | 2,484 | 2,360 |
| Interest expenses | 0 | 7 |

The lease expense relates to leasing contracts for company cars with Alphabet Fuhrparkmanagement GmbH (BMW group). Further transactions with BMW group are included in revenues in the amount of €0.4 million and €0.5 million in 2012 and 2011, respectively.

## 31. Compensation of the Supervisory Board and Management Board

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

In both years reported, total compensation paid in cash to the Management Board including remuneration in kind amounted to €2.4 million. Of these total amounts €0.9 million related to fixed compensation and €1.5 million related to variable compensation. Service cost relating to provisions for pensions amounts to €0.2 million in both years reported.

In 2012, the Management Board members received ALTANA Equity Performance Awards as compensation with a long-term incentive effect from the plan "ALTANA Equity Performance 2012" (AEP). In 2012 and 2011, respectively, a preliminary number of 3,284 and 3,099 ALTANA Equity Performance Awards were granted to the Management Board, with a value of €0.5 million in both years reported. 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 €13.2 million and €11.8 million was recorded as of December 31, 2012 and 2011, respectively. The pension payments totaled €1.1 million in both years reported. Additionally, in 2012 an amount of €0.3 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 page 66 ff.).

## 32. Fees Paid to the Auditor

| | **2012** |
|---|---|
| Audit of the financial statements | 1,087 |
| Other assurance services | 4 |
| Tax advisory services | 16 |
| Other services | 134 |
| | **1,241** |

## 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 February 11, 2013, ALTANA sold 9.9 % of its shares in ELANTAS Beck India Ltd. for approximately €7 million because companies traded on the Indian stock exchange are legally obliged to reach a free float of at least 25 % by June 2013.

## 35. Additional Information

Companies that are exempt from publishing their financial statements according to section 264 (3) and section 264b of the German Commercial Code (HGB):
ALTANA Chemie GmbH, Wesel
BYK-Chemie GmbH, Wesel
MIVERA Vermögensanlagen GmbH, Wesel
BYK-Gardner GmbH, Geretsried
ECKART GmbH, Hartenstein
ALTANA Chemie Beteiligungs GmbH, Hartenstein
ECKART Beteiligungs GmbH, Hartenstein
ELANTAS GmbH, Wesel
ELANTAS Beck GmbH, Hamburg
ACTEGA GmbH, Wesel
ACTEGA DS GmbH, Bremen
ACTEGA Rhenania GmbH, Grevenbroich
ACTEGA Terra GmbH, Lehrte

## Supervisory Board of ALTANA AG

**Dr. Klaus-Jürgen Schmieder**
Chairman (since June 22, 2012)
(appointed until the Annual General Meeting 2016)
Former Member of the Management Board of
L'Air Liquide S.A.
Other functions:
LURGI GmbH [1]

**Dr. Fritz Fröhlich**
Chairman (resigned on June 22, 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]
Prysmian SpA [2]
Randstad Holding N.V. [2] (Chairman)
Rexel SA [2]

**Ulrich Gajewiak***
Deputy Chairman
(appointed until the Annual General Meeting 2013)
Head of Complaints Management of BYK-Chemie GmbH
Chairman of the Group's works council

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

**Dr. Monika Engel-Bader**
(since June 22, 2012, appointed until the Annual
General Meeting 2017)
Former Managing Director of Chemetall
Other functions:
Euler Hermes Deutschland AG [1]

**Dr. Helmut Eschwey**
(resigned on June 22, 2012)
Former Chairman of the board of
Heraeus Holding GmbH
Other functions:
Atreus GmbH [2] (Chairman)
Exova Group Ltd. [2]
Planatol Holding GmbH [2]
Reifenhäuser GmbH & Co. KG Maschinenfabrik [2]
Steinbeis Holding GmbH [2]
TMD Friction Group S.A. [2]
Zellbios S.A. Luxemburg [2] (Chairman)

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

**Armin Glashauser***
(appointed until the Annual General Meeting 2013)
Full-time 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***
(appointed until the Annual General Meeting 2013)
Manager operational controlling ECKART GmbH

**Dr. Götz Krüger***
(appointed until the Annual General Meeting 2013)
Project Manager BYK-Chemie GmbH

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

**Dr. Lothar Steinebach**
(since June 22, 2012, appointed until the Annual General Meeting 2017)
Former Management Board member of
Henkel Management AG
Other functions:
LSG Lufthansa Service Holding AG[1]

**Dr. Antonio Trius**
(since July 1, 2012, appointed until the Annual General Meeting 2017)
Former Managing Director of Cognis GmbH
Other functions:
NUBIOLA SA[2]

**Dr. Carl Voigt**
(resigned on June 22, 2012)
Former Management Board member of Degussa AG
Other functions:
CABB International GmbH[1]
Freudenberg New Technologies KG[2]

## Supervisory Board Committees

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

**Human Resources Committee**
Dr. Klaus-Jürgen Schmieder (Member and Chairman since June 22, 2012)
Dr. Fritz Fröhlich (Member and Chairman until June 22, 2012)
Ulrich Gajewiak
Olaf Jung
Susanne Klatten

**Audit Committee**
Dr. Lothar Steinebach (Member and Chairman since June 22, 2012)
Dr. Klaus-Jürgen Schmieder (Member and Chairman until June 22, 2012)
Ralf Giesen
Armin Glashauser
Werner Spinner

**Mediation Committee**
(in accordance with section 27 (3) of the German Codetermination Act)
Dr. Klaus-Jürgen Schmieder (Member and Chairman since June 22, 2012)
Dr. Fritz Fröhlich (Member and Chairman until June 22, 2012)
Ulrich Gajewiak
Susanne Klatten
Klaus Koch

* Employee representative

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

## 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 Italia 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]
ELANTAS Italia s.r.l.[2]

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

## Major Consolidated Companies (December 31, 2012)

| | Share of capital in % | Equity[1] in € million | Earnings for the year[1] in € million | Employees |
|---|---|---|---|---|
| **Holding** | | | | |
| ALTANA AG, Wesel | | 2,109 | 185 | 71 |
| ALTANA Chemie GmbH, Wesel | 100 | 1,476 | 0[2] | 7 |
| | | | | |
| **Additives & Instruments** | | | | |
| BYK-Chemie GmbH, Wesel | 100 | 119 | (2)[2] | 766 |
| MIVERA Vermögensanlagen GmbH, Wesel | 100 | 77 | 0[2] | – |
| BYK-Gardner GmbH, Geretsried | 100 | 9 | 0[2] | 165 |
| BYK-Cera B.V., Deventer (NL) | 100 | 57 | 7 | 136 |
| BYK USA Inc., Wallingford (U.S.) | 100 | 34 | 5 | 193 |
| BYK Japan KK, Tokyo (J) | 100 | 10 | 1 | 53 |
| BYK (Tongling) Co. Ltd., Tongling (CN) | 100 | 17 | 3 | 47 |
| | | | | |
| **Effect Pigments** | | | | |
| ECKART GmbH, Hartenstein | 100 | 457 | (21)[2] | 1,470 |
| ECKART Suisse SA, Vétroz (CH) | 100 | 72 | 3 | 42 |
| ECKART Italia s.r.l., Rivanazzano (I) | 100 | 10 | 0 | 12 |
| ECKART Pigments Ky, Pori (FI) | 100 | (2) | 1 | 15 |
| ECKART America Corp., Painesville (U.S.) | 100 | 24 | 3 | 222 |
| ECKART Asia Ltd., Hong Kong (CN) | 100 | 28 | 0 | 26 |
| | | | | |
| **Electrical Insulation** | | | | |
| ELANTAS Beck GmbH, Hamburg | 100 | 32 | 0[2] | 135 |
| ELANTAS Italia s.r.l., Collecchio (I) | 100 | 103 | 8 | 224 |
| ELANTAS PDG Inc., St. Louis (U.S.) | 100 | 49 | 9 | 172 |
| ELANTAS Beck India Ltd., Pune (IND) | 89 | 34 | 4 | 191 |
| ELANTAS (Tongling) Co. Ltd., Tongling (CN) | 100 | 54 | 13 | 89 |
| ELANTAS (Zhuhai) Co. Ltd., Zhuhai (CN) | 100 | 43 | 7 | 89 |
| | | | | |
| **Coatings & Sealants** | | | | |
| ACTEGA Colorchemie GmbH, Büdingen | 100 | 40 | (2) | 103 |
| ACTEGA DS GmbH, Bremen | 100 | 6 | 0[2] | 132 |
| ACTEGA Rhenania GmbH, Grevenbroich | 100 | 15 | 0[2] | 136 |
| ACTEGA Terra GmbH, Lehrte | 100 | 8 | 0[2] | 126 |
| ACTEGA Artística S.A.U., Vigo (E) | 100 | 11 | 2 | 42 |
| ACTEGA Kelstar Inc., Cinnaminson (U.S.) | 100 | 37 | 0 | 85 |

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

# Multi-year Overview

### Key figures at a glance

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

### Sales by division

| | 2012 | 2011 | 2010 | 2009 | 2008 | 2007 |
|---|---|---|---|---|---|---|
| in € million | | | | | | |
| Additives & Instruments | 618.4 | 581.9 | 541.2 | 419.9 | 450.5 | 445.1 |
| Effect Pigments | 340.5 | 346.8 | 356.6 | 282.3 | 350.7 | 362.9 |
| Electrical Insulation | 412.5 | 390.9 | 377.4 | 272.7 | 326.5 | 350.8 |
| Coatings & Sealants | 333.9 | 297.0 | 260.2 | 206.8 | 214.0 | 221.6 |

### Sales by region

| | 2012 | 2011 | 2010 | 2009 | 2008 | 2007 |
|---|---|---|---|---|---|---|
| in Mio.€ | | | | | | |
| Europe | 751.7 | 740.8 | 683.7 | 555.1 | 664.8 | 678.0 |
| *thereof Germany* | *266.1* | *258.5* | *234.5* | *188.0* | *231.0* | *239.6* |
| Americas | 412.0 | 373.3 | 361.5 | 267.7 | 305.9 | 330.6 |
| *thereof U.S.* | *268.4* | *243.2* | *242.0* | *178.4* | *203.7* | *222.5* |
| Asia | 486.1 | 447.7 | 439.0 | 317.9 | 325.7 | 329.7 |
| *thereof China* | *252.5* | *228.5* | *224.2* | *164.3* | *152.9* | *162.1* |
| Other regions | 55.5 | 54.9 | 51.2 | 41.0 | 45.3 | 42.1 |

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

# Contact

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

## Credits

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

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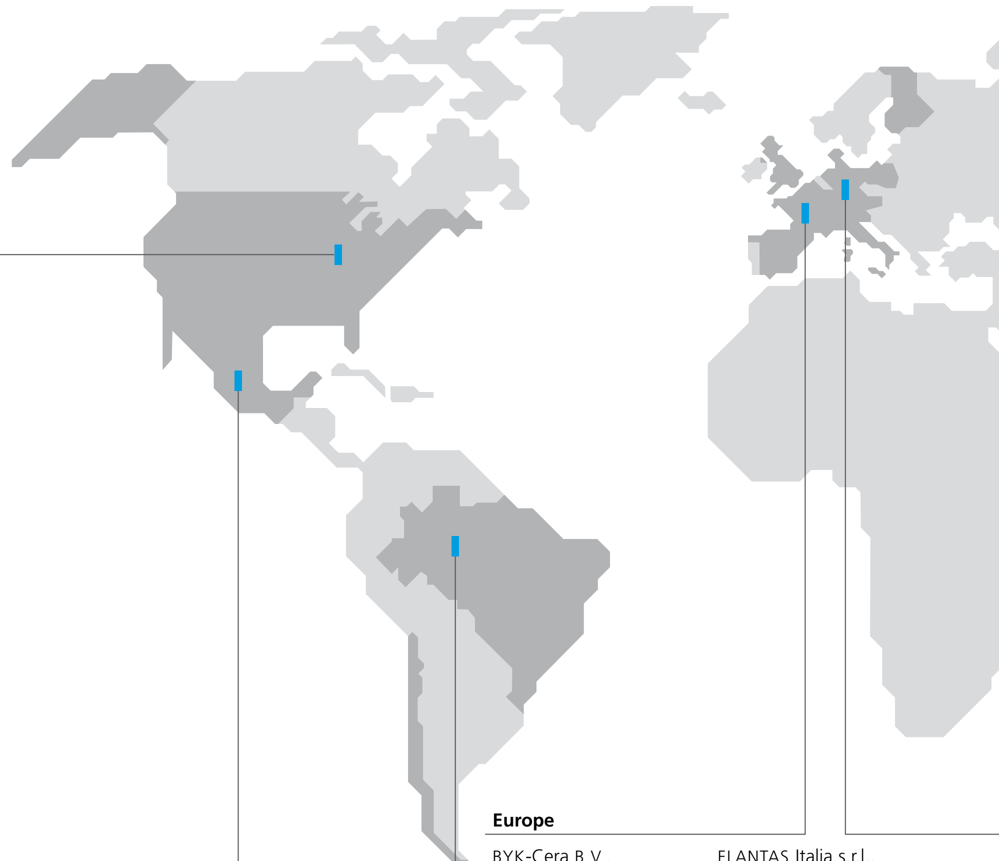
Coating G 5/75 matt made
by ACTEGA Terra/formulated
with additives from BYK

**Design**
Heisters & Partner
Büro für Kommunikationsdesign, Mainz

**Photography**
Robert Brembeck, Munich
Martin Schmüdderich (p. 9)

**Printing**
Eberl Print GmbH, Immenstadt

## Overview of ALTANA locations



**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 WIT Inc.,
Lincolnton, NC
■ ■ 100 %

**Central America**

BYK Chemie de Mexico,
S. de R.L. de C.V.,
Tlalnepantla (MX)
■ 100 %

ECKART de Mexico Industries,
S. de R.L. de C.V.,
Tlalnepantla (MX)
■ 100 %

**South America**

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

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

ECKART Pigments KY,
Pori (FI)
■ 100 %

ECKART Suisse SA,
Vétroz (CH)
■ 100 %

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

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

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

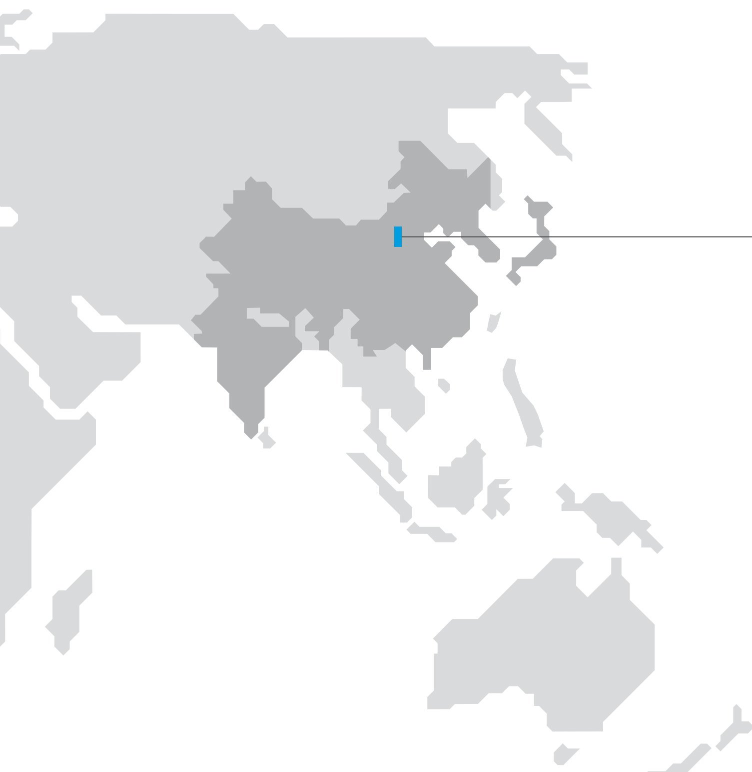
ACTEGA Colorchemie
France Sarl, Henriville (F)
■ ■ 100 %

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

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

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

as of December 31, 2012



## 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 %

BYK Kometra GmbH,
Schkopau
■ ■ 100 %

ELANTAS Beck GmbH,
Hamburg
■ ■ 100 %

ACTEGA Colorchemie GmbH,
Büdingen
■ ■ 100 %

ACTEGA DS GmbH,
Bremen
■ ■ 100 %

ACTEGA Rhenania GmbH,
Grevenbroich
■ ■ 100 %

ACTEGA Terra GmbH,
Lehrte
■ ■ 100 %

Sales company ■ Production company ■

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

www.altana.com