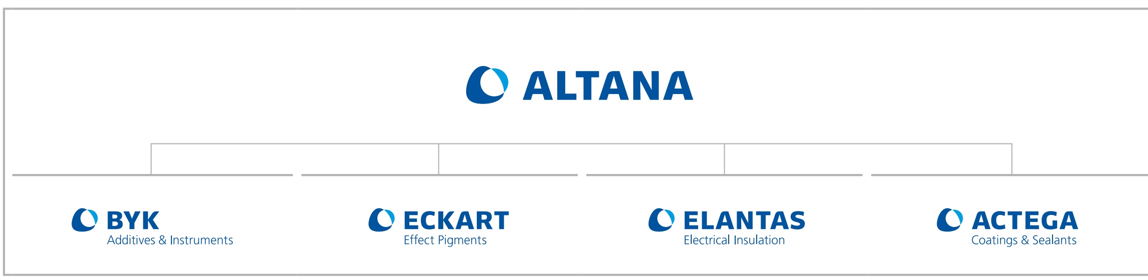
ALTANA

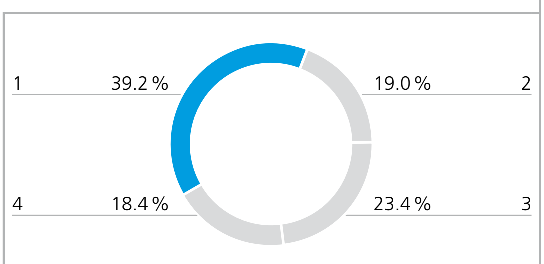
Annual Report 2013

Group Profile 2013

ALTANA's divisions

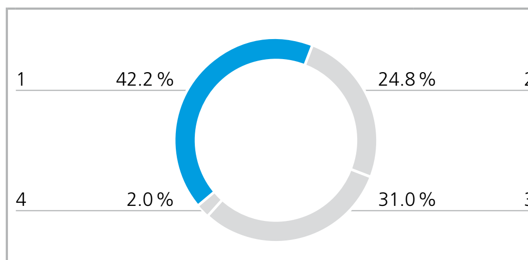


Sales by division



in € million	2013
1 BYK Additives & Instruments	691.5
2 ECKART Effect Pigments	334.6
3 ELANTAS Electrical Insulation	414.6
4 ACTEGA Coatings & Sealants	324.7
Total	**1,765.4**

Sales by region



in € million	2013
1 Europe	745.2
2 Americas	438.4
3 Asia	547.4
4 Other regions	34.3
Total	**1,765.4**

Key figures at a glance

	2013	2012	Δ %
in € million			
Sales	1,765.4	1,705.3	4
Earnings before interest, taxes, depreciation and amortization (EBITDA)	335.7	323.2	4
EBITDA margin	*19.0%*	*19.0%*	
Operating income (EBIT)	229.1	226.9	1
EBIT margin	*13.0%*	*13.3%*	
Earnings before taxes (EBT)	212.6	217.2	-2
EBT margin	*12.0%*	*12.7%*	
Net income (EAT)	151.6	154.7	-2
EAT margin	*8.6%*	*9.1%*	
Research and development expenses	109.4	102.3	7
Capital expenditure on property, plant and equipment and intangible assets	94.3	89.8	5
Cash flow from operating activities	258.8	274.5	-6
Return on Capital Employed (ROCE)	*9.9%*	*10.8%*	
ALTANA Value Added (AVA)	38.7	50.0	-23

	Dec. 31, 2013	Dec. 31, 2012	Δ %
in € million			
Total assets	2,546.0	2,121.3	20
Shareholders' equity	1,565.6	1,498.2	5
Net debt (-)/Net financial assets (+)[1]	(303.6)	68.2	N/A
Headcount	5,741	5,363	7

[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,

In 2013, ALTANA once again demonstrated its innovative capacity and ability to grow despite the ongoing challenges posed by the economic environment.

With the purchase of Rockwood's rheology business, we reached another important milestone on our growth path. This acquisition, the second largest in ALTANA's history, decisively strengthened our division with the highest sales, BYK. And, with the completion of the transaction in October 2013, the division became a leading supplier of rheology solutions. Now our objective is to tap the potential of this acquisition. With the combined sales strength and research and development competence resulting from the move, we will achieve additional growth and continue to expand our position in key markets.

ALTANA is not only growing due to large acquisitions, but also thanks to smaller targeted purchases such as the acquisition of Henkel's specialty coatings business in August 2013 and of Valspar's overprint varnishes activities in October 2013. Both acquisitions are being integrated into the ACTEGA division and will expand our spectrum of products and services in the graphic arts industry.

ALTANA is doubtless a growth story. Since ALTANA AG was founded in 1977, we have increased our sales in the field of innovative specialty chemicals from 24 million Euros to more than 70 times that amount, and our workforce has grown from 259 to 5,741 today.

On the basis of this track record, we have set ourselves ambitious goals. We seek to double our business by 2020. Our growth should be reflected not only by sales and earnings increases, but also by new competencies and qualified jobs. Through the acquisition of Rockwood's rheology business alone we could welcome around 350 new employees at the sites we acquired in the U.S., Great Britain, and Germany in 2013.

Company acquisitions – of which ALTANA has made 30 in the last ten years – have accelerated our growth and will remain an integral component of our strategy in the future. But it is also extremely important that we grow based on our own efforts – through suc-

Dr. Matthias L. Wolfgruber, Chief Executive Officer

Martin Babilas, Chief Financial Officer cessful innovation, through even stronger market penetration, by opening up new fields of business, by optimizing our processes, and by expanding our activities in growth regions. By 2020, we intend to achieve about half of our sales in emerging markets such as China, India, Southeast Asia, and Latin America.

Our declared growth strategy therefore encompasses considerable and sustainable investments in our future. For example, we began expanding the production capacity of ELANTAS in China substantially in 2013. In addition, a new laboratory is being built at the ACTEGA site in Foshan, China. BYK's expansion of production in the U.S. – our largest investment outside of Germany to date – is proceeding to plan. And we took financial interest in a promising start-up company for the first time in 2013, in order to advance our technologies using external know-how. We again invested an above-average amount, around 110 million Euros, in our own research and development in 2013 and will continue to do so in the future.

Ultimately, however, it is our staff and management who characterize our company and are the key to ALTANA's success. They put into practice what ALTANA stands for – innovation, service orientation, and flexibility – and thus create the added value for our customers that sets them apart from their competitors. This requires a great deal from our employees: the courage to implement new ideas and to take new paths, a readiness to embrace change, and a willingness to take responsibility.

In November 2012, the presidents of the BYK, ECKART, ELANTAS, and ACTEGA divisions underlined that they were ready to take up this challenge by assuming responsibility for a different ALTANA division in a rotation process. This measure achieved the desired positive effects already in 2013: increased know-how transfer within the Group and thus even greater flexibility and innovative strength for ALTANA.

The acquisition of Rockwood's rheology business also shows the merits of cross-divisional cooperation at ALTANA, which pays off for our customers. In unparalleled teamwork, we successfully completed this acquisition project in a very short time. In the magazine section of this annual report, you will find further examples of people at ALTANA who have outdone themselves to the benefit of our customers.

2013 was an important year for ALTANA on its growth path. We reached our short-term targets. In the new business year, we want to continue down this path together with our customers. We're looking forward to this challenge, because we have everything we need to do so: we are highly innovative; we are flexible and close to our markets due to our decentralized structure; we are focusing on a sustainable increase in value; and, last but not least, we are willing to invest in the future of our business. In short: We are ALTANA.

We would like to thank all of our employees for their contribution to ALTANA's success and development in 2013. Our thanks also go to the members of the Supervisory Board for their constructive accompaniment, their support, and their trust in the work of ALTANA.

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
– ALTANA Excellence
– 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 ELANTAS Electrical Insulation

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

Dr. Roland Peter
President Division ACTEGA Coatings & Sealants

Dr. Christoph Schlünken
President Division BYK Additives & Instruments

Dr. Wolfgang Schütt
President Division ECKART Effect Pigments

Dr. Georg F. L. Wießmeier
Chief Technology Officer

The Supervisory Board

Dr. Klaus-Jürgen Schmieder
Chairman

Ulrich Gajewiak[1]
Deputy Chairman

Susanne Klatten
Deputy Chairwoman

Dr. Anette Brüne[1]

Dr. Monika Engel-Bader

Ralf Giesen[1]

Armin Glashauser[1]

Olaf Jung[1]

Klaus Koch[1]

Werner Spinner

Dr. Lothar Steinebach

Dr. Antonio Trius

Details on the corporate bodies can be found on page 142 ff.

[1] Employee representative

Report of the Supervisory Board

The Supervisory Board closely followed the work of the Management Board in the 2013 business year and dealt in depth with the situation and development of the company as well as with special issues. The Supervisory Board was regularly informed by the Management Board about the state of affairs of the company through written reports and documents on the agenda items discussed in the meetings, as well as through oral 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 2013 business year, four regular meetings, one constituent meeting, and one extraordinary meeting 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 strategies of ALTANA and its individual divisions. Furthermore, it occupied itself with personnel development, the ALTANA Excellence efficiency program, environmental and safety matters, as well as Corporate Governance issues. In the extraordinary Supervisory Board meeting held in July of 2013, the Supervisory Board concerned itself in depth with the acquisition of the rheology business of Rockwood Holdings. In its December meeting, the Supervisory Board dealt at length with and approved the company's corporate planning for the next years and its budget for 2014.

Meetings of the Committees

The Human Resources Committee met once in the year under review. The Audit Committee met twice in 2013. In the presence of the auditor as well as the Chief Executive Officer and the Chief Financial Officer, the Audit Committee discussed the annual financial statements of ALTANA AG and the ALTANA Group. In addition, it dealt with the statutory audit process mandating the auditor and monitoring his independence, the setting of fees, and the approval of non-auditing services of the auditor. Furthermore, the Audit Committee addressed the identification and monitoring of risks in the Group, the Group's internal auditing activities, as well as ALTANA's Compliance Management System. The Mediation Com-

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

mittee, established in accordance with section 27 (3) of the German Codetermination Act, did not convene in the 2013 business year.

Annual Financial Statements

The annual financial statements of ALTANA AG, the consolidated financial statements for the year ended December 31, 2013, 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 it issued an unqualified audit opinion in each case. The system for early risk recognition set up for the ALTANA Group pursuant to section 91 of the German Stock Corporation Act was audited. The examination revealed that the system properly fulfills its function.

The financial statement documentation, the annual report, and the reports of Pricewaterhouse-Coopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft on the audit of the annual financial statements and the consolidated financial statements, as well as the Management Board's proposal for the distribution of the profit, were made available to all Supervisory Board members. The Audit Committee of the Supervisory Board dealt at length with this documentation. The Supervisory Board plenum inspected the documentation and dealt with it in depth at its balance sheet meeting in the presence of the auditor, who reported on the main results of the examination. The Supervisory Board is in agreement with the findings of the audit, and, following its final examination, has no grounds for objection. At its meeting of March 19, 2014, 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 2013 financial year. 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 March 20, 2013, the period of office in the Supervisory Board of the employee representatives and of Susanne Klatten came to an end. In the election of employee representatives in the Supervisory Board on January 29, 2013, Ulrich Gajewiak, Ralf Giesen, Armin Glashauser, Olaf Jung, and Klaus Koch were reelected as members of the Supervisory Board. Dr. Anette Brüne was elected as an employee representative for the first time. Dr. Götz Krüger was not available for reelection. At the ordinary Annual General Meeting, Susanne Klatten was reelected as a member of the Supervisory Board. The terms of office of the newly elected and reelected members of the Supervisory Board began with the end of the Annual General Meeting convened on March 20, 2013. The Supervisory Board reelected Ulrich Gajewiak and Susanne Klatten as the Deputy Chairman and Deputy Chairwoman of the Supervisory Board. The Supervisory Board reappointed Ulrich Gajewiak, Susanne Klatten, and Olaf Jung as members of the Human Resources Committee. Ralf Giesen and Armin Glashauser were reelected as members of the Audit Committee. Susanne Klatten and Klaus Koch were reappointed to the Mediation Committee by the Supervisory Board.

The Supervisory Board expresses its gratitude to Dr. Götz Krüger for his trusting cooperation. In addition, it extends its thanks to the members of the Management Board and the company's management, as well as all employees of the Group, for their achievements and commitment in the 2013 business year.

Wesel, March 19, 2014

For the Supervisory Board

Klaus Schmieder

Dr. Klaus-Jürgen Schmieder
Chairman

We are ALTANA

Ultimately, it is people who characterize our company and are the key to our success. The people who work for ALTANA put into practice what the company stands for – innovation, service orientation, and flexibility – and thus create the added value for our customers that sets them apart from their competitors.

WE ARE DOERS + VISIONARIES

WE ARE ALTANA

Alongside organic growth, acquisitions are a key component of ALTANA's corporate strategy. With them, we can expand our portfolio in a targeted way to continuously offer our customers new products and technologies. Company acquisitions are usually complex and time-consuming processes. But in the summer of 2013, careful preparation enabled us to take over Rockwood's rheology business in just a few weeks. Thanks to our clearly formulated strategy, we know exactly who is compatible with us.

DR. ANDREAS JERSCHENSKY, CORPORATE DEVELOPMENT AND M & A, ALTANA, **ALISON AVERY,** CFO, BYK USA, **DR. STEFAN MÖSSMER,** PAINT ADDITIVES BUSINESS LINE, BYK, **JAN FRANZ ALLERKAMP,** INTEGRATION MANAGEMENT OFFICE, BYK

LEADING IN RHEOLOGY ADDITIVES – THIS VISION BECAME REALITY WHEN WE ACQUIRED THE ROCKWOOD BUSINESS IN 2013. FOR OUR CUSTOMERS, THAT MEANS TAILOR-MADE SOLUTIONS FROM ONE SOURCE. IN THE LAST TEN YEARS, WE HAVE CONSISTENTLY GROWN OUR PORTFOLIO IN THIS WAY, MAKING **MORE THAN 30 ACQUISITIONS.**

WE ARE DOERS + VISIONARIES

The Right Chemistry

Rheology additives facilitate processing of various materials. They produce the exact flow characteristics needed for the respective application. In the past, our BYK division concentrated on developing liquid rheology additives, particularly for coatings and plastics. The products of the former Rockwood business, on the other hand, are chiefly based on clay minerals and are also used for other applications: in construction materials, for example, or in cosmetics and body-care products.

Indeed, the two portfolios complement one another perfectly. And not only that. All of the core elements of the ALTANA business model – the exclusive focus on specialty chemicals, the leading market position, the proximity to industrial customers, innovation and service orientation – also applied to the Rockwood business. However, there was a slight problem. "The business was not up for sale," recalls Dr. Andreas Jerschensky, Head of Corporate Development and M & A at ALTANA. Initially, Rockwood had entirely different plans. But when these plans came to naught, ALTANA was prepared, and so the acquisition process quickly gained momentum.

In a very short time, ALTANA put together a team of 150 people, consisting of representatives of the holding company and the BYK division as well as external advisors. They analyzed financial key performance indicators and had a look at the products, patents, and locations of the business. It was not only the facts that were convincing. "Also on a human level it worked well from the start," recalls Alison Avery, who was the CFO of the Rockwood business unit at the time and now is the CFO of BYK in the U.S. "The chemistry was right in every respect," says Dr. Stefan Mößmer, Business Line

Manager Paint Additives at BYK. "Apart from great technical expertise, the two companies have the same understanding of customer orientation."

Things Came Together That Belonged Together

Within three weeks, the due diligence review was successfully completed. The Supervisory Board gave the go-ahead. Four days later, the purchase agreement was signed. The acquisition was completed on October 1, 2013. Two already successful businesses have become one new, even stronger company.

Expanding Strengths and Tapping Potential

To customers, the advantages of the acquisition are obvious: The expanded portfolio has added value due to the new, interesting rheology solutions. With the latter, BYK can conquer new markets and grow along with its customers. This applies to individual branches of industry as well as to regions. Asia has particularly strong growth potential.

The prerequisite is that the two businesses are integrated successfully. The course was set from the very outset. After all, it was ALTANA's biggest acquisition since it purchased ECKART in 2005. "The aim is to increase the strengths of the two businesses even more," says Integration Manager Jan Franz Allerkamp. "To this end, it is essential that there is structured, comprehensive cooperation from day one." The fact that integration on an equal footing is more than a vision at ALTANA is shown poignantly by the addition of Frank B. J. Wright to BYK's Management Board, a move that was announced when the transaction was completed. While Wright had previously headed Rockwood's rheology business, he is now in charge of ALTANA's strongest-selling division together with his German colleagues.


BYK

WE ARE OPTIMIZERS + LATERAL THINKERS

WE ARE ALTANA

What measuring procedures provide added value to our customers? To answer this question, many say it is necessary to depart from habitual ways of thinking, which can be achieved best when different experiences and knowledge are brought together – as is the case with the PVC team at BYK. This kind of lateral thinking has spawned a unique facility in which flooring, wallpaper, and synthetic leather manufacturers can test their formulations and processes under production-like conditions.

MARTIN FISCHER, APPLICATION TECHNOLOGY PVC/LEATHER, BYK

LATERAL THINKING PAYS OFF FOR OUR CUSTOMERS. THAT'S WHY EACH YEAR ALTANA INVESTS **AROUND 6% OF ITS SALES IN RESEARCH AND DEVELOPMENT,** ALMOST TWICE AS MUCH AS THE INDUSTRY AVERAGE.

WE ARE OPTIMIZERS + LATERAL THINKERS

Go with the Flow

Experts call it spread coating, and this procedure packs a punch. It is used to spread millimeter-thin layers of PVC plastisol on a substrate at extremely high speeds and to subsequently print something on the new surface and lacquer it. The facilities needed for this process can be more than 500 meters long. They can produce, for example, 30 meters of flooring or 100 meters of wallpaper per minute, depending on the branch of industry.

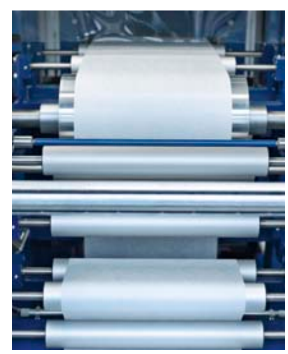
It is not only the speed that poses a great challenge. The PVC material itself has its pitfalls. Like ketchup, the viscous mass flows very unevenly. To make the flow behavior predictable, manufacturers add so-called rheology additives. But how much of which rheology additive is compatible with the respective plastisol formulation? A new, unique measuring method developed by BYK provides an answer. "The values obtained offer our customers production security," says Martin Fischer, Manager PVC / Leather Additives.

Production-like Conditions

Viscosity measurements have long been commonplace in the industry. But as precise as the different established procedures are, they all have a big disadvantage: While they provide snapshots of the behavior of the plastic under certain conditions, they do not reflect actual production conditions with the high speeds and the forces that are generated.

"But that's exactly what we need," thought Fischer. "Measurement values that reflect actual practice, in production-like conditions."

But how can a chemical company obtain these values? Application manager Fischer, a trained chemical engineer with experience in mechanical engineering, came up with an answer: BYK has to simulate the



processes of plastics processors in the lab. To do so, BYK needed its own coating facility, in miniature, but enabling the production processes to be emulated.

A Crazy Idea? Perhaps …

… but the management approved the investment. And Fischer started planning. In 2013, BYK began operating its own eight-meter-long spread coating facility.

It contains everything, on a smaller scale, that is used to produce flooring, wallpaper, and synthetic leather: an unwind, a coating head, goods contouring control, drum gelatinization, lamination, a dryer, and a double reel. And this is coupled with sophisticated measuring technology.

With this facility, the flow behavior of the PVC mass can be measured at different roller speeds and coating widths. On this basis, the experts at BYK determine the optimum dosage of the rheology additive for the respective formulation.

In addition, the facility enables the experts to check other settings. For example, the profile and angle of the knives that spread the plastisol on the substrate can be adjusted to prevent drops from forming on the knife, which can lead to imperfections on the coating.

The new measuring concept has gone down well. PVC manufacturers and processors from all over the world are making use of the service in Wesel and having their individual applications tested. Why? “Because with our method they can comprehensively simulate their production processes and thus optimize them,” says Martin Fischer.

WE ARE DEVELOPERS + TREND SCOUTS

WE ARE ALTANA

850 million lipsticks are sold each year, equivalent to 27 per second. Thus, the cosmetics industry is under great pressure to bring ever-new collections onto the market at relatively short intervals. It is good when manufacturers have a partner with sound know-how that inspires them in matters pertaining to color. Our cosmetics team at ECKART is a shining example. Twice a year, the team develops trend forecasts for the next season exclusively for our customers.

KATJA GELBE, COSMETICS BUSINESS LINE, ECKART

IT IS NOT ONLY ECKART THAT KEEPS A CLOSE EYE ON FUTURE TRENDS FOR ITS CUSTOMERS. ALTANA DEVELOPS SOLUTIONS FOR TOMORROW'S CHALLENGES AT **MORE THAN 50 SERVICE AND RESEARCH LABORATORIES WORLDWIDE.**

WE ARE DEVELOPERS + TREND SCOUTS

Inspiration for an Emotional Market

Lipstick can be bought for as little as 1.50 Euros, but some customers pay more than 20 Euros for one. The wide range of prices shows how differentiated the cosmetics market has become. Buyers include both teenagers on a tight budget and women with a keen awareness of style, quality, and brands.

How can a company maintain its edge in such a dynamic and highly emotional market? The answer is simple and complex at the same time. "The aim is to inspire demanding customers and to offer them surprises enabling them to appeal to consumers," says Katja Gelbe, Head of Global Marketing Cosmetics Business Line at ECKART.

The business line, which is based in Franconia in southern Germany, delivers pigments, filling materials, and preparations for nail polishes to nearly all of the world's renowned cosmetics manufacturers. In addition, many subcontractors that produce for brand manufacturers obtain their source materials for lipsticks and nail polishes, eye shadows and powders, from Hartenstein.

The Strategy: Stunning Innovations

Under the brand name Mirage, ECKART developed an especially high-quality synthetic pearlescent pigment on the basis of borosilicate glass. This product group, which received the ALTANA Innovation Award, impresses with very pure colors and eye-catching sheen.

Under the brand name Silverdream Polaris, the company brought a pigment dispersion onto the market that is based on microscopic iron plates. It created a new trend: nail polish with a magnetic effect. These nail polishes are stunning due to the patterns that can be created with the

help of a small magnet after the polish has been applied.

Farsighted Marketing

With its exclusive twice-yearly trend forecasts, ECKART provides its customers with more than just a glimpse of the future. "With our forecasts, we offer them inspiration for their own creations and show them how to make effective use of our pigments for these creations," explains Katja Gelbe.

While preparing the forecasts, the team, consisting of marketing people and color developers, orients itself to trends. It analyzes fashion and lifestyle developments worldwide, because color tastes and preferences vary from continent to continent due to cultural differences.

Further inspiration is offered by special concepts focusing on themes such as weddings, men's cosmetics, and different skin types. Also, samples of eye shadows, lipsticks, nail polishes, soaps, and lotions are presented regularly to customers in personal talks. With these samples, product advantages such as shine, sparkle, and skin feeling can be demonstrated first hand.

Last but not least, ECKART delivers ideas that transcend the cosmetics market. As a giveaway, ECKART developed a light, velvety, shimmering lip balm whose plastic packaging and box also contain effect pigments. As a result, customers become acquainted with the competencies of more than one business area. The goal is to convey a convincing and comprehensive picture of the company.

But the question still remains: What trends await us in the summer of 2014? We know already that the products will be quite colorful and vary substantially. In Europe, green and lilac will dominate in all possible shades. In Asia, pastel colors will rule during the summer months, and in North America metallic gloss.


ELANTAS

WE ARE
GLOBAL PLAYERS + FAMILY BUSINESSPEOPLE

WE ARE ALTANA

As a global player in the specialty chemicals industry, ALTANA is at home all over the world. But in order to understand and implement our customers' exact wishes and objectives, more than just locally available technical expertise and know-how are needed. What is decisive for and characteristic of ALTANA, rather, are people whose approach to customer orientation is similar to that of a family-owned business. The decentralized structure of our Group engenders these "family businesspeople," for example, at ELANTAS Italia.

ANTONIO NASTASI, MANAGING DIRECTOR, ELANTAS ITALIA

WORLDWIDE, OUR CUSTOMERS BENEFIT FROM THE FAMILY-BUSINESS-LIKE SERVICE CULTURE OF THE **SOME 50 OPERATING COMPANIES IN THE ALTANA GROUP,** WITHOUT HAVING TO FOREGO THE ADVANTAGES OF A FINANCIALLY STRONG AND INTERNATIONALLY ACTIVE PARTNER.

WE ARE GLOBAL PLAYERS + FAMILY BUSINESSPEOPLE

Entrepreneurship As a Success Factor

Like many companies under the ALTANA umbrella, ELANTAS Italia has a family tradition. Formed by the merger of what were originally three small family-owned businesses in 2011, it has become the company in the ELANTAS division with the highest sales.

ELANTAS Italia delivers wire enamels for primary insulation of electrical coils, impregnating resins for secondary insulation of motors and generators, and electrical and electronic insulating materials. Its customers include renowned machine and motor manufacturers around the world. The ELANTAS division is the global leader in wire enamels and one of the leading manufacturers of secondary insulation materials as well as insulating materials for the electrical and electronics industries.

One of the reasons for the company's success is the entrepreneurial independence with which it acts. The Managing Director of ELANTAS Italia, Antonio Nastasi, views himself as a true entrepreneur, with a sense of responsibility, a willingness to take risks, and a spirit of innovation.

The Family Businesses Are the Roots of the Three Business Lines

Primary insulation in Ascoli Piceno, secondary insulation in Quattordio, and insulating materials for the electronics industry in Collecchio – Nastasi consciously kept these three sites.

Each site has its own production, sales, marketing, and customer service. Only overarching functions such as finance and IT are bundled centrally at the company's headquarters in Collecchio. "Thanks to this decentralized structure, we're extremely close to our customers," explains Nastasi.

"We know their needs and processes precisely and can react to their requirements immediately. And we will develop new solutions together with them if required." Each business line has its own development department and laboratories right at the site.

Close Customer Contact in Research

"Important impulses for the products of tomorrow often come from our customers," says Nastasi. "We use these impulses to develop solutions for them and to grow along with them." The company is currently devoting itself to promising new research projects. Among other things, the Italian experts are developing insulation on the basis of nanoparticles. The first patents have already been registered. Other fields of research include high-voltage current and inductors. Last but not least, the developers are working on composite materials and adhesives used for insulation.

The decentralized structure helped ELANTAS Italia to react flexibly to the business environment in 2013. "There's a sense of family in our DNA," says Nastasi. "I know every staff member personally. So I know how to challenge and encourage each one."

Nastasi, who holds an engineering degree, has worked at all three sites in the course of his career. This constitutes another link between them. Apart from that, he insists on becoming personally involved in important projects at the different locations, for example, regarding quality assurance in production or in development. This is a family trait too – lending a hand where- and whenever necessary.


ACTEGA
Coatings & Sealants
ACTEGA

WE ARE RESEARCHERS + PACKAGING ARTISTS

WE ARE ALTANA

What characterizes good packaging? For the buyer, the appearance is decisive. But manufacturers know that for packaging to be good it has to be extremely resilient. It must endure a lot between production and the supermarket. It would be great if there were coatings that corresponded exactly to these loads, thought ACTEGA researchers, and they got down to work. The result: innovative coatings for the packaging industry from the TerraWet product family. These coatings are perfectly in line with the load profile specified by customers.

MARCEL ALTENBURG, RESEARCH & DEVELOPMENT WATERBASED COATINGS, ACTEGA TERRA

AROUND THE WORLD, ALTANA RELIES ON THE ART OF DEVELOPING PRODUCTS THAT ARE TAILORED EXACTLY TO CUSTOMERS' NEEDS. THAT'S WHY **EVERY SIXTH ALTANA EMPLOYEE WORKS IN RESEARCH AND DEVELOPMENT.**

WE ARE RESEARCHERS + PACKAGING ARTISTS

Quality Outside and In

Margarine, liverwurst or ice cream, salads or paints: Many manufacturers package their products in ready-to-use pre-produced plastic containers. That reduces the effort required and cuts cost. Another benefit: Labels do not have to be put on them. What is more, this kind of packaging is environmentally friendly because it is easy to recycle.

Experts use the term in-mold labeling (IML) for the manufacture of this increasingly popular packaging method. Production is carried out in two steps. First, the label is made. The label foil is printed with color and then lacquered and punched out. In the second step, the label (with the printed side facing downward) is fed into a special mold. Then the hot molten plastic is injected into the mold, and label and plastic fuse into a single material. As soon as it has hardened, the container is finished, complete with the design.

Later, the containers are subjected to different loads: when goods are packaged, during transport, and at wholesalers and retailers. Initially, the consequences are apparent on the top coat. If there are scratches on it, the whole appearance is affected, and the product will probably not sell very well.

Optimized to Meet Myriad Challenges

Here the packaging artists at ACTEGA Terra come into play. Under the brand name TerraWet, they have developed a portfolio of waterbased coatings, for IML packaging, among others. The coatings are suitable for all common printing processes. They not only enable the printed image to glisten in splendor, but are also optimized to meet the various chal-

lenges the packaging materials face in the course of their lifecycles. This begins with the printing process and extends to the temperatures of refrigerated sections in stores.

Litmus Test for Coatings

What are the properties of IML coatings? R & D employee Marcel Altenburg lists them: "They have to be able to dry in a fraction of a second, as the entire printing process including drying with hot air and infrared light lasts less than a second." Then comes the next litmus test: The finished label films are stacked, punched, and transported to injection molding production, where they are separated again. "The coatings have to be scratch- and abrasion-resistant," says Altenburg. It is essential that they are not deformed during injection molding. Experts call this property anti-curling.

If required, the coatings should be able to withstand huge temperature fluctuations. For example, food is pasteurized at 80 °C (176 °F) but is subsequently cooled down to refrigerator temperature. Finally, the coatings have to be unobjectionable according to food law.

Innovation through Teamwork

The development of this successful coating family involved teamwork in the best sense. Researchers and developers worked together with product managers and market experts. As a result, the team managed to combine product and process innovations. In addition, the developers identified suitable new raw materials and employed new formulation strategies. Everything together was reason enough for an accolade: In 2013, the Lehrte-based team received the ALTANA Innovation Award.

Group Management Report

2013 was a successful business year for us. In a still challenging economic environment, we achieved sales growth and reached our profitability targets again. In addition, we opened up further growth potential with the acquisitions we made, particularly that of the rheology activities of Rockwood. In spite of the changes in our financing structure connected with these acquisitions, we continue to have solid balance-sheet ratios and sufficient financial leeway to actively pursue our strategy for profitable growth in the years to come.

Business Model

Organization and Legal Structure

The ALTANA Group is a global supplier of specialized chemical products and services for different branches of industry and application fields. In the 2013 business year, the Group's some 60 subsidiaries and associated companies achieved sales of around €1.77 billion. At the end of the year, ALTANA employed more than 5,700 people Group-wide.

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 solely committed to the interests of the company. The Management Board's activities are monitored by the Supervisory Board, whose members also advise the Management Board. More information on ALTANA AG's management and control system is provided in the Corporate Governance Report of this annual report.

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

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

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

Wetting and dispersing additives help improve the distribution of pigments and filling materials, for example in coatings and plastics. With the help of defoamers and air-release additives, foaming is prevented during the manufacture of coatings and paints as well as in end customers' applications. Surface additives are used to produce special properties such as shiny, matte or especially smooth surfaces.

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	
Exploration technology oil/gas	Plastics industry		
Measuring and testing instruments	Functional applications		

Rheology additives improve the flow behavior of coatings and plastics systems. In 2013, Additives & Instruments significantly expanded its activities in this application area by acquiring the rheology business of the U.S. company Rockwood. With this acquisition, the division gained entry into new application fields, for example, into areas where rheology additives are used for the exploration and mining of crude oil and natural gas. In addition, the division manufactures measuring and testing instruments that are used to determine surface properties, color shades, and optical effects.

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

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 portfolio, which includes products ranging from additives to improve coatings and plastics properties, to instruments for objective assessment of color and physical properties, the division is a system supplier and partner of coatings manufacturers and plastics processors. On the basis of its great problem-solving expertise, Additives & Instruments has also attained an important market position in other industrial application fields in recent years. Furthermore, through acquisitions, it has gained access to new growth fields, for example, in the area of oil mining.

The division sells its products in the important regions via its own companies and branches. In addition, a dense network of dealers and agents markets its products worldwide. Additives & Instruments generates the highest share of its sales in Europe, followed by Asia and the Americas. In terms of countries, the U.S. made the largest contribution to sales in 2013, followed by Germany and China.

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 customers in the respective regions. At the same time, new fields of application are continually tapped for existing or new products.

ECKART Effect Pigments

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

Aluminum-based effect pigments comprise the largest part of ECKART's business. They are used by customers particularly to achieve silver metallic effects, for example, for car paints or on graphic arts products. Copper effect pigments generate golden effects in paints, printing inks, and plastic products. Zinc pigments, for their part, 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 in 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 (Hartenstein and Wackersdorf). Other production sites are located in the U.S., China, Switzerland, and Finland. The manufacturing process is characterized by a very high degree of value creation. In 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 by sales partners. Like the Additives & Instruments division, the Effect Pigments division's most important customers include international manufacturers of coatings, printing inks, and plastics. Other important customers are manufacturers in the construction industry and the cosmetics sector. Effect Pigments achieves more than half of its sales on the European continent, primarily in Germany. Its next-largest sales regions are Asia and the Americas.

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

ELANTAS Electrical Insulation

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

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

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

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

ACTEGA Coatings & Sealants

The 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 based in 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 the specific 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. Coatings & Sealants' largest sales region is Europe, followed by the Americas. Its most important countries are the U.S. and Germany.

In recent years, the division has concentrated on application fields 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 customers' purchase behavior. This appraisal largely determines how much storage is reserved along the value chain.

In addition, actual and expected changes in the prices of essential raw materials impact the sales situation. When raw materials prices continually rise, customers look for alternative input materials and thus influence overall sales or the product mix. The same applies to significant changes in other cost components that have a strong influence on the price of products. 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 impact demand.

Long-term changes in demand for the Group's products and services are brought about on the one hand by global megatrends and the economic growth of certain regions. On the other hand, product and technological developments continually 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 lower customer activity during the summer months and at the end of the year.

Strategy and Control System

Strategy

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

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

At ALTANA, profitable growth is based on several pillars. The primary ones are to expand our operating activities in existing markets and to open up new adjacent sales segments. ALTANA's four divisions occupy significant competitive positions in their respective 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 strengthen their portfolio at any time, ALTANA continually pushes forward its own research and development activities. To this end, our employees' know-how and experience are just as important as investments in new technologies.

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

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

Control System and Goals

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

A change in the company's value in a given period is calculated by using the financial ratio **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. It is calculated by subtracting the cost of capital from the Return on Capital Employed (ROCE).

The calculation of the operating earnings starts with **earnings before interest and taxes (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 operating earnings. The cost of capital is determined from the weighted average of cost of debt and cost of equity. We regularly examine the weighted average cost of capital but only adjust it for the calculation of the AVA if it exceeds or falls below a certain range. In the last few years, we set our weighted average cost of capital at 8 %.

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

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

Sustainable profitable sales growth 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 outperform the general market growth in the most important sales segments and thus to constantly obtain market shares. In the medium to long term, we aim to achieve 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 new business activities. Our average annual sales growth in the last ten years was roughly in line with our target level.

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

The level of orders is not an essential 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 sales and earnings momentum, another focus to successfully increase the value of the company is control of the operating capital. The main factors of influence in this context are the development of fixed assets and of net working capital.

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

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

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

To guarantee that all activities are geared uniformly to the Group's strategy, we also use non-financial key performance indicators. But these are not relevant for control and are used solely for a qualitative evaluation of activities whose financial measurability is limited.

They include data for evaluating innovativeness, analyzing sales markets, and gauging customer satisfaction.

Business Development

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

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

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

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

General Business Setting

Overall Economic Situation
The global economy showed a largely stable development in 2013, on the same growth path as in the previous year. According to current estimates by the International Monetary Fund (IMF), the global gross domestic product grew by 3.0 %, roughly the same as in 2012 (3.1 %). In the second half of 2013, the world economy showed a more dynamic development than in the first six months of the year. The positive trend was buoyed mainly by the established industrialized countries, whose growth accelerated significantly in the course of the year. In addition, business development in China was robust throughout the reporting year.

However, the development of the key economic indicators in the sales regions important for ALTANA varied greatly.

Europe's economic performance continued to abate in 2013. The ongoing recession in some countries in the region had repercussions again in 2013. But with a decrease of 0.4 %, the economic performance in the Euro zone did not decline as much as in 2012 (-0.7 %). In the second half of the year, the European industrial nations increasingly recorded economic growth and a positive trend became apparent.

In a comparison between the European countries, Germany performed best. According to initial calculations of the German Federal Office of Statistics, the country's gross domestic product rose by 0.4 % in 2013 (previous year: +0.7 %). Strong domestic demand partly offset export losses resulting from the difficult external environment.

In the Americas region, growth fell slightly in 2013. The most important industrialized nation, the U.S., grew again in 2013, by 1.9 % according to IMF forecasts. But the U.S. was not able to pick up on its positive performance of 2012 (+2.8 %). Based on current IMF forecasts, the emerging countries in Central and South America achieved non-uniform growth rates. Mexico posted slower growth than in 2012 (1.2 %, previous year: +3.7 %), as did the other countries in the region. On the other hand, Brazil's economic performance increased more strongly, by 2.3 %, compared to the previous year (+ 1.0 %).

The relative economic growth of the Asia region was roughly the same as in the previous year. China was the main engine of this positive development. Expanding by 7.7 % in 2013 according to IMF forecasts, it reached the growth level of the previous year. China experienced a robust growth surge particularly in the second half of the year on account of an increase in industrial investments, due, among other things, to temporary monetary policy measures taken in the country. Other important industrial and emerging countries in Asia also showed a positive development in 2013 based on current IMF estimates. India boosted its economic performance by 4.4 % (previous year: + 3.2 %) and Japan by 1.7 % (previous year: + 1.4 %).

Industry-specific Framework Conditions

In the stable economic environment of 2013, the growth of global chemical production was at a similar level to that of the global economy. According to current estimates of the Oxford Economics Institute, production grew by 3.1 % in 2013, after an increase of 1.8 % in the previous year.

Like the non-uniform regional economic development, the growth in the major industrial regions varied. In Europe, production quantities of chemical products decreased slightly well into the fall, according to surveys conducted by the European Chemical Industry Council. The decline was most pronounced in those European countries that had the greatest economic difficulties, particularly Spain, Italy, and France. In Germany, however, chemical production grew. The German Chemical Industry Association reported a 1.0 % increase in the amount of chemical goods manufactured. Growth was higher with consumer-oriented chemicals, polymers, and specialty chemicals, while production of petrochemicals and other basic materials slackened. In the U.S., the chemical industry also increased its production output. According to estimates made by the American Chemistry Council, growth was 1.2 %. For the emerging countries in Asia, Oxford Economics anticipates ongoing dynamic growth rates. It expects chemical production in China to grow by 8.4 % in 2013.

In the year under review, the crude oil markets showed slightly less volatility compared to the previous years. The price of a barrel of Brent Crude remained relatively stable in the course of the year, in a range between 100 and 120 U.S. Dollars. As a result, the price of essential raw materials used in the chemical industry remained relatively constant in the 2013 business year. Raw-material-price-induced fluctuations in demand did not play a significant role.

Important Events for Business Development

All of the important customer industries for the products and services of the ALTANA Group developed largely in line with the overall economic environment of the respective region. There were no other factors that had a significant influence on demand at ALTANA.

The company's business performance, however, was characterized by non-operating influences. The Group's acquisition activities and exchange-rate effects were very significant in this respect.

With the acquisition of the rheology business of the U.S. company Rockwood Holdings, ALTANA made the second-largest acquisition in its history. With 342 employees, the business manufactures rheology additives based primarily on clay minerals at four production sites in the U.S., Great Britain, and Germany. Most of the products are delivered to existing customer industries of ALTANA. The business was integrated into the BYK Additives & Instruments division of the ALTANA Group. The incorporation of the business activities on October 1, 2013, had significant effects on the Group's sales and earnings performance. In addition, important balance-sheet figures changed.

The wax additives business acquired at the end of 2012 as well as two other acquisitions in the Coatings & Sealants division in the course of 2013 had only a slight influence on the Group's 2013 key performance indicators.

On the other hand, significant burdens arose in 2013 from the development of exchange-rate relations important for ALTANA pertaining to the Group currency, the Euro. In particular, the average exchange rates between the Euro and the U.S. Dollar and Japanese Yen changed to our detriment. On an annual average, the price of one Euro rose from 1.28 U.S. Dollars in 2012 to 1.33 U.S. Dollars in 2013. The strengthening of the Euro in relation to the Japanese Yen was even more pronounced. The price for one Euro increased from 102 Yen in 2012 to 130 Yen in 2013 on an annual average. Thus, the conversion of income statement items of the respective Group companies doing business in those currency regions to the Euro, the Group's currency, had negative effects compared to the previous year. The same applies to the development of the exchange rate between the Euro and the Indian Rupee, though the impact was not as strong.

Business Performance

Key figures

	2013	2012	Δ %	Δ % op.[1]
in € million				
Sales	1,765.4	1,705.3	4	3
Earnings before interest, taxes, depreciation and amortization (EBITDA)	335.7	323.2	4	6
EBITDA margin	*19.0 %*	*19.0 %*		
Operating income (EBIT)	229.1	226.9	1	
EBIT margin	*13.0 %*	*13.3 %*		
Earnings before taxes (EBT)	212.6	217.2	-2	
EBT margin	*12.0 %*	*12.7 %*		
Earnings after taxes (EAT)	151.6	154.7	-2	
EAT margin	*8.6 %*	*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 the 2013 business year, ALTANA Group sales rose by €60.1 million to €1,765.4 million (previous year: €1,705.3 million), a 4 % increase. The acquisition of companies and business activities resulted in sales growth of 3 % compared to the previous year. The lion's share of the additional sales arose from the acquisition of Rockwood's rheology activities on October 1, 2013. Other effects from acquisitions or divestments played only a secondary role in the Group's sales dynamic.

But the development of exchange-rate relations had offsetting influences. The changed annual average values for the exchange rate between the Euro and the Japanese Yen respectively the U.S. Dollar particularly burdened Group sales. The entire negative sales effects from changed exchange rates totaled 2 % at the end of the year.

In the last business year, the operating sales growth adjusted for the aforementioned factors of influence was 3 %. A higher sales volume accounted for the largest part of the increase. An improved product mix and higher prices also contributed to the sales rise.

The operating sales growth corresponded to the expected business performance. At the beginning of 2013, we had forecast sales growth in the lower single-digit percentage range, due primarily to an anticipated increase in sales volume.

Due to the different overall economic developments in the sales regions essential for ALTANA, the changes in regional sales performance were not uniform.

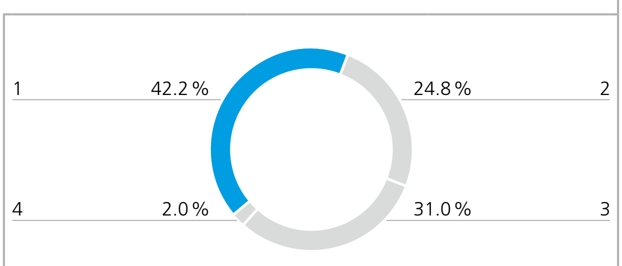
The highest nominal and operating sales growth rates were achieved in Asia. Driven primarily by a positive development of demand in the most important country for ALTANA alongside Germany and the U.S., China, nominal sales in the entire Asian region rose by 7 %. As a result, ALTANA continued down the growth path it had embarked on in this region in the previous year. Apart from the growth in China, ALTANA also achieved substantial sales growth in most of the other Asian countries. Due to exchange-rate effects, however, sales denominated in the Group currency, the Euro, fell in Japan and in India. Both the Japanese Yen and the Indian Rupee depreciated against the Euro in the course of the year. Adjusted for exchange-rate and acquisition effects, operating sales growth reached 10 % in Asia.

The nominal sales growth in the Americas was similar to that in Asia. In North and South America, ALTANA achieved total sales growth of 6 %. The growth in the U.S. was accelerated by company acquisitions and was above the average in the region. Sales also further expanded in individual emerging economic nations such as Mexico and Brazil. Adjusted for effects from exchange-rate fluctuations and acquisitions, our operating business performance in the Americas was very stable compared to the previous year, with sales increasing by 1 %.

In 2013, the situation in our core region Europe was similar to that of the previous year. Against the backdrop of the ongoing recession in many southern European countries, nominal sales fell in Europe and in Germany by 1 %. As here too acquisitions had a positive effect on our regional sales performance, adjusted operating sales were 2 % lower than in the previous year. The decrease in operating sales was at the same level as in 2012. In the course of the year, however, demand steadily increased in many European countries, and in the last quarter operating sales increased compared to the same period of the previous year.

The varying growth dynamics and the acquisition activities led to a slight shift in the regional distribution of our sales volume. As in the previous years, ALTANA generated the largest part of its sales in Europe. However, the share of European sales in total Group sales decreased to 42 %. Meanwhile, the other core regions' contribution to total sales increased. The growth region Asia accounted for 31 % of total sales. North and South America benefited from the acquisitions made in the business year, together accounting for 25 % of total sales.

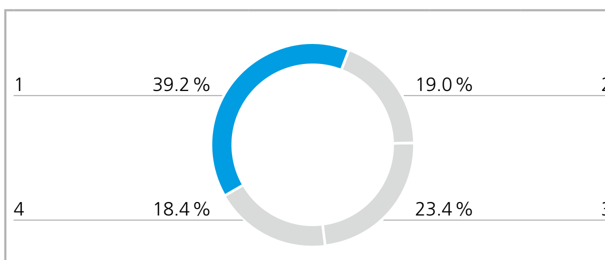
Sales by region



in € million	2013	2012	Δ %	Δ % op.
1 Europe	745.2	751.7	-1	-2
thereof Germany	*262.4*	*266.1*	*-1*	*-2*
2 Americas	438.4	412.0	6	1
thereof U.S.	*289.5*	*268.4*	*8*	*1*
3 Asia	547.4	509.6	7	10
thereof China	*287.8*	*252.5*	*14*	*14*
4 Other regions	34.3	31.9	8	7
Total	**1,765.4**	**1,705.3**	**4**	**3**

Due to a change in country allocation, the previous year's figures were adjusted.

Sales by division



in € million	2013	2012	Δ %	Δ % op.
1 Additives & Instruments	691.5	618.4	12	7
2 Effect Pigments	334.6	340.5	-2	0
3 Electrical Insulation	414.6	412.5	1	3
4 Coatings & Sealants	324.7	333.9	-3	-3
Total	**1,765.4**	**1,705.3**	**4**	**3**

Sales Performance of BYK Additives & Instruments

The Additives & Instruments division achieved the highest sales growth in 2013. Sales rose by 12 % and €73.1 million to €691.5 million (previous year: €618.4 million). Just under half of the increase resulted from the integration of Rockwood's rheology activities in October 2013. Positive sales effects were also provided by the acquisition of the wax additives business in the U.S. at the end of 2012. On the other hand, burdens arose from exchange-rate relations, particularly between the Euro and the Japanese Yen. Adjusted for all acquisition and exchange-rate effects, operating sales rose by 7 %, exceeding our expectations. In the course of the year, the division's growth development was very positive. This was due on the one hand to an increasing sales volume, and on the other to an improved product mix compared to the previous year.

All of the division's important product segments supported this trend. The demand of customers from the coatings industry and of plastics processing companies increased. In addition, there was mounting demand for additives used in other industrial application fields. The measuring and testing instruments business also made a positive contribution to the operating growth.

The increase in demand was reflected in all of our core regions. The highest operating growth was achieved in the Americas, particularly due to the growth in the emerging countries in Latin America and the strong demand in the U.S. The sales growth in Asia was only slightly lower than that of the Americas. In this region, it was particularly China and Japan that supported the positive development. In spite of the difficult overall economic environment, the division was also able to increase its sales in Europe in 2013. Declines in demand in individual Eastern European countries were more than offset by sales increases in Germany and other countries.

With the acquisition of the rheology activities of the U.S. company Rockwood Holdings, on October 1, 2013, Additives & Instruments significantly strengthened its competitive position in this product segment. The additives, which are based on clay minerals and synthetic products, are primarily used by the coatings and plastics industries. The acquired activities ideally supplement the division's existing offer. At the same time, the acquisition enabled us to enter new fields of application, above all oil and gas exploration.

Sales Performance of ECKART Effect Pigments

The Effect Pigments division generated sales of €334.6 million in 2013 (previous year: €340.5 million). The 2 % decrease compared to the previous year resulted primarily from exchange-rate fluctuations. Effect Pigments managed to keep its operating sales at the previous year's level. The division's sales performance in the last business year was burdened by the divestment of its pearlescent pigments business based on natural mica in 2012. As a result of this move, no appreciable sales were achieved in this area. This portfolio adjustment alone gave rise to a sales decrease in the lower single-digit percentage range. Growth in the remaining core businesses was subdued by the fact that silver and gray effects were still ousted by other colors in 2013. In the last business year, the color white continued to gain in importance, particularly in the automotive and electronics industries. After a weak start in the first months of 2013, sales slowly rebounded in the course of the year, and Effect Pigments was able to continually improve its sales performance as the year wore on. Since both the burdens from the sale of the pearlescent pigments business based on natural mica and the ongoing negative color trend for Effect Pigments had been anticipated, the division's business performance – which was below average compared to Group sales – was roughly in line with the forecasts of the previous year.

The activities in the largest application area, coatings and plastics, were stable compared to 2012. In spite of the difficult market environment for aluminum-based pigments with silver effects, the discontinuation of the pearlescent pigments business could be compensated for. With customers in the graphic arts industry, the division's sales were comparable to the previous year's level. Particularly in the packaging sector, customers tended to opt for less sophisticated visual effects, leading to a negative change in the product mix. Demand for functional metallic effect pigments increased, however. Customers use these products for corrosion-protection applications and to manufacture aerated concrete, among other things. The division's divestment of its natural mica-based pearlescent effect pigments business led to a significant decrease in sales to customers in the cosmetics industry.

The fundamentally difficult market environment in 2013 was reflected in nearly all of the regions. As a result, the division was only able to increase sales in the emerging growth region Asia, where it achieved strong double-digit sales growth. However, this increase was offset by declining sales in other regions. Particularly due to the weak sales performance in North America, sales in the Americas as a whole were lower than in the previous year. The weak sales performance in Germany had a negative effect on Effect Pigments' business activity in Europe. Not even higher sales volumes in some other European countries could completely offset this sales decrease. Consequently, the division's European sales did not reach the previous year's level.

Sales Performance of ELANTAS Electrical Insulation

In the year under review, sales in the Electrical Insulation division rose by 1 % to €414.6 million (previous year: €412.5 million). While acquisition or divestment effects did not influence the division's sales performance compared to the previous year, the negative change in exchange-rate relations hit Electrical Insulation harder than any other division of the ALTANA Group. The burden amounted to 2 %, resulting primarily from the unfavorable development of the exchange rate between the U.S. Dollar and Euro and the Indian Rupee and the Euro. Adjusted for these effects, operating sales rose by 3 %, in keeping with expectations. The largely stable operating sales dynamic in the course of the year was driven by volume growth.

In terms of the application fields important for the division's electrical insulation products, only the activities with customers in the wire enamels industry were expanded. In 2013, Electrical Insulation generated more than half of its sales in this market. However, the segments for insulation of electrical and electronic components did not reach the previous year's sales levels. The shift in sales shares resulting from this development led to a corresponding change in the division's product mix.

In China, demand increased significantly in the course of 2013. As a consequence, significant double-digit sales growth was achieved in this important country for Electrical Insulation. There was also a positive demand development for Electrical Insulation's products in other emerging countries in the region, for example, India. The division's sales volume in the Americas decreased slightly in the last business year. Sales in Europe also lagged behind the previous year. The ongoing difficult situation in southern Europe had a negative effect on the division's sales performance there.

Sales Performance of ACTEGA Coatings & Sealants

The Coatings & Sealants division's sales fell by 3 % to €324.7 million (previous year: €333.9 million). In 2013, slightly positive effects from acquisitions almost equaled burdens from exchange-rate changes. As a result, operating sales after adjustments also decreased by 3 %. The division's business performance was below our forecasts, as we had expected a low single-digit-percentage sales growth. The main reason for this development was the significantly weaker second half of 2013, when many companies in the division reported slackening demand for their products. This decrease in the sales volume could not be offset by the continued trend toward higher quality products.

In the most important application fields, Coatings & Sealants achieved non-uniform business performance. Its activities with functional products for food packaging remained stable, persisting at the previous year's level. The slight decrease in special coatings sales was offset by the increased demand for sealing compounds. However, sales of solutions for graphic arts applications decreased. Similar to the Effect Pigments division, Coatings & Sealants was burdened in 2013 by the ongoing trend towards less sophisticated coatings and effects.

The difficult market environment for the portfolio of Coatings & Sealants impacted the development of demand in nearly all regions. The division reported its strongest sales decrease in Europe, driven particularly by the weak business performance in Germany. Nor could it reach its sales level of the previous year in the Americas, though the sales decrease was not as strong as in Europe. Only in Asia did it achieve slight sales growth.

With the acquisition of the special and overprint varnishes activities of Henkel and Valspar in the last business year, Coatings & Sealants further sharpened its profile as a supplier of specialized solutions for the graphic arts industry and expanded its range of products in a targeted way.

Earnings Situation

The higher sales volume is also reflected in the development of the earnings situation. Earnings before interest, taxes, depreciation and amortization (EBITDA), a key control parameter in the ALTANA Group, rose to €335.7 million (previous year: €323.2 million). At 4 %, this increase was only slightly higher than the increase in sales, resulting in an EBITDA margin of 19.0 %, which was exactly the same as the previous year's figure. Thus, sales profitability reached the short-term forecast (previous year's level) and continued to lie within the strategic target range of 18 % to 20 %.

Like sales, the EBITDA was influenced by offsetting non-operating effects. Adjusted for acquisition and exchange-rate effects, operating earnings climbed by 6 %. As a result, the earnings growth was higher than the sales growth.

The Group's most important cost figures were very stable in 2013 in year-to-year terms, depending on sales.

The cost of materials ratio, i. e. the ratio of raw material costs to sales, fell from 45.0 % in the previous year to 44.2 % in 2013. Since the prices of the important input materials were relatively stable, we benefitted from the measures we initiated in recent years pertaining to strategic backwards integration and from our focus on increasing value added. This trend was already apparent in the previous year and continued in 2013.

Important other types of costs also increased, particularly personnel expenses and depreciation and amortization. The development of these cost figures was driven especially by the acquisitions implemented in 2013. The acquisition of Rockwood's rheology activities had a particularly strong impact on the increase in depreciation and amortization, as the fixed assets increased significantly due to the purchase. Personnel expenses increased somewhat more strongly than sales. In addition to the acquisitions, wage increases and the expansion of the workforce played a key role in the cost increases. The slightly disproportionately high increase in both depreciation and amortization and personnel expenses influenced all functional cost areas.

In terms of production expenses, another share of this increase was due to higher energy costs. On the one hand, this was due to the increase in production volumes and the price level, and on the other to restrictions on relieving energy-intensive operations from the Renewable Energy Sources Act, which particularly affected certain production steps in metal processing in the Effect Pigments division. In addition, expenditure for repair and maintenance of production plants increased.

The development of selling and distribution expenses was disproportionately low compared to other functional cost areas. The most important expenses besides personnel expenses and depreciation and amortization – freight costs as well as commissions and sales bonuses – were relatively stable.

In the last business year, research and development expenses increased due to the continual expansion of innovation activities. The increase in personnel expenses was the main reason for this.

The change in general administration expenses is due solely to the higher personnel and project expenses.

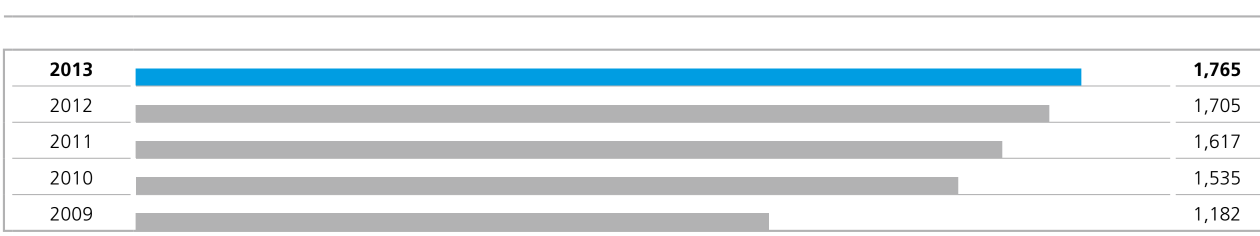
Earnings before interest and taxes (EBIT) reached €229.1 million (previous year: €226.9 million). Due to the increased depreciation and amortization from the acquisitions made in the business year, the increase in the EBIT (1 %) was disproportionately low compared to the EBITDA.

Important effects from the acquisitions also had an impact on the financial result, which amounted to €-17.3 million (previous year: €-10.8 million). Apart from higher financial expenses resulting from the need to finance the purchase price for the rheology business, it was particularly expenses for corresponding hedging transactions that led to the significant change in the financial result.

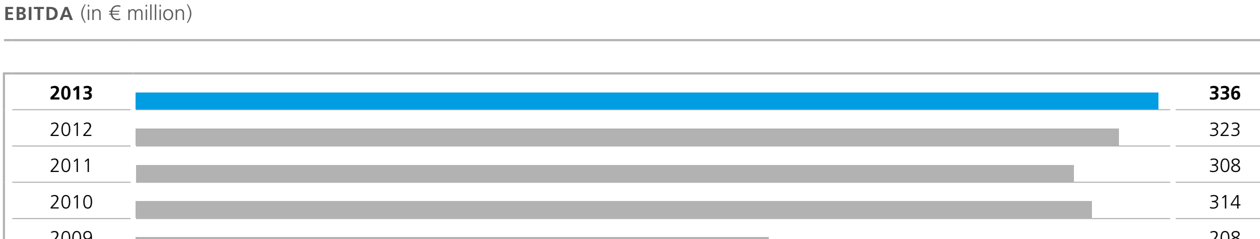
Against the backdrop of the acquisition-related changed financial result, earnings before taxes fell to €212.6 million (previous year: €217.2 million). With a virtually unchanged Group tax rate, net income amounted to €151.6 million (previous year: €154.7 million).

Multi-period overview of the earnings situation

Sales (in € million)



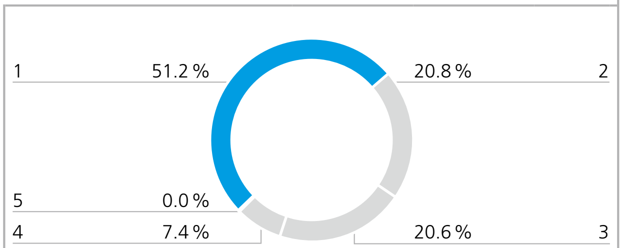
EBITDA (in € million)



Financial Position

Capital Expenditure

Capital expenditure by division



in € million	**2013**	2012	Δ %
1 Additives & Instruments	48.3	33.6	44
2 Effect Pigments	19.6	26.5	-26
3 Electrical Insulation	19.4	19.9	-3
4 Coatings & Sealants	7.0	9.4	-26
5 Holding	0.0	0.3	-89
Total	**94.3**	**89.8**	**5**

Last year, the companies of the ALTANA Group invested €94.3 million to expand intangible assets and property, plant and equipment (previous year: €89.8 million). The investment volume increased by 5 %. Comprising 5.3 % of Group sales, the investment ratio was within our strategic target range (5 % to 6 % of Group sales).

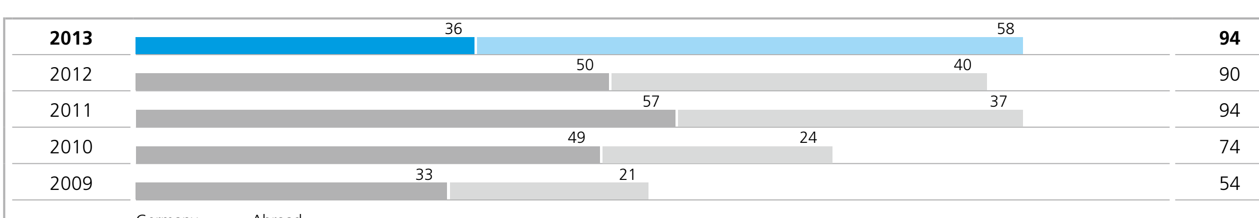
A total of €77.6 million was invested in property, plant and equipment (previous year: €77.4 million). One of our top investment priorities was the expansion of the U.S. production capacities in the Additives & Instruments division. Of the total capital expenditure, € 16.8 million were invested in intangible assets (previous year: € 12.4 million). The lion's share of the total amount was used to extend ERP infrastructures and technology know-how.

The regional structure of our investment activities changed last year. We invested the largest amounts in the U.S. and Germany, followed by other European sites and our Asian companies.

In the Additives & Instruments division, the expansion focused on additives production in the U.S. In this major project at the Wallingford site, the capacity will be increased substantially to cater to the expected volume development. In addition, there will be increased flexibility within the framework of regional production control. In the future, exports of additives from Wesel to the U.S. can be reduced significantly. In all, the Additives & Instruments division's capital expenditure grew by 44 % to €48.3 million (previous year: €33.6 million).

The Effect Pigments division invested € 19.6 million in 2013, considerably less than in the previous year (€26.5 mil-

Capital expenditure ALTANA Group (in € million)



lion). The biggest share was allocated to the production site in Güntersthal as part of our continual investment in existing production facilities and our investments to implement ERP systems. The division's three production sites in the U.S. were another regional investment focus.

Electrical Insulation's capital expenditure amounted to €19.4 million, remaining at the previous year's level (€19.9 million). Major projects were carried out at production sites in the U.S. and Italy. Furthermore, investments were made for expansions and replacements in China and Germany.

Capital expenditure of the Coatings & Sealants division amounted to €7.0 million (previous year: €9.4 million). The largest portion of investments was used for extruder capacities for the manufacture of sealants for food packaging in Germany.

Balance Sheet Structure

Key figures

	2013	2012	Δ %
in € million			
Total assets	2,546.0	2,121.3	20
Shareholders' equity	1,565.6	1,498.2	5
Net debt (-)/ Net financial assets (+)[1]	(303.6)	68.2	N/A

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

The Additives & Instruments division's acquisition of Rockwood's rheology activities led to a significant change in total assets and the most important balance-sheet ratios. In the course of the year, total assets increased by €424.7 million or 20 % to €2,546.0 million (previous year: €2,121.3 million).

On the assets side of the balance sheet, the acquisition primarily meant an increase in fixed assets. Intangible assets rose significantly, by €406.9 million. This increase was due to the initial recognition of the goodwill as well as to the valuation of customer relations and technologies for the rheology business. In addition, intangible assets arose from acquisitions made by Coatings & Sealants. The investments in the Group's ERP infrastructure were another reason for the rise.

At €56.7 million, the increase in property, plant and equipment was not as pronounced as in the previous year. This reflects the acquisition of the fixed assets of the new rheology sites and investments to expand already existing production capacities.

On December 31, 2013, non-current assets amounted to €1,627.6 million (previous year: €1,174.3 million). As a result, their share in total assets increased to 64 % (previous year: 55 %).

Among current assets, trade accounts receivable and inventories rose as a result of the acquisition activities. At the same time, the amount of cash and cash equivalents and current marketable securities decreased. On balance, the total amount of current assets decreased to €918.5 million (previous year: €947.0 million) on December 31, 2013. The share of current assets in total assets fell to 36 % (previous year: 45 %). The forecast stability in the development of scopes for the net working capital was met in the last business year. The key performance indicator net working capital days, which measures the absolute value of net working capital in relation to the business performance over the last three months, remained stable in the course of the year, in a range between 103 and 108 days.

On account of the acquisitions that were implemented, there was an increase in liabilities on the balance sheet. Due to the fact that the acquisitions were financed by a consortium of banks and a promissory note loan (German Schuldschein) that was issued in 2013, non-current debt increased to €420.6 million on December 31, 2013 (previous year: €151.3 million). Deferred tax liabilities also increased due to acquisitions, by €53.8 million to €108.6 million. At the end of the year, non-current liabilities comprised almost 28 % of total assets (previous year: 18 %), amounting to €704.0 million (previous year: €376.7 million).

Current liabilities increased at a disproportionately low rate to €276.4 million (previous year: €246.5 million), while their share in total liabilities, provisions and shareholders' equity decreased slightly to 11 % (previous year: 12 %).

Due to the stepped-up financing activities, the equity ratio decreased to 61 % on December 31, 2013 (previous year: 71 %). However, the increase in shareholders' equity due to the net income was partially offset by the effects of exchange-rate changes. The Group's shareholders' equity climbed by €67.5 million to €1,565.6 million on December 31, 2013 (previous year: €1,498.2 million).

The net financial debt, comprising the balance of cash and cash equivalents, current marketable securities, debt, and employee benefit obligations, amounted to €303.6 million at the end of the year. In the previous year, net financial assets of €68.2 million were reported. This development resulted from the financing of acquisition activities in the last business year.

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

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

In the last business year, the Group's financing structure changed significantly on account of the acquisitions we

Structure of consolidated balance sheet

Assets	**Dec. 31, 2013**		Dec. 31, 2012	
	€ million	%	€ million	%
Non-current assets	1,627.6	64	1,174.3	55
Inventories, trade accounts receivable and other current assets	653.4	26	586.2	28
Cash and cash equivalents and marketable securities	265.1	10	360.8	17
Total assets	**2,546.0**	**100**	**2,121.3**	**100**

Shareholders' equity and liabilities	**Dec. 31, 2013**		Dec. 31, 2012	
	€ million	%	€ million	%
Shareholders' equity	1,565.6	61	1,498.2	71
Non-current liabilities	704.0	28	376.7	18
Current liabilities	276.4	11	246.5	12
Total shareholders' equity and liabilities	**2,546.0**	**100**	**2,121.3**	**100**

made. The biggest contributor to this change was the acquisition of Rockwood's rheology activities, which we purchased for 635 million U.S. Dollars. To finance the acquisition, in a first step, we used a syndicated line of credit totaling €300 million in addition to cash and cash equivalents. We refinanced the largest part by issuing a promissory note loan (German Schuldschein) with a total volume of €200 million in November. The promissory note loan is divided into tranches with different maturities between three-and-a-half and seven years, with both variable and fixed interest rates. The average interest rate is 2.1 % per year. Together with the promissory note loan issued in the previous year, the liabilities from promissory note loans amounted to €350 million. Additional liabilities of €70 million resulted from the still existing utilization of the acquisition financing by the consortium of banks. Furthermore, a general syndicated credit facility with a line of credit of €250 million that was not used in 2013 still exists.

This 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 regarding the stability of the financial sector. The distribution of the maturities of the financing instruments we use enables us to optimally control repayment of liabilities with inflows from operating cash flow.

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

Liquidity Analysis

Key figures

	2013	2012	Δ %
in € million			
Cash flow from operating activities	258.8	274.5	-6
Cash flow from investing activities	(526.2)	(79.1)	N/A
Cash flow from financing activities	218.8	(53.5)	N/A

Shifts in the structure of the balance sheet resulting from acquisition activities in 2013 are also apparent in the analysis of the cash flow statement.

In light of the stable earnings situation compared to the previous year, the cash flow from operating activities changed only slightly. The decrease from €274.5 million in 2012 to €258.8 million in the last business year resulted from the discontinuation of positive effects from income tax payments and the change in provisions that influenced cash flow in 2012. The cash flow was additionally burdened by the slight increase in net working capital in the course of 2013. The cash inflow corresponded to our forecast, which predicted a significant cash flow surplus from operating activities for 2013.

The cash outflow from investing activities encompasses the considerable effects from our company acquisitions. It amounted to €526.2 million (previous year: €79.1 million). Acquisitions accounted for payments totaling €475.2 million. The predominant part related to the takeover of Rockwood's rheology activities. In addition, there were payments for two additional acquisitions of business activities in the Coatings & Sealants division. The amount of payments for investments in intangible assets and property, plant and equipment was similar to that of the previous year. On balance, additional cash inflow was achieved from the sale of marketable securities.

Significant cash inflows resulted from the financing activities due to the financing instruments used for the acquisition of the rheology activities. Regarding the other cash flow items from financing activities, there were only minor changes compared to the previous year. In all, cash inflow from financing activities increased in the 2013 business year to €218.8 million, after a cash outflow of €53.5 million the year before.

Value Management

The key figures of value management were influenced by our acquisition activities. The Group's average operating capital employed rose by 15 % to €2,021.1 million (previous year: €1,762.2 million). The increase is due to the acquisition of Rockwood's rheology activities and – to a lesser extent – to the other acquisitions made in 2013. As a result, there was a particular increase in intangible assets. The average net working capital also grew compared to 2012. Until the integration of the new activities on October 1, 2013, the operating capital developed stably in the course of the year, parallel to business development.

The operating earnings achieved through capital reached €200.4 million in 2013, around 5 % higher than the previous year's level (€191.0 million). The disproportionately low increase vis-à-vis the expansion of capital resulted from the consolidation of the rheology activities' earnings components for only part of the year and from the negative impact on earnings due to short-term effects from the revaluation of the current assets acquired. These influences on the EBIT led to a relatively low earnings basis in comparison to increased operating capital. As a consequence, the return on capital employed (ROCE) fell from 10.8 % in the previous year to 9.9 % in 2013.

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 latter increased more than the operating earnings. The relative ALTANA Value Added (AVA) less the weighted average cost of capital thus decreased to 1.9 % (previous year: 2.8 %). We achieved an absolute AVA of €38.7 million in 2013 (previous year: €50.0 million).

Due to acquisitions, the AVA was not at the forecast level in 2013. Adjusted for effects from the unplanned acquisitions, however, the AVA developed as expected and exceeded the previous year's level.

Key figures value management

	2013	2012
in € million		
Operating capital (annual average)	2,021.2	1,762.2
Operating earnings	200.4	191.0
Return on capital employed (ROCE)	*9.9 %*	*10.8 %*
Weighted average cost of capital	*8.0 %*	*8.0 %*
ALTANA Value Added (relative AVA)	*1.9 %*	*2.8 %*
ALTANA Value Added (absolute AVA)	38.7	50.0

Innovation and Employees

Overall Assessment of the Business Performance and the Business Situation

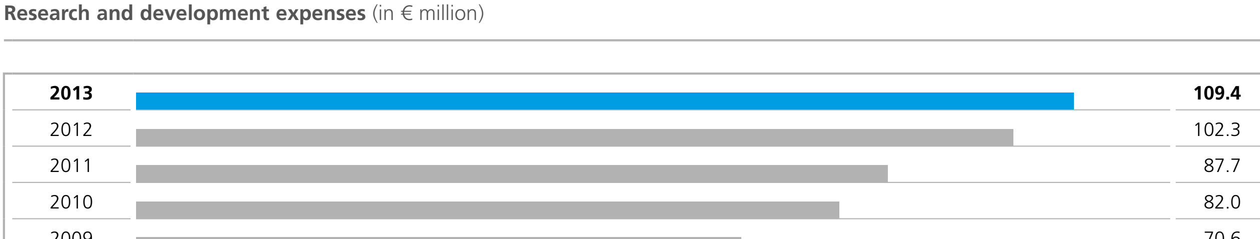
Our operating business performance in the 2013 business year was satisfactory overall, despite the difficult conditions in certain regions and end-user markets. We continued on our growth path of the previous years and kept our profitability at a high level. The management of all important cost and earnings factors largely corresponded to expectations and reached our strategic targets. In addition, we reached a further milestone on our growth path by acquiring Rockwood's rheology activities, a targeted move to expand the activities of the Additives & Instruments division. Additional acquisitions in the Coatings & Sealants division led to further specialization of the Group's portfolio.
In spite of the major changes in essential balance-sheet ratios arising from the acquisitions, at the end of 2013 the Group continued to have a solid financial position and sufficient room to push on with its growth strategy.

Innovation
Innovation is an important pillar for ALTANA's economic success. It has a decisive impact on our growth and the profitability of our business activities. The goal of our innovation activities in all of our divisions is to continually open up new sales potential with new products. It is important that our customers achieve added value with our products and services so that they can tap new growth potential themselves.

Customer loyalty is therefore very important. Only by cooperating closely with our customers, particularly the international key accounts, can we understand what needs are arising on the sales markets and develop solutions catering to these requirements at an early stage.

Across divisional borders, we focused last year on developing innovation strategies for new growth fields based on our existing core competencies. By advancing instruments and processes to optimize and interlink existing technology and application know-how in the ALTANA Group, we gained an even better understanding of our core competencies.
In 2013, ALTANA expanded its existing technology platform portfolio and thus promoted the development and application of new knowledge. An example of such cooperation is our product and service offer in the field of printable electronics. By bundling the knowledge of all four business divisions, we opened up a completely new application market for ALTANA with very high growth potential. The activities in this area were continuously expanded in 2013 and will be strengthened further in the future.

Research and development expenses (in € million)



Other cooperation platforms and networks within the ALTANA Group concern industrial biotechnology, nanotechnology, as well as batteries and energy storage systems.

The expansion of our innovation activities is reflected by the figures of the ALTANA Group. In the last business year, our expenses for research and development activities increased by 7 % to €109.4 million (previous year: €102.3 million). This was driven primarily by higher personnel expenses, due in large part to the hiring of new employees in our laboratories worldwide. Furthermore, depreciation and amortization increased due to the expansion of infrastructure for our innovation activities. The consolidation of newly acquired companies and business activities in the course of the year accounted for part of the increase.

Employees in research and development

Additives & Instruments	381
Effect Pigments	247
Electrical Insulation	148
Coatings & Sealants	162
Holding	6
Total	**944**

Employees

The number of people working for the ALTANA Group increased by 7 % to 5,741 on December 31, 2013 (previous year: 5,363). This was primarily due to the integration of the rheology activities we acquired. ALTANA gained 342 new employees as a result of this acquisition. Further new staff joined the company in the wake of two acquisitions of specialty coatings activities in the Coatings & Sealants division. Adjusted for these acquisition effects, the number of employees in the ALTANA Group did not change much (+32 people or a 1 % increase).

However, the changes in Group staff numbers were not uniform. The Additives & Instruments division, into which the new rheology activities were integrated on October 1, 2013, reported the highest workforce growth. The number of people working for this division worldwide rose to 1,840 (previous year: 1,458). Excluding the new sites, the workforce still increased by around 3 %. This increase was reflected especially at the Additives & Instruments' largest production and development site in Wesel. But the workforce also grew in the U.S. as a result of production capacity expansion.

On the other hand, the number of people employed by the Effect Pigments division decreased by 47 to 1,854 (previous year: 1,901). All of the division's major production companies reported lower staff numbers in the last business year. This development is connected with the ongoing difficult environment in some of the division's application markets. But Effect Pigments is still the division with the largest workforce in the ALTANA Group. This is mainly attributable to the division's deep value chain in metal-based effect pigment production.

The Electrical Insulation and Coatings & Sealants divisions increased their workforce by 2 % and 3 %, respectively. On December 31, 2013, Electrical Insulation employed 956 people (previous year: 941). The workforce of the subsidiaries in the Coatings & Sealants division increased by 28 to 1,013 (previous year: 985). This increase was due to a certain extent to the acquisitions of specialty coatings activities in the U.S. and Germany made in the second half of the year.

Despite the acquisitions, the structure of the workforce did not change significantly compared to the balance-sheet date in 2012. At the end of the year, the percentage of employees in production remained the same, at 53 %. 944 people worked in marketing and sales, and the same number in research and development, thus remaining at the previous year's level. Each of these areas comprises 16 % of the ALTANA Group's total headcount. Due to the acquisition of the rheology activities, the increase in marketing and sales (+ 76 people) was higher than in research and development (+ 60 people). At the end of 2013, 15 % of our workforce was employed in administrative areas, as in the previous year.

The acquisitions in the 2013 business year influenced the regional composition of our workforce. Due to the fact that the Group's two largest production and development sites by far are in Germany (Wesel and Güntersthal), Germany accounted for the largest share of our workforce at the end of 2013 (56 %). At 3,198, the number of people working in Germany on December 31, 2013, was higher than at the end of 2012 (3,149). In all of the European countries together, the workforce numbered 3,901.

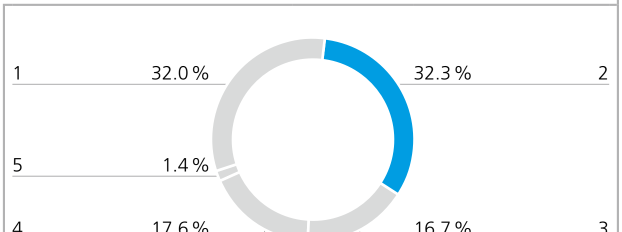
The number of people working for our U.S. subsidiaries rose to 1,035, comprising 18 % of our total workforce. Two of the four newly acquired sites that produce rheology additives are located in the U.S.

By far the largest share of the workforce in the Asian countries continued to be concentrated in the Group sites in China (452 employees). Together with the sites in other Asian countries (especially India, Japan, and Singapore), the total workforce in Asia was 742 employees.

We face strong competition from other employers, particularly when it comes to retaining specialists and managerial staff. Therefore, we continued to implement relevant measures to further enhance our attractiveness as an employer last year.

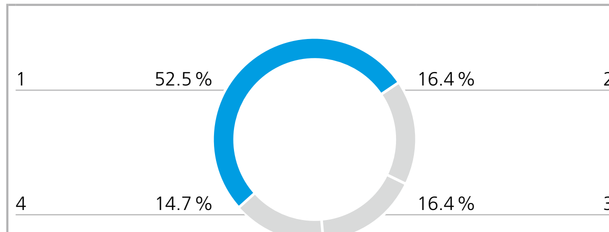
A major focus in 2013 was the implementation of the leadership guidelines and instruments derived from our Guiding Principles for the further development of managerial staff in the Group. Communication of clear guidelines for a uniform management culture in all of the ALTANA Group's subsidiaries forms the basis for interaction between staff. It increases our appeal as an employer, since each employee can refer to clear and binding principles. The latter are ori-

Employees by division



	Dec. 31, 2013	Dec. 31, 2012	Δ %
1 Additives & Instruments	1,840	1,458	26
2 Effect Pigments	1,854	1,901	-2
3 Electrical Insulation	956	941	2
4 Coatings & Sealants	1,013	985	3
5 Holding	78	78	
Total	**5,741**	**5,363**	**7**

Employees by functional area



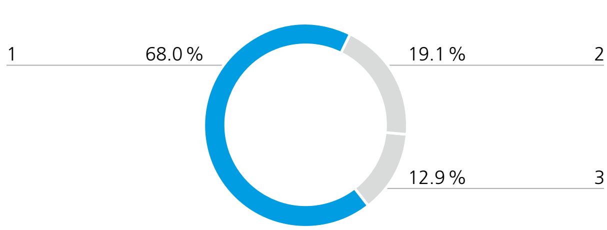
	Dec. 31, 2013	Dec. 31, 2012	Δ %
1 Production and logistics	3,010	2,801	7
2 Marketing and sales	944	868	9
3 Research and development	944	884	7
4 Administration	843	810	4
Total	**5,741**	**5,363**	**7**

ented to the values of our Guiding Principles, namely appreciation, openness, empowerment to act, and trust. The new instruments developed in the 2013 business year concentrate on analyzing individual fields of development of managers in order to guarantee that the leadership guidelines are implemented in a targeted manner.

Due to the continual networking of Group activities, e. g. across subsidiary or even divisional borders, we can realize synergies faster and to a greater extent. To strengthen this kind of cooperation, we work on measures and instruments to promote personnel changes within the Group.

In order to intensify contact with people who are embarking on careers, we further 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.

Employees by region



	Dec. 31, 2013	Dec. 31, 2012	Δ %
1 Europe	3,901	3,754	4
thereof Germany	*3,198*	*3,149*	*2*
2 Americas	1,098	879	25
thereof U.S.	*1,035*	*819*	*26*
3 Asia	742	730	2
thereof China	*452*	*447*	*1*
Total	**5,741**	**5,363**	**7**

Subsequent Events

No events subject to reporting requirements occurred after the balance sheet date.

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

In the first weeks of the new business year, the general economic situation remained the same as in the preceding months. In general, the predominantly positive tendencies continue. The International Monetary Fund (IMF) expects the global economic performance to increase by 3.7 % in 2014. If this occurred, the growth rate would be slightly higher than in the previous year.

The main driver for the improvement of the overall economic environment is the ongoing recovery in Europe, where a return to the growth zone is anticipated (+ 1.0 %) in 2014. In addition, with anticipated growth of 2.8 %, the U.S. is expected to make a stronger contribution to the global economic performance. Continued strong growth momentum is expected for the economies of many emerging Asian countries. China is expected to retain its growth rate of the last few years, expanding by 7.5 %.

The development of economic performance will have a significant influence on the development of the sales markets important for ALTANA. Therefore, we 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 the level of storage along the value chain up to the end customer.

The continued rebounding of the economic environment is expected to lead to an expansion of chemical goods production. Analysts from Oxford Economics expect worldwide chemical production to increase by 3.6 % in 2014. In the industry, the recovery will be buoyed primarily by increasing growth in the U.S. and Japan. The automotive and construction sectors, which are very important for the sale of chemical products, and particularly for ALTANA's products, are expected to develop unevenly in 2014. Oxford Economics forecasts that the automotive industry will show stable production growth, expanding by 2.3 %. After a weak 2013, the construction industry is expected to grow again globally, by 4.8 %.

In terms of the raw materials markets, we still anticipate relatively high stability regarding prices and availability, based on current evidence.

The important exchange-rate relations may continue to show strong volatility in the years to come. Important factors of influence are the actual and expected development of economic performance and government debts in certain important national economies and the stability of the financial market sector.

Expected Earnings, Asset, and Financial Situation

Expected Sales and Earnings Performance

In light of the anticipated positive development of the general economic and industry-specific environments, we expect there to be growing demand for our products and services in the new business year. We anticipate that ALTANA's operating sales performance (adjusted for exchange-rate and acquisition effects) will be in the low to medium single-digit percentage range, primarily due to an increase in sales volume. Effects from price changes or structural shifts in the product mix should not have a significant influence on our operating sales performance.

But our nominal sales performance should be significantly influenced by the acquisitions we made in the second half of 2013. As the rheology activities we acquired and the smaller acquisitions implemented by the Coatings & Sealants division will be consolidated for the first time for a whole year, we anticipate an increase in nominal sales in the high single-digit percentage range.

Acquisition effects should also impact the growth rates of the important cost figures in 2014. In terms of our sales ratios – and thus our profitability level – however, there should be no significant shifts. 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 2014. The same should hold true for the basic development of 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 2014 compared to the previous years.

We expect the EBITDA, an important earnings figure for controlling Group activities, to change largely in line with our sales performance. Thus, for 2014, too, we expect the return on sales (EBITDA margin) to be on a par with that of the previous year.

Due to the acquisitions we implemented, the Group's average operating capital employed for 2014 will be even higher than in the last business year. Assuming that the weighted average cost of capital remains constant at 8 %, the resulting higher costs of capital should be offset by the first-time consolidation of operating earnings for a whole year. Thus, we expect the ROCE and the absolute AVA to develop at a relatively constant rate compared to 2013.

The Additives & Instruments and Electrical Insulation divisions should achieve operating sales growth at a comparable level. But Additives & Instruments' nominal sales performance should be considerably higher due to the effects of the acquisition of the rheology activities. The market environment for the activities of the Effect Pigments division is not expected to improve fundamentally yet in 2014. Primarily on account of the burden on demand placed by color trend developments detrimental to our business, we expect Effect Pigments to show only moderate growth compared to the Group as a whole. On account of the downward trend in the sale of products for graphic arts applications in recent months, we forecast that the activities in the Coatings & Sealants division will also develop less dynamically than the ALTANA Group as a whole.

After 2014, we expect the market to increasingly stabilize and growth rates to rise. As a result, starting in 2015 operating sales growth should again be at a higher level within our strategic target range. Accordingly, the earnings situation should benefit from this development.

In general, both changes in the 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 forecast in terms of time and scope due to the dependence on third parties. At this point in time, significant changes to ALTANA's business portfolio are not foreseeable for 2014.

Expected Asset and Financial Situation

The new financing structure resulting from our acquisition activities should change only due to repayment of financing instruments. The acquisition financing still used at the end of 2013 should be phased out in the next two years. The repayment of tranches from the two promissory note loans issued will be carried out in the years from 2016 to 2020.

We expect our capital expenditure for property, plant and equipment to increase in 2014, but to remain 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 achieved 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, which will not be significantly lower than those of the past business year. They will be used to finance investments, for bolt-on acquisitions, for dividend payments, and for repayment of existing acquisition financing.

Risks

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

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

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

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

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

The evaluation of individual risks and risk groups carried out within the framework of our risk management caters to internal appraisal of trend developments over time and prioritization within the risk inventory. The probabilities of risks occurring and potential damages should be understood in this context. The core statements derived from this are taken into account for making assumptions within the framework of our 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.

The quantified evaluation of individual risks plays only a secondary role for the management and control of Group activities. In this risk report, there is no discussion of quantitative evaluation of individual risks because this is not essential for assessing the risk situation.

Some of the individual risks and risk fields described in the following pages could have a material adverse effect on the Group's earnings, financial, and asset situation in the years to come. The order of the risk fields discussed gives an indication of the rated relative assessment of the possible risk effects for ALTANA. In the rated assessments, we describe changes regarding important individual risks, which can be due to the acquisitions we made in 2013.

We still assess the company's risks as being manageable. We did not identify any risks that according to our current 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 performance of the important U.S., Chinese, and German economies has a particularly strong impact on the direction and intensity of demand for our products.

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

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

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

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

Our assessments of the economic risks we face changed compared to the previous year. Due to the expansion of our business activities on account of acquisitions, we anticipate a higher absolute loss potential. However, this is more than compensated for by a lower probability of a worldwide economic crisis, or regionally confined crises, occurring. This assessment is in line with general expectations regarding general economic developments.

Sales Risks

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

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

We counter sales risks by continually optimizing our product and service portfolio, above all on the basis of our innovative capacity. 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.

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

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 growth in the Effect Pigments division.

In the year under review, we only slightly adjusted our assessments of the probabilities of occurrence and loss potential from sales risks. The integration of the rheology activities we acquired did not result in any significant changes in our analysis of sales risks.

Risks from Company Acquisitions

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

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

At present, we assess the risks from company acquisitions as being higher than they were last year. Due to the considerable increase in recognized goodwill and other intangible assets and property, plant and equipment acquired within the framework of acquisitions, the probability of impairments occurring and potential damages have increased.

Procurement Risks

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

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

We currently assess the probability of negative effects resulting from procurement activities as being only slightly higher than they were last year. The higher loss potential, due, in particular, to the integration of the rheology activities we acquired, is nearly offset by the lower average probability of losses occurring due to the relatively stable development of raw material prices.

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 financing costs. Defaults on trade accounts receivable or financial receivables can also have a negative effect on the Group's earnings situation and its financial resources. If there is a lack of availability of financial resources for the implementation of acquisitions or major investment projects, we might not reach our strategic targets.

We safeguard against material transaction risks by concluding forward foreign exchange contracts in cases where we assume that the underlying business can be realized with a sufficient degree of certainty. The total amount expected is safeguarded in different tranches to offset short-term exchange-rate fluctuations. We generally counter risks resulting from changes in interest rates by hedging interest rates over the corresponding term of the respective underlying transaction. More information on our evaluation and accounting procedures for hedges can be found in the Notes on page 124 ff. (note 28).

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

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

We adjusted our assessment of the financial market risks only slightly in comparison to the previous year. Due to our hedging strategy, we do not see increasing financial market risks, not even resulting from the ongoing instability of the financial sector. Due to acquisitions we made in 2013, our business activities in the U.S. Dollar currency area account for a higher share of Group earnings and assets. As a result, the corresponding transaction risks have grown. We continue to assess the volatility of the currency markets as being high. In spite of the higher external indebtedness resulting from our extensive acquisition activities in 2013, we currently do not see an increased risk of not being able to cover our financial needs. Continued high cash inflows from our operating activities and the existing general financial resource framework suffice to cover the expected cash outflows for investments, repayments, and dividends.

Innovation Risks

ALTANA's position as an innovation and technology leader is a major success factor for the company. It is important for a supplier of highly specialized chemical products to continually introduce new products on the market and to be perceived by our customers as a competent and innovative 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 would then no longer be able to use it, or only at additional cost.

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

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

2013 saw no significant change in our assessment of innovation risks in comparison to the previous year. Nor did our acquisition activities have any important effects in this respect.

Other, Less Important Risks

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

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

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

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

In December 2013, the EU Commission began reviewing the German Renewable Energy Sources Act (EEG). One of the issues being addressed is whether partial exemptions from the EEG levy for electricity-intensive companies made after the EEG became valid in 2012 are justified and proportionate, and whether they possibly unduly distort competition. The examination is being conducted without bias as to the outcome. We are an electricity-intensive company, particularly in the Effect Pigments division, and so in the past we were granted partial exemptions from the EEG levy according to our application. If the review has a negative outcome, we expect that we will have to repay the exemptions we received.

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

An important basis for long-term success are competent and committed employees. Should we no longer be able to recruit or retain suitable specialists or managers in the future, risks could arise for the successful implementation of our strategy (personnel risks). 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 budding junior staff members, as well as to specialized and managerial staff.

Compliant Group Accounting

Essential accounting-related risks arise particularly when extraordinary or non-routine issues are handled. These include the first-time consolidation of acquired companies or parts of companies as well as the recording of the sale of Group assets. Accounting of financial instruments is also subject to risks due to the complex evaluation structure. Risks also arise from erroneous applications or 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, guaranteeing a standardized procedure for preparing financial statements. For complex issues, the instruments needed for uniform accounting are retained centrally for all Group companies. For recording extraordinary processes and complex special issues, we regularly obtain external reports, advice, and statements.

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

The local accounting statements are recorded and consolidated 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 other departments with expertise in this area. Required corrections of the information in the financial statements are generally made at the level of the individual company to ensure that the data are uniform and are transferred.

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

After each process related to the preparation of the financial statements, optimization potential identified at the different levels is discussed and necessary adjustments of the processes are 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 technology developments with regard to options for action that could enable ALTANA to create value. In addition, the divisions continually examine possibilities of developing new sales markets. During the financial planning process, the effects of action options are evaluated and discussed so that we can optimally exploit future opportunities. Finally, possible opportunities for short-term business development, along with the attendant risks, are dealt with in detail at all levels of management.

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

Economic and Industry Development

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

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

Innovation

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

Company Acquisitions and Portfolio Measures

Acquisitions play a key role in ALTANA's long-term value creation. In recent years, we have continually advanced the Group strategically due to acquisitions in the divisions 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 aims and for which there were no long-term value-creation perspectives within the Group.

In the future, we will continue to boost our growth by acquiring companies and activities. This is essential if we are to achieve our strategic growth targets. Should unexpected opportunities arise in the future that we can take advantage of, these new activities could help us strengthen our market positions and open up new market segments. This, in turn, could help us achieve our strategic targets more quickly.

Synergies

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

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

We expect the economic climate to improve slightly in 2014. As a result, we anticipate slightly accelerated operating volume and sales growth. Due to the acquisitions we made in 2013, we expect nominal growth in 2014 to be significantly higher. In addition, we expect our return on sales and capital in 2014 to be similar to that of last year.

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

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

Corporate Governance

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

In 2013, the Supervisory and Management Boards dealt in depth with the different recommendations and suggestions of the German Corporate Governance Code. They examined which recommendations and suggestions ALTANA can follow even as a company not listed on the stock exchange and apply within the company given its shareholder structure.

ALTANA follows the vast majority of the applicable recommendations and suggestions of the German Corporate Governance Code in the current version of May 13, 2013. This especially applies to the cooperation between the Management Board and the Supervisory Board, the responsibilities of the Chairman of the Supervisory Board and the Supervisory Board plenum, dealing with conflicts of interest and the independence of the Supervisory Board members, the setting up and composition of the committees, as well as matters relating to the audit.

Management and Control

The Management Board of ALTANA AG 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 solely committed to the interests of the company. Together with the presidents of the divisions and some heads of central functional areas, the Management Board forms the Executive Management Team. In regular meetings, this team discusses and analyzes the development of business and important business incidents.

The company's Supervisory Board has twelve members, half of whom are elected by German Group employees in accordance with the German Codetermination Act. The remaining six members are elected by the Annual General Meeting. The Supervisory Board members are elected for a period of five years. The Supervisory Board monitors and advises the Management Board in its management activities. At regular intervals, the Supervisory Board discusses business development and planning, as well as the company's strategy and its implementation. The Supervisory Board's tasks also include appointing Management Board members and approving the annual financial statements. Specially defined business decisions of the company, such as major acquisitions and divestments, require the approval of the Supervisory Board.

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

Basic Features of the Compensation System

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

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

The short-term bonus for the last business year was determined on a one-year 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. The long-term bonus for 2013 was calculated based on the development of profit after capital costs ("ALTANA Value Added") over a rolling assessment period of three years. As compensation components with a long-term incentive effect, in 2013 Management Board members received AEP Awards from the "ALTANA Equity Performance 2013" program. None of the members of the Management Board was entitled to further benefits in the case of premature or regular termination of activities.

The compensation of the Supervisory Board is 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 (EBIT) of the ALTANA Group.

There is a D&O liability insurance scheme for members of the Management and Supervisory Boards. The insurance covers personal liability risks in the event that a claim is made against members of the Management and Supervisory Boards while they are performing their activities. The insurance contract stipulates a deductible of 10 % of the damages, but a maximum of one-and-a-half times the amount of the fixed annual compensation of the respective member of the Management or Supervisory Board per insurance year. Further information on the compensation of the Management and Supervisory Boards can be found on page 140 f.

Responsible Behavior and Sustainability

ALTANA's Code of Conduct, which holds for the entire company, contains binding rules regarding responsible behavior. It requires that all staff members act ethically and lawfully, especially regarding issues such as antitrust and insider law, environmental protection, safety, corruption, and discrimination. Together with the company's Guiding Principles, the Code of Conduct provides orientation for responsible corporate action. The Code of Conduct and the Guiding Principles are published on our website (www.altana.com).

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

Environmental Protection, Safety, and Corporate Social Responsibility

For the ALTANA Group, sustainability is both a strategic objective and something we put into practice every day. This holds true at all of the company's sites worldwide and in all of its divisions.

Sustainability is of paramount importance at ALTANA. Our annual Sustainability Report extensively documents the efforts ALTANA made in the last business year in the areas of environmental protection, safety, and corporate social responsibility and the successes the company achieved. This report can be downloaded or ordered at www.altana.com/sustainability. A compact overview is provided in this section.

The basis of our sustainability activities is the chemical industry's worldwide voluntary initiative, called Responsible Care. It applies to all of our sites worldwide. The managing directors of the ALTANA Group personally signed this voluntary commitment. In addition, we are a member of the United Nations Global Compact initiative, to which companies and organizations from around 80 countries belong. In Germany, we also support the sustainability initiative "Chemie³," which was called into being by the German Chemical Industry Association (VCI), the German Mining, Chemical and Energy Industries Union (IGBCE), and the German Federation of Chemical Employers (BAVC).

Environmental Protection

Nearly all of the companies in the ALTANA Group have certified environmental management systems to promote sustainable use of resources and to protect the environment. In 2013, the following sites had their systems certified: ACTEGA WIT, ACTEGA Kelstar, and ECKART America (Louisville) in the U.S.; and ACTEGA Rhenacoat in France. Two of the four former Rockwood sites we acquired in 2013 also have a certified environmental management system.

At ALTANA, environmental protection has two basic components. First, we ensure that resources, including raw materials, water, and energy, are used as sustainably as possible in production. Second, we make a concerted effort to reduce carbon dioxide (CO_2) and volatile organic compound (VOC) emissions, as well as wastewater and waste.

In addition, wherever possible we install basins or sumps, which can catch leaking chemicals. This helps prevent accidents or other damage incidents from occurring.

With new buildings, we combine environmental protection with improved energy efficiency and safety. Current examples are the new production facilities of BYK USA in Wallingford and ELANTAS Tongling in China.

ALTANA continually optimizes its production processes and production yields. In 2013, we further reduced the amount of waste we produced.

Energy Efficiency and Reduction of CO_2 Emissions

In 2007, ALTANA set itself the goal of reducing its CO_2 emissions by 30 % by 2020. For this calculation, we relate emissions to gross value added, which is the sum of EBITDA and personnel expenses. In 2012, we had already cut emissions by 21 %.

We made further advancements in 2013. The extensive renovation of laboratory and administrative buildings at ELANTAS PDG in St. Louis, U.S., and the new production plant buildings of BYK USA in Wallingford and ELANTAS Tongling in China contributed to this progress. And the switch from oil to natural gas at ECKART's German headquarters in Güntersthal reduced the CO_2 emissions there by 20 %.

Reduction of Solvent Emissions

We use organic solvents to manufacture some of our products. We reduce the emissions from these solvents considerably by using special cleaning facilities for the exhaust air. In 2013, we equipped the ECKART America site in Louisville accordingly.

Alternatively, we cut solvent emissions by utilizing raw material tanks, which we installed in our new production plants in the U.S. and China, among other sites. They make it possible to work in closed systems without emissions.

But it is our products themselves that contribute most to the minimization of solvent emissions. They do so, for example, by enabling our customers to manufacture water-based or other low-emission products.

Product Responsibility

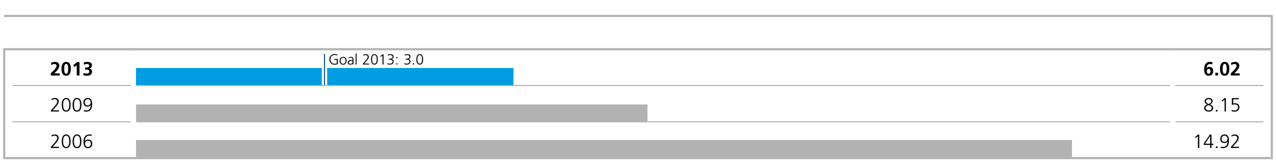
In the manufacture of our products, we refrain from using critical raw materials wherever this is possible and economical. In 2013, the ACTEGA and ELANTAS divisions expanded their already extensive portfolio of waterbased coatings and monomer-free products. The acquisitions we made in 2013 significantly increased our range of low-VOC coatings. In addition, we continued to work on plasticizer-free products, such as ProvaMed for medical and pharmaceutical applications.

Within the framework of the "Global Product Strategy," a worldwide voluntary commitment on the part of the chemical industry, our product responsibility includes publishing safety-relevant information and risk management measures pertaining to chemical substances on the Internet. In 2014, we will publicize information about the eleven substances we registered in 2013 in compliance with REACH, the European chemicals legislation, provided there are no confidentiality aspects that speak against this.

Safety and Health Protection

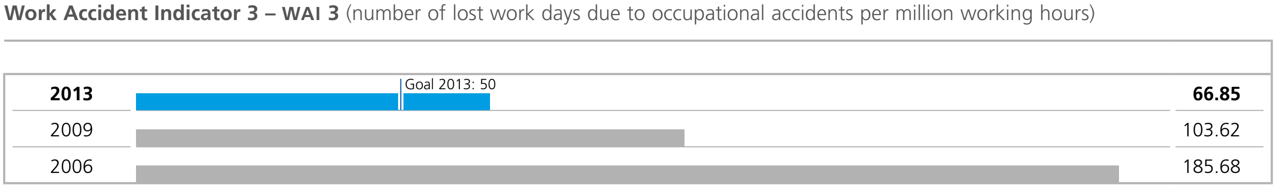
In 2013, we had six significant incidents according to the definition of the German Chemical Industry Association. No one was injured. In five cases, chemicals were released from their containers. Thanks to special reception facilities, no

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

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



damage was done to the environment. The sixth case was the destruction of a combined heating and power plant in Italy due to explosion and fire.

Our key figures on occupational safety improved slightly in comparison to the previous year, as the tables on page 73 show. Consequently, our occupational safety record is better than the average of the chemical industry in Germany.

We have not yet reached the ambitious occupational-safety targets we set in 2007, but we have improved significantly since 2006. We extended the timeframe for the implementation of the targets set in 2007 to 2016.

This development underlines once again that changes in corporate culture require considerable patience. To further improve the safety awareness of our employees, we introduced a self-assessment regarding safety culture in 2013. The individual sites can derive concrete measures from it, with the help of external advisors, if need be.

Preventive health protection is an important part of ALTANA's corporate culture. At our Wesel site, we established a position for a fulltime company doctor in 2013. In addition, many of our companies offer their employees regular health days. In 2013, for example, BYK devoted health days to the subjects of nutrition, exercise, and relaxation, and ECKART to diabetes.

Corporate Social Responsibility

As a "good corporate citizen," ALTANA supports and promotes social projects focusing on education, science, and research. We take a special interest in initiatives near our sites in Germany and abroad in order to strengthen our local environment and to be a good neighbor.

One of the main objectives of our involvement is to arouse in young people a lasting interest for mathematics, information technology, the natural sciences, and technology. We begin at the kindergarten level. By supplying chemical sets to elementary school classes, we enable children to conduct their own experiments. In addition, we support Euregio projects for youth and young adults in secondary schools and sponsor scholarships at universities in Germany and other countries. We help young adults during their career orientation process and in their search for apprenticeships. Furthermore, we are active in advanced projects and networks, such as the High-Tech Gründerfonds (HTGF) and the Industrial Biotechnology Cluster.

In exceptional cases, ALTANA's social commitment even transcends education, science, and research. For instance, in 2013 our employees and the company itself provided donations to flood victims in Germany and people affected by the typhoon in the Philippines.

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 21, 2014

ALTANA AG
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, 2013. The preparation of the consolidated financial statements and the group management report in accordance with the IFRS, as adopted by the EU, and the additional requirements of German commercial law pursuant to section 315a (1) HGB ("Handelsgesetzbuch": German Commercial Code) are the responsibility of the parent Company's Board of Managing Directors. Our responsibility is to express an opinion on the consolidated financial statements and on the group management report based on our audit.

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

Our audit has not led to any reservations.

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

Düsseldorf, Germany, February 27, 2014

PricewaterhouseCoopers Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Andreas Menke
German Public Auditor

Jörg Sechser
German Public Auditor

ALTANA Group Consolidated Income Statement

in € thousand	Notes	2013	2012
Net sales	4	**1,765,411**	**1,705,319**
Cost of sales	5	(1,098,902)	(1,065,165)
Gross profit		**666,509**	**640,154**
Selling and distribution expenses	6	(234,252)	(226,771)
Research and development expenses		(109,370)	(102,314)
General administration expenses		(93,858)	(91,014)
Other operating income	7	11,268	14,129
Other operating expenses	8	(11,178)	(7,261)
Operating income (EBIT)		**229,119**	**226,923**
Financial income	9	13,748	10,249
Financial expenses	10	(31,004)	(21,080)
Financial result		**(17,256)**	**(10,831)**
Income from associated companies	11	744	1,127
Income before income taxes (EBT)		**212,607**	**217,219**
Income taxes	12	(60,966)	(62,531)
Net income (EAT)		**151,641**	**154,688**
thereof attributable to non-controlling interests		512	454
thereof attributable to the shareholder of ALTANA AG		151,129	154,234

ALTANA Group Consolidated Statement of Comprehensive Income

	2013	2012
in € thousand		
Net income (EAT)	**151,641**	**154,688**
Remeasurement of the net defined employee benefit obligation	(2,010)	(31,355)
Income taxes	418	9,423
Items that will not be reclassified subsequently to profit or loss	**(1,592)**	**(21,932)**
Translation adjustments	(34,361)	(7,631)
thereof attributable to non-controlling interests	(795)	(267)
Gains and losses from financial assets available-for-sale	(638)	(683)
Gains and losses from derivative financial instruments	(4,037)	3,589
Change in fair value of financial assets available-for-sale	404	643
Change in fair value of derivative financial instruments	7,049	4,537
Income taxes	(812)	(3,512)
Items that may be reclassified subsequently to profit or loss	**(32,395)**	**(3,057)**
Other comprehensive income	**(33,987)**	**(24,989)**
Comprehensive income	**117,654**	**129,699**
thereof attributable to non-controlling interests	(314)	187
thereof attributable to the shareholder of ALTANA AG	117,968	129,512

ALTANA Group Consolidated Statement of Financial Position

Assets	Notes	Dec. 31, 2013	Dec. 31, 2012
in € thousand			
Intangible assets	14	882,388	475,529
Property, plant and equipment	15	709,817	653,109
Long-term investments	16	1,471	1,691
Investments in associated companies	17	8,308	9,868
Income tax refunds		1,102	1,442
Deferred tax assets	12	17,604	24,146
Other non-current assets	21	6,868	8,562
Total non-current assets		**1,627,558**	**1,174,347**
Inventories	18	248,423	229,048
Trade accounts receivable	19	308,043	279,843
Income tax refunds		11,745	13,447
Other current assets	21	84,695	63,331
Marketable securities	20	7,145	50,973
Cash and cash equivalents		257,929	309,847
Assets held for sale	15	491	500
Total current assets		**918,471**	**946,989**
Total assets		**2,546,029**	**2,121,336**

Liabilities, provisions and shareholders' equity	Notes	**Dec. 31, 2013**	Dec. 31, 2012
in € thousand			
Share capital[1]		136,098	136,098
Additional paid-in capital		150,455	146,949
Retained earnings		1,303,515	1,208,884
Accumulated other comprehensive income		(29,354)	2,211
Equity attributable to the shareholder of ALTANA AG		**1,560,714**	**1,494,142**
Non-controlling interests		4,900	4,014
Shareholders' equity	22	**1,565,614**	**1,498,156**
Non-current debt	24	420,642	151,282
Employee benefit obligations	25	147,047	140,030
Other non-current provisions	26	14,022	17,363
Deferred tax liabilities	12	108,566	54,813
Other non-current liabilities	27	13,746	13,218
Total non-current liabilities		**704,023**	**376,706**
Current debt	24	951	1,299
Trade accounts payable		119,324	114,058
Current accrued income taxes		37,318	34,813
Other current provisions	26	77,625	70,303
Other current liabilities	27	41,174	26,001
Total current liabilities		**276,392**	**246,474**
Total liabilities, provisions and shareholders' equity		**2,546,029**	**2,121,336**

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

ALTANA Group Consolidated Statement of Changes in Shareholders' Equity

	Share capital issued			Retained earnings	
	Number of shares	Share capital	Additional paid-in capital	Retained earnings	Remeasurement of the net defined employee benefit obligation
in € thousand					
Balance at Jan. 1, 2012	**136,097,896**	**136,098**	**146,949**	**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**	**146,949**	**1,272,060**	**(63,176)**
Comprehensive income				**151,129**	**(1,596)**
Dividends paid				(55,000)	
Change in reporting entities				14	
Sale of shares to non-controlling interests			3,506	84	
Balance at Dec. 31, 2013	**136,097,896**	**136,098**	**150,455**	**1,368,287**	**(64,772)**

Accumulated other comprehensive income				Non-controlling interests		
Financial assets available-for-sale	Derivative financial instruments	Translation adjustments	Equity attributable to the shareholder of ALTANA AG	Shareholders' equity	Translation adjustments	Shareholders' equity
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**
(127)	**2,108**	**(33,546)**	**117,968**	**516**	**(830)**	**117,654**
			(55,000)	(2,163)		(57,163)
			14			14
			3,590	4,143	(780)	6,953
231	**3,308**	**(32,893)**	**1,560,714**	**7,466**	**(2,566)**	**1,565,614**

ALTANA Group Consolidated Statement of Cash Flows

in € thousand	Notes	2013	2012
Net income (EAT)		**151,641**	**154,688**
Depreciation and amortization of intangible assets and property, plant and equipment	14, 15	104,619	96,174
Impairment of intangible assets, property, plant and equipment and assets held for sale	14, 15	1,960	89
Net result from the disposal of intangible assets and property, plant and equipment	7, 8	726	851
Net result from the disposal of product groups		0	(2,182)
Net result from the disposal of long-term investments and marketable securities	9, 10	81	(376)
Change in inventories	18	(416)	8,783
Change in trade accounts receivable	19	(6,264)	(17,132)
Change in income taxes	12	(1,101)	15,030
Change in provisions	25, 26	6,599	10,630
Change in trade accounts payable		1,604	8,821
Change in other assets and other liabilities	21, 27	(835)	14
Other		173	(841)
Cash flow from operating activities		**258,787**	**274,549**
Capital expenditure on intangible assets and property, plant and equipment	14, 15	(94,333)	(89,771)
Proceeds from the disposal of intangible assets and property, plant and equipment	14, 15	1,110	681
Acquisitions, net of cash acquired	3	(475,175)	(12,131)
Proceeds from the disposal of product groups		233	1,750
Payments related to sale of the Pharmaceuticals business		0	(7,304)
Purchase of long-term investments	16	(48)	(75)
Proceeds from the disposal of long-term investments	16	44	179
Purchase of marketable securities	20	(90,800)	(73,159)
Proceeds from the disposal of marketable securities	9, 10	132,799	100,730
Cash flow from investing activities		**(526,170)**	**(79,100)**

in € thousand	Notes	2013	2012
Dividends paid		(57,163)	(50,058)
Proceeds from sale of shares to non-controlling interests	3	6,953	0
Proceeds from long-term debt	24	340,303	150,000
Repayment of long-term debt	24	(70,937)	(895)
Net increase/decrease in short-term debt	24	(327)	(152,497)
Cash flow from financing activities		**218,829**	**(53,450)**
Effect of exchange rate changes		(3,364)	(2,235)
Change in cash and cash equivalents	2	**(51,918)**	**139,764**
Cash and cash equivalents as of January 1	2	309,847	170,084
Cash and cash equivalents as of December 31	2	**257,929**	**309,847**
Additional information on cash flows included in the cash flows from operating activities			
Income taxes paid		(69,612)	(61,836)
Interest paid		(3,354)	(4,063)
Income taxes received		7,335	11,690
Interest received		4,040	2,932
Dividends received		771	660

Notes to Consolidated Financial Statements

1. Basis of Presentation

The consolidated financial statements of ALTANA AG and its subsidiaries (the "Company" or "ALTANA") are prepared in accordance with International Financial Reporting Standards (IFRS), issued by the International Accounting Standards Board (IASB) as endorsed by the EU, and in accordance with section 315a of the German Commercial Code (HGB). The consolidated financial statements were authorized for issue by the Management Board on February 21, 2014 and were approved by the Supervisory Board in the Supervisory Board meeting on March 19, 2014.

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

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

2. Significant Accounting Policies

Consolidation

The consolidated financial statements of the Company include 20 (2012: 18) subsidiaries in Germany and 44 (2012: 41) subsidiaries abroad, in which ALTANA either directly or indirectly may exercise control. ALTANA controls an investee when it is exposed or has rights to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

The change in reporting entities in 2013 mainly results from the acquisition of the rheology business of Rockwood Holdings which is described in note 3. The other changes in reporting entities had no significant impact on the Company's net assets, financial position and result of operations.

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

ALTANA holds 78 % (2012: 89 %) of the listed company ELANTAS Beck India Ltd. (Beck India), India. The remaining shares are free float.

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 145 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 2013:

Standard/ Interpretation		Issued by the IASB	Effective date[1]	Effect on consolidated financial statements
IFRS 1	Amendments to IFRS 1 "First-time Adoption of International Financial Reporting Standards" – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters	July 2011	Jan. 1, 2013	not applicable
IFRS 1	Amendments to IFRS 1 "First-time Adoption of International Financial Reporting Standards" – Loans Received from Governments at a Below-market Rate of Interest	March 2012	Jan. 1, 2013	not applicable
IFRS 7	Amendments to IFRS 7 "Financial Instruments: Disclosures" – Offsetting Financial Assets and Financial Liabilities	Dec. 2011	Jan. 1, 2013	not material
IFRS 13	IFRS 13 "Fair Value Measurement"	May 2011	Jan. 1, 2013	not material
IAS 1	Amendments to IAS 1 "Presentation of Financial Statements" – Presentation of Items of Other Comprehensive Income	June 2011	July 1, 2012	not material
IAS 19	Amendments to IAS 19 "Employee Benefits"	June 2011	Jan. 1, 2013	not material
IFRIC 20	IFRIC 20 "Stripping Costs in the Production Phase of a Surface Mine"	Oct. 2011	Jan. 1, 2013	not material
Sundry	Annual Improvements to IFRS (2009–2011 Cycle)	May 2012	Jan. 1, 2013	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 were early adopted in the financial year 2013:

Standard/ Interpretation		Issued by the IASB	Effective date[1]	Effect on consolidated financial statements
IFRS 10	IFRS 10 "Consolidated Financial Statements"	May 2011	Jan. 1, 2014	no effect
IFRS 10	Amendments to IFRS 10 "Consolidated Financial Statements" – Transition Guidance	June 2012	Jan. 1, 2014	no effect
IFRS 10	Amendments to IFRS 10 "Consolidated Financial Statements" – Investment Entities	Oct. 2012	Jan. 1, 2014	no effect
IFRS 11	IFRS 11 "Joint Arrangements"	May 2011	Jan. 1, 2014	no effect
IFRS 11	Amendments to IFRS 11 "Joint Arrangements" – Transition Guidance	June 2012	Jan. 1, 2014	no effect
IFRS 12	IFRS 12 "Disclosure of Interests in Other Entities"	May 2011	Jan. 1, 2014	not material
IFRS 12	Amendments to IFRS 12 "Disclosure of Interests in Other Entities" – Transition Guidance	June 2012	Jan. 1, 2014	no effect
IFRS 12	Amendments to IFRS 12 "Disclosure of Interests in Other Entities" – Investment Entities	Oct. 2012	Jan. 1, 2014	no effect
IAS 27	Revised IAS 27 "Separate Financial Statements"	May 2011	Jan. 1, 2014	no effect
IAS 27	Amendments to IAS 27 "Separate Financial Statements" – Investment Entities	Oct. 2012	Jan. 1, 2014	no effect
IAS 28	Revised IAS 28 "Investments in Associates and Joint Ventures"	May 2011	Jan. 1, 2014	no effect

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

The following Standards and Interpretations are applicable at the earliest for financial years beginning after December 31, 2013. ALTANA has not early adopted these Standards and Interpretations.

Standard/ Interpretation		Issued by the IASB	Effective date[1]	Effect on consolidated financial statements
IAS 32	Amendments to IAS 32 "Financial Instruments: Presentation" – Offsetting Financial Assets and Financial Liabilities	Dec. 2011	Jan. 1, 2014	impact currently evaluated
IAS 36	Amendments to IAS 36 "Impairment of Assets" – Recoverable Amount Disclosures for Non-financial Assets	May 2013	Jan. 1, 2014	impact currently evaluated
IAS 39	Amendments to IAS 39 "Financial Instruments: Recognition and Measurement" – Novation of Derivatives and Continuation of Hedge Accounting	June 2013	Jan. 1, 2014	no effect

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

New Accounting Pronouncements not yet Endorsed by the EU

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

Standard/ Interpretation		Issued by the IASB	Effective date	Effect on consolidated financial statements
IFRS 7	Amendments to IFRS 7 "Financial Instruments: Disclosures" – Required Implementation Date for Transition Guidance	Dec. 2011	Jan. 1, 2015	impact currently evaluated
IFRS 9	IFRS 9 "Financial Instruments" – Classification and Measurement of Financial Assets	Nov. 2009	pending	impact currently evaluated
IFRS 9	IFRS 9 "Financial Instruments" – Classification and Measurement of Financial Liabilities	Oct. 2010	pending	impact currently evaluated
IFRS 9	Amendments to IFRS 9 "Financial Instruments"	Nov. 2013	pending	impact currently evaluated
IFRS 14	IFRS 14 "Regulatory Deferral Accounts"	Jan. 2014	Jan. 1, 2016	not applicable
IAS 19	Amendments to IAS 19 "Employee Benefits"	Nov. 2013	Jan. 1, 2014	impact currently evaluated
IFRIC 21	IFRIC 21 "Levies"	May 2013	Jan. 1, 2014	no effect
Sundry	Annual Improvements to IFRS (2010–2012 Cycle)	Dec. 2013	July 1, 2014	impact currently evaluated
Sundry	Annual Improvements to IFRS (2011–2013 Cycle)	Dec. 2013	July 1, 2014	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 dates. Transaction gains and losses that arise from exchange rate fluctuations on transactions denominated in a currency other than the functional currency are generally included in other operating income or other operating expenses and to the extent that they relate to the translation of financial assets or liabilities, in financial income or expenses.

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

		Spot rate		Average rate for the years ended Dec. 31
	Dec. 31, 2013	Dec. 31, 2012	**2013**	2012
1 Euro				
U.S. Dollar	1.38	1.32	1.33	1.28
Swiss Franc	1.23	1.21	1.23	1.21
Japanese Yen	144.72	113.61	129.66	102.49
Chinese Renminbi	8.35	8.22	8.16	8.11
Indian Rupee	85.37	72.56	77.93	68.60
Brazilian Real	3.26	2.70	2.87	2.51

Revenue Recognition

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

Research and Development Expenses

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

Personnel and Interest Expense

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

Income Taxes

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

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

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

Fair Value

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

Intangible Assets

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

Intangible assets with definite useful lives are measured at cost less accumulated amortization. Borrowing costs that are directly attributable to qualifying assets are capitalized. 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 25
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 acquisition or manufacturing cost less accumulated depreciation. Cost includes certain costs that are capitalized during construction, including material, payroll and direct overhead costs. Borrowing costs that are directly attributable to qualifying assets are capitalized. Government grants are deducted from the acquisition or manufacturing costs.

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

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

Maintenance and repairs are expensed as incurred while replacements and improvements, 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.

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

Impairment of Intangible Assets and Property, Plant and Equipment

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

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

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

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

Government Grants

Taxable and non-taxable government grants for the acquisition of certain non-current assets are recognized as a reduction of the cost basis of the acquired or constructed assets. Non-refundable reimbursement of cost is recorded as other operating income 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 financial instruments are carried at fair value or amortized cost, with unrealized gains and losses recorded in the item "Financial assets available-for-sale" in other comprehensive income, net of 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 and Joint Ventures." The respective investment is initially recognized at cost and the carrying amount is increased or decreased to recognize ALTANA's share of changes in the investee's equity after the acquisition. ALTANA's share of profit or loss of the investee is recognized in the Company's income statement while changes in the investee's other comprehensive income are recognized in the Company's other comprehensive income. An impairment test is performed for investments in associated companies if there is an indication of impairment. Goodwill included in such investments is not tested for impairment separately. Instead, the entire carrying amount of the investment is tested for impairment. Therefore, impairment losses recognized are not allocated to goodwill 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. Acquisition and manufacturing costs are determined on the basis of weighted average costs. Manufacturing costs comprise material, payroll and directly attributable overhead costs, including depreciation and amortization.

Trade Accounts Receivable

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

Cash and Cash Equivalents

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

Assets Held for Sale

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

Financial Instruments

In accordance with IAS 39, the Company recognizes all financial assets and liabilities, as well as all derivative financial instruments, as assets or liabilities in the statement of financial position and measures all at fair value apart from some exceptions (e.g. loans and receivables). For financial instruments measured at fair value the following rules apply: The fair value of marketable securities corresponds to prices quoted for identical financial assets in active markets (hierarchy level 1). The fair value of equity instruments, derivative financial instruments and debts is determined by applying valuation techniques for which 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 remeasured at its fair value at each reporting date as well as at the exercise date. Changes in the fair value are recognized in profit or loss.

Employee Benefit Obligations

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

Other Provisions

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

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

Leases

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

Use of Estimates and Assumptions

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

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

Employee Benefit Obligations: The measurement of the 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 dates of sale. Fair value measurement of assets acquired and liabilities assumed in a business combination is performed in the course of the purchase price allocation by using standard discounted cash flow methods based on input factors of fair value hierarchy level 3.

Acquisitions in 2013

On October 1, 2013, ALTANA acquired the global rheology business of the U.S. American company Rockwood Holdings through a share deal. The acquired company produces rheology additives that optimize the flow characteristics of different materials and was integrated into the Additives & Instruments division. The tentative purchase price of €461.9 million was paid in cash.

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

in € million	
Goodwill	254.2
Other intangible assets	180.8
Property, plant and equipment	54.7
Inventories	26.5
Trade accounts receivable	21.1
Deferred tax assets	0.5
Other assets	1.8
Cash and cash equivalents	4.7
Provisions	(4.4)
Trade accounts payable	(5.8)
Deferred tax liabilities	(66.1)
Other liabilities	(6.1)
Consideration transferred	**461.9**
thereof purchase price paid in cash	461.9

The provisional allocation of the consideration transferred resulted in goodwill amounting to €254.2 million. Since the acquisition the business contributed €35.2 million to consolidated net sales and €-1.6 million to consolidated net income. Had the rheology business been acquired on January 1, 2013 the business would have contributed €146.8 million to consolidated net sales and €7.9 million to consolidated net income. These amounts also include the impact on earnings from the purchase price allocation.

Additionally, in 2013 ALTANA effected two smaller acquisitions in the Coatings & Sealants division. The specialty coatings business was acquired from the U.S. American company Henkel Corp. through an asset deal. The business mainly contains technology for the production of effect and overprint varnishes curing under ultraviolet radiation or electron beam. In 2012, net sales amounted to U.S. Dollar 15 million. The purchase price of €9.3 million was paid in cash and goodwill of €2.8 million was recognized.

ALTANA acquired the European business for water-based UV-overprint varnishes from The Valspar (France) Corporation S.A.S. through an asset deal. In 2012, net sales amounted to nearly €8 million. The purchase price of €3.5 million was paid in cash and no goodwill was recognized.

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

Disposals
In 2013, ALTANA sold 10.2 % of the Electrical Insulation division's shares in ELANTAS Beck India Ltd. to comply with legal requirement for companies listed on the Indian stock exchange to reach a free float of at least 25 %. ALTANA recognized €7.0 million from the sale.

4. Net Sales

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

	2013	2012
Additives & Instruments	691,454	618,364
Effect Pigments	334,563	340,518
Electrical Insulation	414,646	412,514
Coatings & Sealants	324,748	333,923
	1,765,411	**1,705,319**

5. Cost of Sales

Cost of sales includes the following items:

	2013	2012
Material expenses	781,069	766,892
Production expenses		
Personnel expenses	154,961	142,919
Depreciation and amortization	62,136	58,713
Energy expenses	31,313	28,501
Maintenance and repair expenses	21,677	18,128
Other	47,746	50,012
	1,098,902	**1,065,165**

6. Selling and Distribution Expenses

Selling and distribution expenses are as follows:

	2013	2012
Personnel expenses	80,524	74,088
Shipping, duties, insurance	48,791	46,478
Commissions	24,572	24,558
Depreciation and amortization	24,951	21,309
Other	55,414	60,338
	234,252	**226,771**

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

	2013	2012
Reversal of allowance for doubtful accounts	647	1,300
Gains on disposal of property, plant and equipment	122	233
Government grants	248	152
Net result from the disposal of product groups	0	2,182
Insurance reimbursements	2,051	1,590
Reversal of provisions	461	1,059
Other	7,739	7,613
	11,268	**14,129**

8. Other Operating Expenses

	2013	2012
Bad debt expense	923	849
Losses from disposal of property, plant and equipment	848	1,084
Foreign exchange gains/(losses), net	3,771	1,493
Exceptional expenses	1,959	469
Charitable donations	345	353
Other	3,332	3,013
	11,178	**7,261**

Foreign exchange gains and losses are as follows:

	2013	2012
Foreign exchange gains	3,604	6,274
Foreign exchange (losses)	(7,375)	(7,767)
Net gain / net (loss)	**(3,771)**	**(1,493)**

Exceptional expenses relate to the following:

	Notes	2013	2012
Impairment loss on property, plant and equipment	15	1,959	89
Cost of relocation of production and structural measures		0	380
		1,959	**469**

9. Financial Income

	2013	2012
Interest income	3,112	2,770
Gains on disposal of marketable securities	9,838	5,452
Gains on derivative financial instruments	161	1,473
Dividends received	160	212
Other financial income	477	342
	13,748	**10,249**

10. Financial Expenses

	2013	2012
Interest expenses	11,710	11,022
Losses on disposal of marketable securities	0	92
Losses on derivative financial instruments	15,681	8,568
Other financial expenses	3,613	1,398
	31,004	**21,080**

11. Income from Associated Companies

Income from associated companies amounted to €0.7 million and €1.1 million in 2013 and 2012, respectively.

12. Income Taxes

Income tax expense is as follows:

	2013	2012
Current taxes	65,691	62,780
Deferred taxes	(4,725)	(249)
Income taxes	**60,966**	**62,531**

As in 2012, 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:

	2013	2012
Income before income taxes (EBT)	**212,607**	**217,219**
Tax expense applying the expected average income tax rate	61,656	62,994
Non-deductible expenses	4,605	2,662
Tax rate differential	28	44
Tax free income	(7,811)	(3,332)
Tax related to prior years	2,463	4,276
Other	25	(4,113)
Income taxes	**60,966**	**62,531**
Effective income tax rate	28.7 %	28.8 %

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

	Dec. 31, 2013		Dec. 31, 2012	
	Assets	Liabilities and provisions	Assets	Liabilities and provisions
Intangible assets	1,375	(86,566)	6,014	(37,774)
Property, plant and equipment	3,028	(42,129)	5,629	(32,979)
Long-term investments	407	(2,462)	362	(2,516)
Inventories	11,070	(1,211)	9,686	(1,254)
Receivables and other assets	1,507	(4,291)	948	(3,061)
Marketable securities	0	(81)	4	(171)
Employee benefit obligations	21,387	(435)	21,317	(512)
Other provisions	3,223	(828)	3,971	(688)
Liabilities	3,119	(34)	1,927	(1,263)
Tax loss carry-forwards	4,650	0	5,591	0
Allowance for deferred tax assets	(2,106)	0	(3,098)	0
Outside bases differences	0	(585)	0	(2,800)
Netting	(30,056)	30,056	(28,205)	28,205
Deferred taxes, net	**17,604**	**(108,566)**	**24,146**	**(54,813)**

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

	2013	2012
Tax loss carry-forwards	**62,185**	**57,138**
unlimited	17,735	20,076
will expire through 2018 (prior year: 2017)	20,428	19,319
will expire after 2018 (prior year: 2017)	24,022	17,743

Deferred tax assets on tax loss carry-forwards of €47.8 million and €40.6 million were not recognized as of December 31, 2013 and 2012, 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 €3.7 million have unlimited carry-forward periods, €20.4 million will expire through 2018, and €23.7 million will expire after 2018.

As of December 31, 2013 and 2012, a deferred tax liability was not recorded for the amounts of €44.1 million and €33.3 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:

	2013	2012
Wages and salaries	286,978	271,318
Social security contributions	51,483	48,234
Expenses for pensions and other post-retirement benefits	12,991	12,752
	351,452	**332,304**

Personnel expenses include expenses for employee incentive plans in both years reported (see note 23). In 2013 and 2012, €4.6 million and €3.4 million relate to the compensation plan for key members of the management, "ALTANA Equity Performance (AEP)" and €0.9 million and €0.7 million to the compensation plan for employees, "ALTANA Profit Participation."

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

	2013	2012
Number of employees by division		
Additives & Instruments	1,561	1,408
Effect Pigments	1,877	1,944
Electrical Insulation	951	936
Coatings & Sealants	998	980
Holding	78	77
	5,465	**5,345**

Amortization, Depreciation and Impairment Loss

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

	2013	2012
Amortization of intangible assets	41,620	36,346
Depreciation of property, plant and equipment	63,000	59,828
Impairment loss on property, plant and equipment	1,959	89
	106,579	**96,263**

For information on the impairment loss recognized on property, plant and equipment see note 15.

14. Intangible Assets

	Patents, licenses and similar rights	Goodwill	Software and others	Total
Cost				
Balance at Jan. 1, 2012	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)
Change in reporting entities	5,381	2,346	0	7,727
Balance at Dec. 31, 2012	**423,940**	**271,862**	**83,123**	**778,925**
Additions	5,065	0	11,711	16,776
Disposals	(1,802)	0	(1,350)	(3,152)
Transfers	0	0	72	72
Translation adjustments	(7,431)	(13,573)	(541)	(21,545)
Change in reporting entities	188,935	256,955	1,677	447,567
Balance at Dec. 31, 2013	**608,707**	**515,244**	**94,692**	**1,218,643**
Accumulated amortization				
Balance at Jan. 1, 2012	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)
Change in reporting entities	0	0	0	0
Balance at Dec. 31, 2012	**198,339**	**47,804**	**57,253**	**303,396**
Additions	32,798	0	7,554	40,352
Disposals	(1,802)	0	(1,321)	(3,123)
Transfers	0	0	5	5
Translation adjustments	(3,492)	(626)	(257)	(4,375)
Change in reporting entities	0	0	0	0
Balance at Dec. 31, 2013	**225,843**	**47,178**	**63,234**	**336,255**
Carrying amount				
Dec. 31, 2013	**382,864**	**468,066**	**31,458**	**882,388**
Dec. 31, 2012	225,601	224,058	25,870	475,529

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

The change in reporting entities mainly related to the acquisition of the rheology business in the Additives & Instruments division (see note 3).

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

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:

2014	49,158
2015	42,639
2016	34,596
2017	32,397
2018	30,957
Thereafter	191,145

As of December 31, 2013 and 2012, patents, licenses and similar rights include brand names with indefinite useful lives of €21.2 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, 2013	Dec. 31, 2012
Additives & Instruments	262,382	16,217
Effect Pigments	77,185	78,375
Electrical Insulation	72,944	75,425
Coatings & Sealants	55,555	54,041
	468,066	**224,058**

Impairment Test for Goodwill

The Company performed impairment tests on goodwill. Impairment tests are performed at least once a year in the fourth quarter based on long-term planning. The recently performed tests were based on the financial budgets for the years 2014 to 2018. 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 2013 and 2012 a discount rate after income taxes of 7.5 % and 8.0 %, respectively, was applied. The growth rate in the years reported remained unchanged: 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 2013, no impairment loss on goodwill was recognized. Sensitivity analyses indicated that even a reasonably likely change in the underlying parameters would not have resulted in an impairment.

In the period since the performance of the impairment test until December 31, 2013, no impairment indicators were identified.

Impairment Test for Intangible Assets Other Than Goodwill

In 2013 and 2012, 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, 2012	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)
Change 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**
Additions	7,899	15,659	8,344	45,655	77,557
Disposals	(4,078)	(3,627)	(11,431)	(554)	(19,690)
Transfers	12,157	17,924	2,144	(32,297)	(72)
Translation adjustments	(4,455)	(5,687)	(1,921)	(1,332)	(13,395)
Change in reporting entities	12,991	40,076	512	1,241	54,820
Balance at Dec. 31, 2013	**492,568**	**562,840**	**169,061**	**54,441**	**1,278,910**
Accumulated depreciation					
Balance at Jan. 1, 2012	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)
Change in reporting entities	9	(351)	55	0	(287)
Balance at Dec. 31, 2012	**147,172**	**266,914**	**112,495**	**0**	**526,581**
Additions	16,313	33,658	13,029	0	63,000
Disposals	(3,504)	(2,703)	(11,131)	0	(17,338)
Impairment	0	1,941	18	0	1,959
Transfers	0	0	(5)	0	(5)
Translation adjustments	(1,081)	(2,804)	(1,219)	0	(5,104)
Change in reporting entities	0	0	0	0	0
Balance at Dec. 31, 2013	**158,900**	**297,006**	**113,187**	**0**	**569,093**
Carrying amount					
Dec. 31, 2013	**333,668**	**265,834**	**55,874**	**54,441**	**709,817**
Dec. 31, 2012	320,882	231,581	58,918	41,728	653,109

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

The change in reporting entities mainly related to the acquisition of the rheology business in the Additives & Instruments division (see note 3).

Land with a carrying value and a corresponding fair value of €0.5 million was reclassified to assets held for sale in the Coatings & Sealants division. The measurement of the fair value was based on a market price method applying inputs of the fair value hierarchy level 2.

In 2012, additions of €5.5 million in the Additives & Instruments division related to the extension of the production facilities in Wallingford (U.S.), 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; 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.).

As of December 31, 2013 and 2012, €0.1 million and €0.4 million, respectively, of the net book value related to property, plant and equipment under finance leases and as of December 31, 2013 €2.0 million to investment property. The fair value of this investment property amounted to €4.3 million. The Company has no restrictions on disposal or other contractual obligations in connections with the investment property.

The Company did not receive any significant taxable or non-taxable government grants in 2013 and 2012.

In 2013, the Effect Pigments division recognized an impairment loss of €2.0 million for one Chinese facility and in 2012, an impairment loss of €0.1 million was recognized following the classification of land and building as assets held for sale (reclassified carrying amount less impairment loss of €0.5 million).

Borrowings of €4.1 million and €4.6 million were secured by mortgages (land and other assets) as of December 31, 2013 and 2012, respectively.

16. Long-term Investments

	Other investments	Other long-term financial assets	Total
Cost			
Balance at Jan. 1, 2012	1,916	737	2,653
Additions	0	75	75
Disposals	0	(179)	(179)
Translation adjustments	(36)	(13)	(49)
Change in reporting entities	0	(120)	(120)
Balance at Dec. 31, 2012	**1,880**	**500**	**2,380**
Additions	0	48	48
Disposals	0	(44)	(44)
Translation adjustments	(79)	(25)	(104)
Change in reporting entities	0	(150)	(150)
Balance at Dec. 31, 2013	**1,801**	**329**	**2,130**
Accumulated impairment			
Balance at Jan. 1, 2012	703	0	703
Impairment	0	0	0
Disposals	0	0	0
Translation adjustments	(14)	0	(14)
Change in reporting entities	0	0	0
Balance at Dec. 31, 2012	**689**	**0**	**689**
Impairment	0	0	0
Disposals	0	0	0
Translation adjustments	(30)	0	(30)
Change in reporting entities	0	0	0
Balance at Dec. 31, 2013	**659**	**0**	**659**
Carrying amount			
Dec. 31, 2013	**1,142**	**329**	**1,471**
Dec. 31, 2012	1,191	500	1,691

In 2013 and 2012, no impairment losses were recognized.

In 2013 and 2012, an amount of €0.2 million and €0.3 million of other long-term financial assets related to long-term employee loans bearing a weighted average interest rate of 4.4 % and 4.2 %, respectively.

17. Investments in Associated Companies

	Investments in associated companies
Balance at Jan. 1, 2012	10,339
Additions	1,127
Disposals	(448)
Translation adjustments	(1,150)
Balance at Dec. 31, 2012	**9,868**
Additions	744
Disposals	(611)
Translation adjustments	(1,693)
Balance at Dec. 31, 2013	**8,308**

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, 2013	Dec. 31, 2012
Assets	14,383	15,937
Liabilities	2,224	1,650
Net sales	14,208	15,253
Net income (EAT)	2,275	2,891

18. Inventories

	Dec. 31, 2013	Dec. 31, 2012
Raw materials and supplies	88,707	84,970
Work in progress	44,696	45,856
Finished products and goods	114,882	98,029
Prepayments	138	193
	248,423	**229,048**

In 2013 and 2012, inventory is stated net of write-downs of €22.8 million and €14.2 million, respectively.

19. Trade Accounts Receivable

	Dec. 31, 2013	Dec. 31, 2012
Trade accounts receivable	310,910	283,327
Non-current trade accounts receivable (see note 21)	0	(24)
Allowance for doubtful accounts	(2,867)	(3,460)
	308,043	**279,843**

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:

	2013	2012
Allowance at the beginning of the year	3,460	4,202
Translation adjustments	(48)	(13)
Additions	923	849
Reversal	(647)	(1,300)
Utilization	(821)	(278)
Allowance at the end of the year	**2,867**	**3,460**

The exposure to credit risk at December 31, 2013 and 2012 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, 2013	**308,043**	**267,713**	**28,711**	**6,810**	**2,404**	**2,337**	**68**
Dec. 31, 2012	279,868	243,182	25,044	5,055	2,243	2,743	1,601

As of December 31, 2013 and 2012, 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, 2013				
Money market funds	5,314	5,547	237	4
Share and equity funds	1,598	1,598	0	0
	6,912	**7,145**	**237**	**4**

	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**

In 2013 and 2012, no impairment losses on marketable securities were recognized.

21. Other Assets

	Dec. 31, 2013		Dec. 31, 2012	
	Other current assets	Other non-current assets	Other current assets	Other non-current assets
Balances due from employees	415	52	319	37
Cash surrender value of life insurance	63	1,899	85	1,935
Balances due from fiscal authorities	17,833	215	13,812	1,149
Prepayments	2,235	3	1,873	0
Loans	1,316	0	0	1,338
Balances due from related parties	0	0	5	0
Prepaid expenses	5,341	2,222	4,964	1,530
Derivative financial instruments	9,051	747	3,158	1,533
Non-current trade accounts receivable	0	0	0	24
Notes receivable	37,122	0	29,860	0
Other	11,319	1,730	9,255	1,016
	84,695	**6,868**	**63,331**	**8,562**

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. Also included are cash-inflows from the sale of shares to non-controlling interests.

Accumulated Other Comprehensive Income

In accordance with IAS 39, accumulated unrealized gains and losses resulting from changes in fair values of available-for-sale financial instruments are recorded in other comprehensive income in the item "Financial assets 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:

			2013			2012
	Before income taxes	Income taxes	Net of income taxes	Before income taxes	Income taxes	Net of income taxes
Remeasurement of the net defined employee benefit obligation	(2,010)	418	(1,592)	(31,355)	9,423	(21,932)
Items that will not be reclassified subsequently to profit or loss	**(2,010)**	**418**	**(1,592)**	**(31,355)**	**9,423**	**(21,932)**
Translation adjustments (including non-controlling interests)	(34,361)	20	(34,341)	(7,631)	(1,086)	(8,717)
Gains and losses from financial assets available-for-sale	(638)	217	(421)	(683)	222	(461)
Gains and losses from derivative financial instruments	(4,037)	1,211	(2,826)	3,589	(1,077)	2,512
Change in fair value of financial assets available-for-sale	404	(145)	259	643	(210)	433
Change in fair value of derivative financial instruments	7,049	(2,115)	4,934	4,537	(1,361)	3,176
Items that may be reclassified subsequently to profit or loss	**(31,583)**	**(812)**	**(32,395)**	**455**	**(3,512)**	**(3,057)**
Other comprehensive income	**(33,593)**	**(394)**	**(33,987)**	**(30,900)**	**5,911**	**(24,989)**

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 2013, ALTANA's shareholders' equity increased by €67.5 million to €1,565.6 million. Due to the distribution of the ordinary dividend for 2012, shareholders' equity was reduced by €55.0 million, which was offset by the 2013 consolidated net income of €151.6 million. The debt to asset ratio was at 39 %. Long-term and short-term debt represented 28 % and 11 % of total liabilities, provisions and shareholders' equity.

In 2013, ALTANA completed the financing process of the acquisition of the rheology business from Rockwood Holdings. An acquisition financing facility of €300 million was made available by an international banking syndicate. After completion of the acquisition an amount of €200 million was refinanced by a promissory note loan (German Schuldschein). On December 31, 2013, €70 million of the acquisition financing facility were still drawn. The new promissory note loan, the acquisition financing, the promissory note loan of €150 million issued in 2012 and the syndicated credit line of €250 million arranged in 2012 will expire in 2016 at the earliest.

The agreement with the banking syndicate for the syndicated credit line provides for a ratio ("financial covenant") of net debt to EBITDA of 3.0 to 1 at a maximum to be complied with. As of December 31, 2013, ALTANA's ratio was below than 1.0 to 1. If the financial covenant is not met, the 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.

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

Non-Controlling Interests

The following table provides financial information for the Group company ELANTAS Beck India Ltd. The amounts reported refer to 100 % and not to the share of 78.4 % held by ALTANA:

	Dec. 31, 2013	Dec. 31, 2012
Assets	33,209	49,319
Liabilities	10,530	14,977
Net sales	38,918	39,868
Net income (EAT)	2,370	3,966

In 2013 and 2012, respectively, net income of €0.5 million and €0.5 million relates to non-controlling interests and dividends of €2.2 million and €0.1 million were distributed to them. On December 31, 2013 and 2012, non-controlling interests held 21.6 % and 11.4 % of the shares, respectively.

The sale of the shares to the non-controlling interests in 2013 is recognized directly in shareholders' equity in accordance with IAS 27.

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 the years 2010 to 2013.

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

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

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	21,025	Dec. 31, 2013
Tranche AEP 2011	152.34	15,069	Dec. 31, 2014
Tranche AEP 2012	143.71	16,956	Dec. 31, 2015
Tranche AEP 2013	214.96	11,963	Dec. 31, 2016

Total expenses recognized for all plans amounted to €4.6 million and €3.4 million in 2013 and 2012 and the provision amounted to €8.9 million and €4.5 million, as of December 31, 2013 and 2012, respectively. The total initial investment made by the key management personnel, which is reported in other liabilities, was measured at €3.3 million and €3.1 million as of December 31, 2013 and 2012 (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. This incentive plan allows for annual purchases of ALTANA Profit Participation Rights (APPR).

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

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

As of December 31, 2013 and 2012, respectively, €10.7 million and €7.3 million were recognized in other liabilities for the APPRs issued in 2013 and previous years. In 2013 and 2012, the one-time payment and the interest incurred resulted in an expense of €0.9 million and €0.7 million, respectively, which was recognized in personnel expenses.

24. Debt

	Dec. 31, 2013		Dec. 31, 2012	
	Non-current debt	Current debt	Non-current debt	Current debt
Borrowings from banks	70,635	894	1,279	1,297
Promissory note loan (German Schuldschein)	350,000	0	150,000	0
Lease obligations	7	57	3	2
	420,642	**951**	**151,282**	**1,299**

For general corporate financing purposes ALTANA uses different financing instruments. In 2012, in the course of restructuring its external financing, ALTANA issued a promissory note (German Schuldschein) for €150 million and a syndicated credit line of €250 million was issued by seven banks. As of December 31, 2013 the Company has not drawn on that credit line. In 2013, the Company arranged acquisition financing with the same seven banks of which it has drawn an amount of €70 million at the end of the year. Additionally, a further promissory note loan of €200 million was taken up. Furthermore, as of December 31, 2013, largely unused lines of credit in the amount of €8.5 million were available to ALTANA. The terms and conditions are based on market conditions and no collateral is provided.

As of December 31, 2013 and 2012, respectively, bank borrowings included €0.2 million and €0.6 million denominated in foreign currencies. Of these borrowings, amounts of €0.1 million and €0.4 million were denominated in U.S. Dollars as of December 31, 2013 and 2012, respectively.

As of December 31, 2013 and 2012, the aggregate amounts of indebtedness maturing during the next five years and thereafter were as follows:

	Dec. 31, 2013	Dec. 31, 2012
Due in 2014 (prior year: 2013)	894	1,297
Due in 2015 (prior year: 2014)	213	755
Due in 2016 (prior year: 2015)	135,211	211
Due in 2017 (prior year: 2016)	72,125	65,203
Due in 2018 (prior year: 2017)	85,015	110
Due thereafter	128,071	85,000
Total	**421,529**	**152,576**
Lease obligation (see note 29)	**64**	**5**
Total debt	**421,593**	**152,581**

25. Employee Benefit Obligations

Defined Benefit Plans

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

	Dec. 31, 2013	Dec. 31, 2012
Germany	173,136	156,114
The Netherlands	13,870	12,591
U.S.	14,763	16,677
Other	8,408	8,416
Defined benefit obligation	**210,177**	**193,798**

Domestic plans: Certain executives located in Germany are entitled to post-employment benefits ("Ruhegeldendbetrag"). The benefit is agreed individually and is paid out as a life-time pension upon reaching the age of 65, upon early retirement in accordance with statutory retirement provisions or in case of disability. The plan also covers surviving dependants' pension. All other German employees with an employment start date before January 1, 2010, participate in a post-employment benefit plan which also covers old age, disability and surviving dependants' pensions. The plan is basically based on a benchmark model considering length of service and salary with life-time pension payments beginning at age 65. Benefits granted from January 1, 1999 include a fixed annual increase of 1 % of the benefit; plans before that date grant compensation for inflation of currently 2 % in accordance with section 16 of the German Company Pension Laws (BetrAVG). For ALTANA, the risk is mainly represented by the development of life expectancy and inflation since the obligations resulting from these plans represent life-time pension payments.

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

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

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

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

			Dec. 31, 2013			Dec. 31, 2012
	Domestic	Foreign	Total	Domestic	Foreign	Total
Defined benefit obligation – funded	35,372	33,669	69,041	28,350	34,259	62,609
Fair value of plan assets	35,362	28,363	63,725	28,178	26,040	54,218
Funded status	**10**	**5,306**	**5,316**	**172**	**8,219**	**8,391**
Defined benefit obligation – unfunded	137,764	3,372	141,136	127,764	3,425	131,189
Net defined benefit obligation	**137,774**	**8,678**	**146,452**	**127,936**	**11,644**	**139,580**
Effect on asset ceiling limitation		273	273		15	15
Employee benefit obligation	**137,774**	**8,951**	**146,725**	**127,936**	**11,659**	**139,595**
Provision for other post-retirement benefits	**97**	**225**	**322**	**121**	**314**	**435**
Reported amount	**137,871**	**9,176**	**147,047**	**128,057**	**11,973**	**140,030**

	Present value of the defined benefit obligation	Fair value of plan assets	Total	Effect on asset ceiling limitation	Total
Balance at Jan. 1, 2012	**146,314**	**(43,905)**	**102,409**	**786**	**103,195**
Service cost					
Current service cost	6,802	–	6,802	–	6,802
Past service cost	2,249	–	2,249	–	2,249
Effects on settlement	(87)	–	(87)	–	(87)
Interest expense/(-income)	7,043	(2,258)	4,785	39	4,824
	16,007	**(2,258)**	**13,749**	**39**	**13,788**
Remeasurement					
Return on plan assets excluding amounts included in interest income	–	(3,799)	(3,799)	–	(3,799)
Gains/losses from changes in demographic assumptions	81	–	81	–	81
Gains/losses from changes in financial assumptions	32,604	–	32,604	–	32,604
Experience-based adjustments	3,300	–	3,300	–	3,300
Change in the asset ceiling limitation excluding amounts recognized in interest income	–	–	0	(810)	(810)
	35,985	**(3,799)**	**32,186**	**(810)**	**31,376**
Translation adjustment	(610)	538	(72)	–	(72)
Contributions:					
Employer	–	(4,974)	(4,974)	–	(4,974)
Beneficiaries of the plan	2,370	(2,370)	0	–	0
Pension payments	(5,341)	1,623	(3,718)	–	(3,718)
Settlements	(863)	863	0	–	0
Other	(64)	64	0	–	0
Balance at Dec. 31, 2012	**193,798**	**(54,218)**	**139,580**	**15**	**139,595**
Service cost					
Current service cost	8,403	–	8,403	–	8,403
Past service cost	95	–	95	–	95
Interest expense/(-income)	7,000	(1,950)	5,050	1	5,051
Administration cost	–	105	105	–	105
	15,498	**(1,845)**	**13,653**	**1**	**13,654**
Remeasurement					
Return on plan assets excluding amounts included in interest income	–	(3,645)	(3,645)	–	(3,645)
Gains/losses from changes in demographic assumptions	447	–	447	–	447
Gains/losses from changes in financial assumptions	595	–	595	–	595
Experience-based adjustments	4,356	–	4,356	–	4,356
Change in the asset ceiling limitation excluding amounts recognized in interest income	–	–	0	257	257
	5,398	**(3,645)**	**1,753**	**257**	**2,010**
Translation adjustment	(1,465)	1,282	(183)	–	(183)
Contributions:					
Employer	–	(5,070)	(5,070)	–	(5,070)
Beneficiaries of the plan	1,801	(1,801)	0	–	0
Pension payments	(5,345)	1,572	(3,773)	–	(3,773)
Change in reporting entities	353	–	353	–	353
Other	139	–	139	–	139
Balance at Dec. 31, 2013	**210,177**	**(63,725)**	**146,452**	**273**	**146,725**

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

	Dec. 31, 2013			Dec. 31, 2012		
	German plans	Dutch plans	U.S. plans	German plans	Dutch plans	U.S. plans
Discount rate	3.7 %	3.7 %	4.5 %	3.7 %	3.7 %	3.5 %
Rate of pension increase	2.0 %	0.5 %		2.0 %	0.5 %	

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

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

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

		Dec. 31, 2013	
		Effect on defined benefit obligation	
	Change in actuarial assumption	Defined benefit obligation	Change
		in € thousand	in %
Present value of the defined benefit obligation [1]		201,768	–
Discount rate	Increase by 0.5 basis point	188,062	(6.8)
	Decrease by 0.5 basis point	217,502	7.8
Rate of pension increase	Increase by 0.5 basis point	208,943	3.6
	Decrease by 0.5 basis point	195,329	(3.2)
Life expectancy	Increase by 1 year	207,162	2.7
	Decrease by 1 year	196,263	(2.7)

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

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

	Dec. 31, 2013			Dec. 31, 2012		
	Price quotation in an active market	No price quotation in an active market	Total	Price quotation in an active market	No price quotation in an active market	Total
Bonds	8,457		8,457	8,209		8,209
Money market funds	997		997	1,369		1,369
Mixed funds	33,865		33,865	26,306		26,306
Shares	6,897		6,897	5,604		5,604
Insurances		13,010	13,010		12,422	12,422
Cash and cash equivalents	399		399	213		213
Other		100	100		95	95
Fair value of plan assets	**50,615**	**13,110**	**63,725**	**41,701**	**12,517**	**54,218**

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

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

The actual return on the plan assets was €5.5 million and €6.1 million for 2013 and 2012, respectively.

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

The Company expects to pay benefits to the retirees of €6.3 million and to make contributions to the plan assets in an amount of €4.8 million in 2014. The expected expense for defined benefit plans for 2014 is estimated to amount to €14.2 million including net interest expenses.

As of December 31, 2013 the weighted average duration of the German, the Dutch and the U.S. employee benefit obligation is 17 years.

Defined contribution plans

Defined contribution plans mainly exist in non-German subsidiaries. Additionally, the Company pays contributions to domestic and foreign governmental and private pension insurance organizations in accordance with legal regulations. The contributions are recognized as expense based on their function in the respective year and amounted to €21.8 million and €19.5 million in 2013 and 2012, respectively. No further obligations exist besides the contributions paid.

26. Other Provisions

	Employees	Sales and marketing	Warranty	Other	Total
Balance at Jan. 1, 2013	**50,775**	**16,566**	**3,033**	**17,292**	**87,666**
Additions	37,714	16,501	352	12,141	66,708
Utilization	(35,192)	(13,782)	(211)	(10,157)	(59,342)
Reversal	(1,596)	(1,837)	(78)	(2,255)	(5,766)
Transfers	0	46	0	(46)	0
Translation adjustments	(905)	(130)	(31)	(487)	(1,553)
Change in reporting entities	1,137	426	0	2,371	3,934
Balance at Dec. 31, 2013	**51,933**	**17,790**	**3,065**	**18,859**	**91,647**
Thereof non-current					
at December 31, 2013	**10,495**	**151**	**0**	**3,376**	**14,022**
at December 31, 2012	15,278	110	0	1,975	17,363

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

Provisions for sales and marketing pertain primarily to sales bonuses and commissions. Provisions for warranty cover commitments in connection with goods delivered and services rendered. ALTANA expects that the current portion of the provisions will be utilized during 2014.

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, 2013		Dec. 31, 2012	
	Other non-current liabilities	Other current liabilities	Other non-current liabilities	Other current liabilities
Balances due to fiscal authorities (incl. payroll taxes)	4	9,370	0	9,767
Personnel-related liabilities	0	9,987	0	2,845
Social security contributions	363	2,099	349	1,836
Employee incentive plans	11,836	2,137	10,364	0
Commissions	65	3,731	0	2,803
Credit notes to customers	0	944	0	1,403
Balances due to related parties	0	0	0	164
Derivative financial instruments	1,013	537	1,927	840
Deferred income	391	364	395	212
Other	74	12,005	183	6,131
	13,746	**41,174**	**13,218**	**26,001**

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, 2013 and 2012.

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

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

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

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

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

The fair value of cash and cash equivalents, loan receivables, investments not traded on the stock exchange, other financial assets and liabilities, bank debt, lease obligations, and derivative financial instruments is measured at the present value of the expected cash inflows or cash outflows of the related financial instruments and is therefore allocated to hierarchy level 2.

	Loans and receivables	Available-for-sale financial assets		Financial assets at fair value through profit or loss	Hedging instruments (hedge accounting)	Dec. 31, 2013 Fair value
					Dec. 31, 2013 Carrying amount	
	at amortized cost	at cost	at fair value	at fair value	at fair value	
Cash and cash equivalents	**257,929**					**257,929**
thereof in						
Cash and cash equivalents	257,929					257,929
Trade accounts receivable	**308,474**					**308,474**
thereof in						
Other non-current assets	0					0
Trade accounts receivable	308,043					308,043
Other current assets	431					431
Other interest-bearing non-derivative financial assets	**2,020**					**2,028**
thereof in						
Long-term investments	299					307
Other non-current assets	98					98
Other current assets	1,623					1,623
Other non-interest-bearing non-derivative financial assets	**43,354**	**93**				**43,447**
thereof in						
Other non-current assets		93				93
Other current assets	43,354					43,354
Marketable securities and long-term investments		**2,770**	**5,547**			**8,317**
thereof in						
Long-term investments		1,172				1,172
Marketable securities		1,598	5,547			7,145
Derivative financial assets – hedge accounting					**6,718**	**6,718**
thereof in						
Other non-current assets					746	746
Other current assets					5,972	5,972
Derivative financial assets – without hedge accounting				**3,080**		**3,080**
thereof in						
Other non-current assets				1		1
Other current assets				3,079		3,079

	Loans and receivables	Available-for-sale financial assets		Financial assets at fair value through profit or loss	Hedging instruments (hedge accounting)	Dec. 31, 2012 Fair value
	at amortized cost	at cost	at fair value	at fair value	at fair value	
	Dec. 31, 2012 Carrying amount					
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						
Other non-current assets	24					24
Trade accounts receivable	279,843					279,843
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

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

	Financial liabilities at amortized cost	Financial liabilities at fair value through profit or loss at fair value	Finance leases according to IAS 17 at amortized cost	Hedging instruments (hedge accounting) at fair value	Dec. 31, 2012 Fair value
	Dec. 31, 2012 Carrying amount				
Lease obligations			**5**		**5**
thereof in					
Non-current debt			3		3
Current debt			2		2
Trade accounts payable	**117,745**				**117,745**
thereof in					
Other non-current liabilities	0				0
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

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.

		Net financial result	Net operating result	Net result
Loans and receivables	**2013**	**1,288**	**(276)**	**1,012**
	2012	1,292	452	1,744
Available-for-sale financial assets	**2013**	**1,118**	**0**	**1,118**
	2012	1,745	0	1,745
Financial liabilities measured at amortized cost	**2013**	**(4,980)**	**0**	**(4,980)**
	2012	(4,679)	0	(4,679)
Financial instruments at fair value through profit or loss	**2013**	**(5,325)**	**0**	**(5,325)**
	2012	(980)	0	(980)
Total	**2013**	**(7,898)**	**(276)**	**(8,174)**
	2012	(2,623)	452	(2,171)

The net financial result includes interest income generated by financial instruments measured at amortized cost amounting to €1.6 million and €1.4 million in 2013 and 2012, respectively. Total interest expense amounts to €5.0 million and €4.7 million in 2013 and 2012, 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, 2013 and 2012, 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, 2013**	**63**	**7**	**0**	**0**	**0**	**0**
	Dec. 31, 2012	3	2	1	0	0	0
Trade accounts payable	**Dec. 31, 2013**	**123,247**	**0**	**0**	**0**	**0**	**0**
	Dec. 31, 2012	117,745	0	0	0	0	0
Other interest-bearing non-derivative financial liabilities	**Dec. 31, 2013**	**9,438**	**8,559**	**143,243**	**78,026**	**90,338**	**131,683**
	Dec. 31, 2012	5,138	4,433	3,870	68,706	2,414	87,123
Other non-interest-bearing non-derivative financial liabilities	**Dec. 31, 2013**	**10,601**	**0**	**0**	**0**	**0**	**0**
	Dec. 31, 2012	5,814	0	0	0	0	0
Total	**Dec. 31, 2013**	**143,349**	**8,566**	**143,243**	**78,026**	**90,338**	**131,683**
	Dec. 31, 2012	128,700	4,435	3,871	68,706	2,414	87,123

		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, 2013**	**202,371**	**27,474**				
Cash outflow	**Dec. 31, 2013**	**(192,279)**	**(26,503)**				
Net	**Dec. 31, 2013**	**10,092**	**971**				
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				
Forward foreign exchange contracts with negative fair value							
Cash inflow	**Dec. 31, 2013**	**104,419**	**6,478**				
Cash outflow	**Dec. 31, 2013**	**(105,799)**	**(6,512)**				
Net	**Dec. 31, 2013**	**(1,380)**	**(34)**				
Cash inflow	Dec. 31, 2012	79,610	31,337				
Cash outflow	Dec. 31, 2012	(80,539)	(31,604)				
Net	Dec. 31, 2012	(929)	(267)				
Interest rate swaps with negative fair value							
Cash inflow	**Dec. 31, 2013**	**230**	**206**	**319**	**330**	**209**	**0**
Cash outflow	**Dec. 31, 2013**	**(685)**	**(667)**	**(515)**	**(362)**	**(180)**	**0**
Net	**Dec. 31, 2013**	**(455)**	**(461)**	**(196)**	**(32)**	**29**	**0**
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)

Commodity swaps with a positive fair value will presumably lead to a net cash inflow of €22 thousand (2012: €7 thousand) within the next year. As of December 31, 2013, no commodity swaps with a negative fair value existed, therefore no net cash outflow (2012: €122 thousand) is expected 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 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 %
US-Dollar					
Derivatives	**Dec. 31, 2013**	**9,173**	**(9,173)**	**3,828**	**(3,828)**
	Dec. 31, 2012	8,982	(8,982)	4,590	(4,590)
Other financial instruments	**Dec. 31, 2013**	**(7,638)**	**7,638**	**–**	**–**
	Dec. 31, 2012	(11,386)	11,386	–	–
Total	**Dec. 31, 2013**	**1,535**	**(1,535)**	**3,828**	**(3,828)**
	Dec. 31, 2012	(2,404)	2,404	4,590	(4,590)
Japanese Yen					
Derivatives	**Dec. 31, 2013**	**1,273**	**(1,273)**	**2,216**	**(2,216)**
	Dec. 31, 2012	1,181	(1,181)	2,970	(2,970)
Other financial instruments	**Dec. 31, 2013**	**(736)**	**736**	**–**	**–**
	Dec. 31, 2012	(1,719)	1,719	–	–
Total	**Dec. 31, 2013**	**537**	**(537)**	**2,216**	**(2,216)**
	Dec. 31, 2012	(538)	538	2,970	(2,970)

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 the fair value of these financial instruments and as such are reported in the item "Financial assets 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, 2013**	**440**	**(440)**	**1,260**	**(987)**
	Dec. 31, 2012	445	(445)	1,708	(1,011)
Other financial instruments	**Dec. 31, 2013**	**(1,535)**	**1,535**	**1,381**	**(212)**
	Dec. 31, 2012	(445)	445	2,038	(619)
Total	**Dec. 31, 2013**	**(1,095)**	**1,095**	**2,641**	**(1,199)**
	Dec. 31, 2012	0	0	3,746	(1,630)

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 a 10 % commodity price change:

		Effect on profit or loss	
		Commodity price plus 10 %	Commodity price minus 10 %
Commodity hedge derivatives	**Dec. 31, 2013**	**(23)**	**23**
	Dec. 31, 2012	(313)	313

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 forecast transactions of the first six months, 60 % of the second six months, and 30 % of the last six months of the forecast transactions are hedged. Forecast transactions are only hedged to the extent that the risk related to the transaction is not neutralized by offsetting items. The volume of the hedged transactions as described above is reduced when the occurrence of the transactions is not highly probable. Currently, the maturity dates of these contracts are less than two years. Furthermore, forward foreign exchange contracts are used to hedge the foreign exchange risk attached to intercompany loans denominated in foreign currencies.

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

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, 2013 and 2012, the fair values are as follows:

		Positive fair value	Negative fair value	Total fair value
U.S. Dollar	**Dec. 31, 2013**	**1,440**	**(12)**	**1,428**
	Dec. 31, 2012	1,077	(403)	674
Japanese Yen	**Dec. 31, 2013**	**3,454**	**(226)**	**3,228**
	Dec. 31, 2012	2,796	(82)	2,714

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 2013 and 2012, respectively, the change in the fair value of €6.4 million and €4.3 million was recognized in other comprehensive income and gains of €4.0 million and expenses of €3.7 million were reclassified to net sales. In 2013, €3.3 million were recognized in other comprehensive income from the measurement of derivatives used to hedge the purchase price for the acquisition of the global rheology business from Rockwood Holdings. The amount was subsequently reclassified and capitalized in investments.

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

in thousand foreign currency units		Total nominal value	Nominal value due in 2014 (prior year: in 2013)	Nominal value due in 2015 (prior year: in 2014)
U.S. Dollar	**Dec. 31, 2013**	**50,834**	**37,264**	**13,570**
	Dec. 31, 2012	58,370	41,370	17,000
Japanese Yen	**Dec. 31, 2013**	**2,893,000**	**1,931,000**	**962,000**
	Dec. 31, 2012	2,897,000	1,786,000	1,111,000

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 semiannually. At December 31, 2013 and 2012, 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, 2013**	**0**	**(996)**	**(996)**
	Dec. 31, 2012	0	(1,651)	(1,651)

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

In 2013 and 2012, respectively, the change in the fair value of €0.6 million and €0.2 million was recognized in other comprehensive income. In 2012, income of €0.1 million was reclassified to financial income.

Fair Value Hedges

Hedging of Sales Denominated in Foreign Currencies: At December 31, 2013 and 2012, ALTANA entered into forward foreign exchange contracts with a nominal value of U.S. Dollar 7.9 million and U.S. Dollar 6.7 million and of Japanese Yen 720.0 million and Japanese

Yen 739.0 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, 2013 and 2012 the fair values are as follows:

		Positive fair value	Negative fair value	Total fair value
U.S. Dollar	**Dec. 31, 2013**	**337**	**0**	**337**
	Dec. 31, 2012	35	(183)	(148)
Japanese Yen	**Dec. 31, 2013**	**1,465**	**0**	**1,465**
	Dec. 31, 2012	349	(55)	294

In 2013 and 2012, the effect of the fair value hedge on profit or loss amounted to €-3.5 million and €4.5 million, respectively, and therefore offset the effect of the measurement of the hedged transactions.

Hedging of Commodity Purchases: As of December 31, 2013 and 2012, respectively, ALTANA hedged aluminum purchases of 150 tons and 2,000 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, 2013 and 2012, the fair values are as follows:

		Positive fair value	Negative fair value	Total fair value
Commodity hedge derivatives	**Dec. 31, 2013**	**22**	**0**	**22**
	Dec. 31, 2012	7	(122)	(115)

In 2013 and 2012, the effect on profit or loss of the hedged items was completely offset by the hedging instrument.

Hedging of Intercompany Foreign Currency Loans

In 2013, ALTANA entered into forward foreign exchange contracts with a nominal value of U.S. Dollar 341.2 million (2012: U.S. Dollar 112.0 million) and of Japanese Yen 2.1 billion (2012: 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, 2013**	**3,080**	**(316)**	**2,764**
	Dec. 31, 2012	427	(271)	156

Offsetting of Financial Instruments

Under the German Master Agreement for Financial Futures all derivative financial instruments that ALTANA has concluded are subject to offsetting agreements, which allow for offsetting in case of default by one party. In the following table the absolute potential offsetting amounts subject to offsetting agreements are presented offset with recognized financial assets as well as with recognized financial liabilities:

		Gross amount of recognized financial assets	Gross amount of recognized financial liabilities	Absolute potential offsetting amounts, not offset in the statement of financial position	Net financial asset after potential offsetting	Net financial liability after potential offsetting
Forward foreign exchange contracts	**Dec. 31, 2013**	**9,777**	**(554)**	**361**	**9,416**	**(193)**
	Dec. 31, 2012	4,684	(994)	824	3,859	(169)
Interest swap	**Dec. 31, 2013**	**0**	**(996)**	**0**	**0**	**(996)**
	Dec. 31, 2012	0	(1,651)	0	0	(1,651)
Commodity (metal)	**Dec. 31, 2013**	**22**	**0**	**0**	**22**	**0**
	Dec. 31, 2012	7	(122)	7	0	(114)
Total	**Dec. 31, 2013**	**9,798**	**(1,550)**	**361**	**9,437**	**(1,189)**
	Dec. 31, 2012	4,691	(2,767)	832	3,859	(1,935)

29. Commitments and Contingencies

Guarantees and Other Commitments

	Dec. 31, 2013	Dec. 31, 2012
Purchase commitments for intangible assets	1,391	1,397
Purchase commitments for property, plant and equipment	19,033	10,224
Guarantee for pension obligation from divestments	10,738	11,248
Other	112	0
	31,274	**22,869**

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

Rental and Lease Arrangements

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

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

	Finance lease		Operating lease	
	Dec. 31, 2013	Dec. 31, 2012	**Dec. 31, 2013**	Dec. 31, 2012
2014 (prior year: 2013)	63	3	6,002	7,861
2015 (prior year: 2014)	7	2	4,156	3,694
2016 (prior year: 2015)	0	1	2,586	2,378
2017 (prior year: 2016)	0	0	1,559	1,569
2018 (prior year: 2017)	0	0	843	761
Due thereafter	0	0	351	722
Total minimum lease payments	**70**	**6**	**15,497**	**16,985**
Less amount representing interest	7	1		
Present value of lease payments	**64**	**5**		
Less current portion	57	2		
Non-current lease obligation	**7**	**3**		

Total rent and lease expense was €11.5 million and €12.3 million for the years ended December 31, 2013 and 2012, respectively.

30. Related Party Transactions

Members of the Boards of ALTANA AG and SKion GmbH, the sole shareholder of the Company, as well as their close family members are considered related parties. Apart from the regular compensation as disclosed in note 31 and the dividends distributed to SKion GmbH no other business relationship existed.

Mrs. Susanne Klatten is the sole shareholder of SKion GmbH and deputy chairwoman of the Supervisory Board of ALTANA AG. Mrs. Klatten is also shareholder and member of the Supervisory Board of Bayerische Motoren Werke AG (BMW). In 2013 and 2012, ALTANA purchased or leased company cars from the BMW Group. The lease and purchase contracts were all concluded at arm's length.

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

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

	Dec. 31, 2013	Dec. 31, 2012
Balances due from related parties	15	75
Balances due to related parties	216	375

	2013	2012
Related party transactions		
Sales	536	459
Services and goods acquired	1,258	1,422
Lease expense	2,697	2,484

The lease expense relates to leasing contracts for company cars with Alphabet Fuhrparkmanagement GmbH (BMW Group). In 2013 and 2012, further transactions with BMW Group are included in revenues in the amount of €0.5 million and €0.4 million, 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 2013 and 2012, respectively, total compensation paid in cash to the Management Board including remuneration in kind amounted to €2.6 million and €2.4 million, of which €1.0 million and €0.9 million related to fixed compensation and €1.6 million and €1.5 million related to variable compensation. In 2013 and 2012, service cost relating to provisions for pensions amounts to €0.4 million and €0.2 million, respectively.

In 2013, the Management Board members received ALTANA Equity Performance Awards as compensation with a long-term incentive effect from the plan "ALTANA Equity Performance 2013" (AEP). In 2013 and 2012, respectively, a preliminary number of 2,289 and 3,284 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 €12.1 million and €13.2 million was recorded as of December 31, 2013 and 2012, respectively. The pension payments totaled €1.1 million in both years reported. Additionally, in 2013 an amount of €0.1 million was paid to former members of the Management Board resulting from deferred compensation items from prior years.

Additional information referring to the compensation of the Supervisory and Management Boards is given in the Corporate Governance Report (see pages 68 ff.).

32. Fees Paid to the Auditor

	2013
Audit of the financial statements	1,127
Other assurance services	245
Tax advisory services	65
Other services	207
	1,644

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

No reportable events occurred.

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

Supervisory Board of ALTANA AG

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

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

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

Dr. Anette Brüne*
(since March 20, 2013, appointed until the
Annual General Meeting 2018)
Head of Strategic Business Development
BYK-Chemie GmbH

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

Ralf Giesen*
(appointed until the Annual General Meeting 2018)
Mining, Chemical and Energy Industrial Union (IG BCE)
Other functions:
EVONIK Industries AG [1]

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

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

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

Dr. Götz Krüger*
(until March 20, 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]
Zuellig Group International [2]

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

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

Supervisory Board Committees

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

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

Audit Committee
Dr. Lothar Steinebach (Chairman)
Ralf Giesen
Armin Glashauser
Werner Spinner

Mediation Committee
(in accordance with section 27 (3) of the German Codetermination Act)
Dr. Klaus-Jürgen Schmieder (Chairman)
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 Additives, Inc. [2] (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, 2013)

	Share of capital in %	Equity[1] in € million	Earnings for the year[1] in € million	Employees
Holding				
ALTANA AG, Wesel		2,184	130	71
ALTANA Chemie GmbH, Wesel	100	1,476	0[2]	7
Additives & Instruments				
BYK-Chemie GmbH, Wesel	100	121	2[2]	789
BYK-Gardner GmbH, Geretsried	100	9	0[2]	172
BYK Additives GmbH, Moosburg	100	54	(1)	49
BYK-Cera B.V., Deventer (NL)	100	65	9	135
BYK Additives Ltd., Widnes (GB)	100	51	0	96
BYK Additives Inc., Gonzales (U.S.)	100	345	0	191
BYK USA Inc., Wallingford (U.S.)	100	39	6	199
BYK Japan KK, Tokyo (J)	100	7	0	54
BYK (Tongling) Co. Ltd., Tongling (CN)	100	20	3	46
Effect Pigments				
ECKART GmbH, Hartenstein	100	438	(18)[2]	1,434
ECKART Suisse SA, Vétroz (CH)	100	68	3	42
ECKART Italia Srl a Socio unico, Rivanazzano (I)	100	10	0	13
ECKART America Corp., Painesville (U.S.)	100	28	5	215
ECKART Asia Ltd., Hong Kong (CN)	100	25	7	26
Electrical Insulation				
ELANTAS Beck GmbH, Hamburg	100	32	0[2]	133
ELANTAS Italia s.r.l., Collecchio (I)	100	110	7	230
ELANTAS PDG Inc., St. Louis (U.S.)	100	55	8	175
ELANTAS Beck India Ltd., Pune (IND)	78	23	2	194
ELANTAS (Tongling) Co. Ltd., Tongling (CN)	100	66	13	97
ELANTAS (Zhuhai) Co. Ltd., Zhuhai (CN)	100	49	8	86
Coatings & Sealants				
ACTEGA Colorchemie GmbH, Büdingen	100	39	(1)	96
ACTEGA DS GmbH, Bremen	100	6	0[2]	137
ACTEGA Rhenania GmbH, Grevenbroich	100	15	0[2]	136
ACTEGA Terra GmbH, Lehrte	100	8	0[2]	136
ACTEGA Rhenacoat SAS, Sedan (F)	100	8	0	49
ACTEGA Artística S.A.U., Vigo (E)	100	14	2	42
ACTEGA Kelstar Inc., Cinnaminson (U.S.)	100	36	0	101
ACTEGA WIT Inc., Charlotte (U.S.)	100	29	4	154

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

Multi-year Overview

Key figures at a glance

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

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

Sales by division

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

Sales by region

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

Change in country allocation as of 2012.

Contact

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

Credits

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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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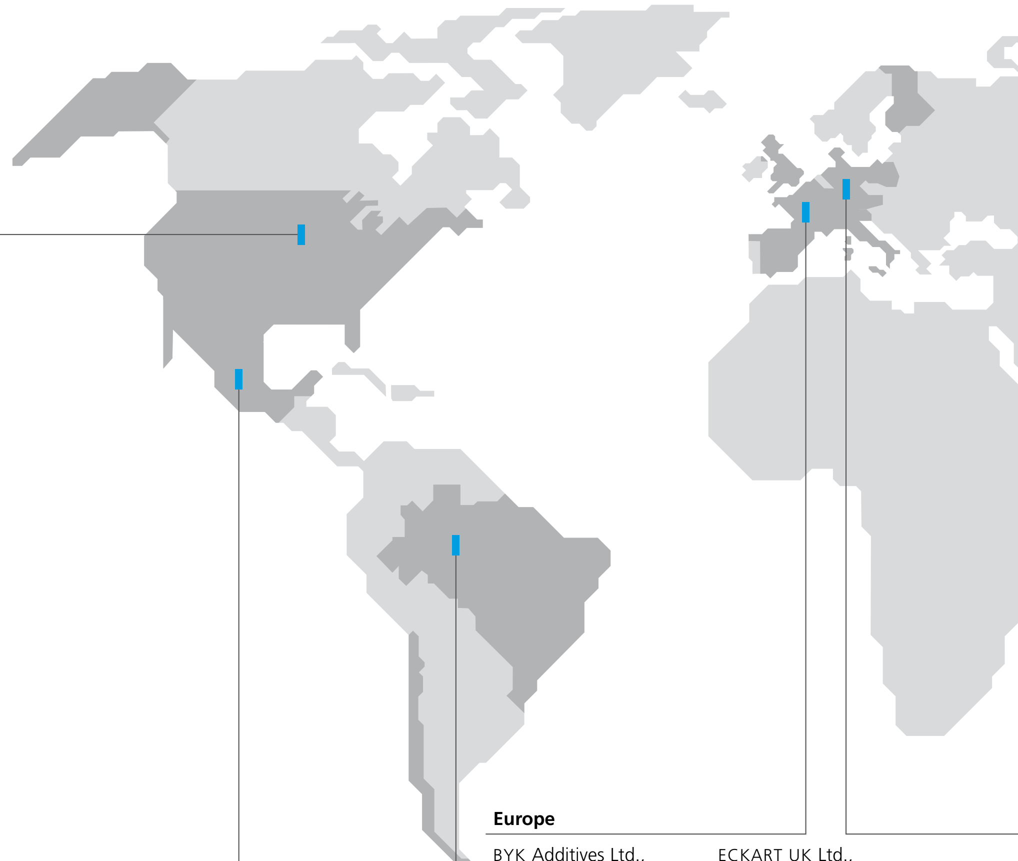
Overview of ALTANA locations



U.S.

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

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

BYK Gardner USA,
Columbia, MD
■ 100 %

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

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

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

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

Central America

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

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

South America

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

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

Europe

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

BYK-Cera B.V.,
Deventer (NL)
■■ 100 %

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

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

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

ECKART Pigments KY,
Pori (FI)
■ 100 %

ECKART Suisse SA,
Vétroz (CH)
■ 100 %

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

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

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

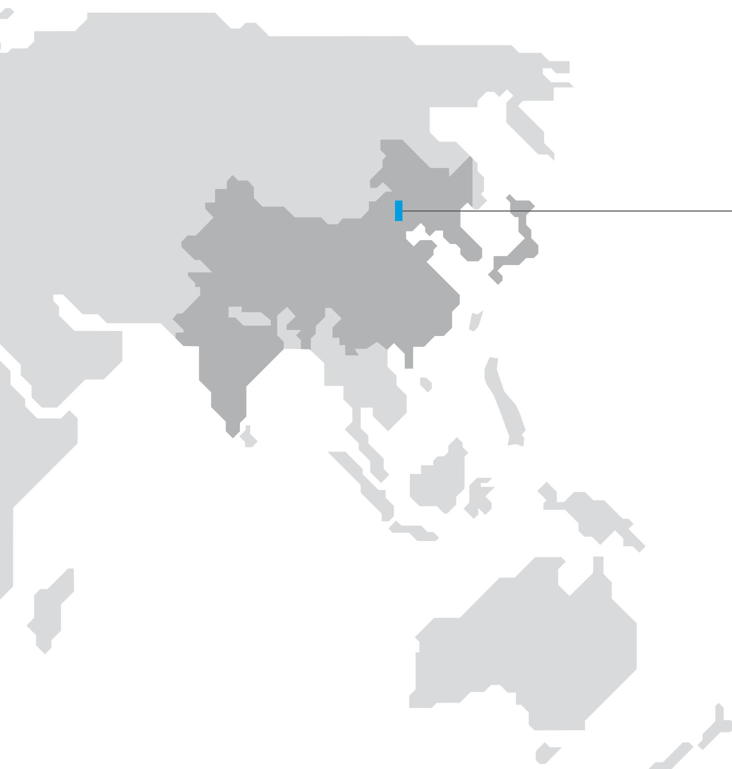
ACTEGA Colorchemie
France Sarl, Henriville (F)
■■ 100 %

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

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

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

as of December 31, 2013



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)
■ ■ 78 %

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 Additives GmbH,
Moosburg
■ ■ 100 %

BYK-Gardner GmbH,
Geretsried
■ ■ 100 %

BYK Kometra GmbH,
Schkopau
■ ■ 100 %

ELANTAS Beck GmbH,
Hamburg
■ ■ 100 %

ACTEGA Colorchemie GmbH,
Büdingen
■ ■ 100 %

ACTEGA DS GmbH,
Bremen
■ ■ 100 %

ACTEGA Rhenania GmbH,
Grevenbroich
■ ■ 100 %

ACTEGA Terra GmbH,
Lehrte
■ ■ 100 %

Sales ■ Production ■

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

www.altana.com

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