

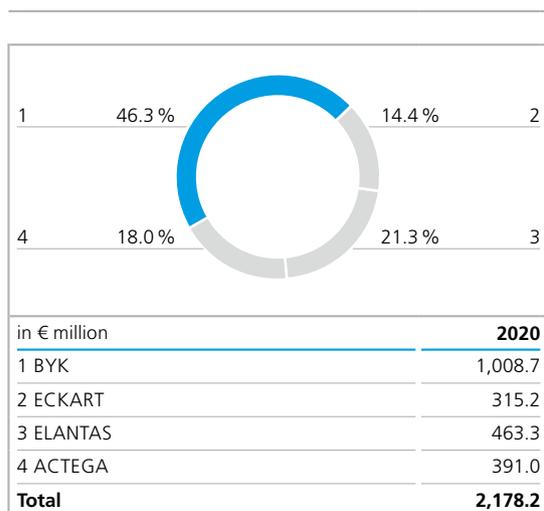


Group Profile 2020

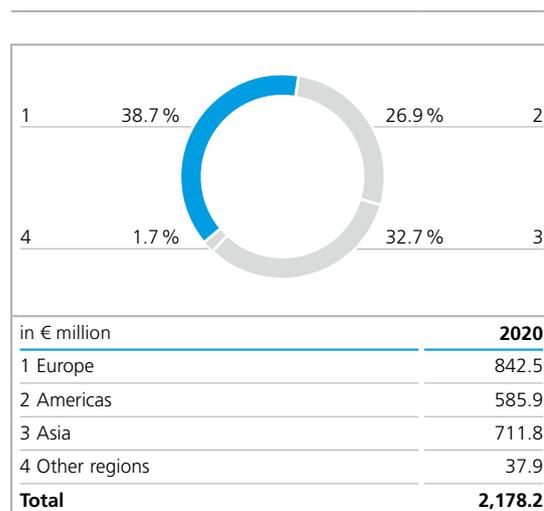
ALTANA's divisions



Sales by division



Sales by region



Key figures at a glance

	2019	2020	Δ %
in € million			
Sales	2,248.9	2,178.2	-3
Earnings before interest, taxes, depreciation and amortization (EBITDA)	415.8	426.0	2
<i>EBITDA margin</i>	18.5 %	19.6 %	
Operating income (EBIT)	262.5	185.7	-29
<i>EBIT margin</i>	11.7 %	8.5 %	
Earnings before taxes (EBT)	231.3	142.7	-38
<i>EBT margin</i>	10.3 %	6.6 %	
Net income (EAT)	169.0	75.1	-56
<i>EAT margin</i>	7.5 %	3.5 %	
Research and development expenses	165.6	163.4	-1
Capital expenditure on intangible assets and property, plant and equipment	157.2	105.2	-33
Cash Flow from operating activities	386.3	373.6	-3
<i>Return on capital employed (ROCE)</i>	8.8 %	8.4 %	
ALTANA Value Added (AVA)	21.6	26.5	22

	Dec. 31, 2019	Dec. 31, 2020	Δ %
in € million			
Total assets	3,343.3	3,263.1	-2
Shareholders' equity	2,479.4	2,398.9	-3
Net debt (-)/Net financial assets (+) ¹	(57.7)	34.2	-
Headcount ²	6,476	6,529	1

¹ Comprises cash and cash equivalents, current financial assets, current marketable securities, loans granted, debt, and employee benefit obligations.

² When in the following the term "headcount" or "employees" is used, it refers to all staff members, male, female, or otherwise.

	2019	2020	Δ %
WAI 1 (number of reported occupational accidents with lost work time of one day or more per million working hours)	2.8	1.8	-36
WAI 2 (number of reported occupational accidents with lost work time of more than three days per million working hours)	2.1	1.0	-52
WAI 3 (number of lost work days due to reported occupational accidents per million working hours)	34.8	19.5	-44
Total CO ₂ equivalents (Scope 1 + Scope 2) ³ (t)	182,344	92,553	-49
Specific CO ₂ equivalents (Scope 1 + Scope 2) ³ (kg/kg finished goods)	0.35	0.18	-49

³ Scope 1: direct emissions; Scope 2: indirect emissions. The values for 2020 are calculated using the "market-based" method. Biogenic emissions are not included.

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

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Legal Disclaimer

This Corporate Report is a translation of the Unternehmensbericht. The translation was prepared for convenience only. In case of any discrepancy between the German version and the English translation, the German version shall prevail.

This report contains forward-looking statements, i. e. current estimates or expectations of future events or future results. The statements are based on beliefs of ALTANA as well as assumptions made by and information currently available to ALTANA. Forward-looking statements speak only as of the date they are made. ALTANA does not intend and does not assume any obligation to update forward-looking statements to reflect facts, circumstances or events that have occurred or changed after such statements have been made.

Dear Ladies and Gentlemen,

2020 was a special and eventful year for ALTANA. The first few months were very gratifying and promising, but from the spring onward the focus of our activities was on dealing with the coronavirus pandemic.

From the very outset, our priority was to protect our more than 6,500 colleagues worldwide. Together, we managed to ensure that the virus did not spread significantly at any of our sites. In addition to each individual who actively contributed to protecting the health of all by adhering to hygiene and distance rules, the crisis teams in the ALTANA Group, in particular, performed outstanding work. Moreover, we were able to further significantly reduce the number of occupational accidents reported at our sites last year, once again reaching our ambitious safety targets.

At the same time, thanks to our global network of sites, we succeeded in maintaining our delivery capabilities and efficiency, continuing to provide our customers with the best possible support, and leveraging numerous opportunities in a volatile market environment.

While there were many product areas for which demand was significantly lower due to the pandemic, other consumer-oriented applications, such as innovative solutions for food packaging, increased in importance. As a result, the ACTEGA division was able to continue on its growth path. And the trend toward greater sustainability, which was intensified by the pandemic, especially in the domestic realm, also provided BYK, ECKART, and ELANTAS with positive impetus in terms of demand.

Overall, sales fell by only three percent despite the effects of the pandemic, while EBITDA even exceeded the previous year's level. Besides from the temporary easing of raw material prices, countermeasures in view of the significant demand decline in some months particularly contributed to this result.

Furthermore, we achieved important milestones for our sustainable success.



ALTANA's Management Board from left to right:

Stefan Genten, Martin Babilas (Chairman), Dr. Christoph Schlünken

In January, we announced our ambitious goal of becoming climate neutral by 2025. We began consistently implementing this plan in 2020, creating the first facts in line with the goals of the UN Global Compact initiative for responsible and sustainable corporate governance. Already in March, we switched our entire electricity procurement worldwide to renewable energies. In the summer, the independent rating company EcoVadis honored our commitment to sustainability, awarding ALTANA gold status for the second time.

Our great financial strength enabled us to continue to make targeted investments in innovation in 2020, including in the future digital printing market. ALTANA's internal startup ACTEGA Metal Print, for example, was able to get its first beta customers and a distribution partner for a new type of technology that achieves decorative metallic effects with considerably less material, costs, and production time than the processes commonly used to date. Overall, research and development expenditures in the ALTANA Group remained with eight percent of sales at a high level.

We also successfully continued our strategy of growing by means of acquisitions. In February, ACTEGA completed the acquisition of Swiss Schmid Rhyner AG, a specialist in overprint varnishes for the packaging and printing industries. In the course of the year, ECKART agreed to purchase the business of not one but two companies. With the internationally leading TLS Technik GmbH & Co. Spezialpulver KG and the British specialist AMT, we are expanding our portfolio in industrial, metal-based 3D printing. This will enable ECKART to offer its customers even more high-performance materials in the future.

The fact that we were able to maintain customer proximity even in 2020 is reflected by our business results. But it also shows how deeply ALTANA's innovative solutions are anchored in the daily lives of many people. Whether at the supermarket, doing sports, at home, or while traveling, almost everywhere the knowhow of our researchers and developers contributes to making people's day-to-day lives more pleasant, safer, and more sustainable. In the magazine section of this report, you can find out more about where you encounter ALTANA repeatedly, even in your private life.

In the past business year, mobile work from home was part of the everyday life of many ALTANA employees. The digitalization of many processes that had already been achieved in recent years, and the opportunities created to work well together even in virtual spaces, enabled us to switch to the mobile working mode literally overnight, for the protection of all of our colleagues. But that ALTANA was able to demonstrate its innovative strength, customer orientation, and willingness to change in this way is rooted primarily in our corporate culture. The latter is and remains one of our most important success factors. Only in an atmosphere of openness and trust, empowerment to act and appreciation, can we remain the innovative solution provider that our customers want at their side, both now and in the future, whether on site or digitally. With these values, we can create sustainable value – for our customers, our employees, our owner, and society as a whole.

In this spirit, we would like to express our sincere thanks to our employees for their high level of commitment in the extraordinary year 2020 and their personal contribution to the wellbeing of ALTANA and all the people who work in the ALTANA Group across the globe. Our thanks also go to the members of the Supervisory Board for their constructive support and their trust in ALTANA's work.

Martin Babilas

Stefan Genten

Dr. Christoph Schlünken

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About This Report

Corporate Report 2020

The Corporate Report for 2020 encompasses the annual and sustainability reports. With it, the ALTANA Group informs the public, its employees and business partners, as well as public authorities, nongovernmental organizations, and all other interested parties about the Group's development in economic, ecological, and social respects. In addition to the Group Management Report, which also contains information on corporate governance, and the Consolidated Financial Statements (condensed version), this report contains a description of ALTANA's understanding of sustainable management and the progress the Group has made in implementing it in the past fiscal year. As a result, this report for 2020 updates the content that was published in the 2019 Corporate Report (published on March 20, 2020). At the same time, it serves as the annual Communication on Progress of Global Compact.

The Reporting Period

All financial and human-resource information in the Group Management Report and the Consolidated Financial Statements for 2020, as well as the environmental key performance indicators and data on occupational health and safety, refer to the period from January 1 to December 31.

Reporting Principles

In terms of the Group Management Report and the Consolidated Financial Statements, the reporting adheres to the specifications of the International Financial Reporting Standards (IFRS), as adopted by the EU, and the additional requirements of German commercial law pursuant to section 315 e of the German Commercial Code (HGB). As in the

previous years, this was audited and confirmed by an independent auditor. The complete Consolidated Financial Statements including the Notes to the Consolidated Financial Statements are available online at www.altana.com/consolidated_financial_statements_2020.

This Corporate Report complies with the "Comprehensive" option of the Global Reporting Initiative (GRI). It is also based on the framework of the International Integrated Reporting Council (IIRC). For the first time, the accident indicators WAI 1, WAI 2, and WAI 3, as well as the energy indicators, including greenhouse gas emissions, are presented in the Group Management Report and were therefore part of the audit carried out by an independent auditing company. These and other sustainability indicators can be found in detail online at www.altana.com/facts_figures_sustainability_2020.

Details on the selection of relevant reporting content in accordance with the GRI standards and on the definition of the sustainability topics important for the ALTANA Group and its stakeholders can be found in the following section. A detailed list of all criteria in accordance with the GRI standards on which ALTANA provides information is available online at www.altana.com/facts_figures_sustainability_2020.

This report is available in German and English.

Sustainability Management

ALTANA's Understanding of Sustainability

ALTANA consistently gears its activities to sustained profitable growth. But we can only achieve economic success in the long run if we also bear in mind ecological and social aspects and anchor them firmly in our company.

Our understanding of sustainability as a triad of economy, ecology, and corporate social responsibility is also reflected in ALTANA's mission:

We provide innovative solutions based on integrated chemical, formulation, and application expertise that make products of daily life better and more sustainable.

Our solutions open up growth or savings potential for our customers and can change entire markets.

As a result, we create value for our customers, employees, shareholder, and society as a whole.

The View of Our Stakeholders

As a globally manufacturing specialty chemicals company, ALTANA has diverse stakeholders with whom the Group and its different companies maintain regular contact and exchange. The content and results of these dialogs are among the factors that inform ALTANA's understanding of sustainability.

Among ALTANA's most important stakeholders are its customers, employees, owner, suppliers, other business partners, authorities, associations, and nongovernmental organizations (NGOs), as well as our neighbors at the different sites.

In the year under review, the stakeholder analysis we performed in 2017 was examined and the key sustain-

ability issues were still considered relevant for ALTANA. ALTANA's Environment, Health & Safety (EH&S) and Corporate Communications departments developed with external support a materiality matrix with 13 criteria.

In the matrix, all topics relating to the GRI Standards, existing stakeholder analyses, ALTANA's Keep Changing Agenda for the future, as well as selected best practices in the form of reports and studies were considered.

In the process of developing the materiality matrix, topics were prioritized based on their relevance to stakeholder decisions and the consequences for the ALTANA Group (see graphic on the following page).

The stakeholders incorporated in the materiality matrix, which were identified based on high relevance, came from the areas of customers, suppliers, NGOs, foundations, politics, and institutions. Internally, EH&S, Corporate Communications, Strategy, Procurement, Research and Development, Finances and Controlling, Engineering, and Sales were incorporated. ALTANA will continue to review the materiality matrix and update it if necessary.

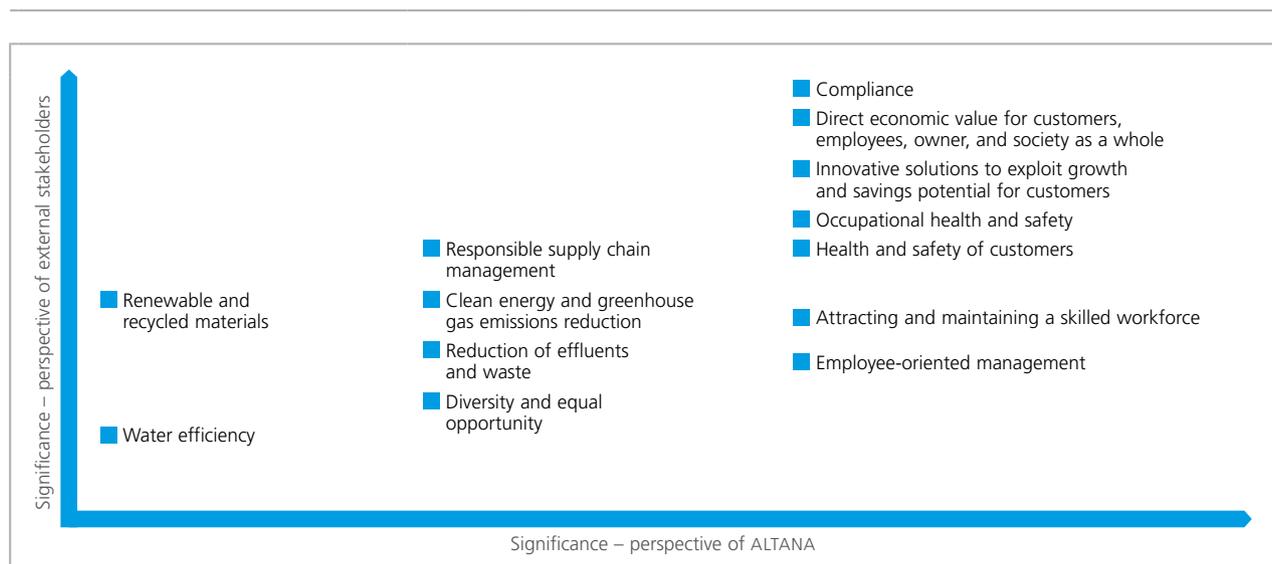
Objective Evaluation of Sustainability

To be able to measure not only the company's business performance but also its involvement in all areas of sustainability, alongside key performance indicators and certified management systems, ALTANA is using objective external evaluations increasingly. The assessments of the chemical industry rating company EcoVadis play a special role.

A new assessment was carried out in the year under review. ALTANA again achieved gold status. This puts ALTANA among the top two percent of companies rated by EcoVadis in the chemical production sector.

EcoVadis, which analyzes environmental aspects, procurement policy, compliance, and working conditions of companies based on the international sustainability guideline

ALTANA Materiality Matrix



ISO 26000, has become one of the world’s leading rating platforms for the chemical industry. Tens of thousands of companies now work with EcoVadis.

Organization of Sustainability

At ALTANA, the Group’s operating companies are responsible for implementing and anchoring sustainability. The individual companies are committed to continually reducing the environmental effects of the Group and to improving safety at the respective sites. Furthermore, the individual sites are required to introduce suitable management systems and have them certified.

Moreover, special, cross-divisional expert platforms exchange information on relevant EH&S topics (for example

energy, sustainability performance, environmental key performance indicators), and present best-practice models.

Sustainable Development Goals

ALTANA has been a member of the UN Global Compact since 2010 and commits to integrating the ten principles into the company and to observing the general goals of the United Nations (see the Communication on Progress of Global Compact on page 120).

At the summit meeting on September 25, 2015, the 193 member states resolved the 2030 Agenda for Sustainable Development. ALTANA supports this United Nations initiative and developed the goals listed on page 10.

Descriptions, objectives, and results of the Sustainable Development Goals defined for ALTANA can be found in the chapters of the 2020 Corporate Report indicated and in the document "Facts and Figures on Sustainability 2020."

UN Sustainable Development Goals (SDGs)



SDGs with special relevance for ALTANA



Occupational Health and Safety

For ALTANA, the health and safety of its employees is a top priority. All of its worldwide sites have established their own safety organization, which includes adherence to all local occupational safety regulations, training measures, as well as recording and evaluating accidents and near accidents. ALTANA uses the

Work Accident Indicator (WAI) as the most important key performance indicator in order to observe the development of occupational safety at all sites and to continually improve it. Further information can be found in the Group Management Report, in the "Health and Safety" chapter, in the accident key performance indicators with the targets, as well as in the Management Approach "Occupational Health and Safety."



Training and Education

Our employees are our most important resource. ALTANA therefore promotes their professional development, prepares them for leadership positions, and enables them to participate in the company's economic success in order to retain them in the long term. A special focus is on recruiting young, specialized,

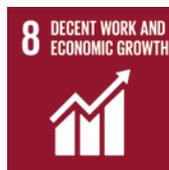
and managerial staff. Further information can be found in the "Human Resources" chapter, in the GRI Content Index, and in the Management Approach "Employee-Oriented Management."



Gender Equality

Promoting women in leadership positions remains a focus at ALTANA. By founding a number of initiatives, including LEADING WOMEN@ALTANA and Mentoring for Women, ALTANA seeks in the medium to long term to reach the goal of increasing the share of women in leadership positions in the entire

ALTANA Group to the percentage of women among the company's employees worldwide. Further information can be found in the "Human Resources" chapter, in the Group Management Report, in the human resources key performance indicators, and in the Management Approach "Employee-Oriented Management."



Sustainable Economic Growth and Decent Work

Our customers' success is at the center of ALTANA's business activities. We can only be successful in the competitive environment in the long run if we offer our customers added value. We not only aim to secure long-term economic success, but to act sustainably in every respect. As a member of the UN Global Compact, ALTANA therefore actively supports the targets of responsible corporate management. Further information can be found in the Group Management Report, in the Communication on Progress of the UN Global Compact, and in the Management Approaches "Strategy," "Compliance," and "Employee-Oriented Management."



Innovation: New Products and Technologies

ALTANA's products and services are geared to offering its customers special sustainable solutions and to enable them to gain a competitive advantage. To keep or to extend its position as a leading specialty chemicals company, the ALTANA Group intends to

continually expand its competencies. To achieve this goal, ALTANA steadily grows its product portfolio through its own developments, as well as through acquisitions and cooperation with other companies, universities, and research institutes. Further information can be found in the Group Management Report, in the "Products" chapter, and in the Management Approach "Innovative Solutions."



Climate Protection Measures

Ecologically sound economic activity is a key component of ALTANA's corporate strategy. Our goal is to reduce our CO₂ impact in Scope 1 (direct emissions), Scope 2 (indirect emissions), and parts of Scope 3 to zero by 2025. In addition, ALTANA's products contribute to improving climate protection in

the value chain. ALTANA controls the Group's efficiency regarding energy consumption and the resulting CO₂ emissions with the help of defined performance indicators and defined targets. Further information can be found in the Group Management Report, in the "Environment" and "Products" chapters as well as in the environmental performance indicators with targets in the Management Approaches "Energy" and "Emissions."

Corporate Bodies and Management

Management Board

Martin Babilas

Chairman

Responsibility:

- ELANTAS
- ACTEGA
- Corporate Development
- Human Resources
- Corporate Communications
- Internal Audit

Stefan Genten

Responsibility:

- Finance and Accounting
- Controlling
- Group Treasury
- Taxes
- Digital Transformation
- Information Technology
- Legal/Intellectual Property
- Compliance

Dr. Christoph Schlünken

Responsibility:

- BYK
- ECKART
- Key Account Management
- Innovation Management
- Environment, Health & Safety
- ALTANA Excellence
- Procurement

The Executive Management Team

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

(in alphabetical order)

Jörg Bauer

Chief Human Resources Officer

Dr. Tammo Boinowitz

President Division BYK

Dr. Guido Forstbach

President Division ELANTAS

Thorsten Kröller

President Division ACTEGA

Volker Mansfeld

Head of Corporate Development

Dr. Christian Przybyla

President Division ECKART

Dr. Petra Severit

Chief Technology Officer

The Supervisory Board

Dr. Matthias L. Wolfgruber
Chairman

Ulrich Gajewiak¹
Deputy Chairman

Susanne Klatten
Deputy Chairwoman

Jürgen Bembenek¹

Dr. Anette Brüne¹

Dr. Monika Engel-Bader

Armin Glashauser¹

Klaus Koch¹

Prof. Dr. Frank Richter

Dr. Jens Schulte

Stefan Soltmann¹

Dr. Antonio Trius

Supervisory Board Committees

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

Human Resources Committee

Dr. Matthias L. Wolfgruber (Chairman)

Ulrich Gajewiak

Susanne Klatten

Audit Committee

Dr. Jens Schulte (Chairman)

Armin Glashauser

Stefan Soltmann

Dr. Antonio Trius

Mediation Committee

(in accordance with section 27 (3) of the German Codetermination Act)

Dr. Matthias L. Wolfgruber (Chairman)

Ulrich Gajewiak

Susanne Klatten

Klaus Koch

¹ Employee representative

As of March 1, 2021 in each case; details on the corporate bodies can be found in the complete Consolidated Financial Statements (www.altana.com/consolidated_financial_statements_2020), page 79 ff.

Report of the Supervisory Board

The Supervisory Board of ALTANA AG, carrying out the functions stipulated by law and the Articles of Association, closely followed the work of the Management Board and monitored its management activities in the 2020 fiscal year. The Supervisory Board dealt in depth with the situation and development of the company as well as with various current issues. The Supervisory Board was regularly informed by the Management Board about the respective agenda items through presentations and oral reports in meetings, which were held in 2020 without exception via video conference due to the coronavirus pandemic. The Supervisory Board also regularly received additional 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 2020 fiscal year, the Supervisory Board held four regular meetings and two constitutive meetings. At the regular meetings, the economic situation and the development perspectives of the ALTANA Group, as well as important business events, including acquisitions, were discussed and deliberated on in detail. In addition to regular reporting on ALTANA's sales, earnings, and financial development, the Supervisory Board dealt in depth with the strategy of ALTANA and its individual divisions. In each of the four regular Supervisory Board meetings, the Management Board reported to the Supervisory Board in detail about the effects of the coronavirus pandemic on the company and the measures the management had taken with the help of crisis teams expressly set up for this purpose to protect the health of employees and to minimize the pandemic's negative effects on business. Furthermore, the Supervisory Board intensively discussed the situation, development, and plans of the BYK and ECKART divisions, after focusing on ELANTAS and ACTEGA the year before. The Supervisory Board received regular updates on the company's participation in the Israeli Landa Corporation Ltd. ("Landa Digital Printing") and devoted one of its 2020 meetings to this investment in detail. In addition, the Supervisory Board dealt intensively in 2020 with innovation management at BYK and ECKART and the digital transformation of the Group. The Supervisory Board conducted the biennial Supervisory Board self-assessment (formerly: efficiency review) in the fall of the year. Furthermore, the Supervisory Board again adopted targets for the proportion of women on the Supervisory Board and the Management Board. At its December meeting, the Supervisory Board dealt in depth with and approved the corporate planning for the next three years and the budget for 2021. At the Supervisory Board's



Dr. Matthias L. Wolfgruber, Chairman of the Supervisory Board of ALTANA AG

constituent meeting following the Ordinary Annual General Meeting in March, the then Chairman of the Supervisory Board, Dr. Klaus-Jürgen Schmieder, was reelected as a member of the Supervisory Board by the Annual General Meeting. At a second constituent meeting in May following Dr. Schmieder's departure from the Supervisory Board, the Board elected Dr. Matthias L. Wolfgruber as its new chairman.

Meetings of the Committees

The Human Resources Committee met thrice in the year under review. At its meetings, it discussed recommendations to the Supervisory Board on the payment of variable compensation components for 2019 and the payments from the ALTANA Equity Performance Program 2016 to the Management Board members, as well as the targets for the short term bonuses of the Management Board members for 2021 and the allocation values in the ALTANA Equity Performance Program of the Management Board members for 2021. The Audit Committee met twice in the year under review and reported regularly to the Supervisory Board. In the presence of the auditor as well as members of the Management Board, the Audit Committee discussed the annual financial statements of ALTANA AG and the ALTANA Group. In addition, it dealt with the statutory audit process mandating the

auditor, the setting of audit fees, monitoring the auditor's independence, and the approval of non-auditing services of the auditor. Furthermore, the Audit Committee addressed the identification and monitoring of risks in the Group, the Group's internal auditing activities, ALTANA's Compliance Management System, as well as the good corporate governance. Also, following a recommendation of the German Corporate Governance Code, the Audit Committee 2020 devised a regular assessment of the quality of the audit of the financial statements. In December, the Audit Committee dealt with cyber risks threatening the Group and how to defend against them. The Mediation Committee, established in accordance with section 27 (3) of the German Codetermination Act, did not convene in the 2020 fiscal year.

Annual Financial Statements

The Annual Financial Statements of ALTANA AG, the Consolidated Financial Statements for the year ended December 31, 2020, and the management report of ALTANA AG, as well as the Group Management Report, were audited by PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, which was appointed by the Annual General Meeting and engaged by the Audit Committee of the Supervisory Board, and it issued an unqualified audit opinion in each case. The system for early risk recognition set up for the ALTANA Group pursuant to section 91 of the German Stock Corporation Act was audited, and the examination revealed that the system is capable of fulfilling its objectives.

The financial statement documentation, the Corporate Report, the reports of PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft on the audit of the Annual Financial Statements and the Consolidated Financial Statements, as well as the Management Board's proposal for the distribution of the profit, were made available to all Supervisory Board members. The Audit Committee of the Supervisory Board dealt at length with this documentation. The Supervisory Board 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 without objections and its meeting of March 17, 2021, 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 2020 fiscal year. The Supervisory Board inspected this report and found it to be accurate. The auditor issued the following audit opinion:

“On completion of our audit and assessment in accordance with professional standards, we confirm that the factual statements of the report are correct and that the consideration paid by the company for the legal transactions in the report was not inappropriately high.”

The Supervisory Board approved the auditor’s findings. 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

On March 18, 2020, the Ordinary Annual General Meeting of ALTANA AG reelected Dr. Klaus-Jürgen Schmieder as a member of the Supervisory Board until the end of May 28, 2020. Dr. Schmieder stepped down from the Supervisory Board at this time. Dr. Schmieder had been a Supervisory Board member for almost 20 years, the Chairman of the Audit Committee since 2001, and Chairman of the Supervisory Board since 2012. With effect from May 29, 2020, the Annual General Meeting elected Professor Dr. Frank Richter as a member of the Supervisory Board. His tenure ends following the Annual General Meeting in 2025. After the departure of its chairman Dr. Schmieder, the Supervisory Board elected Dr. Matthias L. Wolfgruber as its new chairman on May 29, 2020. As Chairman of the Supervisory Board, Dr. Wolfgruber has since then also been a member and Chairman of the Human Resources and Mediation Committees by virtue of his office.

The company supported Professor Dr. Richter during his onboarding by familiarizing him with key aspects of the Group through workshops and tours of Wesel.

On February 16, 2021, Beate Schlaven, who had been a member of the Supervisory Board and its Human Resources Committee since 2018, passed away. The employee elected to step in for Ms. Schlaven, Jürgen Bembenek, subsequently became a member of the Supervisory Board.

The Supervisory Board would like to express its gratitude to Dr. Schmieder for his many years of outstanding and successful collaboration. It commemorates Beate Schlaven, who

worked for ALTANA for more than 40 years and committed herself greatly to the welfare of the company and its employees. It would also like to thank the members of the Management Board and the management as well as the employees of the Group for their achievements and commitment during the last fiscal year.

Wesel, March 17, 2021

The Supervisory Board

Dr. Matthias L. Wolfgruber
Chairman of the Supervisory Board

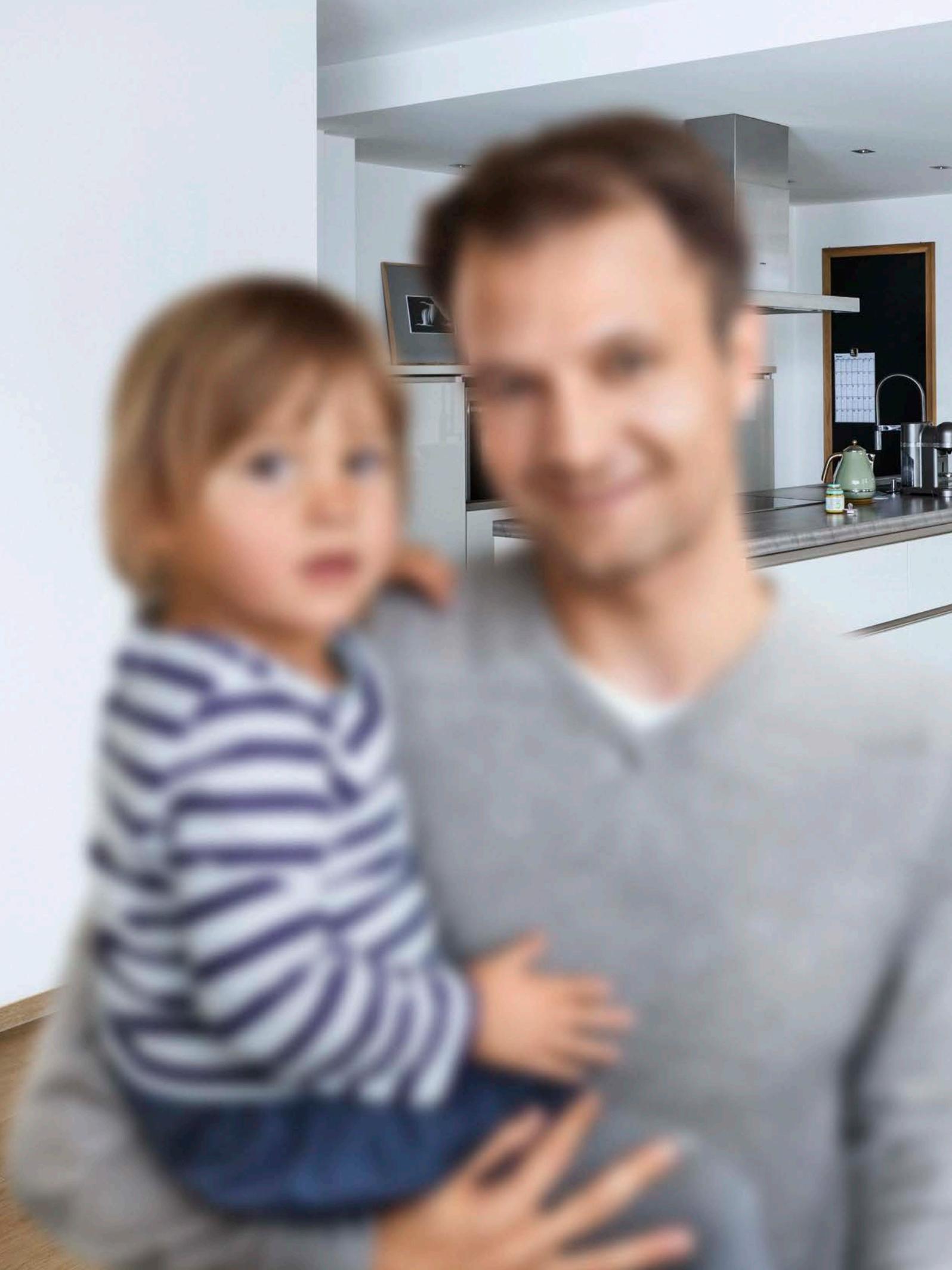
ALTANA in Everyday Life

Innovative solutions from ALTANA are deeply anchored in many people's daily lives. Whether in the supermarket, doing sports, at home, or on the move, almost everywhere our researchers' and developers' knowhow helps make our everyday lives more pleasant, safer, and more sustainable. On the following pages, we present some examples.

20	SO THAT THE HOME REMAINS A COZY PLACE. FOR SURE.
26	SO THAT TRAINING RUNS SMOOTHLY. PERMANENTLY.
32	SO THAT THE CONTENTS KEEP WHAT THE PACKAGING PROMISES. NATURALLY SUSTAINABLE.
38	SO THAT RAIL TRAVEL IS ALWAYS A CLIMATE-FRIENDLY ALTERNATIVE. IN EVERY RESPECT.



YOU ARE HERE.





WE ARE THERE.

SO THAT THE HOME REMAINS A COZY PLACE. FOR SURE.

Solutions from ALTANA help us feel safe and secure at home. Whether it's comfortable warmth despite low heating costs, food without unwanted ingredients, or fashionable furniture that can withstand any strain – our products make your own four walls more livable.

The weather is bad outside. Rain is pelting against the windows. At times like these, you like to make yourself comfortable at home. But depending on the situation, it can also be stormy inside your own four walls. The kids are romping around, the next web conference with the office is coming up, and dinner isn't ready yet. You need more than just good nerves and a good dose of humor; you also need everyday helpers you can rely on. Experts from ALTANA's BYK, ECKART, and ACTEGA divisions have thought about these things in order to support family life – almost invisibly – with innovative solutions.

The whole family comes together at the dining table, where they eat, play, talk, laugh, and work. That leaves traces. But the BYK developers took precautions: Special so-called additives in furniture varnishes make furniture and work surfaces in the household particularly scratch-resistant. Even when a glass falls over or a cookie cutter misses the mark, the tabletop will shine again and compete with the beaming children. This also applies to many floors. If someone has forgotten to take off their shoes at the door, everyone remains calm, because the parquet is sealed with BYK additives. The fact that the table and the floor last longer as a result is a boon not only to the family budget, but

also to the environment. The life of these furnishings is extended considerably, which conserves energy and resources needed for bulky waste and new furniture. Which gives us a good feeling.

Comfort and energy efficiency in no time

But for your dwelling to be truly cozy, it can't be too hot or too cold inside. Special innovative products from ECKART help make this a reality. They can be found, for example, in aerated concrete, which insulates the home from the outside and thus ensures a pleasant indoor climate. Families that are particularly cost and environmentally conscious also rely on these all-rounders inside. A special aluminum pigment in wall paints enables up to 50 percent of the heat from the walls to be reflected back into the room. Conventional interior wall paints absorb this heating energy. IREFLEX from ECKART works according to the thermos principle: In the winter, the heat is reflected back into the room and is thus retained. Hence the energy efficiency of buildings is improved in no time at all or by simply painting the walls. According to studies conducted by the Bauhaus-Universität Weimar, IREFLEX also prevents drafts and enhances comfort.



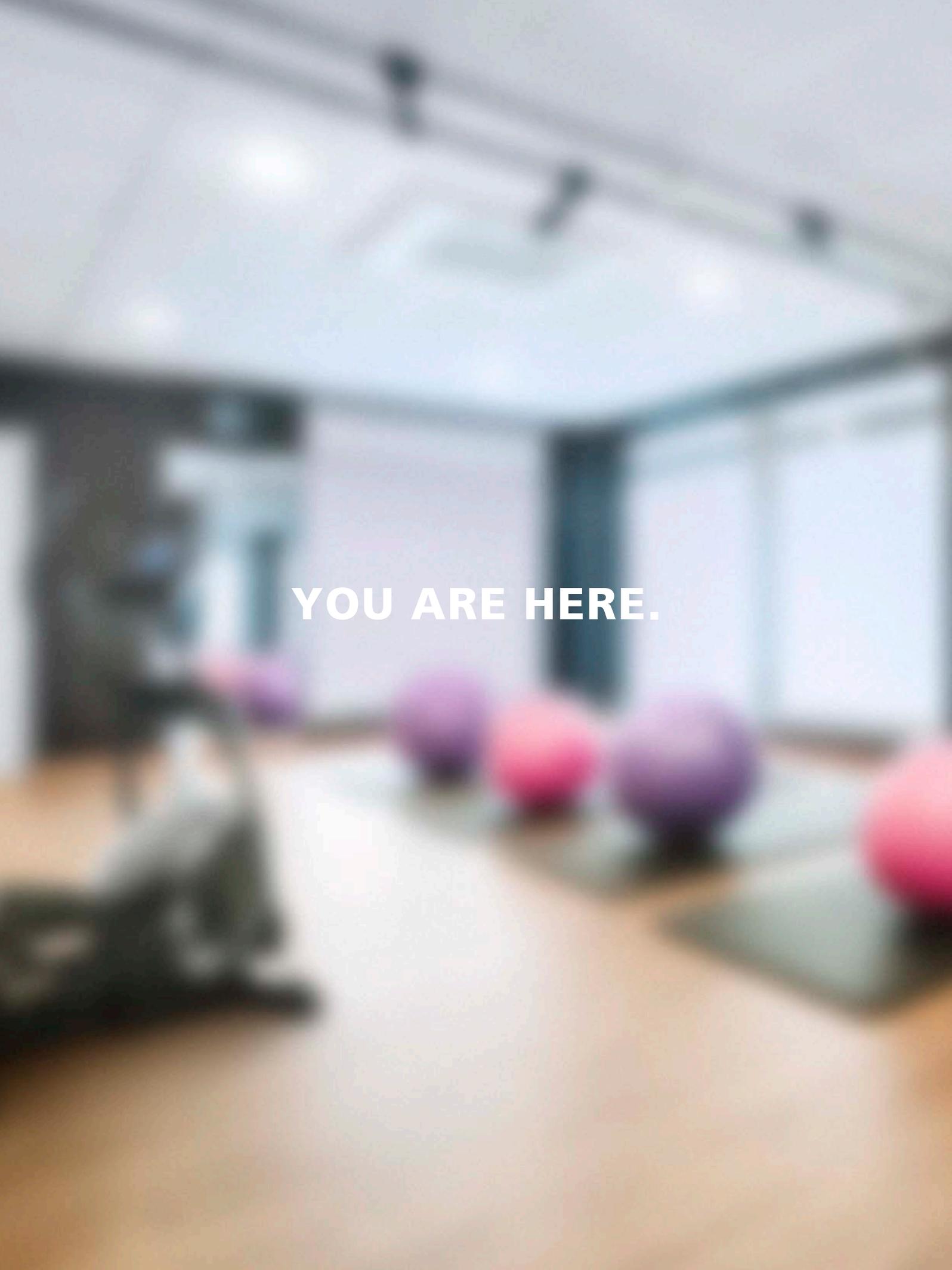
01 A researcher in product development 02 Additives in furniture coatings make surfaces particularly scratch-resistant 03 PVC- and plasticizer-free sealants in closures for baby food 04 IREFLEX improves the energy efficiency of buildings and increases comfort



Protection for the smallest

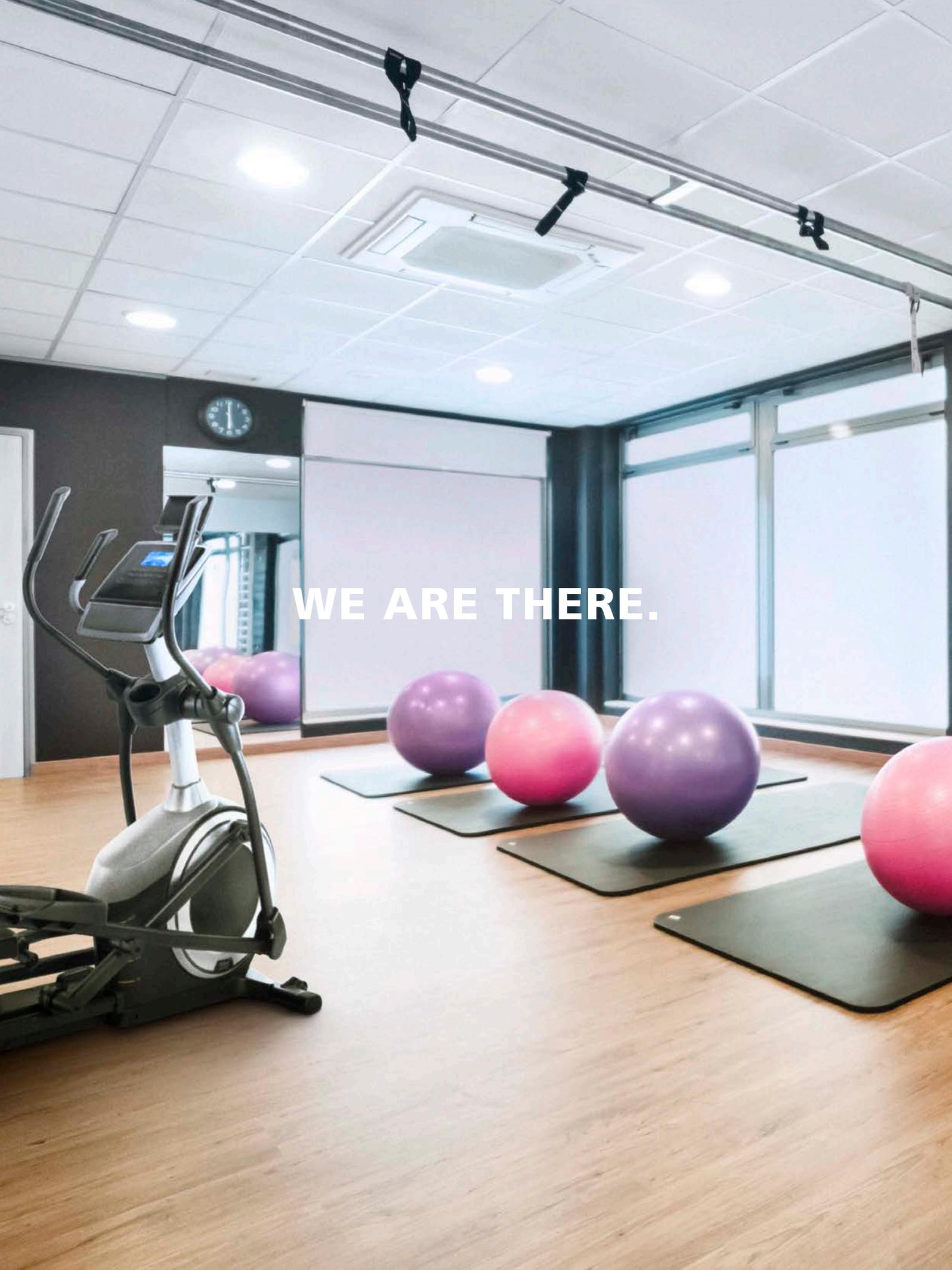
But everyone is only really satisfied when the food tastes good and at the same time is healthy. This is particularly important when it comes to baby food. Most parents at least occasionally resort to convenience products. And according to leading German consumer organizations, these foods are generally good quality. If it weren't for the cap. The seal is not always PVC- and plasticizer-free. But that's exactly what the most sensitive and vulnerable consumers should be assured of. With PROVALIN®, ALTANA's ACTEGA division developed a sealing compound that is completely devoid of PVC and all plasticizers classified as ques-

tionable or insufficiently tested. The solution is particularly suitable for jars with P/T closures, in which baby and infant food is usually filled. Harmful substances do not migrate from the packaging into the food. Parents can recognize the innovation, which is marketed under the ACTEGA brand ACTGreen®, by the green sealing ring on the inside of the lid. So mom and dad can sometimes forego cooking with a good conscience.

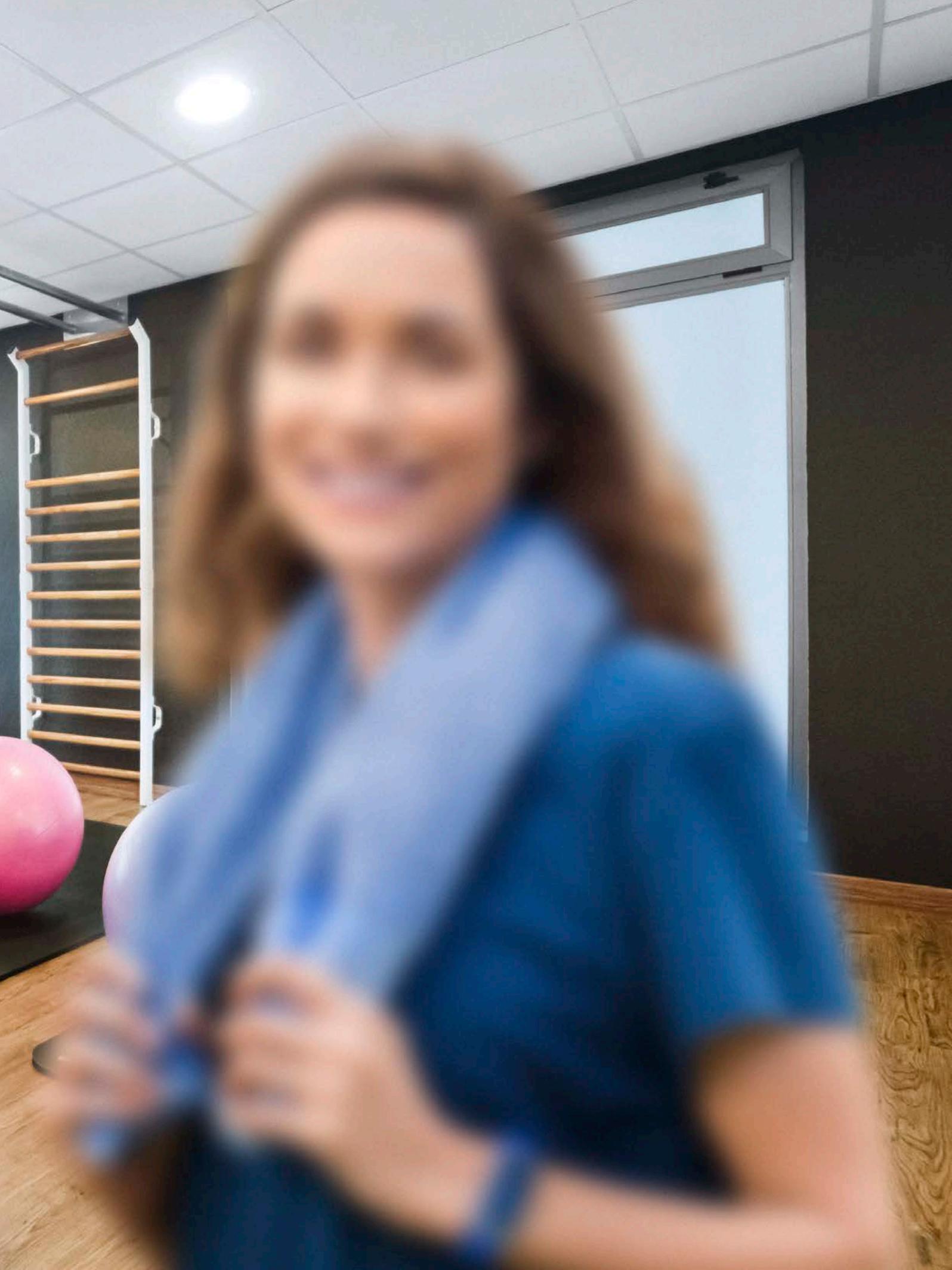


YOU ARE HERE.





WE ARE THERE.



SO THAT TRAINING RUNS SMOOTHLY. PERMANENTLY.

Special ALTANA solutions help us work out in the gym without the equipment giving up the ghost. And they help make our sports outfits top of the line – regardless of our training record.

If you want to remain fit, you have to stay on the ball and train as regularly as possible. But who wouldn't rather stay home on the couch instead of sweating it out at the gym? Some motivate themselves with a new fitness watch, and others with a chic sports shirt or new high-tech sneakers. But no matter how you overcome your weaker self: Products from ALTANA's BYK, ECKART, and ELANTAS divisions ensure your next training session will be fun again.

Off to the gym, the air is clean ...

Working out outdoors in the fresh air is of course best for our health, but that may not always be possible. For many people, it is more convenient to go to the gym, especially since the equipment allows for more targeted training.

To ensure that the paint on their fitness equipment does not wear off quickly, many manufacturers rely on ECKART effect pigments, which are applied as a so-called powder coating to spinning bikes, weight benches, and the like. This powder coating not only makes the equipment aesthetically appealing, but is completely devoid of harmful solvents. After all, the air should be free of pollutants not only during training, but already when

the coatings are applied. On top of that, it's good for the environment. BYK also lends a helping hand: Its defoamers prevent bubbles from forming during the manufacture and application of coatings. This makes the surface more robust and keeps it perfectly smooth for a longer time.

Those who prefer to train with gym balls are familiar with ECKART's pearlescent pigments. They reflect the incident light on the round surface and create optical sparkle effects. There are no limits to the range of colors. In fact, ECKART is constantly developing new color shades together with color and product designers and international trend researchers. After all, endurance sports also involve the mind and it has been scientifically proven that colors have a motivating effect.

Not only fitness freaks need stamina

Endurance is also required for the equipment we use during training. This begins with the displays, say, on steppers and treadmills. While we start to sweat faster or slower and watch our favorite series on the small monitor, the insulating materials from ALTANA's ELANTAS division perform an important task: They protect the electronic components from environmental influences

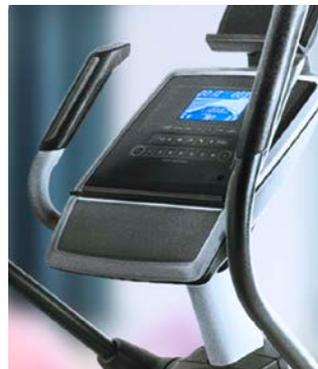
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01 Innovation begins in the lab 02 Color accents with pearlescent pigments 03 Insulating materials protect electronic components and improve the durability of fitness equipment 04 High-tech additives increase the abrasion resistance of sports shoes

03



04

and overheating. The different components have to be able to withstand extreme loads and to operate continuously for up to 24 hours, depending on the fitness studio. And their users would not be happy about a short circuit in the middle of a training session.

If you want to look shiny even while you're taking your body to the limit, wear sports shirts with a stylish print or club logo. ECKART effect pigments play a key role here. They have been certified with a so-called ECO PASSPORT from the Hohenstein Institute for use in OEKO-TEX®-certified textiles. The coated copper and gold bronze pigments look brilliant even after many

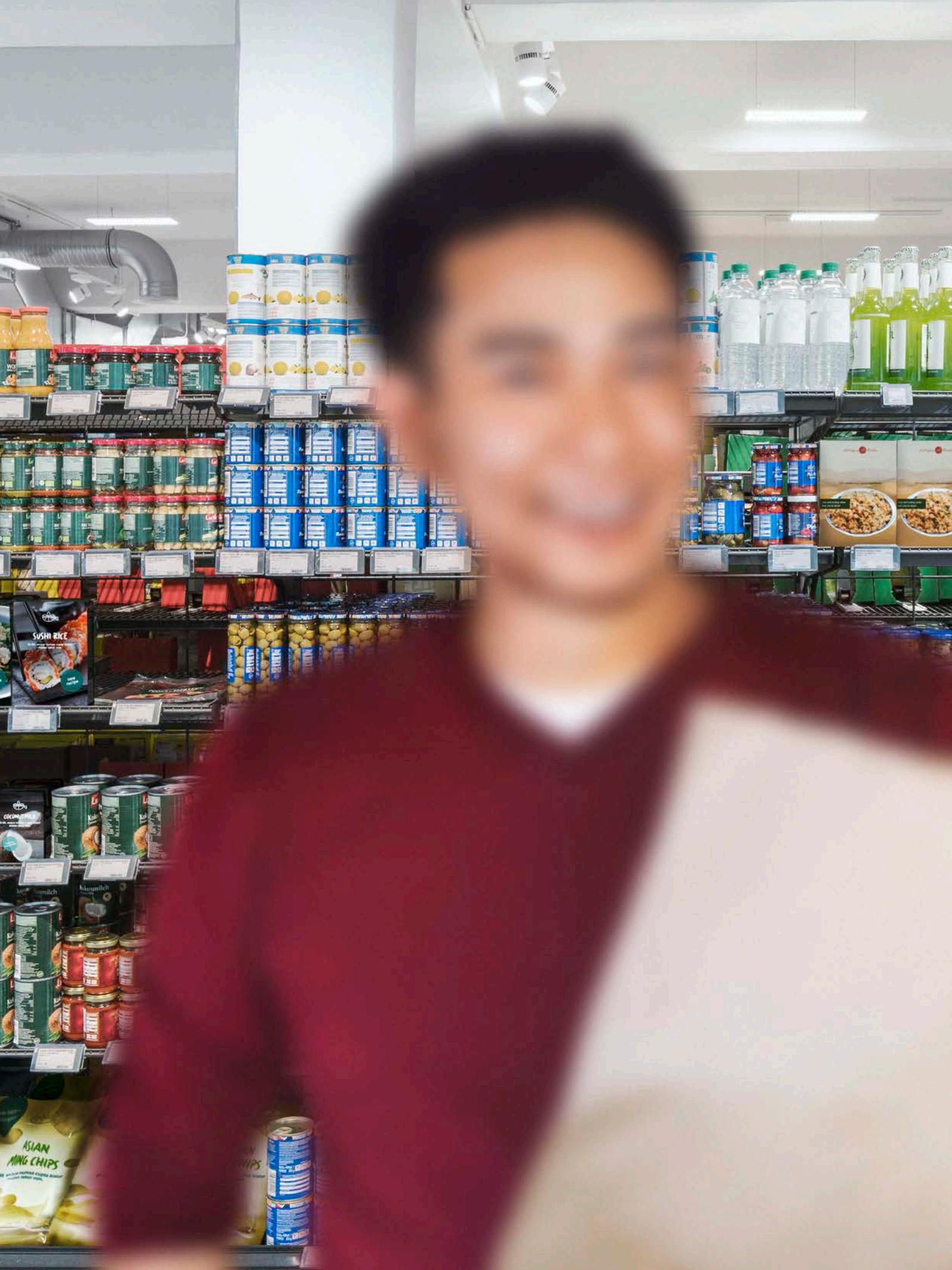
washes. This is ensured by special BYK additives. Not only in textiles, but also on sports shoes, these high-tech additives improve the abrasion resistance and durability of color accents. As a result, the outfit does not show premature signs of fatigue.

And once we've completed our training, and perhaps even broken our personal record, our fitness watch reliably puts on a digital fireworks display thanks to ELANTAS, while the floor remains unscathed thanks to BYK additives – no matter whether we collapse delirious and covered in sweat, or whether we do a dance of joy.



A blurred background of a city street with a person in a maroon shirt holding a paper bag in the foreground.

YOU ARE HERE.





WE ARE THERE.

SO THAT THE CONTENTS KEEP WHAT THE PACKAGING PROMISES. NATURALLY SUSTAINABLE.

Intelligent solutions from ALTANA help to ensure that food not only looks great on the outside, but stays fresh longer. These innovations often also ensure that there is less packaging waste and better recycling.

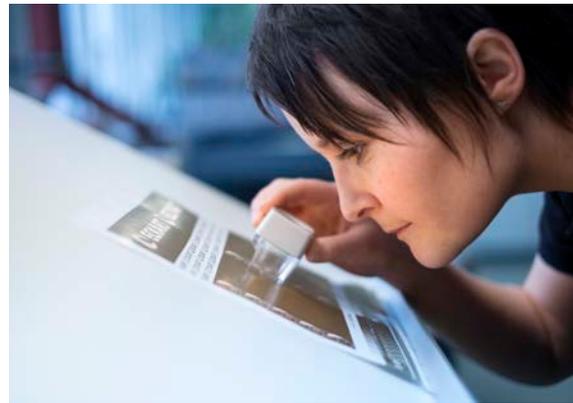
Antipasti for a cozy dinner with family or friends at home or a few soft drinks for a picnic in the park? When we have to shop quickly, most of us intuitively choose particularly original or attractively packaged products. ALTANA's ACTEGA and ECKART divisions have literally brilliant solutions for this. But they also pay attention to "inner values" such as freshness, shelf life, hygiene protection of food, and of course resource efficiency. As a consequence, we consumers can enjoy exactly what the beautiful exterior promises without undesirable ingredients in the packaging.

Unrivalled for ten years: PVC- and plasticizer-free can seals

Consumers can recognize the innovation from the blue ring on the inside of jar lids. Selected specialty food manufacturers even advertise PROVALIN® on the label. This comes as no surprise, because for ten years this ACTEGA brand has been the only alternative to conventional PVC seals for metal vacuum closures. The background: PVC contains plasticizers that can migrate into the food and thus be harmful to human health. The PROVALIN® product family from ACTEGA, however, is PVC- and plasticizer-free and today offers suitable solutions for all types of bulk goods, metal vacuum closures, and filling processes.

Large beverage producers, in particular, not only focus on the quality of their products and having the ideal packaging, but also want to conserve packaging material. This not only reduces production costs but also protects the environment. And more and more consumers are attaching importance to this. For decades, therefore, the trend has been toward ever-thinner glass bottles. However, reducing the amount of steel needed with thinner crown caps long seemed to be an almost unattainable goal. Since the American William Painter applied for a patent almost 130 years ago, the principle of the crown cork has hardly changed. The problem: Thinner crown caps deform more easily, for example when bottles collide during transport.

But the experts at ACTEGA didn't give up. Their solution: a more efficient, softer, and more flexible seal. The result is a minor revolution that makes each individual crown cork 0.4 grams lighter. That doesn't sound like much, but just one bottler saves around 10,000 tons of steel from the 25 billion crown corks produced each year. So the CO₂ footprint is improved almost automatically, as less steel also means less energy and lower transport costs. Almost all of the leading beverage brands have switched to the ACTEGA solution.



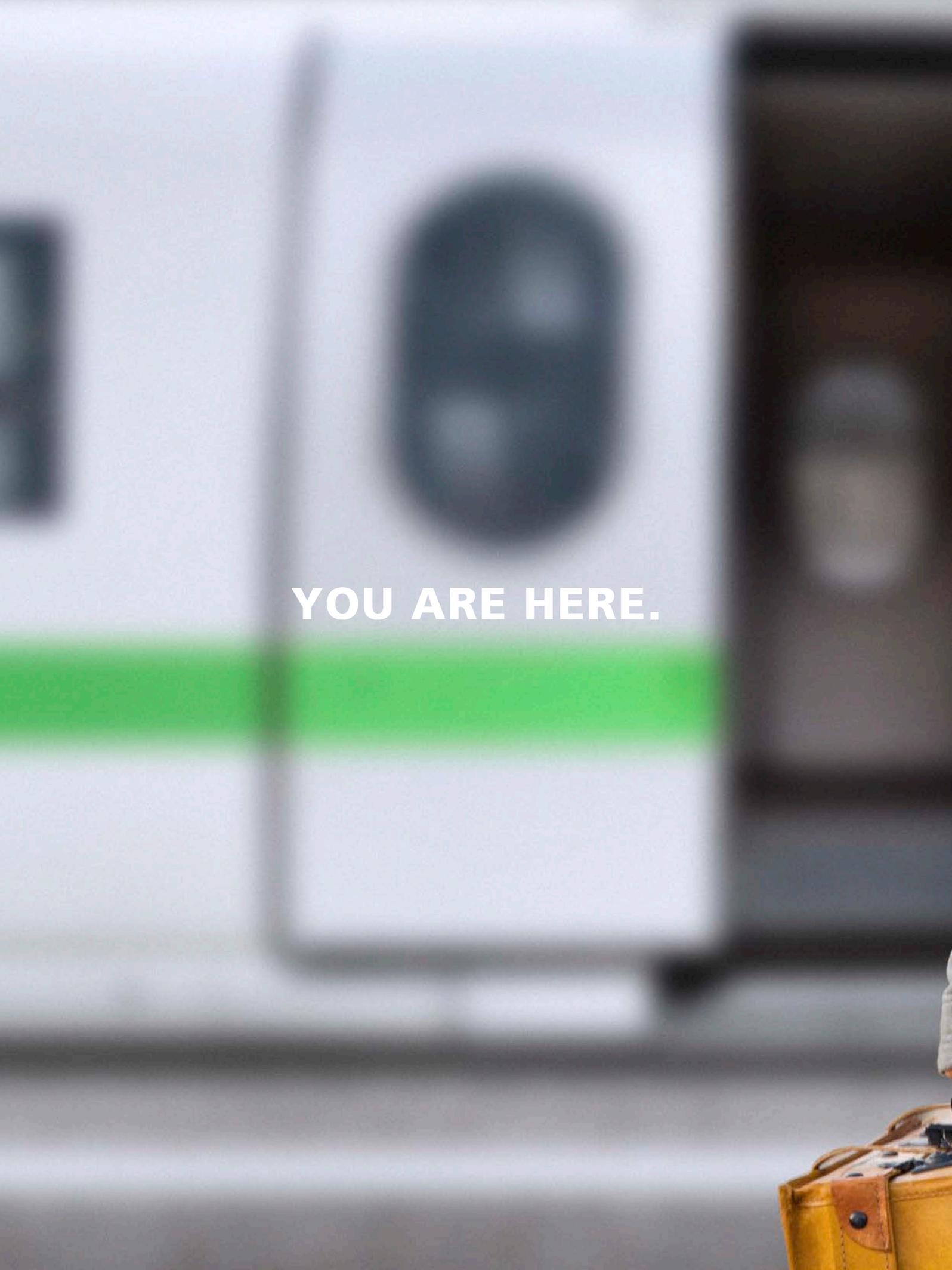
01 Less waste with metallized motifs thanks to EcoLeaf technology 02 An application engineer checks print samples 03 Metallic effects enhance a wide range of products 04 A high-performance, softer, and more flexible seal for crown caps saves steel



Forego waste, but not gloss and glamour

Revolutions are also the core business of ACTEGA Metal Print, a startup within the ALTANA Group. The high-tech engineers based in Lehrte near Hannover are now launching a novel technology that achieves decorative metallic effects with significantly less material, costs, and production time than was required in previously common processes. You can't tell by looking at the labels in the supermarket, but what shines and shimmers on the supermarket shelves is first applied to large sections of foil in conventional manufacturing processes. Only a fraction of it is later found on wine bottles, chocolate boxes, and cosmetics. The rest

is thrown away with the foil without ever leaving the production hall. Resource efficiency is different and has a name: EcoLeaf. This technology uses the exact amount of metallic pigment needed to produce the metallized motif, thus making the foils superfluous. The waste that used to be generated in the process is a thing of the past. Thanks to the effect pigment specialists at ECKART, nobody has to do without gloss and glamour anyway.

A blurred background of a train with a green stripe and a yellow suitcase in the foreground.

YOU ARE HERE.



A white high-speed train with a prominent green horizontal stripe. A large oval window is centered on the side of the train. The text "WE ARE THERE." is printed in white on the white background below the window. To the right, the open door of the train is visible, featuring a smaller oval window that reflects the surrounding environment. The train is on a platform with a grey tiled floor.

WE ARE THERE.



SO THAT RAIL TRAVEL IS ALWAYS A CLIMATE-FRIENDLY ALTERNATIVE. IN EVERY RESPECT.

ALTANA solutions help ensure that trains run reliably and need to be replaced less frequently. But we also do our part for a pleasant indoor climate. Which makes everybody's contribution to climate protection much more fun.

You arrived at the track right before the train was about to leave and were completely out of breath from lugging your suitcases? Many have had this experience. Those who choose to travel by train as a climate-friendly alternative to driving or taking the bus forego a great deal of comfort, because they have to get to the train first. So it is all the more important that the train journey runs smoothly. Solutions from ALTANA's ELANTAS, ECKART, and BYK divisions make an important contribution to ensuring that everyone reaches their destination free of trouble. As passengers, we can sit back and relax and enjoy the pleasurable aspects of rail travel.

Neither generators nor people get hot

For example, experts from ALTANA's ELANTAS division develop impregnating resins and other innovative insulating materials which are used to safely insulate and impregnate wires and wire windings of motors and generators. As a result, the electrical machinery of railcars is protected from external influences such as heat, oil, and salt. This is critical if a train is to have a long life and also caters to passenger relaxation, because the motors are used for several decades and must continually withstand the most adverse conditions.

But ELANTAS products not only protect machines from overheating, they also protect passengers. What is more pleasant than enjoying an ice cream outdoors in the heat of summer? On the train, however, summer can stress passengers and test their nerves when the air conditioning isn't working properly or breaks down. Here, too, ELANTAS products contribute to a burden-free train ride. Innovative resins, paints, and composite materials can significantly increase the service life, safety, and quality of electrical and electronic devices such as air conditioning systems. Consequently, neither generators nor people get hot.

Repelling extreme weather

However, protection against wear and tear is not only crucial for the inner workings of trains. While passengers are enjoying a cup of coffee or tea and letting their minds wander or concentrating on their laptops, the locomotive, railcars, and carriages are exposed to the elements, including high winds, and – depending on the location and time of year – extreme temperatures. But the outer walls keep all of this at bay thanks to innovative high-performance coatings containing solutions from ALTANA.

ECKART products specially developed for this purpose prevent corrosion damage to metallic components. So the train

01



02



03



01 Circuit board coatings are tested 02 Additives give coatings a protective shield 03 High-performance coatings with innovative additives withstand extreme outer influences 04 Insulated and impregnated wire windings protect motors and generators

04



is protected against external influences for its entire service life. BYK has further solutions for this. Among other things, the division's additives ensure that the train's paint not only protects the train, but also looks good. The addition of BYK additives improves the flow, gloss, and color of the protective coating. After all, the three or four coating layers used are together only as thick as a human hair.

Other BYK additives offer protection "along the way." Smooth rail traffic depends not only on high-performance trains, but also on a safe and functioning railway network. BYK additives equip paints for rail superstructure and railroad bridges with a protective shield. So rather than corrosion damage, it's "full

steam ahead" – not only on long-distance rail journeys, but also on urban and regional trains. This is a boon for people, machines and, not least, the climate.

Group Management Report

2020 was an exceptional year, marked by the coronavirus pandemic, with very different business dynamics over the course of the year. After a strong start to the year in terms of demand, the focus from spring onwards was on coping with the pandemic and the associated economic uncertainties. In the final quarter, demand picked up again considerably. Thanks to our international positioning and diversified product portfolio, we succeeded in maintaining our supply and performance capabilities and closed the fiscal year with only a moderate decline in sales. A favorable materials cost ratio, stringent cost management, and pandemic-related savings on travel and trade show costs, among other things, compensated for the sales-related margin decline, resulting in earnings above the previous year's level as well as higher EBITDA profitability. At the same time, we continued to push forward our strategic research and development projects, as well as digitalization, and through acquisitions we set the course for further profitable growth.

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74	Expected Developments

Group Basics

Organization and Legal Structure

The ALTANA Group is a global supplier of specialized chemical products and related services for different branches of industry and application fields. In the 2020 fiscal year, the Group's 68 consolidated subsidiaries and associated companies achieved sales of more than € 2.2 billion. The ALTANA Group employs about 6,500 people.

ALTANA's activities are grouped into four divisions, each of which has its own management and organizational structure. The divisions and the Group companies assigned to them are decentralized and empowered to largely make market-, location-, and product-related decisions themselves. The divisions are active worldwide and have their own production sites and sales offices as well as research and development laboratories in the regional markets that are important for them. In addition to the four operating divisions, there are holding companies in which Group management activities and internal services are bundled. Furthermore, activities for the cross-divisional development of new business areas are undertaken at this level.

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

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

The decentralized organizational structure combines the individual operating units' ability to act swiftly and cater

to the needs of markets and customers with the advantages of a financially strong and internationally active group. The organization is designed to adapt flexibly to changed market conditions and a volatile economic environment. In addition, new activities can be integrated into the organization in a short time.

Business Activity and Divisions

As a globally active specialty chemicals group, ALTANA focuses its core activities on sophisticated markets and customers who need individual solutions.

A significant share of the ALTANA Group's product and service portfolio encompasses input materials for the production of coatings, printing inks, and plastics. In addition, ALTANA manufactures printing inks and coatings for special applications, products for 3D printing, insulating resins for the electrical and electronics industries, sealants for packaging, and measuring and testing instruments.

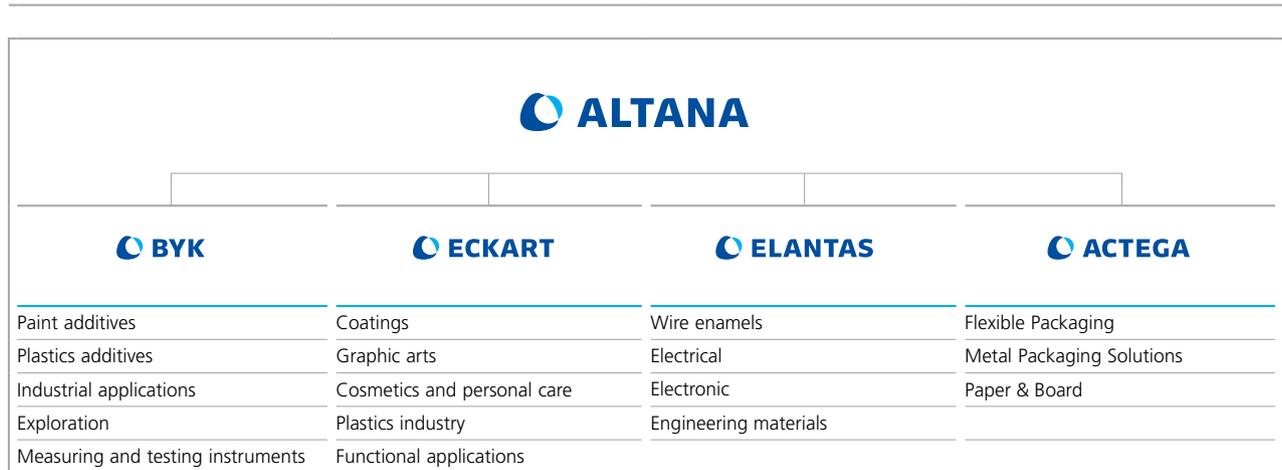
Activities of the Divisions

BYK

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

Wetting and dispersing additives, one of the division's main product groups, help improve the even distribution of pigments and filling materials, and enable them to function better, for example in coatings and plastics. With the help of defoamers and air-release additives, foaming is prevented

Business divisions and areas of application



during the manufacture of coatings and paints as well as in end customers' applications. Surface additives are used to produce special properties such as shiny, matte or especially smooth surfaces. Rheology additives improve, for example, the flow behavior of coatings and plastics. The division also manufactures measuring and testing instruments that are used to determine surface properties, color shades, and optical effects.

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

The division sells its products primarily under the brands BYK (additives) and BYK-Gardner (instruments). Due to its

comprehensive portfolio, BYK is a system supplier and partner of coatings manufacturers and plastics processors in particular. On the basis of its great problem-solving expertise, BYK has also attained an important market position in many other industrial application fields in recent years.

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

BYK continually expands and supplements its product portfolio. To gear its innovation activities closely to the needs of the markets, the division has its own network of development laboratories, which cooperate closely with customers in the respective regions. At the same time, new fields

of application are continually tapped for existing or new products.

ECKART

ALTANA concentrates the development, production, and sale of effect pigments in the ECKART division. Customers use these products to achieve visual and functional effects, primarily in coatings, plastics, printing inks, cosmetics, and construction materials. The principal raw materials are aluminum, copper, and zinc. Aside from metallic effect pigments, other pigments are offered based on artificial substrates. The division's portfolio is supplemented by effect printing inks, metal powders and alloys for 3D printing, and services.

Aluminum-based effect pigments comprise the largest part of ECKART's business. Customers use them particularly to achieve silver metallic effects, for example, for car paints or on graphic arts products. Aluminum pigments are also used for functional purposes, for example, in the manufacture of aerated concrete. Bronze effect pigments generate golden effects in paints, printing inks, and plastic products. Customers use zinc pigments in special paints to achieve functional properties, particularly for corrosion protection.

ECKART GmbH is the division's operating management company. It produces a large part of the effect pigments it sells worldwide in southern Germany (Hartenstein and Wackersdorf). Other manufacturing sites are located in Switzerland and Finland, as well as in China and the U.S.

The manufacturing process is characterized by a very high degree of value creation. In a number of successive steps, all kinds of pigments are made, refined chemically, and in some cases processed into press-ready printing inks.

The effect pigments are marketed predominantly via the division's own sales structures, but also by sales partners. ECKART's most important customers include international manufacturers of coatings, printing inks, and plastics.

Other important customers are manufacturers in the construction industry and the cosmetics sector. ECKART achieves nearly half of its sales in Europe. Its next largest sales regions are Asia and the Americas.

As an important manufacturer of metal effect pigments, ECKART continually pushes forward the development of new product qualities and opens up new fields of application on the basis of sophisticated technological expertise and many years of knowhow. The acquisition of the British specialist Aluminium Materials Technologies Ltd. (May 2020) and the business activities of TLS Technik GmbH & Co. Spezialpulver KG in February 2021 will expand the portfolio in industrial, metal-based 3D printing and in the future customers can be offered even more high-performance materials.

ELANTAS

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

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

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

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

On the basis of comprehensive expertise in the manufacture and application of liquid insulating systems, the division is steadily expanding its activities. It seeks to tap new application fields and thus growth potential by developing new insulating materials and applying specific polymerization knowhow. The global trend towards electromobility should ensure additional growth in this area.

ACTEGA

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

ACTEGA is managed by the holding company ACTEGA GmbH, based in Wesel. Its business activities are divided into three business lines: Flexible Packaging, Metal Packaging Solutions, and Paper & Board. In the area of research and development, activities are bundled in four technology groups. The products are distributed and manufactured by subsidiaries in Germany, Switzerland, France, Spain, China, the U.S., Brazil, Canada, and Chile.

Important product groups of the division include water-based coatings and printing inks, as well as sealants and adhesives used to make packaging materials. A focal point of its product portfolio is the specific needs of the food industry with its high quality requirements. In addition, there is a demand for ACTEGA's printing inks and overprint varnishes among customers in the graphic arts industry. The division's largest sales region is Europe, followed by the Americas.

Its most important individual markets are Germany and the U.S.

Together with the packaging industry, and in direct contact with brand manufacturers, ACTEGA develops new and improved optic and haptic functionalities. Its innovation activities primarily aim to improve the safety and shelf life of packaged foods.

In recent years, the division has invested in a targeted way in the acquisition and further development of new technologies in order to tap new growth potential in the medium to long term for its existing business, to prepare its entry into new markets, and to make additional progress in the area of packaging sustainability. For example, the start-up ACTEGA Metal Print was able to win its first beta customers and a distribution partner for a novel technology that achieves decorative metallic effects with significantly less material, costs, and production time than the processes commonly used to date.

Important Influences on Business Development

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

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

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

the price of products. This price sensitivity of the markets is also reflected in short-term changes in demand, when for example stronger price fluctuations are expected for significant raw-materials markets.

The competitive situation in the different product-specific market segments can have similar effects on customer behavior. The entry of new manufacturers into a market or the withdrawal of existing manufacturers from a market and the competitors' prices can impact demand.

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

In the course of a year, seasonal fluctuations in demand result from lower customer activity, especially during the Chinese New Year Festival, during the summer months, and at the end of the year.

Strategy and Control System

Strategy

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

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

At ALTANA, profitable growth is based on several pillars. The primary ones are to expand our operating activities in

existing markets and to open up new adjacent sales segments. ALTANA's four divisions occupy significant competitive positions in their respective sales markets. This positioning is an important prerequisite for our being identified and acknowledged by market participants as a competent supplier of customized solutions. In addition to ALTANA's comprehensive product portfolio, innovation plays a key role in its high level of problem-solving expertise.

To enable customers to create new applications and strengthen their portfolio, ALTANA continually pushes forward its own research and development activities. To this end, our employees' knowhow and experience are just as important as investments in new technologies.

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

Control System and Goals

ALTANA's control system is fundamentally oriented to the goal of a sustainable increase in the company's value. A number of ratios, mainly financial, are derived whose developments are analyzed and for which target values are determined. The most important key performance indicators are ALTANA Value Added (AVA), sales growth, earnings before interest, taxes, depreciation and amortization (EBITDA), as well as the EBITDA margin and the investment level in relation to sales.

A change in the company's value in a given period is calculated by using the financial ratio ALTANA Value Added. The absolute AVA is calculated by subtracting the cost of capital employed in the Group from the operating earnings. The relative AVA constitutes this difference in proportion to the capital employed. It is calculated by subtracting the cost of capital from the return on capital employed (ROCE).

The calculation of the operating earnings starts with earnings before interest and taxes (EBIT), which are adjusted for acquisition-related and one-time special effects and from which a calculated tax burden is deducted.

The capital employed, in turn, encompasses those components of the assets and liabilities needed to achieve operating earnings. The cost of capital is determined from the weighted average of cost of debt and cost of equity. We regularly examine the weighted average cost of capital but only adjust it for the calculation of the AVA if it exceeds or falls below a certain range. For 2020, we reduced the cost of capital from 8.0 % to 7.5 %. This cost of capital rate will continue to be used in 2021.

Key performance indicators are used for measuring the company's success and as criteria for strategic and operational decisions at the level of the Group holding company, the divisions, and individual companies. In addition, the key figure AVA is also used to determine variable compensation components.

Our goal is to achieve operating earnings that exceed the cost of capital on a sustainable basis. In recent years, we have managed to generate a positive AVA.

Sustainable profitable sales growth forms the basis for a long-term increase in our operating earnings and thus in the value of the company. ALTANA's goal is to outperform the general market growth in the most important sales segments and thus to obtain market shares.

In the long term, we aim to achieve average annual operating sales growth of 5 %. We seek to generate additional growth through acquisitions, either by acquiring supplementary activities at the level of our existing divisions or through the possible integration of new business activities.

But growth should not be achieved at the expense of profitability. Therefore, control of the EBITDA margin is very important for the ALTANA Group. The long-term target range for the EBITDA margin of the Group is 18 % to 20 %. Derived from this are long-term target margins for our four

divisions, which may deviate from the average target value for the Group due to the different business activities and market characteristics. In the last years, the Group margins achieved were within or, in some years, even above the target range.

In addition to pursuing long-term sales and earnings growth, another focus to successfully increase the value of the company is control of the operating capital. The main factors of influence in this context are the development of fixed assets and of net working capital.

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

For the control of net working capital, which is of great importance for the development of operating capital, we use key performance indicators to analyze and control profitable growth and the company's value. These key performance indicators concern the scope of inventories as well as trade accounts receivable and payable.

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

To guarantee that all activities are geared uniformly to the Group's strategy, we also use non-financial key performance indicators. Significant control-relevant non-financial indicators and thus key performance indicators for Group management relate to the areas of occupational safety and climate neutrality. To track the achievement of the goal of continuously improving occupational safety, the Work Accident Indicator (WAI) is used, which includes WAI 1, WAI 2, and WAI 3, as a key performance indicator. The WAI shows

the number of reported occupational accidents with lost work days in relation to one million hours worked in the respective attribute defined per key performance indicator (details on page 68 f.). Furthermore, the ALTANA Group is pursuing the goal of achieving climate neutrality in its sphere of influence by 2025. For the quantitative measurement of this strategic goal, there is a reporting system for CO₂ emissions. The latter are reported as direct greenhouse gas emissions from sources controlled by the company (Scope 1) and as indirect greenhouse gas emissions from the performance-related purchase of electricity (Scope 2).

Apart from these two groups of indicators, there are other non-financial indicators which are not regarded as being relevant for control. These include data for the evaluation of innovation activities as well as other key performance indicators in the area of sustainability, for the analysis of sales markets and customer satisfaction.

Integrated Planning Processes

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

The planning cycle has a strategic planning component, which combines the analysis of the essential performance indicators for future business development at the product group level with a detailed representation of the changes expected in the market environment.

From this, strategic measures are derived enabling us to react to expected developments at an early stage. These measures, developed in the strategic planning process, include not only fields of activity on current sales markets, but also concrete goals and planning steps for entry into new

fields of business or application areas and changes in the portfolio of business activities.

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

Business Development

General Business Setting

Overall Economic Situation

2020 was primarily marked by the course and effects of the coronavirus pandemic. The International Monetary Fund (IMF) currently estimates that global economic output declined by -3.5%. The recession that began in China at the beginning of 2020 and then spread to the entire world in the course of the second quarter led, in some cases, to double-digit negative growth rates in the middle of the year. However, early containment of the pandemic in China and resumption of industrial production in other regions in the second half of the year enabled 2020 as a whole to be better than had been projected by the IMF in its mid-year forecast. In addition to the pandemic, the continuing tense trade situation between the U.S. and China and the situation regarding the terms of the United Kingdom's exit from the European Union, which remained unclear until shortly before year's end, also had an adverse effect on the overall economic situation. Only China was able to record modest growth for the year as a whole. For every other major economy, the situation described above gave rise to a more or less pronounced recession last year.

At -7.2%, as expected by the IMF, the Eurozone was hit particularly hard by the pandemic-related curtailment of economic activity, which intensified the slackening demand that had already begun in the previous year. Government measures and overarching support measures in the area of employment protection, as well as further public transfer payments, ensured a certain degree of stability in many countries. Nevertheless, all of the major economies in Europe reported a significant weakening of gross value added. In Germany, the IMF estimates that economic output fell by 5.4%, although there was a marked recovery in industrial production at the end of the year.

According to current IMF estimates, economic development in the countries of the Americas was also negative

in 2020, albeit with significant gradations. While the U.S. reported a decline in gross value added of only 3.4%, in Canada GVA fell by 5.5% and in the Latin American countries by 7.4% overall. There were also clear differences in Latin America. Brazil, for example, surpassed the expectations for the rest of the continent, with the IMF anticipating a decrease of 4.5%.

Asia was a mixed bag in 2020. While China fully recovered from its economic slump at the beginning of the year due to its early containment of the pandemic, finishing the year with a growth rate of 2.3%, gross value added in India fell by 8.0%. According to the IMF, the largest economies in Southeast Asia (ASEAN-5) recorded economic output of -3.7% in 2020, whereas the figure in Japan was -5.1%.

Industry-Specific Framework Conditions

The American Chemistry Council (ACC) estimates that global chemical production was -2.6% in the past fiscal year (previous year: +1.2%). As a result, the global impact of the pandemic on chemical production was somewhat lower than from a macroeconomic perspective.

The changes in chemical production do not reflect the regional development of general economic performance in all countries. According to the ACC, Germany, Europe's largest chemical producer, achieved a slight increase of 0.1% for the industry as a whole. However, excluding the share of the pharmaceutical sector, a low single-digit decline is expected for the past fiscal year (German Chemical Industry Association (VCI): -1.1%). By contrast, other European countries of importance to the chemical industry, including France (-11.9%) and Italy (-6.2%), displayed much higher decreases in overall industry production output, according to ACC estimates. In the United Kingdom, the industry remained roughly at the previous year's level (0.4%). In Europe as a whole, chemical production decreased by 2.2%.

In the U.S., overall chemical production fell by 3.6 %, with production in the medical, hygiene products, and DIY sectors outperforming other areas of the industry. The crisis hit Latin America harder, leading to a 7.2 % decline in production volumes. At an expected -5.8 %, the decrease in Brazil was less pronounced than in Latin America as a whole.

The chemical sector in the Asia-Pacific region recorded the smallest decline in the 2020 fiscal year, at -2.1 %. In keeping with the overall economic development, China, the largest producer with 0.3 % growth, was largely responsible for this development. The crisis had a stronger impact in India, however, with production down by 6.1 %. Other Asian countries, such as Korea (-5.9 %) and Japan (-9.7 %), also experienced a sharp decline due to the pandemic.

On account of government measures to contain the pandemic, the associated closure of many production companies, and the subsequent slowdown in demand, the price of a barrel of Brent crude oil fell from an initial 67 U.S. dollars to a historic low of 18 U.S. dollars from January to April 2020. The restart of production and rising demand caused the price to rise steadily again over the course of the summer, stabilizing at a level of 50 U.S. dollars at the end of the year. The average price for the year was 42 U.S. dollars, well below the previous year's level (64 U.S. dollars).

Important Events for Business Development

In 2020, non-operating effects at ALTANA influenced the company's earnings and financial position as well as its assets.

In January 2020, ALTANA acquired the business with innovative additives for exploration of the U.S. company Gulf Scientific Inc. as part of an asset deal. The activities were integrated into the BYK division and had a slightly positive impact on sales development. The Swiss company Schmid Rhyner AG, acquired in February 2020, with activities in the field of overprint varnishes for the packaging and printing industries, was taken over by the ACTEGA division. Schmid Rhyner AG made a positive contribution to sales and had

a slightly negative share in earnings. Furthermore, in May 2020, ALTANA acquired the British company Aluminium Materials Technologies Ltd. The firm, which develops and sells special alloys for 3D printing, was integrated into the ECKART division, in which it contributed a minor share to sales performance in 2020.

In 2020, the development of the exchange rates between the euro, the Group currency, and other currencies important for ALTANA, had a negative influence on the sales and earnings development. The exchange rate of the euro to the Brazilian real had the biggest effect in 2020. At an average of 5.89 real for one euro, it was higher than in the previous year (4.41 real for one euro). Further significant effects from changed exchange-rate relations resulted from the rate of the U.S. dollar to the euro, which at 1.14 U.S. dollars for one euro was also higher than in the previous year (1.12 U.S. dollars for one euro). The average exchange rate of the euro against the Chinese renminbi also increased, from 7.74 renminbi to 7.87 renminbi for one euro. The effects of the translation of the financial statements of the major non-euro Group companies on items of the 2020 income statement were negative overall. Differences in exchange rates on the balance sheet date also had a significantly negative influence on balance sheet items compared to the previous year.

Business Performance

Group Sales Performance

Group sales totaled € 2,178.2 million in 2020, a decrease of 3 % or € 70.8 million compared to the previous year (€ 2,248.9 million). Non-operating effects generally had a positive effect on the sales development. Exchange-rate changes, primarily from the changed relations of the euro to the Brazilian real and the U.S. dollar, resulted in a sales decrease of about 2 %. Acquisitions, on the other hand, in-

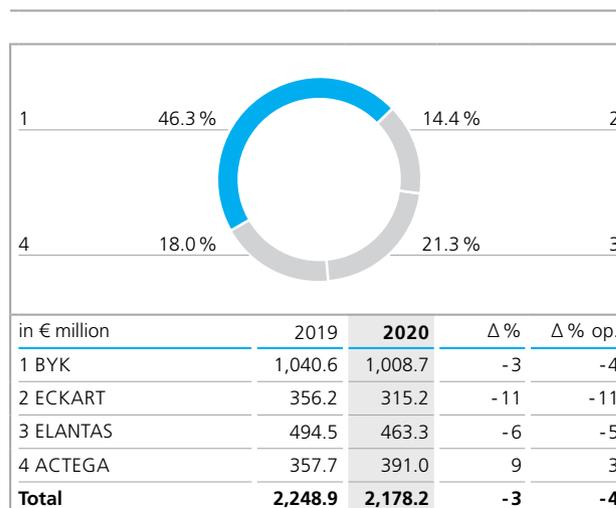
Key figures

	2019	2020	Δ %	Δ % op. ¹
in € million				
Sales	2,248.9	2,178.2	-3	-4
Earnings before interest, taxes, depreciation and amortization (EBITDA)	415.8	426.0	2	4
<i>EBITDA margin</i>	18.5 %	19.6 %		
Operating income (EBIT)	262.5	185.7	-29	-25
<i>EBIT margin</i>	11.7 %	8.5 %		
Earnings before taxes (EBT)	231.3	142.7	-38	-34
<i>EBT margin</i>	10.3 %	6.6 %		
Net income (EAT)	169.0	75.1	-56	
<i>EAT margin</i>	7.5 %	3.5 %		

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.

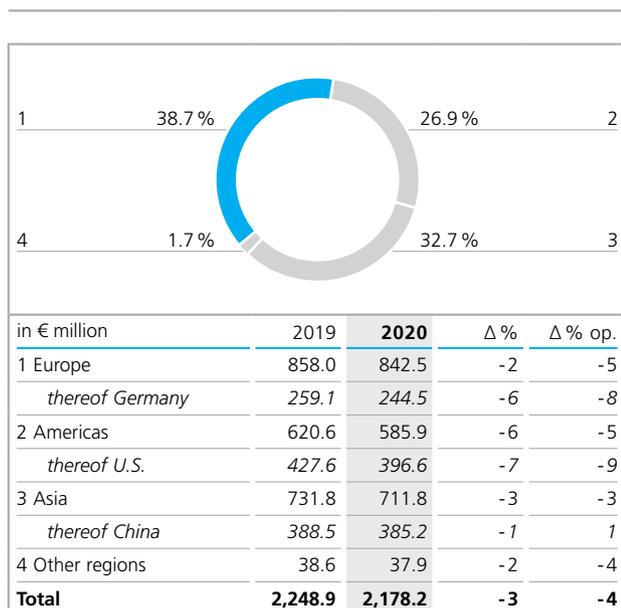
creased sales by a total of € 54.2 million. The effects were calculated in each case on the basis of the months to which the acquired business belonged to the Group. Of this amount, € 33.0 million were attributable to the acquisition of Schmid Rhyner AG in Switzerland (ACTEGA division) in the spring of 2020, a total of € 17.8 million to the acquisitions of the businesses of Gulf Scientific and Paul N. Gardner, both in the U.S., in the BYK division, and € 3 million to the acquisition of the Hubergroup wire enamels business in India (ELANTAS division). The British company Aluminium Materials Technologies Ltd., acquired by the ECKART division in May 2020, increased Group sales by € 0.4 million. Adjusted for currency and acquisition effects, sales were 4 % below the previous year.

Sales by division



This means that we did not achieve the operating sales growth in low single-digit percentages forecast at the beginning of the year for 2020. However, in view of the challenging economic situation caused by the pandemic, an operating sales decline of only 4 % reflects the Group's competitiveness. In the different quarters of 2020, strong volatility in business activity was observed. After a very good start in the first quarter of 2020 – caused in part by stockpiling on the part of our customers – the measures introduced worldwide from March to contain the pandemic led to a downturn in sales in large parts of the manufacturing sector in the second quarter. From the middle of the year there was a recovery – first in China, then in the other regions – resulting in an unexpectedly strong fourth quarter to finish the year. There were many product segments, particularly in the automotive

Sales by region



sector, for which demand was significantly lower due to the pandemic. At the same time, other consumer-related applications, such as food packaging solutions, became more important. The changes in this area were due to both demand-related fluctuations in sales volumes and price/mix effects, which affected all divisions, albeit to varying degrees.

The regional sales and sales structure shifted only slightly compared to the previous year. With an unchanged share of 39 % of total Group sales, Europe remains the most important sales region for ALTANA. Due to acquisitions, nominal sales in Europe were 2 % below the previous year's figure, but 5 % lower in operating terms. The pandemic led to declining sales in the entire Eurozone and the United Kingdom. Only in Turkey and some Eastern European countries was the sales volume higher than in the previous year.

In 2020, sales in the Americas were 6 % down on the previous year. Adjusted for negative exchange-rate effects and lower positive acquisition effects, operating sales dropped by 5 %. Sales in the U.S. – still ALTANA's largest single sales market, accounting for 18 % of total sales – fell by 9 % in operating terms. The sales decline in the U.S., as in all other regions, was primarily pandemic-related. Demand for the BYK division's specialty products in the exploration sector remained low, due to the low crude oil price level. Canada recorded a slight increase in sales. In Brazil, operating sales grew significantly in a year-to-year comparison, while sales decreased in other Latin American countries. Overall, the Americas' share of Group sales decreased slightly (27 %; previous year: 28 %). Asia continued to account for 33 % of Group sales in the past fiscal year. In both nominal and operational terms, Asia recorded the smallest sales decline last year, at 3 % in each case. This was primarily due to the swift and sustained recovery in Chinese business activities, which were even able to contribute operating growth of 1 % at the end of the year. China continues to be ALTANA's second largest sales market, accounting for around 18 % of total sales (previous year: 17 %). India, however, our second largest Asian sales market, suffered pandemic-related operating sales losses of 10 %.

Sales Performance of BYK

In the 2020 fiscal year, sales in the BYK division fell by 3 % or € 31.9 million to € 1,008.7 million (previous year: € 1,040.6 million). This includes negative exchange-rate changes of € -9.8 million as well as positive effects of € 17.8 million due to the acquisition of the business activities of Gulf Scientific and Paul N. Gardner in the U.S. Adjusted for these effects, operating sales were 4 % lower than in the previous year.

The BYK division's sales performance in 2020 was influenced by the pandemic in almost all markets and regions. In addition to the effects of the difficult overall economic

environment already experienced in the previous year, caused in particular by weak demand in the automotive industry and the exploration sector, the measures implemented to contain the pandemic in the second quarter led to a sales decline across all areas. Starting in the middle of the year, sales especially of paint and coating additives recovered, partly due to strong demand in the DIY sector. At the end of the year, overall product sales developed disproportionately compared to the same period of the previous year. This was primarily the case with additives sales, which for the year as a whole were only 3 % lower than the previous year's level in operational terms. The division's measuring and testing instruments business suffered from continued weak demand in the automotive industry, recording a 14 % decline in nominal sales.

The operating sales decreases across the entire division showed regional differences. Although sales in Asia were down slightly in operating terms, they were positively impacted by a significant increase in operating sales in China, BYK's second largest single market. Other countries in Asia, including India, reported double-digit operating sales declines. Operating sales in the Americas – mainly influenced by the U.S., BYK's largest single market – also fell vis-à-vis the previous year. While the negative development of the prior year continued in the United States, exacerbated by the pandemic, Brazil, Mexico, and Canada were able to increase operating sales compared to the previous year. The Europe region, particularly the Eurozone, also reported a sales decrease. The significant decline, particularly in Italy, France, and Germany, could not be offset by the operating growth in individual Eastern European markets.

Sales Performance of ECKART

In 2020, the ECKART division achieved sales of € 315.2 million (previous year: € 356.2 million). The 11 % decline in year-to-year terms was negatively impacted by exchange-rate effects and positively influenced to a small degree by the

acquisition of UK-based Aluminium Materials Technologies Ltd. in the middle of the year. Adjusted for these effects, operating sales decreased by 11 %. Sales were negatively impacted above all by the pandemic-related decline in demand in the automotive and cosmetics industries, as well as other sectors. The discontinuation of a trading business in China in mid-2019 also had a diminishing effect on the year-on-year growth rate.

The difficult market environment was reflected in all regions in 2020, albeit to varying degrees. While Asia recorded only a slight decline in operating sales development, sales in the Americas region were significantly lower than in 2019. The pandemic also had a negative effect on sales in Europe, especially in the Eurozone. The positive development of some Eastern European countries was unable to compensate for this.

Sales Performance of ELANTAS

In the ELANTAS division, sales fell by 6 % or € 31.2 million to € 463.3 million in 2020 (previous year: € 494.5 million). Adjusted for negative currency effects and positive acquisition effects, the operating sales decline amounted to 5 %. The main driver was the global impact of the pandemic on demand, which was reflected in all of ELANTAS' major business areas in 2020.

The regional impact of the pandemic on sales development was mixed. In Asia, particularly China, the division's largest sales market, almost compensated for the initial sales slump by the end of the year. But India and other countries in Asia were unable to do so and closed the year with significant sales losses. The Americas, with the U.S. as the largest individual market, also recorded a sales drop, with negative exchange-rate effects exacerbating the situation. In this region, Brazil developed positively, reporting sales well above the previous year's level. In Europe, too, sales declined as a result of the pandemic, due in particular to weak demand in Germany, France, and Italy.

Sales Performance of ACTEGA

With sales of € 391.0 million (previous year: € 357.7 million), the ACTEGA division posted substantial nominal growth of 9 % compared to 2019. Even adjusted for the effect of the acquisition of the Swiss company Schmid Rhyner AG and for negative exchange-rate effects, ACTEGA achieved operating growth of 3 %, significantly above the previous year's level. The growth resulted both from a slight increase in sales volumes and from positive effects from the product mix and price levels.

Since 2020, ACTEGA has reported its sales in three business lines: Paper & Board, Flexible Packaging, and Metal Packaging Solutions. There were positive developments in all three business lines. The Paper & Board line was able to increase its sales primarily due to the acquisition of the Swiss company Schmid Rhyner AG. In operational terms, however, sales declined. This was mainly due to the business with products for magazines and print inserts as well as high-quality folding carton packaging. In contrast, sales of functional products for food packaging increased over the previous year as a result of changed consumer behavior due to the pandemic. The division's flexible packaging business also closed 2020 on a positive note. The Metal Packaging Solutions business line additionally boosted sales, with the business with PVC-free sealants and inks for beverage cans posting the most growth.

The regional sales structure of the ACTEGA division shifted slightly in favor of the Europe region in 2020 due to the acquisition of Swiss Schmid Rhyner AG (2020: 51 %; previous year: 48 %). The development in the different regions was uneven. In Europe, the division's largest region, sales exceeded the previous year's level. A decline in operating sales in Germany was more than offset by increases in other European countries. In the Americas, nominal sales lagged behind the previous year. Adjusted for negative exchange-rate effects, however, operating sales were higher than in 2019. In the U.S., ACTEGA's largest single market, operat-

ing sales were slightly down on the previous year. By contrast, sales in Brazil increased significantly in local currency terms. Only in Asia did the division not increase its sales in 2020. In this region, nominal and operating sales were lower than in the previous year.

Earnings Situation

Despite the difficult overall economic situation and the related decline in operating sales, ALTANA's earnings situation in 2020 was better than in the previous year. Earnings before interest, taxes, depreciation and amortization (EBITDA) rose year-over-year by 2 % or € 10.2 million to € 426.0 million (previous year: € 415.8 million). Adjusted for acquisition and exchange-rate effects, operating growth amounted to 4 %. At 19.6 %, the EBITDA margin was significantly higher than in the previous year (18.5 %) and thus in the upper edge of our strategic target range of 18 % to 20 %. This was achieved partly through cost containment measures in view of the significant slowdown in demand in some months. On the other hand, pandemic-related one-time effects led to savings in functional cost areas. In addition, a materials cost ratio significantly lower than was forecast due to lower raw material costs contributed to the result.

As a result of the aforementioned savings effects, EBITDA exceeded our expectations for 2020. Aside from the cost effects, the increase in the EBITDA margin is also due to the pandemic-related sales decline.

The most important cost parameter for ALTANA, variable raw-material and packaging costs, developed positively compared to the prior year. The material usage ratio, the ratio of these costs to sales, fell to 41.3 % in 2020 (previous year: 42.7 %). All four divisions benefited from this trend, albeit to varying degrees.

Among the other main cost items, particular mention should be made of personnel expenses and depreciation

and amortization, which showed significant one-time effects in the past fiscal year. Overall, personnel expenses remained at the previous year's level despite increases in collective bargaining costs. This was due to temporary short-time working measures in the months when we experienced a slump in demand. In addition, there was only very limited recruitment and backfilling of vacancies. The ratio of total personnel costs to sales increased to 23.4 % (previous year: 22.7 %) on account of the sales decline. However, the consequences of the pandemic were also reflected in other cost types: Travel and trade fair costs in particular showed a significant decrease compared to the previous year, leading to cost reductions across all functional areas. As part of the impairment tests for the ECKART division, an impairment loss of € 85.6 million was identified for the total goodwill in 2020, which was recorded in other operating expenses. The impairment resulted from an assessment of future business development that also included various planning

scenarios with probabilities of occurrence due to the overall economic uncertainty. Compared to our other divisions, ECKART's sales and earnings performance was more strongly affected by flagging demand resulting from the coronavirus pandemic, particularly since the share of business with automotive and cosmetics customers in the division's total sales is significantly higher. Derived from this, the weighted scenario-based valuation results in a weaker estimate than in previous years. Adjusted for this impairment effect, depreciation and amortization was 1 % higher than in the previous year, due to high investments in property, plant and equipment in previous years.

In all other functional cost areas, absolute cost reductions were recorded in the past fiscal year. Within production costs, personnel costs in particular were below the prior-year level due to measures taken in connection with short-time working due to the decline in demand. In addition, lower travel costs led to savings. Only depreciation and amor-

Multi-period overview of the earnings situation

Sales (in € million)

2016		2,075
2017		2,247
2018		2,307
2019		2,249
2020		2,178

EBITDA (in € million)

2016		453
2017		470
2018		431
2019		416
2020		426

tization showed a significant year-on-year increase due to recent investments.

Selling and distribution expenses fell by 2 % in 2020 compared to the previous year. However, the relative ratio to sales increased slightly due to the sales drop. The decrease in selling and distribution expenses was driven in particular by lower travel and trade fair costs, whereas personnel expenses and depreciation and amortization rose.

For the first time in many years, research and development costs did not increase in fiscal 2020. Although personnel expenses in this area rose slightly and depreciation and amortization were higher than in the previous year, a decrease in travel expenses led to an overall reduction in costs. However, the ratio of research and development costs to sales increased slightly from 7.4 % to 7.5 % due to the sales decline.

In 2020, administrative expenses were lower than in 2019. Personnel cost increases were completely offset by savings on travel and consulting costs. In contrast, the ratio of administrative expenses to sales shows a slight increase from 4.7 % to 4.8 %, which is also attributable to the decrease in sales.

The balance of other operating income and expenses was significantly influenced by the amortization of goodwill at ECKART. This expense item was also impacted by one-time special charges in the area of trade accounts receivable due to a risk provision for possible bad debts as a result of any pandemic-related insolvencies. Earnings before interest and taxes (EBIT) amounted to € 185.7 million, 25 % lower in operational terms than in the previous year (€ 262.5 million).

At € -4.2 million, the financial result was significantly lower than the previous year's figure of € 7.9 million. This decline was due in particular to one-time effects included in 2019, such as interest income from tax mutual agreement procedures, changes in the value of investments, and an outstanding earn-out obligation from an acquisition. The

result of companies accounted for using the at-equity method changed only slightly, from € -39.1 million in the previous year to € -38.9 million in the 2020 fiscal year. The largest share of this loss resulted from the investment in Landa Corporation Ltd.

Earnings before taxes (EBT) fell to € 142.7 million (previous year: € 231.3 million), and earnings after taxes (EAT) to € 75.1 million (previous year: € 169.0 million). Income taxes were higher than in the previous year due to the significantly lower one-time effects from tax agreement proceedings.

Asset and Financial Situation

Capital Expenditure

Capital expenditure by division

1	40.7 %	25.0 %	2
		13.7 %	3
5	5.3 %	15.3 %	4

in € million	2019	2020	Δ %
1 BYK	93.6	42.8	-54
2 ECKART	21.6	26.3	22
3 ELANTAS	14.6	14.4	-2
4 ACTEGA	23.7	16.1	-32
5 Holding	3.7	5.6	51
Total	157.2	105.2	-33

In the past fiscal year, ALTANA invested a total of € 105.2 million in intangible assets and property, plant and equipment. As a consequence, capital expenditure was significantly

below the prior-year figure (€ 157.2 million). The investment ratio, that is the ratio of investments to sales, was slightly below our long-term target range of 5 % to 6 %, at 4.8%. Due to the uncertainties surrounding the pandemic-related business development, investments were focused on the strategically and operationally most important projects.

A total of € 96.3 million (previous year: € 146.9 million) was invested in property, plant and equipment. For several years, major projects have been carried out to strategically expand production and laboratory capacities. Investments in intangible assets reached € 8.9 million in the past fiscal year, compared to € 10.3 million in 2019.

In the regional distribution of investments, there was a shift in favor of Europe vis-à-vis the previous year. While the America's share decreased from 40 % in 2019 to 31 %, Europe's share grew to 57 % (2019: 49 %). The main focus of investment activity was on Germany (44 %) and the U.S. (29%). Asia's share of the total volume remained virtually unchanged at 12 % (2019: 11 %).

The BYK division invested a total of € 42.8 million in 2020, significantly less than in the previous year (€ 93.6 million). Investment activity concentrated on the further expansion of production capacities in the U.S. and on a site in China. Other investments concerned research and development capacities as well as strategic digitization projects.

At € 26.3 million, the ECKART division's investment volume was higher than in the previous year (€ 21.6 million).

As in 2019, the division's site in Güntersthal and a site in the U.S. accounted for by far the largest shares.

The ELANTAS division invested € 14.4 million in property, plant and equipment and intangible assets, almost the same amount as in the previous year (€ 14.6 million). In the past fiscal year, the division invested primarily in the production facilities of its European companies.

At € 16.1 million, the ACTEGA division's capital expenditure was at a lower level than in 2019 (€ 23.7 million). Investments in the past financial year mainly related to the expansion of manufacturing capacities at German sites.

Balance Sheet Structure

Key figures

	2019	2020	Δ %
in € million			
Total assets	3,343.3	3,263.1	-2
Shareholders' equity	2,479.4	2,398.9	-3
Net debt (-)/ Net financial assets (+) ¹	(57.7)	34.2	159

¹ Comprises cash and cash equivalents, short-term financial assets, current marketable securities, loans granted, debt, and employee benefit obligations.

In the course of the 2020 fiscal year, the ALTANA Group's total assets decreased from € 3,343.3 million to € 3,263.1 million. The decline of € 80.2 million or -2 % is mainly due to an amortization of intangible assets (amortization of

Capital expenditure ALTANA Group (in € million)

2016	51	71	122
2017	131	57	188
2018	72	115	187
2019	60	97	157
2020	47	58	105

Germany — Abroad —

Structure of consolidated balance sheet

Assets	Dec. 31, 2019		Dec. 31, 2020	
	€ million	%	€ million	%
Non-current assets	2,211.6	66	2,070.5	63
Inventories, trade accounts receivable and other current assets	842.4	25	849.0	26
Cash, short-term financial assets, and cash equivalents and marketable securities	289.3	9	343.6	11
Total assets	3,343.3	100	3,263.1	100

Shareholders' equity and liabilities	Dec. 31, 2019		Dec. 31, 2020	
	€ million	%	€ million	%
Shareholders' equity	2,479.4	74	2,398.9	73
Non-current liabilities	425.3	13	445.7	14
Current liabilities	438.6	13	418.5	13
Total shareholders' equity and liabilities	3,343.3	100	3,263.1	100

goodwill at ECKART) and the valuation of at-equity investments. Overall, exchange-rate effects led to a significant devaluation of the balance sheet items of the companies managed in foreign currencies.

Intangible assets fell to € 933.1 million (previous year: € 1,023.9 million). This reflects the amortization of goodwill in the ECKART division. Property, plant and equipment also dropped in value, developing from € 970.8 million in the previous year to € 959.5 million. With additions of € 96.3 million, the level of investment in property, plant and equipment was slightly below that of depreciation and amortization. Exchange-rate effects led to a decrease in the carrying amounts in the Group currency, the euro.

Total non-current assets amounted to € 2,070.5 million as of the reporting date (previous year: € 2,211.6 million), down € 141.2 million on the previous year. Their share of total assets decreased to 63 % (2019: 66 %).

The change in current assets was mainly due to the increase in cash and cash equivalents. Net working capital

was not subject to any major changes in absolute terms compared to the previous year. Inventories remained at a low level of € 336.4 million (previous year: € 348.8 million), partly due to inventory-optimizing measures and partly due to high demand at the end of the year. At € 400.5 million, trade accounts receivable were slightly higher than in the previous year (2019: € 380.6 million). This also reflects the high level of sales at the end of the year. In the balance with current liabilities, net working capital was slightly above the 2019 level (€ 547.0 million) at € 550.3 million. The scope of net working capital, in relation to the business development of the previous three months, decreased to 101 days, compared to 108 days at the end of 2019. Absolute net working capital thus developed in line with our expectations, but the scope was much more positive due to the good performance at the end of the year. At the beginning of the year, we had forecast a change in absolute net working capital in keeping with the general business trend and only a slight improvement in scope. In the course of the year,

cash and cash equivalents increased to € 313.7 million (previous year: € 264.6 million). Total current assets climbed to € 1,192.6 million (previous year: € 1,131.7 million).

On the liabilities side, changes arose primarily due to exchange-rate-related reductions in equity. Group equity decreased by € 80.5 million or -3 % to € 2,398.9 million (previous year: € 2,479.4 million). This decline is largely attributable to negative effects from exchange-rate fluctuations. The positive result for 2020 had a counteracting effect. At 73 %, the equity ratio on December 31, 2020 was roughly on a par with the previous year (previous year: 74 %).

The total non-current liabilities were further increased by the expansion of pension provisions due to the further decline in the actuarial interest rate used to discount the corresponding obligations. On the other hand, the deferred taxes reported on the liabilities side decreased. In total, non-current liabilities rose by € 20.4 million to € 445.7 million (previous year: € 425.3 million).

The total current liabilities reported on the balance sheet as of December 31, 2020, decreased from € 438.6 million to € 418.5 million. The financial liabilities from promissory note loans of € 48 million still reported at the end of 2019 were repaid in full during 2020. Trade accounts payable increased slightly by € 4.1 million in 2020.

The balance of cash and cash equivalents, short-term financial assets, current marketable securities, loans granted, financial liabilities, and employee benefit obligations resulted in net financial assets of € 34.2 million at the balance sheet date of December 31, 2020, after net debt of € 57.7 million at the end of 2019.

Principles and Goals of Our Financing Strategy

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

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

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

There were no more liabilities from the issue of promissory note loans at the end of 2020. The last outstanding repayment totaling € 48.0 million was made in November 2020. There is a general syndicated credit facility of € 250.0 million. The term of this credit facility will last until 2022 and had not been utilized on the balance sheet date.

This financing structure offers ALTANA the flexibility it needs to appropriately take advantage of short-term or investment-intensive growth opportunities. The distribution of the maturities of the financing instruments we use enables us to optimally control repayment of liabilities with inflows from operating cash flow.

Off-balance-sheet financing instruments result from purchasing commitments and guarantees for pension plans. Details on the existing financing instruments are provided in the complete Consolidated Financial Statements.

Liquidity Analysis

Key figures

	2019	2020	Δ %
in € million			
Cash flow from operating activities	386.3	373.6	-3
Cash flow from investing activities	(228.8)	(220.0)	4
Cash flow from financing activities	(134.6)	(99.9)	26

In the course of 2020, cash and cash equivalents increased by € 49.1 million to € 313.7 million (previous year: € 264.6 million). At € 373.6 million, the cash inflow from operating activities was only slightly below the previous year's level (€ 386.3 million), despite the lower Group net income. This is primarily due to a high proportion of non-cash portions of the previous year's earnings, particularly as a result of the goodwill impairment in the ECKART division.

Cash flow from investment activities decreased slightly to € 220.0 million (previous year: € 228.8 million). Although expenditure for acquisitions, resulting mainly from the purchase of Schmid Rhyner AG in Switzerland and Gulf Scientific in the U.S., was at a much higher level than in 2019, investments in intangible assets and property, plant and equipment were lower.

Cash flow from financing activities amounted to € 99.9 million in the 2020 fiscal year, less than in the previous year (€ 134.6 million). The current debt outflows concerned the scheduled repayment of the aforementioned promissory note tranche totaling € 48.0 million, the assumption of a shareholder loan in connection with the acquisition of Schmid Rhyner AG, and lease payments. In the 2020 fiscal year, ALTANA AG paid a dividend amounting to € 30.0 million (prior year: € 50.0 million).

Value Management

Key figures value management

	2019	2020
in € million		
Operating capital (annual average)	2,856.6	2,928.7
Operating earnings	250.1	246.1
Return on capital employed (ROCE)	8.8%	8.4%
Weighted average cost of capital	8.0%	7.5%
ALTANA Value Added (relative AVA)	0.8%	0.9%
ALTANA Value Added (absolute AVA)	21.6	26.5

ALTANA determines the change in the company's value via the key figure ALTANA Value Added (AVA), whose calculation is explained in the "Group Basics" section. In the 2020 fiscal year, despite the challenging economic situation caused by the pandemic, a positive contribution was made to our company's value again, which was above the previous year and surpassed our expectations.

The only slight decline in earnings is reflected in the operating earnings, which at € 246.1 million did not quite reach the previous year's figure (€ 250.1 million). The Group's average capital employed increased slightly in 2020 to € 2,928.7 million (previous year: € 2,856.6 million). However, the cost of capital decreased from 8.0% to 7.5%, representing a reduction of € 219.6 million (previous year: € 228.5 million).

At 8.4%, the return on capital employed (ROCE) did not reach the previous year's level (8.8%). Absolute value added totaled € 26.5 million in the past fiscal year, compared to € 21.6 million the year before, and relative AVA rose from 0.8% to 0.9% in 2020.

The decline in value management key figures forecast for 2020 was avoided due to the favorable development of the earnings situation.

Overall Assessment of Our Business Performance and Business Situation

In the course of 2020, the macroeconomic framework was massively impacted by the pandemic. This was reflected in the course of the year by strongly fluctuating sales trends and capacity utilization at the production facilities, to which we were able to respond flexibly. A moderate decline in sales coupled with favorable raw-material price developments enabled us to maintain a good earnings level. Additional pandemic-related cost savings and savings achieved through proactive measures resulted in an improved earnings situation compared to the previous year, a margin at the upper edge of our strategic target range and an improved value of the company. Parallel to managing the pandemic, we continued to press ahead with our strategic activities to develop medium- to long-term growth areas and the digital transformation.

Our balance sheet continued to show a very solid structure at the end of 2020 and offers sufficient financial headroom for investments in sustainable profitable growth.

Innovation, Employees, Environment, and Safety

Innovation

As a specialty chemicals company, innovations are an important factor for ALTANA, enabling us to offer our customers new, competitive solutions and at the same time to meet cutting-edge requirements regarding performance profile, costs, environmental protection, and sustainability. Thanks to close cooperation with our customers we are integrated into new fields of development at an early stage and thus can develop customized solutions quickly and reliably. We build on existing competencies, on the one hand, and gain access to new ones on the other, in order to continuously adapt our product portfolio to market and customer needs. To this end, our researchers and developers have access to the latest analytical methods in our chemical laboratories and application-technology test laboratories. Numerous awards from our customers underscore our success as an innovative solutions provider.

In addition to the activities in the business divisions, selected innovations are initiated and coordinated at the ALTANA level, aimed at tapping new business fields and absorbing technology and market trends. This is achieved through different procedures, namely, through the ALTANA Institute, the central management of technology platforms, as well as corporate venturing investments.

With the help of the ALTANA Institute, external networks and close cooperation with universities and research institutes around the world are used to harness outside impetus. The technology transfer of the first completed projects to the divisions, which was initiated in 2019, was successfully continued in 2020. In addition, new cooperation partners from Germany and abroad were added to the network and new research projects were launched with them.

In the 2020 fiscal year, ALTANA invested more in technology platforms than the year before. In 2019, the activities of the Printed Electronics platform had been integrated into the ELANTAS division. In the process, we used existing

structures in the area of sales and market penetration to optimize the placement of the product portfolio with our customers, enabling us to achieve synergies. Furthermore, we were able to transfer numerous customer projects to the application test phase, and consequently commercialization can take place in the coming year. We developed a versatile product portfolio for 3D printing via the Cubic Inks technology platform. In close cooperation with dp polar GmbH, in which ALTANA holds a share, this ink portfolio is used in development partnerships with customers to deliver efficient and sustainable solutions through innovative polar printing technology. The laser transfer technology platform Heliosonic also managed to expand its pigment portfolio and thus increasingly enter into strategic development partnerships beyond the graphic arts industry. In 2020, for example, the first feasibility studies were carried out in the security printing and electronics sectors. On the basis of this development work with customers, a new prototype printing press was designed, which is scheduled to go into operation in 2021.

Thanks to the close cooperation between the central departments Corporate Innovation and Corporate Venturing, ALTANA can continuously examine technology and market potential and enter new attractive markets by means of targeted investments in innovative technology companies. In this context, ALTANA acquired a stake in the company TAU ACT GmbH, Berlin, in the 2020 fiscal year.

The basis for our innovative strength is an open and dynamic corporate culture that gives the 1,218 employees in our worldwide research and development centers freedom for creative and entrepreneurial action. The equipment in our development centers enables our employees to turn their ideas into market-ready solutions. Although 2020 was characterized by pandemic-related uncertainties, our research and development expenses in the area of innovation decreased only slightly compared to the previous year, amounting to € 163.4 million in the year under review (previous year: € 165.6 million). The slight increase in research and development expenses to 7.5 % of sales (previous year: 7.4 %) is attributable in part to the overall decline in sales. But it is also linked to the achievement of important milestones and the implementation of individual customer requirements in future innovative products, and supports the long-term orientation of our innovation activities.

Employees

At the end of 2020, the companies of the ALTANA Group employed 6,529 people worldwide (previous year: 6,476). The slight increase of 53 people, or 1 %, compared to the prior year is solely due to acquisitions, especially in the ACTEGA division (+68 employees).

In the BYK division, the number of employees fell slightly by 40 to 2,307 (previous year: 2,347). The workforce mainly

Research and development expenses (in € million)

2016		129.3
2017		142.5
2018		154.1
2019		165.6
2020		163.4

decreased in production areas of the BYK companies in the U.S. and Germany as part of natural fluctuation.

In the ECKART division, staff numbers fell by 7 to 1,694 in the course of 2020 (previous year: 1,701). The slight decrease was the result of opposing effects. While the headcount at the American sites decreased by 13, 10 new employees were added at the Hartenstein and Wackersdorf

sites in Germany. The changes mainly affected production. Due to the acquisition of the British company Aluminium Materials Technologies Ltd. (AMT), 4 new employees were added.

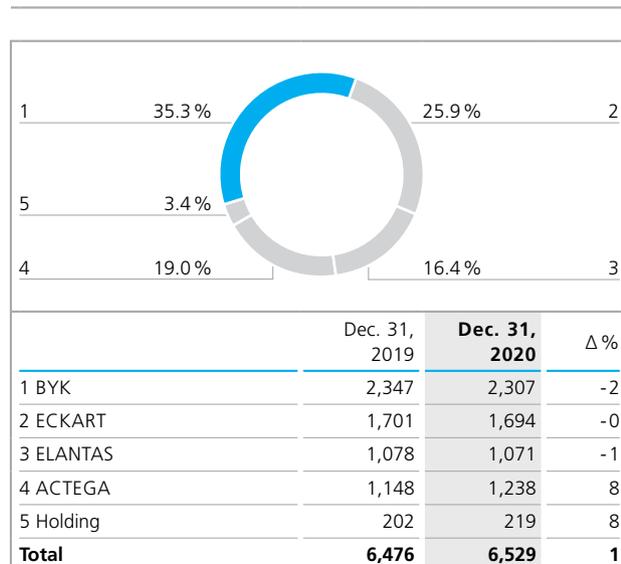
ELANTAS also recorded a slight decline of 7 employees to 1,071 (previous year: 1,078). The development within the division was mixed. While there was a slight decrease in the number of staff in production and research, the workforce in sales increased to a small extent.

In the ACTEGA division, the number of employees increased most significantly over the course of the year, by 90 to 1,238 (previous year: 1,148). The main driver was the acquisition of Schmid Rhyner AG, Switzerland, resulting in the addition of 68 new employees at the end of the year. The ACTEGA company in Brazil also recorded an increase, hiring 18 additional employees, who mainly work in production and sales as well as research and development.

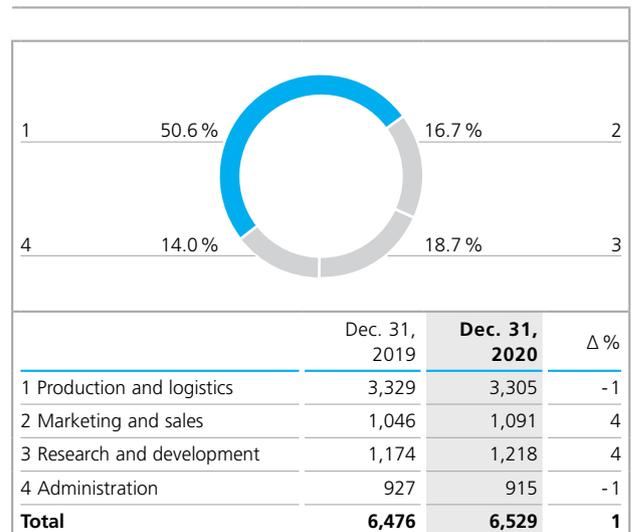
Employees in research and development

BYK	497
ECKART	273
ELANTAS	159
ACTEGA	262
Holding	27
Total	1,218

Employees by division



Employees by functional area



Staff numbers of the Group holding companies rose by 17 to 219 in the past fiscal year (prior year: 202). The largest increase was recorded at ALTANA Management Services GmbH, with 10 additional employees.

The functional structure of the workforce did not alter significantly in the 2020 fiscal year. With 51 % or 3,305 people (previous year: 3,329), most of the employees continued to work in production. The research and development workforce increased by 44 to 1,218 in 2020 (previous year: 1,174). The number of employees in marketing and sales also rose, by a total of 45, during 2020. In the year under review, 915 people were employed in administration (previous year: 927).

In 2020, there were only minor shifts in the regional structure compared to the previous year. With 4,203 employees (previous year: 4,122), the European Group companies continued to employ by far the largest number of people.

Employees by region

	Dec. 31, 2019	Dec. 31, 2020	Δ %
1 Europe	4,122	4,203	2
<i>thereof Germany</i>	3,353	3,376	1
2 Americas	1,496	1,461	-2
<i>thereof U.S.</i>	1,232	1,193	-3
3 Asia	858	865	1
<i>thereof China</i>	539	539	0
Total	6,476	6,529	1

3,376 (previous year: 3,353) were employed in Germany at the end of the year, the majority of them at ECKART's and BYK's largest production sites, in Hartenstein and Wesel, respectively. The number of employees in the Americas decreased slightly by 35 from 1,496 in the previous year to 1,461 at the end of 2020, with the reduction primarily recorded in North American companies. The number of people working for Asian Group companies increased slightly from 858 in the previous year to 865.

At the end of the 2020 fiscal year, 1,721 women and 4,808 men were employed at ALTANA. 90 % of all employees had an unlimited and 10 % a limited employment contract. This ratio was virtually the same for both genders. At the end of 2020, 75 % of the female employees were working full-time and 25 % part-time. 98 % of the male employees worked full-time. Apart from its own employees, 140 people from employment agencies worked for the ALTANA Group on December 31, 2020.

ALTANA continues to compete internationally for specialists and managers. Like all companies in the chemical industry, in the years to come the ALTANA Group, particularly in Europe, will enter a phase that due to the demographic development has made precision succession planning indispensable. As a result, talent management and human-resource development have played a key role for a few years now in ALTANA's agenda for the future (Keep Changing Agenda). The aims are to mobilize people at ALTANA, to increase diversity at all levels, to further develop our leadership culture, and in doing so to strengthen our entrepreneurial thinking and action.

To achieve these goals, we examined and revised existing personnel tools in 2020 and embedded them in a uniform, overarching, and standardized process. The focus was on the conceptual design and further development of the so-called "Talent Cycle." This process encompasses employee support from recruitment to talent identification and development to career and succession planning. Key elements are

the compass dialog (annual employee appraisal) and the talent conferences, which serve to calibrate performance and potential assessments by managers. In the future, these meetings will take place locally, divisionally, and globally. On account of the pandemic, the introduction of the new process had to be postponed from 2020 to 2021.

The "HR Transformation" project launched in previous years, which serves to strategically reposition personnel, was successfully continued in 2020. The master data and organizational structures were combined in a uniform global system for the first time. In the future, as part of the "HR Transformation," the unified HR master data will serve redefined and further developed HR processes, such as talent management and further training. In 2020, the "Performance & Goals" and "Learning Management" modules were mapped in digital system-based processes. The global roll-out of the new processes in the area of "Learning" was launched in 2020 and will continue for "Performance & Goals" in 2021. The aim is to enable the HR organizations to grow closer together at an international level, employees to be supported more comprehensively across divisions and national borders, and an international leadership and HR culture to be created.

Environment and Safety

Occupational safety and environmentally compatible management are key components of ALTANA's corporate strategy and are becoming increasingly important. The ALTANA Group measures progress in the area of environmental protection using specific key figures, such as the consumption of natural gas and electricity as energy sources and the resulting greenhouse gas emissions, and in the area of safety with the help of accident figures. In terms of environmental protection, our goal is to continuously reduce energy con-

sumption at all of our sites and in all areas and to promote the use of energy from renewable sources in order to achieve climate neutrality for the ALTANA Group by 2025. ALTANA plans to compensate for the CO₂ emissions that cannot be avoided by 2025 by financing equivalent climate protection projects. In the field of safety, the primary objective is to reduce the number of accidents.

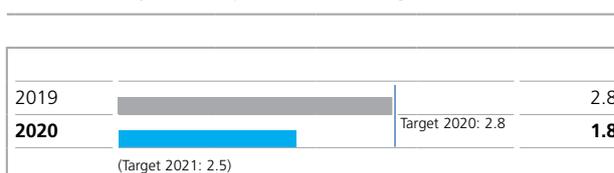
The issue of safety is a top priority at ALTANA. ALTANA ensures continuous improvement in the safety of its employees by means of various technical and organizational measures tailored to the production conditions at the sites and to the laws and regulations that apply there. To achieve a uniform safety culture, ALTANA also relies on targeted employee training programs. All of our worldwide sites have established their own safety organization, which is responsible, among other things, for complying with all local occupational safety regulations, for training and education measures, and for recording and evaluating accidents. Throughout the Group, the Work Accident Indicator (WAI) serves as the most important key performance indicator for recording and evaluating the development of occupational safety at all sites on the basis of reported accidents with lost work days. Three key figures are defined for better comparability: WAI 1 refers to the number of reported accidents with lost work time of one day or more per million working hours. WAI 2 comprises the number of reported occupational accidents with lost work time of more than three days per million working hours. And WAI 3 represents the number of lost work days due to reported occupational accidents per million working hours. ALTANA determines the working hours on the basis of the actual hours worked. If such recording is not possible, a qualified estimate of the average hours worked is made. Accidents are recorded directly on site and reported to a defined group of persons within 48 hours. On a quarterly basis, the reported accidents with lost work days are evaluated in a global IT system. Sub-

sequently, the evaluations are made available to all responsible persons (such as the Management Board, division presidents, managing directors, and EH&S experts). On the basis of this data, ALTANA's Management Board, together with the EH&S department, sets target values for the three WAIs for each year, which apply equally to all companies of the ALTANA Group.

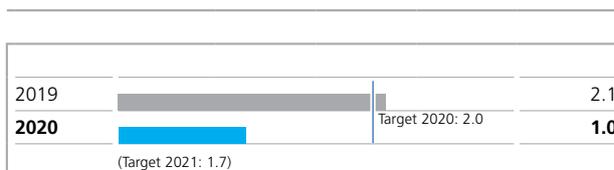
For 2020, ALTANA again lowered the target values for all three accident indicators (WAI 1: 2.8; WAI 2: 2.0; and WAI 3: 35.0), once again emphasizing how important occupational safety is for the Group. In the year under review, we succeeded in achieving these target values and significantly reducing the accident figures in all three categories. Globally, 19 accidents with lost work days were reported at ALTANA, 13 less than in the previous year. Based on the hours worked, the WAI values are as follows: WAI 1: 1.8 (previous year: 2.8); WAI 2: 1.0 (previous year: 2.1); and WAI 3: 19.5 (previous year: 34.8). ALTANA achieved these good results by means of various measures to improve employees' safety awareness and the Group's safety culture as a whole. The further development and implementation of technical and organizational measures as well as behavior-based safety training are intended to lead to safe action in every situation.

ALTANA has also been addressing the issue of energy efficiency and the associated greenhouse gas emissions for several years. In addition to absolute values, energy consumption is set in relation to the quantity of finished goods produced. ALTANA establishes annual reduction targets for energy consumption in relation to the quantity of finished goods produced. The recording and calculation of emissions relates, as Scope 1, to direct greenhouse gas emissions from emission sources owned or controlled by the Group. These include, for example, the combustion of primary energy sources in the course of heat generation and fuel consumption in the company's own vehicle fleet. Scope 2 includes indirect greenhouse gas emissions from the purchase

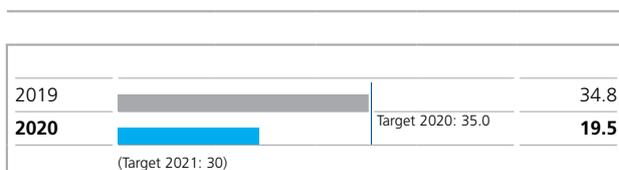
WAI 1 (number of reported occupational accidents with lost work time of one day or more per million working hours)



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



WAI 3 (number of lost work days due to reported occupational accidents per million working hours)



of electricity for specific services. They are recorded and calculated in accordance with the standard "A Corporate Accounting and Reporting Standard - Revised Edition" of the Greenhouse Gas Protocol initiative. The energy consumption of all production sites included in the scope of consolidation is recorded and evaluated in a global IT system. The CO₂ equivalents for Scope 2 are calculated based on conversion factors (g CO₂/kWh) defined by International

Energy Agency (IEA) in line with the currently published values (2018) and with the aid of emission factors of the electricity supplier or an individual electricity product, and for Scope 1 from the IPCC (International Panel on Climate Change).

Actual consumption is generally verified by the companies by means of bills. If this is not possible for the last two months of the reporting year, the companies first make a qualified estimate of the values. As a result, in the following year – as soon as all bills are available – the prior-year figure may still be adjusted retrospectively. In 2020, ALTANA expects a total energy consumption of 668,493 MWh (previous year: 674,853 MWh). The main energy sources were natural gas (375,676 MWh) and purchased electricity (247,738 MWh). ALTANA set a target value of 1.26 MWh/t for the specific energy parameter – based on one ton of finished goods – for 2020. For the reporting period, a value of 1.28 MWh/t was achieved. The deviation of this key figure is mainly due to the fact that, as a result of the coronavirus pandemic, the target value for the planned absolute quantity of produced finished goods could not be achieved and the amount of energy required for this could not be reduced to the same extent.

This resulted in a calculated total of 90,217 metric tons of CO₂ equivalents in Scope 1. In addition, biogenic CO₂ emissions accounted for 332 metric tons of CO₂ equivalents. For the purchased electricity amounting to 247,738 MWh, the same amount of certificates of origin was acquired in accordance with recognized quality standards (for example CoO for Europe, IREC for China, and GREEN-E for the U.S.). This is electricity that is generated from renewable energy sources and whose origin is made transparent by means of a certificate of origin. This results in a value of 92,553 metric tons of CO₂ equivalents according to the “market-based” method. The electricity purchased by ALTANA included in this figure corresponds to CO₂ emissions of zero.

Declaration on Corporate Governance

Corporate Governance

Good corporate governance is an essential basis for the sustainable success of ALTANA. Even as a company not listed on the stock exchange, ALTANA orients itself to the recommendations and suggestions of the German Corporate Governance Code.

At least once a year, the Supervisory and Management Boards deal with the German Corporate Governance Code and examine which recommendations and suggestions ALTANA can follow even as a company not listed on the stock exchange and sensibly apply within the company given its shareholder structure.

In the 2020 fiscal year, ALTANA complied with the vast majority of the applicable recommendations and suggestions of the German Corporate Governance Code in the current version of December 16, 2019. This especially applies to the recommendations concerning the composition of the Supervisory Board, the cooperation between the Management Board and the Supervisory Board, the cooperation between the Chairman of the Supervisory Board and the Supervisory Board plenum, dealings with conflicts of interest of the Supervisory Board members, the setting up and composition of the committees, as well as matters relating to the audit.

The Management Board and Supervisory Board intend to again largely follow the recommendations and suggestions of the German Corporate Governance Code in the 2021 fiscal year.

Management and Control

The Management Board of ALTANA AG consists of three members, each of whom are appointed by the Supervisory Board for a period of five years. The selection criteria include experience, business and professional expertise, as well as competence in ecology and social responsibility. Considerations regarding diversity also play a role in the selection

process. The Supervisory Board, together with the Management Board, addresses long-term planning for the succession of Management Board members and the structure of the Management Board in regular discussions between the Chairman of the Supervisory Board and the Chairman of the Management Board. An age limit of 65 years has been set for members of the Management Board. The Management Board manages the Group independently and is solely committed to the interests of the company. Together with the presidents of the divisions and selected heads of central functional areas, the Management Board forms the Executive Management Team. In regular meetings, this team discusses and analyzes the development of business and important business incidents, as well as plans for the Group's future development and sustainability issues.

The company's Supervisory Board has twelve members. Half of them are employee representatives elected in accordance with the German Codetermination Act, while the remaining six are shareholder representatives. Here, too, experience and expertise play an important role, as does independence. All six shareholder representatives – Dr. Engel-Bader, Ms. Klatten, Professor Dr. Richter, Dr. Schulte, Dr. Trius, and Dr. Wolfgruber – are independent of the company and the Management Board. Despite having been a member of the Supervisory Board for more than twelve years, Ms. Klatten is considered independent of the company and the Management Board because she is indirectly the company's sole shareholder. Four of the six shareholder representatives – Dr. Engel-Bader, Dr. Schulte, Dr. Trius, and Dr. Wolfgruber – are independent of the company's controlling shareholder. They are normally elected for a period of five years. An age limit of 70 years has been set for members of the Supervisory Board. The Management Board reports to the Supervisory Board regularly, without delay, and comprehensively on all issues relevant for the company regarding business development, risks, and planning, and discusses ALTANA's strategy with the Supervisory Board. Sustainabil-

ity issues are also discussed regularly at the Supervisory Board meetings. The Supervisory Board monitors and advises the Management Board in its management activities. The Supervisory Board's tasks also include approving the Annual Financial Statements. Specially defined business decisions of the company, such as major acquisitions and divestments, require the approval of the Supervisory Board, in accordance with a list of transactions that are subject to authorization.

The Supervisory Board formed an Audit Committee, a Human Resources Committee, and a Mediation Committee, legally required in accordance with section 27 (3) of the German Codetermination Act. Each committee consists of two shareholder representatives and two employee representatives. The Chairman of the Human Resources Committee and the Mediation Committee is the Chairman of the Supervisory Board, since May 29, 2020, Dr. Matthias L. Wolfgruber, and previously Dr. Klaus-Jürgen Schmieder. The Human Resources Committee also includes Mr. Ulrich Gajewiak and Ms. Susanne Klatten. In addition to the Chairman, the members of the Mediation Committee are Mr. Gajewiak, Ms. Klatten, and Mr. Klaus Koch. Dr. Jens Schulte is the Chairman of the Audit Committee. He has the necessary knowledge and expertise in the fields of accounting and auditing in accordance with the German Stock Corporation Act. The other members of the Audit Committee are Mr. Armin Glashauser, Mr. Stefan Soltmann, and Dr. Antonio Trius.

The Supervisory Board conducts a self-assessment (formerly "efficiency review") every two years. In 2020, the Supervisory Board carried out this self-assessment by having each member answer a questionnaire designed by the Chairman of the Supervisory Board and previously agreed with the other members. The answers were evaluated quantitatively and qualitatively, and the results were presented to the members at a Supervisory Board meeting.

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. For Management Board members, the insurance contract stipulates a deductible of ten percent of the damages, but a maximum of one-and-a-half times the amount of the fixed annual compensation of the respective member of the Management or Supervisory Board per insurance year. Further information on the compensation of the Management and Supervisory Boards can be found on page 76 f. of the complete Consolidated Financial Statements.

Compliance

Compliance with laws is the basis for all of ALTANA's actions. In addition, we set ourselves certain rules as part of our corporate social responsibility, which we adhere to like laws.

At ALTANA, compliance is an integral part of our corporate social responsibility. The trust of our customers, business partners, employees, and the public is the basis and condition for our business success.

For this purpose, ALTANA established a Compliance Management System in 2008. Its goal is to ensure that laws and the rules we have set ourselves are observed throughout the Group. To this end, the Compliance Management System identifies significant risks that can arise from violations of laws or regulations by ALTANA employees. The Compliance Management System also ensures that employees are aware of the content and significance of the laws and regulations relevant to them and know how to behave best in light of them. Furthermore, the Compliance Management System is intended to ensure that the necessary control mechanisms are implemented so that violations of laws and regulations can be detected and remedied. The Compliance Management System encompasses eight compliance areas: corruption, antitrust law, environmental protection and safety, human resources, customs and foreign trade, data protection, financial reporting, and taxes.

The ALTANA Compliance Management System follows the ALTANA structure and is therefore decentralized. The local management is primarily responsible for making sure that the individual subsidiaries and their employees behave in accordance with the rules. ALTANA AG lives up to its compliance responsibility by providing a framework, making competencies and instruments available, creating platforms and forums for local authorities, and by taking concrete measures to ensure compliance on the part of the management of subsidiaries or to impose minimum requirements, especially through guidelines that are binding Group-wide.

ALTANA's Code of Conduct, which holds for the entire company, contains binding rules regarding responsible, ethical, and lawful behavior for all staff members. This applies in particular to issues such as corruption, conflicts of interest, antitrust law, environmental protection, and discrimination. Together with the company's Guiding Principles, the Code of Conduct provides orientation for responsible corporate action. The Code of Conduct and the Guiding Principles are published on our website (www.altana.com). Since 2010, ALTANA's employees have been trained with the help of an e-learning program regarding the content of the Code of Conduct and further issues relevant to compliance such as corruption and antitrust law.

Moreover, for each compliance area further specific measures have been developed and implemented to ensure that laws and internal regulations are adhered to. This includes, for example, a system through which business partners who support ALTANA's holding company and its subsidiaries in terms of sales or in their cooperation with authorities are investigated for certain compliance risks with IT support.

Another important element to guarantee the effectiveness of the Compliance Management System is the work of Internal Audit. For a few years now, compliance programs have been carried out regularly at ALTANA and its subsidiaries.

With the ALTANA Compliance Hotline, ALTANA provides another central means of ensuring compliance. The latter gives employees and external third parties the possibility of anonymously reporting illegal behavior.

Once a year, the Audit Committee receives a written report on compliance that is presented and discussed in a meeting of the committee in addition to the other proceedings. The report gives an overview of the risks identified for each compliance area, as well as already implemented or planned measures to advance the system. The Audit Committee is also informed about compliance violations in this context.

ALTANA joined the UN Global Compact initiative, whose members are voluntarily committed to adhering to social and environmental standards as well as the protection of human rights. By joining Global Compact in 2010, ALTANA has not only acknowledged its principles but also shown a general commitment to support and promote overall UN aims.

Targets for the Proportion of Women (Section 289 f (4), Sentence 1, Subsection 2, No. 4 of the German Commercial Code)

Pursuant to sections 76 (4) and 111 (5) of the German Stock Corporation Act, the Management Board and Supervisory Board of ALTANA AG set targets for the proportion of women in the two management levels below the Management Board, and on the Supervisory Board and Management Board. The Management and Supervisory Boards had resolved the following targets for the share of women by June 30, 2020: 25 % of the members of the Supervisory Board, 0 % of the members of the Management Board, 20 % of the first management level below the Management Board, and 30 % of the second management level below the Management Board. These targets were achieved: As of

June 30, 2020, the percentage of women on the Supervisory Board corresponded to one third, on the Management Board to 0 %, at the first management level below the Management Board to 38 %, and at the second management level to 44 %. On this basis, the Supervisory Board and the Management Board resolved the following new targets for the proportion of women by the end of June 30, 2023: 33 % of Supervisory Board members, 0 % of Management Board members, 30 % of the first and 30 % of the second management level below the Management Board.

Subsequent Events

On September 9, 2020, ALTANA entered into an agreement to acquire the business of TLS Technik GmbH & Co. Spezialpulver KG (TLS), Bitterfeld, Germany. TLS is a leading manufacturer of metal powders for 3D printing. The acquisition was completed on February 1, 2021. The business, with annual sales of approximately € 9 million in 2019, will be integrated into the ECKART division.

Furthermore, on February 4, 2021, ALTANA submitted a binding offer in the double-digit million range to acquire a business that is to be integrated into the ACTEGA division.

Expected Developments

Future Orientation of the Group

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

We do not expect our entry into new market segments or application areas to lead to any significant changes in our sales structure in the medium term. We also expect the balanced regional sales distribution to basically remain stable.

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

In the future, the area of occupational safety and the increased focus on environmentally compatible management will continue to result in ambitious targets that will impact the ALTANA Group's strategic orientation.

Economic and Industry Outlook

Global economic growth should recover significantly in 2021 compared to the previous year. The International Monetary Fund (IMF) forecasts a 5.5 % increase in global economic output. Following a pandemic-related decline of -3.5 % in 2020, a recovery above pre-crisis levels is expected in 2021. This estimate is based on the assumption that the measures initiated worldwide to contain the pandemic and supply vaccines will progress. However, in the event of a significant delay in vaccine provision or sustained restrictions in the course of the pandemic, the overall economic growth prospects for 2021 – and thus also the basis for the developments forecast in the chemical industry – would deteriorate.

Alongside the traditional industrialized nations, the main driver of the expected positive development will be China.

Despite suffering a sharp economic downturn at the beginning of 2020, the country achieved slight growth overall last year and this trend is expected to continue to a greater extent in 2021. According to the IMF, the industrialized nations will benefit to varying degrees from the global upturn. In the U.S., 5.1 % growth is forecast for 2021, although the crisis-related decline in total economic output in 2020 was only -3.4 %, meaning that here, too, the losses from the coronavirus pandemic will already be offset in 2021. The IMF expects the Eurozone economy to grow by 4.2 %, following a 7.2 % decline in 2020. For Germany, and for the Eurozone as a whole, the IMF does not anticipate that the contraction of the gross domestic product in 2020 will be fully offset in 2021. The decrease of -5.4 % in 2020 is set against a growth forecast of +3.5 % for 2021. Here, too, the expected recovery depends on whether the pandemic is fought successfully.

According to the IMF forecast, growth in the emerging markets should exceed 6 % overall in 2021, significantly outweighing the decline in 2020 (-2.4 %). But the picture varies greatly depending on the individual economies. This development will be driven primarily by China. While China achieved growth of 2.3 % in 2020 thanks to its successful containment of the pandemic and is expected to grow by as much as 8.1 % in 2021, India was hit much harder by the pandemic in 2020. But there, too, the decrease in economic output in 2020 (-8.0 %) should be more than offset by the growth rate forecast for 2021, which is expected to be 11.1 %. For the Latin American economies of Brazil and Mexico, on the other hand, the sharp pandemic-driven decline in 2020 is not expected to be fully offset by the growth in 2021.

In addition to the global economic risks brought about by the pandemic, the IMF and other leading economic institutes see numerous other risks in their assessment for 2021 that could lead to a slowdown in global growth. These are essentially the increasing uncertainty with regard

to geopolitical risks, which could lead to a restriction of international trade relations, and the continuing uncertainty regarding the trade dispute between the U.S. and China.

Against the backdrop of the global economic outlook, a recovery with slight growth is expected for the chemical industry in 2021. The American Chemistry Council (ACC) forecasts a 3.9 % increase in global chemical production in 2021, after an expected pandemic-related decline of -2.6 % in the previous fiscal year. The recovery is expected across all regions, but for the chemical industry, too, it largely depends on the further course of the pandemic in 2021, and specifically on the availability, distribution, and effectiveness of vaccines.

On the basis of the economic and industry-specific framework conditions, we assume that the general demand in all of the markets relevant for ALTANA will basically be positive, although there will be regional and market-specific differences. The extent to which changes in storage levels along the value chain will influence the demand for our divisions' products largely depends on the expected short- to medium-term development. Stock-level changes can lead to significant effects.

The development of crude-oil prices cannot be predicted reliably. Following the major pandemic-driven fluctuations in the price of crude oil in 2020, we expect to see a slight increase in 2021, but no significant price fluctuations. The availability, pricing, and consumption volume of chemical products are subject to the influence of the crude-oil market, albeit to different extents. In addition, the expectations of market participants with regard to the future development of oil prices can give rise to significant changes in inventory levels along the chemical industry's entire value chain.

As in the previous years, the exchange-rate relations important for ALTANA may continue to show pronounced volatilities in 2021. The development of regional interest rates and economic output, as well as political influences, can be

of decisive importance for exchange-rate fluctuations. Since the intensity and direction of the exchange rates cannot be predicted, it is not possible to make concrete statements about the influence. Concrete risks, as well as opportunities, can result from a deviation of the actual exchange-rate development from our planning assumptions.

Expected Earnings, Asset, and Financial Situation

Expected Sales and Earnings Performance

On the basis of the expected recovery of the global economy, we anticipate a positive development in demand for our products and services in the 2021 fiscal year. We expect our operating sales growth, i. e. sales growth adjusted for exchange-rate and acquisition effects, to be in the low to mid single-digit percentage range. This growth should result primarily from an increase in sales volumes.

The nominal sales increase in 2021 should be slightly lower than the operating increase due to anticipated negative exchange-rate effects. However, the acquisitions already agreed and potential further acquisitions may have a significant effect on the growth rate. Schmid Rhyner AG was integrated into the ALTANA Group as of March 2020 and Aluminium Materials Technologies Ltd. from May 2020. In addition, the activities of TLS Technik GmbH & Co. Spezialpulver KG have started to be integrated into the Group in February 2021. For the most part, sales in the divisions should develop in the same range as Group sales.

In terms of the most important functional cost factors, we do not foresee significant shifts of cost ratios in relation to sales. For the cost of materials ratio, we forecast an increase compared to the past fiscal year.

As regards personnel expenses and other fixed cost items, we are planning a relative increase for 2021 that will be slightly above the level of overall sales growth. This is

mainly due to the absence of the pandemic-related cost-saving effects of 2020, particularly regarding trade fairs and travel costs, as well as reduced personnel costs resulting from temporary short-time working, among other things.

The EBITDA margin for 2021 is expected to decrease and should develop toward the lower end of our strategic target corridor of 18 % to 20 %. Absolute EBITDA is forecast to be in the range of the previous year.

After 2021, we expect a further increase in growth momentum with generally rising profitability.

Expected Asset and Financial Situation

There should not be any significant shifts in the balance sheet structure in 2021. In the next two years, our capital expenditure for property, plant and equipment and intangible assets should be within our long-term target range of 5 % to 6 % due to strategic growth projects. The absolute values of net working capital should develop in line with the general business trend.

Based on the anticipated business performance, we will continue to generate a clearly positive cash flow from operating activities in the coming years. In the short term, however, this may lag behind the very good figures of recent years. We will use the cash inflow primarily to finance investments and further acquisitions beneficial to the development of the ALTANA Group.

We expect the value management key figures for 2021 to decline compared to the past fiscal year. This will be due primarily to a lower operating income and a simultaneous increase in operating capital owing to the expected investments and the acquisitions already completed in 2020. For the relative and the absolute ALTANA value added, we expect an amount close to the threshold for value creation, as for 2021 the return on capital employed is forecast to be at the level of the cost of capital of 7.5 %.

Expected Development in the Area of Occupational Safety and the Environment

Based on the long-term positive development in the area of occupational safety in the past fiscal years, we set ourselves the following targets for 2021 for the three accident indicators: WAI 1: 2.5; WAI 2: 1.7; and WAI 3: 30.

ALTANA is aiming for a target value of 1.24 MWh/t for the specific energy parameter for 2021, following a value of 1.28 MWh/t in the previous fiscal year. In the following years, further reductions of specific energy consumption in the ballpark of 2 % per year are planned.

Risks

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

To anchor our risk policy at all decision-making levels, we established a Group-wide risk management system that brings together various information, communications, and monitoring systems. Core elements of our risk management include strategic corporate planning, internal reporting, our internal control system, compliance organization, and risk management in the strict sense.

Our strategic corporate planning is closely tied to our medium- to long-term financial planning. The extent of the fulfillment of our targets is examined in monthly reports on the company's business performance and in our short-term financial planning. Apart from an analysis of the current

business situation, in these reports and our planning, our expectations for the current fiscal year are discussed extensively at the level of the divisions on a regular basis. As a result, deviations from planned developments can be recognized and countermeasures introduced if necessary.

Our internal control system defines organizational and procedural requirements that serve to prevent damage to the company, among other things. In connection with our established compliance organization, it aims to prevent possible violations of guidelines and laws on the part of employees.

At ALTANA, risk management in the strict sense is viewed as the systematic compilation, evaluation, documentation, communication, and, if not already in place, derivation of measures regarding the relevant risks. Thus it is an essential component of the company's system for early risk recognition in accordance with section 91 (2) of the German Stock Corporation Act. This system was voluntarily examined by the auditor. The audit deemed the system capable of recognizing risks that can endanger the existence of the company at an early stage.

Risks that are identified are evaluated in a uniform way. So-called evaluated risks are assessed based on the probability of their occurring and the potential damages. Individual risks can be rated based on this assessment. Risks rated as very high are risks which could cost the company € 25 million or more in the next twelve months. Individual risks that could cost the company between € 12 million and € 25 million are rated as high risks; risks that would cost between € 5 million and € 12 million are categorized as medium risks, and risks that would cost less than € 5 million are deemed low risks. The prioritization resulting from the assessment determines focal points for the development and initiation of countermeasures to prevent or reduce the potential effects of risks.

The individual risks and risk fields described in the following pages could have a material adverse effect on the Group's earnings, financial, and asset situation in the years to come and thus give rise to a negative deviation from the forecast development. For individual risks categorized as "medium," "high," and "very high" we address changes in our appraisal compared to the previous year.

Economic and Industry Risks

The development of the general economic conditions worldwide has a decisive impact on our business performance. The performances of the economies of the U.S., China, and Germany – industrial nations important for ALTANA – have a particularly strong impact on the direction and intensity of demand for our products.

A global economic crisis leading to an economic collapse would bring about significant sales decreases with corresponding influences on our earnings. Recessions limited to certain regions in sales markets important for us could also significantly impair our business performance. With the global orientation of our sales activities, we try to shape our dependence on regional or national markets in such a way that the effects of geographically confined economic crises on the Group are limited.

Thus, the U.S. and China, the most important countries for us, each currently account for almost 20 % of total Group sales. The distribution of our business activities in the core regions of Europe, Asia, and the Americas also has a balanced structure.

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

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

The analysis of our industry-specific and application-related sales is a component of our annual strategy process. In addition, we examine changes in future growth potential arising from demand trends and technological developments, and adjust our strategic orientation in the divisions if necessary.

The occurrence of a global economic crisis or the emergence of regional economic crises are two significant economic and industry risks, which in 2020, as in the previous year, were assigned to the "high" and "medium" risk classes in 2020. In the 2020 fiscal year, our assessment of the probability of occurrence of both risks did not change despite the current pandemic and the associated and continuing high level of uncertainty regarding economic development. As restrained market momentum was already taken into account in the medium-term financial planning, the potential damages and the assessed risk for individual risks have decreased slightly compared with the previous year.

Sales Risks

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

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

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

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

In the group of sales risks, there has been a change in our estimates of the probability of occurrence and damages compared to the previous year. The magnitude of the risk assessed is now classified as low (previously medium).

Risks from Business Combinations and Investments

Apart from operating growth, acquisitions of companies, business activities, and individual technologies play a key role for the implementation of the strategy for profitable growth at ALTANA. Depending on the size of the activities acquired, inadequate integration can place a burden on the Group's earnings situation and limit its financial headroom. In addition, a business performance that is worse than what was expected when the acquisition was made can lead to impairments of assets with a negative impact on earnings.

To minimize the effects of the risks from business combinations, we examine our acquisition targets systematically and comprehensively and analyze them in detail in a multistage approval process.

Impairment losses recognized in the past fiscal year have reduced the impairment risk. Therefore, compared to the previous year, the assessed risk for impairment of assets from acquisitions, which we continue to classify as medium risk, has decreased.

Procurement Risks

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

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

The group of procurement risks is still classified as medium compared to the previous year. However, due to a higher probability of occurrence and increased damages regarding raw-material procurement, the risk increased in the past fiscal year.

Financial Market Risks

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

Due to exchange-rate fluctuations, the translation of foreign currency positions into the Group currency, the euro, can have a negative effect on the Group's sales and earnings performance (translation risks). Such negative effects can

also result from business conducted in a foreign currency (transaction risks). Interest-rate changes influence financing costs. Defaults on trade accounts receivable or financial receivables can also have a negative effect on the Group's earnings situation and its financial resources. If there is a lack of availability of financial resources for the implementation of acquisitions or major investment projects, we might not reach our strategic targets.

We safeguard against material transaction risks by concluding forward foreign-exchange contracts in cases where we assume that the underlying business can be realized with a sufficient degree of certainty. In the case of risks from operating activities, the total amount expected is safeguarded in different tranches to offset short-term exchange-rate fluctuations. More information on our evaluation and accounting procedures for hedges can be found in the complete Consolidated Financial Statements on page 59 ff. (note 27).

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

We safeguard availability of financial resources through central control and monitoring of our Group-wide financial resources. In addition, by utilizing various financing instruments, we centrally provide a financial resources framework. It can be used to cover unplanned financial requirements in the short to medium term arising, for example, from acquisitions or a crisis-related decline in operating activities.

As in the previous year, the group of financial market risks is assessed as a medium risk. We evaluate the main individual risk in this risk group – negative earnings effects from exchange-rate changes – as having the same probability of occurrence as in the previous year and a slightly lower potential to lead to damages. Continued high cash inflows

from operating business activity and the existing general financial resources framework continue to suffice to cover the expected cash outflows for investments, repayments, and dividends.

Innovation Risks

ALTANA's position as an innovation and technology leader is a major success factor for the company. It is important for a supplier of highly specialized chemical products to continually introduce new products on the market and to be perceived by our customers as a competent and innovative partner. If this was no longer the case in the future, risks could result for our sustainable growth, the attainment of our profitability targets, and ALTANA's positioning in the relevant markets.

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

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

Due to an expansion of activities in the field of digital applications and business models and the risks associated with them, the potential damage has increased. Overall, we assign the group of innovation risks to the medium risk group.

Other Risks

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

Information technologies form the basis of nearly all of ALTANA's business and communications processes. Breakdowns or other disruptions of IT systems can lead to far-reaching impairments in all of the Group's value-added stages, which can have significant effects on business performance (IT risks). In addition, potential risks arise from data loss or theft of business secrets. ALTANA attaches great importance to smooth availability of IT applications and services. To guarantee this, corresponding processes and organizational structures have been established. Emergency plans are in place in case of significant disruptions or losses of data. Delivery of faulty products can cause damage to people, property, or the environment and thus cause liability risks. This can have significant effects on the Group's asset situation. We minimize this risk by standardizing production processes to a large extent and by taking comprehensive quality-control measures. In addition, we continually conduct analyses to assess the hazardous potential of our input materials and products, and we conclude insurances.

Changes in political and regulatory framework conditions can lead to restrictions on trade or foreign-exchange transactions. Due to political unrest, it can be more difficult or even impossible to access the Group's assets in the country or countries in question. On account of regulatory adjustments, it might no longer be possible to process or sell certain products or ingredients, or only with strong restrictions. We

continually examine the political environment in the countries important for us and take current tendencies into account when evaluating business relationships. We only make direct investments in countries in which we assume the political environment is highly stable. We actively take part in legislative procedures and discussions important for us that focus on changes in the regulatory environment. As a result, we can anticipate possible new requirements early on.

In the past fiscal year, with the probability of occurrence remaining largely unchanged overall, the damage values increased slightly, particularly for risks due to imposed government lockdowns and the new introduction of the Supply Chain Act.

Due to the transnational impact of the pandemic and any measures that may be required to contain its further spread, production processes and/or supply chains may be impaired or interrupted and product sales may be impeded. As a result, there is a risk of economic damage. The further course of the pandemic may have an impact on the economic development of all of ALTANA's sales markets. Both the duration and the specific impact on the economic development for ALTANA in 2021 depend on the effectiveness of the vaccination programs and the further countermeasures to contain the pandemic. The possible financial effects were taken into account in the planning figures and scenario analyses for 2021 based on them.

The United Kingdom left the European Union on January 31, 2020, with an exit agreement. Shortly before the end of the transition period on December 31, 2020, an agreement was reached between the negotiating parties on a trade agreement on December 24, 2020. On December 31, 2020, the agreement was ratified by the British Parliament and could thus enter into force provisionally on January 1, 2021. Ratification by the European Parliament, which is still outstanding, is planned for the first half of 2021 following examination of the trade agreement. The far-reaching

opening of the single market for the United Kingdom has minimized the risks relating to increased tariffs for imports and exports. We expect that the current difficulties in the administrative processing of imports and exports can be reduced in a timely manner. The existing EU REACH certifications of products or raw materials will have to be adjusted on the basis of the new UK REACH, which will be valid starting January 1, 2021. However, this regulation is no longer expected to increase the risk of a significant impact on earnings.

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

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

Compliant Group Accounting

Essential accounting-related risks arise particularly when extraordinary or non-routine issues are handled. These include the first-time consolidation of acquired businesses 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 fraudulent acts.

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

The financial statements of the individual Group companies are prepared decentrally by the local accounting departments. Hence the individual companies are responsible for preparing the financial statements, in keeping with Group guidelines and country-specific statutory accounting requirements.

The work steps needed to prepare the financial statements are defined such that important process controls are integrated. These include guidelines pertaining to the separation of functions and allocation of responsibilities, to control mechanisms, and to IT system access regulations. The respective management explicitly confirms to the Group's management that the annual financial statements are correct and complete. In addition, important financial statements are audited by the company or Group auditors in charge.

The local financial statements are recorded and consolidated via standardized formats and processes in a central IT system. At the divisional and holding company levels numerous manual and IT-assisted control mechanisms are applied. They encompass an analysis and a plausibility examination of the registered data and the consolidated results by Group accounting as well as by the controlling department and other departments with expertise in this area. Required corrections of the information in the financial statements are generally made at the level of the individual company to ensure the data are uniform and are transferred.

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

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

Opportunities

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

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

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

Economic and Industry Development

Should the economic environment in the established industrial regions important for ALTANA, particularly in the U.S., China, and Europe, develop better than we anticipated, un-

expected growth impetus could arise. As a result, demand for our products and services could develop more positively and exceed our forecast. The same applies to growth in the important emerging countries in Asia and South America. If the growth rates in these nations were higher than expected, we might be able to benefit from this to a disproportionately high extent due to our market positions.

In addition to regional factors, growth impetus can also result from individual branches of industry. Further potential could be opened up, in particular, if the automotive sector and the construction industry showed a positive development, or if there was an increase in the use of silver and gray colors in the consumer sector.

Innovation

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

Business Combinations and Portfolio Measures

Acquisitions play a key role in ALTANA's long-term value creation. In recent years, we have continually advanced the Group strategically due to acquisitions. At the same time, we cleansed our portfolio of those activities that did not develop in line with our strategic objectives and did not promise to create value for the Group in the long term.

In the future, we intend to continue to boost our growth by acquiring businesses and activities. This is an essen-

tial prerequisite for us to achieve our strategic growth targets. Should opportunities arise in the future that exceed our expectations, this can help us strengthen our market positions and open up new market segments. This can have an additional positive impact on the achievement of our strategic goals.

Synergies

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

The Management Board's Overall Statement on the Anticipated Development of the Group Including Its Overall View of the Risk and Opportunity Situation

We assume that the coronavirus pandemic will be further contained in 2021 and that the global economy will recover. In this environment, we forecast operating sales growth for ALTANA in the low to mid single-digit percentage range. The acquisitions already agreed will give rise to additional sales growth. We assume that pandemic-related one-time effects, which benefitted earnings in 2020, will not be repeated in 2021, or at least not to the same extent. Therefore, we expect lower earnings profitability and a temporary weakening of the company's value-related key performance indicators compared to 2020.

We believe that the risk of negative impacts from a deterioration or even recession in the global economy or important core regions, in contrast with our expectations, continues to exist. In addition, considerable risks to our short-term sales and earnings performance are posed by the higher price volatility on the raw-material markets, by short-term exchange-rate fluctuations, and by impairments for intangible assets acquired within the framework of acquisitions.

Overall, we have not found any risks that could endanger the continued existence of the Group. The risks we face are set against opportunities that could enable us to achieve sales and earnings performance surpassing our forecasts.

Products

Our innovative products contribute to conserving resources and protecting the environment. At the same time, we help our clients manufacture with low emissions and energy-efficiently, and assist them in enhancing the safety of their products.

86	Sustainable Product Strategy
86	Products and Technologies for More Climate Protection
87	Low-Emission Products and Technologies
87	Replacement of Critical Substances
87	Contributions to a Circular Economy

Sustainable Product Strategy

ALTANA offers companies around the world specialty chemical solutions that make products used in daily life better and more sustainable. We convince our customers with added value and give them a competitive edge through our work. Some solutions improve the functions of end products and increase their shelf life. Others optimize our customers' value chain in terms of energy and resource consumption. And still others enable our customers to reduce the amount of critical substances in their end products or to replace them with less critical ones. Innovative, environmentally friendly, safely processable products play a key role. They help ALTANA's customers implement their own sustainability concepts. Based on this understanding of sustainability, the Group continuously leverages new fields of business and paves the way for further profitable growth.

Due to their strong customer orientation, many ALTANA companies gear their innovation strategies systematically to a catalog of sustainability criteria at a very early stage of product development. This includes responsible handling of resources (water, energy, and raw materials) as well as the goal of developing products whose effects on the environment are as low as possible without detracting from the product's function. This is reflected by the increasing number of coatings, additives, and pigment formulations that are conceived for water-based applications and do not need organic solvents.

Another aim of ALTANA's product strategy is to replace critical components with less critical ones whenever possible. For products that need classifications due to national or international hazardous substance regulations, ALTANA's companies have special data sheets on hand that provide consumers with important information on safe storage and further processing. Moreover, certified lifecycle analyses are available for certain products.

Products and Technologies for More Climate Protection

In the year under review, all of our divisions made progress with products and technologies for greater climate protection.

At ACTEGA, the development of thermoplastic elastomers (TPE) was further intensified in the reporting year. The Bremen site manufactures TPE compounds, which are used as sealing compounds in food and beverage closures, as well as TPE granules, which are used in medical technology and the consumer goods industry. This product group is characterized by the fact that it meets the requirements for sustainability and environmental compatibility to a high degree. For example, vulcanization, which is time-consuming and temperature-intensive, is no longer required during processing. This saves energy and thus reduces CO₂ emissions. Even the production of the granules requires less energy than soft PVC. In addition, working with granules generates less dust and the amount of waste is lower. Furthermore, the potential for migration of undesirable substances is minimized and the material is 100 % recyclable. Chlorinated compounds, on the other hand, pollute the environment during manufacture and disposal. During production of the granules sold under the PROVAMED® brand name, raw materials are used that meet the requirements of the European Pharmacopoeia or are biocompatible. These TPEs comply with the regulations for food contact materials in Germany and the EU, and those stipulated by the U.S. Food and Drug Administration (FDA), as well as the gold standard of the independent Cradle to Cradle Products Innovation Institute.

ECKART further developed and significantly optimized an existing process for the production of effect pigments for the powder coatings industry. The new product range gives powder coatings greater color intensity and simplifies application. Moreover, these products have significantly

improved heat stability. This property has an especially positive effect on storage and transport in warmer regions, for example in Asia. With the new process, ECKART can additionally conserve up to 75 % of the energy used in production compared to the established process and avoid waste products such as solvents.

Low-Emission Products and Technologies

All of the divisions launched new products that help reduce various emissions. One focus at BYK was the development of emission-free products in the wetting and dispersing, surface, defoaming, and rheology application areas. These new additives can be used in solvent-free and water-based coating systems and meet the requirements for volatile organic compounds (VOCs).

ELANTAS also developed corresponding products, for example by using solvents that do not contain nitrogen. This makes it possible to avoid the formation of harmful nitrogen oxide gases, which can occur during subsequent combustion. The switch from a highly volatile, organic diluent to a novel, low-volatility, label-free system led to a significant reduction in VOC content and toxicity without compromising the desired product properties.

Replacement of Critical Substances

In the reporting year, ALTANA succeeded in replacing other critical substances. For example, a series of products was developed at BYK that no longer contain tin in the formulation. As a result, these products meet current requirements, especially those of customers in the furniture industry. The formulations also comply with special regulations, including the ordinance for the safety of toys. Owing to changes in legal requirements, the formulation of some wax prod-

ucts was adapted so that they continue to satisfy current European chemical law requirements (REACH).

Contributions to a Circular Economy

The topic of a "circular economy" is becoming increasingly important for the chemical industry. The transition from linear to circular value chains includes reuse as well as mechanical and chemical recycling. This also includes waste incineration processes in which the heat generated is used as a source of energy and, in the future, will include the reuse of the resulting CO₂ as a chemical raw material. Product design figures prominently in this process. The aim is to achieve both the desired product properties and simple recycling of the raw materials. An example is packaging films for foodstuffs. To achieve the required properties, films are now used that consist of different materials and multiple layers. Such multiple-component films cannot be mechanically recycled using the technical methods available today. The aim of an innovation in this context is, for example, to replace individual components with a single coating layer. ACTEGA developed such an innovative solution. The aqueous thermoplastic elastomer dispersions of the YUNICO® technology are creating a new generation of functional coatings. The new technology enables various properties to be combined in a single dispersion, including barrier effects and heat-sealability as well as haptic effects and recyclability in accordance with the global standard of the Paper Technology Research Foundation (PTS). The dispersions of YUNICO® technology are based exclusively on water and are emulsifier- and solvent-free. This is an important aspect in production and processing, as no harmful substances are released into the air or can get into the filling material. In addition, these dispersions meet all requirements regarding direct food contact and have the corresponding Food and Drug Administration (FDA) and EU approvals.

Under the brand name ACTGreen® Sustainable Coatings, ACTEGA also launched a sustainable portfolio of overprint varnishes for folding cartons, publications, and commercial prints. The portfolio includes products based on recycled raw materials of fossil origin and bio-based materials, as well as coatings on the basis of renewable raw materials in the form of plant-based resins.

In addition, Schmid Rhyner AG, which was acquired by the ACTEGA division in the year under review, brought an innovative UV silver coating onto the market that achieves high metallic brilliance in printed products. This process produces significantly less waste than the conventional process with metalized board or hot/cold foil decoration.

At BYK, too, solutions promoting a circular economy have already been established on the market. RECYCLOBYK® is a group of additives that improve the processing and long-term thermal stability of plastics such as polyolefins and polyethylene terephthalates (PET), enabling new, high-quality applications. For instance, plastics from used car batteries can be redeployed as plastics in the same or even a higher-value application after reprocessing. When it comes to recycling used plastics, especially food packaging materials, odors often pose limitations for reuse. The origin of such odor emissions is often small amounts of volatile components generated during processing or they come from residual amounts of the filling material. Products from BYK can bind these odor-causing substances and remove them from the plastic.

In addition to these specific product developments, ALTANA is also involved in national and international initiatives, such as the German Chemical Industry Association (VCI) and the European Chemical Industry Council (CEFIC).

Safety and Health

ALTANA relies on an effective safety culture. Technical and organizational measures as well as our training programs contribute to enhancing work safety and anchoring the issue firmly in our employees' minds. In 2020, protecting the health of all our employees in the face of the coronavirus pandemic was the focus of our activities.

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90	Ergonomics
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92	Incidents in Detail

Occupational safety and occupational health protection are top priorities at ALTANA. In 2020, we managed to further reduce the number of reported occupational accidents significantly at our sites and thus once again achieved our ambitious safety targets.

Some sites are particularly distinguished by their occupational safety: BYK Tongling and ELANTAS Beck India in Pimpri have been accident free for more than twelve years. The ECKART Zhuhai site has been accident free for at least ten years. The following sites have not seen any accidents for more than five years: ELANTAS Tongling (nine years), ACTEGA Foshan (eight years), and ECKART Suisse (five years). ACTEGA do Brasil (Santana de Parnaíba), BYK USA (Chester), and ELANTAS Zhuhai have been without any accidents for more than three years. Further facts and figures can be found in the Group Management Report on page 68 f.

Measures Taken in Connection with the Coronavirus Pandemic

In coping with the coronavirus pandemic in the year under review, we were able to build on the safety culture we had already established. The fact that the virus has not spread significantly at any of our sites shows that we not only adopted the right precautionary measures, but that these are also being implemented by our employees worldwide with a great deal of self-discipline.

From the very beginning, crisis teams were formed at Group, divisional, and company level, and a clear decision-making and communication structure was created. Depending on the situation, important decisions were made and framework conditions defined in a short time. ALTANA set up an overview page on the Intranet where all relevant information, regulations, and recommendations for dealing with the coronavirus are available centrally, including questions and answers (FAQ).

The majority of employees who can perform their respective tasks at home worked from there on a mobile basis. Travel was reduced to a minimum. As far as possible, work meetings were held only in virtual space. To be on the safe side, larger internal and external events were postponed, canceled, or broadcast digitally. This included larger customer events, which were held as online seminars. The annual meeting of safety officers in Germany also took place digitally.

At the sites, not only strict hygiene and distance rules, but also increased use of mobile work reduced the risk of infections being brought in from outside the respective site. Thus, mobile work not only served to protect employees who were able to work at home, but primarily protect staff members who continued to work at the respective site due to their job profile.

Ergonomics

In 2020, the topic of "ergonomics" was not only a focus concerning mobile work, but above all with regard to manual activities involving heavy loads or work performed uniformly over a longer period of time. To prevent injuries and long-term adverse effects, ALTANA continued to invest in lifting aids, among other things. For example, ECKART installed a lifting device in the warehouse at its Painesville site that enables employees to carry out transport and cleaning operations more gently and more safely.

The amount of manual cleaning required is also reduced by an ultrasonic centrifuge that was installed at the Wackersdorf site. The centrifuge not only contributes to ergonomics, but also increases productivity.

ELANTAS in Ascoli invested in a filling station with automatic rinsing of organic solvents. The new installation avoids manual cleaning of connecting hoses.

ACTEGA analyzed the workplaces at its new Brazilian site in Araçariquama with regard to safety and ergonomics and

adapted them accordingly. ACTEGA Rhenania launched a health program called "Back Fit." After an introductory talk with a qualified trainer, further training sessions were held at the respective workplace with the aim of preventing harm and injuries due to improper sitting. In the course of the coronavirus pandemic, health courses such as Back Fit and yoga were offered online and some of the annual Safety and Health Days carried out as digital impulse lectures. The newsletter "SAFETY@ALTANA" provided information on how to work ergonomically, healthily, and safely from home.

Safety in Chemical Processes

The risk of accidents and incidents resulting from chemical processes can be significantly reduced by regularly and systematically checking the respective process steps. This applies not only to the handling of chemical substances, but also to typical process steps in operations such as heating, cooling, and stirring.

BYK was able to significantly improve process safety, especially for reactions that release a lot of heat, by introducing a reaction mixing pump at the Kempen site. This process ensures very effective cooling of the reaction mixture.

ECKART installed more temperature sensors at its Painesville site, especially in the mills. This allows unforeseen temperature increases to be detected promptly and appropriate measures to be initiated.

Inert gases, such as nitrogen, are used in the chemical industry to prevent uncontrolled ignitions caused by electrostatic charges. But these protective gases can pose a danger to employees if there is accidental leakage, for example in production halls. For this reason, oxygen sensors were installed in the mill room at the ECKART site in Schererville, among others. At the same site, process safety was further enhanced with additional measures. For example, an alarm

system was installed in the event of accidental spills, and spill prevention was installed in tank farms.

Furthermore, ALTANA continued to invest in protecting employees from critical substances (for example dusts and VOCs) in the year under review. Among other things, existing ventilation systems at ECKART in Wackersdorf and at ELANTAS in Zhuhai were improved.

Communication as a Success Factor

Information and communication play a decisive role in bolstering an effective safety culture. Accidents that occur with significant frequency and relevance are, for example, presented in the global ALTANA staff magazine together with strategies for their prevention.

In Germany, BYK has been cooperating since 2017 with the German Employers' Liability Insurance Association for the Raw Materials and Chemical Industry (BG RCI) on "Vision Zero," a program whose aim is to prevent accidents completely. Since that time, occupational safety performance has not only been gauged via the conventional indicators (WAI 1–3), but has also been further developed in an occupational safety program, the "Vision Zero Roadmap." Key activities are assigned to the Vision Zero success factors and communicated transparently to all employees. With regard to the success factor "Danger recognized – danger averted," BYK introduced a new electronic reporting system for accidents and near misses in the reporting year. This enables near-accidents to be identified in a timely manner, prompt measures to be implemented, and thus accidents to be avoided.

ACTEGA DS in Bremen established the "Vision Zero" working group in mid-2019. By the end of the reporting year, the company had gone more than 500 days without registering an accident with lost work time. This milestone was achieved by means of various measures, including the tar-

geted involvement of employees in safety discussions, occupational safety training, an examination of workplace ergonomics, the establishment of binding rules for managers and employees, and the introduction of work facilitators, for example vacuum lifters and high-lift trucks. A new e-learning platform is used to train not only the company's own employees on occupational safety, but also staff of contractors. With the implementation of further measures, ACTEGA DS is striving for the BG RCI quality seal "Sicher mit System" (Safe with System).

At most of ALTANA's production sites, so-called safety talks are held regularly during the different shifts to raise employees' awareness of the issue of safety. New production employees receive intensive training as part of their induction so that they can act safely right from the start. In addition, ACTEGA continued its cooperation on the topic of "behavior-based safety culture" with an external partner at its Grevenbroich site. In view of the extremely positive experience to date, similar coaching sessions are also planned at other sites.

ECKART introduced an electronic alert system at its Painesville site. In the event of an emergency, it informs all employees by text message or e-mail.

Incidents in Detail

Based on the instructions for reporting on globally harmonized process safety key figures in accordance with the International Council of Chemical Associations (ICCA) and the definition provided by the German Chemical Industry Association (VCI), there were 13 significant incidents in the year under review.

Twelve incidents involved the release of chemicals, and one incident involved a fire. None of the incidents had an impact on the environment and no employees were injured.

Environment

Environmentally friendly management is a key component of ALTANA's corporate strategy. Our goal is to steadily reduce the energy consumption at all sites and in all areas. We also implement this objective in other environmentally relevant areas, such as waste and the consumption of drinking water.

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94	On Course for Climate Neutrality by 2025
96	Responsible Usage of the Resource Water
97	Optimization of Waste Management
97	Emissions Further Reduced

Improvements in Environmental Performance

The ALTANA Group measures progress in the area of environmental protection using specific key performance indicators. In addition to the absolute values, the figures are set in relation to the quantity of produced finished goods. ALTANA sets annual upper limits for energy consumption, water consumption, and waste quantities in relation to produced finished goods. The development of these indicators is published in the document "Facts and Figures on Sustainability 2020."

The ALTANA Group's energy consumption decreased to 668,000 megawatt hours in the 2020 fiscal year, compared to 675,000 megawatt hours in the previous year. Owing to the weakening of global economic performance due to the coronavirus pandemic, the volume of produced finished goods decreased from 527,000 tons (2019) to 524,000 tons (2020). In spite of this reduction, the specific energy consumption of the previous year (1.28 MWh/t of produced finished goods) was maintained.

CO₂ emissions decreased by around 50 % compared to the previous year. This reduction was achieved mainly by switching global electricity procurement to renewable sources via certificates of origin. In addition, we implemented projects to improve energy efficiency at various sites (see the following pages).

This year, for the first time, we are also reporting CO₂ equivalents, which apart from CO₂ include other greenhouse gases, such as nitrous oxide (N₂O). The figure for 2020 is 92,600 tons according to the "market-based" method (CO₂ emissions from electricity based on the information provided by suppliers or certificates of origin). In addition, biogenic CO₂ emissions accounted for 330 tons of CO₂ equivalents.

In 2020, the ALTANA Group managed to further reduce the amount of hazardous waste, from 18,100 tons in the

previous year to 17,800 tons. The key figure related to the quantity of produced finished goods remained at the prior-year level (34.1 kg/t of produced finished goods). The amount of non-hazardous waste decreased significantly by 10 % from 9,600 tons to 8,600 tons. The indicator related to produced finished goods was reduced from 18.2 kg/t to 16.4 kg/t. The reasons for the improvements in the waste volume balance include the optimization of production processes and the reuse of by-products (details can be found in the document "Facts and Figures on Sustainability 2020").

In terms of water consumption, ALTANA managed to improve both the absolute figures and the key performance indicators in the reporting period. Consumption of drinking water in 2020 was around 1,150,000 cubic meters (2019: 1,250,000 m³). The key figure derived from this based on the volume of produced finished goods was 2.19 m³/t (previous year: 2.38 m³/t).

A total of 571,100 tons of raw material was needed, of which 386,500 tons were fossil raw materials, 21,100 tons renewable raw materials, 116,400 tons non-fossil and non-renewable raw materials, and 47,100 tons water. Detailed information on ALTANA's resource and energy consumption (differentiated according to electricity, natural gas, and oil), as well as the environmental indicators can be found at www.altana.com/facts_figures_sustainability_2020.

In 2020, 92 % of the ALTANA Group's production sites met the ISO 14001 standard. Ten sites also have energy management certification in accordance with ISO 50001.

On Course for Climate Neutrality by 2025

ALTANA plans to reduce its CO₂ impact in production and energy procurement to zero worldwide by 2025. The climate neutrality encompasses the company's own production,

administration, and research. Included are CO₂ emissions resulting from the combustion of fossil fuels, primarily natural gas (Scope 1), as well as indirect CO₂ emissions from energy consumption, particularly in the form of electricity (Scope 2). The climate neutrality to be achieved by 2025 also includes the CO₂ emissions resulting from necessary business trips, company cars, and goods transport (Scope 3). This means that for the areas mentioned, CO₂ emissions into the environment will be avoided or compensated for through suitable measures. As a result, ALTANA is contributing to the achievement of the climate goal adopted at the UN Climate Change Conference in Paris in 2015 by limiting global warming to well below 2°C by 2050. ALTANA uses the following levers to reduce its CO₂ emissions:

1. Avoidance of unnecessary energy consumption
2. Improvement of energy efficiency
3. Use of energies from renewable sources
4. Replacement of energies from fossil sources

In the year under review, ALTANA consistently pursued its climate protection goals and created facts.

To avoid unnecessary energy consumption, facilities and machines were identified that can be temporarily switched off or run in a reduced operating state without impairing operational processes and safety. These include, for example, ventilation systems, circulation pumps, and heating and air-conditioning systems. Corresponding projects have already been launched at ECKART in Güntersthal and Wackersdorf, and at ELANTAS in St. Louis. By means of numerous measurements, ACTEGA identified suitable measures to reduce the energy consumption of machines and processes. For example, at ACTEGA Terra, production times were significantly cut due to continuous measurements of the pH value. Hence approximately 30,000 kWh/year can be saved.

In fiscal 2020, ALTANA carried out numerous projects to improve energy efficiency. For example, BYK optimized the thermal afterburning and drying processes at its site

in Gonzales, Texas. Consequently, natural gas consumption for these processes was reduced by around 50%. BYK in Wesel refurbished the entire heating and cooling system of the laboratory area to make it energy-efficient. In the process, several buildings were connected with uniform heating and cooling circuits. This saves around 380 tons of CO₂ a year.

The ECKART division, too, was able to further increase its energy efficiency thanks to improved process flows and the installation of low-energy motors and cooling units. At the Güntersthal site, it was possible to significantly increase the material throughput in the mills, saving around 160,000 kWh/year. At one tank plant, the running time of the circulation pumps was changed from continuous operation to adapted interval operation. Due to this measure, around 60,000 kWh/year are conserved. ECKART also replaced cooling units in Güntersthal, saving around 135,000 kWh/year. Comparable projects were also carried out at the Painesville and Louisville sites.

ELANTAS succeeded in reducing natural gas consumption by 670,000 kWh/year at its site in Ascoli by optimizing thermal afterburning. Meanwhile, in Collecchio, ELANTAS implemented further energy-saving measures, including adjustments to the ventilation system, automatic control of the heating chambers, optimization of the compressors, and the use of LED lighting. The division thus achieved total savings of 50,000 kWh. With a new training program, employees at ELANTAS in Italy are being made more aware of how to use energy more efficiently. In the production of a two-component resin system, targeted process optimization reduced the reaction temperature from 240°C to 120°C and at the same time cut production time from eight to two hours. Both effects lead to significant energy savings. At the ELANTAS site in Zhuhai, China, energy consumption can be monitored via a new system and suitable countermeasures can be initiated promptly if necessary.

Environmental performance indicators ALTANA

	2017	2018	2019	2020
CO ₂ equivalents specific (Scope 1 + Scope 2) ¹ (kg/kg)	0.35 ²	0.34 ²	0.35	0.18
Energy consumption (kWh/kg)	1.30	1.26	1.28	1.28
Drinking water (l/kg)	2.32	2.43	2.38	2.19
Hazardous waste (g/kg)	36.26	33.45	34.38	34.06
Hazardous waste for disposal (g/kg)	7.17	6.16	5.72	4.74
Non-hazardous waste (g/kg)	22.00	20.23	18.17	16.37
Non-hazardous waste for disposal (g/kg)	9.60	9.36	7.60	7.03

The key performance indicators are calculated from the absolute values in relation to the quantity of produced finished goods.

¹ Scope 1: direct emissions; Scope 2: indirect emissions

² CO₂ emissions specific

Some ALTANA sites already generate their own energy from renewable sources. ELANTAS operates its own photovoltaic systems in Ascoli, Collecchio, and Pimpri, and BYK in Deventer. ECKART in Güntersthäl additionally generates electricity from a hydroelectric generator, and BYK in Denekamp uses biogas to generate energy. In total, ALTANA already generates and uses around 3,000 MWh/year from renewable energies.

ALTANA switched to purchasing electricity from renewable sources worldwide back in March 2020. To this end, the company acquired so-called certificates of origin for electricity from renewable sources (for about 247,000 MWh) in accordance with the recognized quality standards (for example CoO for Europe, IREC for China, and GREEN-E for the U.S). As a result, CO₂ emissions were cut by approximately 51 % compared to the previous year. In parallel, ALTANA is working intensively on further possibilities, such as direct procurement from sustainable energy generation plants.

In the reporting year, ALTANA launched several global initiatives with the aim of replacing natural gas as an energy source in the long term with renewable energies such as biogas, green electricity, biomass, and in the future also "green" hydrogen. ALTANA will compensate for the unavoidable use of natural gas by 2025 by financing equivalent climate pro-

tection projects in the regions where the CO₂ emissions occur.

Responsible Usage of the Resource Water

Water plays an important role in many of the ALTANA Group's production processes, and so the specialty chemicals group is making various efforts to use this resource sparingly. Water is used in the chemical industry as a raw material, as a cleaning agent, and as a coolant. ALTANA aims to keep its water consumption as low as possible and to use it as a cooling medium in closed loop systems.

In the year under review, we were able to significantly reduce water consumption at several sites. ACTEGA began operating a new water treatment plant in Vigo. ECKART optimized the cooling supply in Güntersthäl and installed a new closed-circuit water cooler in Painesville. ELANTAS implemented a recirculation system for cooling and condensate water in Zhuhai. In all, these projects saved around 10,000 cubic meters of water.

Optimization of Waste Management

Chemical processes generate waste and wastewater, which mainly applies to production sites. ALTANA aims to avoid or reduce wastewater and waste and thus minimize the negative effects on people and the environment, among other things by using suitable raw materials and cleaning agents.

At some sites, for example at ELANTAS in St. Louis and at the ECKART sites in Schererville and Louisville, the amount of waste was reduced by a total of around 90 tons in the year under review by recycling or reusing packaging materials. The distillation of cleaning solvents and other waste at the ELANTAS sites in Zhuhai, China, and Ascoli, Italy, as well as the optimization of manufacturing processes at the ECKART sites in Günterstal and ELANTAS in Cerquillo resulted in a total of 230 tons less waste in 2020.

A patented process developed by ECKART enables mills to be cleaned in an environmentally friendly manner using only water and compressed air and thus without chemicals.

In addition to technical improvements, ACTEGA implemented a training program in Araçariquama, Brazil, with the aim of raising employee awareness of waste separation and prevention.

Emissions Further Reduced

In addition to the greenhouse gas CO₂, which mainly arises during the combustion of fossil fuels, volatile organic compounds (VOCs) also contribute to emissions. ALTANA aims to continue keeping these emissions as low as possible in the future. To achieve this goal, various technical options are available at many sites. Further measures to reduce emissions were implemented in the year under review.

Due to the expansion and improvement of ventilation systems, the ACTEGA site in Araçariquama and the BYK

sites in Geretsried and Gonzales are achieving a significant reduction in emissions in their production.

At some sites, new reactors and pumps were installed which can be operated largely without emissions. ELANTAS installed an automated system for dust removal during filling operations at the Collecchio site. ELANTAS in St. Louis built several closed mixers with corresponding separation devices. At BYK in Geretsried, fans on the roof were sound-proofed to minimize noise pollution in the surrounding area.

Human Resources

ALTANA gears its activities to long-term and sustainable growth. We can only achieve this goal together with our competent and committed employees. We therefore promote the professional development of our staff, prepare them for leadership positions, and enable them to participate in the company's success. We put particular emphasis on the recruitment of young talent, specialists, and managers. Our corporate culture has once again proven its worth in coping with the coronavirus pandemic.

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Corporate Culture as the Basis for Success – On Site and Virtually

Of overriding importance for ALTANA's corporate success are its highly qualified, motivated, and dedicated employees. They are our most important resource. So during the coronavirus pandemic it was all the more important to ensure the health and performance of each individual, both at our sites and regarding the significantly intensified mobile work at home. Even before the pandemic, ALTANA had set an important course and implemented IT interfaces, secure cloud solutions, and video conferencing technology throughout the Group, as well as pushing ahead the digitalization of many processes in the company. These advancements enabled us to switch to mobile work mode literally overnight. From remote in-house training using graphic tablet computers for trainees to virtually conducted executive assessments – working together largely on a digital basis quickly became the new normal. And our employees mastered this task with flying colors, which staff at the Wesel site confirmed in a survey. On average, they gave 4.5 out of 5 stars in response to the question of how well they had dealt with mobile working. In our view, this result reflects much more than just good technology and equipment. The real basis for success is our living corporate culture, in which appreciation, openness, empowerment to act, and trust were firmly anchored even before the pandemic.

Expansion of Digital Further Training

As an attractive employer, we offer our more than 6,500 employees worldwide opportunities for individual training and provide targeted support for their professional development.

In the year under review, we introduced a new electronic learning platform in the SuccessFactors HR management

system. The first digital training courses have already been successfully completed via the new platform. The international rollout will take place at the beginning of 2021. Apart from e-learning, the new learning platform includes other forms of training, which will enable us to offer employees a broader and more global range of training in the future as part of a digital learning culture. In addition, we created further framework conditions to drive the further development and digitalization of HR processes in connection with the HR transformation that began in 2019. For example, all assessment centers and leadership checks that ensure the quality of personnel selection at ALTANA were revised as planned in the year under review and adapted to the competence model introduced in 2019.

Human Resource Development and Talent Management

One focus of the ALTANA Group's human resource strategy is to secure the next generation of talent. Special emphasis is placed on the establishment of consistent and global promotion of internal talent. The continuous optimization of human resource development programs, close accompaniment of talent, and the identification of development measures and perspectives are decisive factors here.

A key element of ALTANA's management culture is cooperation in international networks. This is also reflected in all ALTANA human resource development programs and talent measures. Despite the pandemic, in 2020, too, we succeeded in maintaining these cross-company and cross-national networks via digital channels and by further developing the talent management process. Talent conferences were held very consciously to give employees a clear signal that their development is a high priority despite challenging framework conditions.

As part of e-learning sessions on remote leadership, managers received tips on how to maintain personal contact with employees even at a distance. Digitally conducted orientation meetings supported the integration of new employees. For 2021, we have set ourselves the goal of combining the opportunities gained from extensive mobile work with the concepts that proved successful in the past and that are based on personal networks.

Women in Leadership Positions

Diversity in leadership positions is an important goal of our Keep Changing Agenda. At the end of 2020, the share of women in the ALTANA Group's workforce in Germany was 30.0 % and the proportion among the Group's managers in Germany 22.7 %. ALTANA's medium- to long-term goal is to increase the share of women in leadership positions in the entire ALTANA Group to the percentage of women in the company's worldwide workforce.

The initiative LEADING WOMEN@ALTANA is providing important impetus. It includes a mentoring program for women that prepares women who have potential for a possible leadership role and accompanies women who have taken on a leadership role for the first time. The mentoring program makes an important contribution toward increasing the share of women in leadership positions.

The twelve-month program involves teams of two consisting of a mentee and a mentor who meet at regular intervals. During the meetings, the male or female mentor shares his or her knowledge and experience with the mentee. The mentoring program encompasses a kickoff event, including training, and subsequent face-to-face meetings of the tandems. To be able to continue the program in 2020, the training of the two-person teams took place virtually. During the training, the mentees sharpened their mentoring goals while the mentors refreshed their knowledge of the

interviewing and mentoring process. Normally, the two-person teams exchange information on site. In the reporting year, the meetings took place predominantly online. In the future, virtual exchanges will further enrich mentoring alongside face-to-face meetings.

Recruitment

Online formats also became increasingly important for recruiting in the year under review. For instance, initial interviews in the selection process were partly held digitally on account of the pandemic.

BYK introduced a new online assessment test. The main target group is high school students who are interested in an apprenticeship or a dual study program at BYK. The test, which is used for a total of eight different professions, gives applicants additional insight into practical work. Aside from information about the company and the apprenticeships, trainees also have their say, reporting on their personal impressions at BYK.

For the recruitment of young talent, the ALTANA Group has successfully relied on close cooperation with universities for many years. Particularly noteworthy is the close cooperation with the Young Chemists Forum (JungChemiker-Forum, JCF), a scientific association for chemistry students and doctoral candidates. In the 2020 fiscal year, ALTANA was in close contact with various regional forums of the JCF, which organize a wide variety of events ranging from seminars, excursions, and job fairs to conferences lasting several days. Owing to the coronavirus pandemic, however, the focus in 2020 was on digital exchange. In the summer, ALTANA and the JCF Aachen offered an online lecture within the framework of university marketing for the first time. Other online lectures followed, such as a talk on corporate venturing and startups, which ALTANA organized together with industrial chemists from the University of

Münster. In Asia, too, university marketing measures continue to gain in importance. In 2020, BYK Japan organized an exchange with Kobe University in Japan with ALTANA's support. The focus was on reports by employees about their entry and career paths in the ALTANA Group.

In the year under review, ALTANA supported students from STEM courses and human resource management with a Deutschlandstipendium scholarship for the eleventh time. The almost 30 recipients not only received financial support, but could also experience ALTANA in person or virtually within the framework of various events, enable themselves to be considered for internships and degree theses, take advantage of mentoring opportunities or take part in specialist seminars.

Our recruitment activities received several awards in 2020. ALTANA's recruiting via online channels again achieved top results in both the BEST RECRUITERS and the Potentialpark studies. In addition, we again received the "MINT Minded Company 2020" seal. This award is presented by audimax MEDIEN GmbH in cooperation with the "MINT Zukunft schaffen" initiative. The latter honors companies that promote young talent in the fields of mathematics, information technology, natural sciences, and technology in a special way. ALTANA also scores in trainee marketing: Together with Ausbildung.de, Potentialpark conducted a representative survey of more than 6,000 students and rated 125 employers for student-friendliness. In the ranking of the Azubi-Comm Study 2020, published for the first time, the ALTANA Group was among the TOP 30 employers across all sectors with the most student-friendly apprenticeship marketing in Germany.

Social Commitment

As a good corporate citizen, ALTANA supports and sponsors social projects focusing on education, science, and research. To strengthen our local environments and to be a good neighbor, we especially promote initiatives near our sites worldwide. ALTANA also helps when there are disasters. In the year under review, ALTANA primarily supported people who were particularly affected by the coronavirus pandemic.

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Social Commitment

The natural sciences, mathematics, informatics, and technology are among the drivers of economic development and social progress around the world. In this context, ALTANA wants to help introduce young people to these disciplines at an early stage and to kindle their enthusiasm for them. In addition, the ALTANA Group is involved in a number of selected social projects. In cooperation with experienced partners from the education sector, we support concrete projects, often in the immediate proximity of our sites. To maximize lasting impact, the company usually promotes these projects over a period of several years. In 2020, events that ALTANA has actively supported for many years had to be canceled owing to the pandemic. These include, for example, the Research Days, which ALTANA has accompanied for many years as a network partner of the Germany-wide foundation House of Junior Researchers, and the lighthouse event of the civic foundation KREAKTIV. In the fight against the coronavirus pandemic, we not only protected our own employees at our sites from contracting the virus, but also, especially at the beginning of the pandemic, helped out local hospitals and first responders, for example, by providing protective clothing, masks, and disinfectants that we did not absolutely need ourselves. In addition, ALTANA and the BYK, ECKART, ELANTAS, and ACTEGA divisions supported numerous coronavirus aid projects in the year under review.

Educational Coaching of Elementary Schoolchildren

ALTANA has supported the educational coaching project at GGS Innenstadt, the largest public elementary school in Wesel, for seven years now. The project was initiated by the City of Wesel and implemented by the Klausenhof Academy in close cooperation with GGS Innenstadt. The main aim is to

promote elementary schoolchildren and to achieve equal opportunity for children with a migration background and from socially deprived backgrounds. ALTANA financed the personnel and material costs for a socio-educational expert at the Klausenhof Academy. The expert assigns "personal mentors" to each child, trains the mentors, and coordinates their work. A total of 51 children have been supported since the project began in 2014. Currently, 17 volunteer mentors are taking part. They support and challenge the children in their personal development according to their abilities. The coronavirus pandemic has also posed a great challenge to educational coaching. It is particularly important to stay in contact in these times, especially with children and parents from particularly socially strained backgrounds. The specialist regularly exchanges ideas with the mentors, parents, the school and, in some cases, with family aid and the youth welfare office, working with them to find pragmatic solutions that help the children cope in their everyday lives and provide them with the best possible support despite the restrictions imposed by the pandemic. At the beginning of the year, the children were still able to meet regularly with their personal mentors; during the first lockdown in the spring, however, new possibilities had to be found to support the children. For example, the children received packages with craft ideas, puzzles, and books. Then, during the summer months, the children and their sponsors went on field trips again in local areas. Many of the mentors also helped the kids with their homework by phone or via digital tools. This was a tremendous help, especially during the distance learning phases.

Youth Startups Competition

In 2020, ALTANA again supported the online competition "Jugend gründet" (Youth Startups), sponsored by the German Federal Government, offering a special prize in chem-

istry for the sixth time in a row. In the national finals in the year under review, a team of students from Berlin not only won the ALTANA Special Prize for Chemistry in recognition of an innovative, well thought-out, and sustainable business idea in the field of chemistry, but also the overall 2019/2020 competition. The Berlin students developed a business plan for a biodegradable plant pot intended to completely replace the conventional plastic pot. Together with the plant, the pot is planted in the ground, where it rots, fertilizes the plant, and protects it when it starts to grow. Thus, potential customers would not only avoid plastic waste, but also save themselves the trouble of repotting and fertilizing. The so-called KomPot is made from natural raw materials produced as waste in the wood and paper industry. Using the injection molding process, the pot can be shaped into form like other thermoplastic materials, making it almost as stable as a plastic pot.

The ALTANA Special Prize for Chemistry is coupled with a trip to Wallingford on the East Coast of the U.S., where the students can visit one of the ALTANA Group's largest research and production sites at BYK USA and take part in an interesting social program. The trip could not take place in 2020 due to the pandemic and will be made up for at a later date.

Support in Times of Coronavirus

Many were completely unprepared for the extent of the pandemic, especially at the beginning. The demand for the necessary protective clothing, masks, and disinfectants far exceeded the supply, and these items were not available in many places. Although ALTANA itself does not manufacture disinfectants or raw materials needed for them, we helped out as much as we could at the local level by providing materials such as protective masks, disposable suits, and gloves that we did not absolutely need ourselves. We also offered

to help refill disinfectants and furnished suitable containers for medical facilities when needed. ACTEGA North America's packaging experts deployed their skills and resources at the start of the pandemic and, after querying key requirements, produced several thousand PET face shields, which they distributed to hospitals and first responders in the greater Providence area in the state of Rhode Island. In addition, they manufactured and distributed more than 1,000 liters of hand sanitizer and disinfectant wipes, as required by the U.S. Food and Drug Administration, to facilities in New England and New Jersey and other places where they were urgently needed. Many U.S. distilleries pivoted to producing hand sanitizer to meet the enormous demand. ACTEGA North America used its industry contacts for an unusual sourcing initiative to quickly identify alternative and available containers for the bottlers, because the typical bottles for sanitizers were quickly out of stock.

As the pandemic progressed, ALTANA also financially contributed to the purchase of so-called CO₂ traffic lights for elementary schools, among other things. These items measure the concentration of carbon dioxide in the rooms and indicate when ventilation should be provided. Hence they help reduce the risk of infection in classrooms.

Last but not least, we make a contribution with our products and solutions in particularly important areas such as supply, transport and logistics, as well as food and medical needs. These include insulating materials and potting compounds for use in respirators or syringes, additives for the manufacture of respirators and medical protective clothing, as well as PVC- and plasticizer-free sealing compounds for baby food. In the magazine section of this report starting on page 19, we present further examples of applications of our innovative solutions.

Worldwide Donation Campaign

The year 2020 presented the global community with challenging tasks, some of which were existential. In this exceptional situation, ALTANA decided to provide assistance beyond its own sites and independently of its actual focus on education, science, and research. Together with Aktion Deutschland Hilft e.V., a strong alliance of German aid organizations, we identified three projects, in Bangladesh, Malawi, and Yemen, which support people particularly affected by the coronavirus pandemic.

In the world's largest refugee camp in Bangladesh, more than 850,000 Rohingya forced out of Myanmar live in extremely difficult hygienic and cramped conditions. The necessary isolation of people suffering from COVID-19 is hardly feasible here. The project of the aid organization CARE that was selected aims to protect 65,000 particularly vulnerable people from being infected with the coronavirus and other diseases; to improve their medical care, drinking water supply, hygiene, and nutrition; and to provide girls and women with lasting protection against violence, sexual abuse, and the emerging human trafficking.

In Yemen, 24 million people are now dependent on survival aid. Ten million of them are suffering from acute hunger, most of them children. The health system there had already collapsed before the coronavirus pandemic. The project of the aid organization CARE selected aims to protect 400,000 particularly vulnerable people in Yemen against infection with the coronavirus and other diseases and to sustainably improve their medical care, drinking water supply, hygiene, and nutrition. The goal is to reduce the scale of the disaster by taking precautions for as many people as possible.

In Malawi (Southeast Africa), all schools were closed due to the coronavirus pandemic. A prerequisite for reopening them is a functioning hygiene concept. But many elementary schools in Malawi do not even have access to clean

water. The objective of the project of the aid organization Habitat for Humanity that was chosen is to make it possible for some 3,000 students to attend school safely. In addition, the hygiene measures serve to reduce contagious diseases such as tuberculosis and diphtheria in the long term.

ALTANA allocated a total of 50,000 euros to these initiatives and enabled its employees and business contacts to participate online in deciding how the sum should be divided among the three projects. ALTANA's website provided all the relevant information on a special page. Furthermore, in an electronic Christmas card for 2020, the ALTANA Group called on its employees and business partners to make their own donations, thus increasing the amount donated. By December 31, 2020, an additional sum of more than 30,000 euros had been collected in this way. ALTANA would like to express its sincere thanks to all donors for their contributions.

Social Commitment and Other Donations

The coronavirus pandemic also had an impact on other social commitment endeavors. ELANTAS Beck India supports projects that focus on education, health, and hygiene, and did so even before 2014, when companies in India were legally obligated to assume responsibility for society. On top of that, the company has always helped when there were natural disasters in the country. In 2020, India was hit particularly hard: In addition to the ever-changing pandemic situation, natural hazards such as cyclones and floods victimized the states of Maharashtra and Gujarat. This presented ELANTAS Beck India with the difficult task of deciding which of the many coronavirus relief projects the company should support. Ultimately, it opted for two broad-based emergency relief and disaster funds.

Despite pandemic-related interruptions, many educational programs in India could be offered online. As part of

its commitment to sustainability, ELANTAS Beck India supported the educational initiative Maharshi Karve Stree Shikshan Sanstha for the third time in a row. With its program, the initiative enables girls from socially disadvantaged backgrounds to receive an education, strengthening their self-confidence and allowing them to become role models for others in society. The aim of the initiative is to increase the girls' and women's social participation through education. ELANTAS Beck India financed the school and education costs for 33 girls in the 2020 reporting year. The process of selecting the participants for the education program is based on the girls' performance at school and their families' income situation.

ELANTAS PDG in St. Louis, U.S., has also supported local social projects for many years and at the same time reinforced its employees' personal commitment to sustainability. The staff actively supports people who live in the neighborhood of the site and has been doing so for more than 14 years in some projects. Among the most important aid projects are the social initiatives Back to School Supplies and Annual Holiday Drive, which are coordinated by dedicated employees at ELANTAS PDG. For the Back to School Supplies initiative, the project coordinator collected funds from employees again in 2020 which were used to buy school supplies such as notebooks and pencils for needy children attending the nearby Nance Elementary School. Similarly, the organizers of the Annual Holiday Drive initiative once again used the money donated by colleagues to assist five needy families and help them have a nice Christmas by giving them gifts such as shoes, toys, and clothing, as well as a basket of food.

In the U.S. state of Connecticut, many people lost their jobs on account of the pandemic, causing existential hardship in some cases. At the same time, donations to food banks, which provide those in need with food, clothing, and essentials for day-to-day living, decreased significantly. At its Wallingford site, BYK USA looked for ways to support

these people in times of contact restrictions and increased working at home. First, the company donated facemasks to the local charity Master's Manna enabling the organization's employees and volunteers to protect themselves while sorting and distributing food that had been donated. Then BYK USA launched a virtual drive for donating food to Master's Manna. Employees participated so extensively that instead of the planned 300 food packages, a total of 522 packages were donated to the aid organization.

The ECKART division also demonstrated a commitment to society again in the year under review. As part of an annual Christmas campaign called "Donations Instead of Presents," the company provided a total of 20,000 euros. The donations were given to two children's charities and "Curatorium Altern gestalten," a nonprofit company that promotes future-oriented models for aging and old age through active contributions and knowledge transfer.

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ALTANA Group Consolidated Income Statement

	Notes	2019	2020
in € thousand			
Net sales	4	2,248,943	2,178,160
Cost of sales	5	(1,424,750)	(1,357,135)
Gross profit		824,193	821,025
Selling and distribution expenses		(290,285)	(284,838)
Research and development expenses		(165,572)	(163,365)
General administration expenses		(105,090)	(104,805)
Other operating income ¹	6	12,108	11,800
Other operating expenses ¹	7	(12,869)	(94,076)
Operating income (EBIT)		262,485	185,741
Financial income	8	19,871	4,677
Financial expenses	9	(11,983)	(8,827)
Financial result		7,888	(4,150)
Income from at equity accounted investments		(39,090)	(38,900)
Income before income taxes (EBT)		231,283	142,691
Income taxes	10	(62,234)	(67,544)
Net income (EAT)		169,049	75,147
thereof attributable to non-controlling interests		1,620	1,872
thereof attributable to the shareholder of ALTANA AG		167,429	73,275

¹ Additions to and reversals of loss allowances relating to accounts receivable are reported net, prior year amounts were adjusted accordingly.

ALTANA Group Consolidated Statement of Financial Position

Assets	Notes	Dec. 31, 2019	Dec. 31, 2020
in € thousand			
Intangible assets	12	1,023,882	933,084
Property, plant and equipment	13	970,837	959,476
Long-term investments	14	45,732	48,964
Investments in at equity accounted companies	15	138,316	89,064
Deferred tax assets	10	21,980	29,167
Other non-current assets	20	10,900	10,737
Total non-current assets		2,211,647	2,070,492
Inventories	16	348,847	336,381
Trade accounts receivable	17	380,644	400,457
Income tax refunds		15,361	12,805
Other current assets	20	97,521	99,285
Marketable securities	18	19,961	24,311
Short-term financial assets	19	4,768	5,699
Cash and cash equivalents		264,556	313,692
Total current assets		1,131,658	1,192,630
Total assets		3,343,305	3,263,122

Liabilities, provisions and shareholders' equity	Notes	Dec. 31, 2019	Dec. 31, 2020
in € thousand			
Share capital ¹		136,098	136,098
Additional paid-in capital		151,276	151,276
Retained earnings		2,071,165	2,103,900
Accumulated other comprehensive income		107,907	(5,585)
Equity attributable to the shareholder of ALTANA AG		2,466,446	2,385,689
Non-controlling interests		12,960	13,240
Shareholders' equity	21	2,479,406	2,398,929
Non-current debt	23	50,793	48,606
Employee benefit obligations	24	255,974	272,716
Other non-current provisions	25	20,894	28,965
Deferred tax liabilities	10	68,721	71,198
Other non-current liabilities	26	28,941	24,199
Total non-current liabilities		425,323	445,684
Current debt	23	62,489	10,778
Trade accounts payable		182,457	186,562
Current accrued income taxes		42,513	55,005
Other current provisions	25	93,592	95,745
Other current liabilities	26	57,525	70,419
Total current liabilities		438,576	418,509
Total liabilities, provisions and shareholders' equity		3,343,305	3,263,122

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

ALTANA Group Consolidated Statement of Cash Flows

	Notes	2019	2020
in € thousand			
Net income (EAT)		169,049	75,147
Depreciation and amortization of intangible assets and property, plant and equipment	12, 13	149,241	154,593
Impairment of intangible assets and property, plant and equipment	12, 13	4,068	85,621
Change in fair value of financial assets and securities	8, 9	(2,851)	(1,266)
Net result from the disposal of intangible assets and property, plant and equipment	6, 7	433	(198)
Net result from the disposal of long-term investments and marketable securities	8, 9	17	(443)
Change in inventories	16	29,572	11,853
Change in trade accounts receivable	17	6,265	(26,031)
Change in income taxes	10	(12,341)	8,276
Change in provisions	24, 25	12,058	12,455
Change in trade accounts payable		(14,156)	7,817
Change in other assets and other liabilities	20, 26	9,561	6,549
Other	15	35,425	39,271
Cash flow from operating activities		386,341	373,644
Capital expenditure on intangible assets and property, plant and equipment	12, 13	(157,180)	(105,223)
Proceeds from the disposal of intangible assets and property, plant and equipment	12, 13	798	4,380
Acquisitions, net of cash acquired	3	(8,587)	(106,091)
Purchase of long-term investment and investments in at equity companies	14, 15	(47,569)	(6,314)
Proceeds from the disposal of long-term investments	14	26	33
Payments on long-term loans		(16,000)	
Purchase of marketable securities	18	(42,500)	(37,078)
Proceeds from the disposal of marketable securities	8, 9	44,296	31,906
Expenditure on short-term financial assets		(2,131)	(1,575)
Cash flow from investing activities		(228,847)	(219,962)

	Notes	2019	2020
in € thousand			
Dividends paid		(50,113)	(30,116)
Proceeds from issuance of long-term debt	23	3,924	
Payments on short-term debt	23	(88,455)	(69,819)
Cash flow from financing activities		(134,644)	(99,935)
Effect of exchange rate changes		2,054	(4,611)
Change in cash and cash equivalents		24,904	49,136
Cash and cash equivalents as of January 1	2	239,652	264,556
Cash and cash equivalents as of December 31	2	264,556	313,692
Additional information on cash flows included in the cash flows from operating activities			
Income taxes paid		(86,590)	(78,027)
Interest paid		(3,621)	(3,152)
Income taxes received		16,365	14,353
Interest received		10,390	1,228
Dividends received		809	782

Reference to the Consolidated Financial Statements

The complete Consolidated Financial Statements to the Corporate Report 2020 are provided online at www.altana.com/consolidated_financial_statements_2020.

Consolidated Financial Statements

ALTANA Group Consolidated Income Statement

ALTANA Group Consolidated Statement of Comprehensive Income

ALTANA Group Consolidated Statement of Financial Position

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Management Board Responsibility Statement

The Consolidated Financial Statements 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 315e 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 GmbH Wirtschaftsprüfungsgesellschaft as independent auditors of the Consolidated Financial Statements. The auditors issued an unqualified Auditors' Report on the complete Consolidated Financial Statements and the Group Management Report. 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 14–18 of the Corporate Report 2020.

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 24, 2021

ALTANA AG
The Management Board

Martin Babilas

Stefan Genten

Dr. Christoph Schlünken

Multi-Year Overview

Key figures at a glance

	2011	2012	2013	2014
in € million				
Sales	1,616.7	1,705.3	1,765.4	1,952.3
Earnings before interest, taxes, depreciation and amortization (EBITDA)	308.0	323.2	335.7	397.4
<i>EBITDA margin</i>	19.1%	19.0%	19.0%	20.4%
Operating income (EBIT)	217.0	226.9	229.1	267.7
<i>EBIT margin</i>	13.4%	13.3%	13.0%	13.7%
Earnings before taxes (EBT)	207.7	217.2	212.6	251.8
<i>EBT margin</i>	12.8%	12.7%	12.0%	12.9%
Net income (EAT)	147.5	154.7	151.6	179.2
<i>EAT margin</i>	9.1%	9.1%	8.6%	9.2%
Research and development expenses	87.7	102.3	109.4	113.9
Capital expenditure on intangible assets, property, plant and equipment	93.5	89.8	94.3	90.4
Cash flow from operating activities	170.0	274.5	258.8	298.2
<i>Return on Capital Employed (ROCE)</i>	11.2%	10.8%	9.9%	10.3%
ALTANA Value Added (AVA)	53.2	50.0	38.7	51.9
Total assets (Dec. 31)	2,001.9	2,121.3	2,546.0	2,756.2
Shareholders' equity (Dec. 31)	1,417.1	1,498.2	1,565.6	1,745.5
Net debt (-)/Net financial assets (+) ¹ (Dec. 31)	(26.8)	68.2	(303.6)	(280.1)
Headcount (Dec. 31)	5,313	5,363	5,741	6,064

¹ Comprises cash and cash equivalents, current financial assets, current marketable securities, loans granted, debt, and employee benefit obligations.

Sales by division

	2011	2012	2013	2014
in € million				
BYK	581.9	618.4	691.5	856.7
ECKART	346.8	340.5	334.6	332.2
ELANTAS	390.9	412.5	414.6	431.2
ACTEGA	297.0	333.9	324.7	332.1

Sales by region

	2011	2012	2013	2014
in € million				
Europe	740.8	751.7	745.2	795.1
<i>thereof Germany</i>	258.5	266.1	262.4	276.7
Americas	373.3	412.0	438.4	527.1
<i>thereof U.S.</i>	243.2	268.4	289.5	365.0
Asia	447.7	509.6	547.4	593.0
<i>thereof China</i>	228.5	252.5	287.8	309.8
Other regions	54.9	31.9	34.3	37.0

Change in country allocation as of 2012

	2015	2016	2017	2018	2019	2020
	2,059.3	2,075.3	2,247.0	2,307.4	2,248.9	2,178.2
	390.9	453.0	470.0	430.6	415.8	426.0
	19.0%	21.8%	20.9%	18.7%	18.5%	19.6%
	251.3	328.7	335.9	295.8	262.5	185.7
	12.2%	15.8%	14.9%	12.8%	11.7%	8.5%
	227.8	299.8	306.0	264.1	231.3	142.7
	11.1%	14.4%	13.6%	11.4%	10.3%	6.6%
	158.0	210.1	234.6	187.0	169.0	75.1
	7.7%	10.1%	10.4%	8.1%	7.5%	3.5%
	128.1	129.3	142.5	154.1	165.6	163.4
	85.6	122.1	188.0	187.0	157.2	105.2
	346.1	376.7	302.3	296.2	386.3	373.6
	10.1%	11.6%	11.3%	9.4%	8.8%	8.4%
	49.2	83.3	84.0	37.6	21.6	26.5
	2,964.5	3,053.9	3,147.7	3,221.9	3,343.3	3,263.1
	1,935.6	2,082.2	2,214.2	2,344.6	2,479.4	2,398.9
	(114.2)	25.7	(78.0)	(95.6)	(57.7)	34.2
	6,096	5,967	6,186	6,428	6,476	6,529

	2015	2016	2017	2018	2019	2020
	870.0	909.1	1,030.4	1,065.6	1,040.6	1,008.7
	349.7	361.9	385.3	382.6	356.2	315.2
	463.2	452.1	488.7	506.6	494.5	463.3
	376.4	352.2	342.6	352.6	357.7	391.0

	2015	2016	2017	2018	2019	2020
	795.6	798.6	852.3	875.0	858.0	842.5
	269.8	263.2	275.7	273.4	259.1	244.5
	607.1	587.2	623.6	624.4	620.6	585.9
	416.1	398.8	436.3	434.8	427.6	396.6
	618.9	652.3	733.5	769.4	731.8	711.8
	315.6	336.0	399.0	421.2	388.5	385.2
	37.7	37.2	37.6	38.6	38.6	37.9

Global Compact: Communication on Progress (COP)

By participating in the UN initiative Global Compact, we commit to respecting human rights, creating socially compatible working conditions, promoting environmental protection, and fighting corruption.

Principle	Page	Measure taken
Human Rights		
Principle 1 Businesses should support and respect the protection of internationally proclaimed human rights	3, 7–10, 72–73, 99–101 FFS ¹ , pp. 8, 28–30	Sustainable Development Goals (SDG 8), ALTANA's Guiding Principles and leadership guidelines, Compliance Management System, promotion of women in leadership positions, sustainability assessments
Principle 2 Make sure that they are not complicit in human rights abuses	3, 7–8, 72–73 FFS ¹ , pp. 23–24, 28–30	Code of Conduct, sustainability assessments, search for suppliers, supplier agreements
Labor		
Principle 3 Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining	72–73 FFS ¹ , pp. 28–31	Compliance Management System, corporate guideline HR
Principle 4 The elimination of all forms of forced and compulsory labor	72–73 FFS ¹ , pp. 28–31	Compliance Management System
Principle 5 The abolition of child labor	3, 7–8, 72–73, 103–106 FFS ¹ , pp. 23–24, 29	Sustainability assessments, Compliance Management System, support of education initiatives
Principle 6 The elimination of discrimination in respect of employment and occupation	3, 7–10, 72–73, 99–101 FFS ¹ , pp. 28–31	Sustainable Development Goals (SDG 5), Compliance Management System, training, sustainability assessments and audits, surveys
Environment		
Principle 7 Businesses should support a precautionary approach to environmental challenges	3, 9–10, 68–70, 86–88, 94–97 FFS ¹ , pp. 2–7, 12–14, 17–23	Climate strategy CO ₂ neutrality by 2025, Sustainable Development Goals (SDG 13), sustainable product development, energy and environmental management systems, environmental key performance indicators system with targets
Principle 8 Undertake initiatives to promote greater environmental responsibility	9–10, 86–88, 94–97 FFS ¹ , pp. 2–7, 17–23	Sustainable Development Goals (SDG 13), sustainable product development, circular economy, process optimizations, investments
Principle 9 Encourage the development and diffusion of environmentally friendly technologies	3, 9–10, 68–70, 86–88, 94–97 FFS ¹ , pp. 12–14, 17–23, 31–32	Climate strategy CO ₂ neutrality by 2025, Sustainable Development Goals (SDG 9), product and technology innovations, alternatives to critical materials
Anti-Corruption		
Principle 10 Businesses should work against corruption in all its forms, including extortion and bribery	7–8, 72–73, 99–100 FFS ¹ , pp. 28–31	Code of Conduct, Compliance Management System, training and audits

¹ Document "Facts and Figures on Sustainability 2020"

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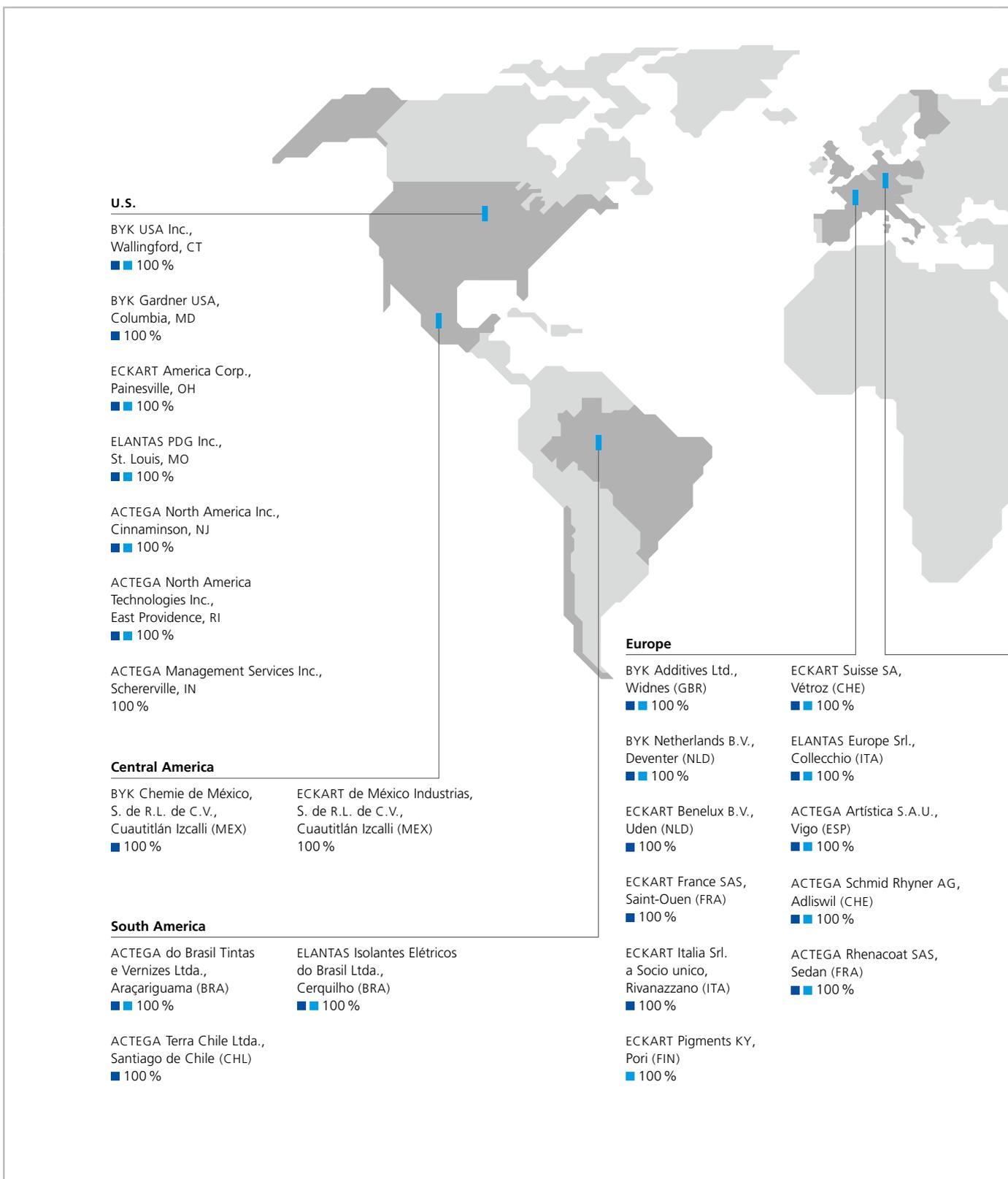
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