ALTANA

Annual Report 2011

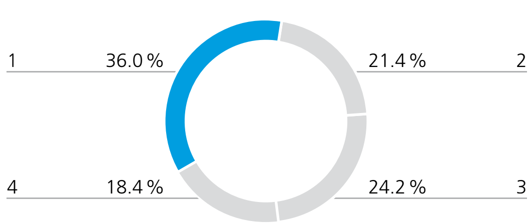
Group Profile 2011

ALTANA and its divisions

ALTANA

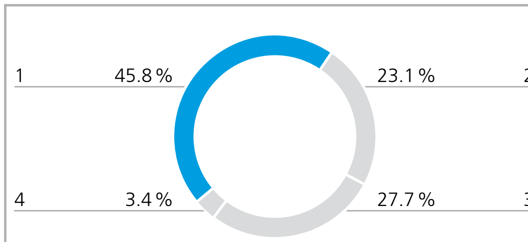
BYK Additives & Instruments | ECKART Effect Pigments | ELANTAS Electrical Insulation | ACTEGA Coatings & Sealants

Sales by division



in € million	**2011**
1 BYK Additives & Instruments	581.9
2 ECKART Effect Pigments	346.8
3 ELANTAS Electrical Insulation	390.9
4 ACTEGA Coatings & Sealants	297.0
Total	**1,616.7**

Sales by region



in € million	**2011**
1 Europe	740.8
2 Americas	373.3
3 Asia	447.7
4 Other regions	54.9
Total	**1,616.7**

Key figures at a glance

in € million	**2011**	2010	Δ %
Sales	1,616.7	1,535.4	5
Earnings before interest, taxes, depreciation and amortization (EBITDA)	308.0	314.1	-2
EBITDA margin	*19.1%*	*20.5%*	
Operating income (EBIT)	217.0	230.2	-6
EBIT margin	*13.4%*	*15.0%*	
Earnings before taxes (EBT)	207.7	218.2	-5
EBT margin	*12.8%*	*14.2%*	
Net income (EAT)	147.5	152.3	-3
EAT margin	*9.1%*	*9.9%*	
Research and development expenses	87.7	82.0	7
Capital expenditure on property, plant and equipment and intangible assets	93.5	73.8	27
Cash flow from operating activities	170.0	238.6	-29
Return on Capital Employed (ROCE)	*11.2%*	*12.2%*	

in € million	**Dec. 31, 2011**	Dec. 31, 2010	Δ %
Total assets	2,001.9	1,943.6	3
Shareholders' equity	1,417.1	1,364.2	4
Net debt (-)/Net financial assets [1]	(26.8)	79.7	<-100
Headcount	5,313	4,937	8

[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,

The past business year 2011 was characterized by constantly changing economic conditions. While the first half of the year picked up on and continued the momentum from the excellent business year 2010, in the second half the economic growth weakened significantly. Results were also burdened by the strongly increased raw material prices. On the whole, however, ALTANA had a satisfactory business year.

2011 showed us once again that global economic cycles are following one another faster and less predictably. At present, long-lasting periods with stable economic conditions are not in sight. Rather, we can assume that, against the background of high public debt in many industrial countries and the resulting volatility on the financial markets, unsettled times will be the rule rather than the exception for the real economy too.

For ALTANA, this makes long-term planning of the developments in the specialty chemicals markets relevant to us quite difficult. In this environment, we are therefore prepared – if necessary, even at short notice – to react with resolved countermeasures in case the demand and thus the business development deviates from the planned path.

This shows the advantage of our business model. On the one hand, on account of our decentralized structure and proximity to our worldwide specialty chemicals markets, we are in a position to react very quickly and flexibly to all current developments and customer requirements.

On the other hand, our business model, with its wide range of products and services and relatively low dependence on individual industries, customers, or regions, provides us with a cushion in times of economic fluctuations. Thus, we combine our leading position in numerous markets with agility, geographical proximity to our customers, and tailor-made customer solutions in the best sense. Our long-term strategy, which is geared to sustained and value-oriented growth, makes us a reliable partner and is therefore a significant strength in the competitive environment.

“SUSTAINABLE ECONOMIC VALUE CREATION IS THE KEY TO OUR COMPANY’S FURTHER SUCCESS.”

Martin Babilas, Chief Financial Officer; **Dr. Matthias L. Wolfgruber**, Chief Executive Officer

In the business year 2011, our corporate values and the issue of value management, in particular, were a continual internal focus for us.

Sustainable economic value creation is the key to our company's further success. This includes achieving with our business an attractive return on the capital employed. As a benchmark for value creation, we developed the ALTANA Value Added (AVA). It represents the net operating profit after tax less capital costs.

In 2011, we began training selected managers worldwide intensively regarding the methodology of the AVA and the degree to which it can be influenced. The basic idea of this broad-based internal project was – in addition to providing expert training – to sensitize especially those employees to the AVA control levers, who do not deal with this issue on an everyday basis. In particular, we illustrate to them that we make our decisions from a long-term, value-oriented perspective. In the two coming business years, we plan to implement these training measures for a total of some 500 employees.

Value creation and economic success are ultimately based on people and their values, such as trust and appreciation. Only when companies adhere to ethical and moral principles credibly and emphatically can economic and ideational values culminate in the same joint and overriding goal: the long-term increase in ALTANA's economic success.

Based on our traditional values and the incorporation of all cultures and regions in our company, we have formulated guiding principles with the "ALTANA Identity," that clearly define our strategy, our self-understanding, and our values. These guiding principles are supplemented by leadership guidelines that describe every manager's responsibilities in dealing with their employees. Together, these documents form a binding, concrete guideline for our daily interaction and a strong reliable basis for our company's further successful development.

Ladies and Gentlemen, the world is currently undergoing not only a radical political and economic transformation, but also a technological one. The business year 2011 was indeed especially characterized by this.

The chemical industry will play a decisive role in mastering the challenges of the future. This particularly applies to ALTANA as a specialty chemicals company. In many future-oriented developments our products and innovations are making a decisive contribution to technological progress and the attainment of various sustainability goals, for example in mobile communications, transport, energy generation, protection of foodstuffs, and the manufacture of new, lighter materials.

You can find information about our diverse "green" activities, whether as an independent product or as a supplier to sustainable industries, in the magazine section of this annual report with a number of concrete examples. In addition to our proven products and services, new and innovative technologies and new spheres of activity ensure that we will continue to be successful.

A prerequisite for this goal is our strong focus on research and development. In the last business year, we continued to expand our laboratory capacities worldwide. At the Wesel location, our largest research building Group-wide was completed, setting new standards. In the future, we will continue to further strengthen and extend our leading technological position.

We would like to thank our employees for their contributions and great dedication in the business year 2011. In addition, we extend our gratitude to the members of the Supervisory Board for their constructive support and trust in ALTANA's work. We look forward to new challenges in these exciting times.

Dr. Matthias L. Wolfgruber
Chief Executive Officer

Martin Babilas
Chief Financial Officer

The Management Board

Dr. Matthias L. Wolfgruber
Chief Executive Officer

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

Martin Babilas
Chief Financial Officer

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

The Executive Management Team

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

(in alphabetical order)

Jörg Bauer
Vice President Human Resources

Dr. Guido Forstbach
President Division Coatings & Sealants

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

Dr. Roland Peter
President Division Additives & Instruments

Dr. Christoph Schlünken
President Division Effect Pigments

Dr. Wolfgang Schütt
President Division Electrical Insulation

Dr. Georg F. L. Wießmeier
Chief Technology Officer

The Supervisory Board

Dr. Fritz Fröhlich
Chairman

Ulrich Gajewiak[1]
Deputy Chairman

Susanne Klatten
Deputy Chairwoman

Dr. Helmut Eschwey

Ralf Giesen[1]

Armin Glashauser[1]

Olaf Jung[1]

Klaus Koch[1]

Dr. Götz Krüger[1]

Dr. Klaus-Jürgen Schmieder

Werner Spinner

Dr. Carl Voigt

Details on the corporate bodies can be found on page 139f.

[1] Employee representative

Report of the Supervisory Board

The Supervisory Board closely followed the work of the Management Board in the 2011 business year and dealt with the situation and development of the company as well as with other special issues. The Supervisory Board was regularly informed about the state of affairs of the company through oral reports and documents on the discussed agenda items in its meetings, as well as through regular written reports. Between Supervisory Board meetings, the Chairman of the Management Board informed the Chairman of the Supervisory Board about significant developments and events and discussed pending or planned decisions with him. The Supervisory Board was involved in all major company decisions.

Meetings of the Supervisory Board

In the four regular Supervisory Board meetings held in 2011, the economic situation and the development perspectives of the Group, as well as important business events, were discussed in detail. In addition to the regular reports on sales, earnings, and financial data, the Supervisory Board addressed the strategy of ALTANA and its individual divisions. Further focal points of the Supervisory Board's work were, among other things, innovation and research, as well as procurement strategies. In its December meeting, the Supervisory Board dealt in depth with the corporate planning for the next years, the budget for 2012, and with corporate governance issues.

Meetings of the Committees

The Human Resources Committee met once in 2011. The Audit Committee met twice in the year under review. In the presence of the auditor as well as the Chief Executive Officer and the Chief Financial Officer, it dealt with the annual financial statements of ALTANA AG and the ALTANA Group. 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 occupied itself with the identification and monitoring of risks in the Group, with the work of its internal auditing, as well as with ALTANA's Compliance Management System. The Mediation Committee, established in accordance with section 27 (3) of the German Codetermination Act, did not convene in the business year 2011.

Annual Financial Statements

The annual financial statements of ALTANA AG, the consolidated financial statements for the year ended December 31, 2011, and the management report, as well as the Group man-

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

agement report were audited by PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft which was appointed by the Annual General Meeting and engaged by the Audit Committee of the Supervisory Board, and they issued an unqualified audit opinion in each case. The system for early risk recognition set up for the ALTANA Group pursuant to section 91 of the German Stock Corporation Act was audited. The examination revealed that the system properly fulfills its function.

The financial statement documentation, the annual report, and the reports of PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft on the audit of the annual financial statements and of the consolidated financial statements, as well as the Management Board's proposal for the distribution of the profit, were made available to all Supervisory Board members. The Audit Committee of the Supervisory Board dealt extensively with this documentation. The Supervisory Board plenum inspected the documentation and dealt with it in depth at its balance sheet meeting in the presence of the auditor, who reported on the main results of the examination. The Supervisory Board is in agreement with the findings of the audit and has no grounds for objection following its final examination. At its meeting on March 15, 2012, the Supervisory Board approved the annual financial statements and consolidated financial statements prepared by the Management Board. The annual financial statements are thereby adopted. The Supervisory Board evaluated the Management Board's proposal for the distribution of the profit and is in agreement with its recommendation.

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

The Management Board prepared a report in accordance with section 312 of the German Stock Corporation Act on relations with affiliated companies for the financial year 2011. 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

The ordinary Annual General Meeting again elected Dr. Klaus-Jürgen Schmieder to be a member of the company's Supervisory Board. The Supervisory Board again appointed him Chairman of the Audit Committee. There were no further personnel changes in the Supervisory or Management Boards in 2011.

The Supervisory Board would like to thank the members of the Management Board, the company's management, as well as all employees of the ALTANA Group for their efforts and commitment in the business year 2011.

Wesel, March 15, 2012

For the Supervisory Board

Dr. Fritz Fröhlich
Chairman

Green Chemistry at ALTANA

ALTANA products have become indispensable for sustainable solutions in global megatrends such as urbanization, mobility, wireless communications, and environmentally friendly energy.

"WITHOUT CHEMISTRY WE WON'T FIND ANY SOLUTIONS."

The world is facing great challenges. In 20 years, around eight billion people will live on our Earth. Their claim to food, mobility, and energy will come up against dwindling resources and growing environmental problems. Chemistry will play a key role in coping with these contrary tasks.

Industrial use of "green" chemistry

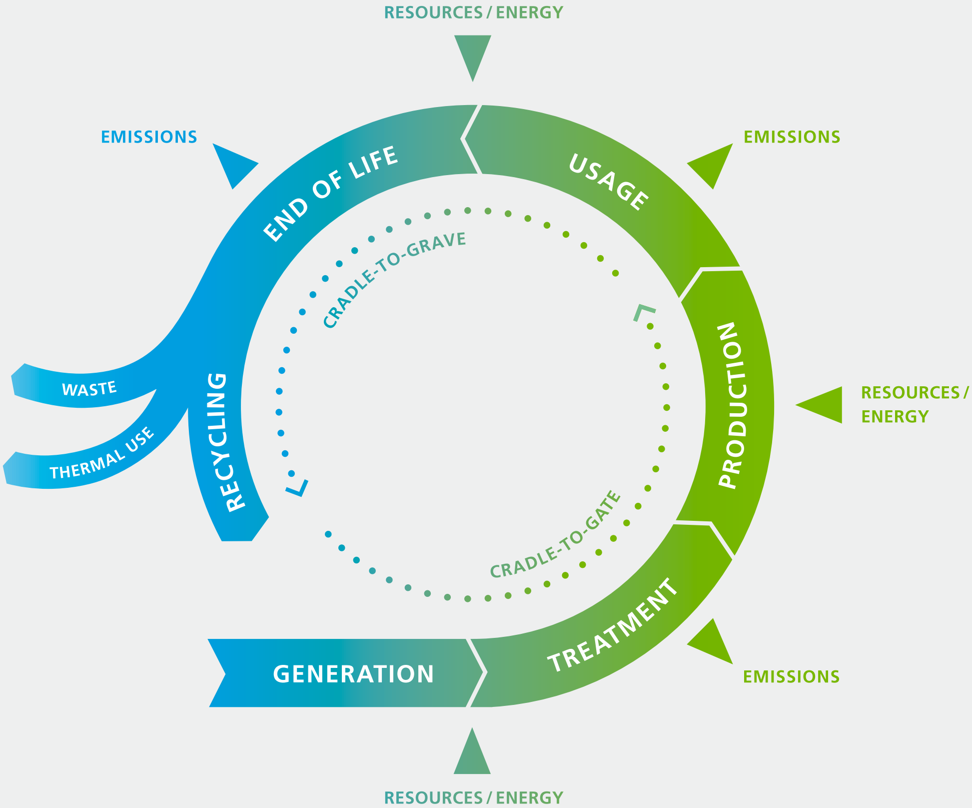
Chemicals are constituents of around 80 percent of the products used on a daily basis. Due to this tremendous importance of chemistry for numerous branches of industry, it is clear that technological progress in the world of tomorrow can only be achieved with the chemical industry and its role as an innovation engine.

Two main areas are at issue. On the one hand, chemical companies are important as suppliers to traditional and future branches of industry. Established industries such as the energy and automotive industries, the construction and machine-building industries, and the pharmaceutical sector have a long history of using numerous intermediate products from the chemical industry to produce their goods. Chemistry is playing an increasingly important role in fields such as nutrition and mobile communications. The chemical industry accounts for around 18 percent of the total research and development expenditure in German industry, presently amounting to more than nine billion Euros a year.

In addition to its role as a supplier, the chemical industry has the task of becoming "greener" itself and making its processes and products more environmentally friendly. As the chemical industry accounts for around 25 percent of the manufacturing industry's entire energy use, the optimization of the consumption of raw materials and energy is a central task. Between 1990 and 2009, energy consumption Germany-wide was reduced by more than 30 percent, while during the same period production increased by 42 percent. In the last 20 years, the chemical sector has decoupled energy consumption from growth more than almost any other branch of industry.

"Green" chemistry at ALTANA: A contribution to global megatrends

Urbanization, mobility, renewable energies, and mobile communications – these global megatrends are characterizing our world increasingly. More and more people are moving from rural areas into cities. The world's growing population needs housing and electricity, means of transportation and telecommunications networks. At the same time, limited raw material and energy reserves require entry into "green" industries and production processes that use resources more efficiently and significantly reduce the burden on the environment. Only with the corresponding technology and a sustainable infrastructure are growth and prosperity possible for many people.



Product
Lifecycle Assessment

The megatrends not only present challenges, but also great opportunities for innovative, globally active companies. As a research-intensive specialty chemicals company, ALTANA is represented with forward-looking products and applications in many technologically sophisticated markets. Our products enable our customers to develop environmentally friendly, sustainable solutions in their markets. This applies to ecological improvements in traditional industries as well as to completely new applications and technologies. At the same time, we are working intensively on making our own products and production processes more environmentally friendly. "Green" chemistry and tomorrow's megatrends are essential success factors for ALTANA.

Analyzing "green products" over their lifecycle

Today, the term "green" is associated with environmentally friendly activities. But it is not clearly defined. "Green products" should achieve environmental improvements compared to their predecessors. However, it is important to not only consider individual aspects, such as CO_2 emissions, for instance, but all relevant factors of influence across the entire product lifecycle. These include resource consumption, emissions, or waste.

To assess whether a product has a positive overall effect, we consider the so-called Lifecycle Assessment (LCA) to be a sensible, albeit complex, path.

An LCA analyzes a product starting from the extraction of the raw material. In a first step, the assessment deals with everything that takes place up until the product is delivered to the factory gates, i.e. when the product is given over to the customer ("cradle-to-gate"). The assessment is more comprehensive when the following processes, up until the end of product use ("cradle-to-grave") are also taken into account. Since these processes take place outside of the company's own boundaries, it is difficult to compile all of the relevant data.

ALTANA's BYK Additives & Instruments division uses special software and has access to compiled data on individual raw materials in databases. As a result, the division was able to carry out its first certified Lifecycle Assessments.

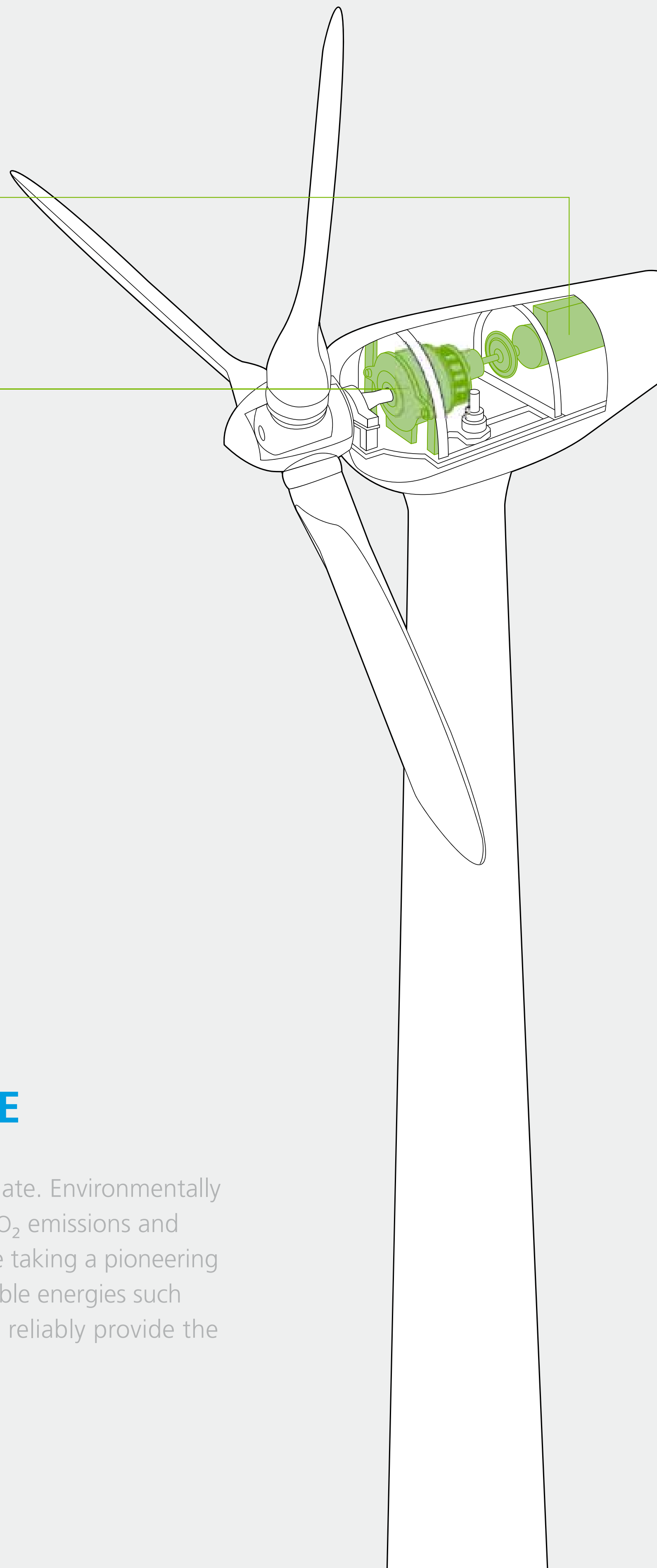
IN THE FUTURE, 30 % OF ALL ENERGY WILL BE GENERATED BY WIND POWER.

RELIABLE ELECTRICITY GENERATION

Wire enamels and impregnating resins enable wind turbines to operate efficiently. The core of the turbine and the main application for our coatings and resins is the generator.

OPTIMUM USE OF WIND POWER

Different drives, for example, for orienting the plant in the direction of the wind or to adjust the rotor blades, also work with our products, enabling wind energy to be used in a clean and climate-friendly way.



CLEAN AND SUSTAINABLE

Worldwide growth is posing a challenge to the climate. Environmentally compatible technologies are helping to minimize CO_2 emissions and to protect the climate. Leading industrial nations are taking a pioneering role, giving rise to a significant expansion of renewable energies such as wind power and the necessary infrastructure to reliably provide the population and industry with electricity.

GROUNDBREAKING WIRE ENAMELS AND IMPREGNATING RESINS FROM ELANTAS ARE GUARANTEEING RELIABLE OPERATION OF GENERATORS FOR WIND FARMS.

Wind power generators convert the energy produced mechanically by the wind into electrical energy. The generators have to be completely insulated to work perfectly and be protected against environmental influences. This is achieved when the wires are coated and subsequently the entire coil is impregnated.

Reliable on land and sea

As global technology leader for impregnating resins, ELANTAS supplies the producers of wind generators worldwide. Depending on the type of wind turbine, the impregnating resins used in generators need to have different properties regarding elasticity, temperature stability, and resistance to moisture and chemicals. Wind turbines that are operated on the sea in offshore wind farms are subject to constant moist and salt-containing air. Due to the elaborate technology and the fact that the turbines are more difficult to maintain, it is particularly important that the turbines run for a long time and are very reliable.

Environmentally compatible and high-performance

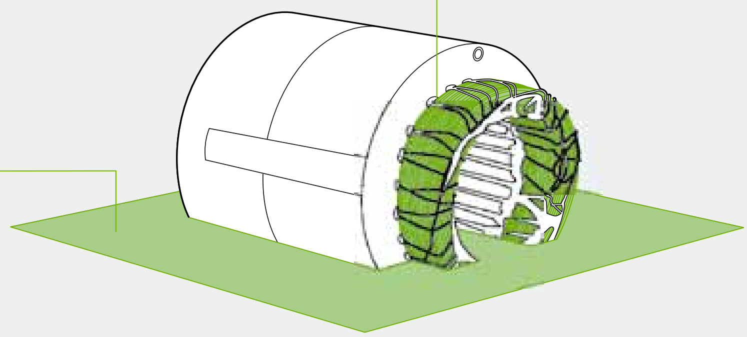
Our monomer-free (MF) electrical insulation resins have advantages over conventional resin systems. They are not danger-

PRIMARY INSULATION

Before the winding process, the metal wires are coated with a primary insulation layer, a so-called wire enamel. This prevents direct electrical short circuits from occurring between the individual wires; it maintains the electromagnetic field, and safeguards the energy and signal transmission.

SECONDARY INSULATION

The impregnation, also called secondary insulation, additionally strengthens the mechanical stability of the electric coil and protects the wire enamel from environmental influences during operation. It is carried out, for example, by dribbling a liquid on the coil or by means of a submersion process.



WIRE ENAMELS AND IMPREGNATING RESINS ENABLE USAGE OF RENEWABLE ENERGIES

Preparation of an insulated and impregnated generator for a wind turbine

ous goods and therefore must not be declared as hazardous substances, and they are free of volatile organic compounds (VOC). Thus, these resins can be transported without any problems and stored easily. In addition, no explosive mixtures arise when they are processed.

Our MF insulation resins are not only especially environmentally compatible, they also enable certain processes to be carried out for optimal impregnation of components. As a result, the components perform to a high level and at the same time have a longer life. With our resins, one of our customers managed to increase the power of their wind turbines from 5.5 to 7.0 megawatts.

Feeding "green energy" into the grid

To be able to feed electrical energy from renewable energies into the electricity grid, it has to have the required mains frequency. But electricity generated by wind turbines is subject to strong frequency fluctuations as the wind speed varies.

It is possible to stabilize the AC frequency by using power electronic devices such as frequency converters and inverters. The interference pulses arising during this process are eliminated and the "purity" of the voltage ensured. Only then can the electricity be fed into the grid. The term "power quality" is used in this context. Here, too, ELANTAS products are used for casting components or for impregnations. Hence our products not only ensure safe electricity generation, but also help make the electricity generated usable for the consumer.

IN THE FUTURE, SAVING ENERGY WILL BE THE MOST VALUABLE RESOURCE.

INSULATING AND HEAT-INSULATING

In wall paints, aluminum pigments can have an insulating and heat-insulating effect. As a result, energy can be saved and CO_2 emissions that harm the climate can be reduced.

APPLY AND SAVE

The water-based, ready-to-use pigment concentrate is mixed into transparent wall paint and subsequently can be applied by brush or roller, or sprayed. A heat-insulating effect can also be realized with trendy interior wall paint hues.

SWIFT AND SUSTAINABLE

A secured energy supply is one of the biggest challenges we will face in the future. In the present debate about future forms of energy, it is often overlooked that the most important resource is still largely untapped: saving energy. Electricity and heat that do not have to be produced in the first place are the simplest and fastest contribution to resource protection and CO_2 reduction.

STATE OF THE ART PIGMENTS ARE PROVIDING THERMAL INSULATION.

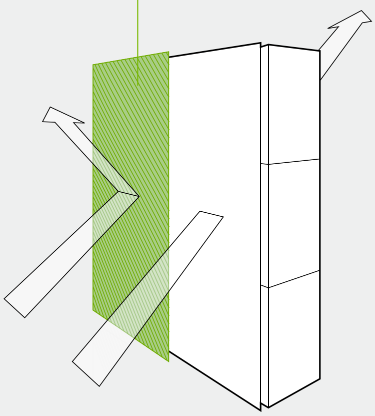
Important contributions for solving major challenges – such as a secured and sustainable energy supply – do not necessarily have to be rooted in ingenious inventions or complex technologies. Often, comparably simple improvements to existing applications make a significant impact.

Around 75 percent of all of the energy used in private households is used for heating purposes. A good example of how to save heat energy with simple and effective solutions is wall paint with aluminum pigments from ECKART. Within the group of metals, aluminum reflects infrared rays to an extraordinarily high degree. This physical effect is used to insulate and thermally insulate buildings. Commercially available wall paints containing ECKART aluminum pigments reduce heat loss in buildings during the winter and, in summer, prevent rooms from becoming too hot. In some cases, this obviates the need to use an electricity-guzzling air conditioner.

This effect is particularly apparent in older buildings with poor insulation. Up to 50 percent of the thermal radiation is reflected, depending on the coating or application, through the use of aluminum pigments in

REDUCING ENERGY CONSUMPTION

While ordinary wall paints absorb a high percentage of the heat and emit it outwards, paints containing aluminum pigments can radiate up to the 50 percent of the heat back into the room.



HEAT-REFLECTING ALUMINUM PIGMENTS HAVE A PALPABLE INSULATING EFFECT

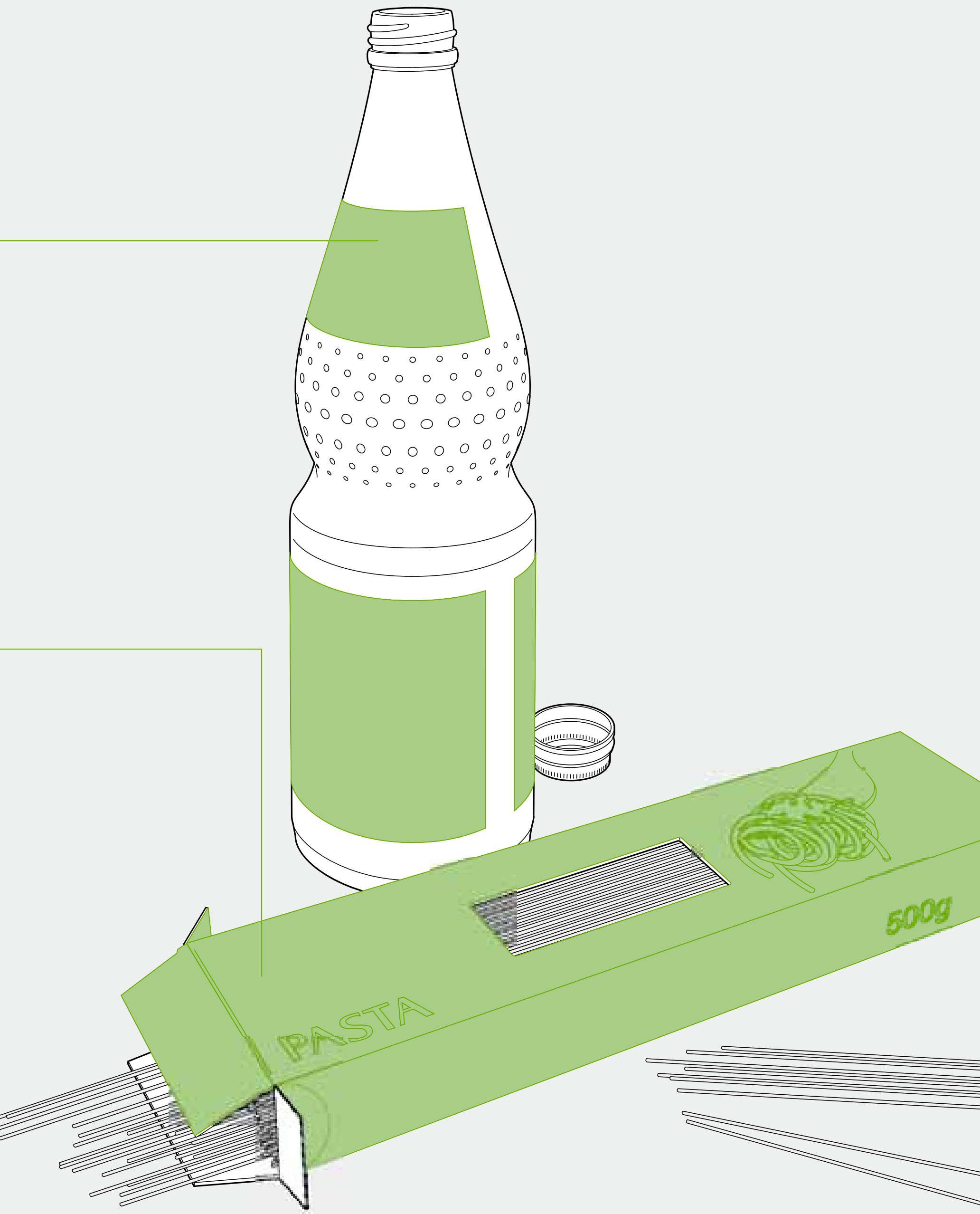
Wall paint with aluminum pigments is tested on different surface structures.

wall paints. Due to a corresponding treatment of the surface, the aluminum pigments have a white color. This technology works not only with white but also with colored interior wall paints, which can be applied easily with no disruptive effects. A similar product group is especially suitable for insulating roof trusses, reflecting up to 80 percent of the thermal radiation there.

When erecting a new building, choosing a high-strength, heat-insulating, and inexpensive building material is essential from an energy point of view. As a technical application, ECKART offers aluminum powder for the manufacture of aerated concrete, which is created from the reaction of the aluminum powder in aqueous alkaline solutions. Numerous small pores form in the foamed concrete mass, which due to the enclosed air bubbles provide excellent insulation. The result is a construction material that saves energy, is easy to process, and is economical to boot.

In addition to these environmentally friendly solutions for technical applications, ECKART is working intensively to improve its products ecologically in many other product families. For a long time now, ECKART has provided the automobile industry with aluminum pigments that can be used in water-based coatings and constitute a major ecological improvement over conventional solvent-based coating formulations.

IN THE FUTURE, ENVIRON-MENTALLY AND HEALTH FRIENDLY PACK-AGING WILL GAIN IN IMPORTANCE.



DESIGN AND INFORMATION

ACTEGA primer systems and overprint varnishes enable modern beverage packaging to look more attractive, be better protected, and keep longer.
The quality of labels, for example, is enhanced in a lasting way by effect coatings.

SAFETY AND HAPTICS

ACTEGA printing inks and coatings effectively and reliably refine food packaging. Substances in the packaging cannot leak out into food.
At the same time, it is possible to adjust many surface properties, such as slip resistance, gloss, and abrasion, in compliance with the customer's wishes.

AVAILABLE AND SAFE

Improving the supply of food to the populace is a major task in many countries. Today, around 30 percent of all the food manufactured is not eaten. Optimum food storage and transport conditions are helping improve the global food situation significantly. Functional packaging that protects the contents on the way to the consumers is making an important contribution.

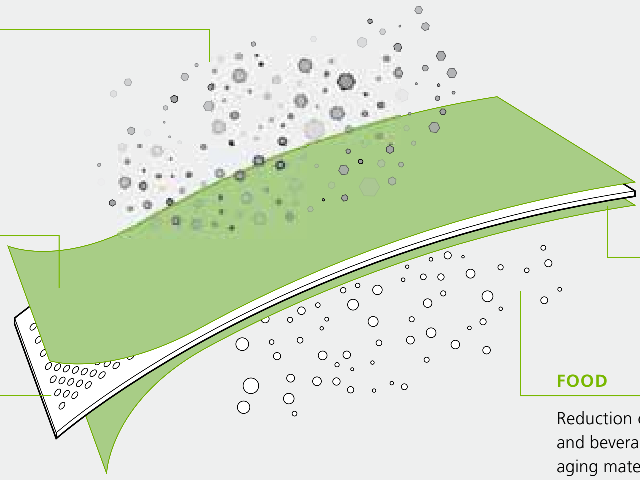
TODAY, 75 PERCENT OF ALL ACTEGA COATINGS ARE ALREADY WATER-BASED OR SOLVENT-FREE. AND WE ARE CONSTANTLY INCREASING THIS SHARE.

Water is an excellent basis for sustainable chemistry. It is a universal solvent, available locally, economical, and recyclable. Further advantages of water-based coatings lie in the manufacture, storage, and transport, among other things.

Safe coatings complying with food regulations

With the rising standard of living, the number of critical consumers who are consciously deciding to buy or not buy certain products is growing. This is coupled with a call for safer food packaging. Furthermore, policymakers are regularly tightening the corresponding regulations.

Under the registered trademark "FoodSafe," a significant part of ACTEGA's range of coatings – more than 40 water-based coatings at present – meet the most stringent safety criteria. Coatings that comply with these quality standards are low-migration, meaning they prevent the transfer of color and taste, and are suitable for coming into direct contact with food and are certified accordingly. Furthermore, FoodSafe coatings do not contain mineral oils or heavy metals.



FOOD PACKAGING HAS TO MEET A SYMBIOSIS OF COMPLEX REQUIREMENTS

Visual inspection of overprint varnishes on printed products

Functional packaging

It is not only the components of the coatings that are environmentally friendly. Provided with additional features, they can offer the customer real added value. This includes visual or haptic properties, for example. With food and beverage packaging in particular, the safety of the consumer is the top priority. There are different possibilities, depending on the application area and printing process, to heighten the protection of packaging.

For instance, a functional packaging integrates features against forgery, creates barriers against environmental influences, and offers sealing properties that indicate that the contents of the packaging are intact. Safety coatings manufactured by ACTEGA change their color when they come into contact with metal or when subjected to UV light. Such a multifunctional coating system is suitable for proving the authenticity of a product. Other special coatings signalize the temperature of a product and thus contribute to better storage.

A future-oriented ACTEGA innovation are the world's first packaging coatings based on renewable resources. The patent-protected TerraGreen products consist of more than 90 percent renewable raw materials and are at least up to 75 percent biodegradable. The volatile organic compounds (VOC) emitted in the interior air during production constitute no more than 0.2 percent.

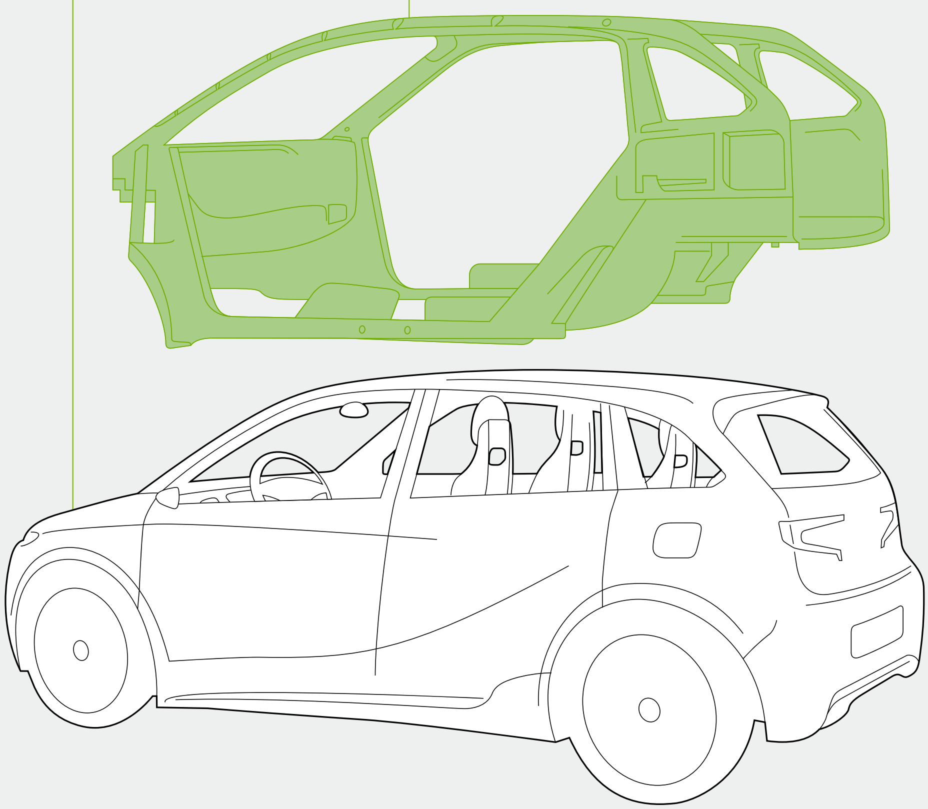
IN THE FUTURE, NEW MATERIALS WILL BE THE KEY TO MOBILITY.

PASSENGER COMPARTMENT

Automobile passenger compartments made of carbon fiber reinforced plastic are considerably stronger yet significantly lighter than conventional materials.

CAR BODY

A car body whose components are made of different plastics reduces the weight of the vehicle and thus contributes to lower CO_2 emissions.



FIRM AND LIGHT

In the foreseeable future, individual transport will continue to be very important for human mobility. Both the drives and the bodies of tomorrow's means of transportation have to be improved and further developed. New materials that make cars lighter and thus enable them to use less fuel or electricity will play a key role.

ADDITIVES FOR NOVEL MATERIALS HAVE BECOME INDISPENSABLE.

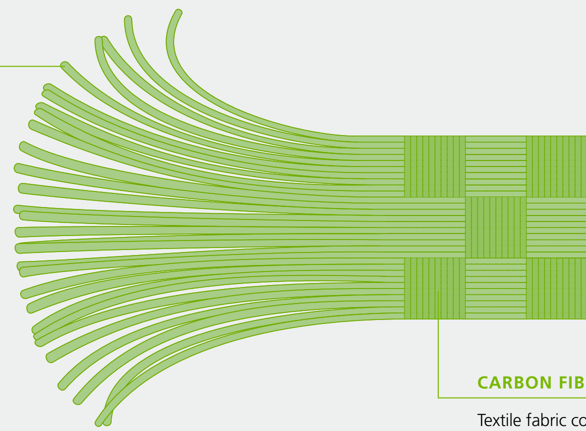
Whether it is cars, ships, or aircraft – future means of transportation will consist completely or partially of novel materials. Regardless of the drive technology used in the future, stable and light car bodies are needed to save energy.

Carbon fiber reinforced plastics (CFRP) will play a crucial role. They are about five times as strong as steel or aluminum yet weigh much less. While these plastics have been used for many years, for example, in handmade racing bicycles, the technological challenge of using them in series production of cars lies in combining carbon fibers and resins uniformly in an industrial process without fault tolerance to achieve great strength. Novel BYK additives are capable of optimizing the wetting of the carbon fiber with the resin, thus improving the mechanical properties of the material.

In other fields, too, BYK supplies products for industries of the future. For instance, it manufactures process additives that enable modern and highly durable wings for wind turbines made of fiberglass reinforced plastic to be produced in a special procedure. This material enables the wings to be

CARBON FIBER BUNDLE

Every carbon fiber bundle consists of several thousand individual fibers whose diameter is not larger than 5 to 8 micrometers. By comparison, a human hair is about 50 micrometers thick.



CARBON FIBER FABRICS

Textile fabric consisting of interlaced carbon fiber bundles

CARBON FIBERS ARE ADDED TO CHEMICAL COMPOUNDS AND PROCESSED INTO PLASTIC COMPONENTS

Laboratory testing of carbon fiber reinforced plastic plates after a test series

longer and the propellers to rotate faster, thus enhancing the turbine's energy efficiency. Apart from wind energy, the importance of shipping – which today transports most of the goods manufactured worldwide – will continue to grow in the future. Nowadays, large ships have only short waiting and docking times, and are almost continually at sea. BYK is working on different additive solutions in the field of industrial biotechnology. The additives in the coating are designed to prevent, for example, mussels from growing on the hulls of boats or ships. All organisms that settle on the hull heighten the flow resistance and thus increase the fuel consumption. Once they are introduced on the market, these new BYK additives can make a sustainable contribution to resource and climate protection.

BYK products are not only used in "green" industries and applications, but are also becoming increasingly environmentally friendly themselves. There is a trend towards growing use of renewable raw materials rather than finite ones. Lifecycle assessments are becoming more and more important. They are used to analyze the environmental effects of additives based on defined categories, such as energy needed for manufacture and greenhouse potential. On the basis of these assessments, individual components or entire products and product families can be optimized ecologically. As a leading manufacturer of additives, BYK has already performed lifecycle assessments conforming to relevant standards for several products, which were certified by TÜV Rheinland.

"THE GOAL IS A NEGATIVE FOOTPRINT."

Four questions for Dr. Andreas Diez

Dr. Andreas Diez heads ALTANA's Environment, Health and Safety department.

Dr. Diez, what does the term "green chemistry" mean to you?

In the first place, the expression "green chemistry" stands for environmentally friendly chemistry. However, I would see the activities of ALTANA and the chemical industry as a whole as being guided by the idea of sustainability. That means that today's generations can meet their needs without impairing the needs of future generations. Sustainability is based on three pillars, to which an evaluation should be oriented: ecology, economy, and social aspects.

Chemistry has a reputation of being hungry for resources and energy. At the same time, even critics recognize that chemistry can contribute to environmentally friendly solutions. How can chemistry become greener?

Of primary importance is the improvement of resource efficiency; that is, the degree of conversion of raw materials into products. At ALTANA, only about 5 percent of the raw materials ends up as waste. So 95 percent is converted into products. The situation is similar with many other chemical companies. As primary raw materials consumption is being reduced through the use of renewable raw materials, recycling, and a reduction of organic solvents, chemistry has made great progress in this area. Granted, the chemical industry is energy intensive. But chemistry helps save energy and reduce CO_2. In its study on the CO_2 emissions of 100 products manufactured by the chemical industry, the International Council of Chemical Associations (ICCA) found that over their entire lifecycle these chemical products save 2.6 times more greenhouse gases than are created when they are produced. In Germany, greenhouse gas emissions of the chemical industry fell by 47 percent between 1990 and 2009, while during this same period the production quantity increased by 42 percent. Unfortunately, a similar development cannot be observed in private households. In spite of all of the successes, the environmental effects have to be reduced further.

Environmental protection is considered expensive and thus detrimental to market opportunities. What is your opinion on this?

Appropriate environmental protection in one's own production or in the supply chain means better energy and resource efficiency and normally increases a company's economic efficiency. In the long run, those companies will be successful that offer their customers innovative and sustainable solutions.

What is your vision for chemistry and ALTANA?

Chemistry and ALTANA will make significant contributions towards solving major problems such as climate protection and resource efficiency. Increasingly, our solutions will develop in the direction of a negative footprint – in other words, saving more resources than are used. Only those who achieve this will have economic success in the long run.

Group Management Report

In the course of the business year 2011, the growth dynamic abated and there was increasing uncertainty about the further economic development. In this environment, we were only able to pass on the continually rising raw material prices in the first half of the year to the market with a delay and not completely. Still, we can be satisfied with our results. We reached our medium- to long-term growth and profitability goals again in 2011. At the same time, with our investments in new activities we consistently expanded ALTANA's development potential for the future.

Business and Economic Environment

Group Structure and Business Activities

Organizational Structure

The companies of the ALTANA Group concentrate on the development, manufacture, and sale of specialized chemical products and accompanying services. Product groups important for the Group include additives and pigments for the coatings, printing inks, cosmetics, and plastics industries; printing inks, coatings, and sealants for packaging; and insulating resins for the electrical and electronics industries.

The activities are bundled in four business divisions:
- BYK Additives & Instruments,
- ECKART Effect Pigments,
- ELANTAS Electrical Insulation, and
- ACTEGA Coatings & Sealants.

ALTANA AG is the Group's parent company and acts as the strategic holding and managing company. It is a stock corporation in accordance with German law and is based in Wesel, Germany. 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.

ALTANA AG directly or indirectly holds a majority stake in 18 German companies and 44 non-German companies. They are incorporated in the Consolidated Financial Statements. All of the companies except for one (ELANTAS Beck India Ltd., Pune, India) are wholly owned by ALTANA. Companies in which ALTANA has a minority share play only a subordinate role. The major consolidated companies are listed in the Notes to the Annual Financial Statements.

ALTANA's four divisions each have their own parent company and act with their own organizational structures in the respective market.

The decentralized orientation of the Group's organization is also reflected in the diversified site organization. Each division has its own production sites, sales companies, and laboratories. In certain cases, sales and laboratory sites are used jointly by more than one division.

More than 5,300 people work for ALTANA Group companies worldwide.

Activities of the Divisions

BYK Additives & Instruments

In the Additives & Instruments division, additives for use in coatings, plastics, and industrial applications are developed, produced, and sold to industrial customers. Among the division's most important product groups are so-called wetting and dispersing additives for even distribution of solids in coatings, defoamers, and air-release additives, which control production processes and eliminate air bubbles in coatings and plastics, as well as additives that influence surfaces. The chemical products offer is supplemented by measuring and testing instruments for determining the surface properties of coatings and plastics.

The division's most important Group company is BYK-Chemie GmbH, based in Wesel, Germany, which acts as the holding company for the entire division. A large part of the division's production, development, and sales activities are carried out at the Wesel location. It has additional production sites for additives in Germany, the Netherlands, the U.S., and China. The division's measuring and testing instruments, which are sold worldwide, are manufactured at a site in southern Germany.

Business divisions and product portfolio

ALTANA

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

The division markets its products under the BYK brand via its own sales companies as well as via a dense network of sales partners and agents. Its most important customers are globally operative coatings and plastics manufacturers, which use the division's products in their formulations. The largest part of the division's sales is achieved in the Europe region, followed by Asia and America. The most important individual regional markets are the U.S., Germany, and China.

Continual further development of the product portfolio is a top priority at Additives & Instruments. By concentrating on innovative developments and new technologies, the division has established itself as one of the leading international suppliers. In the future, too, the Additives & Instruments division intends to allocate a disproportionately high amount of its sales to research and development in order to continue to achieve attractive growth rates.

Close cooperation with customers is an important prerequisite for understanding and meeting existing and expected market needs. Via this path, Additives & Instruments aims to continually add new developments and individual solutions to its product portfolio. In addition, the division systematically analyzes possibilities for entering new applications markets on the basis of its existing product portfolio and its great expertise in surface chemistry. At present, the Additives & Instruments division's activities focus on customers' needs for producing environmentally friendly coatings. Extending its range of special products for the adhesives and paper industries is another main goal.

ECKART Effect Pigments

The Effect Pigments division produces effect pigments for the coatings, printing inks, cosmetics and plastics industries, as well as pigments for functional applications. The metals aluminum, copper, and zinc are the principal raw materials for production. But the division also uses other natural and artificial substrates as raw materials to manufacture pigments of different shapes, sizes, and colors. Effect Pigments products are primarily used to achieve visual effects, but also for special functional properties. The manufac turing process is characterized by a high degree of value creation and a large number of production steps.

Like the Additives & Instruments division, Effect Pigments is organized via a management company. ECKART GmbH produces the largest part of the division's pigments at two sites in Güntersthal and Wackersdorf (Germany). At its headquarters, the division's most important development and sales activities are carried out and its worldwide activities coordinated. Effect Pigments has further production sites in the U.S., China, Switzerland, and Finland.

The effect pigments are sold under the ECKART brand, primarily via the division's own sales network. The largest part of the sales is achieved in Europe, and particularly in Germany. Besides Germany, the U.S. and China are the division's most important sales countries. Major customers include the coatings and plastics industries as well as printing inks manufacturers, which the division mainly supplies with aluminum- and copper-based pigments.

Effect Pigments is one of the world's leading suppliers of metallic effect pigments. It has been able to achieve its strong position in the market thanks to its outstanding technological competence for the manufacture of high-quality and specialized products. The division has a particularly high competence in chemical refinement of metallic pigments, which is a prerequisite for use of the products in various coatings formulations.

As part of its strategy, Effect Pigments intends to further increase its development of innovative products and to enter new markets and applications. Of particular merit in this context is the development of a new generation of pigments for usage in environmentally friendly water-based coatings and products for increasing the energy efficiency of rooms. On a regional level, the division aims to continually extend its market position in Asia by individualizing its pigment offer for local applications markets.

ELANTAS Electrical Insulation

ALTANA's competence in the development, production, and sale of liquid insulation materials is bundled in the Electrical Insulation division. The division's activities concentrate primarily on the formulation of coatings used by magnet wire manufacturers to insulate copper and aluminum wires. It also makes special resins and coatings for impregnating, coating, and casting electrical and electronic components.

The division is run by its own holding company, based in Wesel. Its products are manufactured at sites in Italy, China, the U.S., India, Germany, and Brazil. The sales and development activities, which are centrally supported by the division's holding company, take place at the production companies.

The division's products are sold worldwide under the umbrella brand ELANTAS. The largest part of the sales is achieved in Asia, predominantly in China, followed by the Europe and Americas regions. Its main customers are magnet wire producers and manufacturers of electrical and electronic components.

In the market segments that are essential for its business activities, the division is a leading supplier of liquid insulation materials. Having entered the markets in emerging countries at an early stage, Electrical Insulation has benefited from its diversified and growth-oriented organization.

The division's primary focus for the future is applications for the electronics industry. It is stepping up cooperation with customers in this segment to take advantage of the attractive growth possibilities. Many product groups are continually supplemented by innovative products to accelerate the expansion of business activities. In addition, ELANTAS Electrical Insulation investigates the extent to which solutions based on environmentally friendly raw materials can be developed.

ACTEGA Coatings & Sealants

The Coatings & Sealants division focuses on the needs of the packaging and graphic arts industries. The specialized coatings, sealing materials, and adhesives it produces are used by customers to manufacture or refine packaging materials. The Coatings & Sealants division's range of products also includes printing inks and overprint varnishes, which are supplied primarily to customers in the graphics industry.

A holding company in Wesel controls the division's worldwide activities, which are organized in a decentralized manner under the umbrella brand ACTEGA. With production sites in Germany, the U.S., China, Spain, France, Austria, and Poland, the Coatings & Sealants division has its own foothold in the relevant markets. Its sales and development activities are decentralized to a large extent due to the diversified product portfolio.

In regional terms, the division achieves the largest percentage of its sales in Europe, followed by the Americas and Asia. Its most important individual markets are the U.S. and Germany. Important product groups include water-based coatings and printing inks, special coatings for food packaging, and sealants for closures of bottles and food cans.

In recent years, the division's product portfolio has become increasingly specialized in the relevant segments. As a result, Coatings & Sealants has established itself as a strategic partner for the packaging industry.

In the future, Coatings & Sealants intends to become even more specialized in food packaging to strengthen the potential of its activities in this market. Vis-à-vis customers, ALTANA is positioned as a partner for the development of innovative packaging solutions. Coatings & Sealants' product development concentrates on environmentally friendly and new solutions to make packaged food safe and last longer. Thus, the division will benefit from the trend towards more packaged foods. Particularly affected by this trend are the markets in Asia, where the division intends to continually expand its activities in the years to come.

Principal Regional Sales Markets

The products manufactured and sold by ALTANA are used worldwide. The regional sales distribution has changed only slightly in recent years. Europe remains the largest core region for the ALTANA Group's activities. It is followed by the Asian market and the Americas region. The most important individual markets are Germany, the U.S., and China.

Seasonal Influences

There are no significant product- or market-specific seasonal influences that could lead to a pronounced asymmetrical distribution of demand in the course of a business year. In general, however, the second half of a year is burdened by much weaker summer months and weak sales in December.

Company Management and Control, Goals and Strategies

Management and Control

ALTANA AG has a dual management and supervisory structure. The Management Board consists of two members, who are appointed by the Supervisory Board for a period of five years. The Management Board members manage the Group independently and are fully committed to the interests of the company. The Management Board forms the Executive Management Team together with the presidents of the divisions and selected heads of central functional areas. In regular meetings, this team discusses and analyzes the development of business and important business incidents.

The Supervisory Board has twelve members, half of whom are elected by German Group employees in accordance with the German Codetermination Act. The other six members are elected by the Annual General Meeting. The Supervisory Board members are elected for a period of five years. In addition to appointing Management Board members, the Supervisory Board's main tasks are to monitor the company's management, approve the annual financial statements, and approve separately defined business decisions. In addition, the Supervisory Board advises the Management Board.

Further information on ALTANA's corporate bodies can be found in the Corporate Governance Report (pages 64 – 66).

Value-oriented Company Management

A long-term increase in the company's value and sustainable, profitable growth are ALTANA's principal financial goals. They are set down in ALTANA's Guiding Principles and form the basis for the actions of all employees.

A change in the company's value is measured by using the ALTANA Value Added (AVA). It is calculated by subtracting the cost of capital employed from the achieved net operating profit after tax. AVA is derived by determining the Return on Capital Employed (ROCE). ROCE, in turn, is the ratio of operating profit to capital employed and is set against the weighted average cost of capital. The aim is for a premium to be earned on the cost of capital each year and for all divisions to make a sustainable positive contribution to the AVA.

At ALTANA, profitable growth is primarily measured based on the development of two key figures: sales and EBITDA. The aim is to increase sales by 10 % annually on average in the medium to long term. This dynamic is derived from an expected operating growth of approximately 6 % and an additional sales increase through the purchase of business activities. The ratio of EBITDA (earnings before interest, taxes, depreciation and amortization) to sales is used as an important indicator of profitability within the ALTANA Group. In the future, too, the company aims to achieve an EBITDA margin within the long-term target range of 18 % to 20 %.

To gear the decentrally organized activities in all of the Group's value creation steps to these overriding goals, individual goals are set down for all divisions, Group companies, and functional areas within the companies. These goals relate to individually agreed-on performance features comprising both financial and non-financial indicators.

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

ALTANA aims to achieve these goals by orienting its operating activities to market segments that show above-average long-term growth potential and, at the same time, high profitability. An important prerequisite is that ALTANA occupies an attractive market position and that the customer, supplier, and market structure is based on certain criteria. Within the framework of strategic planning, the market structures in the relevant markets are examined in reference to this. The same holds true for the examination of possible entries into new markets and application areas. Group activities that do not show corresponding potential due to ongoing disadvantageous market structures are identified within the framework of the strategy process and appropriate steps are taken to exit these markets.

Within the framework of our strategic planning, we also analyze our research and development activities and evaluate our technological and application technological know-how as well as the resulting possibilities and risks. Due to the great importance of a constant development of new products, applications, and markets, the portfolio of concrete development projects is continuously evaluated and examined. In each division, the Chief Technology Officer coordinates and efficiently harmonizes the research and development activities of the Group companies. Group-wide, the research and development expenditure comprises 5 % to 6 % of Group sales. As a result, ALTANA's expenditure in this field is above the industry average.

The existing business portfolio and the possibilities for acquiring companies are also analyzed in the comprehensive annual strategic planning process. ALTANA aims to continually add to its existing business areas and to enter completely new fields of business and markets.

The measures concluded during strategic planning are subsequently incorporated in the financial planning, which has a medium-term horizon of three years. The results of the financial planning provide information about the concrete growth and profitability potential and the resulting changes to the company's financial and asset situation. Hence they also form the basis and show the general conditions for the financing strategy, which is geared to expected capital needs and, at the same time, to providing a high degree of flexibility for financing acquisitions.

The financial planning for a respective current year is updated several times in the course of the year to be able to monitor short-term business prospects and to examine the expected development of the relevant key figures to see if the agreed targets will be reached.

In addition to the planning processes established in the Group, the monitoring of the business development is the second main pillar of value-oriented company management. To be informed in the short term about the development of the key management control figures, a report on the business and financial key figures is issued every month. These figures are determined, analyzed, and discussed at all levels of Group organization. All of the functional areas are also incorporated in the monitoring of the key figures important for them.

The identification and analysis of important trends or planning deviations result in individual measures for business control, which are implemented in a decentralized way. The presidents of the divisions are responsible for controlling the activities in the respective division. They manage the business activities in cooperation with the responsible operating business line managers and the management of the subsidiaries.

Survey of Overall Business Conditions

General Economic Situation

The recovery of the global economy in 2010, following the economic crisis in 2008 and 2009, initially continued unchanged at the beginning of 2011. But the growth dynamic weakened noticeably as the year progressed. One reason for this was the tailing off of the catch-up effects following the crisis. Another reason was the fact that many industrial nations consolidated public finances and reduced expenditure due to the public debt situation and the continued tense situation on the international financial markets. This reaction came right after the expiration of the economic stimulus programs launched during the crisis in 2009. Together, these two factors led to a tangible cooling off of the economy towards the middle of 2011, which was followed by growing uncertainty about the further economic development. Overall, the worldwide gross domestic product grew less strongly than in the previous year. After a growth of

5.2 % in 2010, the growth rate for 2011 is estimated to be approximately 3.8 %, due to the weak second half of the year.

The regional developments were very heterogeneous in 2011. The growth dynamic abated significantly, particularly in the U.S. and in many European countries. The gross domestic product in Japan shrank in 2011 due to natural disasters. Only a few countries achieved a growth approaching the previous year's figure. Germany, for example, was among them. Brazil and Russia also achieved attractive growth rates in 2011.

The raw material markets also displayed a non-uniform dynamic in the course of the year. From January to April 2011, the price for a barrel of Brent crude oil rose by 30 % to more than $ 120. Subsequently, the price of crude oil fell again until the end of the year, closing 2011 at around $ 105/bbl. The price development of the most important industrial metals was even more pronounced. The price of aluminum climbed to more than $ 2,750/t by the beginning of May, but then dropped significantly, selling at below $ 2,000/t in December. The copper market also showed high volatility, with prices falling strongly in the second half of the year.

The debt crisis in the U.S. and Europe, coupled with the great uncertainty about the general economic development in the major industrialized countries, gave rise to extremely volatile exchange rates between the important global key currencies. While the exchange rate between the U.S. Dollar and the Euro reached a low at just under $ 1.30/€ in January, it steadily increased to reach its high for the year of $ 1.48/€ at the end of April. In the following months, the exchange rate remained at a high level, before the Euro fell again at the beginning of September, closing the year at just under $ 1.30/€. The development of the Euro against the Chinese Renminbi was similar. The exchange rate between the Euro and the Japanese Yen also showed high volatility.

Industry-specific Framework Conditions

The development in the global chemical industry was also heterogeneous in 2011. A strong first half of the year was followed in the subsequent months by a significant weakening of the growth dynamic until the end of the year. As a result, the economic development in the chemical sector was similar to that of the overall economy.

The main reason for the restrained second half of the year was the growing uncertainty about the short-term development of demand. Although important customer industries for chemical products (including the construction industry, the automotive industry, and the consumer goods sector) continued to generate stable business, particularly destocking along the value chain led to a decline in demand. This reaction to the uncertain economic situation came right after the catch-up effects tailed off following the crisis in 2008 and 2009, with a clearly noticeable effect.

In the course of the year, the growth forecasts were continually adjusted downwards by the chemical associations, and it became clear that the growth was being buoyed more and more by higher prices. The increase in production volumes steadily slowed as the year progressed.

Europe was particularly affected by this situation, as the region was hit hardest by the public debt crisis and uncertainty was an important factor of influence for the economy. While the markets in the U.S. and China also weakened, volatility there was not as pronounced.

The chemical industry largely processes crude-oil-based products, so the crude oil price dynamic influenced many market segments. The segments that directly produce and process crude oil benefitted from this development, but in many cases it was only possible to pass on the higher raw material prices for further value creation steps with a delay. As in some market segments the production capacities reduced during the economic crisis could not yet be fully used again, there was a scarcity of intermediate products, which further increased price pressure.

Earnings, Financial, and Asset Situation

Business Performance and Earnings Situation

Key figures

	2011	2010	Δ %	Δ % op.[1]
in € million				
Sales	1,616.7	1,535.4	5	5
Earnings before interest, taxes, depreciation and amortization (EBITDA)	308.0	314.1	-2	-1
EBITDA margin	*19.1 %*	*20.5 %*		
Operating income (EBIT)	217.0	230.2	-6	
EBIT margin	*13.4 %*	*15.0 %*		
Earnings before taxes (EBT)	207.7	218.2	-5	
EBT margin	*12.8 %*	*14.2 %*		
Earnings after taxes (EAT)	147.5	152.3	-3	
EAT margin	*9.1 %*	*9.9 %*		

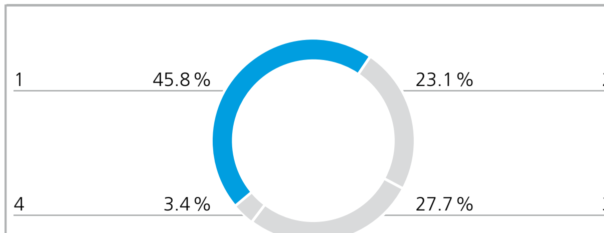
[1] Operating deviation, i.e. adjusted for acquisition and divestment as well as exchange rate effects. This adjustment also applies to other sections of this management report.

Sales Performance

In the past business year, the ALTANA Group's sales amounted to €1,616.7 million (previous year: €1,535.4 million), representing an increase of €81.3 million or 5 % compared to the business year 2010. The development in the course of the year was heterogeneous. In the first months of 2011, the sales volume was in the double-digit percentage area and thus significantly higher than in the previous year. During this period, our customers and the companies participating in the further value creation steps continued to build up their stocks, after destocking heavily during the crisis in 2008 and 2009, in order to cater to the growing consumption and export demand. When these catch-up effects waned starting in June 2011, there was a different environment for our business. The sales growth declined substantially and the sales in the second half of the year were at the level of the same period of 2010. At the same time, the sales performance benefitted from the acquisition of the Color Chemie Group (today, ACTEGA Colorchemie) on July 1, 2011. Without this effect, the sales level in the second half of the year would not have reached the previous year's level.

In all, a growth of 2 % in 2011 resulted from additional sales from acquisitions, primarily from the acquisition of the Color Chemie Group and of Kometra Kunststoff-Modifikatoren und -Additiv GmbH (today, BYK Kometra GmbH). The change in exchange rates, particularly from the conversion of the sales of subsidiaries outside of the Euro zone into the Group currency, the Euro, had a negative effect on the sales development of -1 %. A significant part of this burden is due to the average annualized exchange rate change of the Euro against the U.S. Dollar. Since acquisition and exchange rate effects almost offset one another, the adjusted operating growth in the past business year was also 5 %. The increase was driven almost exclusively by higher sales prices and a changed product mix. The amount of products sold did not change significantly in comparison to 2010.

Sales by region

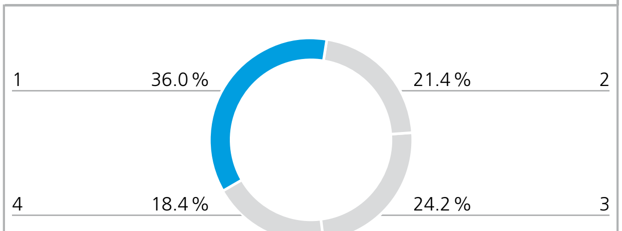


in € million	2011	2010	Δ %	Δ % op.
1 Europe	740.8	683.7	8	4
thereof Germany	*258.5*	*234.5*	*10*	*2*
2 Americas	373.3	361.5	3	8
thereof U.S.	*243.2*	*242.0*	*0*	*5*
3 Asia	447.7	439.0	2	3
thereof China	*228.5*	*224.2*	*2*	*3*
4 Other regions	54.9	51.2	7	8
Total	**1,616.7**	**1,535.4**	**5**	**5**

The regional sales dynamic was non-uniform. The sales growth of 8 % in Europe was influenced decisively by company acquisitions. Both the Color Chemie Group and Kometra concentrate on selling products in the Euro zone. The operating sales performance in Europe adjusted for this influence was weaker. By contrast, the development was different in the Americas region. Nominal sales growth in the North and South American countries was 3 %. But changed currency exchange rates resulted in negative growth influences. The sales increase in the respective local national currencies was much higher, above all in the growth countries of Central and South America. We achieved our lowest regional growth in Asia, with 2 %. The regional markets in Asia did not develop as well as the Group's other two core regions for the first time in years. In Asia, neither acquisition nor exchange rate effects played an important role for the sales development.

Business Performance in the Divisions

Sales by division



in € million	**2011**	2010	Δ %	Δ % op.
1 Additives & Instruments	581.9	541.2	8	8
2 Effect Pigments	346.8	356.6	-3	-1
3 Electrical Insulation	390.9	377.4	4	5
4 Coatings & Sealants	297.0	260.2	14	6
Total	**1,616.7**	**1,535.4**	**5**	**5**

Additives & Instruments

With an increase of 8 % to €581.9 million, the Additives & Instruments division significantly boosted its sales in 2011. Positive growth effects from the acquisition of Kometra as of February 28, 2011, were offset in the course of the year by negative influences from the exchange rate development. As a result, the operating sales growth also amounted to 8 %.

The demand in the most important product groups of coatings and plastics additives remained relatively stable, though the sales dynamic in the second half of the year was weaker compared to the first six months of 2011. Above-average growth rates could be achieved in the industrial applications area. This includes the specialty chemicals products for the adhesives and paper industry as well as products for flat screens. Measuring and testing instruments also achieved a strong sales growth, which was particularly driven by product innovations.

The Europe and Americas regions reported similarly high growth rates in 2011. Adjusted for acquisition and exchange rate effects, Additives & Instruments achieved the highest growth by far in North and South America, driven mainly by a substantial expansion of activities in the Latin American markets. Strong operating sales growth was also achieved in Europe. By contrast, the demand in the Asian countries developed only very moderately, where hardly any sales growth was achieved.

By acquiring Kometra's activities, the division gained a foothold in the market for so-called plastics modifiers. Plastics modifiers are used to refine standard plastics and in diverse technical applications, for example in the automotive industry.

Effect Pigments

Effect Pigments is the only division in the Group that did not achieve a growth in sales in 2011. At €346.8 million, the sales volume was 3 % less than in the previous year (€356.6 million). The decline was influenced by negative exchange rate effects. Operating sales were only slightly lower than in 2010.

In 2011, the markets for effect pigments were especially marked by the generally restrained demand development in the second half of the year. Customers in the graphic arts segment and plastics producers showed particular constraint in their purchase behavior, which tended to increase with the rising uncertainty about the further economic development. Sales of products for the coatings industry and for functional applications were nearly on a par with the previous year. Sales of zinc products used in corrosion protection coatings increased in particular. The Effect Pigments division was also able to satisfactorily expand its business with effect pigments for the cosmetics industry, though sales in this segment remained at a comparatively low level. The lower sales volume in 2011 could nearly be balanced out by price increases and an advantageous shift of the product mix towards high-quality products.

The only positive growth impetus came from the Americas region. Adjusted for exchange rate effects, sales in this region were slightly higher than in the previous year. In Europe, however, sales fell slightly. The demand in the Asian markets was even more restrained. Caused by a weak Chinese market, sales in Asia were significantly lower than in 2010.

At the end of October 2011, Effect Pigments acquired the production of Metalure pigments from the U.S. Avery Dennison Group. For over 20 years, the division has been the exclusive worldwide distributor of these so-called PVD aluminum pigments, which were manufactured by Avery Dennison until the acquisition. A further strategic step was implemented at the end of 2011, when Effect Pigments stopped producing effect pigments based on the natural raw material mica. In the future, the division intends to expand its effect pigments business for the cosmetics industry on the basis of other raw materials.

Electrical Insulation

The Electrical Insulation division grew its sales by 4 % to €390.9 million (previous year: €377.4 million). Since the largest part of the sales was generated in regions outside of the Euro zone, the development was adversely effected by unfavorable exchange rate changes. The operating sales growth, adjusted for this effect as well as acquisition effects, amounted to 5 %. This growth was positively influenced in particular by the result of price increases implemented in the course of the year and positive shifts in the product mix.

The growth was driven by all segments of the division. As in the Group's other divisions, the second half of the year was characterized by lower demand.

Electrical Insulation achieved sales growth in all of its core regions. The operating sales in the Americas grew most strongly. In Asia, too, the division successfully expanded its activities. In Europe, however, sales rose only slightly.

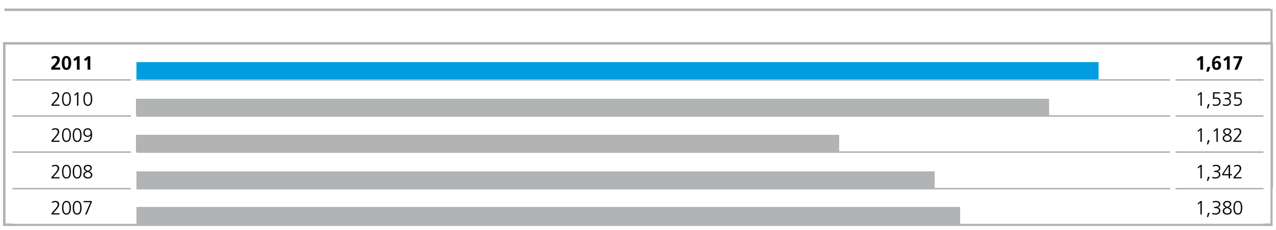
Coatings & Sealants

The Coatings & Sealants division achieved the highest increase, with sales up by 14 % to €297.0 (previous year: €260.2 million). The division benefitted primarily from the acquisition of the Color Chemie Group on July 1, 2011. At 6 %, the sales growth adjusted for acquisition and exchange rate effects was lower than the nominal growth. As with Electrical Insulation, the operating sales increase was due exclusively to positive effects from implemented price increases and a greater share of higher-quality products.

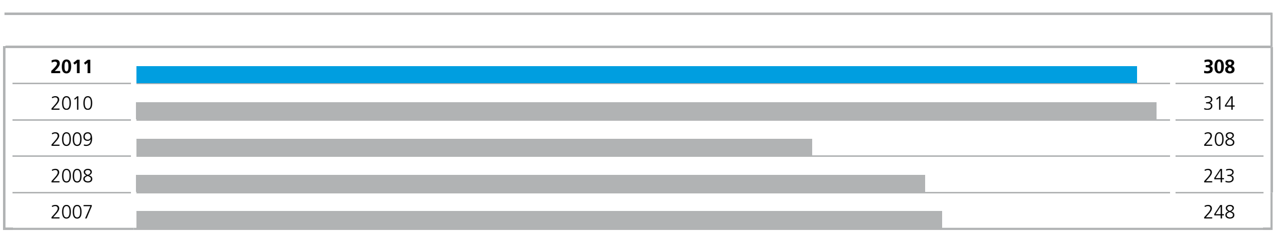
The additional sales from the acquisition concern the segment of products for the graphic arts industry, which even without this effect could boost sales slightly. By contrast, the demand for materials for the packaging industry developed more dynamically in 2011. The Coatings & Sealants division reported an encouraging growth in sales with sealants and with special coatings.

Multi-period overview of the earnings situation

Sales (in € million)



EBITDA (in € million)



In terms of operating sales, Asia achieved the strongest growth, mainly driven by the division's business in China. But palpable sales growth was also achieved in Europe and the Americas.

With the acquisition of the Color Chemie Group, the Coatings & Sealants division specifically strengthened its offer of water-based, environmentally friendly special printing inks and services for the graphic arts industry.

Order Development

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

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

In spite of the sales growth, the Group's earnings were slightly down on the previous year. In the past business year 2011, we achieved a Group EBITDA of €308.0 million (previous year: €314.1 million). Earnings were therefore 2 % down on the very positive figure of the previous year. The EBITDA margin was also lower. At 19.1 %, it did not reach the previous year's level (20.5 %), but was within our strategic range of 18 % to 20 %.

The decrease in earnings and profitability is primarily attributable to the noticeably increasing raw material prices in the course of the year. Particularly in the first six months of 2011, the prices for many of the raw materials processed within the Group rose significantly. Although the cost of materials stabilized starting in the middle of the year, and we raised our sales prices, we were not able to completely offset the added burdens for the year as a whole. Accordingly, the materials usage ratio (the ratio of cost of materials to sales) climbed to 45.8 % in the past business year, after 43.8 % in 2010.

Against the backdrop of the weakening sales dynamic as well as the rising raw material costs in the course of the year, controlling function costs became very important. The function costs developed disproportionately to sales, but showed different degrees of momentum. The increase in production costs resulted in large part from the company acquisitions in 2011. Otherwise, the production costs changed only slightly due to the hardly changed sales volume.

Selling and distribution expenses increased in tandem with sales. This was due on the one hand to the acquisitions that were made. On the other hand, sales-dependent cost items were directly expressed in the selling and distribution expenses. For example, freight costs and commissions to sales partners increased due to the sales growth.

Research and development expenses rose more sharply. In addition to the company acquisitions, the general expansion of activities in this area led to a disproportionate increase in expenses as compared to sales. This strategy is reflected both in the higher number of employees and thus the higher personnel expenses, as well as in a noticeable increase in depreciation and amortization due to the expansion of the research and development infrastructure.

By contrast, the administration expenses decreased strongly. The decline resulted from lower personnel expenses, in connection with declining earnings-dependent salary components, among other things.

The Group EBIT was €217.0 million, 6 % less than in the previous year (€230.2 million). The EBIT decreased more strongly than the EBITDA due to higher depreciation and amortization. While during the crisis we had considerably reduced expenditure for intangible assets and property, plant and equipment, investment activity in 2010 and 2011 was at a higher level again, leading to a disproportionate increase in depreciation and amortization in the past business year. In addition, there were impairments of property, plant and equipment in the Effect Pigments division in 2011.

The financial result improved in 2011 to €-10.0 million (previous year: €-13.1 million). This development resulted from both increased interest income and lower interest expense. However, the 2011 financial result was burdened by impairments of marketable securities amounting to €1.5 million.

At €207.7 million (previous year: €218.2 million), the earnings before taxes (EBT) did not reach the previous year's level. The same applies to net income, despite an improved tax rate. Net income reached €147.5 million in the past business year (previous year: €152.3 million).

Financial Position

Balance Sheet Structure

Key figures

	2011	2010	Δ %
in € million			
Total assets	2,001.9	1,943.6	3
Shareholders' equity	1,417.1	1,364.2	4
Net debt (-)/Net financial assets[1]	(26.8)	79.7	<-100

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

On December 31, 2011, total assets amounted to €2,001.9 million, 3 % or €58.3 million higher than at the end of 2010 (€1,943.6 million). A contributing factor was the company acquisitions made in the past business year, particularly the purchase of the Color Chemie Group.

On the assets side of the balance sheet, the increase in total assets was particularly reflected by the non-current assets. Intangible assets and property, plant and equipment rose significantly. Apart from the additional business activities and production sites resulting from acquisitions, the overall increase in the Group's investment activity contributed to this increase. The deferred tax assets also increased, but they were set against a corresponding change in non-current liabilities. In total, the non-current assets rose by €93.7 million to €1,176.8 million (previous year: €1,083.1 million).

Current assets, on the other hand, decreased. The decrease in cash and cash equivalents as well as marketable securities by a total of €99.1 million was partly offset by the increase in inventories and trade accounts receivable, together totaling €32.0 million. As a result, current assets fell to €825.1 million at the end of the year (previous year: €860.5 million). Thus, total current assets accounted for 41 % (previous year: 44 %) and total non-current assets for 59 % (previous year: 56 %) of the total assets on December 31, 2011.

On the liabilities side, the balance sheet relations also changed slightly compared to the end of the previous year. Shareholders' equity was up by €52.9 million to €1,417.1 million (previous year: 1,364.2 million) and thus to 71 % (previous year: 70 %) of total assets. This change resulted primarily from the earnings for the year 2011 and the distribution of the dividend.

Among the liabilities, the maturity of debt changed due to the expiration of the existing credit line in 2012 and 2013. Thus, the total non-current liabilities decreased by €71.6 million to €224.5 million (previous year: €296.1 million). €99.7 million is attributable to the decrease in non-current debt. This change was partially offset by increased employee benefit obligations, above all due to a reduced assumed rate of interest, and higher deferred taxes.

At the same time, current liabilities rose by €77.0 million to €360.3 million (previous year: €283.4 million) as of December 31, 2011. The increase in current debt by €94.1 million is set against an increase in current accrued income taxes and other current provisions. The trade accounts payable amounted to €106.1 million, roughly the same amount as at the end of 2010 (€107.0 million).

Structure of consolidated balance sheet

Assets	**Dec. 31, 2011**		Dec. 31, 2010	
	€ million	%	€ million	%
Non-current assets	1,176.8	59	1,083.1	56
Inventories, trade accounts receivable and other current assets	591.0	29	527.3	27
Cash and cash equivalents and marketable securities	234.1	12	333.2	17
Total assets	**2,001.9**	**100**	**1,943.6**	**100**

Shareholders' equity and liabilities	**Dec. 31, 2011**		Dec. 31, 2010	
	€ million	%	€ million	%
Shareholders' equity	1,417.1	71	1,364.2	70
Non-current liabilities	224.5	11	296.1	15
Current liabilities	360.3	18	283.4	15
Total shareholders' equity and liabilities	**2,001.9**	**100**	**1,943.6**	**100**

The net debt, corresponding to the balance of cash and cash equivalents, marketable securities, debt, and employee benefit obligations, reached €26.8 million at the end of the past business year. In the prior year, the net financial assets amounted to €79.7 million.

Financial Strategy

After cash pools were set up for the Euro and the U.S. Dollar zone and a cash management system was implemented in China in the last years, short- and long-term financing as well as financial investments are now carried out centrally via ALTANA AG. Only a few subsidiaries still maintain their own financing relations with banks. On the one hand, this includes ongoing credit relations from the past for which a termination would not be economically sensible. On the other hand, exceptions arise from limitations in capital movements or due to currency risks.

We will fundamentally revamp our financing structure in 2012. The credit line amounting to €400 million from an international consortium of banks for general financing of business activities is to be refinanced by new instruments.

Off-balance-sheet Financing Instruments

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

Liquidity Analysis

Key figures

	2011	2010	Δ %
in € million			
Cash flow from operating activities	170.0	238.6	-29
Cash flow from investing activities	(139.0)	(92.2)	-51
Cash flow from financing activities	(107.3)	(12.1)	<-100

At €170.0 million, the cash flow from operating activities did not reach the previous year's level (€238.6 million). The earnings components in the cash flow and the change in net working capital in 2011 were roughly the same as in the business year 2010. The cash flow decrease was primarily due to higher income tax payments, which include payments for previous years, as well as to reduced provisions for the payment of variable salary components to employees, and sales provisions. In addition, notes receivable were recorded as other current receivables at the end of the year due to changed general conditions for bill of exchange transactions in China. Adjusted for this effect, the cash flow from operating activities reached €196.8 million.

Payments for investing activities increased significantly in 2011, amounting to €139.0 million after €92.2 million in the previous year. This change was primarily due to acquisitions and higher payments for the acquisition of intangible assets and property, plant and equipment.

In 2011, cash flow from financing activities was mainly influenced by dividend payments made by ALTANA AG amounting to €100.0 million. The change in debt in the past business year was similar to 2010. At €-107.3 million (previous year: €-12.1 million), the cash outflow from financing activities was therefore significantly higher than in the previous year.

Capital Expenditure

The capital expenditure on property, plant and equipment and intangible assets amounted to €93.5 million in 2011, an increase over 2010 (€73.8 million). After we had consistently reduced our investment activity in the previous years due to the economic crisis, last year we again invested more strongly in the expansion of production and sales structures as well as in the research and development infrastructure.

At €81.9 million (previous year: €71.5 million), by far the largest share was invested in property, plant and equipment, while €11.6 million (previous year: €2.3 million) were invested in intangible assets, in particular for software as part of the continuous expansion of the Group-wide ERP structures. Over half of the capital expenditure was used to expand sites in Germany. Another significant portion was allocated to other European countries (especially the Netherlands and Italy) and to activities in the U.S.

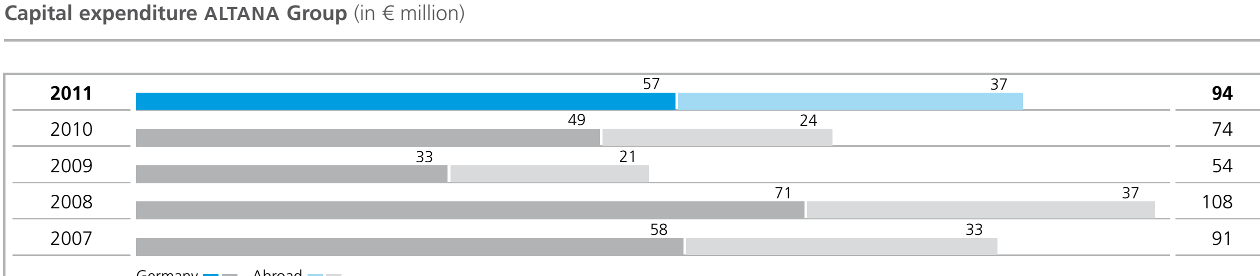
Within the Group, the Additives & Instruments division accounted for the largest share in total capital expenditure. The division invested a total of €45.4 million (previous year: €26.1 million). The main focus of its investment activities was the construction of a new laboratory complex at the Wesel location as well as the continual expansion and specialization of production structures in Germany, the Netherlands, and the U.S. The largest percentage of investments for expanding the ERP structures was also made by the Additives & Instruments division.

The Effect Pigments division invested €21.5 million (previous year: €28.9 million) to expand property, plant and equipment and intangible assets. The investments related to the continuous extension of its facilities. As the production of metallic effect pigments involves a high intensity of investment, a significant share was invested for replacements. In addition, investments were made in the ERP infrastructure.

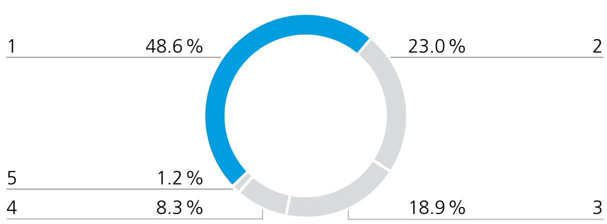
The Electrical Insulation division increased its expenditure for intangible assets and property, plant and equipment, investing a total of €17.7 million in 2011 (previous year: €12.5 million). The largest part of the investments related to expansions and modernizations at locations in Italy, Germany, the U.S., and India.

At €7.8 million, the Coatings & Sealants division also increased its investments in intangible assets and property, plant and equipment in 2011 (previous year: €6.1 million). However, the newly acquired businesses of the Color Chemie Group accounted for a significant part of this increase.

Capital expenditure ALTANA Group (in € million)



Capital expenditure by division



in € million	2011	2010	Δ %
1 Additives & Instruments	45.4	26.1	74
2 Effect Pigments	21.5	28.9	-26
3 Electrical Insulation	17.7	12.5	42
4 Coatings & Sealants	7.8	6.1	29
5 Holding	1.1	0.3	> 100
Total	**93.5**	**73.8**	**27**

Value Management

The Group's average operating capital employed rose to €1,653.9 million in 2011 (previous year: €1,543.8 million). This increase primarily resulted from acquisitions made in the course of the year and ALTANA's investment activity. Operating earnings amounted to €185.5 million, slightly down on the previous year's figure of €187.8 million. The decrease in the Group's earnings before taxes could be partially offset by an improvement of the tax rate.

Nevertheless, with a return on capital employed (ROCE) of 11.2 % (previous year: 12.2 %), we could not attain the very good level of the previous year. Subtracting cost of capital of 8 %, the ALTANA Value Added (AVA) amounted to 3.2 % (previous year: 4.2 %), or €53.2 million (previous year: €64.2 million).

Overall Statement by the Management Board on the Business Situation

The business year 2011 was characterized by a significantly lower growth momentum compared to the previous year, concurrent with increasing raw materials prices. Due to the countermeasures we introduced in this environment, all of the important key figures of the Group were within the medium- to long-term target range we defined, and thus we were able to finish the business year 2011 satisfactorily. Furthermore, the stable asset and financing structure at the end of the year, coupled with the positive liquidity position in 2011, remain an important basis for the continual expansion of our business activities.
At the same time, we further strengthened our growth and earnings potential for the future through acquisitions and by implementing structural measures. In addition, we underpinned our goal of sustained profitable growth by expanding our research and development activities in a targeted manner.

Research and Development

Innovation management is very important to ALTANA. The aim is to use the results of our research and development work to support our strategic goal of profitable growth in the best possible manner.

At ALTANA, research and development projects are primarily managed in a decentralized way. The divisions coordinate their activities across companies in order to use the existing capacities and means in the best way possible. At the level of the ALTANA holding company, those projects are launched and managed that involve cross-divisional activities or entry into completely new fields of business. At present, technology platforms for nanomaterials, biotechnology, printed electronics, and battery storage are coordinated ALTANA wide.

Research organization is decentralized on account of our divisions' different orientations. Each division gears its development activities to specific market structures and customer needs. In addition, each division has its own infrastructure for carrying out its research and development activities.

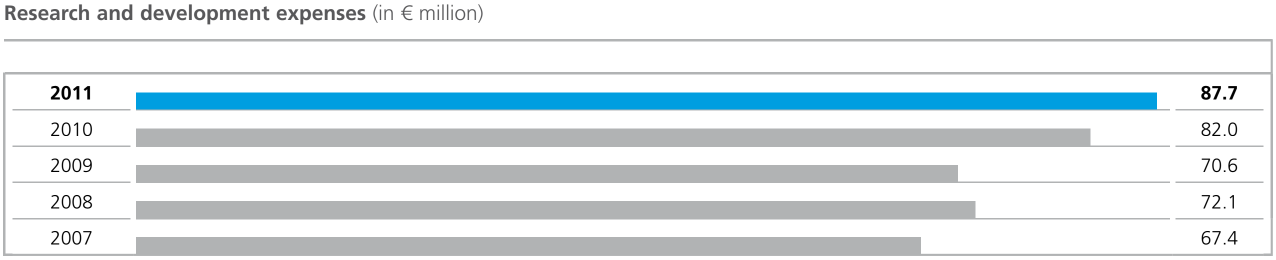
For coordinating innovation processes, the ALTANA holding company and each division has a Chief Technology Officer (CTO). This organization ensures that the development activities are oriented to the Group's strategic goals and that comprehensive synergies are realized.

The individualized orientation of the innovation activity is reflected by the structure of the Group-wide research and development expenses. The Additives & Instruments division accounted for the largest share of the expenditure, which amounted to €87.7 million in 2011 (previous year: €82.0 million), followed by Effect Pigments. These two divisions concentrate their research and development activities at their respective headquarters in Wesel and Güntersthal. Electrical Insulation and Coatings & Sealants have lower expenses and a largely decentralized organization, within which the projects are advanced in the individual subsidiaries worldwide.

Currently, the main focus of the Additives & Instruments division is on the further development of its portfolio of products that enable customers to use environmentally friendly production processes and to manufacture more water-based rather than crude oil-based coatings. In addition, the division's activities outside of the coatings industry are becoming an increasing focus of its development activities. The aim is to transfer existing competencies to new applications.

Effect Pigments takes a similar approach, but apart from product development it is increasingly incorporating the further development of its own production technology in its development activities. In all of the value creation steps of its effect pigment manufacture, optimization potential is analyzed to gear the quality of the products even better to customer requirements. Furthermore, the division develops new processes for chemical surface treatment of metallic pigments. Due to the attractiveness of the market, the devel-

Research and development expenses (in € million)



opment of new pigments and technologies for the cosmetics industry is also being advanced.

The Electrical Insulation division has great expertise in the use of insulation materials for electrical and electronic applications. It intends to increase this know-how by extending its research and development activities to market segments that today play only a subordinate role for its business activities. Moreover, it is stepping up activities geared to developing products based on new raw materials to access new customer groups.

The continual further development of its product portfolio for the food packaging industry is a focal point of the Coatings & Sealants division's research and development activities. This relates to both sealants and coatings. By expanding its offer of new products, the division intends to enable customers to cater to the growing demand for environmentally friendly and safe packaging materials and to improve the keeping properties of packaged foods.

Employees in research and development

Additives & Instruments	316
Effect Pigments	251
Electrical Insulation	139
Coatings & Sealants	146
Holding	7
Total	**859**

Employees

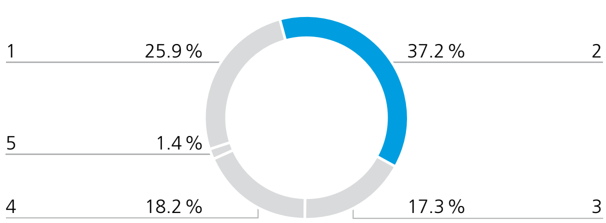
ALTANA had a total of 5,313 employees on December 31, 2011, an increase of 8 % over the previous year (2010: 4,937). The increase of 376 staff members is primarily attributable to the newly acquired companies and activities in 2011. At the end of the year, 234 people worked at the sites of ACTEGA Colorchemie and BYK Kometra, as well as at the new manufacturing site for high-quality PVD pigments in the Effect Pigments division. Adjusted for these additions, the workforce increased by 3 % in 2011.

The majority of the Group's staff work for the Effect Pigments division (1,975 employees in 2011, compared to 1,889 in 2010). The newly acquired site in the U.S. accounts for almost half of the division's growth in employees. But the number of employees at the division's headquarters in Güntersthal was also boosted in a targeted manner. Additives & Instruments reported a growth of 8 % to 1,377 employees (previous year: 1,271). The increase was primarily spread out between the division's headquarters in Wesel, BYK Kometra (which was acquired in 2011), the division's location in the Netherlands, and the production of measuring and testing instruments in Geretsried. With an increase of 23 % to 968 (previous year: 790) employees at the end of the year, Coatings & Sealants had the highest employee growth of the four divisions. However, this development is primarily due to the acquisition of the Color Chemie Group. The number of employees at the other locations of the division increased only slightly. The Electrical Insulation division's headcount was 918 on December 31, 2011, the same as in the previous year.

Most of the employees – 53 % – work in production and logistics. This is followed by research and development, which, at 9 %, recorded the highest growth in 2011. 16 % of the Group's employees work on innovation projects worldwide. 15 % of the workforce is employed, respectively, in administration, marketing, and sales.

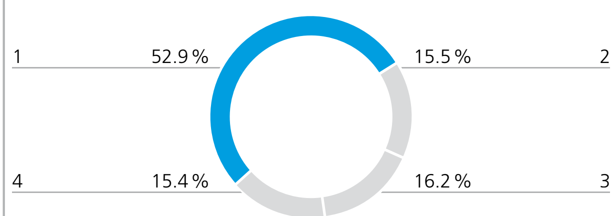
The percentage of ALTANA employees in Europe rose once again, amounting to 71 % of the Group's total workforce at the end of the business year. The increase was due to acquisitions in the Additives & Instruments and Coatings & Sealants divisions. A total of 3,124 people worked in Germany (previous year: 2,866). As in the previous year, 16 % of the total staff work at Group locations in the Americas. The largest part, 796 employees (previous year: 749), works in the U.S. A total of 718 employees (previous year: 711) worked in Asia, accounting for 14 % of the Group's total workforce.

Employees by division



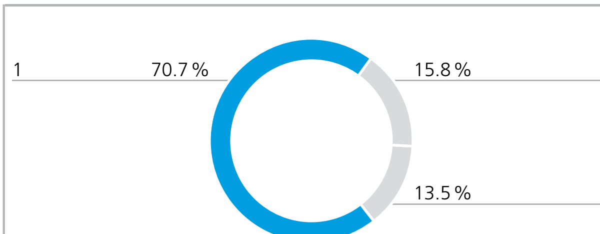
	Dec. 31, 2011	Dec. 31, 2010	Δ %
1 Additives & Instruments	1,377	1,271	8
2 Effect Pigments	1,975	1,889	5
3 Electrical Insulation	918	918	0
4 Coatings & Sealants	968	790	23
5 Holding	75	69	9
Total	**5,313**	**4,937**	**8**

Employees by functional area



	Dec. 31, 2011	Dec. 31, 2010	Δ %
1 Production and logistics	2,814	2,607	8
2 Marketing and sales	822	787	4
3 Research and development	859	791	9
4 Administration	818	752	9
Total	**5,313**	**4,937**	**8**

Employees by region



	Dec. 31, 2011	Dec. 31, 2010	Δ %
1 Europe	3,758	3,437	9
thereof Germany	*3,124*	*2,866*	*9*
2 Americas	837	789	6
thereof U.S.	*796*	*749*	*6*
3 Asia	718	711	1
thereof China	*430*	*422*	*2*
Total	**5,313**	**4,937**	**8**

Again in 2011, many measures were implemented to enhance ALTANA's attractiveness as an employer and increase employee loyalty.

The development of new Guiding Principles for ALTANA, which was initiated in 2010, was completed in the past business year and its implementation begun. The Guiding Principles contain a transparent and comprehensible presentation of our self-image and the values and goals valid at ALTANA. Employees from all divisions and functional areas, as well as all regions and cultures were involved. The promotion of a joint basis for behavior among one another and also towards external business partners is a further measure being taken to ensure ALTANA's long-term success. In the new business year, the Guiding Principles will be presented worldwide during events at Group sites and discussed with employees at the locations. The goal is to enable staff everywhere to understand and live the values anchored in the Guiding Principles.

Another important project for providing employees with information and further training, focusing on value-oriented management, was launched in 2011. The goal is to make the ALTANA Value Added transparent as a central management and control figure for the development of the company's value to all important decision-makers and to inform them about individual factors of influence. The implementation of this concept was begun in 2011 and will continue in the new business year.

In 2011, ALTANA again conducted a worldwide employee survey, whose results are being used to continually improve our staff's working environment. As in the past, the survey showed that the employees have an above-average attachment to ALTANA as an employer. Compared to the last survey carried out in 2008, the results are even more positive. At the individual Group sites, the local results were analyzed and, together with the employees, plans of action were developed to implement the optimization potential identified.

ALTANA attaches great importance to promoting talent early on through interesting career and development possibilities and to arousing their enthusiasm for the company with an attractive compensation package (including retirement provisions, life work-time accounts, and employee incentive plans, for example), as well as a corporate culture characterized by mutual appreciation, fairness, and tolerance. We have heightened awareness of ALTANA as an employer by addressing specific groups and institutions of higher education and by taking part in higher education fairs and recruiting events. In the years to come, we intend to further intensify contact to institutions of higher education that are important for ALTANA. Positive evaluations on Internet assessment platforms, awards received, and a growing number of applications show that the measures are starting to bear fruit and that the ALTANA Group is recognized as an attractive employer.

We have continuously further developed our health management. In addition to information events carried out centrally for managers, at many Group sites decentralized local measures have been taken to sensitize our employees to health issues. Apart from prevention of physical health risks, psychological strains were a focus of our health management activities in 2011. Now, targeted information events are being held on burnout syndrome, for example, and special assistance is offered to those affected.

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

For the financial year 2011, the Management Board of ALTANA AG prepared a report in accordance with section 312 of the German Stock Corporation Act on relations with related companies. The Management Board concluded that the consideration made by ALTANA AG for the transactions listed in the report were not unreasonably high considering the circumstances known at the time the company entered into said transactions.

Subsequent Events

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

Risk Report

Integrated Risk Management

Gearing company management and control to sustainable, profitable growth and simultaneously to increasing the company's value requires that decisions can be made at any time taking into account the related risks. ALTANA's risk policy focuses on transparency and thus on heightening sensitivity in managing risks. The integrated risk management system is an established component of management decision-making at all levels of the Group. The same applies to dealing with opportunities for the future economic development.

Opportunities and risks are carefully weighed up prior to every decision. Risks are only taken when there are corresponding opportunities and the existence of the company is not endangered. By anchoring an integrated risk management and control system as a comprehensive concept in the company's organization, we promote conscious handling of opportunities and risks.

Risks are identified, observed, and controlled via various information, communications, and monitoring processes. The most important components are the monthly financial reports, the quarterly creation and analysis of the Consolidated Financial Statements, the annual strategy and long-term planning processes, the ongoing forecast processes, and the compliance organization. In addition, we have an internal control system oriented to the internationally recognized COSO model, and we systemically compile, evaluate, document, and communicate risks within the framework of the system for early risk recognition in the strict sense. Supporting components include Group-wide auditing structures in conjunction with internal regulations.

Within the Group organization, the responsibilities for dealing with risks are regulated in accordance with the hierarchical structure. The authority to make decisions at individual levels takes into account the potential risks accompanying the decisions.

As the regular compilation and analysis of the earnings, financial, and asset situation is an essential component of risk assessment, the correctness of Group accounting is subject to an internal control system that is integrated into ALTANA's risk management. The aim of this control system is to ensure that the statutory requirements of accounting are adhered to and that the representation of the company's earnings, financial, and asset situation corresponds to the actual situation.

ALTANA's system for early risk recognition in accordance with section 91 (2) of the German Stock Corporation Act was voluntarily examined by the auditor and was deemed capable of recognizing risks that can endanger the existence of the company at an early stage.

The risk areas and specific individual risks presented below are fundamentally capable of significantly impairing the Group's earnings, financial, and asset situation. Regarding the most important risk groups, we supplement the description of the risks and countermeasures with a current appraisal of the risk evaluation.

Corporate Strategy Risks

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

We generally assess the risks belonging to this group as being relatively high. While there is generally a low probability of the individual risks actually occurring, the potential damage that can be caused by these risks is above the average. The high assessment of the risks is based primarily on the possible effects of poor investments in new fields of business. As we drive our entry into new markets via acquisitions, there is a high potential for losses. As regards the companies we have already acquired, we do not see a heightened risk.

Risks Regarding Innovativeness and Market and Competitive Positioning

Innovation and technology leadership is an important success factor for ALTANA. As a supplier of many highly specialized chemical products, it is important that we continually market new products and that our customers perceive us as a competent and innovative manufacturer. If we no longer achieved this in the future, risks could arise regarding sustainable growth, the attainment of our profitability goals, or ALTANA's positioning in the relevant markets. The same applies to the case that competitors patent know-how that we use, but have not protected, which ALTANA could then no longer use, or could only do so at great financial expense.

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

It is important to protect the know-how we have developed via patents to convert a knowledge advantage into business success. This includes safeguarding technologies we use or method and product features so that they cannot be patented by other companies.

Risks Regarding Customer Orientation

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

To limit this risk, we actively seek close contact with our customers. This helps us to appraise current needs and needs expected in the future and to develop solutions that can be successfully introduced on the market. An essential basis for customer proximity is our worldwide network of application technology laboratories. These laboratories are our customers' first contact point and offer specialized and competent know-how, enabling us to solve problems in close cooperation with the users.

It is important to us to be represented by our own Group companies at the respective locations in the regions that are most relevant to our business. These companies are almost exclusively led by a management team from the given country. This enables the cultural and country-specific conditions to be strongly incorporated, coupled with direct customer service.

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

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

Sustainable Growth

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

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

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

To counter these risks, we examine acquisition objects in a structured and comprehensive way, and the multi-stage approval process is accompanied by detailed analyses.

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

Sales Risks

If there is a sudden significant decline in demand for our products and services, the Group's business situation can be burdened considerably.

Such a development can be caused by a general economic recession, individual market movements, or by the loss of major customers.

Economic and Industry Risks

Global or regional recessions can lead to a decrease in sales which due to the existing structures cannot be absorbed by cost reductions in the short term. We currently assess the short-term risks posed by the global economic development due to the increased uncertainty as being higher than in the previous year, with a consistently high potential for losses. At present, the economic development is the risk with the greatest potential to impair the Group's business situation in the short term. On account of the long-term influence on the earnings, financial, and asset situation, economic risks are among the greatest individual risks.

We counter general economic and specific industry risks by diversifying our offer portfolio as much as possible. Our goal is to achieve a balanced sales distribution across different industries, end consumer markets, and regions, thus reducing the susceptibility of the Group as a whole to negative developments in individual industries and insufficient sales in individual countries.

In the current sales structure, we supply certain application areas that show a significantly lower volatility than the general economy. Particularly worth mentioning are the sales markets for secondary packaging materials. Thus, we intend to increase the importance of these activities in a targeted manner. This particularly concerns the Coatings & Sealants division, which is primarily active on these markets. A special focus is given to the market segment of food packaging, which is less dependent on economic trends than other market segments.

Apart from diversifying our product portfolio in relation to application markets, we attach importance to a balanced regional sales structure. Our European customers' traditionally high share in our sales has continually decreased in the past. This is due on the one hand to the fact that we have increased our presence in the North American markets, and, on the other hand, to the above-average growth of demand in Asia. With Germany, the U.S., and China, ALTANA has three individual markets that each comprise a comparable share of Group sales. As a result, there is a reduced risk that a recession in an individual country will influence the Group's development. In the years to come, we will continue to enhance our regional diversification. The expected economic performance in the Asian industrial and emerging countries, as well as the strategic orientation of our sales and production structure in the growth regions of Asia, South America, and Eastern Europe, will particularly contribute to this development.

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

We react to a worldwide economic recession by taking centrally coordinated countermeasures to guarantee parallel action. Besides that, locally organized measures adapted to individual market developments are implemented at the divisional and individual company level.

Specific Market Developments

The sale of our products is partially determined by general color trends and the resulting consumer behavior. This primarily concerns the Effects Pigments division, some of whose products are used by their customers to achieve certain visual effects. If the demand decreases, for instance for silver- or gold-colored consumer products or for products with certain visual properties (metallic gloss or pearlescent effect), the sale of effect pigments can be adversely affected. The same applies to specific applications in other divisions, whose sales can be negatively influenced by new technological developments or changed consumption or investment behavior.

We assess a negative sales development in specific individual markets with its short-term effects to be the most important risk group after the economic development. Due to the increased volatility of the demand situation, we consider both the short- and long-term loss potential of market developments to be higher than in the previous year.

Therefore, we regularly examine the current and expected market developments of the segments relevant for us and elaborate measures to be taken in cases where we expect a negative development. This relates to both an early divestment of activities and the development of alternative technological solutions or new application areas for the product groups affected. Our research and development activities continually tap new sales potential. As a result, we can compensate for negative market developments by achieving sales growth in other areas.

Customer Risks

If we lose important individual customers, this can have a negative impact on our sales performance. This situation can arise if we no longer meet the customer's needs in an attractive way, if competitors bring better or significantly less expensive products on the market, or if there are mergers among our customer base which strengthen the ties with other suppliers.

As we have a very diversified customer structure (our biggest customer accounts for just under 3 % of Group sales), we currently assess this risk to have only little loss potential. In addition, we promote intense networking with our principal customers via our global key account management. This includes the development of new products, which strengthens our long-term ties to these customers. The continuous expansion of our services also gives rise to close business relations, as apart from products we offer our customers services accompanying the development of individual solutions.

Moreover, we carry out intensive and constant competitor and market research to minimize these risks. As a consequence, we can recognize new technological developments or emerging new market needs at an early stage and react quickly.

Procurement Risks

Procurement risks involve the availability or price development of the raw materials we use in production within the Group. All of the procurement risks are a significant risk group for us, both from a short- and a long-term perspective.

We assess the probability of their occurrence to be tending to increase, as the volatility of raw material prices has increased and we do not expect this to change in the future. Furthermore, due to the continued concentration of suppliers on our supply markets, the market power of individual companies and their ability to shape prices is increasing. Here, too, we see the loss potential as being higher than in the past.

Availability of Raw Materials

We use a large number of different raw materials to manufacture our specialty chemicals products. This includes a few materials with limited availability or that are offered by only one or only a few suppliers. If individual suppliers go out of business or no longer supply us with their raw materials, those raw materials might no longer be available to us and the manufacture of the corresponding products has to be stopped.

We counter this risk by carrying out a detailed analysis of our procurement markets. The analysis of supplier relations and structures is organized both at the Group holding level as well as at the level of the divisions and the individual companies. If potential bottlenecks are identified or a concentration of supplier structures is expected, alternatives are sought at an early stage. For the important raw materials with availability risks, we have action plans in place to change the situation in the medium term.

In the past, we managed to rule out the risk of a decreasing availability of special raw materials by means of backward integration, that is, our own production of intermediate products.

If it is not possible to tap alternative supply sources without difficulty, we try to conclude long-term supply contracts with the corresponding suppliers to create high procurement security.

Price Risks

A sudden and quick rise in the price of raw materials can lead to a considerable burden on the Group's earnings situation, as we can pass this on to the markets only with a delay and in many cases only partially. In such a market environment, there is always the risk that our competitors will try to gain market shares by means of aggressive price policies.

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

Other Risks

Production Risks

If production facilities are down or important production processes are disrupted, this can have significant negative effects on the company's business and earnings performance. In addition, disturbances can harm people or damage the environment.

The reasons for the occurrence of damage can lie in faulty operation of equipment, technical deficiencies, or outside influences. Losses then relate to depreciations due to the destruction or damage of the facilities in question, faulty production batches or lost sales due to a possible plant shut down. The same consequences can result from damages regarding the storage or transport of products.

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

Product Risks

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

To ensure proper and safe use and handling of our products, we inform our customers about possible risks and dangerous ingredients. Moreover, we continually observe and evaluate the dangerous potential of raw materials and finished products. In addition, we counter product liability risks by concluding appropriate insurances.

Risks Due to Political and Regulatory Conditions

We sell our products in many countries worldwide. This is why we have a regionally oriented production structure. On account of political or social unrest, our control of our assets can be impaired or even lost completely. Furthermore, restrictions on trade or foreign exchange transactions can make it more difficult for us to conduct business with our customers or completely prevent us from doing business with them. We regularly examine the respective environment in the countries important for us and consider current conditions when we evaluate business relationships.

Changes in regulatory requirements for products can make it impossible for us to sell certain materials or require that we have to sell them in a modified form, or that we provide comprehensive evidence of the qualities of such materials. Particularly due to the European REACH regulation, the corresponding guidelines for the chemical industry have become significantly more stringent. The regulations governing applications in the food industry are also becoming increasingly strict worldwide.

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

Financial Market Risks

Among the significant financial risks are exchange rate fluctuations, interest rate changes, default risks, and covering of financial resources needs. These can have negative effects on the Group's earnings, financial, and asset situation.

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

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

More information on our evaluation and accounting procedures for hedges can be found in the Notes on page 122ff. (note 28).

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

To safeguard financial resources needs, our worldwide financial resources are continuously monitored. In addition, short-, medium-, and long-term liquidity needs are forecast and safeguarded accordingly. In the Euro and the U.S. Dollar zones, we have set up cash pools to centrally manage liquidity, facilitating central control of financial resources. Furthermore, we use different financing instruments to keep our dependence on individual creditors or individual financing markets at a minimum.

Compliant Group Accounting

Essential accounting-related risks result particularly from processing of extraordinary and non-routine issues. These include, for example, initial inclusion of acquired companies or parts of companies as well as the recording of the sale of Group assets. Accounting of financial instruments is also subject to risks due to the complex evaluation structure. Risks also arise from erroneous applications and fraudulent activities in the course of preparing the financial statements.

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

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

The local accounting statements are recorded and consolidated in a central IT system. Both manual and IT-assisted control mechanisms are implemented at the divisional and holding company level. They encompass an analysis and a plausibility examination of the registered data and the consolidated results by Group accounting as well as by the controlling department and further expert departments. Required corrections of the information in the financial statements are generally made at the level of the individual company to ensure that the data are uniform and are transferred.

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

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

Personnel Risks

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

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

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

Information Technology Risks

Information technologies form the basis for nearly all of ALTANA's business and communications processes. Breakdowns or other disruptions of IT systems can lead to far-reaching impairments in all of the Group's value-added stages, which can have significant effects on business performance. Furthermore, risks can arise from a loss of data or theft of business secrets.

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

Compliance Risks

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

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

Our compliance management system focuses on corruption avoidance, antitrust law, financial reporting, personnel, IT, taxes, environmental protection, safety and health (EH & S), customs, export business, and data protection.

Other Risks and Legal Disputes

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

Overall Statement on the Risk Situation

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

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

Outlook

General Business Setting

Overall Economic Situation in the Future

For the next two years, we expect a non-uniform general economic development. In the short term, we anticipate a restrained, or, in individual markets and regions, even stagnating economy. This is due to our assumption that the uncertainty about the consequences of the public debt crisis and the stability of the financial markets will continue. Industry is reacting to this uncertainty by refraining from making new investments and by engaging in cautious stocking activities. The longer the consolidation and savings measures of public budgets continue, the more the private sector will exercise constraint in purchasing and thus further burden the subdued demand development.

Starting in the second half of 2012, the overall economy might pick up momentum, if the public debt situation and the financial market crisis is not exacerbated by then.

We anticipate that in the coming years the economic performance of the growth regions in Asia and South America will increase more strongly than Europe and North America. The main drivers will be the increasing wealth of the population in the corresponding emerging countries as well as the structural shift of production capacities to these regions. Individual established industrial nations that particularly focus on exporting investment and consumer goods will also be able to benefit from this trend.

In terms of the exchange rate relations important for world trade, we expect an ongoing volatile development. On the one hand, this has a structural background, due to the different general economic developments in the individual currency regions. On the other hand, the development of the debt situation of important industrial countries could lead to short-term adverse movements on the currency markets.

Future Situation of the Chemical Industry

Due to its role as an upstream supplier to nearly all of the important further processing industries, the chemical sector will not be able to eschew general economic trends. Therefore, we expect that the chemical industry will also stagnate in the short term, but will pick up steam again in the second half of 2012.

The speed of the chemical industry's development will be influenced to a large extent by stocking and destocking effects, which can force the general economic development to move in either direction. However, since stocks are currently assessed to be relatively low due to the existing uncertainties, we do no see an increased risk of a collapse in demand resulting from short-term destocking along the value creation chain.

The regional development of the chemical markets should develop heterogeneously, in keeping with the development of the general economy. While Asia and Latin America could show particularly strong growth, the growth dynamic in Europe and North America should be rather restrained.

Future Orientation of the Group

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

In the years to come, the regional sales structure should continue to shift slightly towards the Asian region. This development, however, should not significantly affect the structure of our production capacities and our workforce. The expected demand is principally covered by the production structures that were built in China over the past years. Acquisitions, however, could have a significant impact on the Group's regional structure.

Expected Sales and Earnings Performance

Due to the existing uncertainty about the future development of the economic environment, we can presently not make a concrete prediction regarding the ALTANA Group's sales and earnings performance for 2012.

We expect the restrained demand development that set in in the second half of 2011 to continue initially in the new year; in the second half of the year, however, demand for our products should pick up.

Against this background, we expect ALTANA to achieve a sales growth in the low single-digit percentage area for the year as a whole. This growth should primarily result from sales price increases and the acquisitions made in 2011. We do not expect our operating sales volume in 2012 to change significantly compared to the previous year. The influence of company acquisitions that have not been completed yet is not taken into account in this outlook. But we expect acquisitions to again make positive contributions to our sales in the coming years.

The development of the earnings situation will be influenced by the sales situation in 2012 and above all by the situation on the raw material markets. From today's perspective, we expect raw material prices to stabilize at the current high level. On account of higher sales, we believe it will be possible to increase all of the Group's key earnings figures by a low single-digit percentage.

For 2013, we expect to return to a slightly higher operating sales growth in the general order of our sustainable target level of 6 %. Earnings should also profit from this growth.

Expected Asset and Financial Situation

We do not expect the Group's asset and financing structure reached at the end of 2011 to shift significantly in the coming years, though new financing instruments could be used due to planned refinancing of debt. However, changes can also arise from company acquisitions, above all from the financing of possible larger acquisitions.

We expect our capital expenditure to be at the level reached in 2011 of nearly €100 million. Consequently, expenses for intangible assets and property, plant and equipment would lie in our long-term target range of 5 % to 6 % of Group sales. In the past, this amount proved to be sustainable for our business model. The focus is on investments to expand development capacities and production facilities for innovative products and process technologies. Added to that are expenses for harmonizing and modernizing IT systems.

Based on the earnings situation expected for the coming years, we should be able to achieve significant cash surpluses from our operating business activities. We will use this anticipated cash inflow to finance investments, bolt-on acquisitions, and the dividend distribution.

Opportunities for Future Development

Our future development will be influenced by a number of different factors and can therefore deviate from our current expectations. The essential risks posed by developments not corresponding to our expectations are described in the risk report (page 52ff.). However, there are also various opportunities, which, when unfolding, could have a positive impact on our business performance.

In general, the risks described in the risk report are set against direct opportunity potential. This is why risk management involves opportunities management, in which the focus is put on the essential factors of influence for our business development. The aim is to not only minimize risks, but also to take advantage of the resulting opportunities.

Concrete opportunities for our business development can result if the economy picks up momentum earlier than expected. This can be triggered, among other things, by a short-term relaxation of the public debt situation and/or the existing turbulences on the financial markets. The subsequent development of demand could be accelerated even more by a parallel buildup of stocks.

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

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

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

For the coming years, we anticipate a stagnating demand development in the short term, followed by a slight increase in demand. But due to the continued general economic risks and the instability of some national economies and the financial markets, we expect the economic environment to be characterized by an increased volatility. We therefore anticipate increasing risks of short-term sales fluctuations.

With our strategic orientation and our existing market and competitive positioning, we believe we will be able to act successfully even in such an environment. In the medium to long term, we anticipate that we will be able to continue to achieve sustained profitable growth.

Corporate Governance

Good corporate governance is very important to 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 concretely shaping its corporate governance policies.

The Supervisory and Management Boards critically review the rules of the German Corporate Governance Code on a regular basis and examine which recommendations and suggestions ALTANA can follow as a private company and which ones are appropriate to be applied within the company given its shareholder structure.

ALTANA follows the large majority of the applicable recommendations and suggestions of the German Corporate Governance Code in the current version of May 26, 2010. 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, the setting up and composition of the committees, as well as matters relating to the audit.

Management and Supervisory Boards

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

Between Supervisory Board meetings, the Chairman of the Management Board informs the Chairman of the Supervisory Board about important developments and events and consults with him about upcoming or planned decisions. Important acquisitions and sales of shareholdings and business areas require the approval of the Supervisory Board. Conflicts of interest of Management Board or Supervisory Board members have to be revealed to the Supervisory Board without delay.

Supervisory Board Committees

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

Compensation of the Management and Supervisory Boards

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

The compensation of the Management Board is predominantly dependent on performance. It consists of a fixed compensation, a variable bonus, and a compensation component with a long-term incentive effect. In addition, the

Management Board members receive pension grants as well as non-cash compensation, primarily from company car usage and premiums for insurances.

The variable compensation is determined on a yearly basis. It is based on the development of the operating income before depreciation and amortization, interest and taxes (EBITDA) and the Return on Capital Employed (ROCE) each in comparison to the target values defined by the Supervisory Board. As compensation components with a long-term incentive effect, in 2011 Management Board members received ALTANA Equity Performance Awards (AEP awards) from the "ALTANA Equity Performance 2011" 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 the company's articles of association. The amount of the Supervisory Board compensation is oriented to the tasks and responsibilities of the Supervisory Board members and to the size and economic success of the company.

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

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

Further information on the compensation of the Management and Supervisory Boards can be found on page 137f.

Voluntary Commitment to Responsible Behavior

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

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

Environmental Protection, Safety, and Corporate Social Responsibility

Environmental protection is extraordinarily important at ALTANA. Among other things, the management is gauged based on precisely defined environmental protection goals.

Environmental protection, safety and health protection, and corporate social responsibility are the three essential pillars of sustainability. To report on the company's progress in these areas more comprehensively and in more detail than previously, ALTANA published a separate Sustainability Report for the first time in 2011.

This report discusses in detail ALTANA's activities in all areas that are relevant for a sustainable orientation. In the future, the Sustainability Report will be published each year as a printed version in German and English, and can also be called up on the Internet at www.altana.com/sustainability. Consequently, in this and future Annual Reports we will only provide a brief overview of the most important developments and activities. For more detailed information on the topic, please see the Sustainability Report.

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

Since 2003, ALTANA has been a member of the "Global Compact" initiative, to which companies and organizations from around 80 countries belong. Global Compact defines standards valid worldwide in the spheres of human rights, work norms, environmental protection, and fighting corruption. The content of Global Compact is completely in line with the values and goals of ALTANA.

Environmental Protection

A sustainable use of natural resources and the protection of the environment are part of our corporate strategy. All of our manufacturing companies have established environmental management systems or are in the process of introducing corresponding systems, which will be certified by independent auditors. All of the companies in the Group should have an environmental management system by 2012.

ALTANA continually ascertains significant effects of its activities on the environment. These mainly include:

- Consumption of electricity, natural gas, and oil and thus emissions of climate-relevant gases from energy generation
- Emissions of volatile organic compounds (VOC)
- Generation and disposal of dangerous and non-dangerous waste
- Consumption of water
- Consumption of metals such as aluminum and copper as well as fossil resources for raw materials

Every year, the operating companies report to ALTANA their key figures regarding the above-mentioned environmental effects. Binding targets have been defined for CO_2 emissions, water consumption, dangerous and non-dangerous waste, and waste disposal. To achieve these goals, we support the companies by providing concrete examples from our own company and other companies.

Reduction of Climate-relevant Gases

At ALTANA, climate-relevant gases arise from operation of electric motors, heating of reactors or buildings, and lighting, among other things. ALTANA is taking a number of measures to increase the energy efficiency in all of these areas. In doing so, we often use external experts. For example, ECKART America in Louisville, Kentucky, commissioned the School of Engineering at the University of Louisville to conduct a comprehensive study. The study showed diverse efficiency measures, which are being implemented step by step.

In addition, a few flagship projects for saving energy were launched in 2011:

- At ELANTAS Italia in Ascoli, ALTANA's first combined heat and power (CHP) plant was installed in 2011. The plant operates on bio fuel from certified production, which further reduces the CO_2 emissions. The plant generates almost 8 million kWh of electricity a year; around 5 million kWh will be recovered as thermal energy and used in our production.
- At BYK-Chemie in Wesel, a new laboratory went into operation. Special importance was attached to the environmentally friendly and energy-efficient construction of the laboratory, including a heat pump and a ventilation system with heat recovery as well as the use of the low temperature of groundwater for cooling.
- At ELANTAS Beck India, a new administrative building is currently being built in Pimpri. Here, too, the planners place special emphasis on environmentally efficient construction methods, encompassing the use of recycled concrete and clever natural ventilation of the atrium area, which means that air-conditioning will only be needed two months a year.

Waste Reduction

The possibilities of avoiding or reducing waste depend very strongly on the concrete production processes. Thanks to different measures that have been taken in many of our subsidiaries, we have been able to reduce the amount of waste in recent years Group-wide. A decisive factor of influence – as in the energy area – is training of employees and sensitizing them to the issue. At ELANTAS Italia, for example, due to training programs and higher awareness among employees, it was possible to reduce dangerous waste (relating to gross value added) by approximately 50 % between 2008 and 2010.

Emissions of Volatile Organic Compounds (VOC)

We reduce emissions of volatile organic compounds (solvent vapors), which lead to so-called summer smog and contribute to climate change, in our own manufacturing processes with exhaust air purification units. All significant emitters are now equipped with and using these systems.

However, we achieve a much greater reduction of VOC emissions in the supply chain with our customers: namely through additives and pigments that enable our customers to manufacture solvent-reduced coatings (e. g. powder coatings). In addition, we are increasingly using water-based coatings, predominantly at ACTEGA. The product range is not only constantly being expanded, but is being strengthened by acquisitions. The most recent example is the acquisition of Color Chemie Group.

Substitution of Fossil Sources

The number and quantity of renewable raw materials is increasing at ALTANA. Product examples in recent years are ACTEGA TerraGreen and adhesives from ACTEGA Rhenania.

Another important step to protect fossil sources is the use of water as a solvent in coatings. ALTANA's activities in this area were discussed briefly above and are described in more detail in our Sustainability Report.

Product Responsibility

The International Council of Chemical Associations (ICCA) launched the "Global Product Strategy" initiative, which is supported by ALTANA. With this initiative, the chemical industry pledges to improve the safe use of chemicals worldwide. All of the participating companies put information on the Internet on possible dangers and on how to properly and safely use their products, thus making this information available to customers and non-customers alike. European companies are required to publish the knowledge they have gained within the framework of their REACH registration. ALTANA will put the relevant information concerning first registered substances on its website at the end of 2011/start of 2012.

Safety and Health Protection

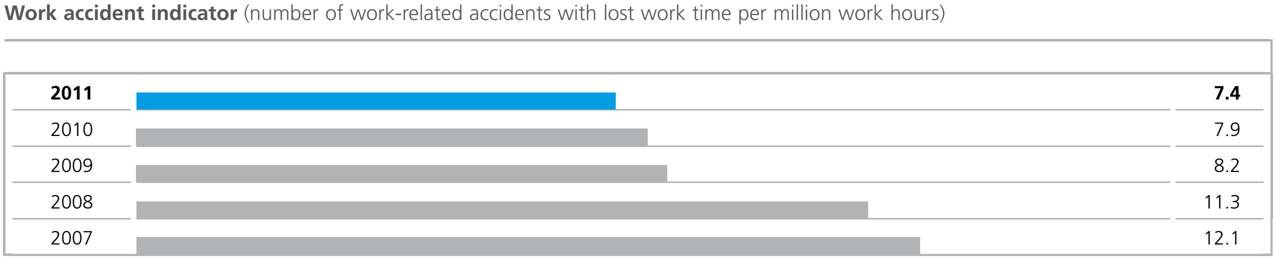
An essential part of our corporate responsibility lies in health protection and work safety for our employees. The same high standards that apply in Germany apply to all of our locations worldwide. We even adhere to these standards when the regulations in the respective home countries are less stringent.

Our key figures for work safety show that we have continually improved our record in this area since 2006. In 2011, we reached our goal of having less than 80 lost workdays due to work-related accidents per million work hours. Unfortunately, we did not manage to reach the target of less than 4.5 work-related accidents per million work hours. The majority of the work-related accidents in the Group are not caused by chemicals. Rather, they are the result of stumbling, falling – including on ice or snow – cuts, etc.

We are continually working on improvements, especially regarding the awareness and behavior of employees. An example is the project "BBS" (Behavior Based Safety) at ACTEGA Rhenania in Grevenbroich. The development of accident figures shows a significant improvement. Another example is the worldwide launch of training programs and activities to improve ECKART's safety culture.

Unfortunately, we did not make an improvement in the number of significant damage incidents in 2011. There were four deflagrations, three of them harming people. In addition, we recorded a release of chemicals in Hamburg (approx. 300 liters), which required soil cleaning, and two injuries due to the activation of a CO_2 fire-extinguishing system in Wesel. We achieve improvements here by systematically analyzing the accidents and by holding special internal seminars.

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



We have made further progress in preventive health protection. We made a voluntary commitment to protecting human health by signing up to the EU Commission's Luxembourg Declaration. Practiced health protection is a win-win situation for ALTANA employees and the company as a whole. Statistics show that suitable investments in preventive health protection mean at least a fivefold return on investment for companies.

To encourage ALTANA's companies to make further improvements in this area, health protection was one of the focuses of the Global Management Meeting 2011. With a presentation, in workshops, and at different information stands during the breaks, managers were informed about the possibilities and advantages of active health prevention on an operational level and were motivated to make a contribution. Key issues were ergonomics, fitness and healthy nutrition, as well as psychological wellbeing.

In many companies, various campaigns have been launched with respect to these topics. BYK-Chemie in Wesel and ECKART GmbH in Günthersthal have health management systems. In other companies, health days are held and fitness facilities, advisory services, and courses are offered. In the U.S., health protection is being addressed at all of the locations with the help of an external consultant. There are regular health check-ups for all staff, including appropriate advising. Our companies in India also offer employees regular health examinations with corresponding advisory activities.

Corporate Social Responsibility

ALTANA is involved in a number of regional and international projects and initiatives focusing on education and science, which we describe in detail in our Sustainability Report. Furthermore, quite a few social projects (some of which were a single event) were carried out in the past business year which underline the commitment and the role of the company as a "good corporate citizen."

For instance, ALTANA took part in the "Boss for a Day" campaign. The idea of the project is to enable senior school students to become better acquainted with companies' everyday work and strip away initial reservations. School classes can apply, and after a round of interviews one pupil is then selected as "Boss for a Day" and symbolically manages the company for one day. The chosen student went to Wesel in October. As part of the campaign, ALTANA's Chief Executive Officer, Dr. Wolfgruber, visited the German Euregio-Gymnasium in Bocholt, at which the "Boss for a Day" is a student.

In 2011, nearly all of the Group's German locations took part in the chemical industry's "open house event" with great success. Thousands of citizens took the opportunity to obtain information about our work in the laboratories and manufacturing plants. We welcomed almost 5,000 visitors at the Wesel location alone.

The company donated the equivalent of 90,000 Euros to help victims of the earthquake in Japan. In addition, ALTANA donated 30,000 Euros to assist drought victims in East Africa. The money is to be used mainly to relieve the distress of people in refuge camps in Somalia, Kenya, and Ethiopia.

In the past business year, we completed the reformulation of our guiding principles and leadership guidelines. Together with employees from all of our subsidiaries, a cross-division project team developed this "ALTANA Identity," which is binding for all employees and in the future will serve as the basis of values underlying our daily activities.

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 – 10 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 17, 2012

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, 2011. The preparation of the consolidated financial statements and the group management report in accordance with the IFRSs, as adopted by the EU, and the additional requirements of German commercial law pursuant to section 315a (1) HGB ("Handelsgesetzbuch": German Commercial Code) are the responsibility of the parent Company's Board of Managing Directors. Our responsibility is to express an opinion on the consolidated financial statements and on the group management report based on our audit.

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

Our audit has not led to any reservations.

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

Düsseldorf, Germany, February 24, 2012

PricewaterhouseCoopers Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Jörg Sechser
German Public Auditor

Klaus Höfer
German Public Auditor

ALTANA Group Consolidated Income Statement

	Notes	**2011**	2010
in € thousand			
Net sales	4	**1,616,694**	**1,535,390**
Cost of sales	5	(1,015,598)	(937,717)
Gross profit		**601,096**	**597,673**
Selling and distribution expenses	6	(209,821)	(199,345)
Research and development expenses		(87,693)	(81,964)
General administration expenses		(84,891)	(88,093)
Other operating income	7	10,196	14,671
Other operating expenses	8	(11,918)	(12,790)
Operating income (EBIT)		**216,969**	**230,152**
Financial income	9	11,885	10,162
Financial expenses	10	(21,906)	(23,230)
Financial result		**(10,021)**	**(13,068)**
Income from associated companies	11	787	1,090
Income before income taxes (EBT)		**207,735**	**218,174**
Income taxes	12	(60,213)	(65,923)
Net income (EAT)		**147,522**	**152,251**
thereof attributable to non-controlling interests		440	641
thereof attributable to the shareholder of ALTANA AG		147,082	151,610

ALTANA Group Consolidated Statement of Comprehensive Income

	2011	2010
in € thousand		
Net income (EAT)	**147,522**	**152,251**
Translation adjustments	10,849	40,467
thereof attributable to non-controlling interests	(502)	382
Gains and losses from available-for-sale securities	(281)	(229)
Gains and losses from derivative financial instruments	256	3,078
Change in fair value of available-for-sale securities	529	400
Change in fair value of derivative financial instruments	390	(5,106)
Change in actuarial gains and losses	(9,422)	562
Income taxes	3,119	705
Other comprehensive income	**5,440**	**39,877**
Comprehensive income	**152,962**	**192,128**
thereof attributable to non-controlling interests	(62)	1,023
thereof attributable to the shareholder of ALTANA AG	153,024	191,105

ALTANA Group Consolidated Statement of Financial Position

Assets	Notes	Dec. 31, 2011	Dec. 31, 2010
in € thousand			
Intangible assets	14	494,293	472,832
Property, plant and equipment	15	638,474	579,249
Long-term investments	16	1,950	1,754
Investments in associated companies	17	10,339	11,012
Income tax refunds		1,768	2,070
Deferred tax assets	12	24,676	11,560
Other non-current assets	21	5,293	4,637
Total non-current assets		**1,176,793**	**1,083,114**
Inventories	18	234,030	210,370
Trade accounts receivable	19	262,841	254,504
Income tax refunds	12	20,236	12,294
Other current assets	21	73,877	45,853
Marketable securities	20	64,047	88,832
Cash and cash equivalents		170,084	244,373
Assets held for sale	15	0	4,300
Total current assets		**825,115**	**860,526**
Total assets		**2,001,908**	**1,943,640**

Liabilities, provisions and shareholders' equity	Notes	**Dec. 31, 2011**	Dec. 31, 2010
in € thousand			
Share capital[1]		136,098	136,098
Additional paid-in capital		146,949	146,949
Retained earnings		1,125,134	1,084,521
Revaluation reserve		(4,102)	(4,721)
Translation adjustments		9,103	(2,689)
Equity attributable to the shareholder of ALTANA AG		**1,413,182**	**1,360,158**
Non-controlling interests		3,885	4,009
Shareholders' equity	22	**1,417,067**	**1,364,167**
Non-current debt	24	33,105	132,771
Employee benefit obligations	25	103,558	90,632
Other non-current provisions	26	16,025	14,141
Deferred tax liabilities	12	61,744	48,248
Other non-current liabilities	27	10,095	10,324
Total non-current liabilities		**224,527**	**296,116**
Current debt	24	124,246	30,110
Trade accounts payable		106,053	107,037
Current accrued income taxes	12	30,289	40,096
Other current provisions	26	67,993	79,178
Other current liabilities	27	31,733	26,936
Total current liabilities		**360,314**	**283,357**
Total liabilities, provisions and shareholders' equity		**2,001,908**	**1,943,640**

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

Consolidated Statement of Changes in Shareholders' Equity of ALTANA Group

	Share capital issued		Additional paid-in capital		
	Number of shares	Share capital	due to employee incentive plans	paid-in by the shareholders of ALTANA AG	Retained earnings
in € thousand					
Balance at Jan. 1, 2010	**136,097,896**	**136,098**	**15,059**	**131,890**	**973,130**
Comprehensive income					**151,610**
Dividends paid					(5,444)
Balance at Dec. 31, 2010	**136,097,896**	**136,098**	**15,059**	**131,890**	**1,119,296**
Comprehensive income					**147,082**
Dividends paid					(100,000)
Balance at Dec. 31, 2011	**136,097,896**	**136,098**	**15,059**	**131,890**	**1,166,378**

Revaluation reserve	Actuarial gains and losses	Translation adjustments	Equity attributable to the shareholder of ALTANA AG	Non-controlling interests: Shareholders' equity	Non-controlling interests: Translation adjustments	Shareholders' equity
(3,418)	**(35,161)**	**(43,101)**	**1,174,497**	**3,626**	**(569)**	**1,177,554**
(1,303)	**386**	**40,412**	**191,105**	**641**	**382**	**192,128**
			(5,444)	(71)		(5,515)
(4,721)	**(34,775)**	**(2,689)**	**1,360,158**	**4,196**	**(187)**	**1,364,167**
619	**(6,469)**	**11,792**	**153,024**	**440**	**(502)**	**152,962**
			(100,000)	(62)		(100,062)
(4,102)	**(41,244)**	**9,103**	**1,413,182**	**4,574**	**(689)**	**1,417,067**

ALTANA Group Consolidated Statement of Cash Flows

	Notes	2011	2010
in € thousand			
Net income (EAT)		**147,522**	**152,251**
Depreciation and amortization of intangible assets and property, plant and equipment	14, 15	87,483	82,677
Impairment of intangible assets, property, plant and equipment and assets held for sale	14, 15	3,540	1,276
Impairment on long-term investments and marketable securities	16, 20	1,544	0
Net result from the disposal of intangible assets and property, plant and equipment	3, 7, 8	(780)	677
Net result from the disposal of product groups	3	0	(5,476)
Net result from the disposal of long-term investments and marketable securities	9, 10	99	190
Change in inventories	18	(10,980)	(13,949)
Change in trade accounts receivable	19	1,528	(28,434)
Change in income taxes	12	(18,331)	2,188
Change in provisions	25, 26	(9,057)	22,680
Change in trade accounts payable		(4,283)	22,966
Change in other assets and other liabilities	21, 27	(27,713)	2,032
Other		(580)	(477)
Cash flow from operating activities		**169,992**	**238,601**
Capital expenditure on intangible assets and property, plant and equipment	14, 15	(93,516)	(73,848)
Proceeds from the disposal of intangible assets and property, plant and equipment	14, 15	2,260	372
Acquisitions, net of cash acquired	3	(74,219)	(10,536)
Proceeds from the disposal of product groups	3	0	5,500
Payments related to sale of the Pharmaceuticals business		(393)	(12,222)
Purchase of long-term investments	16	(70)	(64)
Proceeds from the disposal of long-term investments	16	53	1,332
Purchase of marketable securities	20	(61,548)	(181,349)
Proceeds from the disposal of marketable securities	9, 10	88,448	178,581
Cash flow from investing activities		**(138,985)**	**(92,234)**

in € thousand	Notes	**2011**	2010
Dividends paid		(100,062)	(5,515)
Repayment of long-term debt	24	(629)	(4,451)
Net increase/decrease in short-term debt	24	(6,570)	(2,113)
Cash flow from financing activities		**(107,261)**	**(12,079)**
Effect of exchange rate changes		1,965	6,391
Change in cash and cash equivalents	**2**	**(74,289)**	**140,679**
Cash and cash equivalents as of January 1	2	244,373	103,694
Cash and cash equivalents as of December 31	**2**	**170,084**	**244,373**
Additional information on cash flows included in the cash flows from operating activities			
Paid income taxes		(85,104)	(66,408)
Paid interest		(6,249)	(2,282)
Received income taxes		8,011	4,525
Received interest		2,653	1,248
Received dividends		679	519

Notes to Consolidated Financial Statements

1. Basis of Presentation

The consolidated financial statements of ALTANA AG and its subsidiaries (the "Company" or "ALTANA") are prepared in accordance with International Financial Reporting Standards (IFRSs), issued by the International Accounting Standards Board (IASB) as endorsed by the EU, and in accordance with section 315a of the German Commercial Code (HGB). The consolidated financial statements were authorized for issue by the Management Board on February 17, 2012 and were approved by the Supervisory Board in the Supervisory Board meeting on March 15, 2012.

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 Euro thousands if not stated otherwise.

2. Significant Accounting Policies

Consolidation

The consolidated financial statements of the Company include 18 (2010: 15) subsidiaries in Germany and 44 (2010: 45) subsidiaries abroad, in which ALTANA either directly or indirectly holds the majority of the voting rights or has the power to govern the subsidiaries' financial and operating policies.

In 2011, the Company completed four acquisitions, two through share deals and two through asset deals, which, taken as a whole, had no significant impact on the Company's net assets, financial position and result of operations. Additionally, two Swiss subsidiaries were merged within the Effect Pigments division, two Italian subsidiaries within the Electrical Insulation division and two American subsidiaries within the Coatings & Sealants division.

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

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

The main subsidiaries included in the consolidated financial statements are listed on page 141 of the annual report. A complete list of all subsidiaries of the ALTANA Group is published in the electronic Federal Gazette (elektronischer Bundesanzeiger).

New Accounting Pronouncements Endorsed by the EU

The following Standards and Interpretations were initially adopted in the financial year 2011:

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" – Limited exemptions for first-time adopters for comparative disclosure in accordance with IFRS 7 "Financial Instruments: Disclosure"	Jan. 2010	July 1, 2010	not applicable
IAS 32	Amendments to IAS 32 "Financial Instruments: Presentation" – Classification of Rights Issues	Oct. 2009	Feb. 1, 2010	no effect
IFRIC 14	Amendments to IFRIC 14 "IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirement and their Interaction" – Prepayments of a Minimum Funding Requirement	Nov. 2009	Jan. 1, 2011	no effect
IFRIC 19	IFRIC 19 "Extinguishing Financial Liabilities with Equity Instruments"	Nov. 2009	July 1, 2010	no effect
Sundry	Improvements to IFRS (Annual improvement project)	May 2010	Jan. 1, 2011/ July 1, 2010	no effect

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

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

Standard/ Interpretation		Issued by the IASB	Effective date[1]	Effect on consolidated financial statements
IAS 24	Improvement to IAS 24 "Related Party Disclosures"	Nov. 2009	Jan. 1, 2011	no effect

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

The following Standards and Interpretations are applicable at the earliest for financial years beginning after December 31, 2011. ALTANA has not early adopted these Standards and Interpretations.

Standard/ Interpretation		Issued by the IASB	Effective date[1]	Effect on consolidated financial statements
IFRS 7	Amendments to IFRS 7 "Financial Instruments: Disclosure" – Transfers of Financial Assets	Oct. 2010	July 1, 2011	no effect

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

New Accounting Pronouncements not yet Endorsed by the EU

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

Standard/ Interpretation		Issued by the IASB	Effective date	Effect on consolidated financial statements
IFRS 1	Amendments to IFRS 1 "First-time Adoption of International Financial Reporting Standards"	Dec. 2010	July 1, 2011	not applicable
IFRS 7	Amendments to IFRS 7 "Financial Instruments: Disclosure" – Offsetting Financial Assets and Financial Liabilities	Dec. 2011	Jan. 1, 2013	impact currently evaluated
IFRS 9	IFRS 9 "Financial Instruments" – Classification and Measurement of Financial Assets	Nov. 2009	Jan. 1, 2015	impact currently evaluated
IFRS 9	IFRS 9 "Financial Instruments" – Classification and Measurement of Financial Liabilities	Oct. 2010	Jan. 1, 2015	impact currently evaluated
IFRS 10	IFRS 10 "Consolidated Financial Statements"	May 2011	Jan. 1, 2013	not applicable
IFRS 11	IFRS 11 "Joint Arrangements"	May 2011	Jan. 1, 2013	not applicable
IFRS 12	IFRS 12 "Disclosure of Interests in Other Entities"	May 2011	Jan. 1, 2013	impact currently evaluated
IFRS 13	IFRS 13 "Fair Value Measurement"	May 2011	Jan. 1, 2013	impact currently evaluated
IAS 1	Amendments to IAS 1 "Presentation of Financial Statements" – Presentation of Items of Other Comprehensive Income	June 2011	July 1, 2012	impact currently evaluated
IAS 12	Amendments to IAS 12 "Income Taxes"	Dec. 2010	Jan. 1, 2012	not applicable
IAS 19	Amendments to IAS 19 "Employee Benefits"	June 2011	Jan. 1, 2013	impact currently evaluated
IAS 27	Revised IAS 27 "Separate Financial Statements"	May 2011	Jan. 1, 2013	not applicable
IAS 28	Revised IAS 28 "Investments in Associates and Joint Ventures"	May 2011	Jan. 1, 2013	not applicable
IAS 32	Amendments to IAS 32 "Financial Instruments: Presentation" – Offsetting Financial Assets and Financial Liabilities	Dec. 2011	Jan. 1. 2014	impact currently evaluated
IFRIC 20	IFRIC 20 "Stripping Costs in the Production Phase of a Surface Mine"	Oct. 2011	Jan. 1, 2013	not applicable

Foreign Currency

The consolidated financial statements of ALTANA are expressed in Euro "€".

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

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

Transaction gains and losses that arise from exchange rate fluctuations on transactions denominated in a currency other than the functional currency are generally included in other operating income or other operating expenses and as far as they relate to the translation of financial assets or liabilities in financial income or expenses.

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

	Spot rate		Average rate for the years ended Dec. 31,	
	Dec. 31, 2011	Dec. 31, 2010	**2011**	2010
1 Euro				
U.S. Dollar	1.29	1.34	1.39	1.33
Swiss Franc	1.22	1.25	1.23	1.38
Japanese Yen	100.20	108.65	110.96	116.24
Chinese Renminbi	8.16	8.82	9.00	8.97
Indian Rupee	68.71	59.76	64.89	60.59
Brazilian Real	2.42	2.22	2.33	2.33

Revenue Recognition

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

Research and Development Expenses

In accordance with IAS 38 "Intangible Assets", research costs, defined as costs of original and planned research performed to gain new scientific or technical knowledge and understanding, are expensed as incurred. Development costs are defined as costs incurred to achieve technical and commercial feasibility. When the recognition criteria of IAS 38 are fulfilled, the directly attributable development costs are recognized as intangible assets. In the majority of 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 credits and tax loss carry-forwards can be used.

Intangible Assets

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

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

The following useful lives are applied:

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

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

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

Property, Plant and Equipment

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

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

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

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

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

Impairments of Intangible Assets and Property, Plant and Equipment

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

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

If these tests result in an impairment the related loss is recorded in other operating expenses.

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

Government Grants

Taxable and non-taxable government grants for the acquisition of certain non-current assets are recorded as a reduction of the cost basis of the acquired or constructed assets. Non-refundable reimbursement of cost is recorded as other operating income to the extent that the conditions stipulated are met.

Long-term Investments and Marketable Securities

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

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

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

Investments in Associated Companies

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

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

Inventories

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

Trade Accounts Receivable

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

Cash and Cash Equivalents

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

Assets Held for Sale

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

Financial Instruments

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

Changes in the fair value of derivative instruments qualifying for hedge accounting are recognized in income or in other comprehensive income (revaluation reserve) depending on whether the derivative is designated as a fair value or a cash flow hedge. For derivatives designated as fair value hedges, changes in the fair value of the hedged item and the derivative financial instrument are recognized in profit and 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 (revaluation reserve) until the hedged item is recognized in profit and 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 the income statement 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).

Employee Incentive Plans

In line with the Company's 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 so determined is expensed over the required service period. Until settlement of the instruments in cash, the liability is remeasured at its fair value at each reporting date as well as at the exercise date. Changes in the fair value are recognized in profit and loss.

Employee Benefit Obligations

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

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

Use of Estimates and Assumptions

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

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

Employee Benefit Obligations: The measurement of the various pension plans is based on the projected unit credit method applying different parameters, including the expected discount rate, the rate of compensation and pension increase, and the return on plan assets as of the reporting date. A significant change in the underlying parameters could have a material impact on the defined benefit obligations (see note 25).

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

3. Business Combinations and Disposals

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

Acquisitions in 2011

On February 28, 2011, ALTANA acquired 100 % of the shares in Kometra Kunststoff-Modifikatoren und -Additiv GmbH. The company produces polymer modifiers which are used for the refinement of standard plastics and was integrated into the Additives & Instruments division. Of the gross purchase price of €12.9 million, an amount of €10.0 million was paid in cash and an amount of €2.9 million related to net debt assumed.

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

in € million	
Goodwill	3.4
Intangible assets	7.3
Property, plant and equipment	3.8
Inventories	0.7
Cash and cash equivalents	2.3
Other assets	0.9
Financial Debt	(5.2)
Liabilities	(1.1)
Deferred tax liabilities	(2.1)
Consideration transferred	**10.0**
thereof purchase price paid in cash	10.0

The allocation of the consideration transferred resulted in goodwill amounting to €3.4 million. Since its acquisition, the company has contributed €6.4 million to consolidated net sales and €0.5 million to consolidated net income. Had Kometra been acquired on January 1, 2011 the business would have contributed €7.5 million to consolidated net sales and €0.6 million to consolidated net income.

On July 1, 2011, ALTANA acquired 100 % of the shares in Color Chemie Group. The group with its headquarters located in Büdingen, Germany produces mainly environmentally friendly water-based special printing inks and was integrated into the Coatings & Sealants division. The purchase price of €46.5 million was paid in cash. Additionally, ALTANA agreed to assume an obligation related to a tax refund of €1.6 million based on a contractual tax clause.

The following table provides an overview of the preliminary 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	7.8
Intangible assets	16.8
Property, plant and equipment	13.7
Long-term investments	0.1
Inventories	8.6
Other assets	13.4
Other liabilities	(6.6)
Deferred tax liabilities	(5.7)
Consideration transferred	**48.1**
thereof purchase price paid in cash	46.5
thereof deferred payments to third parties (tax clauses)	1.6

ALTANA acquired cash and cash equivalents of €3.1 million. The allocation of the consideration transferred resulted in goodwill amounting to €7.8 million. Since its acquisition, the Color Chemie Group has contributed €24.1 million to consolidated net sales and €-0.4 million to consolidated net income. Had the business been acquired on January 1, 2011, it would have contributed €47.7 million to consolidated net sales and €1.2 million to consolidated net income.

On October 28, 2011, in the course of a backward integration ALTANA acquired the production of metalure pigments from the American company Avery Dennison in an asset deal. The production was integrated into the Effect Pigments division. The purchase price of €14.8 million was paid in cash.

The following table provides an overview of the preliminary 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	0.1
Intangible assets	4.3
Property, plant and equipment	9.8
Inventories	0.9
Liabilities	(0.3)
Consideration transferred	**14.8**
thereof purchase price paid in cash	14.8

As the acquisition is a backward integration consolidated revenues were not affected in 2011. Had the business been acquired on January 1, 2011 it would have contributed €0.3 million to consolidated net income.

Additionally, on March 18, 2011, the Coatings & Sealants division bought the sealant compound business of Watson Standard Adhesives, a U.S.-based company, for the can packaging market in an asset deal. Net revenues in 2010 amounted to U.S. Dollar 1.6 million. The purchase price of €1.2 million was paid in cash. The purchase price was allocated in full to the assets acquired and liabilities assumed based on the allocation of the consideration transferred.

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

Disposals in 2011

On December 15, 2011, ALTANA concluded a contract with the Indian company SUDARSHAN Chemical Industries Limited to sell the industrial pearlescent pigments business (mainly internally developed customer lists and technologies) of the Effect Pigments division. As of December 31, 2011, the contract had not yet come into effect and therefore had no impact on the Company's consolidated financial statements.

Significant Adjustments Relating to Acquisitions Made in 2009

In 2011, the remaining contingent purchase price of €0.7 million resulting from the acquisition of the formulated business of Quadrant Chemical Corp. in the Electrical Insulation division was paid. The related provision recognized in 2009 was utilized.

4. Net Sales

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

	2011	2010
Additives & Instruments	581,941	541,183
Effect Pigments	346,803	356,594
Electrical Insulation	390,907	377,401
Coatings & Sealants	297,043	260,212
	1,616,694	**1,535,390**

5. Cost of Sales

Cost of sales includes the following items:

	2011	2010
Material expenses	740,579	673,048
Production expenses		
Personnel expenses	132,675	125,192
Depreciation and amortization	53,100	49,440
Energy expenses	25,277	25,692
Maintenance and repair expenses	17,895	17,209
Other	46,072	47,136
	1,015,598	**937,717**

6. Selling and Distribution Expenses

Selling and distribution expenses are as follows:

	2011	2010
Personnel expenses	65,994	61,598
Shipping, duties, insurance	43,826	43,012
Commissions	24,893	24,737
Depreciation and amortization	19,101	18,339
Other	56,007	51,659
	209,821	**199,345**

Selling and distribution expenses reflect the worldwide activities of the distribution network, with specific emphasis on customer, product and application consulting by employees, delegates or agents. 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

	2011	2010
Reversal of allowance for doubtful accounts	1,251	1,086
Gains on disposal of property, plant and equipment	1,407	307
Government grants	367	372
Foreign exchange gains/(losses), net	1,288	0
Net result from the disposal of product groups	0	5,603
Other	5,883	7,303
	10,196	**14,671**

Foreign exchange gains and losses were as follows:

	2011	2010
Foreign exchange gains	8,270	10,333
Foreign exchange (losses)	(6,982)	(10,747)
Net gain / net (loss)	**1,288**	**(414)**

8. Other Operating Expenses

	2011	2010
Bad debt expense	1,666	1,577
Losses from disposal of property, plant and equipment	627	984
Foreign exchange gains/(losses), net	0	414
Exceptional expenses	6,401	2,866
Charitable donations	460	531
Other	2,764	6,418
	11,918	**12,790**

Exceptional expenses relate to the following:

	Notes	2011	2010
Impairment of intangible assets	14	0	341
Impairment of property, plant and equipment	15	1,875	935
Impairment of assets held for sale	15	1,665	0
Cost of relocation of production and structural measures		2,861	1,590
		6,401	**2,866**

9. Financial Income

	2011	2010
Interest income	2,613	1,496
Gains on disposal of marketable securities	4,870	5,843
Gains on derivative financial instruments	2,923	2,313
Dividends received	131	161
Other financial income	1,348	349
	11,885	**10,162**

10. Financial Expenses

	2011	2010
Interest expenses	8,764	9,876
Impairment	1,544	0
Losses on disposal of marketable securities	2	953
Losses on derivative financial instruments	11,250	11,372
Other financial expenses	346	1,029
	21,906	**23,230**

11. Income from Associated Companies

Income from associated companies amounted to €0.8 million and €1.1 million in 2011 and 2010, respectively.

12. Income Taxes

Income tax expense is as follows:

	2011	2010
Total current taxes	63,533	64,995
Total deferred taxes	(3,320)	928
Income taxes	**60,213**	**65,923**

As in 2010, 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 difference between income tax expense calculated by applying the expected combined income tax rate of 29 % and the effective income tax are as follows:

	2011	2010
Income before income taxes (EBT)	**207,735**	**218,174**
Tax expense applying the expected average income tax rate	60,243	63,270
Non-deductible expenses	3,314	3,038
Tax rate differential	(1,682)	1,377
Tax free income	(2,596)	(3,409)
Tax related to prior years	5,511	2,231
Other	(4,577)	(584)
Income taxes	**60,213**	**65,923**
Effective income tax rate	29.0 %	30.2 %

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

	Dec. 31, 2011		Dec. 31, 2010	
	Assets	Liabilities and provisions	Assets	Liabilities and provisions
Intangible assets	5,902	(36,232)	2,400	(25,017)
Property, plant and equipment	7,395	(32,655)	12,636	(27,866)
Long-term investments	339	(2,571)	377	(4,593)
Inventories	10,134	(2,071)	7,977	(1,668)
Receivables and other assets	1,007	(4,400)	491	(4,824)
Marketable securities	0	(195)	0	(117)
Employee benefit obligations	11,688	(531)	9,011	(865)
Other provisions	4,057	(1,197)	6,117	(9,063)
Liabilities	4,737	(1,253)	3,437	(821)
Tax loss carry-forwards	3,111	0	3,230	0
Allowance for deferred tax assets	(3,892)	0	(6,704)	0
Outside bases differences	0	(441)	0	(826)
Netting	(19,802)	19,802	(27,412)	27,412
Deferred taxes, net	**24,676**	**(61,744)**	**11,560**	**(48,248)**

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

	2011	2010
Tax loss carry-forwards	**65,571**	**62,654**
unlimited carry-forwards	23,966	22,357
will expire until 2016 (prior year: 2015)	14,931	10,833
will expire after 2016 (prior year: 2015)	26,674	29,464

Deferred tax assets on tax loss carry-forwards of €56.2 million and €52.8 million were not recognized as of December 31, 2011 and 2010, 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 €23.2 million have unlimited carry-forward periods, €14.9 million will expire through 2016, and €18.1 million will expire after 2016.

As of December 31, 2011 and 2010, a deferred tax liability was not recorded for the amounts of €37.5 million and €31.3 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:

	2011	2010
Wages and salaries	246,209	237,480
Social security contributions	43,874	39,717
Expenses for pensions and other post-retirement benefits	9,842	11,185
	299,925	**288,382**

Personnel expenses include expenses for employee incentive plans in both years reported (see note 23). In 2011 and 2010, €0.3 million and €0.6 million of these expenses, respectively, relate to the compensation plan for key members of the management, "ALTANA Share Performance", €1.0 million and €1.3 million relate to the compensation plan for key members of the management, "ALTANA Equity Performance" and €0.4 million and €0.3 million to the compensation plan for employees, "ALTANA Profit Participation".

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

	2011	2010
Number of employees by division		
Additives & Instruments	1,331	1,221
Effect Pigments	1,927	1,886
Electrical Insulation	921	905
Coatings & Sealants	872	781
Holding	73	69
	5,124	**4,862**

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

	2011	2010
Number of employees by categories		
Blue collar worker	2,092	1,969
White collar worker	2,652	2,514
Management	380	379
	5,124	**4,862**

Amortization, Depreciation and Impairments

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

	2011	2010
Amortization of intangible assets	34,356	34,021
Depreciation of property, plant and equipment	53,127	48,656
Impairment of intangible assets	0	341
Impairment of property, plant and equipment	1,875	935
Impairment of assets held for sale	1,665	0
	91,023	**83,953**

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

14. Intangible Assets

	Patents, licenses and similar rights	Goodwill	Software and others	Total
Cost				
Balance at Jan. 1, 2010	372,131	245,081	60,105	677,317
Additions	153	0	2,170	2,323
Disposals	(901)	0	(260)	(1,161)
Transfers	15	0	1,028	1,043
Translation adjustments	9,677	12,399	368	22,444
Changes in reporting entities	7,863	(17)	0	7,846
Balance at Dec. 31, 2010	**388,938**	**257,463**	**63,411**	**709,812**
Additions	1,663	0	9,960	11,623
Disposals	(2,673)	0	(311)	(2,984)
Transfers	10	0	239	249
Translation adjustments	2,592	2,709	238	5,539
Changes in reporting entities	29,394	11,316	65	40,775
Balance at Dec. 31, 2011	**419,924**	**271,488**	**73,602**	**765,014**
Accumulated amortization				
Balance at Jan. 1, 2010	113,593	46,538	38,893	199,024
Additions	26,896	0	7,125	34,021
Disposals	(901)	0	(176)	(1,077)
Impairment	341	0	0	341
Transfers	0	0	0	0
Translation adjustments	3,357	1,052	262	4,671
Changes in reporting entities	0	0	0	0
Balance at Dec. 31, 2010	**143,286**	**47,590**	**46,104**	**236,980**
Additions	28,314	0	6,042	34,356
Disposals	(2,673)	0	(185)	(2,858)
Impairment	0	0	0	0
Transfers	0	0	47	47
Translation adjustments	1,533	494	169	2,196
Changes in reporting entities	0	0	0	0
Balance at Dec. 31, 2011	**170,460**	**48,084**	**52,177**	**270,721**
Carrying amount				
Dec. 31, 2011	**249,464**	**223,404**	**21,425**	**494,293**
Dec. 31, 2010	245,652	209,873	17,307	472,832

In 2011 and 2010, additions of €5.9 million and €1.8 million, respectively, related to software, software licenses and prepayments in the Additives & Instruments division.

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

2012	34,994
2013	33,465
2014	30,096
2015	25,587
2016	18,168
Thereafter	101,216

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

As of December 31, 2011 and 2010, respectively, the carrying amount of goodwill by cash-generating unit was as follows:

	Dec. 31, 2011	Dec. 31, 2010
Additives & Instruments	13,876	10,496
Effect Pigments	78,173	76,012
Electrical Insulation	76,830	77,461
Coatings & Sealants	54,525	45,904
	223,404	**209,873**

Impairment Test for Goodwill

The Company performed impairment tests on goodwill. Impairment tests are performed at least once a year in the fourth quarter of each year based on long-term planning. The recently performed tests were based on the financial budgets for the years 2012 to 2016. The budgets were based on historical experience and represent management's best estimates about future developments. The weighted average growth rates used in the budgets were derived from corresponding industry forecasts. In order to perform impairment tests, the Company estimated cash flow projections beyond the budgets by extrapolating the projections using a steady growth rate for subsequent years. The Company then calculated the fair value less costs to sell for each cash-generating unit by applying the discounted cash flow method. In the years reported the following parameters were applied: discount rate after income taxes of 8.0 %; growth rate: Additives & Instruments 2.0 %, Effect Pigments 2.0 %, Electrical Insulation 1.5 %, Coatings & Sealants 1.5 %. The fair value calculated was then compared to the carrying amount of the cash-generating unit.

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

In 2011, no impairment loss on goodwill was recognized. Sensitivity analyses indicated that even a reasonably likely change of the underlying parameters would not have resulted in an impairment.

In the period since the performance of the impairment test until December 31, 2011, no additional impairment indicators were identified.

Impairment Test for Intangible Assets Other Than Goodwill

In 2011, no impairment losses on intangible assets with an indefinite useful life were recognized. In 2010, an impairment loss of €0.3 million was recognized for brand names in the Coatings & Sealants division.

15. Property, Plant and Equipment

	Land, leasehold and buildings	Plant and machinery	Equipment	Advances/ construction in progress	Total
Cost					
Balance at Jan. 1, 2010	390,326	372,905	141,436	35,010	939,677
Additions	4,211	12,986	9,303	45,025	71,525
Disposals	(6,642)	(7,239)	(4,361)	(1)	(18,243)
Transfers	5,017	5,486	646	(12,192)	(1,043)
Translation adjustments	6,331	7,748	2,643	1,660	18,382
Changes in reporting entities	0	50	79	0	129
Balance at Dec. 31, 2010	**399,243**	**391,936**	**149,746**	**69,502**	**1,010,427**
Additions	20,924	20,918	12,762	29,925	84,529
Disposals	(4,665)	(1,841)	(6,692)	(222)	(13,420)
Transfers	18,310	35,543	2,990	(57,092)	(249)
Translation adjustments	1,483	3,999	1,227	302	7,011
Changes in reporting entities	10,863	14,524	1,347	558	27,292
Balance at Dec. 31, 2011	**446,158**	**465,079**	**161,380**	**42,973**	**1,115,590**
Accumulated depreciation					
Balance at Jan. 1, 2010	107,948	189,633	90,436	0	388,017
Additions	14,574	23,502	10,580	0	48,656
Disposals	(2,098)	(6,622)	(4,236)	0	(12,956)
Impairment	360	575	0	0	935
Transfers	43	13	(56)	0	0
Translation adjustments	1,556	3,390	1,580	0	6,526
Changes in reporting entities	0	0	0	0	0
Balance at Dec. 31, 2010	**122,383**	**210,491**	**98,304**	**0**	**431,178**
Additions	14,023	27,206	11,898	0	53,127
Disposals	(4,091)	(1,772)	(6,203)	0	(12,066)
Impairment	243	1,632	0	0	1,875
Transfers	0	0	(47)	0	(47)
Translation adjustments	726	1,509	814	0	3,049
Changes in reporting entities	0	0	0	0	0
Balance at Dec. 31, 2011	**133,284**	**239,066**	**104,766**	**0**	**477,116**
Carrying amount					
Dec. 31, 2011	**312,874**	**226,013**	**56,614**	**42,973**	**638,474**
Dec. 31, 2010	276,860	181,445	51,442	69,502	579,249

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

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

As of December 31, 2011 and 2010, €0.3 million and €0.2 million, respectively, of the net book value related to property, plant and equipment under finance leases. The Company did not receive any significant taxable or non-taxable government grants in 2011 and 2010.

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

In 2010, the Company recognized impairment losses of €0.9 million. Of that amount €0.3 million relate to the reclassification of land and buildings in Italy (carrying amount less impairment €4.3 million) to assets held for sale and €0.6 million relate to production plants located in the U.S.

Borrowings of €5.2 million and €5.6 million were secured by mortgages (land and other assets) as of December 31, 2011 and 2010, respectively.

16. Long-term Investments

	Other investments	Other long-term financial assets	Total
Cost			
Balance at Jan. 1, 2010	10,006	1,825	11,831
Additions	0	64	64
Disposals	(8,280)	(1,332)	(9,612)
Translation adjustments	131	20	151
Balance at Dec. 31, 2010	**1,857**	**577**	**2,434**
Additions	0	70	70
Disposals	0	(53)	(53)
Translation adjustments	59	(4)	55
Changes in reporting entities	0	147	147
Balance at Dec. 31, 2011	**1,916**	**737**	**2,653**
Accumulated impairment			
Balance at Jan. 1, 2010	8,910	0	8,910
Impairment	0	0	0
Disposals	(8,280)	0	(8,280)
Translation adjustments	50	0	50
Balance at Dec. 31, 2010	**680**	**0**	**680**
Impairment	0	0	0
Disposals	0	0	0
Translation adjustments	23	0	23
Changes in reporting entities	0	0	0
Balance at Dec. 31, 2011	**703**	**0**	**703**
Carrying amount			
Dec. 31, 2011	**1,213**	**737**	**1,950**
Dec. 31, 2010	1,177	577	1,754

In 2011 and 2010, no impairment losses were recognized.

In 2011 and 2010, an amount of €0.4 million and €0.3 million, respectively, of other long-term financial assets related to long-term employee loans bearing a weighted average interest rate of 4.2 % in 2011.

17. Investments in Associated Companies

	Investments in associated companies
Balance at Jan. 1, 2010	9,045
Additions	1,090
Disposals	(358)
Translation adjustments	1,235
Balance at Dec. 31, 2010	**11,012**
Additions	787
Disposals	(548)
Translation adjustments	(912)
Balance at Dec. 31, 2011	**10,339**

The investment of 39 % in the associated company Aldoro is accounted for by applying the equity method of accounting. At the acquisition date in 2005, ALTANA's share of the net assets acquired 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, 2011	Dec. 31, 2010
Assets	16,261	16,576
Liabilities	2,081	1,771
Net sales	15,452	15,472
Net income (EAT)	2,018	2,794
Employees (annual average)	85	78

18. Inventories

	Dec. 31, 2011	Dec. 31, 2010
Raw materials and supplies	83,480	78,641
Work in progress	43,401	41,124
Finished products and goods	106,232	90,407
Prepayments	917	198
	234,030	**210,370**

In 2011 and 2010, respectively, inventory write-downs of €16.7 million and €14.8 million, respectively, were deducted from the respective inventory categories.

19. Trade Accounts Receivable

	Dec. 31, 2011	Dec. 31, 2010
Trade accounts receivable	267,067	260,089
Non-current trade accounts receivable (see note 21)	(24)	(807)
Allowance for doubtful accounts	(4,202)	(4,778)
	262,841	**254,504**

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:

	2011	2010
Allowance at the beginning of the year	4,778	5,570
Translation adjustments	32	138
Additions	1,666	1,577
Reversal	(1,250)	(1,086)
Utilization	(1,439)	(1,421)
Changes in reporting entities	415	0
Allowance at the end of the year	**4,202**	**4,778**

The exposure to credit risk at December 31, 2011 and 2010 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, 2011	**262,865**	**228,730**	**21,699**	**5,760**	**2,168**	**2,787**	**1,721**
Dec. 31, 2010	255,311	227,745	18,466	3,397	901	1,783	3,019

As of December 31, 2011 and 2010, 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 the revaluation reserve, net of income tax, were as follows:

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

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

In accordance with the method determined by ALTANA (see note 2), the Company recognized an impairment loss on marketable securities amounting to €1.5 million because the fair value was significantly below amortized cost and the decrease in value was permanent in nature at the reporting date. In 2010, no impairment loss on marketable securities was recognized.

21. Other Assets

	Dec. 31, 2011		Dec. 31, 2010	
	Other current assets	Other non-current assets	Other current assets	Other non-current assets
Balances due from employees	460	52	385	54
Cash surrender value of life insurance	82	1,958	78	1,940
Balances due from fiscal authorities	12,202	590	10,364	342
Prepayments	2,608	1	993	1
Loans	0	1,304	0	0
Balances due from related parties	554	0	59	0
Prepaid expenses	3,842	383	2,838	249
Derivative financial instruments	304	4	414	202
Non-current trade accounts receivable	0	24	0	807
Notes receivable	29,552	0	0	0
Promissory notes	15,000	0	20,000	0
Other	9,273	977	10,722	1,042
	73,877	**5,293**	**45,853**	**4,637**

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 several equity-settled share-based payment transactions.

Revaluation Reserve

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

Other Comprehensive Income

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

			2011			2010
	before Income taxes	Income taxes	net of Income taxes	before Income taxes	Income taxes	net of Income taxes
Translation adjustments (including non-controlling interests)	10,849	441	11,290	40,467	327	40,794
Gains and losses from available-for-sale securities	(281)	89	(192)	(229)	71	(158)
Gains and losses from derivative financial instruments	256	(77)	179	3,078	(923)	2,155
Change in fair value of available-for-sale securities	529	(170)	359	400	(126)	274
Change in fair value of derivative financial instruments	390	(117)	273	(5,106)	1,532	(3,574)
Change in actuarial gains and losses	(9,422)	2,953	(6,469)	562	(176)	386
Other comprehensive income	**2,321**	**3,119**	**5,440**	**39,172**	**705**	**39,877**

Additional Disclosures for Capital Management

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

In 2011, ALTANA's shareholders' equity increased by €52.9 million to €1,417.1 million. Due to the distribution of the ordinary dividend, shareholders' equity was reduced by €100.0 million, which was offset by the 2011 consolidated net income of €147.5 million. The debt to asset ratio decreased from 30 % as of December 31, 2010, to 29 % as of December 31, 2011. Long-term and short-term debt represented 11 % and 18 % of total liabilities, provisions and shareholders' equity. A credit line of €400 million is available to ALTANA as an external financing source. This credit line was made available by an international banking syndicate and can be drawn in different currencies (see note 24). The agreed term of the credit line expires in April 2012. For a partial amount of €340 million the term was extended until April 2013 by the international banking syndicate.

According to the agreement with the international banking syndicate a ratio ("financial covenant") of net debt to EBITDA of 3.0 to 1 at the maximum has to be complied with. In contrast, as of December 31, 2011 ALTANA reports a net cash position. If the financial covenant is not met the international banking syndicate can early terminate the credit line or renegotiate the terms.

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

23. Employee Incentive Plans

ALTANA Share Performance (ASP)

On July 1, 2011 the final settlement resulting from the share-based compensation plan for key members of the management, which was initiated on July 1, 2008 and terminated in 2009, was paid in cash to the eligible employees.

In 2011 and 2010, share-based compensation expenses amounted to €0.3 million and €0.6 million, respectively.

ALTANA Equity Performance (AEP)

In 2010, ALTANA had initiated a new long-term incentive plan for key members of the management (AEP 2010). The incentive plan provides for the issuance of rights (ALTANA Equity Performance Awards), which develop similar to the value of ALTANA's shareholders' equity.

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

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

On January 1, 2011 the second tranche (AEP 2011) was initiated on the same terms and conditions, with the initial fair value of the awards of €100.00 having increased to €152.34 each.

As of and for the years ended December 31, 2011 and 2010, a provision of €1.8 million and €0.8 million, respectively, and total expenses of €1.0 million and €1.3 million, respectively, were recognized for both plans. As of December 31, 2011 and 2010, the total initial investment made by the management was measured at €2.4 million and €2.0 million and is recognized in other liabilities (see note 27).

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

	Initial fair value in € per award	Awards granted	End of term
AEP 2010	100.00	21,098	Dec. 31, 2013
AEP 2011	152.34	15,213	Dec. 31, 2014

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 the purchase of ALTANA Profit Participation Rights (APPR).

The APPRs are debt instruments issued by ALTANA AG with a minimum term of four years. A basic interest rate of 3 % per year of the debt instrument is granted as well a 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.

In 2011 the second tranche (APPR 2011) was initiated on the same terms and conditions.

As of December 31, 2011 and 2010, respectively, €4.6 million and €2.3 million, respectively, were recognized in other liabilities for the APPRs. In 2011 and 2010, the one-time payment resulted in an expense of €0.4 million and €0.3 million, respectively; which was recognized in personnel expenses.

24. Debt

	Dec. 31, 2011		Dec. 31, 2010	
	Non-current debt	Current debt	Non-current debt	Current debt
Borrowings from banks	33,100	124,244	132,764	30,107
Lease obligations	5	2	7	3
	33,105	**124,246**	**132,771**	**30,110**

For general corporate purposes ALTANA has received a line of credit amounting to €400.0 million from a banking syndicate consisting of 15 banks. The credit line may be drawn in different currencies. As of December 31, 2011, the Company had drawn €154.1 million (€100.0 million and U.S. Dollar 70.0 million) and reported an amount of €30.9 million in non-current debt and €123.2 million in current debt. As of December 31, 2010, the Company had drawn €156.7 million (€100.0 million and U.S. Dollar 75.7 million) and reported an amount of €129.9 million in non-current debt and €26.7 million in current debt. As of December 31, 2011 and 2010, from the original credit line amounting to €400.0 million an unused credit line of €245.9 million and €243.3 million, respectively, was available. In addition, as of December 31, 2011, further largely unused lines of credit in the amount of €27.4 million were available to ALTANA. The terms and conditions are based on market conditions and no collateral is provided.

As of December 31, 2011 and 2010, respectively, bank borrowings included €54.3 million and €58.9 million, respectively, denominated in foreign currencies. Of these borrowings, amounts of €53.9 million and €57.0 million were denominated in U.S. Dollars as of December 31, 2011 and 2010, respectively.

As of December 31, 2011 and 2010, the aggregate amounts of indebtedness maturing during the next five years and thereafter were as follows:

	Dec. 31, 2011	Dec. 31, 2010
Due in 2012 (prior year: 2011)	124,244	30,107
Due in 2013 (prior year: 2012)	31,310	100,287
Due in 2014 (prior year: 2013)	1,278	30,228
Due in 2015 (prior year: 2014)	200	1,737
Due in 2016 (prior year: 2015)	203	199
Due thereafter	109	313
Total	**157,344**	**162,871**
Lease obligation (see note 29)	**7**	**10**
Total debt	**157,351**	**162,881**

25. Employee Benefit Obligations

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

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

The defined contribution plans are mainly located in non-German subsidiaries. Additionally, the Company pays contributions to national and foreign governmental and private pension insurance organizations based on legal regulations. The contributions are recognized as expense based on their function in the respective year and amounted to €18.7 million and €17.7 million in 2011 and 2010, respectively. No further obligation exists besides the contributions paid.

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

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

	Dec. 31, 2011	Dec. 31, 2010
Defined benefit obligation – unfunded	96,560	85,832
Defined benefit obligation – funded	49,754	45,290
Defined benefit obligation	**146,314**	**131,122**
Less fair value of plan assets	43,905	40,833
Asset ceiling	786	0
Employee benefit obligations	**103,195**	**90,289**
Provision for other post-retirement benefits	**363**	**343**
Total	**103,558**	**90,632**

In 2011 and 2010, funded defined benefit obligations are in excess of the plan assets by €5.8 million and €4.5 million, respectively.

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

	Dec. 31, 2011	Dec. 31, 2010	Dec. 31, 2009	Dec. 31, 2008	Dec. 31, 2007
Defined benefit obligation	146,314	131,122	127,272	110,000	107,663
Fair value of plan assets	43,905	40,833	38,529	30,413	29,440
Funded status	102,409	90,289	88,743	79,587	78,223
Experience adjustments	(402)	(1,867)	756	(800)	(940)
thereof plan assets	(2,716)	342	3,622	(6,272)	(1,260)
thereof defined benefit obligation	2,314	(2,209)	(2,866)	5,472	320

The provision for pensions was as follows:

	2011		2010	
	German plans	Non-German plans	German plans	Non-German plans
Defined benefit obligation				
Balance at Jan. 1	100,585	30,537	93,173	34,099
Changes in reporting entities	239	0	0	0
Translation adjustments	0	602	0	1,860
Service cost	4,798	927	4,792	844
Settlement and curtailment	649	(207)	163	384
Interest cost	5,439	1,453	4,834	1,781
Actuarial gains/(losses)	4,107	1,789	(941)	686
Employee contribution	2,510	140	1,950	128
Benefits paid	(3,723)	(1,059)	(3,386)	(2,472)
Other changes	0	(2,472)	0	(6,773)
Balance at Dec. 31	**114,604**	**31,710**	**100,585**	**30,537**
Plan assets				
Balance at Jan. 1	17,490	23,343	12,553	25,976
Translation adjustments	0	385	0	1,317
Expected return on plan assets	962	1,241	688	1,546
Actuarial gains/(losses)	(2,007)	(708)	960	(617)
Employer contribution	2,435	1,696	1,540	3,693
Employee contribution	2,510	140	1,950	128
Benefits paid	(278)	(831)	(201)	(1,312)
Other changes	0	(2,473)	0	(7,388)
Balance at Dec. 31	**21,112**	**22,793**	**17,490**	**23,343**
Funded status at Dec. 31	**93,492**	**8,917**	**83,095**	**7,194**
Asset ceiling	0	786	0	0
Provision at Dec. 31	**93,492**	**9,703**	**83,095**	**7,194**

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

	Dec. 31, 2011		Dec. 31, 2010	
Asset category				
Equity securities	5,122	12 %	5,363	13 %
Mixed funds	19,396	44 %	15,744	39 %
Bonds and fond-based funds	6,764	15 %	1,951	5 %
Money market funds	1,640	4 %	1,791	4 %
Other	10,983	25 %	15,984	39 %
	43,905	**100 %**	**40,833**	**100 %**

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

The expected long-term return on plan assets per asset class is determined based on capital market analyses and predicted return on assets. The actual return on the plan assets was €-0.5 million and €2.6 million for 2011 and 2010, respectively.

The Company expects to pay benefits to the retirees of €4.0 million and to make contributions to the plan assets in an amount of €4.8 million in 2012.

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

	Dec. 31, 2011		Dec. 31, 2010	
	German plans	Non-German plans	German plans	Non-German plans
Weighted average assumptions				
Discount rate	5.0 %	4.7 %	5.5 %	5.1 %
Expected return on plan assets	5.0 %	5.2 %	5.5 %	5.4 %
Rate of compensation increase	3.5 %	1.7 %	3.5 %	2.2 %
Rate of pension increase	2.0 %	0.2 %	2.0 %	0.2 %

The components of net periodic pension cost are as follows:

	2011		2010	
	German plans	Non-German plans	German plans	Non-German plans
Service cost	4,798	927	4,792	844
Other	649	(207)	163	1,019
Pension expense	**5,447**	**720**	**4,955**	**1,863**
Interest cost	5,439	1,453	4,834	1,781
Expected return on plan assets	(962)	(1,241)	(688)	(1,546)
Financial result – pension	**4,477**	**212**	**4,146**	**235**
Net periodic pension cost	**9,924**	**932**	**9,101**	**2,098**

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

	2011	2010
Cost of sales	2,426	2,638
Selling and distribution expenses	1,458	1,186
Research and development expenses	1,351	1,209
General administration expenses	932	987
Total functional cost	**6,167**	**6,020**
not allocated to functional cost	0	798
Pension expense	**6,167**	**6,818**

26. Other Provisions

	Employee	Sales and marketing	Warranty	Other	Total
Balance at Jan. 1, 2011	**50,534**	**17,084**	**1,620**	**24,081**	**93,319**
Additions	31,361	15,590	953	11,037	58,941
Utilization	(34,569)	(15,070)	(477)	(14,493)	(64,609)
Reversal	(678)	(1,017)	(228)	(4,736)	(6,659)
Translation adjustments	280	157	(1)	108	544
Changes in reporting entities	682	417	321	1,062	2,482
Balance at Dec. 31, 2011	**47,610**	**17,161**	**2,188**	**17,059**	**84,018**
Thereof non-current					
at December 31, 2011	**13,922**	**103**	**0**	**2,000**	**16,025**
at December 31, 2010	13,810	101	0	230	14,141

The employee-related provisions mainly comprise of accruals for vacation entitlements. The non-current portion mainly relates to partial retirement (“Altersteilzeit”) and anniversary benefits.

Provisions for sales and marketing pertain primarily to sales bonuses and commissions. Provisions for warranty cover commitments in connection with goods delivered and services rendered. ALTANA expects that the current portion of the provisions will be utilized during 2012.

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, 2011		Dec. 31, 2010	
	Other non-current liabilities	Other current liabilities	Other non-current liabilities	Other current liabilities
Payroll taxes	0	10,765	0	7,562
Wages and salaries	0	2,309	0	2,245
Social security contributions	333	1,790	0	2,085
Employee incentive plans	6,988	0	4,261	0
Commissions	0	2,901	0	2,683
Credit notes to customers	0	1,276	0	1,070
Balances due to related parties	0	307	0	301
Derivative financial instruments	2,207	5,052	5,290	3,210
Deferred income	400	307	459	372
Other	167	7,026	314	7,408
	10,095	**31,733**	**10,324**	**26,936**

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, 2011 and 2010.

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 traded on the stock exchange the fair values correspond to the quotation on the stock exchange (hierarchy level 1). Investments not traded on the stock exchange are measured at cost, because their future estimated cash flows cannot be determined reliably. A sale of these investments is currently not planned.

The carrying amount of derivative financial assets and liabilities equal their fair values (hierarchy level 2). The fair value is calculated by employing present value models using market parameters.

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

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

	Loans and receivables	Available-for-sale financial assets		Financial assets at fair value through profit and loss	Dec. 31, 2011 Carrying amount Hedging instruments (hedge accounting)	Dec. 31, 2011 Fair value
	at Amortized cost	at Cost	at Fair value[1]	at Fair value	at Fair value[2]	
Cash and cash equivalents	**170,084**					**170,084**
thereof in						
Cash and cash equivalents	170,084					170,084
Trade accounts receivable	**263,768**					**263,768**
thereof in						
Trade accounts receivable	262,841					262,841
Other non-current assets	24					24
Other current assets	903					903
Other interest-bearing non-derivative financial assets	**20,663**					**20,835**
thereof in						
Long-term investments	351					374
Other non-current assets	1,304					1,453
Other current assets	19,008					19,008
Other non-interest-bearing non-derivative financial assets	**554**					**554**
thereof in						
Other current assets	554					554
Marketable securities and long-term investments		**3,298**	**62,348**			**65,646**
thereof in						
Long-term investments		1,599				1,599
Marketable securities		1,699	62,348			64,047
Derivative financial assets – hedge accounting					**308**	**308**
thereof in						
Other non-current assets					4	4
Other current assets					304	304

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

	Loans and receivables	Available-for-sale financial assets		Financial assets at fair value through profit and loss	Dec. 31, 2010 Carrying amount Hedging instruments (hedge accounting)	Dec. 31, 2010 Fair value
	at Amortized cost	at Cost	at Fair value[1]	at Fair value	at Fair value[2]	
Cash and cash equivalents	**244,373**					**244,373**
thereof in						
Cash and cash equivalents	244,373					244,373
Trade accounts receivable	**255,573**					**255,573**
thereof in						
Trade accounts receivable	254,504					254,504
Other non-current assets	807					807
Other current assets	262					262
Other interest-bearing non-derivative financial assets	**25,502**					**25,524**
thereof in						
Long-term investments	281					303
Other non-current assets	6					6
Other current assets	25,215					25,215
Other non-interest-bearing non-derivative financial assets	**59**					**59**
thereof in						
Other current assets	59					59
Marketable securities and long-term investments		**4,639**	**85,665**			**90,304**
thereof in						
Long-term investments		1,472				1,472
Marketable securities		3,167	85,665			88,832
Derivative financial assets – hedge accounting					**616**	**616**
thereof in						
Other non-current assets					202	202
Other current assets					414	414

[1] Marketable securities amounting to €85,665 thousand measured at fair value of hierarchy level 1.
[2] Derivative financial assets amounting to €616 thousand are measured at fair value of hierarchy level 2.

	Financial liabilities	Financial liabilities at fair value through profit and loss	Finance leases according to IAS 17	Hedging instruments (hedge accounting)	Dec. 31, 2011 Fair value
				Dec. 31, 2011 Carrying amount	
	at Amortized cost	at Fair value	at Amortized cost	at Fair value[1]	
Lease obligations			**7**		**7**
thereof in					
Non-current debt			5		5
Current debt			2		2
Trade accounts payable	**110,193**				**110,193**
thereof in					
Trade accounts payable	106,016				106,016
Other current liabilities	4,177				4,177
Other interest-bearing non-derivative financial liabilities	**157,651**				**157,613**
thereof in					
Non-current debt	33,100				33,062
Current debt	124,244				124,244
Other current liabilities	307				307
Other non-interest-bearing non-derivative financial liabilities	**5,309**				**5,309**
thereof in					
Other current liabilities	5,309				5,309
Derivative financial liabilities – hedge accounting				**7,259**	**7,259**
thereof in					
Other non-current liabilities				2,207	2,207
Other current liabilities				5,052	5,052

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

	Financial liabilities	Financial liabilities at fair value through profit and loss	Finance leases according to IAS 17	Hedging instruments (hedge accounting)	Dec. 31, 2010 Fair value
				Dec. 31, 2010 Carrying amount	
	at Amortized cost	at Fair value	at Amortized cost	at Fair value[1]	
Lease obligations			**9**		**9**
thereof in					
Non-current debt			7		7
Current debt			2		2
Trade accounts payable	**110,607**				**110,607**
thereof in					
Trade accounts payable	106,854				106,854
Other current liabilities	3,753				3,753
Other interest-bearing non-derivative financial liabilities	**163,172**				**163,111**
thereof in					
Non-current debt	132,764				132,703
Current debt	30,107				30,107
Other current liabilities	301				301
Other non-interest-bearing non-derivative financial liabilities	**4,765**				**4,765**
thereof in					
Other current liabilities	4,765				4,765
Derivative financial liabilities – hedge accounting				**8,500**	**8,500**
thereof in					
Other non-current liabilities				5,290	5,290
Other current liabilities				3,210	3,210

[1] Derivative financial liabilities in the amount of €8,500 thousand are measured at fair value hierarchy level 2.

Income Effect According to Valuation Categories

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

		Net financial result	Net operating result	Net result
Loans and receivables	**2011**	**2,809**	**219**	**3,028**
	2010	586	(3,280)	(2,694)
Available-for-sale financial assets	**2011**	**(132)**	**0**	**(132)**
	2010	910	0	910
Financial liabilities measured at amortized cost	**2011**	**(2,269)**	**(159)**	**(2,428)**
	2010	(1,929)	(390)	(2,319)
Financial instruments at fair value through profit and loss	**2011**	**(404)**	**0**	**(404)**
	2010	(432)	0	(432)
Total	**2011**	**4**	**60**	**64**
	2010	(865)	(3,670)	(4,535)

The net financial result includes interest income measured in accordance with the effective interest method, from financial instruments not measured at fair value through profit and loss of €1.8 million and €1.1 million in 2011 and 2010, respectively. Total interest expense amounts to €2.3 million and €1.9 million in 2011 and 2010, respectively.

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, 2011 and 2010, respectively, for which contractual payments were already agreed, are included in the table. Variable interest payments resulting from non-derivative financial instruments were estimated based on the interest rates applicable at the respective reporting dates. For 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, 2011**	**3**	**3**	**2**	**1**	**0**	**0**
	Dec. 31, 2010	3	3	2	2	1	0
Trade accounts payable	**Dec. 31, 2011**	**110,193**	**0**	**0**	**0**	**0**	**0**
	Dec. 31, 2010	110,607	0	0	0	0	0
Other interest-bearing non-derivative financial liabilities	**Dec. 31, 2011**	**126,095**	**31,838**	**1,312**	**203**	**198**	**113**
	Dec. 31, 2010	33,510	100,982	30,361	1,846	211	324
Other non-interest-bearing non-derivative financial liabilities	**Dec. 31, 2011**	**5,309**	**0**	**0**	**0**	**0**	**0**
	Dec. 31, 2010	4,765	0	0	0	0	0
Total	**Dec. 31, 2011**	**241,600**	**31,841**	**1,314**	**204**	**198**	**113**
	Dec. 31, 2010	148,885	100,985	30,363	1,848	212	324

		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, 2011**	**1,915**	**0**				
Cash outflow	**Dec. 31, 2011**	**(1,855)**	**0**				
Net	**Dec. 31, 2011**	**60**	**0**				
Cash inflow	Dec. 31, 2010	10,463	6,339				
Cash outflow	Dec. 31, 2010	(10,145)	(6,185)				
Net	Dec. 31, 2010	318	154				
Forward foreign exchange contracts with negative fair value							
Cash inflow	**Dec. 31, 2011**	**48,317**	**20,491**				
Cash outflow	**Dec. 31, 2011**	**(52,213)**	**(21,956)**				
Net	**Dec. 31, 2011**	**(3,896)**	**(1,465)**				
Cash inflow	Dec. 31, 2010	37,676	13,170				
Cash outflow	Dec. 31, 2010	(39,621)	(12,958)				
Net	Dec. 31, 2010	(1,945)	212				
Interest rate swaps with positive fair value							
Cash inflow	**Dec. 31, 2011**	**0**	**0**				
Cash outflow	**Dec. 31, 2011**	**0**	**0**				
Net	**Dec. 31, 2011**	**0**	**0**				
Cash inflow	Dec. 31, 2010	710	0				
Cash outflow	Dec. 31, 2010	(1,054)	0				
Net	Dec. 31, 2010	(344)	0				
Interest rate swaps with negative fair value							
Cash inflow	**Dec. 31, 2011**	**2,133**	**241**	**15**	**0**		
Cash outflow	**Dec. 31, 2011**	**(4,267)**	**(537)**	**(54)**	**0**		
Net	**Dec. 31, 2011**	**(2,134)**	**(296)**	**(39)**	**0**		
Cash inflow	Dec. 31, 2010	1,846	1,287	417	147		
Cash outflow	Dec. 31, 2010	(5,518)	(4,439)	(664)	(182)		
Net	Dec. 31, 2010	(3,672)	(3,152)	(247)	(35)		

Commodity swaps with a positive fair value lead to a net cash inflow of €245 thousand within the next year. Commodity swaps with a negative fair value lead to a net cash outflow of €6 thousand within the next year.

Credit Risk: The Company is exposed to credit risk if business partners do not fulfill their obligation. ALTANA continuously analyses the creditworthiness of significant debtors. Based on its international operations and a diversified customer structure ALTANA has no concentration of credit risk. The Company does not generate sales of more than 3 % with one single customer and less than 20 % with its ten most significant customers combined. Receivables are monitored regularly and locally in the operating subsidiaries. Financing transactions are mainly carried out with contractual partners that have a credit rating of at least A- or, 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 risks associated with its international operations. Foreign currency risk occurs for monetary financial instruments which are denominated in another than the functional currency. Foreign currency translation risk resulting from the consolidation of foreign subsidiaries is not considered. For hedging instruments used by the Company to limit the exposure to foreign currency rate fluctuations see "Hedging".

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

The following table provides the effects of a 10 % quantitative change of foreign currency exchange rates on profit and loss and the revaluation reserve (see table "Foreign Currency" in note 2):

		Effect on profit and loss		Change in revaluation reserve	
		exchange rate plus 10 %	exchange rate minus 10 %	exchange rate plus 10 %	exchange rate minus 10 %
U.S. Dollar					
Derivatives	**Dec. 31, 2011**	**412**	**(412)**	**3,418**	**(3,418)**
	Dec. 31, 2010	223	(223)	3,838	(3,838)
Other financial instruments	**Dec. 31, 2011**	**(2,510)**	**2,510**	**–**	**–**
	Dec. 31, 2010	(2,573)	2,573	–	–
Total	**Dec. 31, 2011**	**(2,098)**	**2,098**	**3,418**	**(3,418)**
	Dec. 31, 2010	(2,350)	2,350	3,838	(3,838)
Japanese Yen					
Derivatives	**Dec. 31, 2011**	**415**	**(415)**	**2,171**	**(2,171)**
	Dec. 31, 2010	395	(395)	2,097	(2,097)
Other financial instruments	**Dec. 31, 2011**	**(2,169)**	**2,169**	**–**	**–**
	Dec. 31, 2010	(789)	789	–	–
Total	**Dec. 31, 2011**	**(1,754)**	**1,754**	**2,171**	**(2,171)**
	Dec. 31, 2010	(394)	394	2,097	(2,097)

Interest Rate Risk: The Company is exposed to changes in interest rates. The majority of the interest sensitive assets and liabilities are marketable securities (money market funds), cash and cash equivalents and debt. If these assets or liabilities are variable rate instruments, changes in the interest rate will result in changes of the expected cash flows and will affect net income. Changes in the interest rate of financial assets classified to the category available-for-sale which are measured at fair value affect the fair value and as such are reported in the revaluation reserve in shareholders' equity.

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

		Effect on profit and loss		Change in revaluation reserve	
		plus 100 basis points	minus 100 basis points	plus 100 basis points	minus 100 basis points
Derivatives	**Dec. 31, 2011**	**1,324**	**(1,324)**	**730**	**(713)**
	Dec. 31, 2010	1,349	(1,349)	2,182	(2,068)
Other financial instruments	**Dec. 31, 2011**	**(1,391)**	**1,391**	**623**	**(623)**
	Dec. 31, 2010	(1,417)	1,417	857	(857)
Total	**Dec. 31, 2011**	**(67)**	**67**	**1,353**	**(1,336)**
	Dec. 31, 2010	(68)	68	3,039	(2,925)

Commodity Price Risk: The Company depends on 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 ALTANA's purchase price 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 hedging 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 and loss of a 10 % price change:

		Effect on profit and loss	
		Commodity price plus 10 %	Commodity price minus 10 %
Commodity hedge derivatives	**Dec. 31, 2011**	**(284)**	**284**

Hedging

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

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

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

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, 2011 and 2010, the fair values are as follows:

		Positive fair value	Negative fair value	Total fair value
U.S. Dollar	**Dec. 31, 2011**	**24**	**(2,000)**	**(1,976)**
	Dec. 31, 2010	588	(1,072)	(484)
Japanese Yen	**Dec. 31, 2011**	**0**	**(2,563)**	**(2,563)**
	Dec. 31, 2010	0	(1,857)	(1,857)

Amounts relating to forward foreign exchange contracts reported in the revaluation reserve are reclassified into income when the hedged foreign currency risk is realized. In 2011 and 2010, the revaluation reserve was decreased by €2.6 million and €6.2 million due to fair value fluctuations and expenses of €0.5 million and €3.4 million were realized in net sales, respectively.

The following table shows the forecasted 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 2012 (prior year: in 2011)	Nominal value due in 2013 (prior year: in 2012)
U.S. Dollar	**Dec. 31, 2011**	**51,095**	**35,070**	**16,025**
	Dec. 31, 2010	52,100	37,100	15,000
Japanese Yen	**Dec. 31, 2011**	**2,679,000**	**1,720,000**	**959,000**
	Dec. 31, 2010	2,650,000	1,740,000	910,000

Hedging of External Debt: ALTANA entered into interest rate swaps for external loans which exchange variable to fixed-interest payments. The interest rate swaps were classified as cash flow hedges. Interest payments are due either quarterly, semi-annually or annually. At December 31, 2011 and 2010, respectively, the fair values of these interest rate swaps are:

		Positive fair value	Negative fair value	Total fair value
Interest swap	**Dec. 31, 2011**	**0**	**(1,874)**	**(1,874)**
	Dec. 31, 2010	4	(4,881)	(4,877)

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

In 2011 and 2010, respectively, the revaluation reserve increased by €3.0 million and €1.1 million due to fair value fluctuations and income of €0.3 million was realized in financial income in both years reported.

Fair Value Hedges

Hedging of Sales Denominated in Foreign Currencies: At December 31, 2011 and 2010, ALTANA had entered into forward foreign exchange contracts with a nominal value of U.S. Dollar 6.0 million and U.S. Dollar 3.1 million and of Japanese Yen 521.0 million and Japanese Yen 520.0 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, 2011 and 2010 the fair values are as follows:

		Positive fair value	Negative fair value	Total fair value
U.S. Dollar	**Dec. 31, 2011**	**39**	**(191)**	**(152)**
	Dec. 31, 2010	24	(122)	(98)
Japanese Yen	**Dec. 31, 2011**	**0**	**(625)**	**(625)**
	Dec. 31, 2010	0	(568)	(568)

In 2011 and 2010, the effect on income of the fair value hedge was €0.3 million and €3.0 million, respectively, and has offset the effect of the measurement of the hedged transaction.

Hedging of Commodity Purchases: In 2011, for the first time, ALTANA hedged aluminum purchases of 2,050 tons by commodity swaps which were designated as fair value hedges. The hedging instruments have a maximum term of one year. These hedges were concluded for commodity purchases of subsidiaries. As of December 31, 2011, the fair value is as follows:

		Positive fair value	Negative fair value	Total fair value
Commodity hedge derivatives	**Dec. 31, 2011**	**245**	**(6)**	**239**

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

29. Commitments and Contingencies

Guarantees and Other Commitments

	Dec. 31, 2011	Dec. 31, 2010
Purchase commitments for intangible assets	2,832	519
Purchase commitments for property, plant and equipment	13,384	23,393
Guarantee for pension obligation from divestments	11,535	12,397
	27,751	**36,309**

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

Rental and Lease Arrangements

The Company rents and leases property and equipment used in its operations. These leases are classified either as operating or finance leases. Lease obligations are amortized over the term of the respective lease. The rental and lease contracts expire on various dates in the future.

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

		Finance lease		Operating lease
	Dec. 31, 2011	Dec. 31, 2010	**Dec. 31, 2011**	Dec. 31, 2010
2012 (prior year: 2011)	3	3	8,503	7,670
2013 (prior year: 2012)	3	3	6,282	5,771
2014 (prior year: 2013)	2	2	2,689	4,281
2015 (prior year: 2014)	1	2	1,592	1,530
2016 (prior year: 2015)	0	1	1,185	839
Due thereafter	0	0	1,520	1,494
Total minimum lease payments	**9**	**11**	**21,771**	**21,585**
Less amount representing interest	2	2		
Present value of lease payments	**7**	**9**		
Less current portion	2	2		
Non-current lease obligation	**5**	**7**		

Total rent and lease expense was €11.1 million and €10.8 million for the years ended December 31, 2011 and 2010, respectively.

30. Related Party Transactions

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

Mrs. Susanne Klatten is also shareholder and member of the Supervisory Board of Bayerische Motoren Werke AG (BMW). In 2011 and 2010, the Company purchased or leased company cars from the BMW group. The lease and purchase contracts were all concluded at arm's length.

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

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

	Dec. 31, 2011	Dec. 31, 2010
Balances due from related parties	564	59
Balances due to related parties	372	674

	2011	2010
Related party transactions		
Sales	1,902	743
Services and goods acquired	1,090	1,035
Lease expense	2,360	2,226
Interest expense	7	0

The lease expense relates to leasing contracts for company cars with Alphabet Fuhrparkmanagement GmbH (BMW group). Further transactions with BMW group are included in revenues in the amount of €0.5 million and €0.1 million in 2011 and 2010, respectively.

31. Compensation of the Supervisory Board and Management Board

In the 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 in both years reported. 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.

Total compensation paid in cash to the Management Board including remuneration in kind amounted to €2.4 million and €3.0 million for the years 2011 and 2010, respectively. In 2011 and 2010, of these total amounts €0.9 million and €0.8 million, respectively, related to fixed compensation and €1.5 million and €2.1 million, respectively, related to variable compensation. Service cost relating to provisions for pensions amounts to €0.2 million in both years reported.

In 2011, the Management Board members received ALTANA Equity Performance Awards as compensation with a long-term incentive effect from the plan "ALTANA Equity Performance 2011" (AEP). In 2011 and 2010, respectively, a preliminary number of 3,099 and 4,436 ALTANA Equity Performance Awards were granted to the Management Board, with a value of €0.5 million and €0.4 million, respectively. 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 €11.8 million and €12.2 million was recorded as of December 31, 2011 and 2010, respectively. The pension payments totaled €1.1 million in both years reported. Additionally, in 2011 an amount of €0.3 million was paid to former members of the Management Board resulting from deferred compensation items from prior years.

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

32. Fees Paid to the Auditor

	2011
Audit of the financial statements	1,087
Other assurance services	2
Tax advisory services	11
Other services	60
	1,160

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 subsequent events occurred.

35. Additional Information

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

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

Supervisory Board of ALTANA AG

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

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

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

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

Ralf Giesen*
(appointed until the Annual General Meeting 2013)
Degree in Economics
Secretary of the board VB1 of the Mining, Chemical and Energy Industrial Union
Other functions:
EVONIK Industries AG[1]

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

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

Klaus Koch*
(appointed until the Annual General Meeting 2013)
Manager operational controlling ECKART GmbH

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

Dr. Klaus-Jürgen Schmieder
(appointed until the Annual General Meeting 2016)
Former Management Board member of L'Air Liquide S.A.
Other functions:
LURGI GmbH[1]

* Employee representative

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

Werner Spinner
(appointed until the Annual General Meeting 2012)
Degree in Business Administration
Former Management Board member of Bayer AG
Other functions:
CABB International GmbH[1] (Chairman)
CSM N.V.[2]
Roeser GmbH[2] (Chairman)
Zuellig Group International[2]

Dr. Carl Voigt
(appointed until the Annual General Meeting 2012)
Degree in Chemistry
Former Management Board member of Degussa AG
Other functions:
CABB International GmbH[1]
Freudenberg New Technologies KG[2]

Supervisory Board Committees

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

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

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

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

Management Board of ALTANA AG

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

Martin Babilas
Chief Financial Officer
(appointed until May 2, 2015)
Other functions:
BYK-Chemie GmbH[1]
ECKART GmbH[1]
ELANTAS Italia s.r.l.[2] (since December 31, 2011)

* Employee representative

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

Major Consolidated Companies

Amounts for 2011	Share of capital in %	Equity[1] in € million	Earnings for the year[1] in € million	Employees
Holding				
ALTANA AG, Wesel		1,985	152	68
ALTANA Chemie GmbH, Wesel	100	1,476	0[2]	7
Additives & Instruments				
BYK-Chemie GmbH, Wesel	100	124	1[2]	741
MIVERA Vermögensanlagen GmbH, Wesel	100	77	3[2]	–
BYK-Gardner GmbH, Geretsried	100	10	0[2]	162
BYK-Cera B.V., Deventer (NL)	100	50	5	129
BYK USA Inc., Wallingford (U.S.)	100	57	6	159
BYK Japan KK, Tokyo (J)	100	11	(1)	52
BYK (Tongling) Co. Ltd., Tongling (CN)	100	14	2	43
Effect Pigments				
ECKART GmbH, Hartenstein	100	479	(16)[2]	1,488
ECKART Suisse SA, Vétroz (CH)	100	69	3	42
ECKART Italia s.r.l., Rivanazzano (I)	100	16	(1)	12
ECKART Pigments Ky, Pori (FI)	100	(2)	(3)	67
ECKART America Corp., Painesville (U.S.)	100	21	8	221
ECKART Asia Ltd., Hong Kong (CN)	100	28	1	27
Electrical Insulation				
ELANTAS Beck GmbH, Hamburg	100	32	0[2]	129
ELANTAS Italia s.r.l., Collecchio (I)	100	95	12	213
ELANTAS PDG Inc., St. Louis (U.S.)	100	41	6	172
ELANTAS Beck India Ltd., Pune (IND)	89	33	4	197
ELANTAS (Tongling) Co. Ltd., Tongling (CN)	100	42	7	84
ELANTAS (Zhuhai) Co. Ltd., Zhuhai (CN)	100	36	5	81
Coatings & Sealants				
ACTEGA Colorchemie GmbH, Büdingen	100	41	0	92
ACTEGA DS GmbH, Bremen	100	6	0[2]	121
ACTEGA Rhenania GmbH, Grevenbroich	100	16	0[2]	133
ACTEGA Terra GmbH, Lehrte	100	8	0[2]	128
ACTEGA Artística S.A.U., Vigo (E)	100	19	2	42
ACTEGA Kelstar Inc., Cinnaminson (U.S.)	100	37	0	82

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

Five-year Overview

Key figures at a glance

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

Sales by division

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

Sales by region

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

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

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www.altana.com

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Coating G 5/100 silky matt
made by ACTEGA Terra/formulated with additives from BYK

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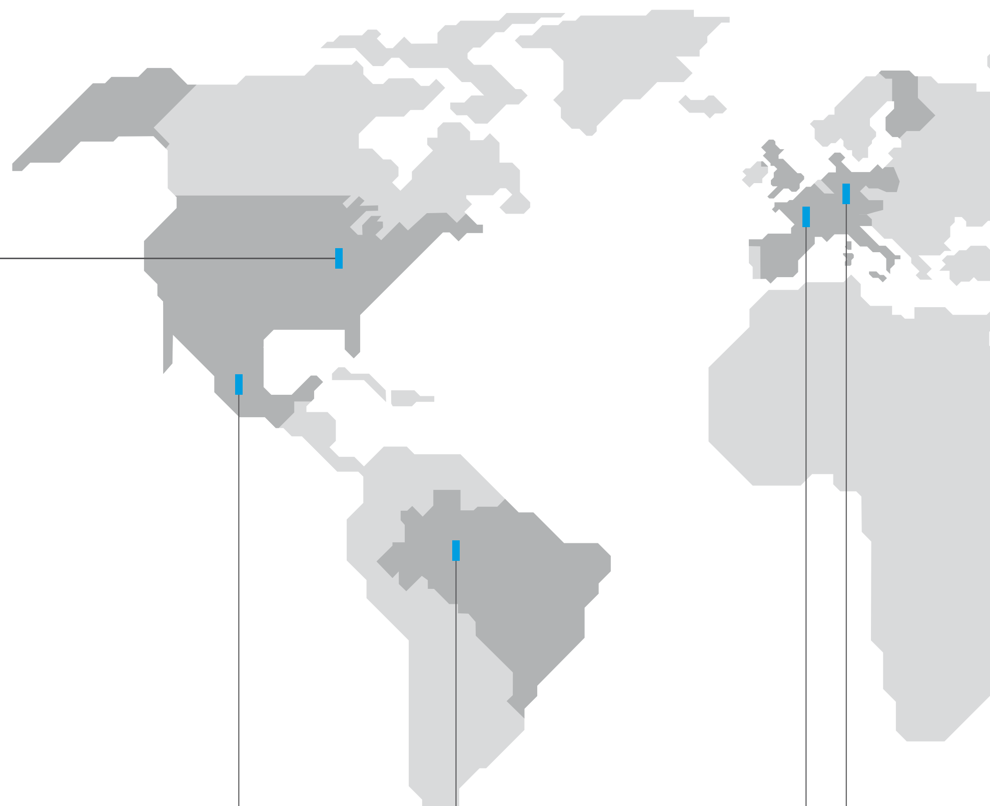
Overview of ALTANA locations



U.S.

BYK USA Inc.,
Wallingford, CT
100 %

BYK Gardner USA,
Columbia, MD
100 %

ECKART America Corp.,
Painesville, OH
100 %

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

ACTEGA Kelstar Inc.,
Cinnaminson, NJ
100 %

ACTEGA WIT Inc.,
Lincolnton, NC
100 %

Central America

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

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

South America

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

Europe

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

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

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

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

ECKART Pigments KY,
Pori (FI)
100 %

ECKART Suisse SA,
Vétroz (CH)
100 %

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

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

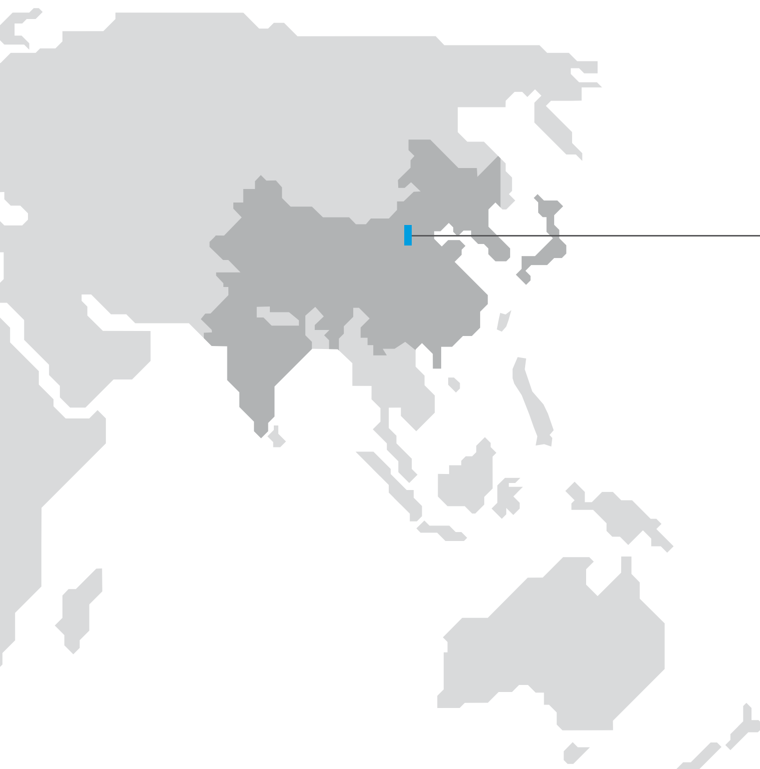
ACTEGA Artística S.A.U.,
Vigo (E)
100 %

ACTEGA Colorchemie
France Sarl, Henriville (F)
100 %

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

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

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



Asia

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

BYK Japan KK,
Tokyo (J)
■ 100 %

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

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

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

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

ELANTAS Beck India Ltd.,
Pune (IND)
■ ■ 89 %

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

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

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

Germany

ALTANA AG, Wesel

ALTANA Chemie GmbH,
Wesel
100 %

BYK-Chemie GmbH,
Wesel
■ ■ 100 %

ECKART GmbH,
Hartenstein
■ ■ 100 %

ELANTAS GmbH,
Wesel
100 %

ACTEGA GmbH,
Wesel
100 %

BYK-Gardner GmbH,
Geretsried
■ ■ 100 %

BYK Kometra GmbH,
Schkopau
■ ■ 100 %

ELANTAS Beck GmbH,
Hamburg
■ ■ 100 %

ACTEGA Colorchemie GmbH,
Büdingen
■ ■ 100 %

ACTEGA Colorchemie Bonn GmbH,
Bonn
■ ■ 100 %

ACTEGA DS GmbH,
Bremen
■ ■ 100 %

ACTEGA Rhenania GmbH,
Grevenbroich
■ ■ 100 %

ACTEGA Terra GmbH,
Lehrte
■ ■ 100 %

Sales company ■ Production company ■

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