

# Business Principles and Success Story





## Business Principles



## Our profile

### **Specialty chemicals**

The name ALTANA represents a global specialty chemical group. It comprises the holding company ALTANA AG and four operating divisions: BYK Additives & Instruments, ECKART Effect Pigments, ELANTAS Electrical Insulation, and ACTEGA Coatings & Sealants. We have currently 31 production facilities and 45 application and research laboratories worldwide.

The group of companies with global operations has its headquarters in the German town of Wesel on the Lower Rhine. Foreign business accounts for 83% of its total turnover. The four divisions within the ALTANA Group all occupy a leading position in their target markets with respect to quality, product solution expertise, innovation and service. Products made by companies in the ALTANA Group are sold in over 100 countries worldwide and their quality has earned us an outstanding reputation amongst our customers as a valuable partner, both nationally and internationally.

ALTANA develops, produces and sells high-quality innovative products in the specialty chemicals business. ALTANA offers innovative, environmentally compatible solutions with the matching speciality products for coating manufactures, paint and plastic processors, the printing and cosmetic industries, and the electrical and electronic industry. The product range includes additives, special coatings and adhesives, effect pigments, sealants and compounds, impregnating resins & varnishes, and testing and measuring instruments. Our strength lies in offering differentiated solutions and specialty products that create added value for our customers and our company.

# Our origins and tradition

## **The spirit of research and entrepreneurship**

The spirit of research and entrepreneurship pervades our corporate culture at ALTANA. Our company's roots go back to the late 19th century, which was characterized by a mood of excitement about the future. In 1873 a young entrepreneur called Heinrich Byk set up a chemical factory in Berlin, which became the foundation stone for the Byk Gulden Company. Only three years later, in 1876, Carl Eckart founded a small gold-beating company in the southern German town of Fürth, and this became the foundation stone for the ECKART group.

During the hard years of World War II, which threatened the existence of the company, Byk Gulden reached a crucial turning point in its development. The entrepreneur Günther Quandt took over as manager and added Byk Gulden to his corporate group. In 1977, as a consequence of the split of Varta AG, ALTANA was formed under the leadership of Herbert Quandt and listed on the stock exchange as an independent company.

The majority of the shares in ALTANA are owned by Susanne Klatten, daughter of Herbert Quandt, so in this sense the company is still largely owned by the family. Our shareholder structure offers employees and customers security and continuity – which is an important requirement for sustainable, long-term business success. Firm roots make a stabilizing anchor in the tough international competition. And they are an advantage when the global markets demand speed and the willingness to make changes.



### **Long-term planning and responsible action**

Our company's management principles include an entrepreneurial mentality and the corresponding scope for action, long-term orientation, decentralization, efficiency and involving the employees in the success of the company. Thinking and acting as entrepreneurs means "making decisions," "shaping," "taking responsibility" and "developing." To make it possible for the ALTANA employees to assume this type of responsibility, we offer them jobs with a wide variety of tasks and as much room for development as possible.

As a company we are aware of our responsibility to society at large. We play an active role in this area and in educational and research projects.

### **Highly qualified and motivated employees**

Our success as a business ultimately depends on our employees. Their commitment (including activities outside the company), their accountability and their creativity are responsible for the image of ALTANA both within the company and in the outside world. Our wide range of training courses and our remuneration scheme based on performance and results motivate our staff to think and act as entrepreneurs.



# Our management principles

We want open and intensive communication of goals, strategies, procedures and background information.

We want our managers to be entrepreneurs. They have extensive powers to act as such. However, they also bear the entrepreneurial responsibility for achieving agreed goals and the continued successful development of the business.

Our company follows the principles of delegation and decentralized management. This means that competencies should be centralized as little as possible, but as much as necessary.

We work together in a team. The responsibility for the result, however, always rests with one single person.

An important part of management is a culture of asking questions such as "why?" This includes actively asking questions about the actions of employees and managers, and always allowing others to question one's own work.

We expect our managers to set an example within our organization by being aware of their social responsibility and by putting our values into practice.



## Our values

### **Responsibility for people and nature**

As an innovative company we are aware of our responsibility when we apply new scientific findings for commercial use. When we apply our knowledge we try to weigh up the opportunities and the risks in a dialog with both scientists and the general public. We regard protection of our natural life-support systems as exceptionally important all around the world. ALTANA works hard to make sure that its production is as sustainable as possible, resources are preserved, and the burdens on the environment kept to the minimum.

We believe it is important to have openness and a working atmosphere based on mutual respect in our company. We put health and safety at work before economic issues. When any action is taken, we have to be aware of its impact on the environment, and this is not only a duty that benefits society, but also an important requirement for maintaining our profitability and competitiveness. For this reason we promote environmental awareness among our employees and encourage them to treat resources responsibly.

### **Fairness and tolerance**

Everything we do is intended to be based on a fair and lasting partnership. We meet our competitors on the basis of fairness, with all players keeping to the rules of the market. We observe the laws and customs



of the countries where we are active. We are in favor of equal opportunities and we oppose all forms of discrimination, whether on grounds of sexual identity, ethnic origin, political and religious views, disability or age. Our corporate culture is characterized by open-mindedness, honesty, mutual respect, ability to accept criticism, tolerance and a positive basic attitude.

## **Quality**

The high quality of our products and services is crucial for satisfying our customers and our shareholders. We integrate the latest and best technologies into our work processes for the purposes of optimization and quality assurance. We cooperate closely with scientific institutes and universities.

## **Transparency**

We seek dialog with investors, media partners and the public. Our employees and their elected representatives in the company regularly receive information about the development of our company, the status of our work and important decisions. We know that a company's value does not depend solely on economic indicators. Other factors are a good reputation and above all credibility.



## Our goals

### **Customer orientation**

Developing our markets and paying attention to the needs of our customers are definitely top priority in everything that we do. We want to offer our customers comprehensive solutions to their needs. We base these solutions on high-quality products that we have developed ourselves, in combination with technical consultation and service.

### **Leading market position**

We want to establish and constantly expand the leading positions we hold on our markets by building on innovation, quality and service. Therefore an important component of our business model is not only being close to our customers but also a globally oriented service mentality when dealing with our customers.

### **Global presence**

In order to realize the desired growth in turnover and profits, we exploit the opportunities presented by globalization and in particular we are expanding our foreign business. We want to continue to expand our presence in our global target markets and ensure that we can be close to our customers around the world.

## **Innovation**

Innovative products are essential for sustainable growth and for opening up new markets. We are therefore increasing our investment in research and development. We enlarge our product portfolio and our range of services by adding our own developments and through acquisitions and cooperative projects with other companies, universities and scientific institutes. Innovation is the driving force for our growth and will remain so.

## **Sustainable growth**

It is our declared aim to continually raise our turnover and operating result by more than the average for our industry, and to make shares in ALTANA an attractive long-term investment. Our shareholders should receive an attractive return on the capital invested.



**ALTANA**

**BYK**  
Additives & Instruments

**ELANTAS**  
Electrical Insulation



**ACTEGA**  
Coatings & Sealants

**ECKART**  
Effect Pigments

Success Story

## **Success comes from being a market leader**

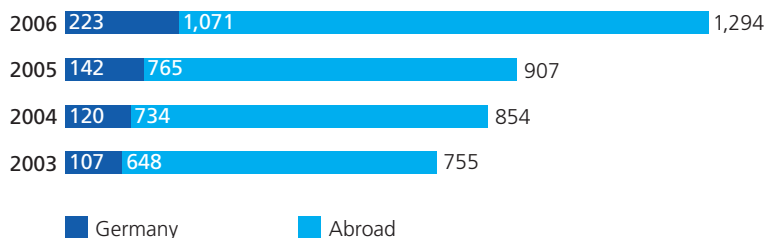
ALTANA develops and manufactures high-quality, innovative products in the specialty chemicals business. The company has four divisions: BYK Additives & Instruments, ECKART Effect Pigments, ELANTAS Electrical Insulation and ACTEGA Coatings & Sealants. Each of them occupies a leading position on its target market with respect to quality, product solution expertise, innovation and service. The product range includes additives, special coatings and adhesives, effect pigments, sealants and compounds, impregnating resins & varnishes and testing and measuring instruments. We offer our customers innovative, environmentally compatible solutions with the matching specialty products for coating manufacturers, paint and plastics processors, the printing and cosmetics industries, and the electrical and electronics industry.

## **We keep setting new goals**

All around the world ALTANA stands for unique, individual solutions appropriate to the market – and thus for a unique success story. We keep on making our goals more and more ambitious, so that we are always improving. This has worked in the past and we want to continue this successful approach in the future. In 2006 ALTANA pushed up its revenue by 43% and increased its annual turnover to around EUR 1.3 billion. The EBITDA (earnings before interest, taxes, depreciation and amortization) of the chemical's division rose by 45% and came to EUR 237 million in 2006.

We aim to be the market leader in all our target markets anywhere in the world and also to achieve a permanent increase in our turnover and operating result in the future. As a listed specialty chemicals company we want to maintain our dynamic growth and increase the value of our company for customers, shareholders and employees.

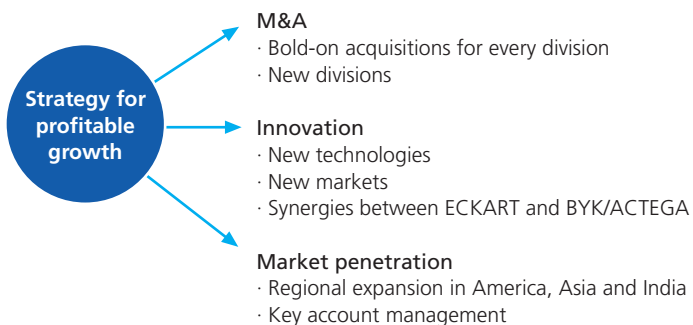
### Turnover Division Chemicals (in EUR million)



### Operating results / EBITDA Division Chemicals (in EUR million)



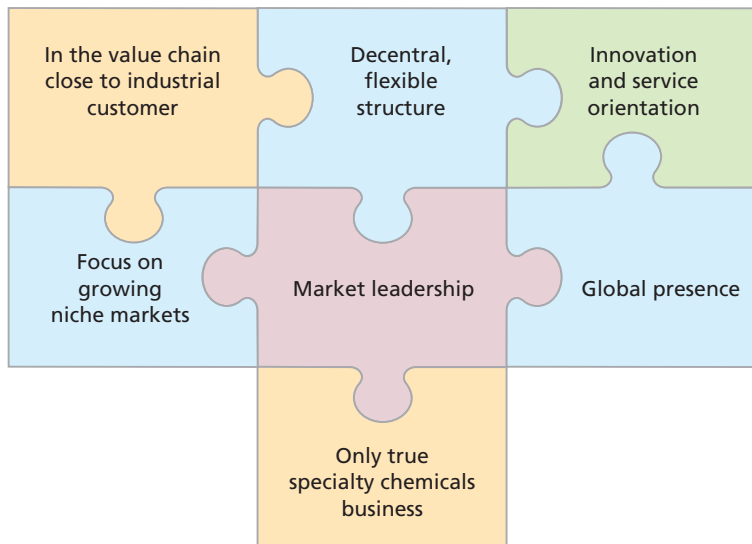
### ALTANA: Three pillars of growth





## Yardstick: the top model from Wesel

ALTANA has created a business model ensuring the greatest flexibility and efficiency in its international operations. It is centered on the following success factors:



### Clear value-added specialty strategy

- High contribution margin
- High spending for R&D and service capabilities
- Significant share of sales from new products
- Low capital intensity

### Strategy development and active portfolio management

- To move all businesses into target range and to expand beyond existing divisions

The ALTANA business model is based on consistent orientation on specialty products with a high level of value-added in growing niche markets, a significant share of turnover coming from new products, and high levels of input into research and development. On top of this there is also active portfolio management with selective acquisitions and divestments, so that all units are managed profitably and create value, and new areas of business are established.

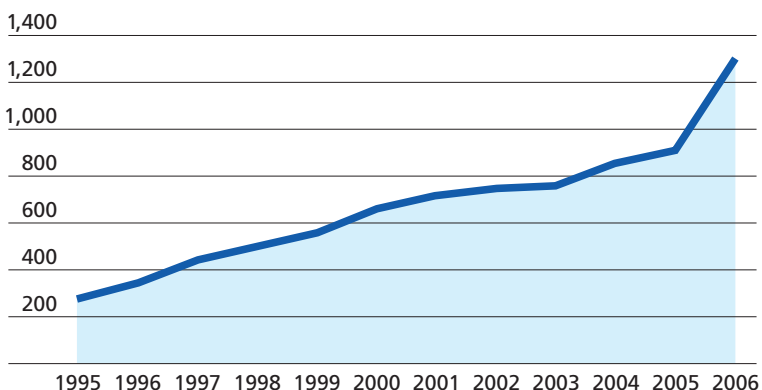
Our four divisions within the ALTANA Group stand for flexible entrepreneurial structures and rapid decision-making paths.



## Goal-oriented growth

The ALTANA specialty chemicals business is characterized by continual sustainable, above-average growth in both turnover and operating result.

### Sales (in EUR million)



- ALTANA began in Wesel in 1962 with 12 employees generating a turnover of EUR 0.2 million in the additives business.
- In 2006 turnover rose to EUR 1.3 billion and the workforce to 4,484 employees.

In addition to the exceptionally high organic growth, around 30 successful acquisitions since 1989 have made a major contribution to the success of the Group. We have systematically worked our way into leading positions on international markets by concentrating on innovation, quality and service.

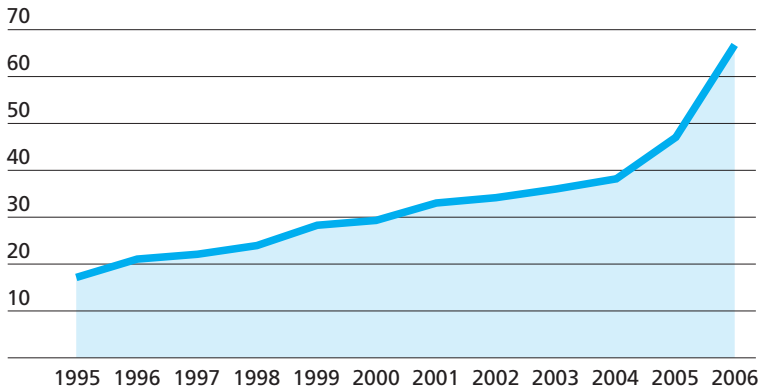
In the future, too, we will continue to pursue our consistent growth strategy and further increase the value of our company to customers, shareholders and employees, by means of targeted acquisitions, sustained high investments in innovations, and constant market penetration. We also want to access markets for new applications and expand business with our customers. The above-average expenditure on research & development amounting to over 5 per cent of total turnover is a trade-mark of a specialty business and guarantees our customers and the company top positions on our target markets.

## **Innovations**

Close cooperation with customers, suppliers, universities, research institutes and consultants guarantees us access to the latest technologies, which we put into practice in cooperation with leading users. In 2006 ALTANA made a total of 28 patent applications and launched 127 new products onto the market.

Our innovation projects lead to market-oriented products faster and more often because we are so closely in touch with our markets and customers, and because of our increasing investments and expenditure on research and development, an innovation-friendly culture, well-qualified and highly skilled work teams and high-quality R&D equipment. Around 15% of all ALTANA employees worldwide work in research & development. In 2006 alone, the number of people employed in this area rose by 14%.

### Investments in research & development (in EUR million)



- Investment in R&D currently lies at 5% of sales
- Short term target: R&D approx. 6% of sales
- Investment in R&D doubled within 10 years
- 15% of total workforce worldwide in R&D
- Focus on development

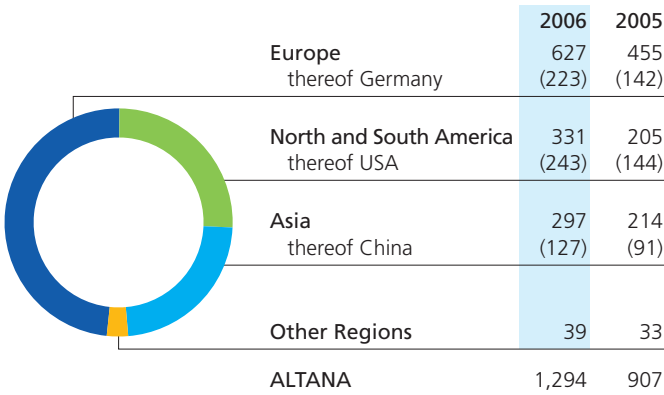
- **Effective generation of marketable products**
- **Our way to avoid commoditization**

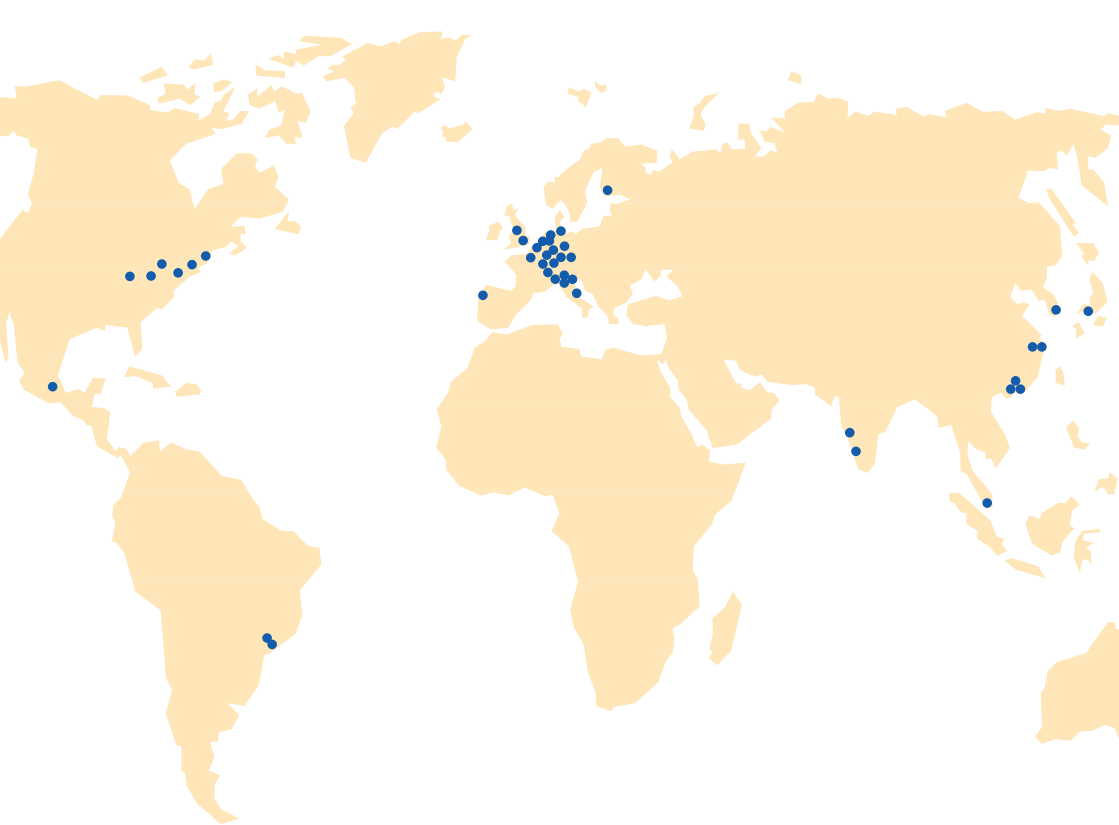
The interface between the customer and the research scientist is provided by our 45 application and research laboratories. They are equipped so that we can offer our customers not only comprehensive technical local backup, but can also carry out tests under real-life conditions – a clear service benefit and one valued by our customers.

### International structure

ALTANA AG has its headquarters in the German town of Wesel on the Lower Rhine. In terms of turnover, employees and facilities, the regional structure of ALTANA is similar to that of its sales markets. In all areas of business the highest growth rates are recorded in Asia.

### Sales by region (in EUR million)





## **Environment and safety**

At ALTANA safety, and the protection of human beings and the environment, have the highest priority. We are proud that throughout our corporate history we have never had serious accidents or caused any significant environmental damage. We work intensively to ensure that the situation will stay this way in the future despite growth both in business and in the size of our workforce. (For more information, read our Environmental Report available at [www.altana.com/order](http://www.altana.com/order).)

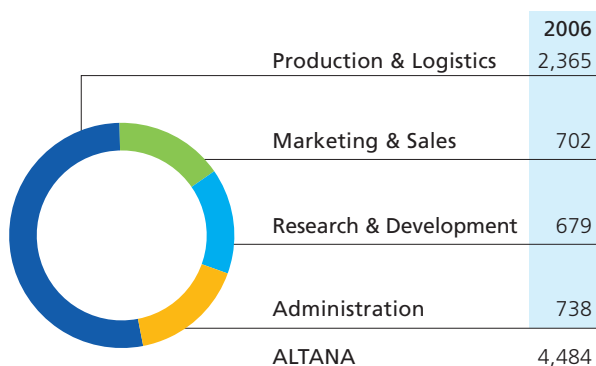


## Success due to our employees

The key to our success does not appear anywhere in our accounts. In fact it is always a company's employees that are the main factor determining its business results. At ALTANA we have exceptionally highly motivated, committed and qualified staff, who are our true capital. They apply their knowledge of innovative technologies, worldwide markets, technical applications and processes precisely where it is needed.

Now around 4,500 people around the world work on the products and services of the ALTANA Group every day. In 2006 every member of staff, on average, generated turnover of about EUR 300,000, which is excellent compared to the rest of the industry. Furthermore, the extremely low fluctuation of staff (less than one per cent) indicates the high degree to which our employees identify with the company and with its goals and values.

### Employees by area of operation



# Divisions

Within the ALTANA Group, business activities are arranged in divisions with responsibility for the business results: BYK Additives & Instruments, ECKART Effect Pigments, ELANTAS Electrical Insulation and ACTEGA Coatings & Sealants.

## ALTANA

### **BYK Additives & Instruments**

- Paint Additives
- Plastic Additives
- Measuring and Testing Instruments

### **ECKART Effect Pigments**

- Coatings
- Graphic Arts and Printing Inks
- Cosmetics
- Plastics
- Technical Applications

### **ELANTAS Electrical Insulation**

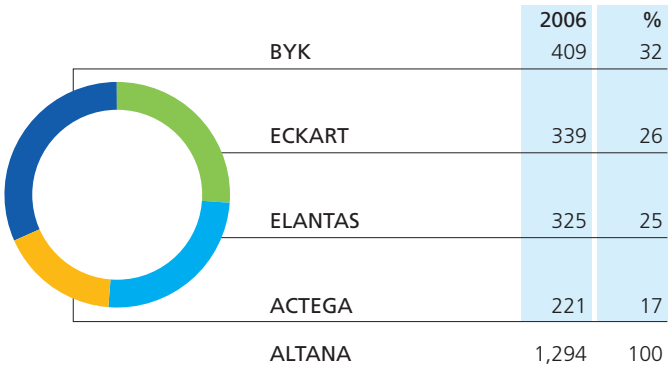
- Primary Insulation
- Secondary Insulation
- Electronic and Engineering Materials

### **ACTEGA Coatings & Sealants**

- Converting Specialties
- Graphic Arts

The companies in the ALTANA Group are represented on all five continents. This means that in all regions our products and services are very close to our customers. In addition, we believe that being close to customers means more than just being available – our key positions staffed by local employees mean that we speak the language of our customers and are thus in a better position to react more quickly to their individual wishes. Furthermore, the regional knowledge of the markets and conditions enables us to react flexibly to changes. This means that we can grow locally together with our customers and are equipped to face future challenges.

**Sales by division (in EUR million)**



**Additives & Instruments:**

**Success through innovation, service and customer orientation**

BYK stands for the globally successful Division Additives & Instruments of the ALTANA Group. It includes the additives made by BYK-Chemie and the instrument business of BYK-Gardner.

Around the world, the additives of BYK ensure that coatings and plastics obtain precisely the desired properties and the correct quality. Applied in very small quantities they improve the quality, production and processability of coatings and plastics. As the optical appearance of surfaces becomes increasingly significant, devices for measuring such properties as gloss and color are needed. The testing and measuring instruments of BYK-Gardner can determine the exact quality of the color, gloss and physical properties of paint and plastic products, which is especially important for quality control in the paint and plastics industry.





In 2006 the Division Additives & Instruments employed 1,052 people and achieved sales of EUR 409 million. Around 86 per cent of its sales is generated outside Germany. Major foreign markets are the neighboring European countries, the USA and the Far East.

[www.byk.com](http://www.byk.com)



**Effect Pigments:**  
**Brilliant and innovative solutions with metallic and pearlescent effect pigments**

Within the ALTANA Group ECKART stands for the development, production and marketing of metallic effect and pearlescent pigments. These tiny metallic or glittering particles, which are not soluble in binding or thinning agents, are responsible for the special optical effects in paints and coatings.

The Division Effect Pigments has a total of seven production facilities in five countries in Europe and the USA. Another facility is being set up at this time in China. The ECKART Group supplies over 70 countries with effect pigments. These products lend special high gloss and brilliance to paints, printing inks or cosmetics.







The product range includes aluminum, pearlescent and PVD pigments, metallic pigment coatings, gold-bronze and zinc pigments and even press-ready metallic printing inks. ECKART pigments are widely used, for example, in the automobile industry and also for other types of paint and coatings. The plastics industry uses them, among others, as dye pigments. In the manufacture of lightweight concrete these pigments serve as a propellant.

In the year 2006 the ECKART Group employed around 1,800 people worldwide, achieving sales of EUR 339 million. In the future its growth will be propelled mainly by the development of innovative technologies.

[www.eckart.net](http://www.eckart.net)





**Electrical Insulation:**

**Focus on the global electrical and electronics industry, global market leader in primary and secondary insulation**

The Division ELANTAS Electrical Insulation within the ALTANA Group produces insulating materials for the electrical and electronics industry. They are found in electric motors, household appliances, cars, generators, transformers, capacitors, TV sets, wind mills, computers, lamps, circuit boards and sensors, and help to ensure that design engineers can construct ever-smaller and more powerful electronic devices, thus saving materials and energy.





Owing to consistent research and development, continual development of insulating materials and processes, and the fact that ELANTAS has production facilities around the world, the company has established a leading international position for itself and is the world's leading manufacturer of wire enamels, trickle resins and casting materials. This makes the division the preferred supplier for the electrical insulation industry and the main supplier to large international customers.

The division serves the markets through three business lines: "Primary Insulation" supplies the enameled wire industry, "Secondary Insulation" supplies applications in which the enameled wire winding is insulated and stabilized mechanically, and "Electronic & Engineering Materials" mainly supplies applications that embed or completely encapsulate electrical components.

The company is run as a holding company headquartered in the German town of Wesel and has nine independent manufacturing companies in all major regions of the world. In 2006 ELANTAS employed a total workforce of 883 and achieved sales of EUR 325 million.

[www.elantas.com](http://www.elantas.com)

**Coatings & Sealants:  
Concentration on packaging**

The Division ACTEGA Coatings & Sealants develops and produces specialty coatings and sealants for the packaging and graphic arts industry. These products not only give materials such as paper, paper board, plastic and metal their fixed and attractive appearance, but also give them clearly defined chemical and physical properties.

The main customer for the products developed, manufactured and sold by ACTEGA is the packaging industry. ACTEGA is the market leader in overprint varnishes and the technological leader in coatings for flexible packaging, a high-growth sector. ACTEGA products guarantee not only that the packaging will look appealing, but also that the contents remain fresh for longer.

ACTEGA is already the world's leading supplier of sealants for closures and glass containers; in the case of water-based sealing compounds for





cans ACTEGA leads the field in technology. These products are used to make seals between the contact surfaces, such as glass on metal (bottle closures) or metal on metal (can ends). They ensure that the contents and other substances such as CO<sub>2</sub> remain inside the packaging, and any contaminants remain outside.

The two business lines „Graphic Arts“ and „Converting Specialties“ add to the Group’s success by contributing about 47 and 53 per cent of turnover respectively. In 2006 ACTEGA employed a workforce of 655 and achieved sales of EUR 221 million. The division consists of eight companies each with a different product portfolio.

[www.actega.com](http://www.actega.com)



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