ALTANA Annual Report 2006 > ALTANA IN THE PROCESS OF CHANGE

ALTANA

ALTANA IN THE PROCESS OF CHANGE

ANNUAL REPORT 2006

AT A GLANCE

> **ALTANA Group** (former Group structure)

	2006 in € million	2005 in € million	Δ %
Sales	**3,867**	3,272	18
Earnings before interest, taxes, depreciation and amortization (EBITDA)	**940**	815	15
Earnings before interest and taxes (EBIT)	**745**	676	10
Earnings before taxes (EBT)	**779**	684	14
Return on sales (EBT)	**20.1 %**	20.9%	–
Capital expenditure	**188**	246	-24
Research expenditure	**495**	465	6
Employees	**13,404**	13,276	1

> **ALTANA Group** (new Group structure)

	2006 in € million	2005 in € million	Δ %
Sales	**1,294**	907	43
EBITDA	**186**	124	50
EBIT	**99**	72	38
EBT	**93**	76	23
Capital expenditure	**75**	45	66
Research & Development expenditure	**68**	47	45
Employees	**4,484**	4,444	1

> **Figures per ALTANA share in €**

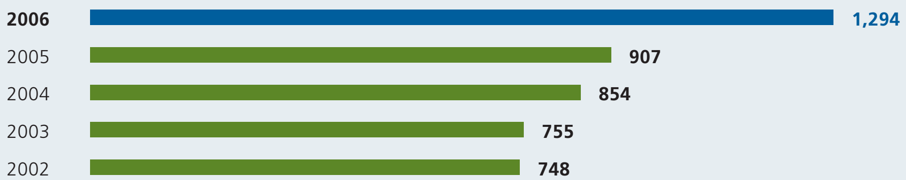
	2006	2005	Δ %
Dividend for the business year	**1.30** [1]	1.10	18
Special dividend from the sale of ALTANA Pharma	**33.00** [1]	–	–
Bonus dividend	**0.50** [1]	–	–

[1] Management recommendation

THE NEW ALTANA: CONCENTRATION ON SPECIALTY CHEMICALS

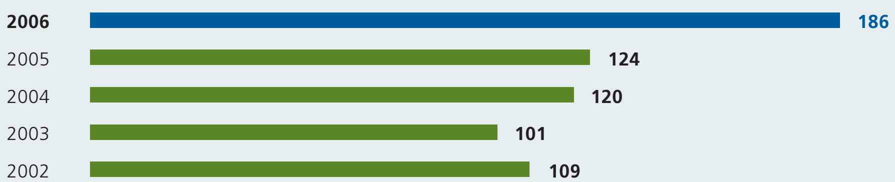
> Sales development

in € million

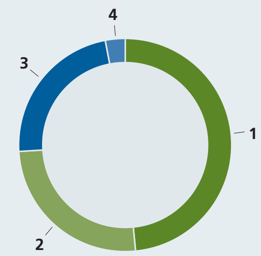


> EBITDA

in € million

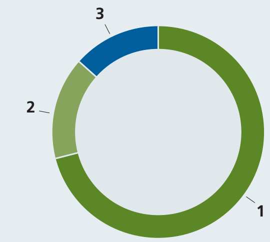


> Sales by region



		2006
Europe	1	**627**
thereof Germany		223
North and South America	2	**331**
thereof U.S.		243
Asia	3	**297**
thereof China		127
Other regions	4	**39**
Total		**1,294**

> Employees by region



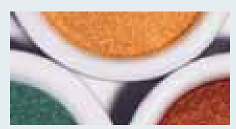
		2006
Europe	1	**3,184**
thereof Germany		2,615
North and South America	2	**699**
thereof U.S.		671
Asia	3	**601**
thereof China		331
Total		**4,484**

ALTANA

> Additives & Instruments

in € million	2006	2005	Δ%
Sales	**409**	364	13
EBITDA	**118**	102	15
EBITDA margin	**28.8**	28.1	–
Employees	**1,052**	983	7

> Effect Pigments



in € million	2006	2005	Δ%
Sales	**339**	75	13[1]
EBITDA	**67**	13	5[1]
EBITDA margin	**19.8**	17.3	–
Employees	**1,802**	1,845	-2

[1] Pro forma based on the full year

> Electrical Insulation

in € million	2006	2005	Δ%
Sales	**325**	293	11
EBITDA	**44**	41	9
EBITDA margin	**13.6**	13.9	–
Employees	**883**	873	1

> Coatings & Sealants

in € million	2006	2005	Δ%
Sales	**221**	175	26
EBITDA	**24**	14	67
EBITDA margin	**10.7**	8.1	–
Employees	**655**	660	-1

>> WE SET A NEW COURSE IN 2006

The Pharmaceuticals and Chemicals divisions of the ALTANA Group will go their separate ways in the future – the Pharmaceuticals division under a new owner, the Chemicals division as an independent company.

Under the holding company ALTANA, ALTANA Chemie – so far in the shadow of ALTANA Pharma – has grown into a strong company with excellent perspectives whose four divisions stand on firm, sustainable foundations. We are concentrating on demanding, growing niche markets for specialty chemicals in which we have or can achieve leading positions.

Specialized in surface protection and surface refinement in the broadest sense, people come into contact with our products more often than they expect. Usually invisible, our specialty chemicals are found in a multitude of products and give products partly surprising and above all value-adding properties. We believe that ALTANA is in a good position to continue the growth story.

>> THROUGH INNOVATIVE PRODUCTS

Surfaces such as the car body are attacked for instance by UV radiation, ice, acid rain, stone chips and dirt.

Car paint has more than just aesthetic appeal. This applies in particular to the last, only four-hundredth-of-a-millimeter thick, colored topcoat. Water drips off of fresh paint that is only a few days or a few months old. But after a car has been through car washes a hundred times, conventional paint has only a third of its original brilliance. Additives, which will be combined with nanoparticles in the future, make modern car paints much more resistant and thus able to meet the high demands placed on them.

>> OUTSTANDING QUALITY

Constant gloss retention and color fastness, extreme abrasion resistance, excellent adhesion – automotive series coatings are among the most technologically sophisticated coatings applications.

Additives & Instruments has an extensive portfolio of tailor-made additives which give coatings and plastics the high-quality properties that customers desire. Our forty years of experience with customers and intense research guarantee that the quality and performance of our products will continue to be outstanding in the future. The possibilities for additives applications are as varied as the existing surfaces and the corresponding coatings requirements.

>> LEADING IN ADDITIVES AND MEASURING INSTRUMENTS

Our "paint additives" portfolio alone offers a range of nearly 300 different products. And 15 new products are added by our Research & Development every year.

As a component of finished products, additives are invisible yet can be found almost everywhere in everyday life – for example, in protective layers of wooden tables, parquet floors, and buildings, in electronic devices and in car paint. As the requirements vary widely depending on the application area, Additives & Instruments has experts specializing in wood, building, and car coatings. Added in small amounts, additives are not only decisive for the quality of paints and plastics and thus hard to replace; they also facilitate their manufacture and processing. As a result, they are in high demand in all kinds of industries.

GROWTH BY OUR OWN EFFORTS

Additives & Instruments (A&I) has achieved a sales growth of 10 % on average in the last ten years, growing twice as fast as the market for paint and plastics additives. The primary growth drivers are our high innovation rate, the superior quality of our products, and our worldwide technical, highly specialized service. We have many more marketing specialists and technical advisors for customer service and joint product development than any of our competitors. Through years of close cooperation with our customers we have established strong business ties.

Additives & Instruments achieved its strongest growth with paint additives, which accounted for more than 70 % of the division's total sales, followed by plastics additives and measuring instruments, with an almost 20 % respectively nearly 8 % share in sales. None of our competitors offers the customers – leading manufacturers of automotive and decorative paints, wood coatings as

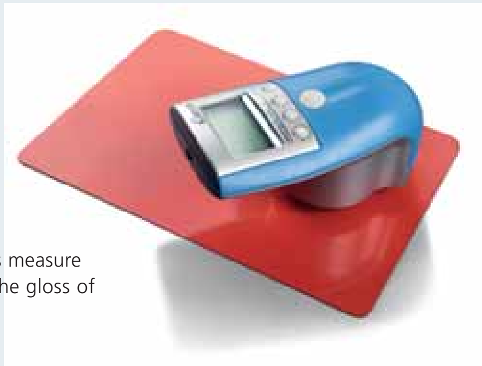
A&I's core competence lies in highly specialized additives – themselves invisible – which give coatings and plastics their specific, high-quality properties. As an integral component of the most important types of coatings, additives are used in millions of coatings formulations.

well as printing inks – both quality-enhancing additives and testing instruments which measure quality. While the market for measuring instruments is growing more slowly than the market for paint and plastics additives, we are also growing twice as fast as the market. We are the worldwide leader in all three of our business areas.

Additives & Instruments' top position is due, among other things, to the fact that we engaged in international business early on. We successfully expanded to Japan, Korea, and China already back in the 1970s. The division achieved 9 % of its sales in 2006 in China alone. For historical reasons, we generate the largest part of our sales – 45 % – in Europe, followed by Asia (27 %) and North and South America (24 %).

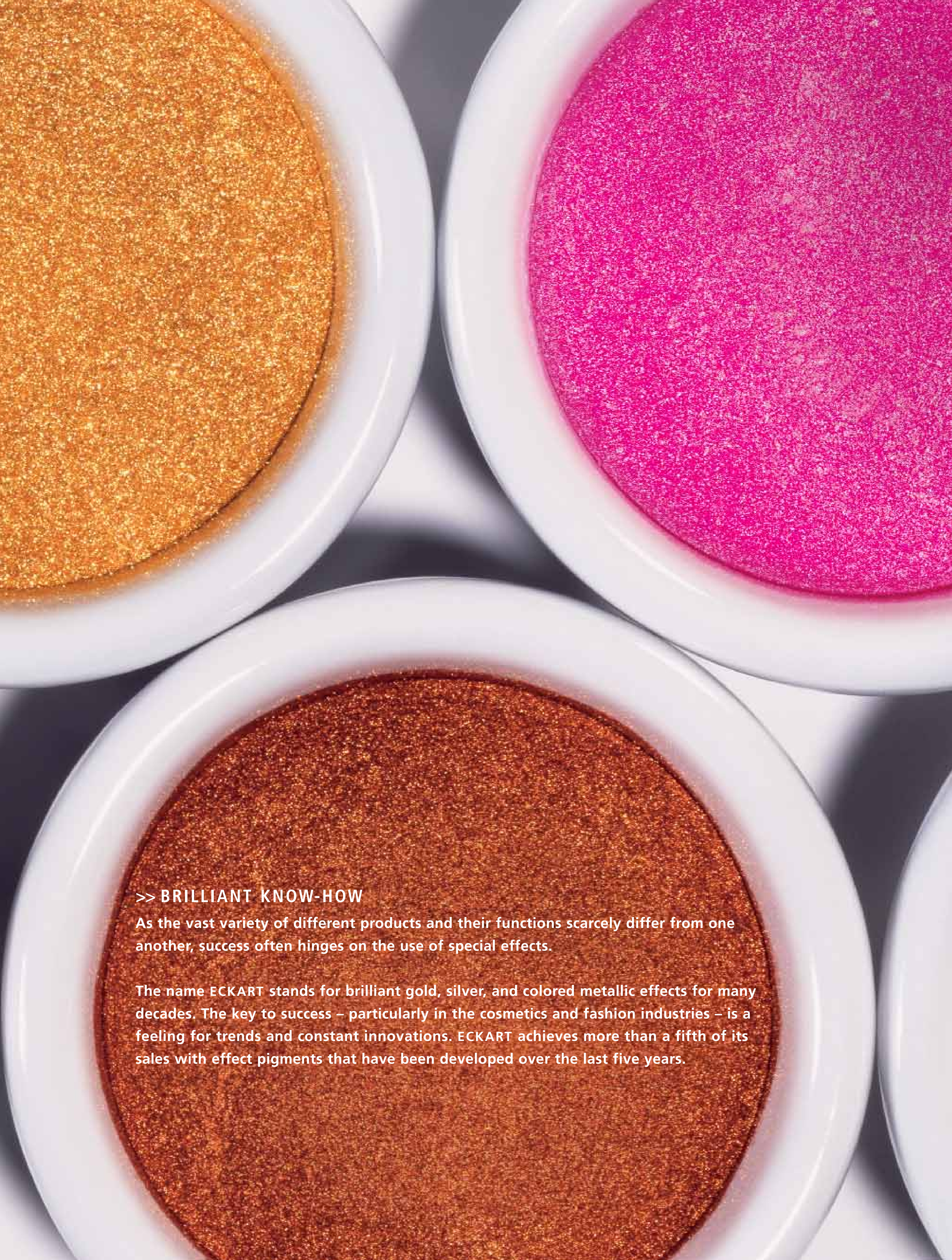
WE ARE WHERE OUR CUSTOMERS ARE

In order to ensure that we remain the market leader in the future, we will continue to strengthen our presence particularly in rapidly growing markets such as China and India. We also expect growth impetus from new environmental protection requirements. By carrying out intense research on environmentally friendly substances such as emission-free, water-based additives, we encounter the increasing commoditization* of our products and the resulting margin decreases, on the one hand, and promote new trends, such as the move away from metals and toward plastics, on the other. An example: light construction of cars, which saves fuel. In addition, our plastics additives business area has promising potential in the thermoplastics market.



BYK-Gardner instruments measure the quality of color and the gloss of paints and plastics.

* Glossary



>> BRILLIANT KNOW-HOW

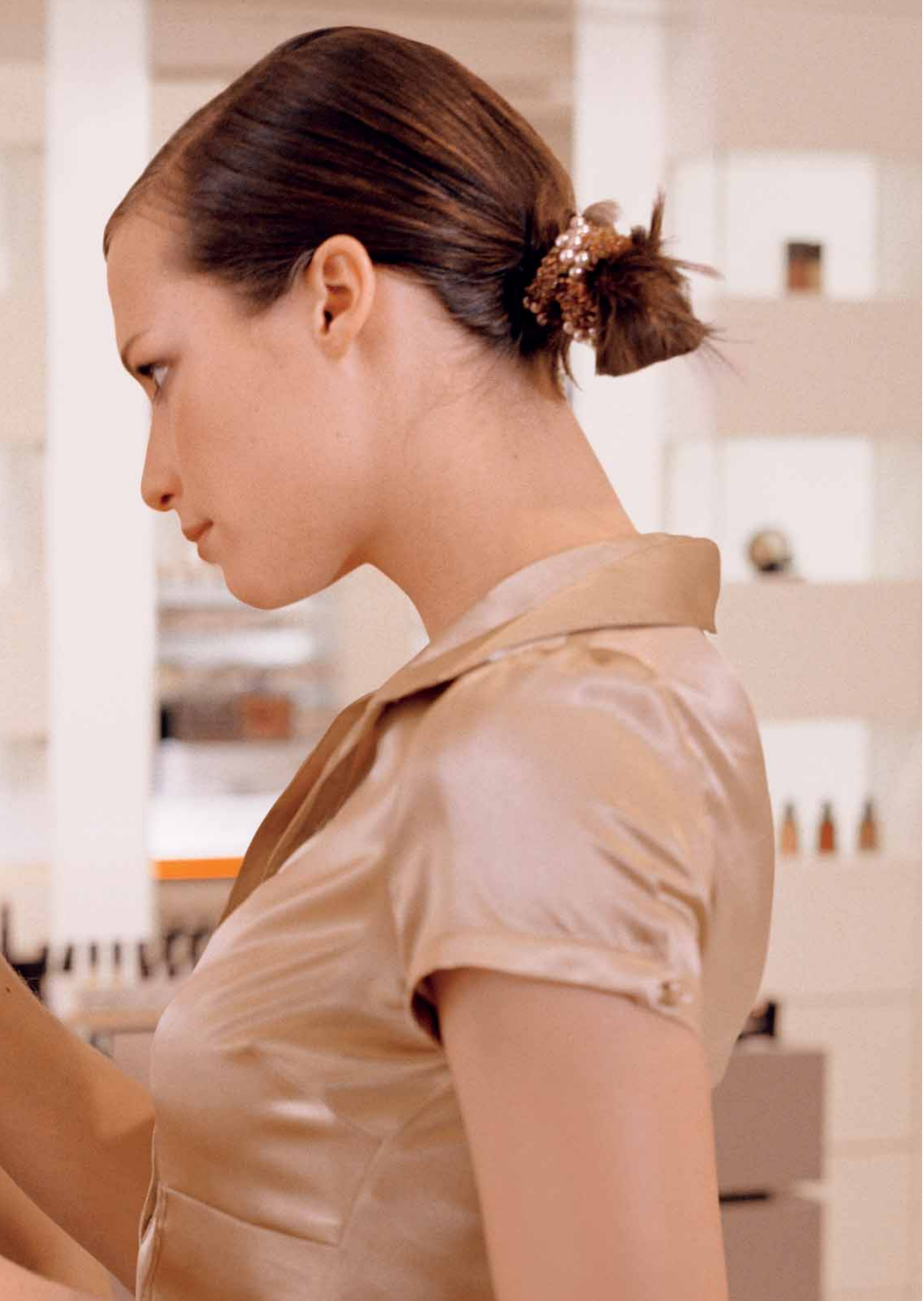
As the vast variety of different products and their functions scarcely differ from one another, success often hinges on the use of special effects.

The name ECKART stands for brilliant gold, silver, and colored metallic effects for many decades. The key to success – particularly in the cosmetics and fashion industries – is a feeling for trends and constant innovations. ECKART achieves more than a fifth of its sales with effect pigments that have been developed over the last five years.

>> FOR A UNIQUE LOOK

Once "natural," once "gold glamour" – the fashion carousel is turning faster and faster. It is not only in the cosmetics industry that all kinds of trends coexist in one season.

Effect pigments are conquering the world of beauty and lifestyle increasingly. While just a few years ago they were used exclusively for decorative cosmetics products such as nail polish and lip gloss, they are today also found in personal care products like shower gel, hair conditioner, face lotion and toothpaste. We offer more than 100 products for the cosmetics industry and advise nearly all of the large brand manu-facturers.



>> THE WORLD'S LEADING MANUFACTURER OF EFFECT PIGMENTS

Shimmering or glittery effects are signals that can hardly be overseen. With a hint of silver or gold, accentuating highlights can be created leaving a lasting impression.

When designers and stylists want to produce effects, the Effect Pigments division is their competent partner. What BYK® is for the additives market, is ECKART for the effect pigments market – a leading brand. While metallic pigments consist of tiny aluminum or copper/zinc plates, pearlescent pigments are mineral based. Due to the multiple reflection of light, the latter are characterized by a deep gloss and the former by a surface sheen on account of the surface-covering pigments. As the world's leading manufacturer of effect pigments, ECKART has the most wide-ranging product portfolio and is the only competitor having the right product for every effect.

The application areas of effect pigments range from nail polish to high-gloss magazines, bottle labels, electric shavers, cell phones, high-tech bicycles to car paints. While functional aspects are the focus regarding additives, decorative product features are most important when it comes to effect pigments. Gloss and glimmer turn ordinary products into special and exclusive goods, enhancing the brand image and thus refining the product. In addition, effect pigments are being used increasingly in technical areas – for instance, in light weight concrete, in pyrotechnics, and above all for corrosion protection.

GROWTH THROUGH INNOVATIVE EFFECTS

The Effect Pigments division owes its dynamic growth – 11 % on average in the last ten years – to the worldwide trend towards more visually elaborate designs of packagings as well as consumer and industrial goods and the resulting increased demand for metallic and pearlescent pigments for product differentiation and refinement, and to its innovative strength and technology leadership. Effect Pigments has been the worldwide market leader in the coatings and printing market for many years now.

With effect pigments, we achieve 60 % of our sales in the coatings industry and 25 % in the printing sector. The share of effect pigments sales for the plastics market and for technical applications in the division's total sales amounts to 6 % each, the share for the cosmetics market amounts

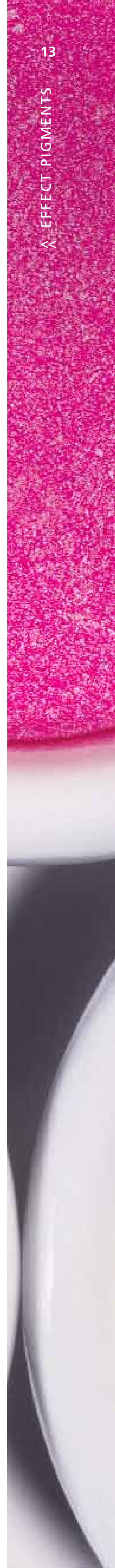
The Effect Pigments division stands for innovative solutions with metallic and pearlescent effect pigments. As the only provider of complete effect pigments solutions worldwide we accompany our customers from the analysis of demand right through to the individual tailor-made solution.

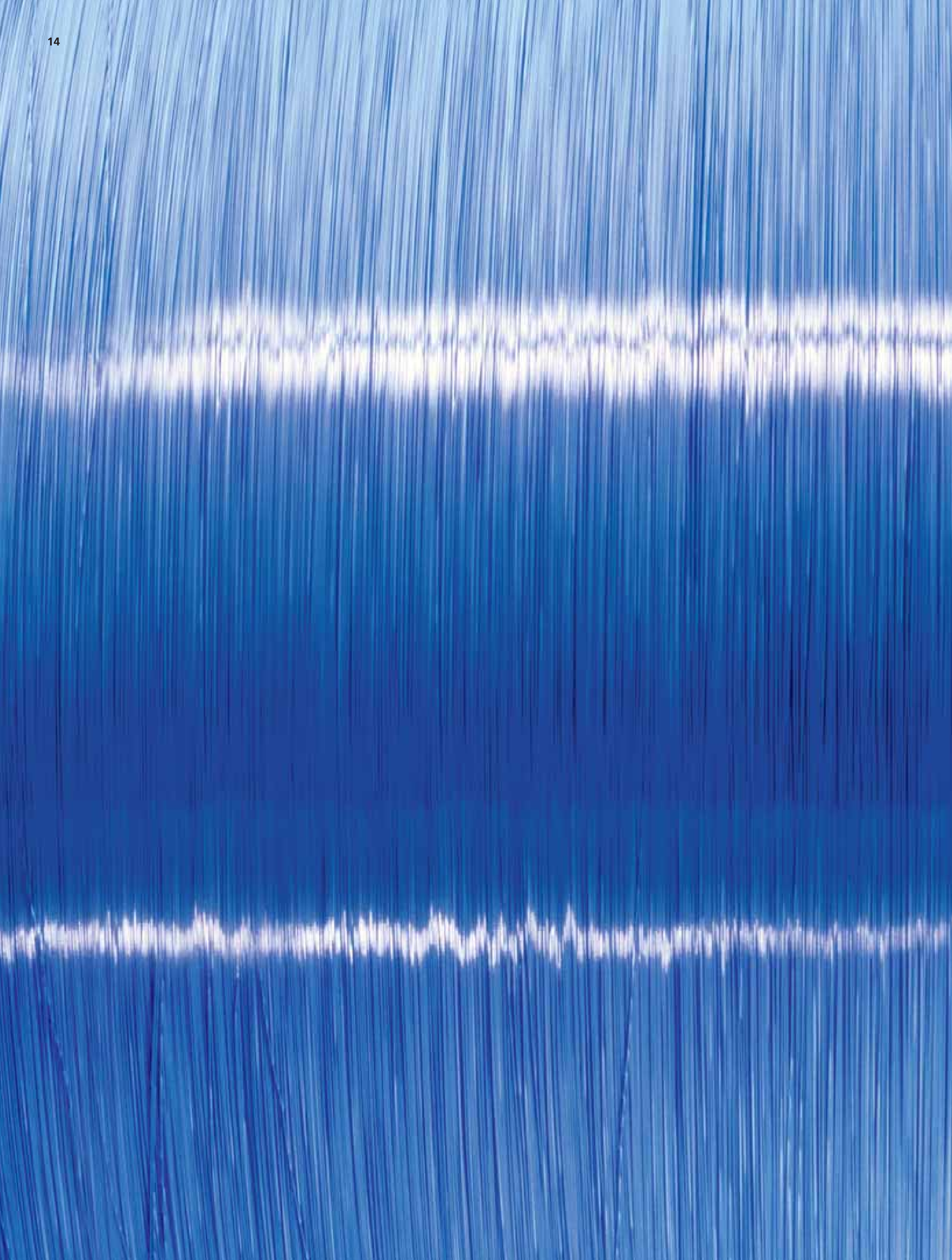
to 2 %. For historical reasons, we generate the largest part of our sales (56 %) in Europe, and 28 % thereof in Germany; we achieve 22 % of our sales in North and South America, 16 % thereof in the U.S.; and 20 % in Asia, 10 % thereof in China.

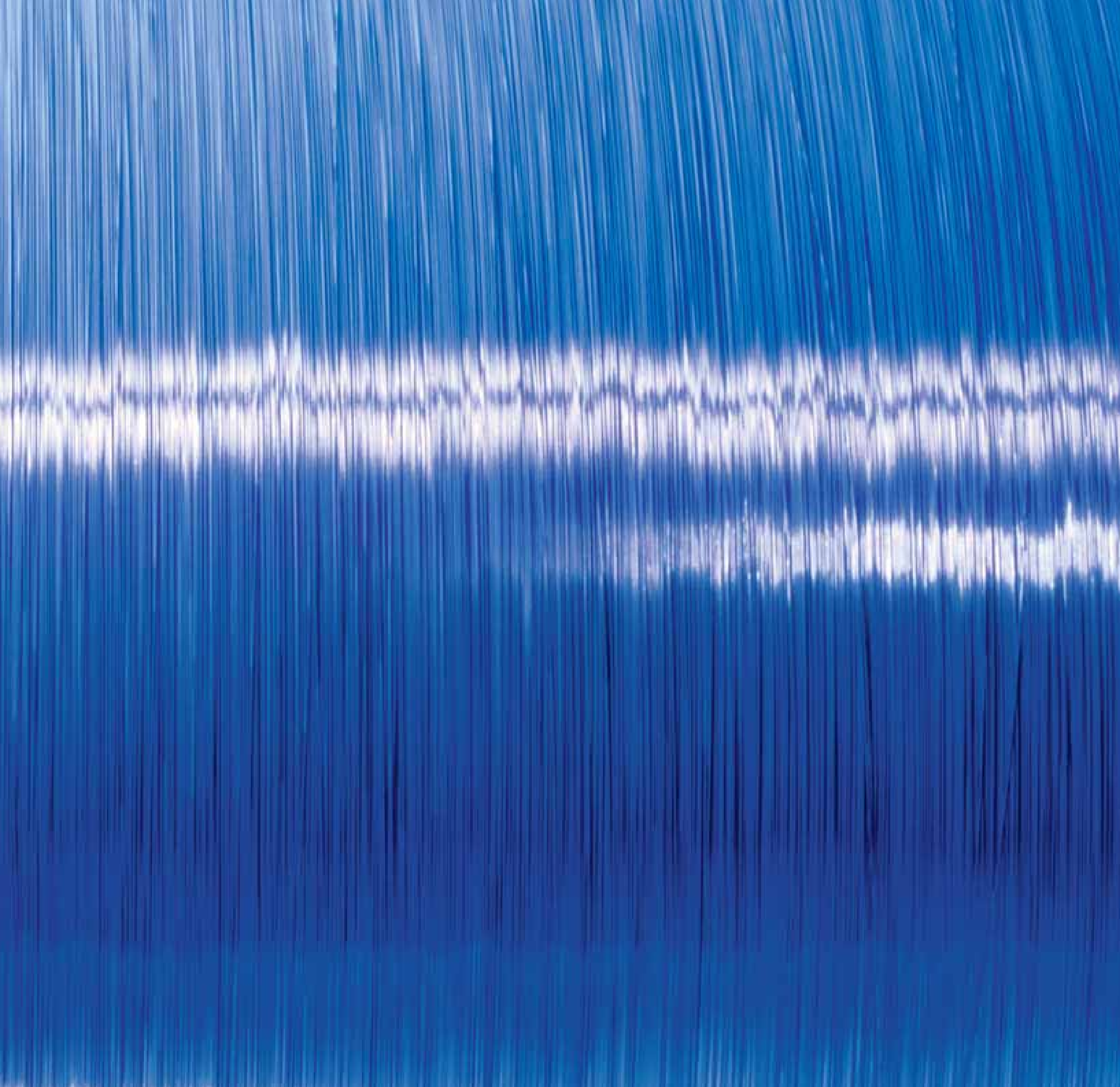
PROMISING FUTURE PERSPECTIVES

According to estimates, the effect pigments market has a volume of roughly €1.5 billion and will expand by approximately 3 % on average in the next five years. We see the greatest growth potential for our effect pigments business in the Asian region, above all in China, where we will bolster our position with a local production site for aluminum pigments and printing inks. As the market and technology leader in effect pigments for water-based coating systems, we will continue to benefit from the trend towards environmentally friendly, emission-free products, especially in the automotive industry. Due to economic and ecological advantages, our powder coatings business and technically demanding bonding service will also grow significantly. Our graphic arts business area will also expand on account of the increased demand of the printing industry for metallic effects, primarily for packagings and labels. This development will be supported by our backselling activities with brand manufacturers such as Unilever, Procter & Gamble and Coca-Cola. In this area, we are focusing more on using our metallic printing inks as a less expensive alternative to decoration technologies such as metallic foils and papers. Consumer goods manufacturers are also attaching increasing importance to design and innovative colors in order to be able to distinguish themselves from competitors not solely through their brand names. Furthermore, an increasing number of renowned designers and opinion makers are taking advantage of ECKART's color expertise when they create trendsetting hues for specific market segments and regions.

In addition to purely decorative applications, Effect Pigments plans to expand its metallic pigments business for functional applications, above all in the area of corrosion protection, to fully exploit the technical application potential of our products.







>> EXCELLENT TECHNICAL ACHIEVEMENTS

Without an insulating coating electricity would flow between the wires and not down the path of the wire. The result: leakage current or short circuits.

Increasing leakage current can possibly cause considerable generation of heat and thus lead to functional impairment or to the complete breakdown of a technical device due to overheating. In extreme cases, faulty insulation coupled with moisture can even pose a serious safety problem. Electrically insulated wires are used in electric motors and transformers, where they meet high heat and chemicals-resistance requirements and have to withstand mechanical and electrical burdens.

>> FOR MORE COMFORT AND SAFETY

Whether a computer or a television set, an espresso or drilling machine, windshield wipers or window lifters – our world is full of technology that makes many aspects of everyday life easier.

Every electrical device contains a number of components such as electric motors and transformers which we don’t even notice because they function reliably. A low breakdown rate of a device reflects its high quality and means that the insulation problem has been solved well. The products made by the Electrical Insulation division – wire enamels, impregnating resins, and compounds – contribute to the safety, reliability, and long life of such devices.

>> WORLD LEADER IN LIQUID ELECTRICAL INSULATION

Electrical Insulation's products are used in successive steps in the value added chain. Wires are covered with wire enamel before they are wound into a coil. Then the coil is additionally insulated with impregnating resins to ensure that it is sturdy and to provide for good mechanical stabilization of individual components in electrical devices. Casting compounds are used to cast, encapsulate, or embed electrical or electronic components, for example on a printed circuit board.

While primary insulation, the wire enamels, are purchased by enamel wire manufacturers, secondary insulation, impregnating resins and casting compounds, are bought by original equipment manufacturers (OEM*) and by manufacturers of technical devices.

DISPROPORTIONATE GROWTH

With a 57 % share in sales, primary insulation is by far our largest business segment, followed by secondary insulation (29 %), as well as electronic and engineering materials (14 %). As an internationally leading manufacturer of liquid insulation, Electrical Insulation has achieved sales growth of 26 % on average in the last ten years. This expansion was achieved by acquisitions and also through organic growth. We generated 39 % of our sales in Europe, 31 % in Asia, and 27 % in North and South America. After the U.S. (20 % of our total sales), China is our second-largest single market, accounting for 15 %. While our sales are distributed relatively equally over the triad markets, we generate only 7 % of our total sales in Germany.

* Glossary

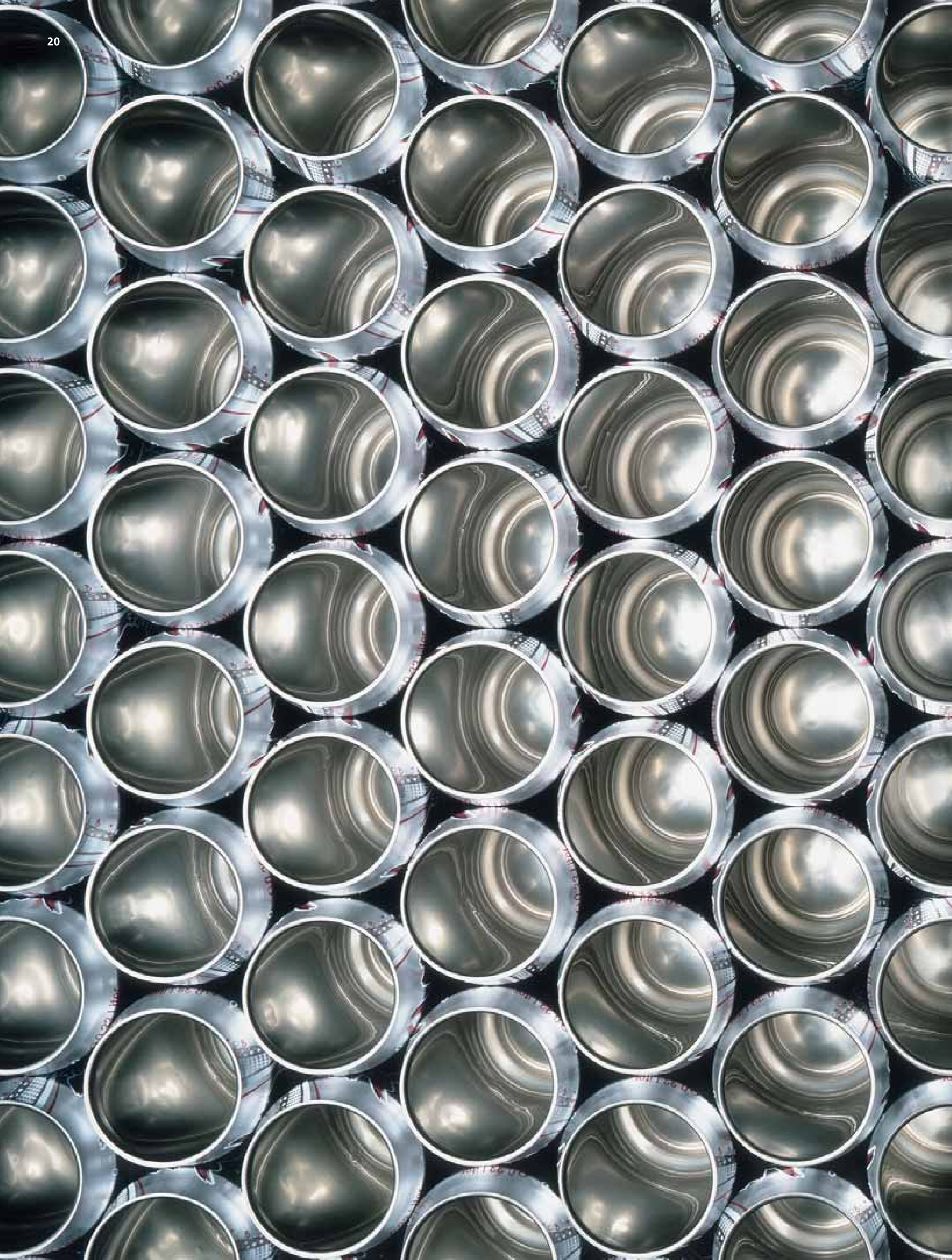
None of Electrical Insulation's competitors has such a wide range of liquid insulation in its portfolio while at the same time being present in all of the world's important regions. Our products meet the constantly growing technical requirements of the electrical industry.

AUTOMATION AND MINIATURIZATION DRIVE GROWTH

Electrical Insulation is ideally positioned in all of the most important regions. We expect growth impetus particularly from emerging markets and regions such as China, South Asia, and South America, as well as from innovative products. For innovations, the authorization lists of underwriter laboratories* (UL) pose a barrier to market entry. For approved products repeatedly used by product developers in the electric and electronics industries, they constitute a competitive advantage. None of our competitors has facilities for internal tests, authorized by UL in all relevant markets worldwide as Electrical Insulation does. Our largest growth potential lies in the market for electronic and engineering materials. This is our largest market with a sales volume of €1.3 billion and we expect the market to expand by 4% per year until 2011. There are four major innovation-driving trends: 1. Expensive copper wires are partly being replaced by aluminum wires. 2. Growing requirements regarding user-friendliness and safety are giving rise to increasing automation. The main growth driver for the electronics industry is the automotive industry. Today, every midsize car contains up to 50 electric motors, sensors, and other electrical components. 3. The development towards "smaller and faster" regarding consumer and industrial goods is giving rise to higher technical requirements for materials. 4. Increasing environmental protection requirements are not only changing the demands placed on our manufacturing processes but also on the processes of our customers which we support by corresponding product innovations for example by using solvents to a lesser extent and thus help reducing carbon dioxide emission.

In addition, we intend to strengthen our organic growth through acquisitions also in the future.

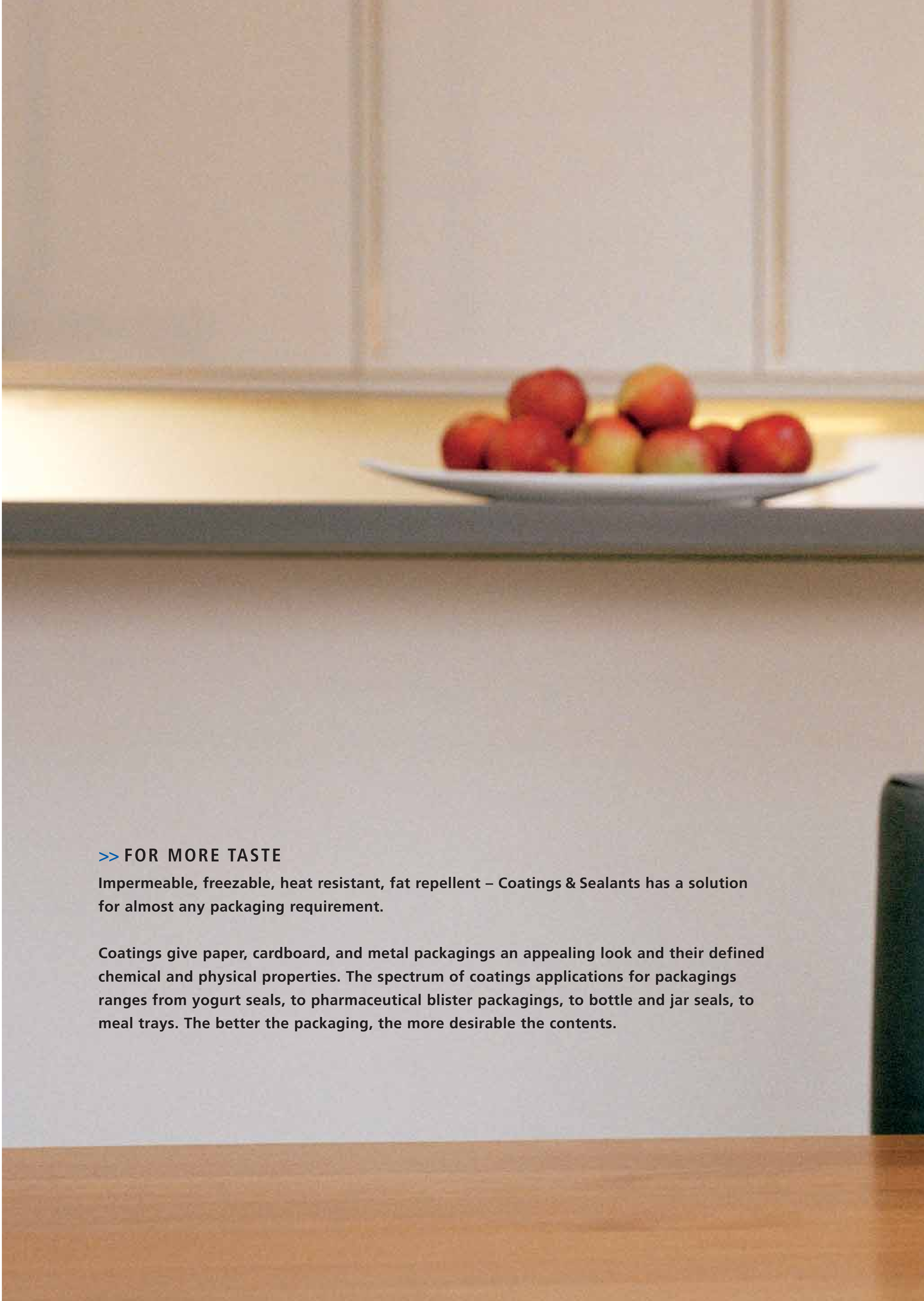
* Glossary



>> BETTER PACKAGING

Exterior coatings protect cans from corrosion and give them aesthetic appeal. Interior paints protect the contents and ensure that these products are preserved for a long time.

Possible applications range from beverage cans, to preserving and aerosol cans, to jewel cases. In addition to special coatings, Coatings & Sealants offers can end sealants, jar and bottle seals, and crown seals. Everything "comes from one source," guaranteeing that coatings and sealing compounds are optimally tailored to one another.



>> FOR MORE TASTE

Impermeable, freezable, heat resistant, fat repellent – Coatings & Sealants has a solution for almost any packaging requirement.

Coatings give paper, cardboard, and metal packagings an appealing look and their defined chemical and physical properties. The spectrum of coatings applications for packagings ranges from yogurt seals, to pharmaceutical blister packagings, to bottle and jar seals, to meal trays. The better the packaging, the more desirable the contents.

>> SPECIALIST FOR DEMANDING SOLUTIONS AS TO FLEXIBLE PACKAGINGS

As Coatings & Sealants' products are used in the field of food and drugs, they very often have to meet the strict regulations of the U.S. Food and Drug Administration (FDA).

And something else is different, too: While with automotive series coatings the car is built first and then coated, the packaging materials used in the food industry are coated before a bag is produced from them, for instance. As a consequence, Coatings & Sealants' coatings and sealing compounds have to withstand all kinds of transformation processes.

CONCENTRATION ON TWO FAST GROWING BUSINESS AREAS

In financial 2006, Coatings & Sealants again reached the sales level it had achieved before withdrawing from the industrial coatings business in 2004/2005 and the strategic realignment on flexible packagings solutions. Our two most recent acquisitions contributed to this success, enabling us to bolster our position in our core overprint varnish business area in the U.S. market. Coatings & Sealants achieved 47 % of its sales with coatings for the printing industry and printing shops. According to estimates, the graphic arts market will grow on average by 5 % to 6 % until 2011. The same applies to the coatings market for metal packagings, in which we achieve 53 % of our sales. With an average growth of 6 % in the last ten years, Coatings & Sealants has so far grown as fast as its markets, however, clearly faster considering only the traditional business areas. We generate 56 % of our total sales in Europe, 32 % in North and South America, and 8 % in Asia, the fastest-growing market. Our two largest single markets are Germany and the U.S., each accounting for 23 %. Through the acquisitions of Rad-Cure and Kelstar we have not only created a platform for

In the last two years, Coatings & Sealants has exchanged about 40 % of its portfolio and shifted its focus to coatings and sealing compounds for all kinds of packaging materials. In addition, we help our customers integrate the products in their manufacturing processes.

future U.S. growth in the graphic arts sector, but also for our second main pillar, converting specialties. Our business in South America and Eastern European countries is benefiting from the dynamically increasing purchasing power in these emerging markets.

OPPORTUNITY FOR DISPROPORTIONATE GROWTH IN THE AREA OF PLASTICS

Ever shorter product lifecycles and the unbroken trend towards increasingly elaborate packagings are opening up very good growth perspectives for us. Due to the complexity of manufacture, there is a much higher demand for innovative solutions in the area of flexible packagings than in rigid packagings – a primary reason why we are concentrating on this market. Our technology leadership and innovative strength as well as our know-how exchange with other ALTANA business areas gives Coatings & Sealants a very good starting point for new developments. For composite and plastic packagings, we intend to compile an innovative and extended product portfolio and range of services. In this respect, joint projects with Effect Pigments are already underway. Composite packagings consist of different combinations of material, such as plastic/paper or metal/plastic. Plastics, particularly thermally moldable ones, so-called thermoplastics, are the packaging material of the future. The U.S. packaging industry already achieves approximately 50 % of its sales with plastic packagings. In addition, the increasing complexity of packagings, the high demand for innovative solutions, and higher customer requirements offer growth opportunities through system solutions. For example, we have application units in our portfolio that are especially tailored to more environmentally friendly, water-based sealants. Reducing the amount of solvents used is not only an environmental issue, but also a matter of profitability and manufacturing speed.

Examples from our product portfolio: The colored, food-safe exterior coating, the protecting interior coating and the hot sealing coat for the gas tight closure of the caps.

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Dr. Nikolaus Schweickart
Chairman of the Management Board

Dear Shareholders,

In my foreword to last year's annual report on the 2005 business year I pointed out that in the course of 2006 we intend to significantly change the structure of the ALTANA Group by separating the Pharmaceuticals and Specialty Chemicals divisions into two independently operating businesses. This step was taken in the second half of 2006 with the opening of the Pharmaceuticals business to a strategic buyer, the Danish Nycomed Group, which acquired all of the shares of ALTANA Pharma AG as of the end of 2006. With the divestiture of the Pharmaceuticals business ALTANA will now concentrate exclusively on the Specialty Chemicals business as a company listed on the stock exchange. As a result of the move, the former structure of the holding company has become obsolete.

With this change in the Group structure we have paved the way for the strategic further development of both the Pharmaceuticals and the Chemicals business. Thirty years after the foundation of ALTANA in 1977, it is the most defining moment in the company's history. The separation of the two divisions, which have so far been managed by the holding company ALTANA AG, into two independently operating companies with different shareholder structures is based on the conviction that in their future constellation both divisions will have new strategic opportunities for a successful future.

The reasons for the sale of ALTANA Pharma AG and the integration of the Pharmaceuticals business into the Nycomed Group are, on the one hand, based on the changed conditions of the pharmaceutical industry displaying a drastic increase in research expenses, considerably more stringent regulatory requirements, and a significant reduction of marketing periods in the face of strong competition from generics* and massive government intervention in prices and reimbursement mechanisms. On the other hand, in the face of setbacks and delays in the research pipeline, the move was made because of the need to put product supply on a broader footing to help fill the sales gap expected to arise when the patent protection for Pantoprazole expires in 2009/2010. Against this background we examined and pursued two strategic possibilities to ensure the future of ALTANA Pharma: a merger with an attractive partner in the form of a strategic alliance and the sale of the Pharmaceuticals business to an acquirer with a long-term strategic orientation.

At the end of an intense process examining all options, the sale of ALTANA Pharma to the Danish pharmaceutical company Nycomed, owned by financially strong and long-term oriented private equity shareholders, turned out to be the most advantageous solution for ALTANA AG, its shareholders, and for ALTANA Pharma. With the sale, the value of ALTANA Pharma can be realized, which is based to a large degree on its Pantoprazole business. In the future, the two companies will be able to balance out the risk profile better and to put the joint company on a broader product basis thanks to the combination of in-licensing and own research.

ALTANA Chemie, bolstered by the strategic acquisition of the ECKART Group in 2005, will continue the ALTANA tradition as an internationally operating company geared to high-value products. With solid asset and healthy financial structures, as well as a consistent strategic concept, the newly formed group, which will be an independent, listed company with Susanne Klatten as the majority shareholder, also has great opportunities to successfully shape its future.

The last business year of ALTANA in its former constellation – the 30th by the way – was, moreover, an extraordinarily successful one, the 11th record year in succession. With another double-digit dividend increase, driven by a dynamic Pharmaceuticals business

* Glossary

and an excellent Chemicals business we were able to extend the long chain of profitable years by another year. The high dividend for the 2006 business year that we will propose to the Annual General Meeting will be paid out in full from operating income, a policy which we have practiced repeatedly over the entire lifespan of the former ALTANA Group. The considerable income that we generated from the sale of the Pharmaceuticals business, with a purchase price of roughly € 4.7 billion, will be allocated entirely to our shareholders together with the annual dividend for 2006 and a bonus.

Dear shareholders, the ALTANA Group can look back on a very successful 30-year history. We have achieved excellent results and successes, but we have also had to endure setbacks and disappointments in pharmaceutical research. The Specialty Chemicals division, which will now continue the ALTANA tradition, did not even exist as an independent division 30 years ago when ALTANA emerged from the reorganization and splitting of the conglomerate VARTA AG. It has expanded dynamically, by original growth and also through selected acquisitions. Since the restructuring of the Group in 1995 with the sale of Milupa and the data processing business, the Pharmaceuticals business has developed a remarkably dynamic strength, driven by the gastrointestinal preparation Pantoprazole from its own research, which has become a blockbuster product.

At the end of my tenure, after 20 years as a member of ALTANA's Management Board, and 17 of them as Chairman of the Management Board, I would like to extend my thanks to the employees, executives, and works council members of the entire ALTANA Group for their motivation, their dedication, and their loyalty to the company. I am convinced that ALTANA's success story will be continued in its new constellation.

Nikolaus Schweickart

Chairman of the Management Board

ALTANA FROM 1977 TO 2006

2006 New strategic course: Sale of the Pharmaceuticals business and concentration on Specialty Chemicals. Last business year in former constellation again with record figures.

2005 10th record year in succession: Sales surpass the €3 billion mark (+10 %) for the first time. ALTANA Chemie acquires ECKART Group. Initiation of the strategic Group realignment.

2004 General conditions in the pharmaceutical environment becoming harder – in spite of this, sales and earnings increase by 8 %. First approval for the new respiratory medication ALVESCO®.

2003 Further successful business year with sales of €2.7 billion (+5 %) and earnings of €0.6 billion (+10 %). Application for approval of Roflumilast (DAXAS®) in Europe.

2002 Pharmaceuticals and Chemicals divisions become stock corporations (AGs) with new names. U.S. listing. Inclusion into the DAX30 index.

2001 25th FY: Sales +20 %, earnings +40 %. Market capitalization: approximately €7.8 bn. Pantoprazole sales of U.S.$ 1 bn (blockbuster) for the first time. Promising respiratory tract pipeline.

2000 Sales: almost €1.9 bn (+22 %). ROS of Chemicals >20 %. Equity ratio: 55 %. Market capitalization: €6.5 bn (price increase: +144 %). U.S. market launch of Pantoprazole.

1999 Group sales of €1.6 bn. Chemicals sales surpass €500 million. ROS: 15 %. Market capitalization: €2.6 bn. Introduction of stock option plan for executives (SOP).

1998 Sales: +10 %. Earnings +15 %. ROS: around 13 %. Almost 8,000 employees. Pharmaceuticals builds production in Poland and India. Chemicals bolsters its business in China.

1997 Double-digit sales growth. ROS (EBT) above 10 % for the first time. Market capitalization: DM 4.8 billion. DM 100 million invested in the company's own biotech fund (ATP).

1996 The Pharmaceuticals and Chemicals divisions report strong growth to DM 2.3 billion. EBT +20 %. New technologies used in pharmaceutical research. Acquisition in Chemicals division.

1995 Fundamental Group restructuring: concentration on Pharmaceuticals and Specialty Chemicals divisions following sale of the dietetics business (Milupa) and the EDP activities.

1994 Worldwide sales: DM2.8 billion. Total assets: DM2 billion. Total dividend: DM53 million (+14 %). Approval and market launch of Pantoprazole in Germany.

1993 Strong growth of the Chemicals division. Application for approval of Pantoprazole in Germany.

1992 Declining dietetics business. Degree of internationalization: 53 %.

1991 Worldwide sales: DM 2.6 billion. Profit increases to more than DM 200 million. Reacquisition of Oranienburger Pharmawerke, former headquarters of the Byk Group.

1990 The financial holding company becomes a strategic management holding company. Dr. Nikolaus Schweickart becomes Chairman of the Management Board. Market capitalization at the beginning of 1990: DM 1.4 billion.

1989 Sales surpass DM 2 billion for the first time. Acquisitions in Pharmaceuticals and Dietetics.

1987 Total assets almost DM 1 bn for the first time. Equity ratio: 30 %. Market capitalization after stock market crash in October: DM 820 m. Dr. Frank Trömel Chairman of Management Board.

1986 Difficult business year: sales decline for the first time and earnings problems in the Pharmaceuticals division.

1985 Begin of efforts to create three separate divisions. Acquisition of the software company DAT. Market capitalization exceeds DM 1 billion for the first time.

1984 Sales above DM 1.5 billion, roughly 7,100 employees. Spin-off of BYK-Chemie to form separate division (initial sales: DM 73 million).

1982 Expansion of pharmaceuticals and food manufacturing.

1981 Total group assets: DM 550 million.

1980 Strong sales growth (+16 %) to more than DM 1 billion for the first time. Hans Graf von der Goltz becomes Chairman of the Management Board.

1979 Sale of "other" businesses (Mouson and Groh).

1978 New Pharmaceuticals production site in Singen.

1977 First business year following the successful launch as an independent company after the reorganization and splitting of the conglomerate VARTA AG. ALTANA achieves worldwide sales of DM 806 million with Pharmaceuticals, Dietetics, Coatings, and other businesses. Share of foreign business: 36 %. Nominal capital: DM 98.9 million. Market capitalization: DM 430 million (€220 million). Dr. Herbert Quandt first Chairman of the Management Board.

"THE FUTURE OF ALTANA"

... HIGH INCREASES IN VALUE AND A MODERATE RISK PROFILE ...

Dr. Schweickart, Dr. Küllmer, during your tenure since 1990, sales of ALTANA climbed almost fourfold, the EBT increased more than tenfold, and market capitalization rose from €0.7 billion to €6.6 billion, i.e. also climbed almost tenfold. Could you describe the maxims that have guided your decisions?

Dr. Schweickart: ... creating flexible units in a diversified company, and at the same time concentrating on the promising, research-driven fields of Pharmaceuticals and Specialty Chemicals.

Dr. Küllmer: ... and it has always been our endeavor to maintain the financial stability of the company.

What were the factors critical for success in your opinion?

Dr. Schweickart: The internationalization of our business, a focus on innovation, long-term thinking, with no one-sided shareholder value maximization and decentralized management structures.

Dr. Wolfgruber, Mr. Babilas, what are the decisive factors for corporate success in your opinion?

Dr. Wolfgruber: Ultimately, lasting success can only be achieved if the interests of all stakeholders are taken into account in an appropriate way. Dedicated and motivated employees create value for our customers and shareholders, and a successful company creates value for society in the form of investments, jobs, and taxes. Corporate success requires creative power and the willingness to invest in the future of the company.

Mr. Babilas: In my experience, in order to be successful it is important for a company to really strive to achieve tangible results, to consistently focus on the respective objectives when decisions have to be made, and to create an atmosphere where issues are discussed openly and straightforwardly, leaving room for controversy, to guarantee that the right decisions are made.

What part did risk management play in the strategic decision to "realign" the Group, Dr. Schweickart?

Dr. Schweickart: Risks – that is the key word. The pharmaceutical industry is a high-risk industry, especially when a company adheres – as we do – to a business model geared to research and prescription products. Research and development expenses for so-called

blockbusters have more than tripled in the last ten years. An amount a medium-sized company can hardly raise on its own, especially when government intervention in prices and in reimbursement mechanisms has a strong influence on profitability. In the case of ALTANA Pharma, there were setbacks and product candidate delays in addition, and thus a sales gap was expected to arise when patent protection for Pantoprazole expires. To balance the risk profile better, we decided to open the company for a strategic partner, which we implemented with the sale of the Pharmaceuticals business to the Danish Nycomed Group.

Dr. Wolfgruber, what kind of risk profile does the "new" ALTANA have?

Dr. Wolfgruber: Thanks to the excellent position of our divisions in demanding, growing and global markets, the chemicals business is characterized by a particularly dynamic growth with sustained high profitability. It is not very susceptible to influences from currency relations, raw material price developments, or the development of individual industries or regions, and it is not very capital-intensive. As a result, investors expecting strong value growth with a moderate risk profile, will take a special interest in our share.

Not all of the divisions have already achieved the goals they have set themselves concerning profitability and earning a return on the capital costs, Dr. Wolfgruber.

Dr. Wolfgruber: With the exception of Effect Pigments, where the return on capital will be slightly lower in the short to medium term due to acquisitions, all of the divisions and the company as a whole will earn a return on the capital employed in the business year 2007. In general, we are relying on a mixture of growth promotion, measures to improve operations, and portfolio optimization adapted to the needs of the respective division.

Dr. Küllmer, what was your understanding of your role as CFO? And what is yours, Mr. Babilas?

Dr. Küllmer: The role of the Chief Financial Officer has changed considerably in recent years. The traditional task of being a "custodian of finances" is out of date. The CFO is responsible for internal and external accounting transparency as well as timely and high-quality reporting. Even more important is critical support of the corporate strategy, to control operating risks in the balance sheet.

Mr. Babilas: I agree. As a Chief Financial Officer, I also see myself as the driving force behind efficiency in the financial sphere – that is, with regard to cost, balance sheet, and risk structures. Another core task of the CFO is to ensure transparent, effective communication between the company and the financial markets.

What has been ALTANA's accounting philosophy thus far, Dr. Küllmer? And what will it be in the future, Mr. Babilas?

Dr. Küllmer: So far, we have already provided the capital market with very transparent financial reporting. For example, ALTANA changed its accounting policies to meet the requirements of the International Financial Reporting Standards (IFRS) early, although I personally believe that there are still many differences between what is claimed in the IFRS and the realities, due to the many vague legal terms. There will be many more changes in the world of accounting in the years to come.

Mr. Babilas: In this environment, we would like to ensure that our accounting continues to meet the high requirements of the international capital markets in the future. In the framework provided by the respective standards, we will continue to report conservatively, inasmuch as we will continue to record the financial risks of our business in a comprehensive way.

Mr. Babilas, what is your assessment of the financial strength of the future ALTANA as regards your internationalization and growth strategy?

Mr. Babilas: After distribution of the dividend respectively the special and bonus dividend in May 2007, our balance sheet will show a net debt usual in the industry. But our strong equity base gives us enough scope for further growth through selective acquisitions and to follow a dividend policy that is attractive to shareholders. We plan to cover our capital needs for current investments and smaller acquisitions from our current operating cash flow. As a result, we will have further debt margin, which we can exploit for larger acquisition projects. Thus, ALTANA will remain a financially strong company with a solid balance sheet structure in the future.

Dr. Schweickart, as "growth obliges", social responsibility has been part of ALTANA's corporate tradition. What is your view of corporate responsibility, Dr. Wolfgruber?

Dr. Schweickart: It is indeed my conviction that a company is not only a purely economic entity. Consequently, we have been socially involved in various ways – via the Herbert-Quandt-Stiftung, the ALTANA Cultural Forum, and the ALTANA Forum for Education. And our involvement has not been defined by sponsoring aspects.

Dr. Wolfgruber: We can only be socially responsible as a company if at the same time we assume the responsibility towards our shareholders and employees and continue the success story of ALTANA AG. As a direct consequence of this growth, qualified jobs are created, investments are made and taxes are paid. For us, corporate responsibility also means that all our companies are committed to the idea of responsible care. In keeping with our strongly knowledge-driven business, we intend to focus even more on promoting education and science in the future.

Gentlemen, thank you very much for the interview.

THE INTERVIEW WAS CONDUCTED BY DR. ELKE KRÄMER.

FROM A PHARMACEUTICALS AND CHEMICALS GROUP TO A SPECIALTY CHEMICALS COMPANY

Page 39 >> Report of the Supervisory Board

The Supervisory Board of ALTANA focused intensely on the process of Group realignment and was involved in all major decisions.

Page 46 >> Corporate governance report

Since 2002, ALTANA has complied without exception with the recommendations of the German Corporate Governance Code and since 2004 in addition with all of the Code's suggestions.

Page 52 >> Compensation report

In accordance with the recommendations of the "Government Commission German Corporate Governance Code", ALTANA has published the compensation of the Management Board on an individual basis since 2005.

Page 58 >> The ALTANA share yesterday and tomorrow

ALTANA's successful operating performance in 2006 was not reflected by the share price, however, the strategic restructuring of the Group had a decisive impact on the share's development. The overall performance of the ALTANA share, which closed 2006 at €47.00, was 2.2 % for the year, lagging well behind the DAX (+22 %). Based on the market capitalization expected for ALTANA as a pure specialty chemicals company, we anticipate a price of approximately €15 for the new ALTANA.

Page 62 >> ALTANA corporate value

As a pharmaceuticals and chemicals Group, ALTANA had a market capitalization of €6.6 billion at the end of 2006. After distribution of the special dividend in May 2007 the market capitalization of the pure specialty chemicals company will amount to a range of roughly €2 billion.

Page 62 >> Dividend

The dividend for the business year 2006 will once again experience a double-digit increase – for the eleventh time in succession – by 18 % to €1.30 per dividend-bearing share. In addition to the distribution of a special dividend of €33 per dividend-bearing share following the sale of the pharmaceuticals business as well as of the bonus dividend of €0.50 per share the total dividend will be €4.73 billion.

Page 63 >> Shareholder structure

As before, the principal shareholder, Susanne Klatten will continue to hold the majority of ALTANA AG shares. But the shareholder structure will change, as until now investors perceived ALTANA as a company focusing on pharmaceuticals due to the dominance of its pharmaceutical activities, but as from May 04, 2007 it will exclusively be a specialty chemicals investment.

THE MANAGEMENT BOARD OF ALTANA

Dr. Nikolaus Schweickart

Dr. Hermann Küllmer

Dr. Matthias L. Wolfgruber

Martin Babilas

Dr. Nikolaus Schweickart (63), Degree in Law
Member of the Management Board ALTANA AG since 1987
Chairman of the Board 1990 until May 2007

Dr. Hermann Küllmer (63), Degree in Business Administration
Member of the Management Board ALTANA AG since 1990
Chief Financial Officer ALTANA AG until May 2007

Dr. Matthias L. Wolfgruber (53), Degree in Chemistry
Member of the Management Board ALTANA AG since 2002
Chairman of the Management Board ALTANA Chemie AG
Chairman of the Management Board ALTANA AG as of May 2007

Martin Babilas (35), Degree in Business Administration, MBA
Member of the Management Board ALTANA Chemie AG since 2006
Chief Financial Officer ALTANA Chemie AG
Chief Financial Officer ALTANA AG as of May 2007

EXECUTIVE BODIES

Supervisory Board

Justus Mische
(Chairman)

Ulrich Gajewiak*
(Deputy
Chairman)

Susanne Klatten
(Deputy
Chairwoman)

Dr. Uwe-Ernst Bufe

Ralf Giesen*

Armin Glashauser*

Prof. Dr. Dr. h.c. mult.
Wolfgang A. Herrmann

Olaf Jung*

Dr. Götz Krüger*

Dr. Thomas Martin*

Prof. Dr. Heinz
Riesenhuber

Dr. Klaus-Jürgen
Schmieder

Management Board

Dr. Nikolaus
Schweickart
Chairman
Bad Homburg v. d. H.

Dr. Hermann Küllmer
Chief Financial Officer
Bad Homburg v. d. H.

Dr. Matthias L.
Wolfgruber
Head of the
Chemicals division
Wesel

Senior General Managers

Dr. Thomas Gauly

Klaus Malkomes

General Counsel

Dr. Rudolf Pietzke

* Employee representative

Justus Mische
Chairman of the
Supervisory Board

REPORT OF THE SUPERVISORY BOARD

The Supervisory Board closely followed the work of the Management Board in 2006, a year in which significant and profound changes were made to the ALTANA Group structure. In addition to dealing with the economic situation and development of the company as well as with other special issues, the Supervisory Board devoted special attention to the decision regarding the strategic future of the Pharmaceuticals business. The Management Board regularly informed the Supervisory Board through oral reports in their meetings as well as through documents on the treated agenda items and through quarterly written reports about the current state of affairs of the company. Outside of Supervisory Board meetings, too, the Chairman of the Management Board informed the Chairman of the Supervisory Board about significant developments and events and discussed with him pending or planned decisions. The Supervisory Board was involved in all major company decisions.

In the 2006 business year the Supervisory Board held four regular meetings and two special meetings.

MEETINGS OF THE SUPERVISORY BOARD

At its meetings, the Supervisory Board examined in detail the economic situation and the development perspectives of the Group and gathered information about important business events.

A special focus of the Supervisory Board's activities relating to the Pharmaceuticals division was the effects of health-policy measures in Europe, and particularly in Germany, and the consequences of these measures for the sales performance of Pantoprazole. The market launch of ALVESCO® and the state of development projects were dealt with on a regular basis. At all its meetings, the Supervisory Board focused intensely on the changed conditions in the pharmaceuticals business environment, on ALTANA Pharma's medium-term perspectives regarding delays in product development, on the looming expiration of the Pantoprazole patent, and on the strategic consequences for the continuation of the Pharmaceuticals business. The Management Board continually informed the Supervisory Board about the process of strategic realignment of the ALTANA Group that began in the fall of 2005.

Key issues in the Chemicals division included the significantly revived economic environment in the specialty chemicals industry, the development of raw materials prices, the successful integration of the ECKART Group acquired in 2005 into ALTANA Chemie, and continued measures to further optimize cost structures.

At the special Supervisory Board meeting held in April 2006, alternative legal paths for dividing up the company and making the corporate divisions independent were presented to the Supervisory Board. The different options and the consequences were intensively dealt with and discussed. In addition, the Supervisory Board dealt with a number of special issues within the framework of the planned Group restructuring, particularly the redemption of the share price and dividend-based employee incentive programs.

At its meeting on September 21, 2006, the Supervisory Board approved the conclusion of the agreement to sell ALTANA Pharma AG to the Nycomed Group. Prior to the resolution, the committee dealt for a long time and in depth with the strategic options of ALTANA Pharma, with the process of looking for potential partners and buyers, and with the contract with Nycomed. The committee devoted special attention to the future perspectives of the Pharmaceuticals business against the background of the worldwide consolidation of the pharmaceutical market and ALTANA Pharma's sales and product supply gaps looming ahead. In Nycomed, a partner was found which is taking over ALTANA Pharma's activities from a business standpoint and which is opening up new strategic possibilities. At the Extraordinary General Meeting held on December 19, 2006, the large majority of shareholders approved the transaction, paving the way for a realignment of the former Group structure and a concentration on the Specialty Chemicals business in the future.

The main focus of the November meeting was ALTANA Chemie's strategic objectives and corporate planning for the years to come. At the meeting, the ALTANA Group's future balance sheet and capital structure was dealt with in detail.

At a special meeting held in December 2006, the Supervisory Board approved the incorporation of assets in the ALTANA Kulturstiftung gemeinnützige GmbH (ALTANA Cultural Foundation), which will carry on ALTANA AG's art activities (see page 73 of the annual report).

MEETINGS OF THE COMMITTEES

The Supervisory Board installed four committees.

In May 2006, a Strategy Committee was formed with the aim of advising the Management Board on the strategic realignment of the Group. Four members have been elected to the committee, two shareholder representatives and two employee representatives. The Chairman of the Strategy Committee is Dr. Klaus-Jürgen Schmieder. The committee met twice in 2006. At the meetings, it dealt with and discussed in detail the course of the strategic process, the alternative options and the agreed contract with Nycomed. In addition, the Chairman of the committee engaged in continual exchange with the Chairman of the Supervisory Board and with the Management Board during the project.

The Audit Committee met three times in 2006. In the presence of the auditor as well as the Chairman of the Management Board and the Chief Financial Officer, it dealt with the annual financial statements of ALTANA AG and the ALTANA Group, the proposal for the distribution of the profit, as well as the report on Form 20-F to be filed with the Securities and Exchange Commission (SEC). In addition, the committee focused on the organization of the auditing, the issuing of the order to the auditor and monitoring of his independence, the setting of fees, and the approval of non-auditing services in accordance with the regulations of Sarbanes-Oxley Act (SOA). Furthermore, the Audit Committee dealt in depth with the identification and monitoring of risks in the Group, with the work and the findings of its internal auditing as well as with the effects of the sale of ALTANA Pharma and the handling of the contract with Nycomed. Several meetings were devoted to the implementation of regulations of section 404 of the Sarbanes-Oxley Act on the internal control system.

The Human Resources Committee also met three times. It dealt with personnel matters of the Management Board, the structure and amount of Management Board compensation, as well as with the redemption of the share-based components of compensation. The structure of the Management Board compensation was also discussed at the Supervisory Board plenum.

The Mediation Committee, established in accordance with section 27 (3) of the German Codetermination Act, did not convene.

The Supervisory Board was kept regularly informed about the activities of the committees.

CORPORATE GOVERNANCE

At its meetings, the Supervisory Board dealt several times with the further development of the corporate governance principles and their application in the company. At the meeting held in March 2006, the Supervisory Board focused on the efficiency of its activities. At the meeting on November 22, 2006, the Supervisory and Management Boards issued the annual declaration of compliance in accordance with section 161 of the German Stock Corporation Act and published it on the company's website where it is accessible to all shareholders. ALTANA complies with all of the recommendations of the new version of the German Corporate Governance Code of June 12, 2006, and follows all of the suggestions of the Government Commission. The Management and Supervisory Boards provide further information on corporate governance in the respective report on pages 46 ff of the annual report.

ANNUAL FINANCIAL STATEMENTS

The annual financial statements of ALTANA AG, the consolidated financial statements for the year ended December 31, 2006, and the combined management report were audited by PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Frankfurt am Main, which was appointed by the Annual General Meeting and engaged by the Audit Committee of the Supervisory Board, and they issued an unqualified audit opinion in each case. The risk management system set up for the ALTANA Group pursuant to section 91 of the German Stock Corporation Act was audited. The examination revealed that the system properly fulfils its function. The financial statement documentation, the annual report, and the reports of PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft on the audit of the annual financial statements and of the consolidated financial statements, as well as the Management Board's proposal for the distribution of the profit, were made available to all Supervisory Board members. The Audit Committee of the Supervisory Board dealt extensively with this documentation. The Supervisory Board plenum inspected the documentation and dealt with it in depth at its meeting to approve the balance sheet in the presence of the auditor, who reported on the main results of the examination. The Supervisory Board is in agreement with the findings of the audit and has no grounds for objection following its final examination. At its meeting on March 13, 2007, the Supervisory Board approved the annual financial statements and consolidated financial statements prepared by the Management Board. The annual financial statements are thereby adopted. The Supervisory Board intensely evaluated the Management Board's proposal for the payment of a special dividend from the net proceeds of the sale of ALTANA Pharma as well as of a bonus dividend with regard to the planned balance sheet structure and is in agreement with its recommendation as well as with the payment of the normal dividend for the 2006 business year.

STATEMENTS IN ACCORDANCE WITH SECTIONS 289 AND 315 (4) OF THE GERMAN COMMERCIAL CODE

Among the information that is mandatory to be specified in the Management Report are statements in accordance with sections 289 and 315 (4) respectively of the German Commercial Code on the composition of the issued capital*, restrictions affecting voting rights or the transfer of shares, shareholdings of more than 10 % of the company's nominal capital*, the exercising of voting rights by employees who hold company shares, legal regulations and regulations in accordance with the articles of association on the appointment and revocation of the Management Board and on changes to the articles of association, the Management Board's authorities regarding the issue and repurchase of shares, significant agreements reached by the company with so-called change of control clauses and compensation agreements reached by the company with the members of the Management Board or with employees, in the case of a takeover bid. The Management Board commented on the respective information in detail. The Supervisory Board evaluated this statement and is in agreement with the Management Board's report.

REPORT IN ACCORDANCE WITH SECTION 312 OF THE GERMAN STOCK CORPORATION ACT

The Management Board prepared a report in accordance with section 312 of the German Stock Corporation Act on relations with affiliated companies for the financial year 2006. 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 information in the report is correct and that the payments made by the company for the transactions listed in the report were not unreasonably high." The auditor's findings were approved by the Supervisory Board. Following completion of its own review, the Supervisory Board has no objections to the Management Board's statement at the end of the report.

* Glossary

PERSONNEL CHANGES

The sale of the Pharmaceuticals division resulted in personnel changes in the Supervisory and Management Boards.

The elected employee representatives of ALTANA Pharma, Marcel Becker, Deputy Chairman of the Supervisory Board, Yvonne D'Alpaos-Götz, and Dr. Rango Dietrich resigned from the Supervisory Board committee effective with the sale of ALTANA Pharma AG as of December 31, 2006. At the request of the Management Board, the Local Court (Amtsgericht) of Bad Homburg v. d. H. appointed Armin Glashauser (ECKART GmbH & Co. KG), Olaf Jung (DS-Chemie GmbH), and Dr. Götz Krüger (BYK-Chemie GmbH) as employee representatives on the Supervisory Board of ALTANA AG effective as of February 7, 2007. The tenures of the new Supervisory Board members will expire at the end of the Annual General Meeting in 2008. The Supervisory Board elected Ulrich Gajewiak as the new Deputy Chairman. The following people were elected as successors to the members of the Supervisory Board committees who resigned: Olaf Jung (Human Resources Committee), and Armin Glashauser (Audit Committee).

Dr. Hans-Joachim Lohrisch, a member of ALTANA's Management Board since 1999 and President and CEO of the Pharmaceuticals division, resigned from his Management Board mandate as a result of the sale of ALTANA Pharma as of December 31, 2006.

Effective as of the end of the Annual General Meeting on May 3, 2007, Dr. Nikolaus Schweickart and Dr. Hermann Küllmer will resign from the Management Board of ALTANA AG and go into retirement. Dr. Schweickart had been a member of the Management Board since 1987, and had been its Chairman since 1990. Dr. Hermann Küllmer had been a member of the Management Board and Chief Financial Officer since 1990.

At the meeting in March 2007, Dr. Matthias Wolfgruber was appointed Chairman of the Management Board of ALTANA AG, effective as of the end of the Annual General Meeting on May 3, 2007. Martin Babilas was appointed a member of the Management Board of ALTANA AG, and Chief Financial Officer, also effective with the completion of the Annual General Meeting.

The realignment of the ALTANA Group will lead to further changes in the Supervisory Board. Dr. Uwe-Ernst Bufe, Prof. Dr. Wolfgang Herrmann and I have declared that we will resign from our mandates as of the end of the Annual General Meeting on May 3, 2007. The tenure of Prof. Dr. Heinz Riesenhuber will also end at this time.

The Supervisory Board would like to extend its gratitude to the Management and Supervisory Board members who resigned and who will resign for their many years of trusting cooperation. In the course of their long tenures, Dr. Schweickart and Dr. Küllmer had a decisive influence on ALTANA AG and significantly contributed to the successful development of the company. We thank them and acknowledge their efforts. During the tenure of Dr. Lohrisch, the Pharmaceuticals business of ALTANA as well as its international presence were further expanded and its profitability was increased significantly. The Supervisory Board thanks him for his accomplishments. In addition, the Board would like to thank all the members of the Management Board, the company's management, and employees of the ALTANA Group for their efforts and commitment in the year under review.

Bad Homburg v. d. H., March 13, 2007

For the Supervisory Board

Justus Mische
- Chairman -

CORPORATE GOVERNANCE REPORT

In the annual declaration of compliance issued in accordance with section 161 of the German Stock Corporation Act on November 22, 2006, the Supervisory and Management Boards explained that ALTANA AG has complied with all of the recommendations made by the Government Commission German Corporate Governance Code in the version of June 2, 2005, and will comply with all of the recommendations made by the Code in the altered version of June 12, 2006. ALTANA also follows all of the suggestions made by the Corporate Governance Code.

The 2006 declaration of compliance is published on our website (www.altana.com), as are all of our other declarations of compliance since 2002.

MANAGEMENT AND SUPERVISORY BOARDS

The Management and Supervisory Boards cooperate closely to benefit the company. The Management Board informs the Supervisory Board regularly, without delay and comprehensively, about business proceedings, the economic situation of the company, important events, corporate planning and the Group's strategic further development. The Supervisory Board monitors and advises the Management Board in its management activities. The Supervisory Board discusses business development and planning, as well as the strategy and its implementation, at regular intervals. Between Supervisory Board meetings, the Chairman of the Management Board informs the Chairman of the Supervisory Board about important developments and events and consults with him about upcoming or planned decisions. Important acquisitions and sales of shareholdings and business areas require the approval of the Supervisory Board.

The major issue in 2006 was the realignment of the Group in line with the search for a strategic partner for ALTANA Pharma. The Supervisory Board was informed about the status and development of this project at its meetings. At the meeting held on May 2, 2006, the Supervisory Board resolved to appoint a Strategy Committee, which dealt with the project in depth at two meetings. After a long, detailed discussion on the sale of ALTANA Pharma to Nycomed, the Supervisory Board approved the transaction at its meeting on September 21, 2006. The Chairman of the Supervisory Board is responding to this issue in more detail in his report on pages 39ff.

The Management Board decided to obtain the approval of the Annual General Meeting, in addition to the required consent of the Supervisory Board, for the sale of ALTANA Pharma. The Extraordinary General Meeting held on December 19, 2006, approved the transaction with a large majority.

At the Annual General Meeting held on May 2, 2006, Supervisory Board members were elected on an individual basis for the first time. Traditionally, the tenures of ALTANA's shareholder representatives have ended at different times. The tenures of three of the six shareholder representatives expired at the end of the Annual General Meeting 2006 and they were reelected for one new tenure.

SUPERVISORY BOARD COMMITTEES

In addition to the Mediation Committee required by law in accordance with section 27 (3) of the German Codetermination Act, the Supervisory Board formed an Audit Committee, a Human Resources Committee and the above-mentioned Strategy Committee, each consisting of two shareholder representatives and two employee representatives. The Audit Committee also assumes the responsibilities in accordance with U.S. capital market regulations. The Chairman is Dr. Schmieder, appointed by the Supervisory Board as financial expert. Dr. Schmieder is also the Chairman of the Strategy Committee. The Chairman of the Human Resources Committee is the Chairman of the Supervisory Board.

CAPITAL MARKET LAW

The conclusion of the contract with Nycomed concerning the sale of all shares of ALTANA Pharma AG and thus of the entire division ALTANA Pharma was disclosed in an ad hoc announcement on September 21, 2006 in accordance with section 15 of the German Securities Trading Act (WpHG). There was no other insider information subject to disclosure in 2006.

The requirement that any buying and selling of shares be reported, in accordance with section 15a of the German Securities Trading Act (WpHG), pertains to all members of the Management and Supervisory Boards of ALTANA AG. The following transactions were reported to ALTANA AG in the past business year:

Date of transaction	Person subject to disclosure requirement	Function	Transaction subject to disclosure requirement	Financial instrument	Number of shares	Price in €	Transaction volume in €
March 27, 2006	Ulrich Gajewiak	Member of the Supervisory Board of ALTANA AG	Sale of ALTANA shares	ALTANA shares ISIN DE0007600801	25	50.71	1,267.75
March 27, 2006	Ulrich Gajewiak	Member of the Supervisory Board of ALTANA AG	Sale of ALTANA shares	ALTANA shares ISIN DE0007600801	177	50.72	8,977.44
March 30, 2006	Ulrich Gajewiak	Member of the Supervisory Board of ALTANA AG	Sale of ALTANA shares	ALTANA shares ISIN DE0007600801	300	50.35	15,105.00
March 30, 2006	Marina Gajewiak	Family member of a Supervisory Board member of ALTANA AG	Sale of ALTANA shares	ALTANA shares ISIN DE0007600801	108	50.72	5,477.76
November 3, 2006	Dr. Thomas Martin	Member of the Supervisory Board of ALTANA AG	Sale of ALTANA shares	ALTANA shares ISIN DE0007600801	265	44.50	11,792.50
December 14, 2006	Dr. Thomas Martin	Member of the Supervisory Board of ALTANA AG	Sale of ALTANA shares	ALTANA shares ISIN DE0007600801	297	46.30	13,751.10
December 20, 2006	Prof. Heinz Riesenhuber	Member of the Supervisory Board of ALTANA AG	Sale of ALTANA shares	ALTANA shares ISIN DE0007600801	2,641	46.71	123,358.57
December 20, 2006	Dr. H.-J. Lohrisch	Member of the Management Board of ALTANA AG	Sale of ALTANA shares	ALTANA shares ISIN DE0007600801	4,724	46.57	219,996.00
December 21, 2006	Dr. H.-J. Lohrisch	Member of the Management Board of ALTANA AG	Sale of ALTANA shares	ALTANA shares ISIN DE0007600801	1,000	47.10	47,103.00
December 21, 2006	Dr. H.-J. Lohrisch	Member of the Management Board of ALTANA AG	Sale of ALTANA shares	ALTANA shares ISIN DE0007600801	2,000	47.20	94,400.00
December 18, 2006	Marcel Becker	Deputy Chairman of the Supervisory Board of ALTANA AG	Sale of ALTANA shares	ALTANA shares ISIN DE0007600801	400	46.30	18,520.00
December 22, 2006	Marcel Becker	Deputy Chairman of the Supervisory Board of ALTANA AG	Sale of ALTANA shares	ALTANA shares ISIN DE0007600801	600	47.03	28,218.00
December 28, 2006	Dr. Hermann Küllmer	Member of the Management Board of ALTANA AG	Sale of ALTANA shares	ALTANA shares ISIN DE0007600801	5,349	46.99	251,349.51
December 28, 2006	Dr. Hermann Küllmer	Member of the Management Board of ALTANA AG	Sale of ALTANA shares	ALTANA shares ISIN DE0007600801	1,156	47.00	54,332.00
December 28, 2006	Dr. Hermann Küllmer	Member of the Management Board of ALTANA AG	Sale of ALTANA shares	ALTANA shares ISIN DE0007600801	527	47.01	24,774.27

SKion GmbH, Bad Homburg v.d. Höhe, whose sole shareholder is Susanne Klatten, owns 50.1 % of the nominal capital of ALTANA. The other members of the Supervisory Board – excluding Mrs. Klatten – and the members of the Management Board each together hold less than 0.1 % of the nominal capital. The share options held by the Management Board members in 2006 (which have been redeemed) are indicated and explained in the compensation report on page 52.

The Transparency Directive Implementation Act of January 5, 2007, stipulates additional regulations for companies pertaining to the Europe-wide dissemination of insider information, director's dealings, and voting rights announcements. This information also has to be entered into the electronic company register.

LISTING ON THE NEW YORK STOCK EXCHANGE

As a company listed on the New York Stock Exchange, ALTANA is subject to U.S. capital market regulations, in particular to the Sarbanes-Oxley Act (SOA) and the corresponding rules and regulations of the Securities and Exchange Commission (SEC). As a "foreign private issuer", ALTANA had to meet the internal control system requirements in accordance with section 404 for the first time in 2006. This is also examined by the auditor.

As a "foreign private issuer", ALTANA AG is allowed to deviate from the NYSE standards according to the corporate governance standards of the New York Stock Exchange (NYSE standards) and adhere to the corporate governance practices of its home country. However, NYSE standards require that a "foreign private issuer" discloses all material differences of his corporate governance standards compared to NYSE standards applicable for U.S. companies. In keeping with this requirement, we publish a report on our website (www.altana.com/corporate-governance) in which rules that deviate from NYSE standards but comply with German law and German corporate governance standards are shown.

At the end of 2006, the SEC presented a proposal for facilitating the deregistration of foreign companies concerning U.S. stock exchange regulations. As soon as they are adopted and published, ALTANA will examine whether a deregistration is possible and take a decision.

COMPENSATION OF THE MANAGEMENT AND SUPERVISORY BOARDS

The compensation of Management and Supervisory Board members including details about the compensation system and individualized information is shown in the compensation report to follow (see pages 52 ff).

EMPLOYEE INCENTIVE PLANS

From 1999 to 2005, ALTANA issued on a yearly basis a management Stock Option Plan (SOP) and an ALTANA Investment Plan for employees not authorized to take part in the SOP. The stock option plans from 2001 to 2005 which were still valid in 2006 entitled participants, after a waiting period of two years, to purchase ALTANA shares at an exercise price, in so far as the exercise hurdle was exceeded. The prerequisite for participation in the SOP was an investment in ALTANA shares.

In the face of the plans to realign the ALTANA Group, significant disadvantageous effects on the stock option plans and other employee incentive programs had to be anticipated. As a result, ALTANA's Management Board decided in the spring of 2006 to redeem all outstanding options from the SOPs. The SOP participants were offered redemption for their options at a value determined by an independent expert. The Human Resources Committee of the Supervisory Board approved this redemption plan for the members of the Management Board as well.

All of the SOP participants accepted the redemption offer for all of their options. The stock option plans were closed and terminated with the payment of the redemption sums in the second half of 2006.

An agreement was reached with the Group Works Council to also redeem options from the investment plans for employees not authorized to take part in the SOPs. As with the SOPs, the value of each option was determined by an independent expert. Everyone participating in the ALTANA investment plans accepted the redemption offer for all of their options.

The company also repurchased the ALTANA profit-sharing certificates issued up to the year 2000. An agreement was reached with the Group Works Council whereby owners of profit-sharing certificates were offered and paid a repurchase price amounting to four times the nominal value plus a flat share of the profits for the first half of 2006. The nominal value per profit-sharing certificate was €25.60.

Further information on the redemption of the employee incentive plans can be found on pages 151 ff in the Notes to the Financial Statements. Details on the stock option plans of the Management Board are provided in the compensation report on pages 54 f.

ALTANA plans to issue new share-based compensation schemes with a long-term incentive component in the future.

RESPONSIBLE RISK MANAGEMENT

Early recognition of risks is extremely important to ensure the long-term existence of the company. ALTANA's risk management system is audited in accordance with section 317 (4) of the German Commercial Code (HGB) to ascertain whether it is adequate to recognize, identify, and evaluate risks at an early stage so that suitable preventive and other measures can be taken. Details can be found in the risk report on pages 102 ff.

VOLUNTARY COMMITMENT TO RESPONSIBLE BEHAVIOR

ALTANA's Code of Conduct contains rules and references regarding responsible behavior. It calls on all employees to act lawfully and ethically and aims to raise the awareness of certain issues, such as antitrust and insider law, environmental protection, safety, anti-corruption regulations, as well as discrimination. Together with the Guiding Principles of the company, the Code of Conduct provides orientation for responsible corporate action. In accordance with U.S. capital market regulations, the Audit Committee of the Supervisory Board resolved a Code of Ethics for members of the Management Board and for Senior Financial Officers.

The Guiding Principles, the Code of Conduct, and the Code of Ethics are published on our website (www.altana.com).

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

COMPENSATION REPORT

The compensation report outlines the principles governing compensation of the Management Board of ALTANA AG, as well as its structure and the amount of compensation. In addition, it includes explanations on the regulation, composition, and amount of the Supervisory Board compensation.

The report contains information which is part of the Notes to the Financial Statements in accordance with section 314 of the German Commercial Code (HGB) and of the Management Report in accordance with section 315 of the German Commercial Code (HGB). As a result, the information provided in this report is not presented again in the Notes to the Financial Statements or in the Management Report.

COMPENSATION OF THE MANAGEMENT BOARD

The Human Resources Committee is responsible for establishing the structure of the compensation system as well as the compensation of the individual Management Board members. The Human Resources Committee is composed of the Chairman of the Supervisory Board, a shareholder representative, as well as two employee representatives. The Supervisory Board regularly discusses and reviews the compensation structure.

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

The compensation of the Management Board is predominantly dependent on success. It comprises three components: a fixed compensation, a variable bonus, and a share-based compensation. For the fixed compensation and the variable bonus, a target annual compensation is defined, composed of approximately a third of fixed and two thirds of variable emoluments. In addition, the Management Board members receive pension grants.

The fixed basic compensation is paid monthly as salary. It is reviewed in the course of contract extensions. Additionally the Management Board members receive non-cash compensation, primarily from using the company car, and premiums for insurances.

The variable compensation is conceived as an incentive system combining the absolute earnings component and the relative earnings component in the form of return on capital. It is assessed based on the operating income before amortization of goodwill (EBITA) and the return on capital employed (ROCE) each in comparison to the planning. For the Chairman of the Management Board and the Chief Financial Officer, the assessment is based on Group data. The variable compensation of the Management Board members responsible for ALTANA Pharma and ALTANA Chemie is assessed based on comparable parameters on the corporate division level. The target values for EBITA and ROCE are stipulated by the Human Resources Committee of the Supervisory Board at the beginning of each year on the basis of the corporate planning adopted by the Supervisory Board. 100 % of the variable compensation is due when 100 % of the specified budget values for EBITA and ROCE are achieved. The effective variable compensation can range from 0 % to 150 % of the variable target compensation defined in advance, dependent on whether the specified EBITA and ROCE target values are achieved. In 2006 the members of the Management Board achieved target values between 125 % and 134 %. Explanations to the value management system and to the calculation of the ROCE can be found on pages 92 ff in the Management Report to the Financial Statements.

Cash compensation of the Management Board including benefits in kind in the past business year 2006 amounted to €6.1 million (2005: €5.1 million). The total compensation, including one-time payments amounting to €1.6 million, totaled €7.7 million and was attributable to the members of the Management Board as follows:

(in € thousand)		Fixed compensation	Bonus	Other	Cash compensation for the business year	One-time payments	Cash compensation Total	Stock options Value at the day of grant
Dr. Nikolaus Schweickart	**2006**	**480**	**2,010**	**20**	**2,510**	**–**	**2,510**	**–**
(Chairman)	2005	480	1,536	20	2,036	–	2,036	203
Dr. Hermann Küllmer	**2006**	**330**	**804**	**13**	**1,147**	**–**	**1,147**	**–**
	2005	330	691	12	1,033	–	1,033	152
Dr. Hans-Joachim Lohrisch	**2006**	**360**	**861**	**14**	**1,235**	**1,604**	**2,839**	**–**
	2005	360	914	15	1,289	–	1,289	152
Dr. Matthias L. Wolfgruber	**2006**	**330**	**837**	**5**	**1,172**	**–**	**1,172**	**–**
	2005	315	459	4	778	–	778	152
Total	**2006**	**1,500**	**4,512**	**52**	**6,064**	**1,604**	**7,668**	**–**
	2005	1,485	3,600	51	5,136	–	5,136	659

Other emoluments of the Management Board members include non-cash compensation from company car usage amounting to €43 thousand (2005: €41 thousand) and premiums for insurances of €9 thousand (2005: €10 thousand).

Dr. Hans-Joachim Lohrisch resigned from the Management Board of ALTANA AG as of December 31, 2006, following the sale of ALTANA Pharma to the Nycomed Group. The one-time payments to Dr. Lohrisch include special compensation in accordance with the contract amounting to €500 thousand granted for extraordinary burdens in 2006. In addition, an amount of €1,104 thousand is recorded for provisions stipulated in his employment contract until its expiration on November 30, 2007. This amount was reimbursed by the acquirer of ALTANA Pharma.

Until the financial year 2005, the members of the Management Board additionally received option rights from the management stock option plans as a variable component with long-term incentive. The program was terminated in the spring of 2006 in the course of the planned realignment of the ALTANA Group, as the plan could not be continued in its form so far due to its dependency on the stock market price of ALTANA AG. In the year under review, new option rights were not granted any more. In May 2006, the participating executives were offered termination benefits at the fair value* of all of the options not yet exercised from the ongoing stock option plans. More information can be found on pages 151 ff of the Notes to the Financial Statements.

The Human Resources Committee of the Supervisory Board approved the termination benefits for options held by Management Board members that were not yet exercised. In the year under review, the members of the Management Board did not exercise any option rights. As a result, the amount of options remained the same as it was on December 31, 2005. The compensation for the stock options held by the Management Board, amounting to a total of €3,329 thousand, is distributed as follows:

Option rights	Plan 2001		Plan 2002		Plan 2003		Plan 2004		Plan 2005		Total
(in € thousand)	Amount	Value[1] €6.09	Amount	Value[1] €9.56	Amount	Value[1] €5.06	Amount	Value[1] €3.79	Amount	Value[1] €7.64	Compensation value
Dr. Nikolaus Schweickart	30,000	183	40,000	386	40,000	202	40,000	152	36,000	275	1,198
(Chairman)											
Dr. Hermann Küllmer	0	0	30,000	290	30,000	152	30,000	114	27,000	206	761
Dr. Hans-Joachim Lohrisch	22,500	137	30,000	290	30,000	152	30,000	114	27,000	206	898
Dr. Matthias L. Wolfgruber	0	0	0	0	30,000	152	30,000	114	27,000	206	472
Total	**52,500**	**320**	**100,000**	**965**	**130,000**	**658**	**130,000**	**494**	**117,000**	**894**	**3,329**

[1] Value per option

* Glossary

The value of the options at the day of settlement (May 1, 2006) was calculated by an independent expert based on the Binominal option pricing model and thus using the same methods that were employed as of December 31, 2005. In accordance with IFRS 2 "Share-based Payment", the compensation expense in the business year 2006 for the stock option plans was recorded in the consolidated income statements. The expense for options granted to Management Board members amounted to €869 thousand (2005: €1,396 thousand), including a partial amount of €165 thousand which would have been expensed as incurred in 2007 had the program not been terminated. The compensation payment amounting to €3,329 thousand did not result in any additional expense for ALTANA.

In addition, the members of the Management Board have individual pension grants in the form of fixed amounts which are oriented to the market. The grants include general disability benefits as well as payments for surviving dependents in the form of widow, orphan, and semi-orphan pensions. In the event of pension entitlement, the amount of pension is reviewed every three years in accordance with the Occupational Retirement Provision Act. The fixed amounts granted as well as the additions to provisions for pensions in 2006 are listed in the following table:

Pension grants (in € thousand)	Annual payment (December 31, 2006)	Additions to provisions for pensions in 2006
Dr. Nikolaus Schweickart	240	2,053
(Chairman)		
Dr. Hermann Küllmer	102	236
Dr. Hans-Joachim Lohrisch	70	81
Dr. Matthias L. Wolfgruber	64	108
Total		**2,478** [1]

[1] Including past service cost

The obligation resulting from the pension granted to Dr. Lohrisch expired with the sale of ALTANA Pharma. The cash value of the total obligation (Defined Benefit Obligation/DBO) from pensions granted to former members of the Management Board and their surviving dependents totaled €6,893 thousand as of December 31, 2006 (2005: €6,787 thousand); the compensation expense amounted to €652 thousand (2005: €618 thousand).

The members of the Management Board have the possibility of investing part of their compensation into a pension commitment for a private retirement plan. Within the frame of these regulations, the members of the Management Board are entitled to retirement income or provisions for surviving dependents resulting from conversions of compensation components which were recorded in the prior years and in the annual report in 2006.

None of the members of the Management Board is entitled to further benefits in the case of premature termination of activities (compensation grants, transitional compensation, the Change of Control clause, and similar benefits).

The members of the Management Board do not receive loans from the company.

A directors and officers (D&O) liability insurance is concluded for the members of the Management Board. This insurance covers personal liability risks in cases where members of the Management Board are liable for financial losses while performing their duties. The amount to be borne by the Chairman of the Management Board is €250 thousand, by other Management Board members €100 thousand each.

COMPENSATION OF THE SUPERVISORY BOARD

The compensation of the Supervisory Board was stipulated by the Annual General Meeting and is determined in section 18 of the articles of association. The Supervisory Board compensation is oriented to the tasks and responsibilities of the Supervisory Board members and to the size and economic success of the company.

The fixed compensation for each member of the Supervisory Board amounts to €20 thousand a year, €10 thousand thereof is provided in shares of the company. The value of the shares is based on the closing price of the ALTANA share in Xetra trading on the Frankfurt Stock Exchange on the last day of stock market trading in the business year for which the compensation is granted. The variable compensation amounts to €700 for every percent of the dividend, exceeding 4% of the nominal capital that is approved at the Annual General Meeting. The Chairman of the Supervisory Board receives twice and the deputy chairmen receive one and a half times the compensation. The members of one or more committees receive a further €20,000 each per year and each chairman of one or more committees receives twice this amount.

Pending the approval of the Annual General Meeting on the annual dividend proposed for the business year 2006, the compensation of the Supervisory Board for the past business year amounts to €1.7 million (2005: €1.5 million). The special dividend proposed from the net proceeds of the sale of ALTANA Pharma AG as well as the bonus dividend proposed regarding the planned balance sheet structure were not taken into account in the calculation of the Supervisory Board compensation. The compensation is attributable to the members of the Supervisory Board as follows:

(in € thousand)	Fixed compensation[1]	Variable compensation	Committee compensation	Total compensation
Justus Mische (Chairman)	40	177	40	257
Marcel Becker (Deputy chairman)	30	133	20	183
Susanne Klatten (Deputy chairwoman)	30	133	20	183
Dr. Uwe-Ernst Bufe	20	88	20	128
Yvonne D'Alpaos-Götz	20	88	20	128
Dr. Rango Dietrich	20	88	0	108
Ulrich Gajewiak	20	88	20	128
Ralf Giesen	20	88	20	128
Prof. Dr. Dr. h.c. mult. Wolfgang A. Herrmann	20	88	0	108
Dr. Thomas Martin	20	88	0	108
Prof. Dr. Heinz Riesenhuber	20	88	0	108
Dr. Klaus-Jürgen Schmieder	20	88	40	148
Total	**280**	**1,235**	**200**	**1,715**

[1] Thereof 50 % in shares of the company at a price of €47.00 (Xetra closing price on December 29, 2006)

In addition, all expenses arising in connection with the mandate, as well as the added VAT, are reimbursed to the members of the Supervisory Board.

Supervisory Board members are also included in the D&O liability insurance scheme. The amount to be borne by the Chairman of the Supervisory Board is €100 thousand, by other Supervisory Board members €50 thousand each.

The members of the Supervisory Board do not receive loans from the company.

GROUP REALIGNMENT HAS AN IMPACT ON THE ALTANA SHARE PRICE

With the sale of its Pharmaceuticals business to the Danish Nycomed Group with effect from December 31, 2006, ALTANA AG will focus on its Specialty Chemicals business. The share price will display the value of the "new" ALTANA beginning on May 4, 2007, after the Annual General Meeting held the day before has approved the payment of the special dividend from the sale of the Pharmaceuticals business, the distribution of the dividend for the financial year 2006, and the bonus dividend.

THE NEW ALTANA SHARE

98.58 % of the capital present when passing the resolution approved the sale of the Pharmaceuticals business at the Extraordinary General Meeting on December 19, 2006. With this resolution and the completion of the transaction on December 29, 2006, the separation of the Pharmaceuticals and Chemicals divisions announced by ALTANA's Management Board in August 2005 and the involved Group realignment was concluded.

In principal, the sale of the Pharmaceuticals business has no effects on ALTANA AG's basic stock market listing.

However, as of May 4, 2007, the price of the ALTANA share will exclusively reflect the value of the continuing Specialty Chemicals business and of the remaining assets of ALTANA AG following the sale of the Pharmaceuticals activities. As a result, the share price – which is calculated based on the price of the ALTANA share on May 3 deducting the dividend distributed for the prior business year and the special and bonus dividend payment – will change significantly. On the basis of the expected market capitalization in the range of roughly €2 billion, we anticipate a price of approximately €15.

INDEX AFFILIATION

ALTANA has been a member of the DAX index since September 2002. The DAX index comprises the 30 largest German companies in the Prime Standard segment based on market capitalization and total trading volume. At the end of 2006, ALTANA was ranked number 37 in terms of market capitalization (free float, 2005: 30) and number 31 in terms of total trading volume (2005: 26) in the DAX according to the list published by the German Stock Exchange.

After distribution of the dividend in May 2007, ALTANA will be an MDAX candidate in terms of market capitalization. On account of the so-called "fast exit" rule a decision on a title exchange in line with ALTANA's withdrawal from the DAX index could be taken as early as the middle of June. The next ordinary date for adjustments is scheduled for September 2007.

The MDAX comprises the 50 largest companies (midcaps) that rank immediately below the companies included in the DAX, based on free float market capitalization and total trading volume in the classical branches of industry in the Prime Standard segment. The regrouping into another market segment does not necessarily have to be negative for the performance of the ALTANA share. With an increase of 28.6 % in 2006, the MDAX clearly outperformed the DAX (+22.0 %).

NEW POSITIONING OF ALTANA ON THE CAPITAL MARKET

In preparation for the new positioning of ALTANA on the capital market, the dialogue regarding ALTANA AG's Specialty Chemicals business was intensified considerably in the financial year 2006. The Management Board of ALTANA Chemie presented the company at international capital market conferences and chemicals roadshows in Europe and in the U.S., and had numerous talks with ALTANA investors, potential shareholders, and analysts. On the Capital Markets Day in November 2006, ALTANA presented itself as a specialty chemicals company for the first time, outlining its business model, the strategy, the financial profile, the four divisions and their markets. The event found strong response, both at the location and via Internet.

COMMITMENT TO TRANSPARENT AND CLOSE-TO-MARKET COMMUNICATION

The management of the new ALTANA is interested in a regular, intense exchange with all capital market interest groups and feels committed to transparent financial communication that is close to the market. Management and investor relations managers will continue to be available for an open, personal dialogue at regular roadshows, analyst and investor meetings, the Annual General Meeting, as well as in one-on-one talks and conference calls.

CONTINUED ATTRACTIVE DIVIDEND POLICY

Shareholders of the "new" ALTANA shall be able to participate in the company's performance thanks to an attractive dividend policy. In the medium term, a distribution rate in the range of 30% to 40% of the Group's net income is targeted, which is customary in this branch of industry. Initially, the distribution rate should rather amount to the lower end of this range in order to provide the basis for a sustained dividend level as well as further potential for increase. With its Specialty Chemicals business, ALTANA is well positioned to keep growing profitably and thus to create sustained value for customers, employees, and shareholders.

THE ALTANA SHARE IN 2006 PRIOR TO THE REALIGNMENT OF THE GROUP

ALTANA's successful operating performance in 2006 was not reflected by the share price. The strategic Group restructuring and news about product candidates had more of an impact on the share price than the good earnings situation. From a short-term perspective, the performance of the ALTANA share lagged behind the DAX index in 2006. In a long-term view, however, over a period of ten years, the ALTANA share clearly outperformed the DAX index.

> Comparative performance p.a. (in %)

Investment period	1 year	5 years	10 years
ALTANA	3.3%	-1.8%	12.4%
DAX	22.0%	5.0%	8.6%

SHARE PERFORMANCE DOES NOT REFLECT SUCCESSFUL BUSINESS PERFORMANCE

Unlike the DAX and Dow Jones indexes, the ALTANA share had a rather restrained start into 2006. The publication of provisional figures for the business year 2005 at the end of January, with the announcement of ALTANA's tenth record year in succession and the planned double-digit dividend increase (also the tenth in a row), provided initial positive impetus. In February, two events had a stabilizing effect on sentiments towards the ALTANA share and thus the price level: the additional approval of ALVESCO® for the treatment of adolescents in the E.U., and the application for approval of Ciclesonide nasal spray in the U.S. and in Canada. Driven by acquisition and consolidation scenarios in the pharmaceutical sector and a very positive outlook for the business year 2006, the ALTANA share reached its high for the year on March 24 at €51.65.

After a price decline at the beginning of the second quarter, the share was again given impetus by the ALTANA's good business performance and the confirmation of the outlook for the full year. As the year progressed, the share was put under pressure by speculations about the announced change in the Group structure and by the second reference price reduction for proton pump inhibitors decided as of July 1, involving ALTANA's main sales driver Pantoprazole. As a result, the price fell to below the €50 mark, and the average level in June was €44. The ALTANA share recorded its all-year low on July 21, selling for €42.46. Until the end of the quarter, the price performance was determined almost exclusively by speculations about the announced change of the Group structure.

Driven by rumors that ALTANA Pharma would soon be sold, the share temporarily gained ground at the beginning of September. ALTANA AG announced the sale of its Pharmaceuticals business to the Danish company Nycomed on September 21. The next day, the price of the ALTANA share was up by roughly 4% compared to the level right before the announcement and increased by around 5% as against the three-months-average price before the announcement.

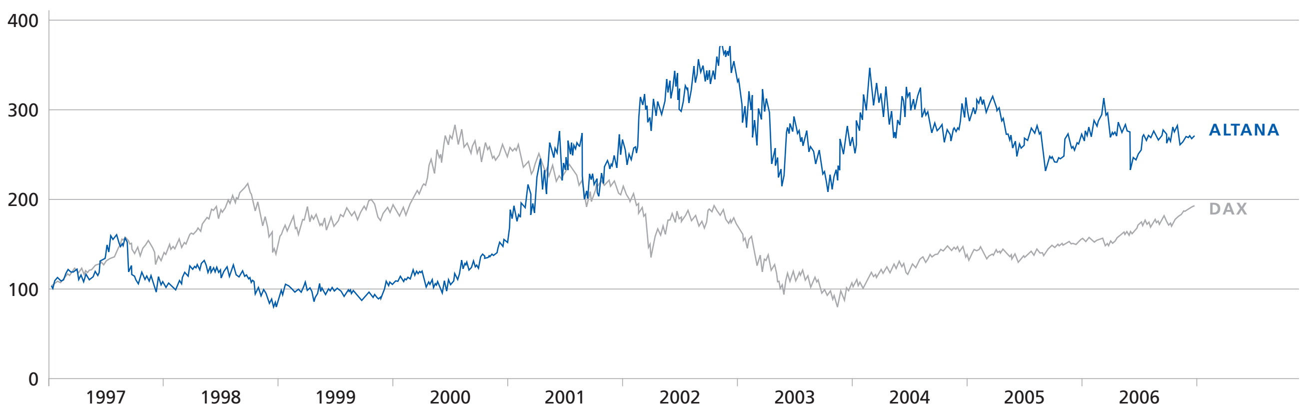
In the fourth quarter, the share performance was significantly influenced by the purchase price for the Pharmaceuticals business, which indicated the pharmaceuticals activities' share of ALTANA's corporate value and its market capitalization. The good business results for the first nine months and the planned distribution of the net proceeds of the transaction to the shareholders in the form of a special dividend boosted the share price by 3% on November 2. However, the price was only able to surpass the €45 mark in connection with ALTANA Chemie's Capital Markets Day. The ALTANA share rose further to €47.50 following the Extraordinary General Meeting on December 19 and closed the financial year at €47.00.

Although the price performance of the ALTANA share in the second half of 2006 was characterized by recovery tendencies, the share's performance for the year (2.2%) lagged behind the DAX and the branch indexes. The DAX closed the year at 6,597 points, up by 22.0%. Dow Jones STOXX Healthcare and Dow Jones STOXX Chemicals increased by 2.8% and 21.7%, respectively in the course of the year.

> Comparative performance ALTANA/DAX from January 1 to December 31, 2006

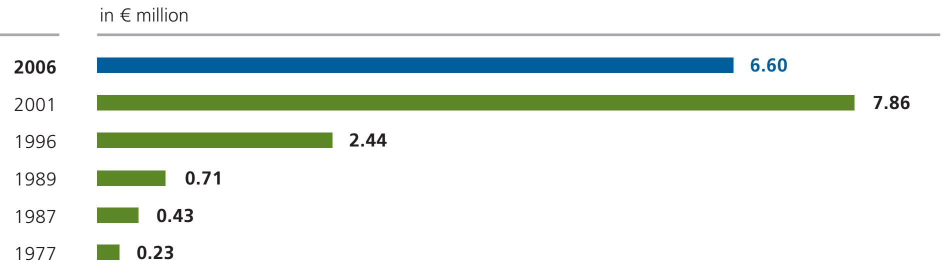
Jan. 1, 2006 = 100%

> Comparative performance ALTANA/DAX from January 1, 1997 to December 31, 2006



Jan. 1, 1997 = 100%

> Performance in 30 years ALTANA



TRADING VOLUME OF THE ALTANA SHARE

A total of 211 million ALTANA shares were traded on the German stock exchanges in 2006, 6 % more than in the prior financial year (2005: 200 million shares). The average daily trading volume amounted to 828,638 shares (2005: 775,165). At the end of the year, ALTANA was ranked number 31 (2005: 26) in terms of total trading volume and number 37 (2005: 30) regarding market capitalization in the official German stock exchange list. ALTANA's market value (market capitalization) amounted to € 6.6 billion (2005: € 6.5 billion).

THE ALTANA SHARE ON THE NYSE

The development of the ALTANA share on the New York Stock Exchange (NYSE) corresponded to its performance on the German stock market. It reached its year high of U.S. $ 63.90 on May 1, and recorded its year low of U.S. $ 53.14 on February 24. The share closed 2006 at U.S. $ 62.00, up by 13.8 %. Taking into account the exchange rate difference, the ALTANA share increased by 2.1 %.

The ALTANA share is traded on the New York Stock Exchange as American Depositary Receipts (ADRs*). The number of ADRs totaled 739,558 at the end of December. The average daily trading volume in 2006 was 7,918 ADRs (2005: 14,366 ADRs). Focusing now on its Specialty Chemicals business, ALTANA is currently investigating the possibility of a deregistration in the U.S.

ELEVENTH DOUBLE-DIGIT DIVIDEND INCREASE IN SUCCESSION

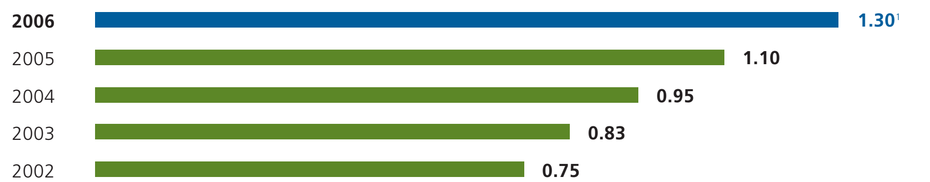
As announced, the Management and Supervisory Boards will propose to the Annual General Meeting on May 3, 2007, to distribute a dividend of € 1.30 per dividend-bearing share for the past financial year. The 18 % increase is geared to the performance of earnings in the former Group structure. Based on the year-end price, the dividend return amounts to 2.8 %. With a total dividend amount of € 176.8 million for the business year 2006, the distribution (26 %) is clearly higher than the nominal capital*.

Due to the dominance of the Pharmaceuticals division, the large majority of institutional investors regarded ALTANA as a pharmaceuticals investment before the sale of the Pharmaceuticals business. After the Pharmaceuticals business was sold, it was therefore reasonable to allocate the proceeds of the transaction as a special dividend to the shareholders. The Management Board has examined alternatives, for example, the buyback of shares. But a comprehensive stock repurchase program encompassing the entire net proceeds would only be possible in conjunction with a reduction of capital and a public acquisition offer. This possibility was dismissed, as it would heighten the complexity of the allocation of the proceeds.

* Glossary

> Dividend per share

in € **Dividend**



[1] Plus €33.00 special dividend and €0.50 bonus dividend

In addition to the regular dividend for the business year 2006, ALTANA shareholders are to receive a special dividend of €33 per dividend-bearing share calculated on the basis of the net proceeds amounting to roughly €4.7 billion deducting the book value of ALTANA Pharma of approximately €160 million and the taxes and expenses related to the transaction of about €93 million. Furthermore, it is planned to distribute a bonus dividend of €0.50 per dividend-bearing share in order to establish an equity and debt capital structure in the future balance sheet of the ALTANA Group adequate for a specialty chemicals company. Consequently, the total dividend amounts to altogether €4,732 million.

Thanks to the successful business performance, the company distributed a total dividend of €972 million to the shareholders in the last ten years, since 1990 the sum amounts to €1,143 million. In this period, the shareholders have only once been asked for a capital increase – in 1993, at a ratio of 5:1, at an issue price of €5.40 per share.

SHAREHOLDER STRUCTURE

As it has been the case so far, Susanne Klatten will hold 50.1 % of the issued capital* and thus remain the majority shareholder of ALTANA AG indirectly via SKion GmbH. 49.9 % of the nominal capital*, or 70.1 million of the 140.4 million no-par value shares of which the issued capital consists, are free float. 4.4 million shares are owned by ALTANA.

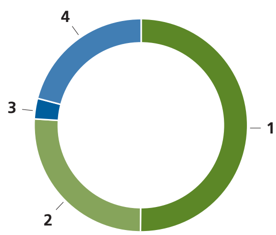
With ALTANA's divestiture of the Pharmaceuticals business and its concentration on the Specialty Chemicals activities, the shareholder structure – institutional investors and private shareholders – will change in the course of 2007.

FORMER STRUCTURE OF INSTITUTIONAL SHAREHOLDERS BASED ON GEOGRAPHIC ORIGINS

According to a survey conducted in July 2006, almost 26 % of the nominal capital or 55 % of the 65.9 million ALTANA shares that were freely negotiable at that time (free float) were owned and managed by 350 institutional investors as per the reference date July 31. Investors from the U.K. had most of the ALTANA shares in their portfolio, holding a total of 11.5 million shares or 8 % of the nominal capital and 17 % of the free float, respec-

* Glossary

> **Shareholder structure** (reference date July 31, 2006)



		%
Majority shareholder Susanne Klatten	1	50.1
Institutional investors	2	25.9
ALTANA proprietary shares	3	3.1
Other (among others, private shareholders, unidentified)	4	20.9

tively. German investors owned the second largest share package (nearly 9 million, 14 % of the free float). Institutional investors from the U.S. held 10 % of the freely negotiable shares, moving down to third place from first place the year before. The “top ten” institutional investors (which after the U.K., Germany, and the U.S. were from Belgium, Finland, and Norway), held 23 % of the free float.

INVESTOR RELATIONS

In 2006, investor relations activities (IR) were connected with the realignment of the Group, the announced sale of the Pharmaceuticals business, as well as news about product candidates in the pharmaceutical pipeline and the new positioning of ALTANA as a specialty chemicals company. Analysts’ and investors’ great need for information was met by a multitude of measures, such as one-on-ones, conference calls and investor conferences, as well as roadshows.

More than 1,000 shareholders used the Annual General Meeting, held on May 2, 2006 at the Congress Center Messe in Frankfurt, as an opportunity to obtain information directly from the company. Over 1,100 shareholders attended the Extraordinary General Meeting on December 19, 2006, at which the forthcoming strategic measures were addressed in detail. All IR events – conference calls, press conferences, and analyst meetings – could also be followed by private investors live via webcast. All of our presentation materials are available to private investors via Internet at the same time as they are at the disposal of institutional investors and financial analysts.

In 2006, the business magazine PR Report selected ALTANA AG’s corporate communications as the PR team of the year, giving it the “PR Report Award”.

ALTANA will continue its trusting dialogue with current and potential investors and analysts.

> ALTANA share

in €	**2006**	2005
Earnings per share [1]	**28.46**	3.23
Cash flow from operating activities [1]	**4.64**	4.75
thereof discontinued activities [1]	**3.90**	3.88
Dividend [1]	**1.30** [2]	1.10
Special dividend [1]	**33.00** [2]	–
Bonus dividend [1]	**0.50** [2]	–
Market capitalization (at year-end)	**6.6 billion**	6.5 billion
Number of shares outstanding (in thousands)		
annual average	**136,033**	135,605
at year-end	**135,987**	135,857
Carrying value [1]*	**41.00**	14.33

> Frankfort Stock Exchange (FSE), Xetra

in € [1]	**2006**	2005
High	**51.65**	53.95
Low	**42.46**	39.88
Price at year-end	**47.00**	46.00

Security code number	ISIN DE0007600801
Ticker symbol	ALT
Reuters code	ALTG.DE
Bloomberg code	ALT GR

> New York Stock Exchange (NYSE), American Depositary Receipt (ADR)

in U.S. $ [1]	**2006**	2005
High	**63.90**	69.53
Low	**53.14**	47.70
Price at year-end	**62.00**	54.47

Security code numbers	CUSIP 02143N103
	ISIN US02143N1037
Ticker symbol	AAA
Reuters code	AAA.N
Bloomberg code	AAA US
ADR ratio	1:1

[1] All figures relate to one share
[2] Management recommendation

* Glossary

SUSTAINABILITY AS A CORPORATE CHALLENGE

Page 67 >> Environmental protection and safety

To promote Group-wide control and structuring of the process of continual improvement of ALTANA's environmental protection and safety record, the Corporate Environment, Health & Safety (EH&S) department was established in 2006, with an obligation to report directly to ALTANA's Management, and the network of EH&S managers was more closely intertwined. In addition, uniform and binding key figures were defined for the entire ALTANA Group. ALTANA made improvements in many areas, including emission reduction, energy conservation, and safety at work.

Page 72 >> Personnel development

We believe that an active personnel policy is an important contribution to implement our growth strategy. In 2006, we expanded our management further education and training program. Regional personnel development programs were established for the regions of China, U.S./Brazil, Italy, Germany/The Netherlands, and rest of Asia. We offer our staff an attractive performance-related and success-oriented compensation system enabling them to participate in the company's performance.

Page 73 >> Corporate citizenship

As part of the realignment of the ALTANA Group, the ALTANA Cultural Forum and the Herbert-Quandt-Stiftung (The Foundation of ALTANA AG) have been put on a new "footing." The ALTANA Cultural Forum is operating as ALTANA Kulturstiftung gemeinnützige GmbH (gGmbH) (Cultural Foundation) since the beginning of 2007. Both corporate involvements have been provided with financing and personnel enabling them to continue the activities they have been engaged in. Some of the activities of the ALTANA Forum for Education and Science were assumed by the Chemicals and Pharmaceuticals (since 2007 Nycomed) divisions, and partly by the Herbert-Quandt-Stiftung.

ALTANA is listed in the sustainability indexes "FTSE4Good Europe Index," "FTSE4Good Global Index," and "Ethical Index Euro." These indexes exclusively include companies which meet stringent criteria regarding corporate management, environmental protection, and social responsibility. The "FTSE4Good Europe" index currently comprises roughly 300 companies listed on the stock exchange, 30 of them from Germany; the "Ethical Index Euro" includes 150 companies.

SPECIALTY CHEMICALS
ENVIRONMENTAL PROTECTION AND SAFETY – A MATTER OF UTMOST IMPORTANCE

ALTANA adheres to the stringent environmental protection regulations in Germany and in Europe as well as in the other markets in which we are active. In addition, we implement the principles of "Responsible Care," a worldwide initiative of the chemical industry aimed at protecting natural resources. By joining "Global Compact" in 2003, an initiative launched by the United Nations, we have committed ourselves to environmentally conscious and socially responsible corporate management. A large part of our production sites worldwide are already certified in accordance with EMAS* or ISO 14001*.

ENVIRONMENTAL POLICY

Sustainability is one of ALTANA's primary corporate objectives. This not only concerns our fiscal success we aim at, but also the protection of the environment, our employees, and the general public. Due to an increasing shortage of raw materials on the world market and the resulting substantial price increases of raw materials, conservation and efficient handling of resources is not only an ecological necessity, but an economic need. As a result, economic corporate success and environmental protection are intertwined in our guiding principles. In light of increasing cost and competitive pressure, efficient environmental protection is becoming more and more important. In keeping with the principle of sustainability, we aim to continually enhance our resource and energy efficiency and thus systematically exploit cost reduction potential relevant to environmental protection. This approach also helps us taking decisions on environmental protection measures at the operational level and on how to improve these measures.

SAFETY POLICY

"Safety" at ALTANA encompasses safety at work and employee health protection as well as the safety of our products during manufacture, storage, and transport, and when they are employed by our customers. We embrace the idea that every accident is avoidable and we aim for a working environment free of accidents. By means of a systematic safety management we are seeking, for example, to reduce the number of absence days and the number of events causing severe damage in order, ultimately, to improve the company's economic efficiency.

RISK PROFILE OF ALTANA

The following procedures are employed at ALTANA's 31 production sites worldwide:

> mixing of mostly liquid and sometimes powdery substances,
> mechanical milling of metals into metal effect pigments,
> chemical reactions, partly with emission of heat.

The following risks exist, depending on the procedure and the raw material being handled:

> fires caused by the use of organic solvents,
> the release of chemicals or fire caused by chemical reactions getting out of control and emitting heat,
> soil or water impurities caused by incorrect handling or improper transport of chemicals,
> dust explosions or fires when handling powders such as aluminum pigments.

We employ a number of measures to reduce the risks cited above to an acceptable level.

* Glossary

The type of waste arising from manufacturing depends on the product. The manufacturing processes are partly energy-intensive and contribute to the generation of CO_2. No other climate-relevant gases are produced, however. Nor are any substances used that destroy ozone. Some fossil resources are already being replaced by renewable ones. Emissions from organic solvent vapors and from dust are playing a role. The danger of chemicals being released into the environment as a result of leaky vessels is averted by means of collection vessels and collecting pans. Except in Finland, where approved amounts of sodium chloride are channeled into the Baltic Sea, and in India, where impure water is led into a public sewage network following biological treatment, there is no direct or indirect channeling of material outside of production facilities. Due to the classification of finished goods and the small quantities of products transported, the transport risk is assessed as being low.

ENVIRONMENTAL PROTECTION AND SAFETY GOALS

Corresponding to ALTANA's risk profile and our environmental and safety policy, our main aims are:

> to bear environmental and safety aspects in mind when developing new products,
> to avoid, reduce, and recycle waste,
> to reduce energy consumption and thus CO_2 emissions,
> to use resources efficiently,
> to prevent accidents at work resulting in periods of absence,
> to prevent events causing damage such as fires, explosions, or products leaking out into the environment.

We have committed ourselves via "Responsible Care" to continually improve regarding product responsibility, to promote conservation of resources, to use energy more efficiently, to prevent dangers from arising, as well as to enhance plant safety, safety at work, health protection, and transport safety. We aim at exploiting synergy potential through cooperation between different business areas.

FURTHER DEVELOPMENT OF THE MANAGEMENT SYSTEM

Around half of all of ALTANA's companies have an environmental management system that has already been certified by an independent institution and that complies with internationally valid standards such as ISO 14001*. Via the management system, environmental protection is integrated into the established processes of the company. Consequently, environmental aspects are taken into account in all daily tasks and company policy decisions. The objective of the environmental management systems is to systematically reduce adverse effects on the environment.

In addition to the two largest German production sites BYK-Chemie GmbH and ECKART GmbH & Co. KG, the companies that have already been certified include five of our six sites in China and India. A further six companies (20 %) are planning to be certified in the next two years. All production sites that handle larger amounts of chemicals are supposed to be certified in accordance with ISO 14001 by the end of 2009 at the latest.

In addition, ECKART in Germany and two sites in China have certified safety management systems. We have set ourselves the goal of "no more than five accidents at work with one day of absence per one million working hours" by 2010. If we achieve this aim, we will be among the leaders in the industry in this regard.

* Glossary

ENVIRONMENTAL PROTECTION RECORD IN 2006

WASTE REDUCTION / RESOURCE EFFICIENCY

The achievable improvements in these two areas amount to one percent of the total materials input and less. But since raw material costs have a large share in manufacturing costs, even minor improvements in the conversion rate can contribute to noticeable cost reductions. Improvements can be made by optimizing procedures and by using tanks instead of disposable containers for raw materials, which decreases container waste and reduces raw materials loss.

PLANT AND PROCESS SAFETY

In 2006, we launched a pilot project called "process definition" with which we want to learn preventively and Group-wide from events causing damage, events nearly causing damage, as well as accidents. An example: an event that caused damage in India in 2006. A chemical reaction involving heat generation got out of control and the liquid was caught in a vessel, but an escaping gas produced an unpleasant odor in the immediate vicinity. People were not injured. The event is to be analyzed so that valid standards for preventing and dealing with such events and similar ones can be developed for all ALTANA companies.

SAFETY AT WORK AND HEALTH PROTECTION

In the medium term, ALTANA intends to be among the leaders in the chemical industry when it comes to safety at work. Five sites have already reached the goal "accident-free." At two other sites, there were less than five accidents per one million working hours. And considerable improvements have been made at many other sites. In 2006, ECKART Germany was able to reduce the period of absence by more than half, from approximately 450 days to approximately 200, thus cutting costs considerably.

There has not been one fatal accident in any of ALTANA's companies since they have belonged to the Group. To keep things this way, we intend to sensitize our employees to this issue by minimizing the number of minor accidents and unsafe actions, since the technological means for improving safety at work have largely been exhausted. In addition, we regularly provide our employees with training regarding safety regulations and safe behavior and show best practice examples in our own companies and others. If necessary, we also give safety instructions to our customers, for example, on how to deal safely with aluminum powder.

DIALOGUE

In 2006, as in prior years, ALTANA participated in projects on the basis of which the repercussions of the E.U. chemicals directive REACH (Registration, Evaluation and Authorisation of Chemicals) – depending on the scenario – were studied and discussed by the relevant committees as part of their decision-making activities. ALTANA is involved in these projects in order to help improve environmental protection which will not be at the expense of the innovativeness and competitive strength of the European chemical industry. In spite of important improvements with regard to the Commission's original proposal, the E.U. guideline that was passed in 2006 and that goes into effect on June 1, 2007, will make it more difficult particularly for medium-sized companies, to be internationally competitive. As a downstream user and producer of substances, ALTANA is also affected. The majority of the substances – polymers – do not require a registration according to REACH. We expect that the required registrations, without the necessary internal resources, will amount to roughly €30 million in the next ten years.

REDUCTION OF EMISSIONS

With the installation of exhaust air cleaning systems in recent years, we have generally reduced dust or solvent emissions at our Wesel, Hamburg, Grevenbroich and Kempen sites by more than 90 %. In 2006, an exhaust air cleaning system was installed at our location in Ascoli, Italy being equally successful; the Quattordio site will follow in 2007.

ENERGY CONSERVATION

At our Pimpri and Ankleshwar sites in India, the electricity used related to production capacity was reduced by roughly 10 % and approximately 20 %, respectively, thanks to an enhancement of energy efficiency. Energy was conserved at ECKART due to a reduction of compressed air consumption, and at BYK-Chemie on account of the reduction of nitrogen consumption.

PRODUCT RESPONSIBILITY

ALTANA seeks to achieve a replacement of dangerous raw materials and products with harmless ones. For example, DS-Chemie in Bremen decreased the share of hazardous substances by 18 %. Beck Hamburg replaced a few products containing lead catalysts with lead-free versions, while Beck India replaced allergy-inducing solvents with noncritical solvents.

Coatings and sealing compounds of the Coatings & Sealants division enable innovative packagings opening up new possibilities for distributing and storing food. Many products are already more environmentally friendly systems (water-based coatings). Moreover, natural rubber, a renewable raw material source, is used as a basis for raw materials.

Wetting and dispersing compounds produced by Additives & Instruments make it easier to work pigments into coatings, which saves energy, and, due to lower pigment consumption, conserves resources. Thanks to improved corrosion protection, furthermore, additives help preserve the value of steel constructions or help our customers bring more environmentally friendly products onto the market, like in the case of additives for water-based coatings.

Also, new technologies such as nanotechnology* are being examined to see what opportunities they offer for resource-efficient production and products.

We view environmental protection in our markets to be a good opportunity for us, and it will help us achieve economic success.

INVESTMENTS

An investment focus in recent years has been the installation of exhaust air cleaning systems primarily to reduce solvent vapor emissions. In 2006, an exhaust air cleaning system was installed at the Ascoli location, and one will be added to the Quattordio site in 2007. Dust filters for reducing dust emissions were installed at four locations.

* Glossary

Investments were made in fire alarm systems for the Hamburg location and in an automatic fire extinguishing system at Deatech. In Wesel, further driverless transport systems went into operation, improving efficiency as well as safety at work.

OUTLOOK

We are striving for ISO 14001* certification of all the remaining locations worldwide by 2009. A primary focus of our efforts will be to enhance resource efficiency and to reduce emissions of CO_2, volatile organic solvents, and dust. We also seek to decrease the number of accidents resulting in periods of absence as well as the amount of absent days and the statistical probability of severe accidents.

Furthermore, we are planning to publish an environmental report in addition to the environmental statements.

* Glossary

QUALIFICATION OPENS UP FUTURE PERSPECTIVES

The knowledge, abilities, and motivation of our staff are an essential prerequisite for our innovative strength, the basis of our corporate success. As the market and technology leader in all kinds of business fields, ALTANA is striving to maintain and expand the advantage of superior knowledge of its qualified staff and managers. We therefore view an active personnel policy as an important contribution to the realization of our growth strategy. Customer service is one of our success factors. It is therefore indispensable that our employees "speak the language of our customers," i.e. know and recognize the problem areas, working environment, and potential of their conversational partners. We try to ensure this in two ways: on the one hand, by filling new positions with experienced experts from our customer environment; and on the other hand, through the further development of our own staff into experts. The spectrum of measures ranges from specialized training programs and project management to social training and job rotation. In financial 2006, €1.7 million was invested for further training in Germany (2005: €1.3 million).

GOAL-ORIENTED FURTHER DEVELOPMENT

We offer (future) executives individual training modules devoted to leadership and management. Furthermore, we have developed special further training programs for especially talented, competitive, and committed executives. For instance, we have offered the so-called Management Development Program (MDP) since 2004. The program provides managers with international training, preparing them to expand the scope of their tasks. The participants come from ALTANA companies worldwide.

In addition to the MDP which has been very successful based on reports from participants and their superiors, we launched regional "Development Programs" (DP) in 2006, personnel development programs for the regions China, U.S./Brazil, Italy, Germany/The Netherlands, and rest of Asia.

COMPANY-RELEVANT PERFORMANCE INCENTIVES

The international competitiveness of ALTANA as an employer hinges on employees' working conditions. When a company hires employees who consistently further enhance their qualifications, the employees must be offered compensation to bind them to the company in the long term. ALTANA has a uniform performance and earnings-related compensation system for the entire management which is an instrument of motivation and personnel management. The system provides incentives which are in line with ALTANA's guiding principles, its corporate strategy and philosophy, as well as its environmental, safety and personnel policy. The focus of our bonus system is innovation, customer orientation, quality, cost management, and resource efficiency. It is composed of a basic salary and a bonus consisting of between 20 and 60 percent of the total annual income, depending on the level of management, if the goals are one hundred per cent achieved. The bonus depends on the success of the division and of the entire company (measured in EBIT and ROCE) as well as on personal accomplishments.

ALTANA CORPORATE CITIZENSHIP – CONTINUITY DESPITE CHANGE

In the course of ALTANA's realignment, the company's corporate citizenship activities – the ALTANA Cultural Forum and the Herbert-Quandt-Stiftung – were given a new base. Part of the continuing activities of the ALTANA Forum for Education and Science were assumed by the Chemicals and the Pharmaceuticals divisions (since 2007 Nycomed). The scholarship programs set up at the Universities of Dresden and Constance for students and up-and-coming scientists from Central and Eastern Europe as well as Central and South America will be managed by the Herbert-Quandt-Stiftung in the future.

HERBERT-QUANDT-STIFTUNG

As part of its "Society and Politics" forum, the Herbert-Quandt-Stiftung addressed the rather neglected issue of the "Future of the Societal Center" in times of globalization. With this initiative the foundation not only intends to examine the current societal change, but also to elaborate options for political action and decision-making which will be published and presented to the public in the spring of 2007. The second forum, the "Trialogue of Cultures," deals with the three religions – Judaism, Christianity, and Islam – and their way of life, which face special challenges due to the social consequences of globalization (the dissolution of boundaries, migration, etc.). In addition, with its school competitions "Schools in Trialogue – European Identity and Cultural Pluralism," the Herbert-Quandt-Stiftung intends to promote mutual understanding and the integration of migrants into the "societal center."

The foundation will continue its successful work as an idea agency and provider of impetus independently now. A donation of Mrs. Susanne Klatten amounting to €15 million to the foundation capital of currently €25 million will enable the foundation to do so.

ALTANA CULTURAL FORUM BECAME INDEPENDENT

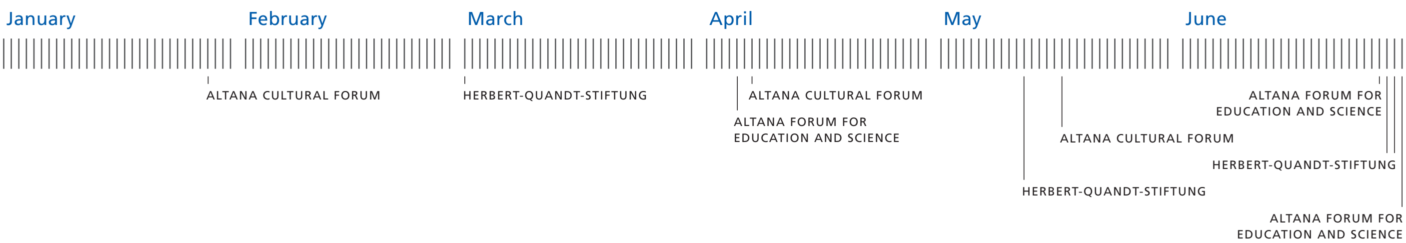
In 2006, the ALTANA Cultural Forum devoted two exhibitions – "Karin Kneffel · Seduction and Distance" and "Karl Bohrmann · Inner Spaces – Outer Spaces[1]" – to two artists from its own art collection. The two exhibitions, the discussion with Karin Kneffel, the piano evening with compositions by Karl Bohrmann and his friend Helmut Lachenmann, as well as the lecture from the artist's notes were very well attended. But with more than 26,000 visitors, the exhibition "August Macke · Suffusing Nature with Joy[2]" far exceeded our expectations. An educational program for school classes, groups of children, young people and adults was offered in conjunction with all three Sinclair House exhibitions.

Since January 1, 2007, the ALTANA Cultural Forum is operating under ALTANA Kulturstiftung gemeinnützige GmbH. As a donation in kind, ALTANA incorporated the collection with roughly 600 individual works by international contemporary artists as well as the Sinclair House in Bad Homburg into the new private company. In addition, the company received a starting capital of five million euros from ALTANA; Mrs. Klatten will provide the same amount. The institution, which has been renowned for over 25 years, will add an extensive educational program focusing on "art and nature" to its portfolio. With events at schools and kindergartens, comprehensive workshops during school vacations, and a broader range of courses and guided tours for children, young people, and adults, the ALTANA Cultural Foundation seeks to further attract people for art and to foster a sustained awareness of nature.

1 In cooperation with the Staatliche Graphische Sammlung Munich
2 In cooperation with the Kunstmuseum Bonn and the August Macke House in Bonn

ALTANA CORPORATE CITIZENSHIP 2006

As a knowledge and innovation-driven company, our corporate success depends on the future viability of the communities in which we operate and on their education and training programs, the political framework, and cultural diversity. As a good corporate citizen, we are committed to make our contribution.



HERBERT-QUANDT-STIFTUNG[1]
THE FOUNDATION OF ALTANA AG

SOCIETY AND POLITICS

- May 12/13, 2006: 26th Sinclair House Debate "The Future of the Societal Center in Germany," Bad Homburg
- June 28, 2006: "The Future of the Societal Center in Germany," discussion circle with Prof. Dr. Stefan Hradil from Mainz University and Prof. Tom Ling, RAND Europe, Frankfurt am Main
- June 29, 2006: "Philosophy of Citizenship: New Perspectives for the Societal Center," discussion evening with Dr. Jens Hacke, Institute for Social Sciences, Humboldt University, Berlin
- November 8, 2006: "The Societal Center in Germany – An Orphan of Politics?" podium discussion with Dr. Norbert Röttgen, Member of the German Bundestag, 1st Parliamentary Managing Director of the CDU/CSU Bundestag Faction and Bernd Ulrich, chief editor and director of the capital office of the weekly newspaper DIE ZEIT, Berlin
- December 7, 2006: "The Future of the Societal Center in Germany and the Role of the Church," discussion evening with Monsignore Prof. Dr. Peter Schallenberg, morale theologian from Fulda, Berlin

TRIALOGUE OF CULTURES

- As of March 2006: "Schools in Trialogue – European Identity and Cultural Pluralism," school competition II
- July 15 to 27, 2006: Summer academy "Cultures of Learning" in cooperation with the Goethe Institute (Cairo), Alexandria
- September 18, 2006: "Schools in Trialogue – European Identity and Cultural Pluralism," competition I, award for six schools in Bad Homburg
- November 13/14, 2006: 11th International Trialogue Conference "Religions in Schools – Education in Germany and Europe Facing New Challenges," Berlin

July · August · September · October · November · December

ALTANA CULTURAL FORUM
HERBERT-QUANDT-STIFTUNG
ALTANA CULTURAL FORUM
HERBERT-QUANDT-STIFTUNG
ALTANA FORUM FOR EDUCATION AND SCIENCE
HERBERT-QUANDT-STIFTUNG
ALTANA CULTURAL FORUM
HERBERT-QUANDT-STIFTUNG
HERBERT-QUANDT-STIFTUNG

ALTANA CULTURAL FORUM[2]

ART EXHIBITIONS AT SINCLAIR HOUSE

> April 7, 2006 to June 18, 2006:
"Karin Kneffel · Seduction and Distance"
Paintings and watercolors.

> September 1, 2006 to October 22, 2006:
"Karl Bohrmann · Inner Spaces – Outer Spaces"
Paintings 1991 – 1998.

> November 10, 2006 to January 28, 2007:
"August Macke · Suffusing Nature with Joy"
Paintings, Drawings, Watercolors.

CULTURAL SPONSORSHIP

> January 28, 2006 to April 2, 2006:
"Joan Miró · Fantastic Worlds," Kunsthalle Emden

> May 17, 2006 to June 30, 2006:
"Rosemarie Trockel," Villa Massimo Rome

> July 1/2, 2006: Art Private! – Corporate Art Collection Days in Hessen

ALTANA FORUM FOR EDUCATION AND SCIENCE

> April 5 to 9, 2006: Scholarship holder meeting of Eastern European exchange students and up-and-coming scientists from the Universities of Constance and Dresden in Berlin

> June 27, 2006: Presentation of the Forum for Education and the "frühstart" project at the Summer Symposium of the Freedom and Responsibility Initiative in Berlin

> June 30, 2006: Graduation celebration of the first class of the Schloss Hansenberg boarding school in the presence of Minister President Koch, Minister for Education Wolff and Dr. Nikolaus Schweickart

> Fall 2006: Evaluation of the post-graduate studies of social sciences for Berlin teachers and publication of the study results

> October 24, 2006: Opening of the Speaker Series of the Herbert Quandt Forum at the Otto Beisheim Graduate School of Management (WHU), Koblenz, with Dr. Nikolaus Schweickart

1 For further information please refer to www.h-quandt-stiftung.de
2 www.altana-kulturstiftung.de

STRATEGIC REALIGNMENT OF THE ALTANA GROUP

Page 77 >> **Eleventh record year in succession**

In 2006, the ALTANA Group reached its sales and earnings goals once again. Based on the former Group structure, sales rose by 18 % to €3.9 billion and earnings (EBT) before special expenses for Group realignment increased by 21 % over the prior year. ALTANA Chemie achieved a sales growth of 43 % and an earnings increase (EBT) at a similar level. ALTANA Pharma's sales and earnings (EBT) climbed by 9 % and 13 %, respectively.

Page 78 >> **Strategic partner for ALTANA Pharma**

On September 21, 2006, ALTANA announced the sale of its entire Pharmaceuticals business to the Danish company Nycomed, initiating the restructuring of the Group communicated by the ALTANA Management Board. Following approval by the Supervisory Board and the European and U.S. antitrust authorities, the Extraordinary General Meeting also approved the transaction on December 19, paving the way for a conclusion by the end of the year. On December 31, 2006, ALTANA Pharma AG along with its subsidiaries and affiliated companies was transferred to the Nycomed Group.

Page 82 >> **Group realignment completed**

With the divestiture of ALTANA Pharma, one of the former two corporate divisions, ALTANA AG will become one of the world's leading Specialty Chemicals companies in the relevant market segments. Thanks to the sales contributions from ECKART and acquisitions by the Coatings & Sealants and Electrical Insulation divisions, ALTANA Chemie's sales volume has reached a new dimension.

Page 87 >> **Specialty Chemicals business posts strong growth**

In 2006, ALTANA's Specialty Chemicals business reported strong sales growth exceeding the company's expectations. Also due to acquisitions, sales increased by 43 % to roughly €1.3 billion. Operating sales grew by 10 %, particularly in Asia, but also in North America and Europe. Additives & Instruments and Effect Pigments recorded the highest sales growth. Despite high additional expenses for acquisitions, earnings before taxes rose by 42 % to €147 million roughly similar to sales.

BUSINESS PERFORMANCE OF THE ALTANA GROUP IN ITS FORMER STRUCTURE

Due to the sale of ALTANA Pharma as of the end of 2006 and thus the complete divestiture of the Pharmaceuticals business, the International Financial Reporting Standards (IFRS) require a report divided into "continuing operations" (the Specialty Chemicals business and the holding company ALTANA AG) and "discontinued operations" (ALTANA Pharma). To facilitate a comparison with past reports, however, we will first report on the business performance of the ALTANA Group in its former structure.

ALTANA CONCLUDES ELEVENTH RECORD YEAR WITH GROUP RESTRUCTURING

With a substantial sales growth of 18 % (9 % operating growth) to the record figure of nearly €3.9 billion, ALTANA can once again look back on a very successful business year. Bolstered again by the good sales growth of Pantoprazole, ALTANA Pharma increased its business volume by 9 % to €2,573 million. ALTANA Chemie – supported by acquisitions and the excellent business performance of the chemical industry – expanded its sales by 43 % to €1,294 million. Adjusted for acquisition, divestment, and exchange rate effects, the operating growth was 10 %.

Earnings before taxes (EBT) of the ALTANA Group in its former structure climbed by 14 % to €779 million. In spite of special burdens, the return on sales was once again on a high level with 20 %. The same applies to the operating return (EBITDA) of both divisions: ALTANA Pharma (29 %), and ALTANA Chemie (18 %). ALTANA Pharma contributed €686 million (+13 %) to Group earnings (EBT) despite considerable sales declines of its blockbuster Pantoprazole in Germany, and the Specialty Chemicals business – not least due to the contribution of ECKART – accounted for €147 million (+42 %).

As a result of Group restructuring there were special expenses and other one-time effects to the amount of €51 million, €32 million assigned to the holding company and €19 million to ALTANA Pharma. Without these one-time burdens, the earnings volume (EBT) rose by 21 % to €830 million.

With €188 million, the capital expenditure in 2006 was 24 % down on the prior year, primarily due to lower investments in intangible assets. Nearly €500 million was invested in Research & Development, 6 % more than in 2005. Of that amount, €427 million was invested in the Pharmaceuticals division and €68 million in the Chemicals division.

13,404 people worked for ALTANA in its former structure as of December 31, 2006, only slightly more than in the prior year (+1 %).

> Key figures

	ALTANA Group (former structure)			Pharmaceuticals			Chemicals			Holding company	
in € million	**2006**[2]	2005[1]	Δ %	**2006**[2]	2005[1]	Δ %	**2006**	2005[1]	Δ %	**2006**	2005[1]
Sales	**3,867**	3,272	18	**2,573**	2,365	9	**1,294**	907	43	**–**	–
EBITDA[3]	**940**	815	15	**754**[5]	691	9	**237**	164	45	**-51**[4]	-40
EBT[3]	**779**	684	14	**686**[5]	608	13	**147**	104	42	**-54**[4]	-28
Capital expenditure	**188**	246	-24	**113**	201	-44	**75**	44	67	**–**	1
Research	**495**	465	6	**427**	418	2	**68**	47	45	**–**	–
Employees	**13,404**	13,276	1	**8,920**	8,832	1	**4,433**	4,384	1	**51**	60

[1] As reported in the prior year
[2] Pro forma
[3] Excluding the net proceeds from the sale of ALTANA Pharma
[4] Including €24 million (EBITDA) respectively a special expense of €32 million (EBT) resulting from Group restructuring and other one-time effects
[5] Including €19 million expenses for Group restructuring

DIVESTITURE OF THE PHARMACEUTICALS BUSINESS

ALTANA sold its Pharmaceuticals business to the Danish Nycomed Group. The transaction was completed as of the end of 2006 after ALTANA's Supervisory Board, the relevant E.U. and U.S. antitrust authorities, and the Extraordinary General Meeting approved the transaction. ALTANA's management views the move as an important step to strengthen ALTANA Pharma's future prospects.

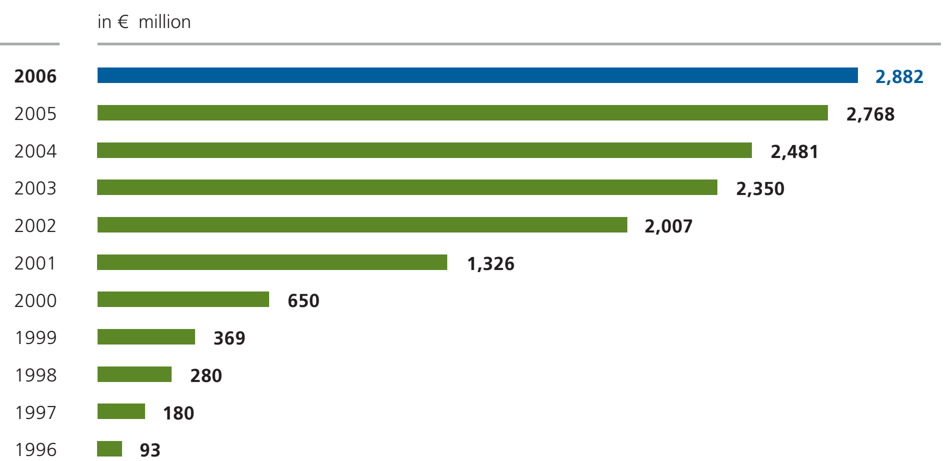
A decisive factor for this decision was the fundamental change of national as well as international framework conditions for the ethical pharmaceutical business. Consolidation in the European pharmaceutical industry in 2006, in particular in Germany (Schering-Bayer, Merck-Serono, UCB-Schwarz Pharma, Akzo Nobel) is a result of this trend. Burdens from

> significantly higher Research & Development costs,
> more stringent approval requirements, particularly in the U.S.,
> health-policy measures, government restrictions, regulations, and cost-cutting programs like, for example, reference prices* for prescription drugs in Germany which in effect hollow out patent protection of innovative therapeutics,
> the need for international sales and production structures and
> the stiffer competition from generics manufacturers

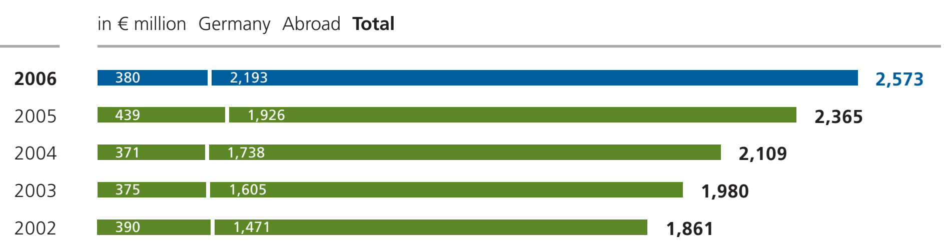
can scarcely be carried alone by a medium-sized company such as ALTANA.

In addition, there were internal reasons: Setbacks in the development of important product candidates gave rise to considerable delays in the clinical development of

> Market sales of Pantoprazole since it was launched



> Sales Pharmaceuticals



* Glossary

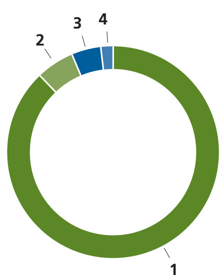
these products and in the approval dates expected. Due to these delays there will be a substantial sales and supply gap in 2009/2010 after the patent expiration of ALTANA Pharma's most important sales driver, Pantoprazole, which will lead to a considerable decline in earnings. Contrary to earlier expectations, the respiratory projects Ciclesonide and Roflumilast will not be able to close this gap completely. While there are a number of other candidates in the research pipeline, their degree of maturity and the expected sales are not sufficient to close the gap that will arise after patent expiration Pantoprazole.

The cooperation with the Nycomed Group offers strategic advantages, as the two companies can benefit from one another in important areas. Nycomed's and ALTANA Pharma's business activities complement one another very well, both geographically and in terms of products. Nycomed's products are expected to make a substantial contribution to a stable cash flow after the Pantoprazole patent expiry. ALTANA Pharma's Research & Development capacities are being joined with Nycomed's development and licensing experience. This should ensure successful generation of products in the future.

ALTANA PHARMA GROWS DUE TO ITS MAIN SALES DRIVER AND FOREIGN BUSINESS

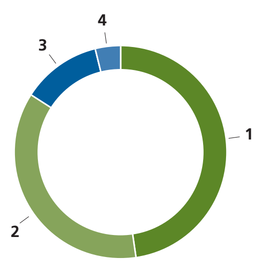
In the year under review, ALTANA Pharma achieved sales of €2,573 million (2005: €2,365 million), an increase of 9 %. Adjusted for exchange rate effects, operating sales rose by 8 %.

> Sales by business unit



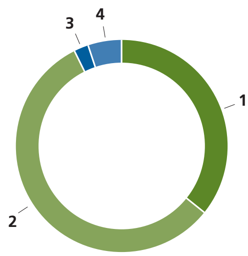
in € million		2006	2005	Δ %
Therapeutics	1	**2,261**	2,071	9
thereof Gastrointestinal		1,702	1,536	11
thereof Respiratory		83	69	20
OTC	2	**149**	131	14
Diagnostics (Imaging)	3	**108**	108	-1
Other	4	**55**	55	0
Total		**2,573**	2,365	9

> Sales by region



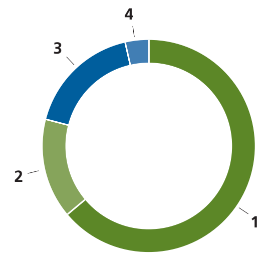
in € million		2006	2005	Δ %
Europe	1	**1,227**	1,219	1
thereof Germany		380	439	-14
North America	2	**936**	770	22
thereof U.S.		761	651	17
Latin America	3	**311**	279	12
Other regions	4	**99**	97	3
Total		**2,573**	2,365	9

> **Market sales Pantoprazole by region**



in € million		2006	2005	Δ %
Europe	1	**1,030**	1,049	-2
thereof Germany		226	292	-23
North America	2	**1,641**	1,531	7
thereof U. S.		1,429	1,356	5
thereof Canada		212	175	21
Latin America	3	**64**	52	21
Other regions	4	**147**	136	8
Total		**2,882**	2,768	4

> **Employees by region**



in € million		2006	2005	Δ %
Europe	1	**5,700**	5,704	0
thereof Germany		3,763	3,770	0
North America	2	**1,352**	1,381	-2
thereof U. S.		1,079	1,145	-6
Latin America	3	**1,549**	1,500	3
Other regions	4	**319**	247	29
Total		**8,920**	8,832	1

The growth driver was again the strategic core business, "prescription drugs." "Therapeutics" sales increased by 9 % to €2,261 million (2005: €2,071 million), accounting for 88 % of ALTANA Pharma's total sales, up from 87 % in 2005.

The main pillar of the prescription drug business, the proton pump inhibitor* Pantoprazole, generated € 1,551 million in 2006 (+14 %), accounting for 69 % of Therapeutics' sales (2005: 66 %) and 60 % of ALTANA Pharma's total sales (2005: 58 %). ALTANA Pharma's main sales driver achieved worldwide market sales of €2,882 million (+4 %), all sales partners included.

In 2006, ALTANA Pharma reported total respiratory therapeutics sales of €83 million (2005: €69 million). ALVESCO®, the first new product from the Ciclesonide family, contributed sales of € 18.2 million in its second year on the market (2005: €8.1 million).

Sales in Germany, ALTANA Pharma's domestic market, fell by 14 % to €380 million due to price reductions of Pantoprazole resulting from two reference price decreases as well as the fact that German panel doctors favored prescriptions of generic proton pump inhibitors. Sales outside of Germany, on the other hand, expanded by 14 %, amounting to €2,193 million. International sales accounted for 85 % of total sales (2005: 81 %).

* Glossary

> Earnings before taxes (EBT) in € million

DOUBLE DIGIT EARNINGS GROWTH DESPITE BURDENS

In spite of considerable sales losses in Germany and restructuring costs in the U.S., ALTANA Pharma's operating earnings (EBITDA) rose by 9% to €754 million, thanks to the good international business' development. This was primarily due to the good sales performance as well as lower growth of Marketing & Sales, and Research & Development expenses resulting from the delay of development projects. Earnings before taxes (EBT) amounted to €686 million, higher than expected. The proceeds from the sale of the stake in GPC Biotech recorded in the financial income had a positive impact. As a result, the return on sales improved to 26.7%. The operating return (EBITDA) amounted to 29.3%.

NET PROCEEDS FROM THE SALE OF ALTANA PHARMA

The total purchase price for the Pharmaceuticals business of roughly €4.7 billion is composed of the corporate value of ALTANA Pharma AG amounting to €4.215 billion and the total purchase price adjustment of around €0.5 billion calculated at the end of the year, essentially comprising the net liquidity of ALTANA Pharma.

The net proceeds of the transaction calculated based on the German Commercial Code (HGB) – that is, the proceeds after deduction of the carrying value of the Pharmaceuticals division (€159 million) as well as the taxes (€77 million) and expenses (€15 million) related to the transaction – will be transferred to ALTANA AG's shareholders in 2007. The carrying value of the Pharmaceuticals business recorded in the consolidated balance sheet according to IFRS amounted to €1,274 million, substantially higher than the value based on HGB. Therefore, correspondingly lower net proceeds are reported in the consolidated financial statements.

TOTAL PHARMACEUTICALS EARNINGS

In the consolidated financial statements according to IFRS, earnings after taxes of "discontinued operations" are composed as follows:

in € million	2006
Earnings from current business activities of ALTANA Pharma after taxes and deconsolidation	478
Net proceeds after taxes and deconsolidation	3,338
Earnings after taxes of "discontinued operations"	3,816

BUSINESS AND FRAMEWORK CONDITIONS OF THE NEW ALTANA GROUP

GROUP STRUCTURE AND BUSINESS ACTIVITIES

LEGAL GROUP STRUCTURE

With the sale of ALTANA Pharma, ALTANA AG will become one of the world's leading Specialty Chemicals companies in the relevant market segments. Its operating business is divided into four legally independent divisions: Additives & Instruments, Effect Pigments, Electrical Insulation, and Coatings & Sealants. They are operated by the management holding company ALTANA (see the organizational chart on the inside leaf of the front cover and page 84). In the course of the business year 2007, ALTANA AG's headquarters will be transferred from Bad Homburg to Wesel on the Lower Rhine, the present headquarters of ALTANA Chemie.

The operating organization of the Additives & Instruments and Effect Pigments divisions corresponds to a parent company structure. The managing companies – BYK Chemie GmbH (Additives & Instruments) and ECKART GmbH & Co. KG (Effect Pigments) – are headquartered in Wesel and Fürth, respectively. The two other divisions are managed by the interposed holding companies ALTANA Electrical Insulation GmbH (as of May 2007 ELANTAS Electrical Insulation GmbH) and ALTANA Coatings & Sealants GmbH (as of May 2007 ACTEGA Coatings & Sealants GmbH), both headquartered in Wesel.

The ALTANA Group consists of 42 operating companies with 31 production sites. With the exception of Beck India Ltd. listed on the Indian stock market, (in which ALTANA has an 89 % ownership interest) all of the companies are wholly owned subsidiaries.

NEW CORPORATE IMAGE FOR A STRONG BRAND FAMILY

After the Annual General Meeting on May 3, 2007, ALTANA will present its new image to the public. The new, uniform corporate image is intended to help foster awareness of ALTANA as a specialty chemicals company. The aim of the concept concluded in December 2006 is to create a strong brand family under the ALTANA holding. It expresses an affiliation to the ALTANA Group as well as the independent operation of the divisions. The latter is important so that each division can continue to be acknowledged as a unit with its own face – a brand – in its respective markets.

The logo will be further developed with a new figurative mark and new corporate colors. In addition, the names of the subsidiaries will be aligned. Apart from BYK® (Additives & Instruments) and ECKART (Effect Pigments), two strong established brands, the other two divisions will be renamed ELANTAS (Electrical Insulation) and ACTEGA (Coatings & Sealants). All four divisions will use the same figurative mark as ALTANA AG.

BUSINESS ACTIVITIES

As a Specialty Chemicals company, ALTANA specializes in surface protection and refinement in the broadest sense, for cars, food packaging, wires, electronic circuit boards, plastic furniture, or lipsticks. The product spectrum ranges from additives and effect pigments to special coatings, sealants and casting compounds, to impregnating resins, all the way to testing and measuring instruments. Our customers include coatings manufacturers, coatings and plastics processors, as well as renowned companies in the electric, electronics, graphics, and cosmetics industries.

ALTANA markets its products in more than 100 countries. It has a reputation among German and international customers for its highquality products, as being a reliable partner with great innovative strength providing service tailored to customers needs.

In order to meet ever higher customer requirements in terms of time, quality and costs and to ensure the desired high application consultancy services and service intensity locally, all of the four divisions of ALTANA support a worldwide network of application technology laboratories and specialists which is expanded in a specific region corresponding to business developments. At present, the ALTANA Group operates worldwide 45 service and research laboratories as well as 31 production sites. Research, application technology, production, and marketing are closely intertwined for an efficient development of customer-oriented and highly innovative products.

PRODUCT LINES AND COMPETITIVE POSITIONS

The product portfolio of the Additives & Instruments division (BYK-Chemie) includes nearly 300 products, ranging from wetting and dispersing additives, for the even distribution and stabilization of solids in liquids, to defoamers and air-release additives, which eliminate air bubbles in coatings and plastics. Supplementing the additives, BYK-Chemie's subsidiary BYK-Gardner produces and markets measuring and testing instruments used to measure the surface properties of paints and plastics. BYK-Chemie is thus the only supplier of system solutions for a multitude of applications in the coatings and plastics industries. BYK-Chemie® and BYK-Gardner® are leading international brands in their industries. This is also reflected by the leading market position of the Additives & Instruments division, in the three growth markets of paint additives, plastics additives, and instruments.

The Effect Pigments division (ECKART) offers pigments to its customers tailored to their specific wishes. These products meet customers' requirements regarding visual effects as well as technical properties with a focus on processing, supply form, and environmental compatibility. As far as the technical properties of coatings and plastics are concerned, there are overlaps between Effect Pigments and Additives & Instruments. ECKART is the only competitor on the market possessing expertise over the entire processing and value added chain in the manufacture of metallic effect pigments – from the production of starting materials to pigment coating and formulation of finished products such as specialty and printing inks. ECKART is already the market leader in the fields of "coatings applications" and "printing inks and applications for the graphics industry"; ECKART has leading positions in the "engineering materials," "cosmetics," and "plastics applications" markets.

The Electrical Insulation division (as of May 2007 ELANTAS) specializes in liquid electrical insulation such as overprint and dipping varnishes, resins, and casting compounds used in electric motors, transformers, generators, sensors, and printed circuit boards. These components are found in electrical household appliances, televisions, computers, lamps, automobile engines, and wind power wheels. While Electrical Insulation is market leader in the two growth markets of "primary and secondary insulation," it still has to realize growth potential in the largest market, "electronic and engineering materials".

Coatings & Sealants (as of May 2007 ACTEGA) has changed its focus in the last three years, and now concentrates on the secondary packaging materials segment. The division develops and manufactures products for the printing (graphic arts) and packaging (converting specialties) industries. Its product portfolio includes sealing materials and sophisticated coatings, for example, for food, drug, and cosmetics packaging, for instance bottle caps, can end sealants, bags, foils, drug blisters, boxes, multi-item packaging, packaging labels, as well as newspapers and CD covers. Unlike many of its competitors, Coatings & Sealants offers complete solutions for packaging systems.

ALTANA

BYK **Additives & Instruments**	ECKART **Effect Pigments**	ELANTAS[1] **Electrical Insulation**	ACTEGA[1] **Coatings & Sealants**
Paint additives	Coatings applications	Primary insulation	Materials for the packaging industry
Plastics additives	Printings inks and the graphics industry	Secondary insulation	Materials for the graphics industry
Measuring and testing instruments	Cosmetics	Electronic and engineering materials	
	Plastics applications		
	Technical applications		

[1] Name of the division following renaming planned for May 2007

PRINCIPAL SALES MARKETS

ALTANA's business activities concentrate on the European, American, and Asian markets. ALTANA achieves 48 % of its sales in Europe (17 % thereof in Germany), 26 % in North and South America (19 % thereof in the U.S.), and 23 % in Asia (10 % thereof in China). In order to participate in the dynamic growth of the Asian region, particularly China, all four divisions will boost their local activities. This applies in particular to the Effect Pigments division, currently establishing a new production site in Zhuhai. In addition, Coatings & Sealants significantly improved its position in the U.S. in 2006 due to acquisitions. Another target market is South America, where Electrical Insulation has expanded its business through the acquisition of ALTANA Isolantes Eléctricos do Brasil.

GROUP CONTROL, OBJECTIVES AND STRATEGY

The main aim of ALTANA's management is to continually enhance the value of the company through profitable growth and concentration on those divisions which offer the best development opportunities in terms of competitiveness and efficiency. The most important elements of Group control employing value-related key figures are therefore growth, operating efficiency, and optimum use of capital.

KEY CONTROL FIGURES

The Management Board uses various financial key figures to control the divisions. ALTANA is pursuing a long-term growth strategy; organic growth and operating income are therefore important control factors. Apart from the main key figures which can be derived directly or indirectly from earnings figures, such as sales, EBITDA, and EBIT, ALTANA also uses return on capital employed (ROCE), which measures the return on capital within a year. The minimum goal is to achieve operating income which at least covers ALTANA's capital costs.

Furthermore, our companies are also controlled using non-financial key figures, including market shares, degree of innovation, utilization, scope of requirements, etc., which are calculated and analyzed regularly. These specific key figures are applied in individual target setting if this is possible and sensible. As an instrument for measuring economic success, they also constitute a component of the variable compensation of the respectively responsible management.

CORPORATE STRATEGY

ALTANA believes it can achieve an average annual organic growth of 6 %. The basis of this organic growth is the dynamic expansion of our sales markets. We concentrate on expanding our position in niche markets in which we maintain or strive for leading market positions. As our target markets are very fragmented, we believe we still have considerable growth potential in individual markets in which we hold a leading position.

Our core business offers solutions tailored to our customers' needs and the suitable specialty chemicals. The costs for our specialty products constitute a relatively small share of the total product costs of our customers in the industry, yet the value of our customers' products increases considerably due to our specialty products. Thus, the price does not necessarily play an essential role in our customers' purchasing decision, but efficiency of our specialty products is a significant factor. Therefore, in addition to the dynamic expansion of our target markets, innovations opening new sales chances for our customers are a driving force behind our organic growth. With the importance of a high innovative strength for our company's development in mind, ALTANA is striving in the medium term to increase its Research & Development (R&D) expenses – which are already above the industry average – to roughly 6 % of our sales.

The tailor-made solutions and product effects we offer are primarily the result of close cooperation with our international industry customers. We have to operate globally and as a result targeted regional expansion is part of our corporate strategy. For historical reasons, almost 50 % of our business activities are still focused on Europe. We are striving to further increase our global presence, which is reflected by our business in the individual markets. In doing so, we consciously rely on our managerial staff out of the different markets, who are familiar with the culture and language of our customers.

An integral part of our corporate strategy, apart from organic growth, is growth from acquisitions, whether to round off existing business areas or to add new fields of business. ALTANA believes that it can achieve an annual external growth of at least 4 % on average. To this end, we analyze the activities in our business portfolio each year regarding their potential, as well as their compatibility with our business model and our corporate goals. Targeted investment and divestment strategies for the further development of our portfolio are derived from strategic analysis. Due to its numerous acquisitions, ALTANA has wide-ranging experience when it comes to choosing targets, evaluating companies, handling transactions efficiently, and successfully integrating acquired companies.

SURVEY OF BUSINESS PERFORMANCE

GENERAL ECONOMIC AND BUSINESS SITUATION

The global economy continued to expand in 2006. With an estimated increase of 5.2 % (2005: 4.9 %), the world economic growth was even higher than expected. The U.S. economy achieved slightly lower growth than in the prior year (3.3 %). High energy prices, various interest rate increases, and a downswing in the real estate market dampened private consumption and thus the growth of the U.S. American economy. The euro-dollar exchange rate largely remained stable on an annual average. The global trade volume increased substantially by approximately 9.6 %, compared to 7 % in the prior year.

The Chinese economy continued to show strong dynamism, bolstered by increased investments and a favorable export trend. China's economy is expected to have grown by 10.6 % in 2006. The remaining Southeast Asian emerging markets will also achieve above-average growth rates, at 5 %. The increased demand for raw materials and high crude oil prices will boost growth in a few Eastern European countries, particularly in Russia (6.5 %).

The economy of the euro region noticeably recovered for the first time since 2000. The real gross domestic product in this area is estimated to have climbed by 2.6 % in 2006. The German economy achieved its strongest growth in six years. The German gross domestic product grew by considerably more than 2 % thanks to increased domestic demand.

INDUSTRY-SPECIFIC FRAMEWORK CONDITIONS

The business year 2006 was a very successful one for the German chemical industry. Chemicals production increased by 3.5 % (higher than had been forecast) due to a better-than-expected second half of the year. The chemical companies utilized nearly 85 % of their production capacities – a good result. Producer prices rose continually due to increased energy and raw materials prices. For this reason, among others, total sales in the chemical industry are expected to be up by 6 % to €162 billion. Foreign demand remained the most important growth driver in 2006: international sales climbed by 7.5 %. But domestic business also improved, growing by 4.5 %. Exports to the Asian emerging markets and to Eastern Europe experienced a double-digit increase, and the demand in North America and Europe was not far behind.

The industries of our customers which traditionally have been high export sectors, including the automobile, mechanical engineering, and packaging industries, benefited from the above-average world economic performance. In Germany, moreover, the automobile and electronic appliance industries profited from consumer purchases made in 2006 before the VAT increase announced for 2007. The German printing industry continued on the road to recovery, receiving impetus from the general economic upswing and increased growth in advertising expenditure.

PROGRESS IN 2006

> March: To improve its access to the U.S. market and to strengthen its graphic arts business, Coatings & Sealants acquires Rad-Cure, a company specializing in UV and overprint varnishes as well as adhesives for paper and cardboard packagings.

> April: Electrical Insulation expands strategically and geographically in the Mercosur area with the acquisition of the Brazilian insulating resins production site of the Italian company INVEX S.p.A.

> May: Beck Electrical Insulation acquires the business, technology, and marketing activities of the chemicals division of Kunststoff-Chemische Produkte GmbH, possessing innovative products and having many years of experience in coatings for and protection of electronic components.

- ALTANA presents itself in detail as a Specialty Chemicals company to potential investors on its first Capital Markets Day on November 16, 2006.
- As part of its plan to reduce excess capacities in Europe, Electrical Insulation terminates production activities in Manchester (U.K.), Kempen (Germany), and Fort Wayne (U.S.) in 2006. The production volumes are integrated in existing European sites and in the site in Zhuhai (China).
- In order to realize synergy potentials and to optimize organizational structures in the Effect Pigments division, the aluminum paste production facility in Porto Marghera (Italy) is closed and production is transferred to existing European sites.

EARNINGS, FINANCIAL, AND ASSET SITUATION

Even after the sale of the Pharmaceuticals business, the key figures provided in ALTANA's annual financial statements still reflect a highly profitable company with high cash flow and solid balance sheet relations.

EARNINGS SITUATION

SALES AND EARNINGS PERFORMANCE OF THE SPECIALTY CHEMICALS BUSINESS

The business performance in 2006 was characterized by the integration of the ECKART Group, which has constituted ALTANA's fourth division since October 1, 2005. The acquisition, the largest in the company's history, had a material effect on all essential key figures relating to specialty chemicals activities:

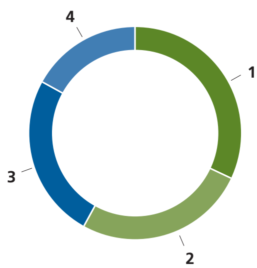
> Sales and earnings of the Specialty Chemicals business

in € million	**2006**	2005	Δ %
Sales	**1,294**	907	43
Operating earnings (EBITDA)	**237**	164	45
Operating income (EBIT)	**159**	113	41
Earnings before taxes (EBT)	**147**	104	42

The business volume increased substantially higher than expected by 43 % to around €1.3 billion. Acquisition and divestment effects contributed 33 percentage points to the above-average growth. Exchange rate fluctuations on balance had no influence on the sales performance, and as a result a dynamic operating growth of 10 % was achieved. About one-third of the operating growth was due to volume gains and about two-thirds to price and product-mix changes. The higher raw materials prices could be passed on to a large extent through price increases.

The presentation of sales by division illustrates the effects of the ECKART acquisition, and, to a considerably lesser degree, the effects of the acquisitions made by the Coatings & Sealants and Electrical Insulation divisions:

> Sales by division



in € million		2006	2005	Δ %	Δ % op[1]
Additives & Instruments	1	409	364	13	13
Effect Pigments	2	339	75	13[2]	12[2]
Electrical Insulation	3	325	293	11	10
Coatings & Sealants	4	221	175	26	3
ALTANA		1,294	907	43	10

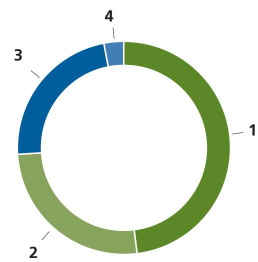
[1] Adjusted for exchange rate, as well as acquisition and divestment effects
[2] Pro forma based on the full year

High sales growth due to acquisitions was reported in all important markets in Europe, Asia, and North America.

Traditionally ALTANA's sales base has been Europe and Germany; it was expanded with the acquisition of ECKART. ALTANA's operating sales (adjusted for acquisition, divestment, and exchange rate effects) on the European market increased by 9 %. However, the company achieved its strongest growth outside of the E.U., in America and Asia. In North and South America, in addition to the acquisition of ECKART, those of Kelstar, Rad-Cure, and ALTANA Isolantes Eléctricos do Brasil led to a substantial sales growth of 61 % to €331 million and operating sales grew by 8 % in this region.

Nominal sales in Asia posted weaker growth, at 39 %, but operating sales growth was again above the average (15 %). We generated 10 % of our sales in 2006 in China, our third-largest single market.

> Sales by region



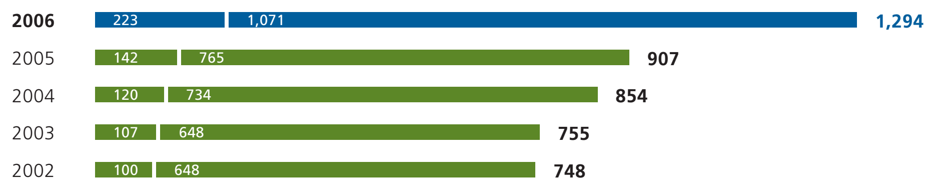
in € million		2006	2005	Δ %	Δ % op[1]
Europe	1	627	455	38	9
thereof Germany		223	142	57	9
North and South America	2	331	205	61	8
thereof U.S.		243	144	69	12
Asia	3	297	214	39	15
thereof China		127	91	40	10
Other regions	4	39	33	16	6
ALTANA		1,294	907	43	10

[1] Adjusted for exchange rate, as well as acquisition and divestment effects

The strong organic and acquisition-related expansion of our business volume was not pursued at the expense of our profitability corresponding to our plans. In the business year 2006, operating earnings (EBITDA) of the Specialty Chemicals business amounted to €237 million, up by 45 % on the prior-year figure. At 18.3 %, the EBITDA margin lies within the medium- to long-term target return range of 18 % to 20 % and thus at a top level in the competitive environment.

> Sales Specialty Chemicals

in € million Germany Abroad **Total**



> Operating earnings (EBITDA) Specialty Chemicals

in € million

Operating income (EBIT) rose almost comparably, growing by 41 % to €159 million, in spite of high acquisition-related amortization on intangible assets.

Earnings before taxes (EBT) also kept pace with sales, up by 42 % to €147 million. The return on sales remained the same as in the prior year, at 11.4 % – contrary to our expectations anticipating an acquisition-related decline.

> Additives & Instruments

in € million	2006	2005	Δ %
Sales	**409**	364	13
Operating earnings (EBITDA)	**118**	102	15
Operating income (EBIT)	**100**	85	17

PERFORMANCE OF THE DIVISIONS

Not being affected by exchange rate effects, the **Additives & Instruments** division posted organic growth of 13 %, generating €409 million. The increase is primarily due to the higher sales volume and only to a small extent to price effects and the change of the sales mix. Business in Asia again displayed the most dynamic growth. We boosted sales in our important Chinese, Japanese, and South Korean markets by around 20 %.

The EBITDA climbed by 15 %, at a slightly higher rate than sales. As a result, the operating margin increased from 28.1 % to 28.8 %. Operating income totaled €100 million, 17 % up on the prior year.

Following the completion of the acquisition in October 2005, ECKART has been operating as the fourth division, **Effect Pigments**. 2006 was the first full business year which was consolidated in ALTANA's figures. Effect Pigments generated €339 million in the past business year, achieving a growth of 13 %, comparable on a prior-year basis.

> Effect Pigments

in € million	2006	2005	Δ %[1]
Sales	**339**	75	13
Operating earnings (EBITDA)	**67**	13	5
Operating income (EBIT)	**33**	5	11

[1] Pro forma based on the full year

> Electrical Insulation

in € million	2006	2005	Δ %
Sales	**325**	293	11
Operating earnings (EBITDA)	**44**	41	9
Operating income (EBIT)	**28**	25	11

The market growth exceeding expectations made a significant contribution to the positive development. Effect Pigments achieved its strongest sales growth in Asia.

The development of world market metal prices burdened the earnings situation. The zinc, copper and aluminum boom of recent years continued in 2006. But the higher costs could be passed on largely as product price increases. For the first time, raw materials price adjustment clauses were resorted to in connection with products made from raw materials whose prices increased considerably. Nevertheless, operating earnings rose in a pro forma comparison by 5 % to €67 million. The high amortizations on the undisclosed reserves as part of the acquisition had an effect on the operating income.

The **Electrical Insulation** division boosted its nominal sales in 2006 by 11 % to €325 million. ALTANA Isolantes Eléctricos do Brasil, which acquired the Brazilian insulating resins production facility of the Italian company INVEX in April, contributed €5 million to sales. Exchange rate effects had a slightly positive effect on the sales performance. Adjusted for acquisition, divestment, and currency effects, Electrical Insulation's sales grew by 10 %.

The electrical insulation market grew only moderately in 2006. The Electrical Insulation division achieved sales growth primarily in Asia and – due to acquisitions and by organic growth – in Latin America.

Operating earnings rose by 9 %, totaling €44 million. The increased raw materials costs, primarily resulting from high solvent prices coupled with oil prices, could be passed on to a large degree as product price increases.

In the year under review, a program was implemented to increase the efficiency of the organization. As part of the optimization, production in the plants in Kempen (Germany), Fort Wayne (U.S.), and Manchester (U.K.) was terminated. The special expenses incurred in the low single-digit million range had a negative effect on earnings. Nevertheless, the operating income increased by €3 million (+11 %) to €28 million compared to the prior year.

To strengthen the presence of **Coatings & Sealants** on the American market in the area of radical curable coatings and adhesives for paper and cardboard packagings, we acquired the American company Rad-Cure in the spring of 2006. With the acquisition of Kelstar in the fourth quarter of 2005, the division now has a strong base in North America. The division reported sales of €221 million, 26 % higher than in the prior business year. The adjusted operating sales growth amounted to 3 %.

> Coatings & Sealants

in € million	2006	2005	Δ %
Sales	**221**	175	26
Operating earnings (EBITDA)	**24**	14	67
Operating income (EBIT)	**15**	5	>100

Operating earnings (EBITDA) improved considerably – by 67 % – amounting to €24 million. The earnings performance benefited from the positive effects of restructuring measures and portfolio adjustments carried out in the prior year. The higher raw materials prices had a negative impact, however, especially for crude-oil based solvents. These effects were passed on as product price increases, which, however, primarily occurred in the third quarter.

Despite the amortizations on intangible assets resulting from the acquisitions of Kelstar and Rad-Cure, operating income was three times higher than in the prior year, amounting to €15 million.

EARNINGS OF THE ALTANA GROUP

The "continuing operations" comprise the Specialty Chemicals business and the ALTANA holding company. The following key figures apply to the ALTANA Group in its new structure:

The results of the "continuing operations" are influenced by a dual holding organization. The expenses of the Chemicals holding company based in Wesel of €16 million (2006, at the EBITDA level) are already recorded in the figures of the Specialty Chemicals activities.

The earnings of the Group holding company in Bad Homburg in 2006 were influenced by expenses for Group restructuring and other one-time effects. A total of €51 million was spent in the Group for this purpose, among other things, for the redemption of employee incentive programs, for the closing of the holding company in Bad Homburg, for an independent operation of ALTANA's cultural activities, and for consultancy expenses in connection with Group restructuring. €32 million of the special expense is included in the holding company's results, and €19 million in ALTANA Pharma's results.

Until the middle of 2007, ALTANA will temporarily maintain the dual holding organization. Then the present location of the holding company in Bad Homburg will be closed. The tasks will then be assumed by ALTANA AG headquartered in Wesel, building on the structures already existing there, supplemented by corporate functions formerly performed in Bad Homburg. The entire holding company costs in the new Group structure are estimated at €30 to €35 million per year. However, additional costs will arise from the expenses of the holding company in Bad Homburg during the transition phase until mid 2007.

> Essential key figures

	Chemicals			Holding company		ALTANA Group (new structure)		
in € million	2006	2005	Δ %	2006	2005	2006	2005	Δ %
Sales	**1,294**	907	43	**–**	–	**1,294**	907	43
EBITDA	**237**	164	45	**-51**[1]	-40	**186**	124	50
EBT	**147**	104	42	**-54**[1]	-28	**93**	76	23

[1] Including €24 million (EBITDA) respectively a special expense of €32 million (EBT) resulting from Group restructuring and other one-time effects

In addition to the "continuing operations," earnings for the business year 2006 also comprise the "discontinued operations," consisting of the earnings of ALTANA Pharma including the net proceeds. The earnings composition is illustrated in the following table, with the prior-year figures adjusted accordingly:

> Earnings of the ALTANA Group

in € million	2006	2005
Earnings before taxes (EBT)		
"continuing operations"	**93**	76
thereof Specialty Chemicals	**147**	104
thereof holding company		
in Bad Homburg	**-54**	-28
Income taxes	**-37**	-30
Earnings after taxes (EAT)		
"continuing operations"	**56**	46
Earnings after taxes (EAT)		
"discontinued operations"	**3,816**	392
Net income	**3,872**	438

ELEVENTH DOUBLE-DIGIT DIVIDEND INCREASE IN SUCCESSION

As in the prior years, ALTANA shareholders will fully participate in the positive earnings performance in 2006. The Management and Supervisory Boards will propose to the Annual General Meeting on May 3, 2007, to distribute a regular dividend of €1.30 (2005: €1.10) per dividend-bearing share (with a total of 136 million shares). The 18 % increase is oriented to the earnings performance of the Group in its former structure. In addition, the Management and Supervisory Boards will propose to distribute the net proceeds of the sale of ALTANA Pharma of roughly €4.5 billion (according to HGB) to shareholders in the form of a special dividend of €33.00 per dividend-bearing share (more information can be found on page 81).

Furthermore, they plan to distribute a bonus dividend amounting to €0.50 per dividend-bearing share in order to create an equity and debt structure appropriate for a specialty chemicals company in the future balance sheet of the ALTANA Group. The total dividend amounts to €4.73 billion.

VALUE CREATION TRANSPARENT DUE TO VALUE MANAGEMENT

Our aim is to achieve above-average growth rates while remaining highly profitable. In this way, we create values.

ALTANA's value management enables us to systematically measure whether we have reached our goals by setting the earnings we achieve in relation to the capital employed, i.e. the capital subject to returns. This is the equity from which the ALTANA shareholder expects an appropriate compensation of the risk as well as the interest-bearing debt. The minimum aim is a return at the level of the capital costs arising from the relation between equity and debt as well as ALTANA's specific risk profile. All of ALTANA's business activities which lead to appropriate returns on the capital invested – corresponding to the risks – create value and thus increase the value of the company. The return on capital is a central figure for profit-related management compensation (please refer to the compensation report on pages 52 ff).

The basis for the statement of value added are IFRS financial statement data, which are corrected regarding substantial special influences from business activities as well as system-related distortions due to the application of certain accounting principles, particularly concerning the treatment of acquired intangible assets. The operating performance constitutes the earnings after taxes adjusted for financing effects. In order to account for the financing effect of pension accruals, the function costs are adjusted for the included interest expenses. The capital basis arises from equity and interest-bearing debt. We assign the pension accruals to the debt. Financial assets, securities and cash and cash equivalents are deducted.

As a result of the realignment of the ALTANA Group and the related special influences, the following presentation will show the value development of the Specialty Chemicals business, i.e. ALTANA excluding the Bad Homburg-based holding company ALTANA AG and the division ALTANA Pharma, which has been sold. This provides a view of the value development of the future ALTANA. A comparison with the annual financial statements is therefore not possible.

VALUE CREATED DESPITE SIGNIFICANTLY EXPANDED CAPITAL BASIS

In 2006, ALTANA managed once again to achieve a return surpassing the receivables of the lenders and suppliers of equity. The return on capital of 8.8% far exceeded the capital costs of 7.5%. The investments and acquisitions in the business year 2006, and particularly the large acquisitions made in 2005, gave rise to a strong increase in capital intensity. After capital amounting to €1,054 million was tied up on average in the prior year, the average capital commitment in financial 2006 was €1,418 million, an increase of 35%. Due to acquisitions, the tied-up capital of the Effect Pigments division was particularly high, representing 45% of the total capital employed. The growth in tied-up capital clearly remained below sales growth in all four divisions. In the Additives & Instruments, Effect Pigments, and Coatings & Sealants divisions, the increase of earnings was also above the increase in the capital basis. We attribute these improvements regarding the capital employed, among other things, to our efforts to optimize the working capital, a central factor concerning operating capital.

Operating performance rose significantly by 39% to €125 million due to the fact that the acquisitions of the ECKART Group and Kelstar were considered for the first time over a full year in 2006, and on account of the excellent operating development. The return on capital achieved could therefore be raised despite the significant increase in the investment base. As a result, the absolute value added that was achieved grew by €8 million to €19 million.

(in € million)	2006	2005
OPERATING CAPITAL (ANNUAL AVERAGE)		
Equity	**870**	570
Pension accruals	**77**	64
Debt	**428**	373
Cash and cash equivalents (including financial receivables) and securities	**-108**	-84
Correction of acquired intangible assets	**151**	131
Operating capital	**1,418**	**1,054**
OPERATING PERFORMANCE		
Operating income	**159**	113
Correction for return on pension accruals	**4**	4
Correction for depreciation of acquired intangible assets	**23**	16
Calculatory taxes	**-61**	-43
Operating performance	**125**	**90**
Return on capital employed (ROCE)	**8.8 %**	**8.6 %**
Cost of capital	**7.5 %**	**7.5 %**
Relative value added	**1.3 %**	**1.1 %**
Absolute value added	**19**	**11**

ASSET AND FINANCIAL SITUATION

2006 BALANCE SHEET CHARACTERIZED BY REALIGNMENT OF ALTANA GROUP

ALTANA's balance sheet as of December 31, 2006, differed significantly in terms of its structure compared to the prior year, although the changes primarily had to do with the completion of the sale of the Pharmaceuticals division. As of December 31, 2006, the individual assets and liabilities of ALTANA Pharma were no longer recorded in the Group's balance sheet. However, a large part of the purchase price is included under cash and cash equivalents and securities. The balance sheet structure as of December 31, 2006, is only temporary; after the distribution of the dividend to the shareholders in May 2007, the balance sheet will take on a form which offers an appropriate basis for the further development of the continuing Specialty Chemicals business.

As of December 31, 2006, total assets had increased considerably from €3,633 million to €6,340 million. This increase essentially reflects the difference between the balance sheet assets of ALTANA Pharma still recorded in the balance sheet on December 31, 2005 and the purchase price. Long-term assets fell to €1,057 million (2005: €1,931 million), which, like the decline in inventories and receivables to €528 million (2005: €1,098 million), is due to the deconsolidation of the corresponding assets of ALTANA Pharma. Due to the receipt of the purchase price for ALTANA Pharma, the amount of cash and cash equivalents and securities rose considerably to €4,755 million (2005: €604 million). The part of the purchase price that was not invested was used to reduce the financial liabilities as of December 31, 2006 to smaller remaining items.

The liabilities' side of the balance sheet also has a significantly different structure due to the restructuring of the Group. As of December 31, 2006, the equity had skyrocketed to €5,759 million (2005: €2,013 million), predominantly due to the profit achieved from the ALTANA Pharma transaction. This provides a temporary equity ratio of 90.8 % (2005: 55.4 %). The decline of long-term liabilities to €176 million (2005: €550 million) as well as the decrease of short-term liabilities to €405 million (2005: €1,070 million) can be attributed to the deconsolidation of ALTANA Pharma and the repayment of bank credits.

Due to the received purchase price from the sale of ALTANA Pharma, the ALTANA Group possessed considerable net financial assets amounting to €4,568 million, corresponding to the balance of cash and cash equivalents and securities (€4,755 million) on the one hand, and the short-term (€23 million) and long-term financial liabilities (€ 65 million) and pension accruals (€99 million) on the other as of December 31, 2006. Under this net financial asset position, the taxes that have to paid in the course of the first quarter of 2007 and the transaction costs of €93 million in connection with the sale of ALTANA Pharma are not taken into account, as these are depicted under accruals and other liabilities, respectively, in the balance sheet.

> Structure of consolidated balance sheet

	2006		2005	
	in € million	%	in € million	%
Long-term assets	**1,057**	**16.7**	1,931	53.2
Inventories and receivables	**528**	**8.3**	1,098	30.2
Cash and cash equivalents and securities	**4,755**	**75.0**	604	16.6
Total assets	**6,340**	**100.0**	3,633	100.0

> Structure of consolidated balance sheet

	2006		2005	
	in € million	%	in € million	%
Equity	**5,759**	**90.8**	2,013	55.4
Long-term liabilities	**176**	**2.8**	550	15.1
Short-term liabilities	**405**	**6.4**	1,070	29.5
Total liabilities	**6,340**	**100.0**	3,633	100.0

FUTURE BALANCE SHEET STRUCTURE

The "new" ALTANA concentrating on the Specialty Chemicals business aims to have a continued solid financial structure enabling us to pursue our growth trend including selected acquisitions. The company also intends to maintain its shareholder-friendly dividend policy. In this context, a distribution rate ranging from 30 % to 40 % of the net income is targeted. Moreover, ALTANA is striving to achieve a rating in the solid investment grade area in the medium term.

After the total dividend amounting to €4,732 million will be distributed in May 2007, ALTANA's balance sheet will have an adequate structure compared to other specialty chemicals companies. As a result, the net financial assets in the balance sheet as of December 31, 2006, amounting to €4,568 million will be converted to a net debt position on the balance sheet in the range of €250 to 300 million, which will take into account the taxes that still have to be paid and transaction costs related to the ALTANA Pharma transaction. The total assets after the distribution of the dividend will decrease to a level of around €1.7 billion, and the equity ratio will be about 60 %. Thus, with its future balance structure ALTANA will have the potential to continue its growth strategy including significant acquisition activities and at the same time meet the requirements for an investment grade rating in the medium term.

CASH FLOW INFLUENCED SIGNIFICANTLY BY SALE OF PHARMACEUTICALS BUSINESS

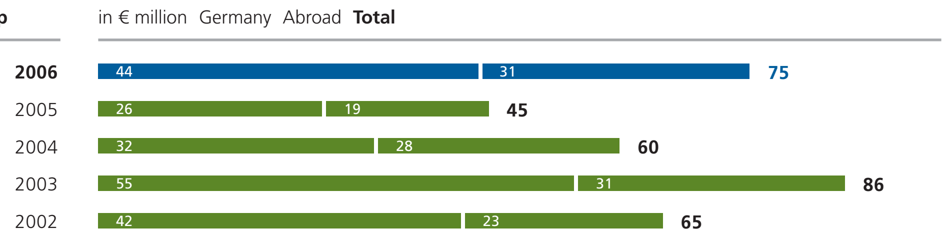
Figures concening the cash flow comprise cash flow of general operating activities as well as of the sale of the Pharmaceuticals division. In 2006, cash flow from operating activities amounted to €632 million, slightly down on the prior year (€645 million). Operating cash flow of the new ALTANA amounted to €101 million (-14 %). This was mainly due to special expenses connected with Group restructuring and the redemption of the employee incentive plans.

Cash flow used in investing activities totaled €1,882 million, decisively influenced by the liquidity flow from the sale of ALTANA Pharma. Part of this amount was used to redeem financial liabilities, and the rest was invested in near-money market securities and time deposit investments. Excluding this effect, the regular net cash flow for investments was €127 million. The prior-year figure (€637 million) was primarily characterized by acquisitions in the Chemicals division.

Cash flow used in financing activities of €438 million comprises the dividend payment for the prior year (€150 million) and repayments of financial liabilities (€299 million). The positive cash flow of €130 million in the prior year from financing resulted from financial liabilities raised to finance acquisitions made by ALTANA Chemie.

At year-end, Group liquidity, comprised of securities and cash and cash equivalents, totaled €4,755 million and is available for the distribution of the dividend in May 2007.

> Capital expenditure ALTANA Group



A SIGNIFICANT INCREASE IN INVESTMENTS

In financial 2006, €75 million was invested in property, plant and equipment and intangible assets, compared to €45 million in the prior year. €65 million of this amount was invested in property, plant and equipment (2005: €39 million) and €10 million in intangible assets (2005: €6 million). The growth is largely related to acquisitions. In 2006, the Effect Pigments division invested €27 million also in a new coating facility. The Additives & Instruments division invested €24 million, mainly for the construction of a new finished goods warehouse at the Wesel site. Electrical Insulation's investments amounted to €16 million, and Coatings & Sealant's investments totaled €5 million.

RESEARCH & DEVELOPMENT

In 2006, ALTANA invested 5.2 % of its sales in Research & Development (R&D), more than the industry average (3 % to 4 %). The focus is not basic research but rather the constant further development of already existing and new products and technologies. The aim is to develop new ideas and effects together with customers which open up new business opportunities or help them optimize their products and manufacturing processes. With its high degree of innovation, ALTANA protects itself against product imitations and the related danger of commoditization*. The Research & Development projects are generally performed by ALTANA employees. Third parties – universities, research institutes, machine manufacturers, etc. – are only engaged to a minor extent.

By collaborating closely and in a target-oriented way with customers, universities, research institutes, consultants, and suppliers, we ensure ourselves access to the latest technologies, which we realize in cooperation with leading appliers. In addition, we acquire R&D know-how also through acquisitions.

Apart from developing new products and refining existing ones, we create innovations by using existing technologies in new application areas or employing new technologies, such as nanotechnology*, in connection with proven products. In one case, for example, additives are used in coatings for high-quality papers and as solubilizers in cosmetics. In another, ALTANA was able to position itself in a new application area with proven, nanotechnologically optimized, inorganic UV stabilizers. In the future, nanomaterials will play a more important role in the development of innovative products and solutions. This applies to coatings, plastics as well as electrical insulation applications. ALTANA intends to further utilize this new technology across business areas in the future and has initiated projects on which different

* Glossary

divisions will work together. Research projects intended to benefit different areas of business in the form of technology transfers are financed by the innovation fund provided by ALTANA Chemie AG.

In addition to R&D projects coming "from the market," longer-term projects with extraordinary prospects and potential are being launched. ALTANA has initiated these projects to set targeted, sustained trends in its markets.

Roughly 15 % of all ALTANA employees worldwide work in Research & Development. In the year under review, the number of people working in this area increased by 14 %.

Our application technology laboratories are the link between customer and researcher. They are equipped in a way that we can not only offer our customers comprehensive technical advice locally, but tests can also be carried out under practical conditions – a clear service advantage which our customers appreciate. Due to their importance for the success of our specialties, we have built up a worldwide network of application technology laboratories, which will be expanded as our company develops.

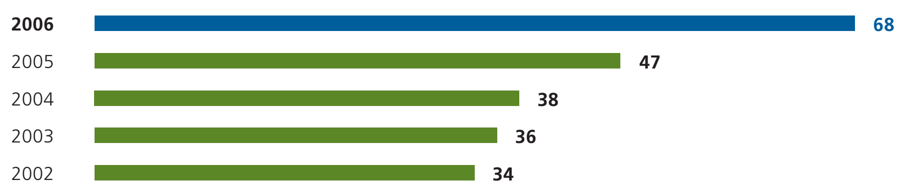
In financial 2006, ALTANA registered a total of 28 patents and brought 127 new products onto the market.

> R&D locations and employees

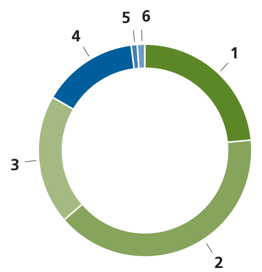
	Research locations	Application technology laboratories	R&D employees
Additives & Instruments	1 (Germany)	8 (E.U./Americas/Asia)	244
Effect Pigments	1 (Germany)	3 (E.U./U.S./Asia)	217
Electrical Insulation	6 (E.U./U.S./Asia)	6 (E.U./U.S./Asia)	114
Coatings & Sealants	3 (E.U./U.S.)	5 (E.U./U.S./China)	104

> R&D investments

in € million

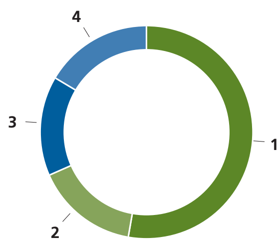


> Employees by division



		2006	2005	Δ %
Additives & Instruments	1	**1,052**	983	7
Effect Pigments	2	**1,802**	1,845	-2
Electrical Insulation	3	**883**	873	1
Coatings & Sealants	4	**655**	660	-1
ALTANA Chemie holding company	5	**41**	23	7
ALTANA AG holding company	6	**51**	60	-15
ALTANA Group		**4,484**	4,444	1

> Employees by area of operation



		2006	2005	Δ %
Production & Logistics	1	**2,365**	2,405	-2
Marketing & Sales	2	**702**	691	2
Research & Development	3	**679**	597	14
Administration	4	**738**	751	-2
ALTANA Chemie		**4,484**	4,444	1

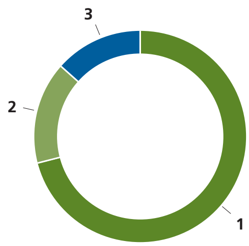
EMPLOYEES

As of December 31, 2006, ALTANA had a workforce of around 4,500, including the employees of the holding company in Bad Homburg which will be closed as of the middle of 2007. The number of employees increased slightly, by 1 %. New jobs were created at the Wesel site as part of the load expansion of the new production plants and to increase capacities of the "new" ALTANA management holding company. 48 employees joined the company following the acquisitions of Rad-Cure and ALTANA Isolantes Eléctricos do Brasil. Some 40 % of the staff works in the Effect Pigments division. The high percentage has to do with the division's high vertical range of manufacture.

More than half of the employees work in Production & Logistics. Around 16 % each of the workforce is employed in marketing and in administrative areas, and some 15 % in Research & Development.

Amounting to 58 %, the majority of the employees are working at German locations. 15 % of our workforce is employed for our U.S. and 13 % for our Asian locations. 7 % of our staff is working just in China.

> **Employees by region**



		2006	2005	Δ %
Europe	1	**3,184**	3,173	0
thereof Germany		2,615	2,571	2
North and South America	2	**699**	680	3
thereof U.S.		671	674	0
Asia	3	**601**	591	2
thereof China		331	330	0
Total		**4,484**	4,444	1

MANAGEMENT AND CONTROL

In accordance with the German Stock Corporation Act, ALTANA has a dual management and monitoring system. It consists of two bodies working independently of one another, the Management Board and the Supervisory Board. Until the end of 2006, the ALTANA Group's Management Board consisted of the Chairman of the Management Board, the Chief Financial Officer, and the two Chairmen of the Chemicals and Pharmaceuticals divisions. The Management Board member responsible for the Pharmaceuticals business resigned from the committee upon completion of the sale of ALTANA Pharma to Nycomed as of December 31, 2006.

As of May 2007, the Management Board of ALTANA AG will be composed of only two members, the Chairman of the Management Board and the Chief Financial Officer. The management will consist, in addition to the two Management Board members, of the four division managers, the head of strategic corporate development, and the head of personnel.

In the ALTANA Group, strategic management and operating business are separated. The management holding company, ALTANA AG, defines the joint values, the objectives of the divisions, the long-term strategies, and the corporate policy. It is responsible for the financial management of the company and the Group-wide implementation of laws, guidelines and regulations based on standard criteria. The managers of the four divisions are responsible for the operating management of their divisions.

The Supervisory Board appoints the members of the Management Board and advises and monitors the company's management. Six shareholder representatives and six employee representatives belong to ALTANA's Supervisory Board. The shareholder representatives are elected by the Annual General Meeting, the employee representatives in accordance with the German Codetermination Act.

More information on the Supervisory Board's work in financial 2006, on the compensation system and on corporate governance at ALTANA can be found on pages 39 ff.

REPORT IN ACCORDANCE WITH SECTION 315 (4) OF THE GERMAN COMMERCIAL CODE

The issued nominal capital of ALTANA AG amounts to €140,400,000. It is divided into 140,400,000 no-par value shares representing €1 per share. The shares are denominated to the shareholder and each share is granted one vote. The treasury shares held by ALTANA AG are non-voting shares. ALTANA AG currently holds 4,413,208 treasury shares.

The Management Board is not aware of any restrictions which affect voting rights or the transfer of shares. SKion GmbH, Bad Homburg v. d. Höhe, whose sole shareholder is Mrs. Susanne Klatten, holds 50.1 % of the shares and of voting rights in ALTANA AG. There are no shares with special rights. Employees who are shareholders in the company can exercise their voting rights immediately.

In accordance with section 84 of the German Stock Corporation Act, section 31 of the German Codetermination Act, and section 7 (2) of the articles of association, the members of the Management Board are appointed by the Supervisory Board. In accordance with section 179 of the German Stock Corporation Act, changes to the articles of association require a resolution by the Annual General Meeting. In accordance with section 23 (1) of the articles of association, resolutions made by the Annual General Meeting require the simple majority of the votes issued, as long as the law does not compellingly require a different procedure. A majority of three fourths of the nominal capital represented when the resolution is reached is required for instance by the law governing changing the object of a company (section 179 (2) of the German Stock Corporation Act), the law governing capital increases (section 182 (1), section 193 (1), section 202 (2), section 207 (2) of the German Stock Corporation Act), and the law governing capital reductions (section 222 (1) of the German Stock Corporation Act).

In accordance with section 4 (4, 5, and 6) of the articles of association and with approval from the Supervisory Board, the Management Board can increase the nominal capital by up to a total of €70 million by issuing new no-par value bearer shares until April 30, 2009. Due to a resolution made by the Annual General Meeting held on May 2, 2006, the Management Board can repurchase up to 10 % of the total number of shares of the company via the stock exchange until October 31, 2007. Details on these authorizations can be found in the Notes to the Financial Statements on page 150 of this annual report.

The company has not concluded significant agreements which are under the condition of a change of control resulting from a takeover bid. Agreements concerning compensation of the Management Board members or company employees in the case of a takeover bid have not been reached.

REPORT IN ACCORDANCE WITH SECTION 312 OF THE GERMAN STOCK CORPORATION ACT

For the financial year 2006, the Management Board of ALTANA AG prepared a report in accordance with section 312 of the German Stock Corporation Act on relations with associated companies. In this report we concluded that the consideration received by ALTANA AG for the transactions listed in the report was reasonable according to the circumstances known at the time when the company entered into the mentioned transactions.

SUPPLEMENTARY REPORT

Transactions of special importance after the end of the business year do not exist.

RISK REPORT

RISK POLICY

The risk policy of the ALTANA Group is geared to the medium to long-term strategy of increasing the company's value. Within the framework of the Group-wide value management system, the development of the value is analyzed both ex ante in the context of planning activities and ex post so that value-related effects of strategic corporate decisions are already apparent at an early stage.

RISK MANAGEMENT SYSTEM

A comprehensive risk management is an essential component of the management and leadership system of a globally operating company like ALTANA. The task of our risk management system is to recognize, identify, evaluate, and document risks so that appropriate preventive and safety measures can be taken. The Management Board must be informed in a defined ad-hoc report system about significant changes in risks or risks that become relevant, respectively are identified for the first time. The risk management is based on the principle of the continuation of the company ("going concern principle*") and only addresses risks going beyond the current corporate structure – for example, investments in new business areas, costs for closing existing business areas, etc. – when these risks are sufficiently concretized. The Management Board of ALTANA AG is responsible for shaping the risk management. Corresponding to the Group structure, separate risk reports are issued for the four divisions, Additives & Instruments, Effect Pigments, Electrical Insulation, and Coatings & Sealants, and then combined to one risk report taking into account the specific risks of the holding company.

The risks are assigned to different categories, e.g. risks in the economic environment, competitive risks, and financial risks. The quality of the risk is evaluated based on the risk value, assessed as the product of the expected probability of the risk occurring and the potential amount of damage. Modes of dealing with risks are derived from cause-effect analyses and can lead to immediate action or can be "shelved" and taken in the case of a later event of a risk.

ALTANA's risk management system was audited in accordance with section 317 (4) of the German Commercial Code (HGB) and was deemed capable of recognizing dangerous risks at an early stage.

RISK PROFILE OF ALTANA

RISKS IN THE ECONOMIC ENVIRONMENT AND THE INDUSTRY

As a globally active specialty chemicals company, ALTANA is subject to the volatility and cyclicity of its markets and economic fluctuations in the branches of industry relevant for its operating divisions. Since ALTANA operates worldwide in niche markets, weak demand or shifts in demand in market segments or subregions can be compensated for or at least cushioned. Due to our four divisions' focus on specialty chemicals, we are dependent to a certain extent on the automobile, printing, electronic appliance, and packaging industries, as well as the construction and heavy industries. When our customers experience a weak phase in important consumer industries, this normally leads to weak sales performance and lower prices for our products. With a strategic focus on a broad product portfolio in opposing geographical markets, we are striving to cushion such economic fluctuations.

* Glossary

ALTANA expects future market growth to largely depend on the demand in China. Should the Chinese economy achieve lower growth in the future or fall into recession, this could have an impact on our sales and earnings. Due to the expected growth and demand, international and local competitors have expanded their production capacities locally, which at present primarily cater to the local markets in Asia. Depending on the economic growth in Asia, particularly in China, but also independently of the trend, local manufacturers can extend their sales efforts to the European and American markets, whether for strategic reasons or due to exchange rate-related competitive advantages. This could further heighten the competitive pressure in these markets and considerably impede ALTANA's competitive position.

In some of the countries which ALTANA has identified as locations and growth markets for its products, the political, social, economic, and legal conditions are less stable than in Western Europe. Furthermore, business activities can be impaired by an inadequate infrastructure, trade restrictions, as well as an insufficiently developed and insufficiently differentiated legal and administrative systems.

The worldwide markets in which ALTANA operates are characterized by intense competition, which in recent years has led in some areas to decreasing prices and margin pressure. While cost leadership represents a significant competitive advantage in the basic chemicals industry, differentiation due to innovative strength and service constitutes a competitive edge in the field of specialty chemicals. ALTANA's competitive success strongly hinges on technology leadership and proximity to customers. If we do not manage to maintain close customer ties or if we cannot offer our customers innovative solutions in the future, it will have a negative effect on ALTANA's business performance. However, it is possible that the demand for areas with strongly differentiated products and products tailored to customer's specifications will increase in the future, for example, due to ongoing consolidation.

As a company in the chemical industry, ALTANA is subject to extensive, continually developed and ever more complex environmental protection regulations such as for instance the regulations regarding chemicals and dangerous substance laws. To meet these requirements, ALTANA adheres to high technical and safety standards when building, operating, and maintaining production plants. As a company with worldwide operations, we are not only subject to German law but also to E.U. law and the legislation of other countries. Different technical guiding principles and "means of implementation" currently being developed by the E.U. Commission will ultimately decide on the feasibility and cost-efficiency of REACH, the new E.U. chemicals directive which will go into effect in the middle of 2007. A future intensification of regulations applicable to ALTANA's business operations could give rise to considerable investments or other expenses, have negative effects on production costs and our product portfolio, or trigger significant liability risks.

COMPETITIVE RISKS

Within the framework of its business activities, ALTANA needs a number of different raw materials as well as considerable amounts of energy from different sources. The prices of raw materials and energy have increased sharply in the recent past and, moreover, are subject to considerable cyclical fluctuations. ALTANA is less dependent on oil prices than a number of other companies in the chemical industry and, due to its business strategy, is effected to only a limited extent by general changes in the raw materials and energy supply. There are, however, energy price risks, capacity limits, and price dependencies which can be relevant for us, especially given our plans to expand our business activities in the coming years.

Procurement market risks are limited as the raw materials needed are usually offered by a multitude of producers. On the world market, ALTANA is a medium-sized buyer of raw materials. Larger competitors can obtain better prices from suppliers due to their market power and thus achieve cost advantages. While our decentralized divisions maintain their high flexibility, ALTANA tries to ensure optimal procurement conditions by means of centralized purchasing.

A large part of our raw materials are offered on the world market. Among them are solvents, whose price development correlates strongly and favorably with the oil price development. In addition, metals – particularly aluminum, copper and zinc – comprise a high percentage of the raw materials expenses of the Effect Pigments division. We attempt to balance out short to medium-term fluctuations of the market prices of these raw materials by shaping supply contracts accordingly. If this is not successful, we try to cushion cost increases with correspondingly higher prices. In business areas in which the unique aspects of our products and services are less pronounced, passing on cost increases may not or may not completely be successful, which would have a negative effect on our profitability.

The manufacturing of new products and correct application of these products is based predominantly on know-how we develop ourselves or acquire. This is partially ensured by patents and other protection rights. However, we cannot assume that we will be able to always assert our rights in all relevant markets to the required or desired degree. Know-how that cannot be patented or that is not patented is also of outstanding importance for the success of ALTANA. If our competitors manage to catch up with us in terms of know-how in these areas, this would likely have a negative effect on the development of our business.

INVESTMENT RISKS

ALTANA's growth strategy relies on organic growth supplemented by external growth through acquisitions. But our growth potential from acquisitions could be limited in some markets due to our existing high market shares.

Acquisitions and investments involve complex risks. As a result, all acquisitions and investments are preceded by a multistage process of assessment and approval.

In particular the integration of acquired companies or parts of companies poses a big challenge to our management. ALTANA carries out acquisition and integration projects according to standardized procedures, which ensure that material risks are recognized and monitored. The acquisition of the ECKART Group in financial 2005 is the largest transaction ever made by the ALTANA Group. To ensure a successful and rapid integration into ALTANA's organizational structure, we established different project groups. In this endeavor, we picked up on experiences gained in a number of preceding acquisitions. From today's perspective, the ECKART Group was successfully integrated into ALTANA. In 2006, the companies Rad-Cure (Coatings & Sealants) und ALTANA Isolantes Eléctricos do Brasil (Electrical Insulation) were acquired. The integration of these companies in the Group has largely been completed.

ALTANA develops specialty chemicals which in individual cases can correspond to very specific needs. As a result, there is a heightened risk of investment failures if the research and development expenditure for such a product does not sensibly correlate with the success of the solution developed.

FINANCIAL RISKS

Currently, ALTANA is predominantly equity-financed. The equity ratio was 90.8 % on December 31, 2006. The future balance sheet structure of the "new" ALTANA provides a net debt in the range of €250 to 300 million after distribution of the net proceeds from the sale of ALTANA Pharma. Therefore, an interest rate increase would lead to higher financial expenditure in the future.

ALTANA achieved around 50 % of its sales outside of the euro region. As a result, exchange rate fluctuations can have a noticeable influence on earnings. ALTANA implements foreign exchange contracts to limit transaction risks.

PERSONNEL RISKS

ALTANA's future corporate success depends to a large part on its staff in key positions as well as on highly qualified and motivated employees in development, production, and marketing. The competition for employees with expertise in specialty chemicals has sharpened in recent years and will become ever fiercer in the future. With its attractive compensation, further education and training programs, ALTANA is striving to be of interest to new employees and to bind current and future staff to the company in the long term.

OTHER RISKS

We limit as far as possible and in an economically sensible way the risks of liability and damages that can occur in our corporate activities by means of insurances. In particular, cases of product liability and damages resulting from business interruptions are largely covered by insurance policies. If our own rights such as patents, trademark rights, or licenses are threatened by a third party, we file an appeal to protect our rights.

The risks connected with the former Pharmaceuticals division are no longer object of the ALTANA Group's current risk management system following the sale of ALTANA Pharma AG. However, risks remain for ALTANA from the sales transaction, primarily arising from guarantees and warranties contractually assured to the buyer, as well as from the fact that ALTANA AG as the controlling company ("Organträger") within the framework of German tax rules is the immediate taxpayer regarding all German ALTANA Pharma companies included in the so-called "Organschaft" treatment for the tax periods until the time of the sale. Six shareholders issued actions for annulment against the resolution of approval of the Extraordinary General Meeting. Concerning the risks relating to ALTANA Pharma and its sale we do not expect them to have any significant effects on the financial position, results of operations, or cash flows of the company.

Moreover, there are no claims of third parties to ALTANA that we expect to have a material influence on the financial position, results of operations, or cash flows.

OVERALL STATEMENT ON THE GROUP'S RISK SITUATION

An overall view of the risks that have been identified and evaluated at present shows that ALTANA is essentially affected by market-related risks. The risks primarily concern economic-based price and volume developments as well as developments of our most important customers and in the decisive branches of industry and price developments for our raw materials. On the whole, the management assesses ALTANA's risks as being limited and manageable. At present, there are no circumstances and risks which could endanger the existence of the company.

CHANCE AND FORECAST REPORT

ORIENTATION OF THE GROUP IN THE NEXT TWO BUSINESS YEARS

ALTANA currently sees no reason to change its business policy and its business model. We will continue our clearly formulated strategy, on the basis of which we are striving for a profitable organic growth of 6 % on average, which should be supplemented by acquisitions. We will focus on growing target markets, regional expansion, innovations, as well as synergies between the divisions and our key customers.

GENERAL ECONOMIC SITUATION IN THE NEXT TWO BUSINESS YEARS

General economic situation in the future. According to current forecasts, the world economy will continue to expand in 2007 and 2008, driven primarily by the rapidly growing regions China, India, Russia, and the Eastern European countries, however at a somewhat slower rate than in 2006. In the course of 2006 there were initial signs in the industry environment of a slight economic downswing in all regions. The dynamic U.S. economy slowed down considerably in 2006, expecting growth of only 2.4 % after expanding by 3.3 % in 2006. Attractive growth rates are expected once again for China, the remaining East Asian countries, and Latin America, but at a slightly lower level than in 2006. The economy in the euro region is also expected to achieve considerably lower growth (+2.2 %). Foreign demand will remain the driving force behind the German economy. However, it is not anticipated to expand as strongly due to the lower dynamism of the world economy. The global trade volume is expected to increase by only 7 % in 2007 and 2008 (2006: 9.5 %).

Future situation in the chemical industry. The German chemical industry continues to anticipate a strong economy, though slightly weaker than in the strong prior year. In Europe, a growth in production of 2.2 % is expected for 2007 (2006: 2.5 %), in Germany of 2 % compared to 3.5 %, and in the U.S. of just under 2 % following more than 4 %. 2007 is expected to be a good year, but due to the slight slackening of the world economy and volatile raw materials prices, price and margin pressure is expected. The sales and earnings performance could lag a little behind the prior year. In the fine and specialty chemicals industries, production increases of 2 % are expected.

Consumer industries such as the automobile industry, the electronic appliance manufacturers, and the construction industry are expected to have good growth prospects.

LEGAL CHANGES

Following several years of negotiations, a compromise was reached on the new E.U. chemicals directive (REACH) in December 2006, becoming effective on June 1, 2007. The regulations stipulate that up to 30,000 chemicals, some of which have been used for a long time, must be tested and registered with a newly established chemicals agency. As a result of the legislation, ALTANA expects to incur manageable cost burdens in low single-digit million figures per year over the next ten years.

SUCCESS FACTORS OF OUR BUSINESS

ALTANA successfully completed the integration of the ECKART Group in financial 2006. We will consistently continue to strategically realign Coatings & Sealants towards products for the graphics and the packaging industries. Like Rad-Cure in 2006, further acquisitions are intended. With divestments and acquisitions, ALTANA has focused its product portfolio on high-quality specialty products in recent years and thus has created an excellent basis for further growth.

Asia, where we are already very well positioned, will also be an essential growth engine for ALTANA in the next two years. We will expand our local presence with our own production for Effect Pigments. The same applies to other growing markets, for example South America, where we acquired and significantly expanded a plant in Brazil in 2006, enabling us to supply the market with electrical insulation from a local production plant.

ANTICIPATED SALES AND EARNINGS PERFORMANCE

ALTANA expects the good demand for specialty chemicals products to continue in 2007. We expect to achieve organic growth, adjusted for exchange rate effects, in the medium single-digit percentage area. All four divisions should make a contribution, particularly Additives & Instruments. In terms of regional sales distribution, we do not anticipate any major shifts. We expect our business to achieve the highest growth in Asia, especially in China.

At present, it appears that the costs for crude oil and the most important basic raw materials will stabilize at a high level. While we are confident that, in the event of increasing raw materials prices, we will be able to pass them on as product price increases, this could burden the sales volume development in the whole value added chain.

Operating earnings (EBITDA) of the Specialty Chemicals business should record a further positive development based on the expected sales growth. In 2007, earnings of the new ALTANA Group will be influenced considerably in absolute terms as well as on a prior-year comparison by the new Group and holding structure. On account of the omission of the costs for Group restructuring in 2006, holding expenses will be altogether lower than in the prior year but will be burdened by the temporary dual holding structure until the middle of 2007. The EBITDA margin of the ALTANA Group is therefore expected to remain below the medium-term target range of 18 % to 20 %. But this target range should be reached by 2008. As to the financial result we expect an extraordinary contribution to earnings in the first four months of 2007 due to the investment of the net proceeds from the sale of ALTANA Pharma, so that earnings before taxes (EBT) in 2007 are expected to be considerably higher than the year before.

ANTICIPATED DIVIDEND DEVELOPMENT

We are striving for a distribution rate of 30 % to 40 % measured in terms of our net income in the medium term. In order to achieve a sustained, improvable dividend level, the distribution rate in 2007 and 2008 should rather amount to the lower end of this spectrum.

PLANNED INVESTMENTS

In 2007 we will start building a new administrative building at our Wesel site and our own production plant for Effect Pigments in China. In addition, a new distribution center in Wesel will be completed. In view of the projects, we expect an investment rate in the range of around 7 % in 2007 measured in terms of sales, and therefore higher than the average of 5 % to 6 % expected in the medium term. To ensure that our company develops positively, and particularly that we achieve the high long-term dynamic growth and have an attractive product portfolio in the future as well, we will again make considerable investments in Research & Development. As part of these plans, a moderate amount of jobs will be created.

CONSOLIDATED FINANCIAL STATEMENTS

MANAGEMENT BOARD STATEMENT

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

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) and the additional requirements of German commercial law pursuant to section 315a (1) of the German Commercial Code (deutsches Handelsgesetzbuch/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 consolidation. The integrity of the reporting process is safeguarded by effective internal control systems established at these companies under the direction of the Management Board. In this way, a true and fair view of the performance and results of the Group is assured and the Management Board is in a position to recognize potential investment risks and negative developments at an early stage and take appropriate countermeasures.

By resolution of the Annual General Meeting, the Chairman of the Audit Committee of the Supervisory Board appointed PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Frankfurt am Main, as independent auditor of the consolidated financial statements. The auditors' report is reproduced on the following page. The consolidated financial statements, the Group Management Report and the auditors' report have been made available to the Supervisory Board for detailed discussion. The report of the Supervisory Board is contained on pages 39 – 45 of this Annual Report.

Bad Homburg v.d.H., February 2007

The Management Board

Dr. Nikolaus Schweickart

Dr. Hermann Küllmer

Dr. Matthias L. Wolfgruber

INDEPENDENT AUDITORS' REPORT

We have audited the consolidated financial statements prepared by the ALTANA Aktiengesellschaft, Bad Homburg v.d. Höhe, comprising the balance sheet, the income statement, statement of recognized income and expenses, cash flow statement and the notes to the consolidated financial statements, together with the group management report for the business year from January 1 to December 31, 2006. The preparation of the consolidated financial statements and the group management report in accordance with the IFRSs, as adopted by the EU, and the additional requirements of German commercial law pursuant to § (article) 315a Abs. (paragraph) 1 HGB ("Handelsgesetzbuch": German Commercial Code) are the responsibility of the parent Company's Board of Managing Directors. Our responsibility is to express an opinion on the consolidated financial statements and on the group management report based on our audit. In addition we have been instructed to express an opinion as to whether the consolidated financial statements comply with full IFRS.

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

Our audit has not led to any reservations.

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

Frankfurt am Main, Germany, March 2, 2007

PricewaterhouseCoopers Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Armin Slotta, German Public Auditor

Klaus Höfer, German Public Auditor

ALTANA GROUP CONSOLIDATED BALANCE SHEETS

ASSETS	Notes	At Dec. 31, 2006	At Dec. 31, 2005
Intangible assets, net	5	**513,996**	691,203
Property, plant and equipment, net	6	**506,827**	1,047,581
Long-term investments	7	**13,408**	47,970
Investments in associated companies	8	**6,889**	8,792
Deferred tax assets	26	**11,383**	103,840
Other non-current assets	12	**4,315**	31,995
Total non-current assets		**1,056,818**	**1,931,381**
Inventories	9	**197,712**	404,559
Trade accounts receivable, net	10	**223,942**	580,978
Marketable securities	11	**2,219,137**	134,360
Other assets and prepaid expenses	12	**106,570**	112,037
Cash and cash equivalents		**2,536,076**	469,473
Total current assets		**5,283,437**	**1,701,407**
Total assets		**6,340,255**	**3,632,788**

Amounts in € thousands, unless stated otherwise.

See accompanying notes to consolidated financial statements

LIABILITIES, PROVISIONS AND SHAREHOLDERS' EQUITY	Notes	At Dec. 31, 2006	At Dec. 31, 2005
Share capital[1]		**140,400**	140,400
Additional paid-in capital		**151,539**	165,204
Retained earnings		**5,723,193**	1,992,215
Revaluation reserve		**3,763**	12,139
Translation adjustments		**-35,735**	-61,940
Treasury stock, at cost		**-226,467**	-236,593
Total equity of the shareholders of ALTANA AG		**5,756,693**	**2,011,425**
Minority interests		**2,219**	2,134
Shareholders' equity	13	**5,758,912**	**2,013,559**
Non-current debt	17	**23,354**	66,913
Employee benefit obligations	15	**98,681**	358,342
Other non-current provisions	16	**14,774**	85,202
Non-current deferred income	19	**635**	16,819
Deferred tax liabilities	26	**37,583**	21,477
Other non-current liabilities	18	**1,395**	748
Total non-current liabilities		**176,422**	**549,501**
Current debt	17	**65,070**	321,988
Trade accounts payable		**92,818**	272,331
Current accrued income taxes	26	**106,758**	86,556
Other current provisions	16	**104,537**	203,901
Current deferred income	19	**179**	80,879
Other current liabilities	18	**35,559**	104,073
Total current liabilities		**404,921**	**1,069,728**
Total liabilities, provisions and shareholders' equity		**6,340,255**	**3,632,788**

[1] Share capital, no-par value shares, 207,900,000 shares authorized, 140,400,000 issued and 135,986,792 (135,760,592 at December 31, 2005) outstanding at December 31, 2006

Amounts in € thousands, unless stated otherwise.

ALTANA GROUP CONSOLIDATED INCOME STATEMENTS

	Notes	2006	2005
Net sales	4	**1,294,279**	906,716
Cost of sales		**-815,075**	-566,763
Gross profit		**479,204**	**339,953**
Selling and distribution expenses		**-170,903**	-132,958
Research and development expenses		**-67,677**	-46,532
General administrative expenses		**-126,567**	-96,841
Other operating income	21	**19,431**	14,340
Other operating expenses	22	**-34,084**	-5,992
Operating income (EBIT)		**99,404**	**71,970**
Financial income	23	**16,261**	21,063
Financial expenses	24	**-22,888**	-17,230
Financial income		**-6,627**	**3,833**
Income from associated companies	25	**430**	96
Income before taxes		**93,207**	**75,899**
Income tax expense	26	**-36,445**	-29,321
Income after taxes from continuing operations		**56,762**	46,578
Income after taxes from discontinued operations	3	**3,815,732**	391,851
Net income		**3,872,494**	**438,429**
thereof attributable to minority interests		**357**	299
thereof attributable to shareholders of ALTANA AG		**3,872,137**	438,130
Basic earnings per share (€)			
from continuing operations			
basic		**0.41**	0.34
diluted		**0.41**	0.34
from continuing and discontinued operations			
basic		**28.46**	3.23
diluted		**28.46**	3.23

Amounts in € thousands, unless stated otherwise.

See accompanying notes to consolidated financial statements

CONSOLIDATED STATEMENT OF RECOGNIZED INCOME AND EXPENSES (SORIE)

	2006	2005
Net Income	**3,872,494**	**438,429**
Derivative hedging instruments		
Change in fair value	**8,653**	-35,170
Realized gains/losses	**122**	-174
Available-for-sale securities		
Change in fair value	**14,449**	8,376
Realized gains/losses	**-28,484**	-4,681
Actuarial gains and losses on defined benefit pension plans	**14,082**	-54,664
Taxes directly reported in equity	**-8,755**	34,897
Translation adjustments	**26,013**	70,654
Net income recognized directly in equity	**26,080**	**19,238**
Total recognized income and expenses for the period	**3,898,574**	**457,667**
thereof attributable to minority interests	**165**	499
thereof attributable to shareholders of ALTANA AG	**3,898,409**	457,168

Amounts in € thousands, unless stated otherwise.

See accompanying notes to consolidated financial statements

ALTANA GROUP CONSOLIDATED CASH FLOW STATEMENTS

	Notes	2006	2005
Net income		**3,872,494**	438,429
Depreciation and amortization, impairment and appreciation	5, 6, 7	**160,086**	142,233
Net gain from disposals of fixed assets	3, 21, 22	**-9,164**	-5,238
Net gain from the disposal of the Pharmaceuticals business	3	**-3,430,829**	0
Net gain from sales of marketable securities	23, 24	**-25,976**	-4,656
Expense from stock option programs	14	**-23,311**	12,617
Increase / decrease in other operating assets and liabilities,			
net of acquisitions and disposals			
Inventories	9	**-28,165**	3,814
Trade accounts receivable, other assets and prepaid expenses	10, 12	**24,142**	-6,255
Income taxes	26	**64,925**	2,793
Provisions	15, 16	**28,761**	24,849
Accounts payable and other liabilities		**7,472**	30,433
Deferred income	19	**-16,244**	2,068
Other		**7,415**	3,671
Net cash flow provided from operating activities		**631,606**	**644,758**
thereof discontinued operations		**530,217**	526,200
Capital expenditures	5, 6	**-187,906**	-245,800
Purchase of financial assets	7	**-1,062**	-693
Proceeds from sale of product groups and subsidiaries, net of cash	3	**0**	27,866
Proceeds from sale of the Pharmaceuticals business	3	**4,109,264**	0
Proceeds from sale of fixed and financial assets	5, 6, 7	**71,292**	15,135
Acquisitions, net of cash acquired	3	**-23,489**	-579,475
Proceeds from sale of marketable securities	23, 24	**57,168**	273,048
Purchase of marketable securities	11	**-2,142,837**	-126,652
Net cash flow used in investing activities		**1,882,430**	**-636,571**
thereof discontinued operations		**-37,432**	-178,843

Amounts in € thousands, unless stated otherwise.

See accompanying notes to consolidated financial statements

	Notes	2006	2005
Dividends paid	13	**-149,602**	-128,735
Proceeds from sale of treasury shares		**10,061**	21,747
Proceeds from long-term debt	17	**0**	41,983
Repayment of long-term debt	17	**-36,462**	-3,022
Net increase / decrease in short-term debt	17	**-262,295**	198,401
Net cash flow used in financing activities		**-438,298**	**130,374**
thereof discontinued operations		**5,119**	-1,632
Effect of exchange rate changes		**-9,135**	14,250
Change in cash and cash equivalents		**2,066,603**	**152,811**
Cash and cash equivalents as of January 1,		**469,473**	316,662
Cash and cash equivalents as of December 31,		**2,536,076**	469,473
Cash paid for			
Income taxes		**-176,783**	-236,124
Interests		**-7,231**	-4,990
Cash received for			
Income taxes		**1,305**	24,210
Interests		**4,889**	16,797
Dividends		**1,199**	1,609

Amounts in € thousands, unless stated otherwise.

See accompanying notes to consolidated financial statements

> 1 BASIS OF PRESENTATION

The consolidated financial statements of ALTANA AG and its subsidiaries (the "Company" or "ALTANA") are prepared in accordance with International Financial Reporting Standards ("IFRS"), issued by the International Accounting Standards Board ("IASB") and the Interpretations of the International Financial Reporting Committee ("IFRIC"), and in accordance with section 315 of the German Commercial Code (deutsches Handelsgesetzbuch/HGB). On March 13, 2007, the supervisory board approved the consolidated financial statements for publication according to IAS 10.

In 2006, the management and supervisory board strategically realigned the Company and decided to focus its continuing business operations in the Chemicals activities. Management entered into an agreement to sell the Pharmaceuticals business in September 2006 which was approved by the shareholders on December 19, 2006 at an extraordinary meeting. The consolidated financial statements have been prepared in accordance with IFRS 5 "Non-current assets held for sale and discontinued operations", which provides guidance for presentation, disclosure and measurement. Accordingly, the Company's financial statements present discontinued operations separately from continuing operations as opposed to the consolidated financial statements as per December 31, 2005. Discontinued operations are described in detail in Note 3.

ALTANA AG is incorporated as a stock corporation ("Aktiengesellschaft") under the laws of the Federal Republic of Germany. ALTANA conducts business in more than 17 countries worldwide in the Specialty Chemicals business. All amounts are reported in thousand Euros if not otherwise stated.

> 2 SIGNIFICANT ACCOUNTING POLICIES

CONSOLIDATION

The consolidated financial statements of the Company include 19 (2005: 30) subsidiaries in Germany and 44 (2005: 76) subsidiaries abroad in which ALTANA AG, either directly or indirectly, holds the majority voting rights or has the power to govern the subsidiaries' financial and operating policies. Special purpose entities, irrespective of their legal structure, are consolidated when the Company has the power to govern the financial and operating policies of an entity.

The change in the scope of consolidated companies is primarily the result of the sale of the Pharmaceuticals business. This resulted in the deconsolidation of 43 fully consolidated subsidiaries and two investments in joint ventures accounted for under the proportional consolidation method. The impact of this transaction on the balance sheet, income statement, statement of recognized income and expenses and statement of cash flows is described in detail in Note 3.

Two acquisitions in the Chemicals business did not have a significant impact on the Company's consolidated financial statements.

ALTANA holds a 39 % interest in Aldoro Ltda., Sao Paulo, Brazil and accounts for it applying the equity method.

All intercompany balances and transactions have been eliminated in consolidation.

The financial statements of the consolidated subsidiaries are prepared in accordance with the Company's accounting policies.

The main subsidiaries included in the consolidated financial statements are listed on page 179 of the annual report. A complete listing of all subsidiaries of the ALTANA Group is filed with the Company's register in Bad Homburg v.d.H., number HRB 1933.

NEW ACCOUNTING PRONOUNCEMENTS ENDORSED BY THE EU

In April 2005, an amendment to IAS39, "Financial Instruments: Recognition and Measurement" was issued, which is effective for annual periods beginning on or after January 1, 2006. This amendment allows certain intercompany foreign currency transactions to be qualified as a hedged item. ALTANA applies this amendment since January 1, 2006, which did not have a significant impact on the Company's consolidated financial statements.

In August 2005, IFRS7 "Financial Instruments: Disclosures", which is effective for annual periods beginning on or after January 1, 2007, was issued. This Standard replaces IAS30, "Disclosure in the Financial Statements of Banks and Similar Financial Institutions" and some disclosure requirements of IAS32, "Financial Instruments: Disclosure and Presentation". ALTANA did not early adopt IFRS 7, which increases the reporting requirements for financial instruments.

In August 2005, an amendment to IAS 1, "Presentation of Financial Statements – disclosure requirements to capital" effective for annual periods beginning on or after January 1, 2007 was issued, which requires additional disclosure for the equity of an entity. ALTANA did not early adopt this amendment and is currently evaluating the impact on the Company's consolidated financial statements.

As well in August 2005, an amendment to IAS 39, "Financial Instruments: Recognition and Measurement" and to IFRS 4 "Insurance Contracts – Financial Guarantee Contracts", effective for annual periods beginning on or after January 1, 2006 was issued. In accordance with this amendment, issuers of financial guarantees have to recognize resulting liabilities in their balance sheets. The Company adopted the amendment as of January 1, 2006, which did not have a significant impact on the Company's consolidated financial statements.

In December 2005, an amendment to IAS 21, "The Effects of Changes in Foreign Exchange Rates – Net Investment in a Foreign Operation" effective for annual periods beginning on or after January 1, 2006 was issued. The amendment clarifies that also loans in a currency other than the functional currency of either the reporting entity or the foreign operation fall within the scope of IAS 21. The Company adopted the amendment as of January 1, 2006, which did not have a significant impact on the consolidated financial statements.

In 2005, the International Financial Reporting Interpretations Committee ("IFRIC") issued the IFRIC Interpretation 6, "Liabilities arising from participating in a Specific Market – Waste Electrical and Electronic Equipment", which is effective for annual periods beginning on or after December 1, 2005. The Company adopted the Interpretation as of January 1, 2006, which did not have a significant impact on the consolidated financial statements.

Also in 2005, the International Financial Reporting Interpretations Committee ("IFRIC") issued the IFRIC Interpretation 4, "Determine whether an Arrangement contains a Lease", IFRIC Interpretation 5, "Rights to Interest arising from Decommissioning, Restoration and Environmental Rehabilitation Funds" and IFRIC Interpretation 7, "Applying the Restatement Approach under IAS 29 Financial Reporting Hyperinflation Economies". In 2006, the IFRIC issued the IFRIC Interpretation 8, "Scope of IFRS 2 Share-based Payment" and IFRIC Interpretation 9, "Reassessment of Embedded Derivatives". All Interpretations are effective for annual periods beginning on or after January 1, 2006. The Company adopted the Interpretations as of January 1, 2006, which did not have a significant impact on the consolidated financial statements.

NEW ACCOUNTING PRONOUNCEMNETS NOT ENDORSED BY THE EU

The following new Standards and Interpretations have yet not been endorsed by the European Union. ALTANA has not yet adopted these Standards and Interpretations but is evaluating the impact on the Company's consolidated financial statements.

In July 2006, the IFRIC issued IFRIC Interpretation 10, "Interim Financial Reporting and Impairment" effective for reporting periods beginning on or after November 1, 2006. The Interpretation prohibits the reversal of impairments of (a) goodwill, (b) equity instruments classified as available for sale and (c) equity instruments not recorded at fair value in any subsequent annual or interim period.

In November 2006, the IFRIC issued IFRIC Interpretation 11, "IFRS 2 Share based Payment – Group and Treasury Share Transactions" effective for annual periods beginning on or after March 1, 2007. The Interpretation contains guidelines for the application of IFRS 2 for three specific transactions.

Also in November 2006, the IFRIC issued IFRIC Interpretation 12, "Service Concession Agreements" effective for annual periods beginning on or after January 1, 2008. Service concession agreements are agreements were the government or another institution of the governmental sector assigns private operators in order to provide public services like supply of streets, airports, jails, energy, water or other utilities. IFRIC Interpretation 12 addresses the application of the existing IFRS by the private operators regarding the assumed obligations and the received rights. This Interpretation has no effect on the Company's consolidated financial statements because ALTANA is not operating in businesses where service concessions agreements are usually issued.

Furthermore, in November 2006, IFRS Interpretation 8, "Operating Segments" was issued and is effective for annual periods beginning on or after January 1, 2009. IFRS Interpretation 8 replaces IAS 14, "Segment Reporting" and adjusts the Standard within the joint convergence project with the Financial Accounting Standard Board (FASB) to the US GAAP Standard SFAS 131. Only publicly listed companies are required to apply IFRS Interpretation 8, which requires the identification of operating segments based on the internal management reporting ("management approach").

FOREIGN CURRENCY

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

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

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

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

The following table provides the exchange rates for our most important currencies to the Euro:

1 Euro	Middle rate at December 31, 2006	2005	Average rate years ended December 31, 2006	2005
U.S. Dollar	**1.32**	1.18	**1.26**	1.24
Pound Sterling	**0.67**	0.69	**0.68**	0.68
Japanese Yen	**156.94**	138.91	**146.07**	136.86
Chinese Renmimbi	**10.28**	9.52	**10.01**	10.18
Indian Rupie	**58.32**	53.26	**56.89**	54.81
Brazilian Real	**2.81**	2.75	**2.73**	3.00
Mexican Peso	**14.30**	12.60	**13.70**	13.53

INTANGIBLE ASSETS

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

Intangible assets with a definite life are valued at cost less accumulated amortization. Intangible assets are amortized straight-line over the shorter of their contractual term or their estimated useful lives. Intangible assets with an indefinite life are not amortized but are tested for impairment at least annually or more frequently when there is an indication of impairment.

Goodwill is not amortized but tested for impairment annually and whenever there is an indication that the carrying value may be impaired. The Company tests goodwill for impairment by comparing its recoverable amount with its carrying value. Resulting impairment charges are reported in other operating expenses.

The following amortization periods are applied:

	Years
Patents, licenses and similar rights	2 – 20
Other intangibles	1 – 15

Amortization and impairment charges of all intangible assets are recorded based on their function as cost of sales, general administration, research and development or selling and distribution expenses.

PROPERTY, PLANT AND EQUIPMENT

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

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

	Years
Buildings	2 – 75
Plant and machinery	2 – 30
Assets under capital lease	2 – 25
Equipment	2 – 25

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

Amortization and impairment charges of property, plant and equipment are recorded based on their function as cost of sales, general administration, research and development or selling and distribution expenses.

IMPAIRMENTS OF INTANGIBLE AND TANGIBLE FIXED ASSETS

Irrespective of whether there is any indication of impairment, the Company tests goodwill acquired in a business combination for impairment annually. For the purpose of impairment test, goodwill is allocated to cash-generating units that are expected to benefit from the synergies of the business combination. In accordance with IAS36, "Impairment of Assets", an impairment loss is recognized when the carrying amount of the cash-generating unit, that goodwill was allocated to, exceeds the higher of its fair value less costs to sell or its value in use.

In the event facts and circumstances indicate that the Company's tangible or intangible long-lived assets with definite useful lives, regardless of whether they are to be held and used or to be disposed of, may be impaired, an evaluation of recoverability is performed. An impairment loss is recognized when a tangible or intangible (excluding goodwill) long-lived asset's carrying amount exceeds the higher of its fair value less costs to sell and its value in use. Value in use is based on the discounted cash flows expected to arise from the continued use of the asset and from its eventual disposal.

If there is any indication that the considerations, which led to an impairment of tangible or intangible assets no longer exist, the Company would consider the need to reverse all or a portion of the impairment charge.

MARKETABLE SECURITIES AND OTHER LONG-TERM INVESTMENTS

In accordance with IAS39, the Company classified all marketable securities and certain long-term investments (see Note 7) as available for sale and, therefore, carries these securities at fair value with unrealized gains and losses recorded in equity (revaluation reserve), net of tax.

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

Impairments of marketable securities are recognized in the income statement if at the financial reporting date the decrease in value is material and permanent in nature. The Company evaluates impairments based on individual marketable securities at each financial reporting date. Impairments of marketable securities are reported as other financial expense.

INVESTMENTS IN ASSOCIATED COMPANIES

Associated entities are companies where ALTANA holds between 20% and 50% of the voting power of the investee and therefore can exercise significant influence.

ALTANA's investments in associated companies are accounted for applying the equity method in accordance with IAS 28, "Investments in Associates". The investment is initially recognized at cost and the carrying amount is increased or decreased to recognize ALTANA's share of changes in the investee's equity after the acquisition. ALTANA's share of profit and loss of the investee is recognized in the Company's income statements while changes in the investee's equity are recognized directly in the Company's equity. Goodwill included in the investment is not amortized but tested for impairment annually or when there is an indication of impairment.

TRADE ACCOUNTS RECEIVABLE

Trade accounts receivable are valued at net realizable value. The Company estimates an allowance for doubtful accounts based on a review of individual customer receivables and historical uncollectibility.

INVENTORIES

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

CASH AND CASH EQUIVALENTS

The Company considers cash in banks and highly liquid investments with original maturities of three months or less to be cash and cash equivalents.

FINANCIAL INSTRUMENTS

In accordance with IAS 39 the Company recognizes all financial assets and liabilities, as well as all derivative instruments, as assets or liabilities in the balance sheet and measures all, apart from some exemptions (e.g. accounts receivable and financial liabilities), at fair value. Changes in the fair value of derivative instruments qualifying for hedge accounting are recognized in income or shareholders' equity (as revaluation reserve) depending on whether the derivative is designated as a fair value or cash flow hedge. For derivatives designated as fair value hedges, changes in fair value of the hedged item and the derivative are recognized in the income statement. For derivatives designated as a cash flow hedge, changes in fair value of the effective portion of the hedging instrument are recognized in equity (revaluation reserve) until the hedged item is recognized in the income statement. The ineffective portion of derivatives designated as cash flow hedges and fair value changes of derivatives which do not qualify for hedge accounting are recognized in the income statement in financial income (expenses) immediately. This is also applicable for excluded components from hedging instruments qualifying as cash flow hedges. At the inception of the hedge the Company documents the designation and hedging relationship between the hedged item and the hedging instrument. Additionally, at the inception of the hedge and on an ongoing basis, the hedging instrument is assessed to actually compensate the change in the fair value of the hedged item (highly effective) throughout the financial reporting periods.

GOVERNMENT GRANTS

Taxable and non-taxable government grants for the acquisition of certain long-lived assets are recorded as a reduction of the cost basis of the acquired or constructed assets.

Non-refundable for the reimbursement of expenses are recorded as other income to the extent they are earned.

EMPLOYEE BENEFIT OBLIGATIONS

The accounting for pension liabilities is based on the projected unit credit method in accordance with IAS 19 "Employee Benefits". In accordance with the amendment to IAS 19 "Employee Benefits" ("Actuarial Gains and Losses, Multi-employer Plans and Presentation"), which was adopted by ALTANA as of January 1, 2005, actuarial gains and losses are fully recognized in shareholders' equity (see statement of recognized income and expenses), net of tax, in the period they occur. The provisions therefore equal the fair value of the obligations at the reporting date.

PROVISIONS

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

Obligations in connection with product warranties are estimated based on the actual expenses of the last two, respectively three years, depending on the segment they relate to. Based on this experience, the Company calculates a warranty percentage and applies this to the gross sales and records the estimated obligation under provisions. The provision is adjusted to reflect actual warranty claims and changes in estimates. In case that provisions are not used, they will be reversed and credited to the income statement line item where the original expense was recorded.

REVENUE RECOGNITION

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

SELLING EXPENSES

Advertising and promotion costs are expensed as incurred and totaled €16.2 million and €19.2 million and shipping and handling costs totaled €36.9 million and €27.9 million for the years ended December 31, 2006 and 2005, respectively. Advertising and promotion costs as well as shipping and handling costs are included in selling and distribution expenses in the consolidated income statements.

RESEARCH AND DEVELOPMENT EXPENSES

In accordance with IAS 38, research costs, defined as costs of original and planned research performed to gain new scientific or technical knowledge and understanding, are expensed as incurred. Development costs are defined as costs incurred to achieve technical and commercial feasibility and are capitalized if certain criteria are met. Uncertainties regarding the commercialization of products inherent in the development of the Company's new key products preclude the capitalization of development costs under IAS 38. Therefore, these costs are expensed as incurred.

Research and development costs are comprised of the following types of costs incurred in performing research and development activities: salaries and benefits and other directly attributable costs.

EMPLOYEE INCENTIVE PLANS

Options granted under employee incentive plans settled in equity instruments (Stock Option Plans) are measured at their fair value based on a Binominal option pricing model at the date of grant. Compensation expense of the Stock Option Plans is recognized ratably over the relevant service period. As described in Note 14, the Company early settled all outstanding employee incentive plans. In accordance with IFRS 2, the early cash-settlement of the options under the Stock Option Plans represented an equity-settled transaction as the equity instruments were repurchased. In case the payment does not exceed the fair value of the option at settlement date it is directly shown in equity; further expense does not occur.

Compensation expense for the cash-settled ALTANA Investment Plans is ratably recognized over the relevant service period, while the discounts granted in connection with the plans are expensed as incurred.

INCOME TAXES

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

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

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

EARNINGS PER SHARE

Basic earnings per share is computed by dividing net income attributable to shareholders of ALTANA AG by the weighted average number of shares outstanding for the year. The shares held under ALTANA's obligation towards the former shareholders of Deutsche Atlantische Telegraphengesellschaft (DAT) are classified as outstanding shares for calculating weighted average shares outstanding. As of December 31, 2006, as a legal obligation no longer exists because the statute of limitations has expired, the shares held for the former DAT shareholders were classified as treasury shares.

Diluted earnings per share is calculated by dividing net income attributable to shareholders of ALTANA AG by the weighted average number of common shares outstanding for the year, adjusted for the effect of the options granted under the Stock Option Plans. The diluted earnings per share is calculated under the assumption that all potential diluting options are exercised. As all the options granted under the Stock Option Plans were settled in 2006 (see Note 14), no adjustment was made for shares outstanding for the year 2006.

	2006	2005
Basic earnings per share		
Net income attributable to shareholders of ALTANA AG	**3,872,137**	438,130
Weighted average shares outstanding	**136,033,032**	135,605,388
Basic earnings from continuing operations in €	**0.41**	0.34
Basic earnings from discontinued operations in €	**28.05**	2.89
Basic earnings per share in €	**28.46**	**3.23**
Diluted earnings per share		
Net income attributable to shareholders of ALTANA AG	**3,872,137**	438,130
Weighted average shares outstanding	**136,033,032**	135,605,388
Dilution from stock options	**0**	38,555
Diluted weighted average shares outstanding	**136,033,032**	135,643,943
Diluted earnings from continuing operations in €	**0.41**	0.34
Diluted earnings from discontinued operations in €	**28.05**	2.89
Diluted earnings per share in €	**28.46**	**3.23**

CONCENTRATION OF RISKS

Financial instruments that potentially subject the Company to concentration of credit risks consist principally of cash and cash equivalents, marketable securities and trade accounts receivable. The concentration of credit risks with respect to trade accounts receivable is limited due to the large number of customers in the various geographic regions. In 2006, no single customer accounted for more than 9 % of consolidated revenues.

The Company is subject to risks associated with its international operations, including changes in exchange rates, difficulty in trade accounts receivable collection and longer payment cycles. Management regularly monitors the credit worthiness of its domestic and international customers and believes that it has adequately provided for any exposure to potential credit losses. Allowances for doubtful accounts are based on management's past collection experience and existing economic conditions. Doubtful accounts are written off upon final determination that such trade receivables will not be collected.

USE OF ESTIMATES

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

At the balance sheet date management mainly has made the following key assumptions concerning the future and has identified other key sources of estimation uncertainty at the balance sheet date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year:

Revenue recognition: ALTANA makes provisions for discounts, allowances, rebates and product returns when recognizing the revenue from the sale of products or services. These deductions represent estimates of the related obligations requiring the use of judgements when estimating the impact of these sales deductions on revenues for a reporting period.

Pension plans: The valuation of the various pension plans is based on the methodology used applying different parameters, including the expected discount rate, rate of compensation and pension increase and return on plan assets. If the relevant parameters developed materially differently than expected this could have a material impact on our defined benefit obligation (see Note 15).

Impairments: The impairment analysis for goodwill, other intangible assets and tangible assets is principally based upon discounted estimated future cash flows from the use and eventual disposal of the assets. Factors like lower than anticipated sales and resulting decreases of net cash flows and changes in the discount rates used could lead to impairments. Regarding the carrying value of goodwill, other intangible and tangible assets see Note 5 and Note 6.

> 3

BUSINESS COMBINATIONS AND DISPOSITIONS

In accordance with IFRS 3, the Company accounts for business combinations by applying the purchase method as of the date when control over the financial and operating policies is effectively obtained. Any excess of the cost of the business combination and the acquired interest in the net fair value of the identifiable assets, liabilities and contingent liabilities is recorded as goodwill, which is allocated to these cash generating units that are expected to benefit from the synergies of the business combination. Goodwill is not amortized but tested for impairment annually. Necessary impairment losses of goodwill are recognized directly in the income statement. The results of operations of the acquired businesses are included in the Company's consolidated financial statements from their respective dates of acquisition until the date of sale.

DISCONTINUED OPERATIONS 2006

IFRS 5 establishes specific recognition principles for assets and liabilities held for sale and discontinued operations. The Company's consolidated financial statements are based primarily on continuing operations, while discontinued operations are reported separately in a single line item in the income statements and the statements of cash flows. All disclosures in these Notes refer to continuing operations, except where otherwise indicated. Balance sheet related financial data include the Pharmaceuticals business until the date of sale. Therefore the assets and liabilities relating to the Pharmaceuticals business were derecognized as of December 31, 2006 and were no longer reported on the Company’s balance sheet.

During 2006, ALTANA AG was fundamentally restructured. In September 2006, the management and the supervisory boards decided to sell its Pharmaceuticals business. The determining factors which led to this decision include: significant changes in the underlying conditions within the pharmaceuticals industry, such as increasing research and development costs, stricter requirements by regulatory authorities and growing competition from suppliers of generics and regimentation resulting from governmental health policies. Additionally, the patent expiry of Pantoprazole in the most important markets in 2009/10 would have created a product gap which could not have been filled in time by new products from internal research. Projects to compensate this, such as acquisitions of smaller businesses or inlicensing of product candidates would not have been achievable on acceptable terms.

The restructuring was realized by selling all shares in ALTANA Pharma AG to Nycomed Germany Holding GmbH as per December 31, 2006. The sale was approved by the shareholders at the extraordinary meeting on December 19, 2006 and became effective as of December 31, 2006. ALTANA AG will concentrate its efforts in the Specialty Chemicals business specifically on four segments: Additives & Instruments, Effect Pigments, Electrical Insulation and Coatings & Sealants.

The total sales price was €4,705.1 million. Of the total sales price €4,689.8 million was paid in cash by Nycomed Germany Holding GmbH in December 2006.

In accordance with IFRS 5, this transaction is reported as discontinued operations. The net income from discontinued operations is as follows:

in € millions	ALTANA Pharma
Net gain from sale, net of tax	3,338
Current year income from discontinued operations, net of tax	478
Income from discontinued operations	**3,816**

The gain on the sales transaction reconciles as follows:

	ALTANA Pharma
Sales price	4,705,100
less assets and liabilities including equity portion	-1,274,271
less cost to sell	-15,340
Net gain before income taxes	**3,415,489**
Income taxes	-77,484
Net gain after income taxes	**3,338,005**

The worldwide operating Pharmaceuticals business, headquartered in Constance, Germany, was concentrated on innovative therapeutics, diagnostics technologies (imaging procedures) and over-the-counter products for self-medication and generated revenue of €2.6 billion in 2006.

The sale had a significant impact on the Company's balance sheet, the income statement, the cash flow statements and the statement of recognized income and expenses. The assets, liabilities, revenues and expenses included in discontinued operations all relate to the sold Pharmaceuticals business.

Net income of the discontinued operations is as follows:

	ALTANA Pharma	
in € millions	**2006**	2005
Net sales	**2,573**	2,365
Cost of sales	**-538**	-521
Selling and distribution expenses	**-856**	-793
Research and development expenses	**-427**	-418
General administrative expenses	**-77**	-77
Other operating income and expenses	**-29**	48
Operating income from discontinued operations (EBIT)	**646**	**604**
Financial income	**40**	4
Income before taxes	**686**	**608**
Reversal of amortization according to IFRS 5	**35**	0
Income tax expenses	**-243**	-216
Net income from discontinued operations	**478**	**392**

Net income of the discontinued operations above includes a full twelve month period as ALTANA Pharma AG was disposed of effective at December 31, 2006.

The following assets and liabilities (net assets) were disposed of:

	ALTANA Pharma 2006
Goodwill and other intangible assets	158,868
Property, plant and equipment, net	559,876
Deferred tax assets	92,454
Other non-current assets	33,403
Non-current assets	**844,601**
Inventories	219,786
Trade accounts receivable, net	356,156
Cash and cash equivalents	580,536
Other current assets	78,520
Current assets	**1,234,998**
Sold assets	**2,079,599**
Revaluation reserve	7,312
Effect of exchange rates changes	-72,273
Changes in shareholders' equity	**-64,961**
Non-current debt	6,125
Employee benefit obligations	259,757
Other non-current provisions	55,024
Deferred tax liabilities	18,998
Other non-current liabilities	12,080
Non-current liabilities	**351,984**
Current debt	6,461
Trade accounts payable	182,207
Other current provisions	192,762
Other current liabilities	136,875
Current liabilities	**518,305**
Sold liabilities and changes in shareholders' equity	**805,328**
Total sold assets and liabilities including equity portion	**1,274,271**

ALTANA AG sold its 8.3 % investment in GPC Biotech AG, which was held by the Pharmaceuticals segment, as of September 27, 2006. GPC Biotech AG is a biopharmaceuticals company that is engaged in the research of new cancer pharmaceuticals. The sales price was €35.8 million and the Company recognized a gain of €23.0 million which is also included in discontinued operations.

DISCONTINUED OPERATIONS 2005

There were no significant disposals in 2005.

ACQUISITIONS IN 2006

The Specialty Chemicals activities were supplemented through several minor acquisitions for a combined purchase price of €25.7 million. Total goodwill of €12.7 million was recognized for these acquisitions which contributed revenues of €10.9 million in 2006.

ACQUISITIONS IN 2005

On October 1, 2005 the Company acquired a 100 % interest of the ECKART group. In 2006 the final purchase price was determined totaling €630 million, which is €3 million less than the preliminary purchase price of €633 million. Of this purchase price €554 million was paid in cash and €76 million related to net debt assumed. The ECKART group is an internationally leading producer of metallic effect pigments which are used for enamel varnishes, inks, plastics, cosmetics and technical application. The ECKART group operations have been included in the Effect Pigments segment since 2005.

The following table summarizes the final purchase price allocation to the assets acquired and liabilities assumed at the date of acquisition of the ECKART group by ALTANA:

in € millions	2005
Goodwill	105.9
Intangible assets	253.9
Property, plant and equipment	213.0
Long-term investments	9.1
Inventories	65.4
Trade accounts receivable	55.9
Other assets	4.3
Deferred tax assets	2.4
Marketable securities	13.0
Cash and cash equivalents	15.4
Provisions for pensions	-12.7
Provisions	-25.9
Accounts payable to banks	-91.5
Trade accounts payable	-20.2
Deferred tax liabilities	-15.9
Other liabilities	-11.2
Total acquisition costs	**560.9**
thereof cash purchase price	554.3
thereof costs directly attributable to acquisitions	6.6

Of the goodwill recognized, €26.7 million is tax deductible. The intangible assets acquired mainly related to technology (€166.5 million) and customer related assets (€67.3 million) and have average estimated useful lives of 17 years. The trademark "ECKART" recognized in the amount of €18.9 million is an intangible asset which, based on an analysis of product life cycles, contractual and legal control and other pertinent factors, is expected to contribute to the Company's cash flow indefinitely.

The factors contributing to goodwill are assets acquired which are not separately recognized as an assembled and trained work force, market share and access to customers and markets.

Before ALTANA had acquired the ECKART group, ECKART had not prepared its financial statements in accordance with IFRS but in accordance with the German Commercial Code. As of the acquisition date an opening balance sheet in accordance with IFRS was prepared for the first time. Assets and liabilities or revenues and expenses for periods before the acquisition were not available under IFRS and are therefore not reported as it would have been impractical to do so.

In 2005, the ECKART group generated sales of €75.4 million and contributed €0.5 million to net income of the ALTANA Group.

In 2005, the Company made another acquisition in the Chemicals business for a total purchase price of €41.5 million. The entity acquired by ALTANA generated revenues of approximately €9.0 million in the whole year 2005.

> 4 SEGMENT REPORTING

The following segment information was prepared in accordance with IAS 14, "Segment Reporting". Financial information has been reported separately for the business and the geographical segments based on management's internal reporting, which provides a reliable assessment of risks and returns. The accounting policies of the segments are the same as those described in Note 2.

The Pharmaceuticals business was disposed of as of December 31, 2006 and therefore is no longer reported as a segment. In accordance with IAS 14, ALTANA has reflected this change in the Company's reporting structure as of January 1, 2006 and for all periods presented.

Due to the changed Group structure and based on ALTANA Chemie AG's internal reporting, four reportable segments have been identified: Additives & Instruments, Effect Pigments, Electrical Insulation and Coatings & Sealants.

The segment Additives & Instruments comprises activities in the area of additives for varnishes, print colors, plastics and instruments to measure surface characteristics.

The segment Effect Pigments produces and distributes effect pigments. The product spectrum comprises metallic and pearlescent effect pigments for applications in enamel varnishes, plastics, packaging and in the cosmetics industry as well as metallic printing ink.

The segment Electrical Insulation develops, produces and distributes electrical insulation coatings, varnishes as well as compounds for use in electrical and electronic components.

The segment Coatings & Sealants develops, produces and distributes products for the packaging and general industrial applications. The products range from coatings for varnishes used for flexible packaging to sealing compounds for sealings and cans.

Pursuant to this structure ALTANA AG, the Group holding company, and ALTANA Chemie AG, the intermediate holding company, are responsible for strategic management decisions with respect to the segments, whereas the implementation of these decisions at the segment level is the responsibility of the heads of the respective segments. The presentation represents the internal reporting and the existing risk and revenue resources of the respective activities.

The segment information reconciles to the consolidated amounts as follows:

in € millions		Additives & Instruments	Effect Pigments	Electrical Insulation	Coatings & Sealants	Chemicals Holding and consolidation	**Chemicals business**	Group holding and reconciliation	**Continuing operations**
External sales	**2006**	**409**	**339**	**325**	**221**	**0**	**1,294**	**0**	**1,294**
	2005	364	75	293	175	0	**907**	0	**907**
Sales with other segments	**2006**	**1**	**4**	**0**	**0**	**-5**	**0**	**0**	**0**
	2005	1	0	0	0	-1	**0**	0	**0**
Net sales	**2006**	**410**	**343**	**325**	**221**	**-5**	**1,294**	**0**	**1,294**
	2005	365	75	293	175	-1	**907**	0	**907**
Operating income/-loss	**2006**	**100**	**33**	**28**	**15**	**-17**	**159**	**-61**	**98**
	2005	85	5	25	5	-7	**113**	-41	**72**
Segment assets	**2006**	**327**	**717**	**333**	**171**	**8**	**1,556**	**4,719**	**6,275**
	2005	311	722	328	164	1	**1,527**	144	**1,671**
Long-lived assets	**2006**	**156**	**220**	**75**	**37**	**0**	**488**	**19**	**507**
	2005	151	217	73	37	0	**478**	36	**514**
Investments in associated companies	**2006**	**0**	**7**	**0**	**0**	**0**	**7**	**0**	**7**
	2005	0	7	0	0	0	**7**	0	**7**
Segment liabilities	**2006**	**41**	**42**	**52**	**24**	**5**	**164**	**83**	**247**
	2005	38	43	43	27	1	**153**	36	**189**
Capital expenditures	**2006**	**24**	**27**	**16**	**5**	**3**	**75**	**0**	**75**
	2005	20	10	12	2	0	**44**	1	**45**
Additions from business combinations	**2006**	**0**	**1**	**15**	**12**	**0**	**28**	**0**	**28**
	2005	0	604	0	0	0	**604**	0	**604**
Depreciation and amortization	**2006**	**18**	**34**	**16**	**9**	**0**	**77**	**10**	**87**
	2005	17	8	15	9	1	**50**	2	**52**
Other non-cash expenses/-income	**2006**	**4**	**1**	**4**	**0**	**3**	**12**	**73**	**85**
	2005	4	33	2	2	1	**42**	21	**63**

The “Chemicals holding and consolidation” column represents income, expenses, assets and liabilities relating to corporate functions and investment activities mainly performed by ALTANA Chemie AG.

The “Group holding and reconciliation” column contains the corporate functions and the reconciling amounts between amounts reported in the segments and consolidated financial information.

Segment assets consist of total assets excluding interest-bearing financial assets and current and deferred income taxes.

Long-lived assets include all tangible assets, such as property, plant and equipment and construction in progress.

Segment liabilities consist of total liabilities and provisions, excluding interest-bearing liabilities, and current and deferred income taxes.

Capital expenditures as well as depreciation and amortization relate to property, plant and equipment and intangible assets with a definite useful life.

In 2006, depreciation and amortization include impairment changes on property, plant and equipment of €1.2 million relating to the segment Effect Pigments and €1.3 million relating to the segment Electrical Insulation primarily due to planned production site closures. In addition, an impairment of €8.3 million relates to the headquarters of ALTANA AG in Bad Homburg. In 2005, impairment losses on intangible assets of €4.0 million were recorded in the segment Coatings & Sealants.

Additions from business combinations relate to intangible assets and property, plant and equipment resulting from acquisitions – in 2005 mainly from the acquisition of the ECKART group – and included intangible assets with an indefinite useful life.

Other non-cash expenses (income) consist of pension expenses and impairment charges for other than temporary declines in fair value of marketable securities and other long-term investments.

The intersegment transactions are concluded at arm's length.

Operating income reconciles as follows to net income:

in € million	2006	2005
Operating income	99	72
Financial income and income taxes from continuing operations	-42	-26
Net income from continuing operations	**57**	**46**
Net income from discontinued operations	3,816	392
Net income	**3,873**	**438**

In 2006 and 2005, respectively, the Company generated 82.8 % and 84.3 % of its sales outside of Germany.

The following table presents selected financial information by geographic region:

	Net sales		Segment assets		Long-lived assets		Capital expenditures	
in € millions	2006	2005	2006	2005	2006	2005	2006	2005
Europe	627	454	5,864	1,292	433	442	54	38
thereof Germany	223	142	5,522	949	348	358	43	26
North America	268	156	255	255	50	52	13	5
thereof USA	243	144	251	246	50	52	13	5
Far East	297	214	142	137	21	20	4	2
thereof China	127	91	89	87	11	11	2	1
Other regions	102	83	25	5	3	0	3	0
Consolidation	0	0	-11	-18	0	0	0	0
Group	**1,294**	**907**	**6,275**	**1,671**	**507**	**514**	**75**	**45**

Net sales relating to geographic areas represent sales to third parties, based on the location of customers.

> 5

INTANGIBLE ASSETS

	Patents, licenses and similar rights	Goodwill	Software and others	Total
Cost				
Balance at January 1, 2005	220,372	91,962	25,374	337,708
Additions	87,325	206	6,684	94,215
Disposals	-506	-81	-129	-716
Transfers	57	0	415	472
Translation adjustments	14,556	3,823	176	18,555
Changes in reporting entities	272,368	113,357	618	386,343
Balance at December 31, 2005	**594,172**	**209,267**	**33,138**	**836,577**
Additions	23,134	0	8,328	31,462
Disposals	-4,369	0	-473	-4,842
Transfers	459	0	-485	-26
Translation adjustments	-18,887	-7,894	-288	-27,069
Changes in reporting entities	-252,947	12,427	-299	-240,819
Balance at December 31, 2006	**341,562**	**213,800**	**39,921**	**595,283**
Accumulated amortization				
Balance at January 1, 2005	90,169	0	10,413	100,582
Additions	33,062	0	5,206	38,268
Impairment	4,006	0	0	4,006
Disposals	-603	0	-122	-725
Transfers	-131	0	123	-8
Translation adjustments	4,981	0	102	5,083
Changes in reporting entities	-1,357	0	-475	-1,832
Balance at December 31, 2005	**130,127**	**0**	**15,247**	**145,374**
Additions	45,575	0	6,386	51,961
Disposals	-1,859	0	-419	-2,278
Transfers	-495	0	-37	-532
Translation adjustments	-4,029	0	-99	-4,128
Changes in reporting entities	-109,110	0	0	-109,110
Balance at December 31, 2006	**60,209**	**0**	**21,078**	**81,287**
Carrying amount at				
December 31, 2006	**281,353**	**213,800**	**18,843**	**513,996**
December 31, 2005	464,045	209,267	17,891	691,203

In 2006, additions of €5.7 million related to software licenses in the Chemicals business. Additions of €13.5 million related to the repurchase of distribution rights in Greece in the Pharmaceuticals business (discontinued operations). The change in the reporting entities mainly related to the sale of the Pharmaceuticals business (see Note 3).

Additionally, intangible assets of the Pharmaceuticals business were not amortized in the fourth quarter, because then they were classified as held for sale in accordance with IFRS 5.

In 2005, the Pharmaceuticals business acquired product rights of €76.3 million in the United States of America. The changes in reporting entities mainly related to the acquisition of the ECKART group (see Note 3). Intangible assets contain the brand name "ECKART" of €18.9 million, which is classified as intangible asset with an indefinite useful life in the Effect Pigment's cash-generating unit.

The following table presents expected amortization expense related to patents, licenses, similar rights and software for each of the following periods:

2007	31,165
2008	27,385
2009	22,619
2010	21,949
2011	20,824
Thereafter	155,056

The actual amortization may differ from the expected amortization.

In 2005, the Company recognized an impairment of €4.0 million for intangible assets which related to the Chemicals business.

As of December 31, 2006 and 2005, respectively, the carrying amount of goodwill by cash-generating unit was as follows:

	At December 31, 2006	At December 31, 2005
Pharmaceuticals	**0**	3,796
Chemicals	**213,800**	205,471
thereof Effect Pigments	**103,052**	106,194
thereof Electrical Insulation	**75,698**	70,940
thereof Coatings & Sealants	**35,050**	28,337
	213,800	**209,267**

IMPAIRMENT TEST FOR GOODWILL

In accordance with IAS 36, the Company performed impairment tests on goodwill. The impairment tests are performed in the fourth quarter of each year based on the long-term planning. The recently performed tests were based on the financial budgets for the years 2007 to 2011. The budgets were based on historical experience and represent management's best estimates about future developments. The weighted average growth rates utilized in the budget can be derived from corresponding industry forecasts. In order to perform impairment tests, the Company estimated cash flow projections beyond the budget by extrapolating the projections using a steady growth rate for subsequent years. The Company then calculated the fair value less cost to sell for each cash-generating unit by applying a discounted cash flow technique. The following parameters were applied: discount rate after taxes 7.3 % (2005: 7.5 %); growth rates: Effect Pigments 2.0 % (2005: 0 %), Electrical Insulation 1.5 % (2005: 1.5 %), Coatings & Sealants 1.5 % (2005: 1.0 %). The fair value calculated was then compared to the carrying amount of the cash-generating unit.

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

In the period since the performance of the impairment test until December 31, 2006, no impairment indicators have occurred.

In 2006 and 2005, no impairment of goodwill was recorded.

IMPAIRMENT TEST FOR INTANGIBLE ASSETS

In 2005, an impairment of €4.0 million relating to customer-related assets and technology was recorded because the value in use had materially decreased due to the decreasing demand, decline in the sales price, the increased competition and increase in commodity prices in the Coatings & Sealants segment. No impairments were recorded in 2006.

> 6

PROPERTY, PLANT AND EQUIPMENT

	Land, leasehold & buildings	Plant & machinery	Equipment	Advances/ construction in progress	Total
Cost					
Balance at January 1, 2005	531,787	406,814	381,369	69,286	1,389,256
Additions	18,212	21,674	43,643	68,032	151,561
Disposals	-9,470	-2,896	-27,475	-1,631	-41,472
Transfers	16,659	10,714	10,498	-37,062	809
Translation adjustments	19,563	17,294	11,963	914	49,734
Changes in reporting entities	80,481	103,853	-4,164	7,324	187,494
Balance at December 31, 2005	**657,232**	**557,453**	**415,834**	**106,863**	**1,737,382**
Additions	23,719	38,333	47,177	47,215	156,444
Disposals	-7,255	-11,291	-34,266	-488	-53,300
Transfers	65,307	16,811	14,924	-97,515	-473
Translation adjustments	-11,712	-10,555	-6,783	-1,092	-30,142
Changes in reporting entities	-388,407	-299,368	-318,098	-32,798	-1,038,671
Balance at December 31, 2006	**338,884**	**291,383**	**118,788**	**22,185**	**771,240**
Accumulated depreciation					
Balance at January 1, 2005	151,881	240,739	233,662	0	626,282
Additions	19,408	33,068	44,543	0	97,019
Disposals	-7,046	-3,026	-24,534	0	-34,606
Transfers	856	-1,596	2,030	0	1,290
Reversals	-604	0	0	0	-604
Translation adjustments	4,218	8,385	6,210	0	18,813
Changes in reporting entities	-5,820	-6,293	-6,280	0	-18,393
Balance at December 31, 2005	**162,893**	**271,277**	**255,631**	**0**	**689,801**
Additions	22,585	37,840	36,939	0	97,364
Impairment	8,654	2,040	0	0	10,694
Disposals	-5,710	-11,299	-25,446	0	-42,455
Transfers	-509	-3,159	3,702	0	34
Translation adjustments	-2,712	-4,690	-3,774	0	-11,176
Changes in reporting entities	-100,475	-189,566	-189,808	0	-479,849
Balance at December 31, 2006	**84,726**	**102,443**	**77,244**	**0**	**264,413**
Carrying amount at					
December 31, 2006	**254,158**	**188,940**	**41,544**	**22,185**	**506,827**
December 31, 2005	494,339	286,176	160,203	106,863	1,047,581

In 2006, the majority of the additions in the amount of €19.6 million related to the expansion of the research facilities in Constance, Germany, in the Pharmaceuticals business. In the Chemicals business investments of €4.8 million were made for the construction of a new distribution center in Wesel, Germany. An amount of €1.9 million related to the purchase of property for the new corporate headquarters in Wesel. The change in the reporting entities mainly related to the sale of the Pharmaceuticals business (see Note 3).

Property, plant and equipment of the Pharmaceuticals business were no longer amortized in the fourth quarter, because it was classified as held for sale.

In 2005, the majority of the additions in the Pharmaceuticals business related to the construction of a new production plant in Ireland and the expansion of research facilities in Germany and India. The changes in reporting entities mainly related to the acquisition of the ECKART group (see Note 3).

As of December 31, 2006 and 2005, respectively, €6.9 million and €6.1 million of the net book value related to property, plant and equipment under capital lease. The Company received government grants of €5.4 million and €0.4 million in 2006 and 2005, respectively, for the acquisition or construction of specified long-lived assets. These government grants were deducted from the acquisition or construction cost of the related items of property, plant and equipment.

In 2006, the Company has performed an impairment test on certain assets in the Chemicals business due to the expected closure of those facilities, which resulted in a total impairment charge of €2.5 million mainly for buildings. €1.2 million thereof related to the segment Effect Pigments and €1.3 million to the segment Electrical Insulation. Additionally, an impairment loss of € 8.3 million was recorded for the headquarters of ALTANA AG in the holding segment.

> 7

LONG-TERM INVESTMENTS

	Other investments	Other long-term financial assets	Total
Cost			
Balance at January 1, 2005	42,913	5,332	48,245
Additions	161	435	596
Disposals	-1	-607	-608
Translation adjustments	47	348	395
Changes in reporting entities	2,001	32	2,033
Balance at December 31, 2005	**45,121**	**5,540**	**50,661**
Additions	4,928	1,649	6,577
Disposals	-30,931	-512	-31,443
Translation adjustments	-219	-101	-320
Changes in reporting entities	-6,972	-1,722	-8,694
Balance at December 31, 2006	**11,927**	**4,854**	**16,781**
Accumulated depreciation			
Balance at January 1, 2005	957	1,015	1,972
Additions	316	0	316
Changes in fair value recorded in revaluation reserve	65	0	65
Translation adjustments	-1	339	338
Balance at December 31, 2005	**1,337**	**1,354**	**2,691**
Additions	66	0	66
Disposals	-1,080	0	-1,080
Changes in fair value recorded in revaluation reserve	3,064	0	3,064
Translation adjustments	0	22	22
Changes in reporting entities	-14	-1,376	-1,390
Balance at December 31, 2006	**3,373**	**0**	**3,373**
Carrying amount at			
December 31, 2006	**8,554**	**4,854**	**13,408**
December 31, 2005	43,784	4,186	47,970

The changes in reporting entities mainly related to the sale of the Pharmaceuticals business (see Note 3). In 2005, investments in associates were presented together with long-term investments, whereas in 2006, these investments are reported in Note 8.

Ownership interests below 20 % in 11 (2005: 13) entities, which are classified as available-for-sale investments and whose fair values can not be reliably measured, are valued at cost less impairments. The carrying value of such interests was €0.9 million and €2.9 million in 2006 and 2005, respectively, and was shown under other investments.

Amounts totaling €0.5 million of other long-term financial assets as of December 31, 2006 and 2005, respectively, related to long-term employee loans bearing a weighted average 2.8 % interest rate in 2006.

As discussed in Note 3, in 2006 ALTANA AG sold its 8.3% interest in GPC Biotech AG in line with management's decision to exit the Pharmaceuticals business.

> 8

INVESTMENTS IN ASSOCIATED COMPANIES

	Investments in associated companies
Balance at January 1, 2005	1,929
Additions	733
Disposals	-662
Translation adjustments	-208
Changes in reporting entities	7,000
Balance at December 31, 2005	**8,792**
Additions	1,145
Disposals	-1,740
Translation adjustments	-161
Changes in reporting entities	-1,147
Balance at December 31, 2006	**6,889**

In 2005, investments in associated companies were presented together with long-term investments as the amounts were insignificant.

The disposal and the change in the reporting entities in 2006 relate to the disposal of the associated company Bracco ALTANA Pharma GmbH in connection with the discontinued operations.

The change in the reporting entities in 2005 related to the investment of 39 % in the associated company Aldoro Indùstria de Pós e Pigmentos Metálicos Ltda., Brazil ("Aldoro Ltda."), which was acquired as part of the ECKART business as of October 31, 2005. The investment was accounted for applying the equity method. ALTANA's share of the net assets acquired was €2.6 million which resulted in the recognition of goodwill of €4.4 million. As of December 31, 2005, the acquired assets totaled €3.0 million and the liabilities were €0.4 million. For the period from October 1 until December 31, 2005, revenues of €1.0 million and net income of €0.1 million applied to the 39 % interest in the associated company.

As of December 31, 2006 and 2005, respectively, Aldoro Ltda. had assets of €8.4 million and €7.7 million and liabilities of €1.1 million and €0.9 million. In 2006 and 2005, respectively, the company generated revenues of €11.1 million and €9.7 million as well as €1.1 million in both years of net income.

> 9
INVENTORIES

Inventories consisted of:

	At December 31, 2006	At December 31, 2005
Raw materials and supplies	**62,983**	110,689
Work in process	**36,708**	83,213
Finished products and goods	**97,741**	203,340
Advance payments	**280**	7,317
	197,712	**404,559**

In 2006 and 2005, respectively, inventory write-downs of €8.4 million and €27.9 million were recognized and deducted from inventory categories.

> 10
TRADE ACCOUNTS RECEIVABLE

Trade accounts receivable were as follows:

	At December 31, 2006	At December 31, 2006
Trade accounts receivable	**228,267**	596,813
Allowance for doubtful accounts	**-4,122**	-8,298
Long-term receivables	**-203**	-7,537
	223,942	**580,978**

Write-downs are recorded in other operating expenses. The roll-forward of the allowance for doubtful accounts was as follows:

	2006	2005
Allowance at the beginning of the year	**8,298**	6,691
Translation adjustments	**-322**	400
Additions	**3,056**	2,917
Releases	**-1,107**	-576
Utilization	**-2,645**	-1,300
Changes in reporting entities	**-3,158**	166
Allowance at the end of the year	**4,122**	**8,298**

> 11

MARKETABLE SECURITIES

In accordance with IAS 39, available-for-sale marketable securities are recorded at fair value. Amortized cost, fair value and gross unrealized holding gains and losses, which are recorded in the revaluation reserve, net of tax, as of December 31, 2006 and 2005 were as follows:

At December 31, 2006	Amortized cost	Fair value	Unrealized gains	Unrealized losses
Debt securities	2,155,833	2,154,937	225	1,121
Equity securities	58,540	64,200	5,946	286
Total	**2,214,373**	**2,219,137**	**6,171**	**1,407**

At December 31, 2005	Amortized cost	Fair value	Unrealized gains	Unrealized losses
Debt securities	67,393	67,326	651	718
Equity securities	63,018	67,034	4,016	0
Total	**130,411**	**134,360**	**4,667**	**718**

The increase in marketable securities in 2006 is due to the investment of part of the sales proceeds from the disposal of the Pharmaceuticals business. It is planned to sell these securities before the payment of the dividend on May 4, 2007, and to use the obtained liquidity for the dividend payment.

In 2005, an impairment loss for marketable securities totaling €3.8 million was recorded in line with the Company’s policy, as the fair market value of the related securities fell below book value for a sustained period of time or was significantly below book value at the end of the reporting period. In 2006 no impairments were recorded.

The contractual maturities of debt securities were as follows:

	At December 31, 2006	At December 31, 2005
Due within one year	**2,106,080**	7,918
Due after one year through five years	**38,425**	43,642
Due after five years through ten years	**5,599**	7,105
Due after ten years	**4,833**	8,661
	2,154,937	**67,326**

Actual maturities may differ from contractual maturities because the issuers of the securities may have the right to repay obligations earlier without prepayment penalty.

> 12

OTHER ASSETS AND PREPAID EXPENSES

	At December 31, 2006		At December 31, 2005	
	Other current assets	Other non-current assets	Other current assets	Other non-current assets
Balances due from employees	**379**	**77**	5,093	158
Cash surrender value of life insurance	**0**	**1,581**	3,136	4,373
Balances due from fiscal authorities	**20,502**	**342**	31,470	812
Prepayments	**1,043**	**178**	10,788	10
Loans	**5**	**8**	7,049	7,311
Licenses	**0**	**0**	6,456	0
Balances due from related parties	**269**	**76**	1,692	0
Prepaid expenses	**1,952**	**384**	21,695	105
Derivative instruments (see Note 20)	**10,032**	**343**	750	304
Receivables from reimbursements	**0**	**0**	4,507	0
Receivable due from Nycomed Germany	**50,000**	**0**	0	0
Assets held for disposal	**0**	**0**	1,844	0
Non-current trade accounts receivable	**0**	**203**	0	7,357
Other	**22,388**	**1,123**	17,557	11,565
	106,570	**4,315**	**112,037**	**31,995**

The other receivables due from Nycomed Germany Holding GmbH of €50 million relate to the residual sales price of the Pharmaceuticals business. The preliminary sales price was determined at the end of January 2007 based on the consolidated financial statements as of December 31, 2006 of ALTANA Pharma AG. The purchase price is preliminary in as far as both parties have the right to appeal against particular items of the purchase price adjustment within a period of six weeks after the communication of the purchase price calculation to the purchasing party.

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SHAREHOLDERS' EQUITY

The development of shareholders' equity is presented as follows.

	Issued		Additional paid-in capital		
	Number of shares	Share capital	due to employee incentive plans	paid-in by the shareholders of ALTANA AG	Retained earnings
Balance January 1, 2005	**140,400,000**	**140,400**	**16,042**	**136,718**	**1,730,029**
Realized gains and losses from marketable securities, net of tax of €29					
Realized gains and losses from derivative financial instruments, net of tax of €68					
Change in fair value of marketable securities, net of tax of €2					
Change in fair value of derivative financial instruments, net of tax of €13,654					
Change in actuarial gains and losses, net of tax of €21,118					
Change in translation adjustments					
Net income directly recognized in equity					
Net income					438,130
Total recognized income and expenses for the period					**438,130**
Employee incentive plans			12,617		
Dividends paid					-128,735
Sale of treasury shares					
Loss on the sale of treasury shares				-173	
Balance December 31, 2005	**140,400,000**	**140,400**	**28,659**	**136,545**	**2,039,424**
Realized gains and losses from marketable securities, net of tax of €144					
Realized gains and losses from derivative financial instruments, net of tax of €53					
Change in fair value of marketable securities, net of tax of €136					
Change in fair value of derivative financial instruments, net of tax of €3,343					
Change in actuarial gains and losses, net of tax of €5,639					
Change in translation adjustments					
Net income directly recognized in equity					
Net income					3,872,137
Total recognized income and expenses for the period					**3,872,137**
Employee incentive plans, net of tax of €9,712			**-13,600**		
Dividends paid					-149,602
Sale of treasury shares					
Loss on the sale of treasury shares				-65	
Balance December 31, 2006	**140,400,000**	**140,400**	**15,059**	**136,480**	**5,761,959**

			Treasury stock			Minority interests		
Revaluation reserve	Actuarial gains and losses	Translation adjustments	Shares	Amount	Total equity of the shareholders of ALTANA AG	Shareholders' equityl	Translation adjustments	Shareholders' equity
30,008	-13,662	-132,394	-5,114,846	-258,513	1,648,628	1,909	-231	1,650,306
-4,652					-4,652			-4,652
-106					-106			-106
8,360					8,360			8,360
-21,471					-21,471			-21,471
	-33,547				-33,547			-33,547
		70,454			70,454		200	70,654
-17,869	-33,547	70,454			19,038		200	19,238
					438,130	299		438,429
-17,869	-33,547	70,454			457,168	299	200	457,667
					12,617			12,617
					-128,735	-43		-128,778
			475,438	21,920	21,920			21,920
					-173			-173
12,139	-47,209	-61,940	-4,639,408	-236,593	2,011,425	2,165	-31	2,013,559
-28,340					-28,340			-28,340
69					69			69
14,585					14,585			14,585
5,310					5,310			5,310
	8,443				8,443			8,443
		26,205			26,205		-192	26,013
-8,376	8,443	26,205			26,272		-192	26,080
					3,872,137	357		3,872,494
-8,376	8,443	26,205			3,898,409	357	-192	3,898,574
					-13,600			-13,600
					-149,602	-80		-149,682
			226,200	10,126	10,126			10,126
					-65			-65
3,763	-38,766	-35,735	-4,413,208	-226,467	5,756,693	2,442	-223	5,758,912

ISSUED CAPITAL

Share capital amounted to €140.4 million, represented by 140.4 million no-par value shares representing €1 per share. The share capital is fully paid in.

AUTHORIZED CAPITAL

As of December 31, 2006, the management board was authorized to increase the Company's share capital by €28.0 million in exchange for cash (authorized capital I) and an additional €28.0 million in exchange for non-cash contributions with exclusion of shareholders' subscription rights (authorized capital II). The management board was also authorized to increase the share capital by €14.0 million in exchange for cash with exclusion of shareholders' subscription rights at an issue price that is not significantly lower than the market price at that time (authorized capital III). None of the authorized capital has been issued. The authorizations will expire as of April 30, 2009.

ADDITIONAL PAID-IN CAPITAL

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

TREASURY SHARES

The management board was authorized by the shareholders at the annual general meeting on May 2, 2006 to repurchase up to 14,040,000 shares (10 % of the authorized capital) until October 31, 2007. In addition to reselling the treasury shares on the stock market, the management board was authorized to retire these shares or to offer shares to third parties in connection with acquisitions or to transfer shares to members of the supervisory board as part of their compensation in accor-dance with the Articles of Association.

In 2006, the Company did not purchase any treasury shares. During 2006, 17,218 shares (0.01 % of share capital) were sold in connection with the exercise of the stock options and 205,450 shares were issued to employees. In January 2006, 3,039 shares were transferred to members of the supervisory board as part of their compensation in accordance with the Articles of Association.

In January 2006, 493 shares were sold to employees under the ALTANA Investment Plan 2005.These shares related to treasury shares acquired in prior years.

Together with the 4,639,408 treasury shares purchased in prior years, the Company held a total of 4,413,208 treasury shares at December 31, 2006, representing €4.4 million (or 3.1 %) of its share capital.

DIVIDENDS

Under the "German Stock Corporation Act", retained earnings available for distribution to shareholders are based upon the unconsolidated retained earnings of ALTANA AG as reported in its financial statements determined in accordance with the German Commercial Code.

The net income of ALTANA AG totals €4,661.0 million (2005: €217.1 million) and is meant to be distributed to the shareholders. Following the restructuring of the Company and the focus on the continuing operations of the Chemicals business, the balance between equity and liabilities should be similarly structured and comparable to other companies in the chemical industry. The management board has therefore allocated an amount of €71.3 million from retained earnings to unappropriated earnings to establish the future debt equity ratio through dividend distributions. At the annual general shareholders' meeting, the management board and supervisory board plan to propose to the shareholders to distribute from unappropriated earnings a dividend totaling €4.7 billion – excluding treasury shares – as follows:

Dividend on issued and outstanding (135,986,792) shares[1]	in thousand €
Special dividend of €33.00 per share resulting from the disposal of ALTANA Pharma AG	4,487,564
Regular dividend for 2006 of €1.30 (2005: €1.50) per share	176,783
Bonus dividend of € 0.50 per share to set-up the required balance sheet structure	67,993
Total	**4,732,340**

[1] Excluding 4,413,208 treasury shares, which – if at the date of the annual general shareholders' meeting were not treasury shares of ALTANA AG or a subsidiary – would qualify for dividends

REVALUATION RESERVE

In accordance with IAS 39, unrealized gains and losses resulting from changes in fair values of available-for-sale marketable securities are recorded in a revaluation reserve net of tax, a separate section of shareholders' equity, unless an impairment is recognized. Additionally, changes in the fair value of financial instruments qualifying as cash flow hedges are recognized, net of tax, in the revaluation reserve if all hedge accounting criteria under IAS 39 are met. Likewise actuarial gains and losses resulting from the measurement of the defined benefit obligation in accordance with IAS 19 are recognized, net of tax, directly in equity.

> 14 EMPLOYEE INCENTIVE PLANS

MANAGEMENT STOCK OPTION PLANS (EQUITY-SETTLED)

From 1999 until 2005 the Company has granted stock options to key members of management on July 1 of each year. As of January 1, 2006, options granted under the plans 2001 until 2005 were still outstanding. No new options were granted in 2006.

In November 2005, ALTANA AG announced its intention to restructure the Company during 2006. During the first half of 2006, the Company actively pursued the separation of the Chemicals and the Pharmaceuticals businesses, but the form of the restructuring was uncertain. However, the Company anticipated that the restructuring would impact the major parameters of its outstanding employee incentive plans. For example, the strike prices of the plans were based on the share price of ALTANA AG, which represented the value of the Pharmaceuticals and the Chemicals segments. Additionally, the 2004 and 2005 plans had exercise conditions that were dependent on a market-based index (70 % Dow Jones Stoxx Healthcare and 30 % Dow Jones Stoxx Chemicals). Within the programs, participants were meant to receive ALTANA shares. In order to address these issues, the management board extended early-settlement offers to all employees participating in the Company's stock option programs and the supervisory board extended the same offer to management board. All employees accepted the early-settlement offers and received cash payments in an amount equal to the fair value of their outstanding options at the settlement date. The fair value of the outstanding options as of the early-settlement date was calculated by the Company together with an external actuary applying the same valuation method which was utilized to value the plans at December 31, 2005.

The significant exercise conditions and the amount of the compensation paid are shown in the following table:

	Stock option plan 2005	Stock option plan 2004	Stock option plan 2003	Executive management option plan 2002	Key management option plan 2002	Stock option plan 2001
Exercise price (in €)	47.49	51.01	54.65	51.58	56.74	42.41
Fair value per option at date of grant (in €)	5.63	11.53	14.84	27.00	25.84	16.72
Exercise period	July 1, 2007-June 30, 2010	July 1, 2006-June 30, 2009	July 1, 2005-June 30, 2008	July 1, 2004-June 30, 2012	July 1, 2004-June 30, 2012	July 1, 2003-June 30, 2006
Exercisability condition	mixed benchmark index	mixed benchmark index	EPS increase of 20% in the first two years	EPS increase of 20% in the first two years	none	EPS increase of 20% in the first two years
Individual investment	required	required	required	required	–	required
Exercisability condition achieved at compensation date	not achieved	not achieved	achieved	achieved	–	achieved
Benefit restriction	100% of exercise price	–	–	–	–	–
Fair value per option at compensation date (in €)	7.64	3.79	5.06	9.65	8.36	6.09

The Company used an expected volatility of 26.0 %, a risk-free interest rate of 3.3 % and an expected dividend yield of 2.0 % when calculating the settlement payments.

The roll-forward for the number of options is as follows:

	Stock option plan 2005	Stock option plan 2004	Stock option plan 2003	Executive management option plan 2002	Key management option plan 2002	Stock option plan 2001
At January 1, 2005	**0**	**1,206,550**	**1,158,900**	**255,000**	**937,250**	**717,800**
Options granted	1,177,100	0	0	0	0	0
Options forfeited	0	0	0	0	0	-264,300
Options exercised	-1,400	-15,600	-19,700	0	-18,200	0
At December 31, 2005	**1,175,700**	**1,190,950**	**1,139,200**	**255,000**	**919,050**	**453,500**
Options forfeited	0	0	0	0	0	-213,550
Options exercised	-29,300	-32,050	-34,050	0	-36,500	0
Options compensated	-1,146,400	-1,158,900	-1,105,150	-255,000	-882,550	-239,950
At December 31, 2006	**0**	**0**	**0**	**0**	**0**	**0**

In total 4,787,950 options were settled and the Company paid €30.0 million as compensation due to the early settlement of the plans. In accordance with IFRS 2, the transactions qualified as equity instruments repurchases which vested the awards immediately and unrecognized compensation expense was accelerated upon settlement and no additional compensation expense was recognized as the awarded were settled in cash at their current fair values. The amount recognized in 2006 included €1.9 million relating to the SOP 2005 which would have been recognized when the plans would have vested in 2007.

The weighted average share price at the date of exercise of the options was €46.94 and €48.78 in 2006 and 2005, respectively. The intrinsic value of the options exercised in 2006 and 2005, respectively, was €0.9 million and €1.7 million.

The fair value of the stock options as of the settlement date was calculated using a Binominal option pricing model based on the following assumptions:

	Stock option plan 2005	Stock option plan 2004	Stock option plan 2003
Expected dividend yield	2.40 %	1.70 %	1.50 %
Expected volatility	30 %	35 %	35 %
Risk-free interest rate	2.5 %	3.5 %	3.5 %
Expected term (in years)	4	4	3.5
Correlation ALTANA share and benchmark index	35 %	35 %	–
Share price at date of valuation (in €)	39.90	48.87	44.60
Fair value per option at grant date (in €)	5.63	11.53	14.84
Exercise price (in €)	47.49	51.01	54.65

Expected volatility was determined based on the corresponding historical amounts for the expected term of these options, which are verified and, if necessary, adjusted by the implicit volatilities regarding the extrapolation to the future. As the durations of traded options are materially less than the options granted under the stock options plans, the implicit volatilities are no sufficient valuation basis. The market conditions of the Stock Option Plans 2004 and 2005 were considered in determining the exercise patterns of the option holders which results in an assumption that 50% of the option holders will exercise each year when the profit per option is 25% or more of the exercise price.

ALTANA INVESTMENT PLANS (CASH-SETTLED)

From 2000 until 2005, the Company initiated a plan (ALTANA Investment Plans) every year in 12 European countries, the United States of America, Canada and India for employees who were not eligible to participate in the Stock Option Plans. Each investment plan consisted of two components.

The first component entitled employees to purchase a specific number of shares at a fixed price per share, which is the lowest quoted price of the Company's shares on the day the management board approved the plans. A discount was granted for a specified number of shares purchased by each participant.

Under the second component, employees received one option for each share purchased. The options became exercisable two years after the grant date and expired two years later. The options entitled holders to receive cash in an amount equal to the difference between the exercise price and the market price of the Company's shares on the date on which the options were exercised.

At the beginning of April 1, 2006, options from the plans 2002 until 2005 remained outstanding. Due to the intended restructuring of the Company, the management board in coordination with the works council extended a similar offer as the one described above to the employees participating in the ALTANA Investment Plans.

All employees accepted the early-settlement offers and received cash payments in an amount equal to the fair value of their outstanding options at the settlement date. The fair value of the plans was based on a Black-Scholes-Model and the expected duration was estimated. The method applied for determination of the volatility is identical to the method described above.

The respective compensation payments and the significant parameters used to determine the compensation are as follows:

	Plan 2005	Plan 2004	Plan 2003	Plan 2002
Expected dividend yield	2.0%	2.0%	2.0%	2.0%
Expected volatility	26.0%	26.0%	26.0%	26.0%
Risk-free interest rate	3.3%	3.3%	3.3%	3.3%
Fair value per option at				
compensation date (in €)	13.94	11.73	9.21	6.83

The roll-forward for the number of options is as follows.

	AIP 2005	AIP 2004	AIP 2003	AIP 2002
At January 1, 2005	**0**	**133,957**	**169,756**	**104,610**
Options granted	127,544	0	0	0
Options forfeited	0	0	-7,744	-21,367
Options exercised	0	-2,840	-4,651	-2,373
At December 31, 2005	**127,544**	**131,117**	**157,361**	**80,870**
Options forfeited	0	0	-26,991	-19,596
Options exercised	-2,709	-5,459	-5,923	-5,528
Options compensated	-124,835	-125,658	-124,447	-55,746
At December 31, 2006	**0**	**0**	**0**	**0**

Compensation expense for the ALTANA Investment Plans of €3.1 million and €1.5 million was recognized in 2006 and 2005, respectively. The compensation payments for the early settlement did not result in additional expenses, because the awards were settled in cash at their current fair values. These plans were liability-classified awards which were remeasured at fair value at each balance sheet date.

> 15 EMPLOYEE BENEFIT OBLIGATIONS

The Company's employee benefit plans consist of both defined contribution and defined benefit plans.

The defined contribution plans are mainly located in our non-German subsidiaries, and are not significant. Additionally, the Company pays contributions to governmental and private pension insurance organizations based on legal regulations required in some jurisdictions.

The majority of the employee benefit plans are defined benefit plans, either funded or unfunded. Fund assets consist mainly of equity and debt securities. The majority of the Company's employee benefit obligations relate to German employees. Employee benefit obligations are determined based on the years of service, the expected discount rate and estimated compensation increase.

Employee benefit obligations are generally measured based on the parameters, salaries and number of employees as of September 30. The applied parameters and underlying data are reviewed for unexpected fluctuations as of December 31 and a remeasurement is performed if material deviations from September 30 are identified.

Obligations for other post-retirement benefits mainly entitled German employees to invest part of their earnings for retirement. The contribution determined by the employee is invested in funds set up by the Company, who guarantees the employees a minimum return.

The provisions for the Company's pension benefit and other post-retirement obligations were as follows:

	At December 31, 2006	At December 31, 2005
Defined benefit obligations - unfunded	**75,066**	312,785
Defined benefit obligations - funded	**31,539**	101,668
Defined benefit obligation	**106,605**	**414,453**
less fair value of plan assets	**19,444**	63,976
Provision for pensions	**87,161**	**350,477**
Provision for other post-retirement benefits	**11,520**	7,865
Total	**98,681**	**358,342**

Funded defined benefit obligations are in excess of the plan assets of €12.1 million and €37.7 million as of December 31, 2006 and 2005, respectively.

As of December 31, for each of the periods presented below, the significant factors in determining provision for employee benefit obligations are as follows:

	At December 31, 2006	At December 31, 2005	At December 31, 2004
Defined benefit obligation	**106,605**	414,453	323,237
Fair value of plan assets	**19,444**	63,976	45,854
Funded status	**87,161**	350,477	277,383
Adjustments based on experience	**1,160**		
thereof plan assets	**1,253**		
thereof defined benefit obligation	**-93**		

The provision for pensions was as follows:

	2006 German plans	2006 Non-German plans	2005 German plans	2005 Non-German plans
Defined benefit obligation				
Balance at January 1	**317,715**	**96,738**	252,144	71,093
Changes in reporting entities	**-234,063**	**-75,627**	7,391	2,703
Translation adjustments	**0**	**-7,274**	0	7,680
Service cost	**10,996**	**6,838**	8,017	4,793
Interest cost	**12,667**	**5,073**	12,659	5,258
Actuarial losses/-gains	**-18,419**	**2,571**	47,045	4,947
Plan amendments	**2,163**	**-1,305**	-28	-21
Other changes	**-415**	**3,206**	476	1,816
Benefits paid	**-10,834**	**-3,425**	-9,989	-1,531
Balance at December 31	**79,810**	**26,795**	**317,715**	**96,738**
Plan assets				
Balance at January 1	**317**	**63,659**	0	45,854
Changes in reporting entities	**0**	**-52,782**	300	1,566
Translation adjustments	**0**	**-4,847**	0	4,999
Expected return on plan assets	**0**	**3,956**	0	4,469[1]
Actuarial gains/-losses	**0**	**-259**	-	-
Employer contribution	**0**	**7,179**	0	11,347
Benefits paid	**-317**	**-2,505**	0	-2,850
Other changes	**0**	**5,043**	17	-1,726
Balance at December 31	**0**	**19,444**	**317**	**63,659**
Funded status and provision recognized at December 31	**79,810**	**7,351**	**317,398**	**33,079**

[1] The actual return on plan assets including actuarial gains and losses.

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

	At December 31, 2006		At December 31, 2005	
Asset category				
Equity securities	**10,648**	**55 %**	31,890	50 %
Bonds	**6,166**	**32 %**	26,713	42 %
Others	**2,630**	**13 %**	5,373	8 %
	19,444	**100 %**	**63,976**	**100 %**

ALTANA aims to hedge future payments under the pension obligation with long-term returns from the portfolio of the plan assets. Therefore the composition of the plan assets is oriented on the sustainability of the income generated. Income generated consists of increases in market values of the assets and continuing distribution of dividends. For that purpose equity instruments are slightly over-weighted. However, in some countries, where ALTANA is doing business, legal restrictions exist and only fixed interest-bearing marketable securities are allowed as plan assets. This results over all in a balanced asset allocation between equity securities and bonds.

The expected return on plan assets is determined based on market expectations and historical experience. The actual return on the plan assets was €3.7 million and €4.5 million for 2006 and 2005, respectively.

At December 31, 2006, the employee benefit obligations expected to be paid in the future were as follows:

Due in 2007	3,289
Due in 2008	4,381
Due in 2009	3,619
Due in 2010	3,755
Due in 2011	5,511
Due between 2012 and 2015	20,686

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

	At December 31, 2006		At December 31, 2005	
	German plans	Non-German plans	German plans	Non-German plans
Weighted average assumptions				
Discount rate	**4.5 %**	**5.1 %**	4.0 %	4.5 %
Expected return on plan assets	**0**	**6.1 %**	0	7.2 %
Rate of compensation increase	**3.5 %**	**3.7 %**	3.5 %	3.4 %
Rate of pension increase	**1.7 %**	**1.7 %**	1.5 %	3.4 %

The components of net periodic pension costs as reported in the development of the defined benefit obligation for continuing and discontinued operations were as follows:

	2006		2005	
	German plans	Non-German plans	German plans	Non-German plans
Service cost	**10,996**	**6,838**	8,017	4,793
Interest cost	**12,667**	**5,073**	12,659	5,258
Plan amendments	**2,163**	**-1,305**	-28	-21
Expected return on plan assets	**0**	**-3,956**	0	-1,380
Other	**165**	**-2,448**	0	0
Net periodic pension costs	**25,991**	**4,202**	**20,648**	**8,650**

Of the total net periodic pension costs of € 30.2 million and € 29.3 million an amount of € 7.6 million and € 6.8 million was recognized in cost of sales, € 8.8 million and € 8.6 million in research and development, € 7.8 million and € 8.7 million in selling and distributions and € 6.0 million and € 5.2 million in general administrative expense in 2006 and 2005, respectively. Net periodic pension costs of the continuing operations were € 8.3 million and € 8.6 million in 2006 and 2005, respectively.

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OTHER PROVISIONS

	Employees	Sales and marketing	Warranty	Other	Total
Balance at January 1, 2006	**149,115**	**82,944**	**8,813**	**48,231**	**289,103**
Additions	101,317	62,178	4,996	89,135	257,626
Utilization	-88,361	-64,284	-2,368	-19,427	-174,440
Release	-3,797	-9,308	-314	-6,212	-19,631
Translation adjustments	-3,313	-4,739	-322	-2,149	-10,523
Changes in reporting entities	-104,917	-57,156	-8,039	-52,712	-222,824
Balance at December 31, 2006	**50,044**	**9,635**	**2,766**	**56,866**	**119,311**
Thereof long-term					
at December 31, 2006	**14,033**	**136**	**0**	**605**	**14,774**
at December 31, 2005	51,330	10,672	5,379	17,821	85,202

The employee-related provisions are mainly comprised of accruals for anniversary and vacation entitlements. Additionally, the Company recognized a restructuring provision of €4.7 million for employees of ALTANA AG, who will cease to be employed in 2007.

Provisions for sales and marketing pertain primarily to sales bonuses and commissions. Provisions for warranty cover commitments in connection with goods delivered and services rendered. The Company expects that the balance of other current provisions will be utilized during 2007.

The items included in other provisions primarily relate to an expected repayment of €34.7 million of the sales price resulting from the disposal of the Pharmaceuticals business. Additionally, provisions for taxes other than income taxes and similar fees, pending litigation, legal costs and professional fees are included.

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DEBT

	At December 31, 2006		At December 31, 2005	
	Non-current liabilities	Current liabilities	Non-current liabilities	Current liabilities
Borrowings from banks	**17,531**	**15,556**	55,767	286,986
Profit-sharing certificates	**0**	**0**	0	7,966
Herbert Quandt Foundation	**0**	**35,447**	0	26,423
Lease obligations	**5,823**	**811**	4,844	546
Other	**0**	**13,256**	6,302	67
	23,354	**65,070**	**66,913**	**321,988**

For the years ended December 31, 2006 and 2005, weighted average interest rates for borrowings from banks for continued operations were 4.3 % and 4.5 %, respectively.

As of December 31, 2006 and 2005, respectively, bank borrowings included €3.4 million and €23.4 million denominated in foreign currencies other than Euro. Of these borrowings, amounts of €1.9 million and €20.5 million were denominated in U.S. Dollars as of December 31, 2006 and 2005, respectively.

Bank borrowings of €29.0 million and €61.1 million were secured by mortgages (land and other assets) as of December 31, 2006 and 2005, respectively.

In business year 2005, on September 27, the Company received lines of credit of a total amount of €500 million from a banking syndicate bearing variable interest to finance the acquisition of the ECKART group (see Note 3) and some other minor acquisitions. The lines of credit are granted until September 2007. As of December 31, 2006, the Company had paid down the debt and no amounts were outstanding (at December 31, 2005: €250 million). The Company has agreed to renegotiate the terms of the lines of credit until two weeks before the annual general meeting.

Profit-sharing certificates were issued until the year 2000 to German employees of the Company who were entitled to receive interest at a rate equal to the higher of the Company's dividend rate in any given year or 7 %. In 2005, the effective interest rate on the certificates was 154.7 %. The nominal value of the profit-sharing certificates was €25.60 per certificate.

In 2006, in the framework of the Group's restructuring, holders of the profit-sharing certificates were also extended early-settlement offers. Apart from the repayment of the nominal value, the participants were paid three times the nominal value, hence €76.80 for each certificate. 50 % of the settlement was paid in December 2006 and the other 50 % was paid in January 2007. In total 309,395 profit-sharing certificates were settled resulting in operating expenses of €23.8 million. Of this settlement, €5.6 million is classified in continued operations and €18.2 million in discontinued operations. Additionally, according to the early-settlement agreements €6.1 million was paid for interest accrued in the first six months of 2006. This amount was equal to half to the interest paid for the year 2005.

The Herbert Quandt Foundation is a non-profit foundation, established in 1980, that promotes scientific and cultural research activities and supports civic responsibility projects. The Foundation has deposited all its funds, totaling €35.5 million, with ALTANA. The deposit is based on an interest rate equaling the discount rate ("Basiszinssatz der Deutschen Bundesbank") plus 2.5 %, but on a minimum rate of 5.5 %. It is considered short-term since it may be called at any time by the Foundation.

At December 31, 2006 and 2005, the aggregate amounts of indebtedness maturing during the next five years and thereafter were as follows:

	2006
Due in 2007	64,259
Due in 2008	2,957
Due in 2009	1,976
Due in 2010	2,837
Due in 2011	3,003
Due thereafter	6,758
Total	**81,790**
Lease obligations (see Note 28)	6,634
Total debt	**88,424**

	2005
Due in 2006	321,442
Due in 2007	22,355
Due in 2008	6,152
Due in 2009	5,507
Due in 2010	5,461
Due thereafter	22,594
Total	**383,511**
Lease obligations (see Note 28)	5,390
Total debt	**388,901**

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OTHER LIABILITIES

Other liabilities consisted of the following:

	At December 31, 2006		At December 31, 2005	
	Other non-current liabilities	Other current liabilities	Other non-current liabilities	Other current liabilities
Payroll taxes	**0**	**6,754**	0	30,993
Employees and social security contributions	**282**	**4,202**	413	24,051
Commissions	**0**	**3,533**	0	4,183
Debit notes to customers	**0**	**539**	0	4,229
Balances due to related parties	**0**	**2,012**	0	10,141
Compensation NGS (see Note 17)	**0**	**11,898**	0	0
DAT lawsuit	**0**	**0**	0	8,185
Derivative financial instruments	**1,088**	**53**	0	12,125
Other	**25**	**6,568**	335	10,166
	1,395	**35,559**	**748**	**104,073**

The DAT lawsuit referred to the obligations of ALTANA AG towards the former shareholders of Deutsche Atlantische Telegraphengesellschaft (DAT). Through a court ruling made on July 4, 2003, the former shareholders were granted a higher exchange ratio for their DAT shares. As of December 31, 2006, a legal obligation no longer existed as the statute of limitations had expired. As such the remaining provisions were released and recorded in other operating income.

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DEFERRED INCOME

In 2006, insignificant amounts have been reported as deferred income in the Company's continuing operations segments. The amounts reported in deferred income in prior years related solely to the Pharmaceuticals business and included deferrals of upfront fees and milestone payments, which the Company had received but had not earned. Additionally, deferred income related to sales to Wyeth Inc. USA. Products were sold to Wyeth based on a preliminary determined sales price because the final sales price was dependent on the net sales price of Wyeth. The final purchase price for products delivered but not yet sold by Wyeth could not be determined at the reporting date and therefore only the agreed minimum price was recognized. The difference between the minimum price and the price charged was treated as deferred income.

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FINANCIAL INSTRUMENTS

RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

The Company conducts business on a global basis in numerous major international currencies and is, therefore, exposed to adverse movements in foreign currency exchanges rates. Furthermore, the Company is exposed to risk interest rate fluctuations from its financing activities. Derivative financial instruments are used to reduce various types of market risks like currency or interest rate risks.

The Company has established policies and procedures for risk assessment of derivative financial instrument activities. The Company has a decentralized risk management strategy and uses derivative financial instruments for hedging purposes. At December 31, 2006, the existing derivative financial instruments were mainly used to hedge future foreign currency transaction fluctuations.

By their nature, all such instruments involve risks, including market risk and credit risk of non-performance by counterparties, and the maximum potential loss may exceed the amount recognized in the balance sheets.

CREDIT RISK

The Company may be exposed to credit-related losses in the event of non-performance by counterparties to financial instruments. Counterparties to the Company's financial instruments represent, in general, well-established financial institutions. At December 31, 2006 and 2005, in management's opinion the probability of non-performance of the counterparties was low.

INTEREST RATE RISK

The Company is exposed to interest rate fluctuations. A substantial part of the interest rate sensitive assets and liabilities relates to marketable securities, cash equivalents and debt.

Borrowings from banks include loans that are based on variable interest rates and therefore fluctuate according to interest rate changes in the market. Future interest rate changes will therefore lead to changes in future cash flows.

FORWARD FOREIGN EXCHANGE CONTRACTS AND OPTIONS

The Company is subject to foreign currency risks associated with its international operation. This exposure results from future transactions denominated in other than the reporting currency, the measurement of assets and liabilities denominated in foreign currencies as well as from net investments in foreign operations.

In its Chemicals business the Company uses forward foreign exchange contracts to hedge such risks except for net investments in foreign operations. The majority of the hedging instruments relates to U.S. Dollar and Japanese Yen transactions with a term of up to 18 months. In accordance with the hedging strategy of the Company, 75 % of the forecasted transactions of the first six months, 60 % of the second six months and 30 % of the last six months of the forecasted transactions are hedged.

The Company mainly uses forward foreign exchange contracts to hedge forecasted foreign currency transactions. The amounts recorded on the balance sheets do not always represent amounts exchanged by the parties and, thus, are not necessarily an indicator of the exposure of the Company through its use of derivatives. The maturity dates of the forward contracts are linked to the anticipated cash flows of the Company and are currently less than two years.

The notional amounts of forward foreign exchange contracts as of December 31, 2006 and 2005 amounted to €135.9 million and €387.4 million, respectively.

INTEREST RATE SWAPS

ALTANA uses interest rate swaps to hedge risks from fluctuations of interest rates on bank borrowings. As of December 31, 2006, the Company had interest rate swap agreements for debt of €34.9 million. As of December 31, 2005 the Company had interest rate swaps for debt of €37.1 million and U.S. Dollar 13.6 million.

FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair values of financial instruments are equal to the replacement value. These fair values are determined on the basis of market data and valuation methods described below:

	At December 31, 2006		At December 31, 2005	
	Carrying value	Fair value	Carrying value	Fair value
FINANCIAL INSTRUMENTS				
Assets				
Long-term investments	**12,550**	**12,550**	45,039	45,039
Trade accounts receivable	**224,145**	**224,145**	586,823	586,823
Marketable securities	**2,219,137**	**2,219,137**	134,360	134,360
Cash and cash equivalents	**2,536,076**	**2,536,076**	469,473	469,473
Liabilities				
Borrowings from banks	**33,087**	**33,087**	342,753	342,753
Trade accounts payable	**92,818**	**92,818**	272,331	272,331
Other	**50,715**	**50,715**	42,933	42,933
Derivative financial instruments				
Assets – currency contracts	**10,375**	**10,375**	**1,054**	**1,054**
thereof cash flow hedge	**2,014**	**2,014**	988	988
thereof fair value hedge	**8,020**	**8,020**	66	66
thereof trading	**341**	**341**	0	0
Liabilities – currency contracts	**-49**	**-49**	**9,387**	**9,387**
thereof cash flow hedge	**-49**	**-49**	7,179	7,179
thereof fair value hedge	**0**	**0**	1,997	1,997
thereof other	**0**	**0**	211	211
Interest swaps	**-1,092**	**-1,092**	**2,738**	**2,738**
thereof cash flow hedge	**-1,092**	**-1,092**	215	215
thereof other	**0**	**0**	2,523	2,523

The fair values of financial assets and marketable securities are determined on the basis of quoted market prices.

In 2005, the profit-sharing certificates were not included in the table since their fair value was not readily determinable and the maturity was not known. As described in Note 14, all profit-sharing certificates were settled in 2006.

Additionally, investments in 11 (2005: 13) entities where the interest of ALTANA is below 20 % are measured at cost less impairment because the fair values of such investments cannot be determined as they are not publicly traded. The carrying value was €0.9 million and €2.9 million as of December 31, 2006 and 2005, respectively, and is also excluded from the table.

Investments in associated companies were excluded from the table as no fair values were available as of the reporting dates. The carrying amount of cash and cash equivalents as well as accounts receivable approximated their fair value due to the short-term maturities of these instruments. The carrying value of borrowings from banks approximated the fair value. Cash and cash equivalents consisted nearly exclusively of bank deposits.

> 21 OTHER OPERATING INCOME

	2006	2005
Gain on sale of product groups	**0**	5,085
Release of provisions	**420**	162
Gains on disposal of fixed assets	**2,679**	906
Release of DAT accruals (see Note 18)	**8,185**	0
Foreign exchange gains, net	**0**	692
Other	**8,147**	7,495
	19,431	**14,340**

In 2005, the gain from the sale of product groups, recorded in other operating income, related to minor activities in the Chemicals business. Additionally, the Company received non-refundable government grants for the reimbursement of expenses totaling €0.3 million and €0.2 million in 2006 and 2005, respectively. If all requirements are fulfilled, government grants are recorded in other operating income as they are earned.

> 22 OTHER OPERATING EXPENSES

	2006	2005
Write-off of receivables	**2,140**	1,254
Losses on disposal of fixed assets	**604**	252
Foreign exchange losses, net (see Note 21)	**4,691**	0
Charitable contributions (see also Note 29)	**18,407**	4,062
Other	**8,242**	424
	34,084	**5,992**

Foreign exchange gains and losses are shown net as follows:

	2006	2005
Foreign exchange gains	**2,254**	2,468
Foreign exchange losses	**-6,945**	-1,777
Net (loss) gain	**-4,691**	**692**

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FINANCIAL INCOME

	2006	2005
Interest income	**9,007**	11,428
Gain on disposal of marketable securities	**3,665**	7,484
Gain on derivative financial instruments	**2,184**	464
Other financial income	**206**	78
Dividends received	**1,199**	1,609
Financial income	**16,261**	**21,063**

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FINANCIAL EXPENSES

	2006	2005
Interest expense	**20,467**	9,435
Impairment charges	**0**	4,155
Losses on disposal of marketable securities	**712**	2,828
Losses on derivative financial instruments	**1,027**	0
Other financial expenses	**682**	812
Financial expenses	**22,888**	**17,230**

In 2005, of the impairment charges €3.8 million related to marketable securities due to fluctuations in quoted market prices and €0.3 million related to investments which were valued at cost less impairment.

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INCOME FROM ASSOCIATED COMPANIES

Income from associated companies relates to continuing operations and amounted to € 0.4 million and € 0.1 million in 2006 and 2005, respectively.

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INCOME TAXES

Income before income taxes was attributable to the following geographic regions:

	2006	2005
Germany	**43,224**	45,116
Foreign	**49,983**	30,783
	93,207	**75,899**

Income tax expense for these geographic regions was as follows:

	2006	2005
Germany	9,592	35,269
Foreign	20,467	4,132
Total current taxes	**30,059**	**39,401**
Germany	7,835	-9,866
Foreign	-1,449	-214
Total deferred taxes	**6,386**	**-10,080**
Total income tax expense	**36,445**	**29,321**

Since January 1, 2001, a uniform tax rate of 25 % plus a 5.5 % solidarity surcharge on corporate tax is applicable in Germany. Additionally, the Company is subject to trade tax. The combined income tax rate was 38.0 % for the year 2006 and 38.1 % for the year 2005, of which approximately 12 % related to trade tax.

For the years ended December 31, 2006 and 2005, expenses differed from the amounts computed by applying the effective combined income tax rate of approximately 38 %, as follows:

	2006	2005
Income before taxes	**93,207**	**75,899**
Tax expense at the applicable average income tax rate	35,418	28,842
Non-deductible expenses	7,490	7,114
Foreign tax rate differential	-1,072	3,554
Tax free income	-7,434	-6,515
Tax for prior years	-1,337	2,780
Other	3,380	-6,454
Total income tax expense	**36,445**	**29,321**
Effective income tax rate	39.1 %	38.6 %

Deferred income tax assets and liabilities related to the following items:

	At December 31, 2006	At December 31, 2005
Assets		
Intangibles	**2,748**	8,844
Property, plant and equipment	**10,127**	8,870
Inventories	**5,832**	13,115
Receivables and other assets	**4,023**	12,945
Pension and other post-retirement benefits	**11,954**	52,320
Other provisions	**2,690**	31,377
Liabilities	**3,346**	10,914
Deferred income	**16**	36,965
Tax loss carry-forwards	**2,147**	6,460
Other	**1,414**	1,341
Deferred tax assets	**44,297**	**183,151**
Liabilities		
Intangibles	**-20,157**	-15,116
Property, plant and equipment	**-22,799**	-38,524
Financial assets	**-2,981**	-5,118
Marketable securities	**-741**	-965
Inventories	**-1,775**	-9,079
Receivables and other assets	**-5,135**	-7,054
Other provisions	**-16,038**	-22,472
Liabilities	**-871**	-1,560
Other	**0**	-900
Deferred tax liabilities	**-70,497**	**-100,788**
Deferred tax assets, net	**-26,200**	**82,363**

Net deferred income tax assets and liabilities were as follows:

	At December 31, 2006	At December 31, 2005
Deferred tax assets	**11,383**	103,840
Deferred tax liabilities	**-37,583**	-21,477
Deferred tax assets, net	**-26,200**	82,363

At December 31, 2006 the Company had tax loss carry-forwards of €27.8 million (2005: €56.4 million) of which €5.7 million (2005: €17.1 million) have unlimited carry-forward periods, €13.4 million expire before 2011 (2005: €31.5 million before 2010) and €8.7 million expire after 2011 (2005: €7.8 million after 2010).

Deferred tax assets on tax loss carry-forwards of €24.0 million and €29.0 million were not recognized as of December 31, 2006 and 2005, respectively, due to the fact that the future realization against taxable income is not probable.

Tax loss carry-forwards for which no deferred tax assets were recognized of €5.7 million have unlimited carry-forward periods, €13.4 million will expire before 2011 and €8.7 million will expire after 2011.

At December 31, 2006 and 2005, respectively, a deferred tax liability was not provided for the excess amount of €12.8 million and €14.4 million which represents the temporary differences for financial reporting under IFRS over the tax basis of certain investments in subsidiaries as the timing of their reversal can be controlled and it is probable that the difference will not reverse in the foreseeable future.

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OTHER INFORMATION ON THE INCOME STATEMENT

MATERIAL EXPENSE

In 2006 and 2005, respectively, material expense relating to continuing operations was €580.2 million and €431.5 million.

PERSONNEL EXPENSE

Personnel expenses consisted of the following items:

	2006	2005
Wages and salaries	**208,622**	141,435
Social security contributions	**36,635**	22,879
Expenses for pensions and other post-retirement benefits	**13,742**	8,967
Total personnel expenses	**258,999**	**173,281**

Personnel expenses of the Group holding company include €4.6 million for restructuring costs. In 2006 and 2005, the compensation expenses from employee incentive plans in accordance with IFRS 2 included in personnel expenses were €3.6 million and €14.1 million, respectively. As described in Note 14 the Company extended early-settlement offers to all management members and employees participating in the Company's incentive programs.

The expenses were incurred for the following average number of employees during the year:

Number of employees by segment	2006	2005
Additives & Instruments	**1,025**	974
Effect Pigments	**1,805**	1,905
Electrical Insulation	**893**	865
Coatings & Sealants	**650**	788
Holding company	**93**	85
Total	**4,466**	**4,617**

In 2006 and 2005, the weighted average number of employees in the sold Pharmaceuticals business was 8,936 and 8,612, and related personnel expense amounted to €556.5 million and €515.5 million, respectively.

AMORTIZATION AND DEPRECIATION

Amortization, depreciation and impairment charges relating to continuing operations are as follows:

	2006	2005
Amortization of intangible assets	**30,981**	16,422
Depreciation of property, plant and equipment	**45,167**	31,489
Depreciation of financial assets	**66**	316
Impairment of intangible assets	**0**	4,006
Impairment of long-term investments	**10,694**	0
Total	**86,908**	**52,233**

Regarding the impairment charges for tangible and intangible assets recognized in 2006 and 2005 see Note 5 and Note 6.

> 28 COMMITMENTS AND CONTINGENCIES

GUARANTEES AND OTHER COMMITMENTS

	At December 31, 2006	At December 31, 2005
Commitments for intangible assets	**954**	1,746
Commitments for property, plant and equipment	**27,318**	49,607
Guarantee for pension obligations of disposed business line	**13,940**	14,210
Other	**0**	399
Total	**42,212**	**65,962**

In 2006, the Company sold its Pharmaceuticals business and extended general warranties and guarantees on the sales transaction to the purchasing party. In addition, the Company extended guarantees and indemnification clauses especially with regard to taxes and environmental risks. The total amount of liability is limited to an amount of €300 million. Except for tax guarantees, an additional tax allowance of €10 million was agreed on.

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

RENTAL AND LEASE ARRANGEMENTS

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

Future minimum lease payments for non-cancelable operating and capital leases at December 31, 2006 were:

	Capital leases	Operating leases
2007	1,136	4,270
2008	1,106	3,356
2009	1,023	2,083
2010	365	991
2011	684	678
After 2011	3,423	3,268
Total minimum lease payments	**7,737**	**14,646**
Less amount representing interest	1,103	
Present value of lease payments	**6,634**	
Less current portion	811	
Non-current lease obligations	**5,823**	

Future minimum lease payments for non-cancelable operating and capital leases at December 31, 2005 were:

	Capital leases	Operating leases
2006	784	21,961
2007	451	17,791
2008	419	13,310
2009	393	10,956
2010	365	9,006
After 2010	4,107	31,010
Total minimum lease payments	**6,519**	**104,034**
Less amount representing interest	1,129	
Present value of lease payments	**5,390**	
Less current portion	546	
Non-current lease obligations	**4,844**	

Total rent expense was €10.9 million and €6.5 million for the years ended December 31, 2006 and 2005, respectively.

> 29

RELATED PARTY TRANSACTIONS

Susanne Klatten is considered a related party, as she owns indirectly via SKion GmbH 50.1 % of the shares of ALTANA AG. She is deputy chairwoman of the supervisory board. During the years reported there were no transactions between her and the Company except for dividends distributed and the regular compensation for her function on the supervisory board. Ms. Klatten is also chairwoman of the board of counselors of the Herbert Quandt Foundation and she has an interest of 50 % in the ALTANA Kulturstiftung gemeinnützige GmbH (ALTANA Cultural Foundation). Dr. Nikolaus Schweickart, the chairman of the Company's management board, serves as the chairman of the board of the Herbert Quandt Foundation. Furthermore, he is the general manager of the ALTANA Kulturstiftung in which he also has an interest of 50 %. The ALTANA Kulturstiftung was founded at the year end 2006. Assets in the framework of the cultural activities of ALTANA AG consisting of property, cash and art works were transferred to that entity in the form of a one-time charitable contribution of €13 million.

Additionally, Susanne Klatten is shareholder and member of the supervisory board of Bayerische Motoren Werke AG (BMW AG). In the years reported the Company purchased or leased company cars from the BMW group. These transactions are not disclosed separately as they were insignificant to the Company's financial statements and were carried out at normal third party terms.

Joint ventures and associated companies that are not included in the consolidated financial statements are considered related parties. Balances due to and due from related parties are recorded in other assets, other liabilities and debt, as they are not material.

Except for the amounts reported as of December 31, 2006 the disclosures below include the related party transactions of the discontinued operations.

	At December 31, 2006	At December 31, 2005
Balances due from related parties	**345**	1,692
Balances due to related parties	**2,012**	10,141
Deposit from Herbert Quandt Foundation	**35,447**	26,423

	2006	2005
Related party transactions		
Sales	**1,739**	778
Services and goods acquired	**56,967**	37,263
Interest income	**3**	272
Interest expense	**1,812**	3,831

Regarding the terms and conditions relating to the deposits from the Herbert Quandt Foundation see Note 17.

In 2006 and 2005, the amounts in the line items "services and goods acquired" and "balances due to and due from related parties" were mainly related to the toll manufacturing of Bracco ALTANA Pharma GmbH. The terms and conditions of those agreements were based on normal third party terms and are now included as part of discontinued operations (see Note 3).

> 30 COMPENSATION OF THE SUPERVISORY BOARD AND MANAGEMENT BOARD

If the proposal regarding the distributed dividend for 2006 is approved at the annual general shareholders' meeting, the compensation of the supervisory board will amount to €1.7 million (2005: €1.5 million). Of the compensation for 2006 and 2005 €0.3 million were fixed in both years. The variable portion was €1.2 million and €1.0 million for 2006 and 2005, respectively. Additionally, €0.2 million were paid to delegates in 2006 and 2005, respectively, as compensation for collaboration in committees. The special dividend, which was proposed as a result of the gain realized from the sale of the Pharmaceuticals business and the bonus dividend to set up the required balance sheet structure have not been included in the supervisory board's basis for compensation.

The fixed compensation for each member of the supervisory board amounts to €20 thousand a year, thereof €10 thousand in shares of the company. The variable compensation amounts to €700 for every percent of the dividend, exceeding 4 % of the share capital that is approved at the annual general shareholders' meeting. The chairman receives two times these amounts; the deputy chairman receives one and a half times these amounts. The members of one or more committees receive a further €20 thousand each per year and each chairman of one or more committees receives twice this amount.

The total compensation paid in cash to the management board including remuneration in kind amounted to €6.1 million and €5.1 million for the years 2006 and 2005, respectively. The total amount of compensation expense amounted to €7.7 million, which includes a one-time payment of €1.6 million. Of this amount €1.1 million were borne by a third party.

As part of the planned restructuring of the Company, in spring 2006, ALTANA AG extended early-settlement offers to all management members and employees participating in the Company's incentive programs. All existing incentive plans for the members of the management board were terminated and no new options were granted during 2006. In accordance with IFRS 2 compensation expense for members of the management board was €0.9 million and €1.4 million in 2006 and 2005, respectively. The amount recognized in 2006 includes €0.2 million of expenses due to the early settlement of the plans, which otherwise would have been expensed in 2007. All outstanding options granted were settled based on a fair value as of the settlement date. The settlement payment to the management board totaled €3.3 million and did not result in any additional compensation expense.

As of December 31, 2006 and 2005, respectively the pension provision for members of the management was €6.8 million and €5.5 million. Service cost and amortization of prior service cost were €2.3 million and €0.3 million in 2006 and 2005, respectively. For prior members of the management board and their surviving dependents, a pension accrual in the amount of €6.9 million and €6.8 million was recorded as of December 31, 2006 and 2005, respectively. The compensation expense totaled €0.7 million and €0.6 million for the years ended December 31, 2006 and 2005, respectively.

A more detailed presentation referring to the compensation of the supervisory board and management board is given in the Compensation Report (see pages 52 – 57).

> 31 FEES PAID TO THE AUDITOR

	2006
Audit of financial statements	2,193
Other confirmation or valuation services	929
Tax related services	34
	3,156

> 32 LITIGATION

LITIGATION AND POTENTIAL EXPOSURES

From time to time, the Company is party to or may be threatened with litigation arising in the ordinary course of its business. Management regularly analyzes current information including, as applicable, the Company's defenses and insurance coverage and, as necessary, provides accruals for probable liabilities for the eventual disposition of these matters. The ultimate outcome of these matters is not expected to materially impact the Company's consolidated balance sheets, income statements, statements of cash flows or statements of recognized income and expenses.

> 33 SUBSEQUENT EVENTS

The management board approved the financial statements on February 27, 2007. The supervisory board of ALTANA AG authorized the issuance of the financial statements on March 13, 2007.

> 34 ADDITIONAL INFORMATION

List of companies that are exempt from the preparation of consolidated financial statements according to section 264 (3) and to section 264b of the German Commercial Code:
ALTANA Chemie AG, Wesel
ALTANA Coatings & Sealants GmbH, Wesel
ALTANA Electrical Insulation GmbH, Wesel
ALTANA Chemie Beteiligungs GmbH, Fürth
BYK-Chemie GmbH, Wesel
BYK-Gardner GmbH, Geretsried
DS-Chemie GmbH, Bremen
Rhenania Coatings GmbH, Grevenbroich
Terra Lacke GmbH, Lehrte
Beck Electrical Insulation GmbH, Hamburg
ECKART GmbH & Co. KG, Fürth

> 35 STATEMENT OF COMPLIANCE WITH THE GERMAN CORPORATE GOVERNANCE CODE

On November 22, 2006, the management and supervisory boards of the Company reconfirmed the corporate governance statement of compliance in accordance with section 161 of the German Stock Corporation Act (Aktiengesetz/AktG). This statement is available on the website of the Company (see chapter Corporate Governance on pages 46 ff of the annual report).

SUPERVISORY BOARD OF ALTANA AG

Justus Mische
Chairman

Degree in Business Administration
Former management board member of Hoechst AG
Membership in other supervisory boards:
B. Braun Melsungen AG[1] (Chair)
Software AG[1]

Marcel Becker*
(until December 31, 2006)
Deputy Chairman (until December 31, 2006)

Chemistry Laboratory Technician
Full-time member of the works council
Chairman of the Group works council

Ulrich Gajewiak*
Deputy Chairman
(since February 23, 2007)

Chemical Technician
Chairman of the Group works council
(since January 10, 2007)

Susanne Klatten
Deputy Chairwoman

Master of Business Administration
Senator Honorary of the Technische Universität München
Membership in other supervisory boards:
Bayerische Motoren Werke AG[1]
ALTANA Pharma AG[1] (until December 31, 2006)
UnternehmerTUM GmbH[2]
Technische Universität München[2]

Dr. Uwe-Ernst Bufe
Degree in Chemistry
Membership in other supervisory boards:
Air Liquide Deutschland GmbH[1]
Cognis Verwaltungs-GmbH[1]
UBS Deutschland AG[1]
Solvay S. A.[2]
Akzo Nobel N.V.[2]
Umicore S. A.[2]

Yvonne D'Alpaos-Götz*
(until December 31, 2006)
Member of the works council
ALTANA Pharma AG
Membership in other supervisory boards:
ALTANA Pharma AG[1]

Dr. Rango Dietrich*
(until December 31, 2006)
Pharmacist, MBA

Ralf Giesen*
Degree in Economics
Mining, Chemical and Energy Industrial Union
Secretary of the board
Membership in other supervisory boards:
Bayer Material Science AG[1]
(until end of June 2006)
Vattenfall Europe Mining AG[1]
(until end of May 2006)
RAG Aktiengesellschaft[1]

Armin Glashauser*
(since February 7, 2007)
State Certified Electrical Engineering Technician
Full-time member and head of works council
ECKART GmbH & Co. KG

Prof. Dr. Dr. h.c. mult. Wolfgang A. Herrmann
President of the Technische Universität München

Olaf Jung*
(since February 7, 2007)
Staff Member Production DS-Chemie GmbH

Dr. Götz Krüger*
(since February 7, 2007)
Business Line Manager Plastics Additives
BYK-Chemie GmbH

Dr. Thomas J. Martin*
Degree in Chemistry
Chairman of the VAA works group of ALTANA Pharma AG

Prof. Dr. Heinz Riesenhuber
Former Federal Minister
Membership in other supervisory boards:
Evotec AG[1] (Chair)
Frankfurter Allgemeine Zeitung GmbH[1]
HBM BioVentures AG[2]
Henkel KGaA[1]
Vodafone Deutschland GmbH[1]
VfW AG[1]
Kabel Deutschland GmbH[1] (Chair)

Dr. Klaus-Jürgen Schmieder
Management board member of L'Air Liquide S. A.
Membership in other supervisory boards:
Air Liquide Deutschland GmbH[1]
Air Liquide Italia S. r. l.[2]
AL Air Liquide España S. A.[2]

* Employee representative

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

SUPERVISORY BOARD COMMITTEES

The Supervisory Board of ALTANA AG has established four committees.

Human Resources Committee

Justus Mische (Chairman)
Marcel Becker (until December 31, 2006)
Ulrich Gajewiak
Olaf Jung (since February 23, 2007)
Susanne Klatten

Audit Committee

Dr. Klaus-Jürgen Schmieder* (Chairman)
Dr. Uwe-Ernst Bufe
Yvonne D'Alpaos-Götz
(until December 31, 2006)
Ralf Giesen
Armin Glashauser
(since February 23, 2007)

Strategy Committee

Dr. Klaus-Jürgen Schmieder (Chairman)
Marcel Becker (until December 31, 2006)
Ulrich Gajewiak
Susanne Klatten

Mediation Committee

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

Justus Mische (Chairman)
Marcel Becker (until December 31, 2006)
Ulrich Gajewiak
(since February 23, 2007)
Susanne Klatten
Dr. Thomas J. Martin

*Audit Committee Financial Expert in accordance with the requirements of the Sarbanes-Oxley Act

MANAGEMENT BOARD OF ALTANA AG

Dr. Nikolaus Schweickart
Chairman

Membership in other boards:
ALTANA Pharma AG[1] (Chair) (until Dec. 31, 2006)
ALTANA Chemie AG[1] (Chair)
DAT Deutsch-Atlantische
Telegraphen AG[1] (Chair)
MIVERA Vermögensanlagen GmbH[1] (Chair)

Dr. Hermann Küllmer
Chief Financial Officer

Membership in other boards:
ALTANA Pharma AG[1] (until Dec. 31, 2006)
ALTANA Chemie AG[1]

Dr. Hans-Joachim Lohrisch
Head of the Pharmaceuticals division
(until Dec. 31, 2006)

Membership in other boards:
ALTANA Pharma US Inc.[2] (Chair)
ALTANA Inc. USA[2] (Chair)
ALTANA Pharma Inc. Canada[2] (Chair)
Sangtec Molecular Diagnostics AB[2]
ALTANA Pharma Pty. Ltd. Australia[2]
ALTANA Pharma Re Insurance AG[1] (Chair)
ALTANA Pharma Asset Management GmbH

Dr. Matthias L. Wolfgruber
Head of the Chemicals division

Membership in other boards:
BYK-Chemie USA Inc.[2] (Chair)
The P.D. George Company[2] (Chair)
La Artística Productos Químicos S.A.[2] (Chair)
(until July 5, 2006)
Shunde Rhenacoat Coating
Company Ltd.[2] (Chair) (until Sept. 30, 2006)
Tongling SIVA Insulating
Materials Company Ltd.[2] (Chair)
BYK-Chemie Japan KK[2]
BYK-Chemie Asia Pacific Pte. Ltd.[2]
Sterling Technology Limited[2] (Chair)
BYK-Chemie Tongling[2] (Chair)
(until Sept. 30, 2006)
ALTANA Electrical Insulation
(Zhuhai) Co. Ltd.[2] (Chair)
Beck India Ltd.[2] (Chair)
Deatech s.r.l.[2]
BYK-Chemie Solutions
(Shanghai) Co., Ltd.[2] (Chair)
(until Sept. 30, 2006)
Kelstar International Enterprises, Inc.[2] (Chair)
(until Sept. 30, 2006)

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

MAJOR CONSOLIDATED COMPANIES

	Share of capital in %	Equity[1] in € million	Sales[1] in € million	Earnings for the year[1] in € million	Employees
Holding Company					
ALTANA AG, Bad Homburg v.d.H.		6,486	0	4,656	51
ALTANA Chemie AG, Wesel	100	1,414	0	55[2]	41
Additives & Instruments					
BYK-Chemie GmbH, Wesel	100	108	300	51[2]	612
BYK Gardner GmbH, Geretsried	100	5	23	2[2]	109
MIVERA GmbH, Bad Homburg v.d.H.	100	59	0	2	2
BYK-Chemie USA, Wallingford (U.S.)	100	57	68	3	102
BYK-Cera B.V., Deventer (NL)	100	29	39	3	83
BYK-Chemie Japan KK, Osaka (J)	100	5	33	1	37
BYK Chemie (Tongling) Co. Ltd., Tongling City (PRC)	100	6	8	2	24
Effect Pigments					
ECKART GmbH & Co. KG, Fürth	100	539	241	14[2]	1,305
ECKART America, Painesville (U.S.)	100	29	60	-2	212
ECKART Italia Srl., Rivanazzano (I)	100	23	32	0	68
ECKART Pigments Ky, Pori (FI)	100	4	9	-3	54
ECKART Suisse S.A., Vétroz (CH)	100	32	15	3	43
ECKART Asia Ltd., Hong Kong (PRC)	100	25	34	2	30
Electrical Insulation					
Beck Electrical Insulation GmbH, Hamburg	100	32	46	0[2]	132
Beck India Ltd., Pune (IND)	89	19	25	3	208
The P.D. George Company, St. Louis (U.S.)	100	19	88	1	193
Deatech s.r.l., Ascoli Piceno (I)	100	44	87	11	129
Tongling SIVA Insulating Materials Co. Ltd.,					
Tongling City (PRC)	100	25	36	5	66
Electrical Insulation (Zhuhai) Co. Ltd., Zhuhai City (PRC)	100	8	20	3	47
Camattini S.P.A., Collechio (I)	100	7	18	1	46
Coatings & Sealants					
Rhenania Coatings GmbH, Grevenbroich	100	9	46	1[2]	135
DS-Chemie GmbH, Bremen	100	7	46	2[2]	117
Terra Lacke GmbH, Lehrte	100	6	42	5[2]	105
Kelstar International Inc., Cinnaminson, NJ (U.S.)	100	24	52	0	97
Rhenacoat France S.A., Sedan (F)	100	4	15	1	41
La Artística Productos Químicos S.A., Vigo (E)	100	10	8	1	38

[1] Figures in accordance with International Financial Reporting Standards (IFRS)
[2] Before profit and loss transfer

TEN-YEAR REVIEW

ALTANA GROUP

in € million	2006	2005	2004	2003
Sales	**3,867** [1]	**3,272**	**2,963**	**2,735**
Pharmaceuticals	**2,573** [1]	2,365	2,109	1,980
Chemicals	**1,294** [1]	907	854	755
Earnings before taxes	**779** [1]	**684**	**611**	**580**
Return on sales (in %)	**20.1** [1]	20.9	20.6	21.2
Income before minority interests	**512** [2]	**438**	**378**	**345**
Change of reserves	**–**	284	245	228
Distributions	**–**	154	133	117
Cash flow from operating activities	**632** [1]	**645**	**427**	**425**
Fixed assets	**1,041** [3]	**1,796**	**1,048**	**943**
Intangible assets	**514**	691	237	230
Property, plant and equipment	**507**	1,048	763	687
Financial assets	**20**	57	48	26
Current assets	**5,299** [3]	**1,837**	**1,658**	**1,589**
Inventories	**198**	404	329	319
Receivables	**346**	829	749	690
Cash and cash equivalents (incl. securities)	**4,755**	604	580	580
Equity	**5,759** [3]	**2,013**	**1,650**	**1,445**
Issued share capital	**140**	140	140	140
Reserves	**1,747**	1,435	1,132	960
Net income	**3,872**	438	378	345
Equity ratio (in %)	**90.8**	55.4	61.0	57.1
Return on equity after taxes (in %)	**n.v.**	23.9	24.4	25.6
Debt	**581** [3]	**1,620**	**1,056**	**1,087**
Provisions and accruals	**325**	734	585	553
Liabilities	**256**	886	471	534
Total assets	**6,340** [3]	**3,633**	**2,706**	**2,532**
Capital expenditure on property, plant and				
equipment and intangible assets[2]	**188** [1]	**246**	**226**	**237**
Depreciation and amortization of property,				
plant and equipment and intangible assets[2]	**195** [1]	**139**	**121**	**106**
Research expenses	**495** [1]	**465**	**448**	**412**
Pharmaceuticals	**427** [1]	418	410	376
Chemicals	**68** [1]	47	38	36
Number of employees (Dec. 31)	**13,404** [1]	**13,276**	**10,783**	**10,402**
Pharmaceuticals	**8,920** [1]	8,832	8,200	7,702
Chemicals	**4,433** [1]	4,384	2,521	2,634
Personnel costs	**816** [1]	**691**	**606**	**557**
Figures per ALTANA share (in € each) [4]				
Dividend	**1.30** [5]	1.10	0.95	0.83
Net income	**3.92** [2]	3.23	2.78	2.53

1 Key data in former Group structure
2 Without net proceeds from the sale of ALTANA Pharma, with net proceeds: €3,872 million respectively €28.46
3 Figures as of December 31, 2006 after deconsolidation ALTANA Pharma
4 After stock split in 2001 adjusted to the current stock capital
5 Management recommendation; plus €33.00 special dividend and €0.50 bonus dividend
6 Without capital gain Lundbeck and donation to Herbert Quandt Foundation
7 Without bonus dividend

2002	2001	2000	1999	1998	1997
2,609	**2,308**	**1,928**	**1,586**	**1,476**	**1,345**
1,861	1,591	1,262	1,034	975	900
748	717	666	552	501	445
526	**448**[6]	**329**	**234**	**188**	**164**
20.2	19.4	17.1	14.8	12.8	12.2
324	**256**[6]	**179**	**127**	**106**	**90**
219	158	91	75	61	52
105	98	86	49	40	33
442	**348**[6]	**282**	**164**	**188**	**118**
790	**783**	**627**	**481**	**410**	**370**
165	179	144	83	65	53
610	579	478	394	336	310
15	25	5	4	9	7
1,479	**1,344**	**1,185**	**1,149**	**1,072**	**1,011**
303	277	252	227	192	180
593	515	445	374	316	303
583	552	488	548	564	528
1,250	**1,170**	**984**	**903**	**818**	**757**
140	140	100	100	100	100
786	702	703	660	601	558
324	328	181	124	101	85
55.1	55.0	54.3	55.4	55.2	54.8
26.8	23.8	19.1	14.8	13.4	12.2
1,019	**957**	**828**	**727**	**664**	**624**
563	522	436	431	405	392
456	435	392	296	259	232
2,269	**2,127**	**1,812**	**1,630**	**1,482**	**1,381**
225	**225**	**163**	**109**	**88**	**76**
102	**83**	**70**	**61**	**58**	**52**
369	**285**	**219**	**172**	**153**	**134**
335	252	190	144	129	112
34	33	29	28	24	22
9,853	**9,122**	**8,556**	**8,218**	**7,780**	**7,373**
7,504	6,867	6,489	6,308	5,906	5,789
2,299	2,217	2,036	1,883	1,848	1,562
535	**495**	**453**	**391**	**365**	**355**
0.75	0.60[7]	0.44[7]	0.35	0.28	0.23
2.37	1.86[6]	1.30	0.88	0.72	0.61

LEGAL BASIS

The ALTANA Annual Report 2006 contains forward-looking statements, i.e., current estimates or expectations of future events or future results. The forward-looking statements appearing in this Annual Report include revenue and earnings projections for the ALTANA Group and its affiliates, statements regarding the dividend for the year 2006, a special dividend and a bonus dividend, ALTANA's expectations regarding the development of the relevant markets, expectations on ALTANA's further growth, ALTANA's strategy, expectations on the future stock price of the ALTANA share and the future market capitalization, the expected risk profile of the ALTANA Group, the planned balance sheet structure and the planned re-branding of the divisions Coatings & Sealants and Electrical Insulation. These statements are based on beliefs of the ALTANA Management, and on information currently available to ALTANA. Many factors that ALTANA is unable to predict with accuracy could cause ALTANA's actual results, performance or achievements to be materially different form those that may be expressed or implied by such forward-looking statements. These factors include the development of the markets in the chemical industry, currency fluctuations, price regulations, ALTANA's ability to develop and launch new and innovative chemical products, the level of ALTANA's investment in R&D, the sales and marketing methods used by ALTANA, the composition of ALTANA's product portfolio, ALTANA's ability to maintain close ties with its chemicals customers, the business cycles experienced by ALTANA's customers, and the prices of raw materials used in ALTANA's business.

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.

This Annual Report furthermore contains information on markets, market segment or submarkets relevant for ALTANA. The definition of the relevant markets, market segments or submarkets contained in this Annual Report are based on considerations ALTANA deemed appropriate for this Report including but not limited to technologies applied, quality standards and price segments and may not include all technologies or products competitive or exchangeable with ALTANA's products. Other definitions of the relevant markets, market segments or submarkets may be appropriate and correct as well.

GLOSSARY

ADRs
Short for American Depositary Receipts. These are negotiable certificates for a stock that confer a share of a non-U.S. stock corporation on the holder.

Carrying value per share
Equity per share on the balance sheet at the end of the financial year: equity attributable to shareholders of ALTANA AG divided by the number of shares.

Commoditization
Commodities are the opposite of specialties. These products provide an increasingly lower scope for differentiation from competitors. The consequences are strong competition, pressure on prices, and declining margins.

Dividend return
Gives the per share rate of return on share capital investments: the amount of the dividend divided by the current share price, multiplied by 100.

Earnings per share
The after-tax net income achieved within a certain period of time (quarter, financial year) divided by the average number of shares issued by the company. Earnings per share is not identical to the dividend.

EMAS
Short for Eco-Management and Audit Scheme. The organizations that voluntarily participate in the eco audit scheme developed by the European Union are required to publish an updated environmental statement every year. An independent environmental expert reviews the statement to make sure it is correct.

Fair value
Market value of securities, property, plant and equipment etc., which can be calculated according to various models.

Financial income
Financial income minus expenses in a financial year. The financial income consists of: income (or expenses) from investments in affiliated companies, net interest income (or expenses) and other financial income.

Generics
Products that imitate a so-called original preparation whose patent has expired.

Going Concern Principle
This accounting principle assumes that the business will be in operation for a long time. This validates the methods of asset capitalization, depreciation, and amortization.

Income before minority interests
Earnings after taxes, including profit attributable to minority interests.

Issued capital
→ Nominal capital which is shown on the balance sheet at the first position under equity and liabilities.

ISO 14001
A standard defining the requirements to be met by an internationally acknowledged environmental management system. The focus is a continuous improvement process enabling environmental goals to be reached by the organization.

Nanotechnology
A nanometer is a billionth of a meter (10^{-9} m). This scale designates a limit in which the surface properties play an ever bigger role compared to the volume properties of materials. Examples of applications are the further miniaturization of semiconductor technology and the lotus effect, enabling surfaces to clean themselves.

Net income
Earnings after taxes, excluding profit attributable to minority interests.

Nominal capital
The capital fixed in the articles of incorporation (bylaws) of an AG (stock corporation). The company issues shares to this amount. The bylaws also determine how many shares the nominal capital is divided into.

OEM
Short for original equipment manufacturer. A customer who buys products or components from an original manufacturer and then, for example, sells them as components of his own equipment (possibly modified).

OTC
Synonym for self-medication. Non-prescription, over the counter drugs and health products from pharmacies, drugstores and consumer markets.

Proton pump inhibitor
Short PPI. Group of substances which selectively inhibit the secretion of stomach acid. Example: Pantoprazole.

Reference prices
The maximum amount reimbursed for drugs by statutory health insurances. Reference prices for drugs are an instrument by which statutory health insurances (GKV) can control expenditure for drugs. The prices are decided on the basis of the reference price groups formed by the Federal Joint Committee of Physicians and Health Insurance Funds.

Retained earnings
Reserves required under company bylaws. Undistributed profits; amounts which are taken out of the → income before minority interests of the current or earlier financial years. Component of equity.

Return on sales
Earnings before taxes divided by sales. After-tax return on sales: → income before minority interests divided by sales.

Underwriter laboratories
U.S. organization founded in 1984 examining and certifying products and their safety, especially in electrical engineering.

VOC
Short for Volatile Organic Compound. An organic compound which at least partially volatilizes by itself in the respective surrounding conditions (temperature and pressure).

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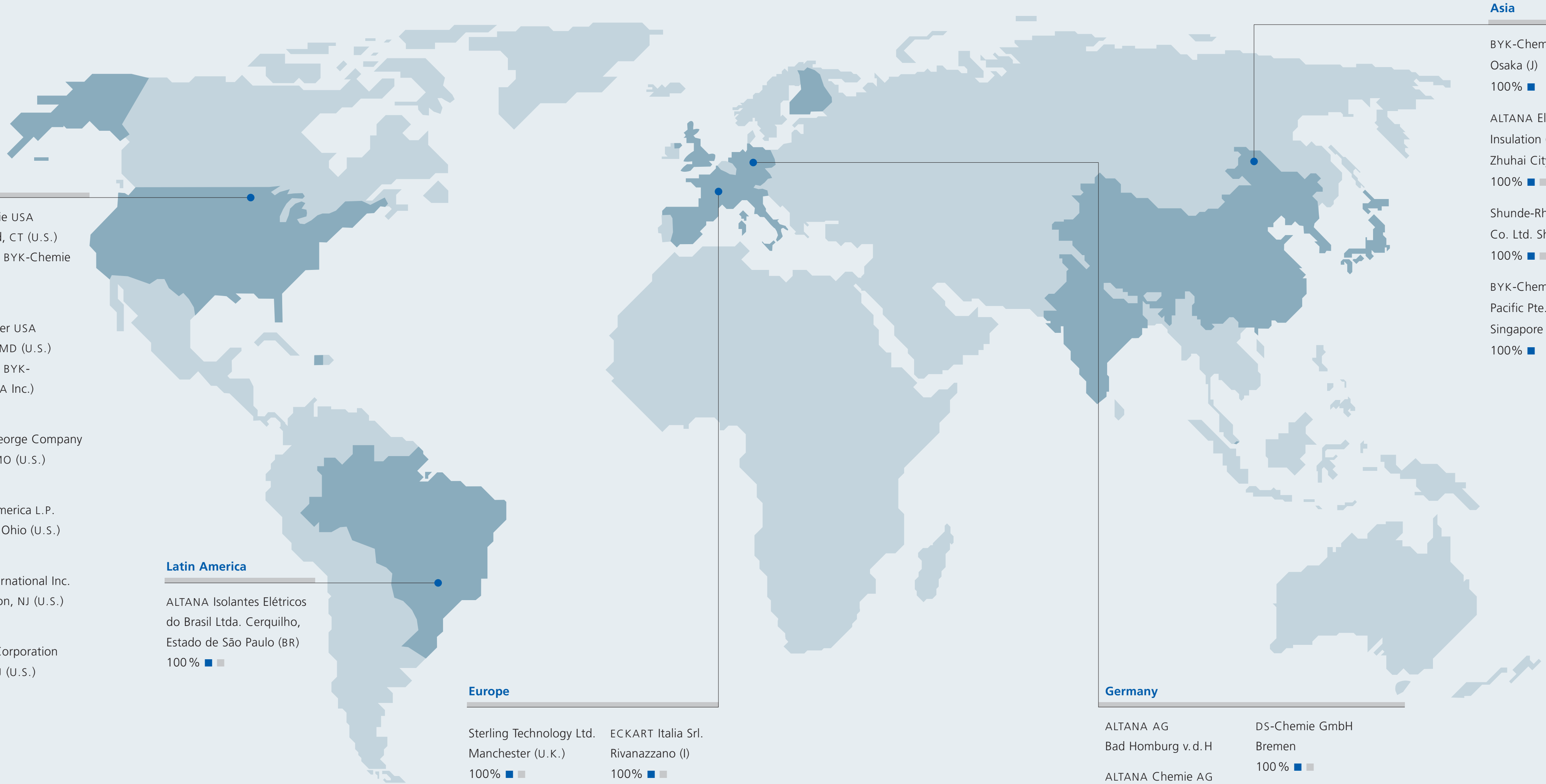
THE ALTANA GROUP WORLDWIDE

THE ALTANA GROUP WORLDWIDE (SPECIALTY CHEMICALS)



U.S.

BYK-Chemie USA
Wallingford, CT (U.S.)
(Division of BYK-Chemie USA Inc.)
100 % ■ ■

BYK-Gardner USA
Columbia, MD (U.S.)
(Division of BYK-Chemie USA Inc.)
100 % ■

The P.D. George Company
St. Louis, MO (U.S.)
100 % ■ ■

ECKART America L.P.
Painesville, Ohio (U.S.)
100 % ■ ■

Kelstar International Inc.
Cinnaminson, NJ (U.S.)
100 % ■ ■

Rad-Cure Corporation
Fairfield, NJ (U.S.)
100 % ■ ■

Latin America

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

Europe

Sterling Technology Ltd.
Manchester (U.K.)
100% ■ ■

BYK-Cera B.V.
Deventer (NL)
100% ■ ■

Rhenacoat France S.A.
Sedan (F)
100% ■ ■

Camattini S.P.A.
Collechio (I)
100% ■ ■

La Artística Productos Químicos S.A. Vigo (E)
100% ■ ■

Deatech s.r.l.
Ascoli Piceno (I)
100% ■ ■

ECKART Italia Srl.
Rivanazzano (I)
100% ■ ■

ECKART UK Limited
Ampthill, Bedfordshire (U.K.)
100% ■

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

ECKART Pigments Ky Pori (FI)
100% ■

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

Doral S.A.
Vétroz (CH)
100% ■

Germany

ALTANA AG
Bad Homburg v. d. H

ALTANA Chemie AG
Wesel
100 %

BYK-Chemie GmbH Wesel
100 % ■ ■

ALTANA Coatings & Sealants GmbH
Wesel
100 %

ALTANA Electrical Insulation GmbH
Wesel
100 %

Rhenania Coatings GmbH
Grevenbroich
100 % ■ ■

DS-Chemie GmbH
Bremen
100 % ■ ■

BYK-Gardner GmbH
Geretsried
100 % ■ ■

Terra Lacke GmbH
Lehrte
100 % ■ ■

Beck Electrical Insulation GmbH
Hamburg
100 % ■ ■

ECKART GmbH & Co. KG
Fürth
100 % ■ ■

Asia

BYK-Chemie Japan KK
Osaka (J)
100% ■

ALTANA Electrical Insulation (Zhuhai) Co. Ltd.
Zhuhai City (PRC)
100% ■ ■

Shunde-Rhenacoat Coating Co. Ltd. Shunde (PRC)
100% ■ ■

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

BYK-Chemie (Tongling) Co. Ltd.
Tongling City (PRC)
100% ■ ■

Tongling SIVA Insulating Materials Co. Ltd.
Tongling City (PRC)
100% ■ ■

Beck India Ltd.,
Pune (IND)
89 % ■ ■

ECKART Asia Ltd.
Hong Kong (PRC)
100% ■

■ Marketing company
■ Manufacturing company

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This Group Annual Report is also available in German.
The annual financial statements of ALTANA AG can be obtained separately.

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Visit our website www.altana.com for up-to-date news and background information on the ALTANA Group.

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Date of publication: March 15, 2007

Design concept/realization:
Hilger & Boie GmbH, Wiesbaden

Printing:
Universitätsdruckerei H. Schmidt GmbH & Co KG, Mainz-Hechtsheim

Photography:
Christof Herdt, Frankfurt am Main
Stefan Freund, Frankfurt am Main

Picture credits:
David Nash "Two Sliced Eggs" 2002 (p. 74)

Picture rights:
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> Financial Calendar 2007

Report on business year 2006	March 15, 2007
Press conference	March 15, 2007
Analyst meeting	March 15, 2007
Report on Q1 2007	April 26, 2007
Conference call	April 26, 2007
Annual General Meeting, Frankfurt	May 3, 2007
Report on Q2 2007	August 8, 2007
Conference call	August 8, 2007
Report on Q3 2007	November 5, 2007
Conference call	November 5, 2007

Please note that the above-mentioned dates might be subject to change.