

ALTANA AKTIENGESELLSCHAFT

Form 6-K

August 04, 2005

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**Form 6-K**  
**SECURITIES AND EXCHANGE COMMISSION**  
**Washington, D.C. 20549**  
**Report of Foreign Private Issuer**  
**Pursuant to Rules 13a-16 or 15d-16 of**  
**the Securities Exchange Act of 1934**  
Dated: August 3<sup>rd</sup>, 2005  
**ALTANA Aktiengesellschaft**  
(Translation of Registrant's name into English)  
**Am Pilgerrain 15**  
**D-61352 Bad Homburg v. d. Höhe**  
**Federal Republic of Germany**  
(Address of principal executive offices)

Indicate by check mark whether the Registrant files or will file annual reports under cover Form 20-F or Form 40-F.

Form 20-F

Form 40-F

Indicate by check mark if the Registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1): \_\_\_\_\_

Indicate by check mark if the Registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7): \_\_\_\_\_

Indicate by check mark whether the Registrant by furnishing the information contained in this Form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.

Yes

No

If Yes is marked, indicate below the file number assigned to the Registrant in connection with Rule 12g3-2(b):  
82- \_\_\_\_\_

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SIGNATURES

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This Report on Form 6-K is hereby incorporated by reference into the Registrant's Registration Statements on Form S-8, dated September 13, 2002 (File No. 333-99485), dated September 24, 2003 (File No. 333-109074), and dated September 24, 2004 (File No. 333-119240).

This Report on Form 6-K contains:

Quarterly Report as to June 30, 2005

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**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

ALTANA Aktiengesellschaft

Dated: August 3<sup>rd</sup>, 2005

By: /s/ Hermann Küllmer

Name: Dr. Hermann Küllmer  
Title: Chief Financial Officer and Member  
of the Management Board

By: /s/ Rudolf Pietzke

Name: Dr. Rudolf Pietzke  
Title: General Counsel

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**ALTANA**

**>>>FUTURE PRESPECTIVES**

INTERIM REPORT TO JUNE 30, 2005

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## OUTLOOK FOR 2005 AS A WHOLE

> **Consolidated sales forecast of +6-8% confirmed**> **Earnings forecast increased: EBT growth in the mid single-digit percent range**> **Growth driver: increases of 8-10% for Pantoprazole**> **ALTANA Key indicators**

| in million  | <b>H 1<br/>2005</b> | H1<br>2004 <sup>1</sup> | $\Delta\%$ |
|---|---------------------|-------------------------|------------|
| Sales   | <b>1,552</b>        | 1,483                   | 5          |
| Earnings before interest, taxes, depreciation and amortization (EBITDA) | <b>409</b>          | 369                     | 11         |
| Earnings before interest and taxes (EBIT)                               | <b>347</b>          | 310                     | 12         |
| Earnings before taxes (EBT)   | <b>352</b>          | 316                     | 12         |
| Net income (EAT)  | <b>219</b>          | 190                     | 15         |
| Earnings per share  | <b>1.62</b>         | 1.39                    | 16         |
| Employees (June 30)   | <b>11,100</b>       | 10,767                  | 3          |

**Key performance indicators**

(as % of sales)

|        |             |      |
|--------|-------------|------|
| EBITDA | <b>26.4</b> | 24.9 |
| EBIT   | <b>22.4</b> | 20.9 |
| EBT    | <b>22.7</b> | 21.3 |
| EAT    | <b>14.1</b> | 12.8 |

<sup>1</sup> After adjustment according to IFRS2 Share-based payments (see page 26)

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**GROUP 1**

**BUSINESS PERFORMANCE IN THE FIRST SIX MONTHS OF 2005**

> **Group grows excluding special effects by +7 %**

> **Strong motor: the pharmaceuticals business**

> **Highest sales growth rates in Europe**

Despite a sluggish economy in the Euro zone, ALTANA reported further growth during the second quarter, driven mainly by its strong pharmaceuticals business. Even in these difficult conditions, moderate growth was also achieved by Specialty Chemicals. Quarterly earnings exceeded the 800 million mark for the first time.

With sales of 1,552 million, mid-year operating growth was up 7 % on the previous year. The impact of divestments shaved 2 percentage points off organic growth, so nominal sales rose by 5%. Exchange rate fluctuations had no impact on overall business performance.

Sales in ALTANA Chemie were down 5% on the same period last year due to portfolio adjustments, but this

> **Sales Q2**

in million

> **Sales H1**

in million

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was more than compensated for by the growth (+9%) in ALTANA's Pharmaceuticals division.

There was particularly strong growth around 18% in sales in Germany, ALTANA's home market. The high share of domestic business in total sales is reflected in the figure for international business, which accounts for 82% of Group sales (2004: 84%). Sales in European countries outside Germany also improved by 5% in spite of divestments. Here, as in Germany, business performance was fuelled essentially by ALTANA Pharma. Sales in North America dipped below the figure achieved during the same period in 2004, partly due to the impact of fluctuating exchange rates. In Asia, business continued to develop positively, if slightly less vigorously than in the first quarter of 2005.

**> Sales by region**

| in million          |          | %   | <b>H 1 2005</b> | H1 2004 | $\Delta\%$ |
|---------------------|----------|-----|-----------------|---------|------------|
| Europe              | <b>1</b> | 53  | <b>818</b>      | 752     | 9          |
| Germany             |          | 18  | 277             | 235     | 18         |
| Rest of Europe      |          | 35  | 541             | 517     | 5          |
| North America       | <b>2</b> | 27  | <b>426</b>      | 448     | -5         |
| U.S.                |          | 24  | 369             | 397     | -7         |
| Latin America       | <b>3</b> | 9   | <b>144</b>      | 135     | 7          |
| Asia                | <b>4</b> | 9   | <b>137</b>      | 126     | 9          |
| Other regions       | <b>5</b> | 2   | <b>27</b>       | 22      | 21         |
| Total               |          | 100 | <b>1,552</b>    | 1,483   | 5          |
| International sales |          |     | <b>82%</b>      | 84%     |            |

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**GROUP 3**

**EARNINGS SITUATION OF THE GROUP**

> **Encouraging growth in earnings**

> **Earnings per share: 1.62**

> **Net income: 219 million (+15%)**

Group earnings before taxes(EBT)climbed by 12% to 352 million in the first six months of 2005. This growth rate reflects both a good sales performance, especially in the second quarter, plus the positive impact on earnings of a special effect resulting from the termination of the DAXAS®cooperation with Pfizer: upfront and milestone payments previously received from Pfizer and posted in the balance sheet as items to be deferred over the lifetime of the cooperation were amortized with a positive impact on net income. This resulted in a 26 million contribution to second-quarter earnings. Excluding this effect, EBT rose by 6% in the second quarter and 3% in the first six months of 2005. ALTANA's earnings situation continues to be influenced by high expenditure associated with preparing the

> **Earnings before taxes Q2**

in million

> **Earnings before taxes H1**

in million

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market launches of new pharmaceuticals and revenues in ALTANA's Chemicals division, which were less than the previous year's figure due to divestment. The return on Group sales (EBT) was 22.7% compared to 21.3% last year.

On account of a lower tax rate, half-year income after taxes (EAT) and earnings per share (EPS) up 15% and 16% respectively increased more than EBT (+12%). EAT totaled 219 million in the first six months of the year; the EPS figure stood at 1.62.

**> Key profit figures**

|   | <b>H1 2005</b> |             | <b>H1 2004<sup>1</sup></b> |          | <b>Δ%</b> |
|---|----------------|-------------|----------------------------|----------|-----------|
|   | <b>m</b>       | <b>%</b>    | <b>m</b>                   | <b>%</b> |           |
| Sales                                     | <b>1,552</b>   | <b>100</b>  | 1,483                      | 100      | 5         |
| Gross profit                              | <b>1,044</b>   | <b>67.3</b> | 971                        | 65.5     | 8         |
| Operating earnings (EBITDA)               | <b>409</b>     | <b>26.4</b> | 369                        | 24.9     | 11        |
| Earnings before interest and taxes (EBIT) | <b>347</b>     | <b>22.4</b> | 310                        | 20.9     | 12        |
| Earnings before taxes (EBT)               | <b>352</b>     | <b>22.7</b> | 316                        | 21.3     | 12        |
| Net income (EAT)                          | <b>219</b>     | <b>14.1</b> | 190                        | 12.8     | 15        |
| Earnings per share (EPS, in €)            | <b>1.62</b>    |             | 1.39                       |          | 16        |
|   |                |             |                            |          |           |
|   | <b>Q2 2005</b> |             | <b>Q2 2004<sup>1</sup></b> |          | <b>Δ%</b> |
|   | <b>m</b>       | <b>%</b>    | <b>m</b>                   | <b>%</b> |           |
| Sales                                     | <b>811</b>     | <b>100</b>  | 771                        | 100      | 5         |
| Gross profit                              | <b>552</b>     | <b>68.2</b> | 505                        | 65.5     | 9         |
| Operating earnings (EBITDA)               | <b>229</b>     | <b>28.2</b> | 192                        | 24.9     | 19        |
| Earnings before interest and taxes (EBIT) | <b>197</b>     | <b>24.3</b> | 162                        | 21.0     | 22        |
| Earnings before taxes (EBT)               | <b>200</b>     | <b>24.8</b> | 165                        | 21.3     | 22        |
| Net income (EAT)                          | <b>125</b>     | <b>15.4</b> | 99                         | 12.8     | 26        |
| Earnings per share (EPS, in €)            | <b>0.92</b>    |             | 0.73                       |          | 27        |

<sup>1</sup> After adjustment according to IFRS2 Share-based payments

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## PHARMACEUTICALS 5

## ALTANA PHARMA: SALES PERFORMANCE

> **ALTANA Pharma grows by 9%**> **Growth of Pantoprazole, the driving force behind sales, continues uninterrupted**> **Europe provides highest growth rates**

ALTANA Pharma achieved a clear increase (+10%) in second-quarter sales to generate a total of 1,130 million in the first six months of the year. This translates as a 9% improvement on the division's performance during the same period of the previous year. Exchange rate fluctuations had no significant impact on overall sales.

The excellent sales figures were essentially fuelled by the continuing high growth rates provided by Pantoprazole (PANTOZOL®/PROTONIX®) in Europe, as well as very good growth in Germany. Sales results in North America were 6% down on the previous year, due to currency effects and fluctuations in the delivery rhythm of Pantoprazole.

> **Sales by business unit**

| in million   |          | %   | <b>H 1 2005</b> | H 1 2004 | Δ % |
|--------------|----------|-----|-----------------|----------|-----|
| Therapeutics | <b>1</b> | 87  | <b>981</b>      | 903      | 9   |
| OTC          | <b>2</b> | 5   | <b>62</b>       | 56       | 11  |
| Imaging      | <b>3</b> | 5   | <b>59</b>       | 56       | 6   |
| Other        | <b>4</b> | 3   | <b>28</b>       | 23       | 21  |
| Total        |          | 100 | <b>1,130</b>    | 1,038    | 9   |

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Thanks to Pantoprazole, which accounts for 67% of total revenues from prescription drugs, the core Therapeutics business grew by 9% to 981 million. Worldwide market sales of Pantoprazole totaled 1,343 million, up 9% on the previous year. ALTANA's own sales climbed by 8% to 655 million. The change of strategy adopted by Wyeth, our U.S. sales partner, which now concentrates on business with strong profit margins, is starting to have a positive impact, as demonstrated by the second-quarter growth in sales of PROTONIX®. During the first six months of 2005, sales of Pantoprazole in the important U.S. market totaled 674 million, up 3% on the previous year expressed in Euros and 8% in USD. Our gastrointestinal drug is still strongly placed in the U.S. market for proton pump inhibitors, accounting for some 22% of all prescriptions.

**> Sales by region**

| in million          |          | %   | <b>H 1 2005</b> | H1 2004 | Δ % |
|---------------------|----------|-----|-----------------|---------|-----|
| Europe              | <b>1</b> | 53  | <b>599</b>      | 506     | 18  |
| Germany             |          | 19  | <b>215</b>      | 174     | 23  |
| Rest of Europe      |          | 34  | <b>384</b>      | 332     | 16  |
| North America       | <b>2</b> | 32  | <b>358</b>      | 382     | -6  |
| U.S.                |          | 27  | <b>306</b>      | 335     | -9  |
| Latin America       | <b>3</b> | 11  | <b>124</b>      | 114     | 9   |
| Other regions       | <b>4</b> | 4   | <b>49</b>       | 36      | 35  |
| Total               |          | 100 | <b>1,130</b>    | 1,038   | 9   |
| International sales |          |     | <b>81%</b>      | 83%     |     |

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PHARMACEUTICALS 7

ALTANA PHARMA: EARNINGS TREND

> **Income before taxes up by 19 %**

> **Disproportionately high increase in earnings due to a special effect**

> **Return on sales climbs to 27.7 %**

Earnings before taxes (EBT) totaled 312 million at the end of June, up 19% on the previous year. This figure contains a special item in the form of a contribution to earnings of 26 million resulting from the termination of the DAXAS® cooperation with Pfizer. Excluding this effect, the EBT figure for the first half of 2005 was 9% higher than in the previous year in spite of further high expenditure on research and development, DAXAS® market preparations and the ALVESCO® launches. The return on EBT increased overall to 27.7% (2004: 25.2%), and the EBITDA margin to 31.4% (2004: 28.9%).

**SPECIAL EVENTS**

ALTANA and Pfizer ended their cooperation to develop and market DAXAS® (Roflumilast) as of June 30, 2005. The cooperation with Tanabe Seiyaku in Japan is not affected by this. ALTANA, which has now recovered all rights to DAXAS®, will continue to develop this substance on its own. Pfizer has undertaken to ensure a smooth handover of DAXAS® studies in the U.S.

In the U.S., the Detrol® co-promotion agreement with Pfizer will continue under the existing terms until the end of 2006.

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**8 PHARMACEUTICALS**

**PIPELINE NEWS**

Following on from the six-month data provided by the RECORD trial, the key results of the first 1-year RATIO trial with DAXAS<sup>®</sup> (Roflumilast) are now available. Concordant with the previous study results, the RATIO trial showed a significant improvement in lung function (FEV1<sup>\*</sup>) in patients with severe and very severe chronic obstructive bronchitis (COPD) treated with DAXAS<sup>®</sup> compared to patients treated with a placebo.

The significant long-term improvement in lung function is entirely due to the anti-inflammatory effect of DAXAS<sup>®</sup>. This is based on an innovative principle concerning the inhibition of phosphodiesterase (PDE)4. Possibly the first licensed representative of a new class of substances known as PDE4 inhibitors, DAXAS<sup>®</sup> may provide a means of treating the two most frequent chronic respiratory diseases, COPD and asthma. This would make the first ever causal therapeutic approach possible for COPD whilst for asthma, DAXAS<sup>®</sup> would be one of the few non-steroid anti-inflammatory options. Over 6,000 COPD and asthma patients have now been treated with DAXAS<sup>®</sup> in the context of clinical studies. The clinical studies conducted to date have shown

\* forced  
expiratory  
volume in 1  
second, primary  
endpoint of the  
RATIO trial

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**PHARMACEUTICALS 9**

Roflumilast, administered at a daily dose of 500 µg, is an effective product.

The application to have DAXAS<sup>®</sup> licensed in Europe was filed in February 2004. Following the termination of the cooperation with Pfizer, we shall now push ahead at full speed on our own with an application to the FDA, the American licensing authority.

ALVESC O<sup>®</sup> (Ciclesonide), our innovative inhaled corticosteroid to treat asthma, has now been licensed in 28 countries. After ALVESCO<sup>®</sup> market launches in Germany and Great Britain, it was the turn of Ireland, Poland, Chile and Colombia in the second quarter of 2005. In Australia and Brazil, ALVESCO<sup>®</sup> is due to go on the market in early August; further launch preparations are also underway, e.g. in the Netherlands.

In Germany, just months after it was launched, ALVESCO<sup>®</sup> has already captured a share of around 5 % in the highly competitive market for inhaled corticosteroids (ICS); we are aiming to increase that figure to 10% by the end of the year. Sales in Great Britain are much slower on account of the special nature of the market. In view of the steady increase in market shares, plus further market launches, we expect to see total first-year sales of 8 to 10 million.

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**10 PHARMACEUTICALS**

**CAPITAL EXPENDITURE**

ALTANA Pharma invested 45 million in property, plant and equipment over the past six months. Investment activity will increase significantly during the second half of the year. Investment is currently focused on the construction of a new production site in Ireland and the expansion of research capacities at the Constance headquarters and in India.

**EMPLOYEES**

ALTANA Pharma ended the first six months with a workforce of 8,615. This is equivalent to a worldwide increase of 622 persons, or 8%. The number of people working in our German companies increased by 3% to 3,671. Our foreign companies employed 4,944 people, i.e. 57% of the total workforce. The number of employees working outside Germany rose by 12%, with most increases occurring in the U.S., Australia and Asia.

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CHEMICALS 11

## ALTANA CHEMIE: SALES PERFORMANCE

> **Specialty Chemicals: operating growth up 4%**> **Inventory effects impact on the additives business in particular**> **Growth in Asia is less dynamic**

ALTANA Chemie posted sales of 422 million in the first six months of the year under review. The 4% increase in operating sales compares modestly to the outstanding results achieved in the first six months of 2004. Portfolio adjustments in the Coatings & Sealants unit coupled with, albeit to a lesser extent, exchange rate fluctuations caused a 5% reduction in nominal sales.

Additives & Instruments, the largest business unit, generated sales of 184 million during the period under review, i.e. 3% more than in the previous year. The additives business was particularly affected by the

> **Sales by business unit**

| in million              |          | %   | <b>H 1 2005</b> | H1 2004 | $\Delta$ % |
|-------------------------|----------|-----|-----------------|---------|------------|
| Additives & Instruments | <b>1</b> | 44  | <b>184</b>      | 179     | 3          |
| Electrical Insulation   | <b>2</b> | 35  | <b>150</b>      | 148     | 1          |
| Coatings & Sealants     | <b>3</b> | 21  | <b>88</b>       | 118     | -26        |
| Total                   |          | 100 | <b>422</b>      | 445     | -5         |

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**12 CHEMICALS**

negative impact of inventory movements dating back to December 2004. Prompted by expectations of price increases, customers stocked up on their inventories last year, whilst demand has fallen in Asia. Despite even tougher competition and a fall in the demand for wire enamels stemming from the general economic climate, the Electrical Insulation unit reported a 1% improvement in its sales, which totaled 150 million. As expected, divestments in the Coatings & Sealants unit meant substantially lower sales ( 88 million) than in the previous year (2004: 118 million); however, the businesses remaining after withdrawing from the area of industrial coatings generated growth of 6%.

Despite the sluggish economy, sales in the home market, Germany, rose by 3% to 62 million. Given the high contribution of European business to total Coatings & Sealants sales, the portfolio adjustments in this business unit have had a big impact on the sales performance in European countries outside Germany: the mid-year sales figure was

157 million, i.e. 15% less than in the same period last year. Measures introduced by the Chinese government to prevent the economy from overheating put a brake on business development on Asia. Moderate sales growth of 1% to 63 million was also achieved in the U.S. in spite of dollar exchange rate losses; excluding these effects growth amounted to 7%.

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CHEMICALS 13

**> Sales by region**

| in million          |          | %   | <b>H 1 2005</b> | H1 2004 | $\Delta$ % |
|---------------------|----------|-----|-----------------|---------|------------|
| Europe              | <b>1</b> | 52  | <b>219</b>      | 246     | -11        |
| Germany             |          | 15  | <b>62</b>       | 61      | 3          |
| Rest of Europe      |          | 37  | <b>157</b>      | 185     | -15        |
| North America       | <b>2</b> | 16  | <b>68</b>       | 66      | 1          |
| U.S.                |          | 15  | <b>63</b>       | 62      | 1          |
| Asia                | <b>3</b> | 23  | <b>99</b>       | 97      | 2          |
| Other regions       | <b>4</b> | 9   | <b>36</b>       | 36      | 1          |
| Total               |          | 100 | <b>422</b>      | 445     | -5         |
| International sales |          |     | <b>85%</b>      | 86%     |            |

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**14 CHEMICALS**

**ALTANA CHEMIE: EARNINGS TREND**

- > **Earnings before taxes below previous year**
- > **Restructuring costs, higher depreciation for strategic investment and increases in the price of raw materials impact negatively on earnings**

At 54 million, mid-year earnings before taxes (EBT) fell 17% against the previous year's figure. Several factors, including, in particular, special effects related to the divestments in the Coatings & Sealants business unit, had a negative impact on the earnings performance of ALTANA Chemie. Furthermore, the depreciation charged increased due to the commissioning of the new production plant in Wesel. Prices have been increased to compensate for the rising cost of raw materials, but the positive effect of this measure will not be felt for some time. The return on sales (EBT) fell from 14.6% to 12.8% in the first six months of this year, the EBITDA margin was down from 19.5% to 18.0%.

**ORGANIZATIONAL DEVELOPMENT**

ALTANA Chemie is planning further strategic acquisitions in the context of its growth strategy, including the purchase of a fourth business unit before the end of the current business year. The core Coatings & Sealants business is to be further expanded through acquisitions and the program of divestments will be concluded by the end of this year.

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CHEMICALS 15

**CAPITAL EXPENDITURE**

Investment in property, plant and equipment totaled 15 million in the first six months of 2005 (2004: 21 million). Investment activity was lower than in the previous year because the project to expand the production facility in Wesel was completed in 2004.

**EMPLOYEES**

Compared to the previous year, the worldwide head-count of ALTANA Chemie fell by 287 persons, or 11%, to 2,423 as of June 30, 2005. This reduction is due to the sale of businesses in European countries outside Germany in connection with the strategic realignment of the Coatings & Sealants business unit.

Some 50%, or 1,202 members of our workforce, are employed in our foreign companies. The number of people working in our German companies remained virtually unchanged at 1,221. A very small number of jobs were created in Asia.

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SEGMENT REPORTING**

| in million                             | Pharma-<br>ceuticals | Chemi-<br>cals | Holding    | Group         |
|--|----------------------|----------------|------------|---------------|
| <b>Sales</b>                           |                      |                |            |               |
| <b>H 1 2005</b>                        | <b>1,130</b>         | <b>422</b>     |            | <b>1,552</b>  |
| H 1 2004                               | 1,038                | 445            |            | 1,483         |
| <b>Operating income (EBIT)</b>         |                      |                |            |               |
| <b>H 1 2005</b>                        | <b>312</b>           | <b>57</b>      | <b>-22</b> | <b>347</b>    |
| H 1 2004                               | 261                  | 67             | -18        | 310           |
| <b>Earnings before taxes (EBT)</b>     |                      |                |            |               |
| <b>H 1 2005</b>                        | <b>312</b>           | <b>54</b>      | <b>-14</b> | <b>352</b>    |
| H 1 2004                               | 262                  | 65             | -11        | 316           |
| <b>Capital expenditure<sup>1</sup></b> |                      |                |            |               |
| <b>H 1 2005</b>                        | <b>50</b>            | <b>16</b>      |            | <b>66</b>     |
| H 1 2004                               | 73                   | 34             | 1          | 108           |
| <b>Employees</b>                       |                      |                |            |               |
| <b>June 30, 2005</b>                   | <b>8,615</b>         | <b>2,423</b>   | <b>62</b>  | <b>11,100</b> |
| June 30, 2004                          | 7,993                | 2,710          | 64         | 10,767        |

<sup>1</sup> Capital expenditure on property, plant and equipment and intangible assets

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GROUP 17

## ASSET AND FINANCIAL POSITION OF THE ALTANA GROUP

> **Sound balance sheet structure maintained**> **Current business activities provide a high level of cash flow**

The ALTANA Group's total mid-year assets stood at 2,888 million, up 7% on the end of 2004. This balance sheet growth is essentially due to increased liquidity. Securities and bank deposits account for 24% of total assets.

Inventories and accounts receivable increased in connection with our expanded business activities. Shareholders equity increased slightly to 63% as of June 30, 2005.

At 244 million, cash flow from operating activities was up 23 % on last year, an increase which largely matched the development in earnings. Changes in working capital were slightly smaller than in the same period last year.

> **ALTANA Group consolidated cash flow statement**

| in million  | H 1 2005    | H 1 2004 |
|---|-------------|----------|
| Cash flow from operating activities   | <b>244</b>  | 199      |
| Cash flow used in investment activities   | <b>-64</b>  | -78      |
| Cash flow used in financing activities  | <b>-108</b> | -181     |
| Effects of changes in companies consolidated and in exchange rates on cash and cash equivalents | <b>11</b>   | 1        |
| <b>Net change in cash and cash equivalents</b>  | <b>83</b>   | -59      |
| Cash and cash equivalents as of Jan. 1  | <b>317</b>  | 288      |
| <b>Cash and cash equivalents as of June 30</b>  | <b>400</b>  | 229      |

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**18 GROUP**

The cash flow used in investment activities reflects a slightly lower level of capital expenditure in comparison to last year. The main element of the cash flow used in financing activities is the dividend payment for last year.

Overall Group liquidity, consisting of marketable securities and cash, rose from 109 million to 689 million in the first six months of 2005.

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**GROUP 19**

THE ALTANA SHARE

> **ALTANA share falls behind the DAX Index in Q2**

> **Mid-year market capitalization: 6.6 billion**

Having climbed by 7.8% in the six months to June 30, the DAX closed at 4,586 points.

High-level consolidation and worries about future international economic growth initially dominated developments in April, occasionally causing the DAX to dip below its starter value at the beginning of the year. This benefited defensive sectors such as health-care. Boosted by a clear fall in the price of oil and positive corporate reports, share prices recovered in May following a period of nervous ups and downs. Substantial share price gains were seen towards the end of the month. The election results in North Rhine-West-phalia had a positive impact on the German market, as did the announcement of forthcoming early elections. The results of the French and Dutch referendums on the EU constitution threw the EU into a crisis and put the Euro under pressure. The weaker Euro gave a much-needed boost to export-oriented shares in the European market, with the German market reporting particularly high increases in share prices. The DAX index topped the 4,500 mark for the first time in about three years. The early summer rally on the international financial markets drove the German share index to over 4,600 points, a new annual high.

In the second quarter of 2005, the DAX outperformed the Dow Jones, which closed the first half-year down 4.7% at 10,275 points.

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The ALTANA share price stood at 47.33 on June 30, having performed considerably less well (1.8%) than the DAX index. It was also outperformed by the Dow Jones index on the New York Stock Exchange, where it closed the first half-year at USD 57.37, down 8.9% expressed in USD and up 2.1% in Euros.

In contrast to the DAX, the ALTANA share initially surged ahead early in the second quarter. Buoyed up by new record results in 2004 and a positive outlook for 2005, the share hit a new high of 53.95 on April 15, i.e. in the second quarter and first half of 2005. But despite a good start and confirmation of the positive outlook for the year as a whole, the market reacted with disappointment to the first-quarter results. This was compounded by a number of analysts comments which also had a negative impact on the share price. The ALTANA share did not recover until growing demand for shares in European pharmaceuticals businesses

**> Comparative performance ALTANA/DAX**

**January 1    June 30, 2005**

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made itself felt in late May. This was followed in June by profit taking and a further round of consolidation in the capital markets, which led to another slump in the ALTANA share price. Its market capitalization stood at 6.6 billion on June 30. On the DAX list issued by the German Stock Exchange, ALTANA ranked 31 (March 31, 2005: 30) in terms of market capitalization (free float) and 29 (March 31, 2005: 28) in terms of trading volume.

**SPECIAL POST-QUARTER EVENTS**

News of the termination of the ALTANA -Pfizer DAXAS<sup>®</sup> development and sales cooperation as of June 30 prompted a sharp downturn in the ALTANA share price, which fell about 16% at the maximum to close at 39.88 on July 1, 2005. It subsequently recovered by around 5%, and has moved sideward at a level of about 42 since July 6.

**> Key figures ALTANA share****Frankfurt Stock Exchange (FWB, Xetra)**

| in                               | <b>Q2 2005</b>    | Q1 2004 | $\Delta$ % |
|----------------------------------|-------------------|---------|------------|
| High                             | <b>53.95</b>      | 49.61   | 9          |
| Low                              | <b>45.50</b>      | 43.22   | 5          |
| Price at quarter end             | <b>47.33</b>      | 49.05   | -4         |
| Average trading volume* (shares) | <b>667,251</b>    | 527,004 | 27         |
| Ticker symbol                    | ALT               |         |            |
| Security code number             | ISIN DE0007600801 |         |            |

\* all German  
stock exchanges

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**OUTLOOK**

**ALTANA GROUP RAISES ITS EARNINGS FORECAST FOR 2005**

We still expect to see year-end growth in sales of 6% to 8% excluding acquisition effects. However, we anticipate higher earnings for the year as a whole in spite of a sharp increase in marketing and sales costs for ALVESCO®, plus higher expenditure for the ongoing development of DAXAS®. We expect the very healthy sales results achieved by ALTANA Pharma to provide growth in earnings somewhere in the mid single-digit percent range.

**ALTANA PHARMA IS WELL EQUIPPED TO MEET FUTURE CHALLENGES**

Sales at ALTANA Pharma are strongly driven by Panto-prazole. We expect our main pillar of sales to provide market growth of 8% to 10% in 2005. We also anticipate that our own sales of this product will develop to a similar degree. Despite the increased expenditure associated with the market launches of ALVESCO® and the ongoing development of DAXAS®, which we will now manage on our own, earnings should develop better than anticipated to finish substantially above last year's figure.

**ALTANA CHEMIE PUSHES AHEAD WITH BUSINESS EXPANSION**

ALTANA's Chemicals division expects to see organic growth in the single-digit percent range in 2005. Any premature downturn in economic activity could, however, have a negative impact during the second half of the year. Earnings are likely to be the same as, or slightly below, the previous year's figure. On the other hand, the positive effects of portfolio optimizations should provide a slight improvement in margins.

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ALTANA GROUP SEMIANNUAL STATEMENT (ABRIDGED)  
**ALTANA GROUP CONSOLIDATED BALANCE SHEET**

| <b>ASSETS</b>                       | <b>June 30</b> | Dec 31       |
|-------------------------------------|----------------|--------------|
| in million                          | <b>2005</b>    | 2004         |
| Intangible assets, net              | <b>233</b>     | 237          |
| Property, plant and equipment, net  | <b>790</b>     | 763          |
| Long-term investments               | <b>48</b>      | 48           |
| Deferred tax assets                 | <b>62</b>      | 47           |
| Other long-term assets              | <b>34</b>      | 37           |
| <b>Total long-term assets</b>       | <b>1,167</b>   | <b>1,132</b> |
| <br>                                |                |              |
| Inventories                         | <b>357</b>     | 328          |
| Receivables and other assets        | <b>675</b>     | 659          |
| Marketable securities               | <b>289</b>     | 263          |
| Cash and cash equivalents           | <b>400</b>     | 317          |
| <b>Total short-term assets</b>      | <b>1,721</b>   | <b>1,567</b> |
| <br>                                |                |              |
| <b>Total assets</b>                 | <b>2,888</b>   | <b>2,699</b> |
| <br>                                |                |              |
| <b>LIABILITIES</b>                  | <b>June 30</b> | Dec 31       |
| in million                          | <b>2005</b>    | 2004         |
| Shareholders' equity                | <b>1,808</b>   | 1,660        |
| Minority interests                  | <b>2</b>       | 2            |
| <b>Total equity</b>                 | <b>1,810</b>   | <b>1,662</b> |
| <br>                                |                |              |
| Long-term debt                      | <b>13</b>      | 14           |
| Long-term provisions                | <b>323</b>     | 322          |
| Deferred tax liabilities            | <b>8</b>       | 8            |
| Other long-term liabilities         | <b>6</b>       | 30           |
| <b>Total long-term liabilities</b>  | <b>350</b>     | <b>374</b>   |
| <br>                                |                |              |
| Short-term debt                     | <b>55</b>      | 44           |
| Short-term provisions               | <b>268</b>     | 245          |
| Other short-term liabilities        | <b>405</b>     | 374          |
| <b>Total short-term liabilities</b> | <b>728</b>     | <b>663</b>   |

|                          |              |              |
|--------------------------|--------------|--------------|
| <b>Total liabilities</b> | <b>2,888</b> | <b>2,699</b> |
|--------------------------|--------------|--------------|

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**Table of Contents****24 GROUP****ALTANA GROUP STATEMENT OF CHANGES IN EQUITY**

|   | <b>H 1</b>   | H 1   |
|---|--------------|-------|
| in million                                    | <b>2005</b>  | 2004  |
| Shareholders' equity (Jan. 1)                 | <b>1,662</b> | 1,451 |
| Dividend for the prior year                   | <b>-129</b>  | -113  |
| Net income                                    | <b>219</b>   | 190   |
| Translation adjustments                       | <b>54</b>    | 5     |
| Changes in treasury shares                    | <b>13</b>    | -35   |
| Change of revaluation reserve                 | <b>-17</b>   | -2    |
| Capital contribution stock-based compensation | <b>8</b>     | 4     |
| Other changes                                 |              | -1    |
| <b>Total equity (June 30)</b>                 | <b>1,810</b> | 1,499 |

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**ALTANA GROUP CONSOLIDATED INCOME STATEMENT**

|  | <b>Q 2</b>  | <b>Q 2</b> | <b>H 1</b>     | <b>H 1</b> |
|--|-------------|------------|----------------|------------|
| in million   | <b>2005</b> | 2004       | <b>2005</b>    | 2004       |
| <b>Sales</b>   | <b>811</b>  | 771        | <b>1,552</b>   | 1,483      |
| Cost of sales  | <b>-259</b> | -266       | <b>-508</b>    | -512       |
| <b>Gross profit</b>  | <b>552</b>  | 505        | <b>1,044</b>   | 971        |
| Selling and distribution expenses                                    | <b>-227</b> | -196       | <b>-432</b>    | -383       |
| Research and development expenses                                    | <b>-109</b> | -117       | <b>-216</b>    | -218       |
| General administrative expenses                                      | <b>-42</b>  | -37        | <b>-78</b>     | -75        |
| Other operating income and expenses                                  | <b>23</b>   | 7          | <b>29</b>      | 15         |
| <b>Operating income</b>  | <b>197</b>  | 162        | <b>347</b>     | 310        |
| Financial income   | <b>3</b>    | 3          | <b>5</b>       | 6          |
| <b>Income before taxes</b>   | <b>200</b>  | 165        | <b>352</b>     | 316        |
| Income tax expense   | <b>-75</b>  | -66        | <b>-133</b>    | -126       |
| <b>Net income</b>  | <b>125</b>  | 99         | <b>219</b>     | 190        |
| attributable to ALTANA AG shareholders                               | <b>125</b>  | 99         | <b>219</b>     | 190        |
| attributable to minority interests                                   |             |            |                |            |
| <b>Earnings per share (in )</b>                                      | <b>0.92</b> | 0.73       | <b>1.62</b>    | 1.39       |
| Weighted average shares outstanding Jan. 1    June 30<br>(thousands) |             |            | <b>135,505</b> | 136,406    |

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**REMARKS ON THE MID-YEAR FINANCIAL STATEMENTS**

**1 ACCOUNTING PRINCIPLES**

This report by the ALTANA Group for the first six months of 2005 complies with International Accounting Standard 34. Basically, the same accounting policies and valuation principles have been applied as for the preparation of the 2004 consolidated annual financial statements. However, changes result from new IFRS accounting standards applicable since January 1, 2005.

Under the Improvement Project , the International Accounting Standards Board (IASB) has revised 13 standards. For ALTANA, significant changes result from the application of IAS 1, Presentation of Financial Statements . Whereas ALTANA previously presented its balance sheet items in order of declining liquidity, the revised version of IAS 1 excludes this option: from now on, balance sheet items must be presented according to long-term and short-term assets/liabilities. Furthermore, minority interests are shown as a separate item in equity, and no longer as an independent category in the balance sheet. Instead of deducting minority interests in the income statement, net income is split into a portion attributable to shareholders and a portion attributable to minority interests.

ALTANA has applied IFRS 2 Share-based payments since January 1, 2005. As ALTANA hedges all options issued as part of employee profit-sharing programs by buying back treasury shares, the expense was previously measured as the difference between the exercise price and the average cost of treasury shares acquired by the company. Henceforth the expense is measured at the fair value of an option based on an option-pricing model. The expense is split

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over the vesting period. IFRS 2 applies retroactively to all share-based payment transactions granted on or after November 7, 2002. Prior-year figures were adjusted accordingly.

The revised version of IAS 39, Financial Instruments: Recognition and Measurement came into effect as of January 1, 2005. For ALTANA, the most important change is that impairment charges taken for an equity instrument classified as available-for-sale security may no longer be reversed.

Furthermore, under the revised version of IAS 19, Employee Benefits, which came into effect on January 1, 2005, actuarial gains and losses resulting from fair value adjustments of pension obligations may be charged directly against equity. ALTANA has decided not to apply this option, but to stay with the corridor approach.

**2 TREASURY SHARES**

In connection with exercised options, ALTANA transferred 241,650 ALTANA shares to employees at strike price during the first six months of 2005. A further 2,681 shares were sold to employees under the ALTANA Investment Plan 2004 and 3,009 shares were transferred to members of the Supervisory Board by way of payment. An additional 47,974 shares were sold via the stock exchange to cover employee share option gains (from the ALTANA Investment Plans). No ALTANA treasury shares were purchased in the first six months of 2005.

This report is unaudited.

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**DISCLAIMER FOR FORWARD-LOOKING STATEMENTS**

This interim report contains forward-looking statements, i.e. current estimates or expectations of future events or future results. The forward-looking statements appearing in this report include revenue and earnings projections for the ALTANA Group, the ALTANA Pharma and ALTANA Chemie divisions, our pharmaceutical product, Pantoprazole, ALTANA's plans for the further development of DAXAS and expectations for the marketing success of ALVESCO® in Germany. These statements are based on beliefs of ALTANA's management as well as assumptions made by, and 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 from those that may be expressed or implied by such forward-looking statements. These factors include ALTANA's ability to develop and launch new and innovative pharmaceutical and chemical products, price regulations for pharmaceuticals and budgeting decisions of local governments and health care providers, the level of ALTANA's investment in pharmaceuticals related R & D, the sales and marketing methods used by ALTANA to distribute its pharmaceuticals, the composition of ALTANA's pharmaceuticals portfolio, ALTANA's ability to maintain close ties with its chemicals customers, the business cycles experienced by ALTANA's chemicals customers and the prices of the raw materials used in ALTANA's chemicals 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.

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This interim report is available at our website, [www.altana.com](http://www.altana.com), where you will also find up-to-date news and further background information on the ALTANA Group.

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**> Financial calendar 2005 / 2006**

|                                      |                  |
|--------------------------------------|------------------|
| R & D Day                            | October 12, 2005 |
| Report on Q3 2005                    | November 2, 2005 |
| Press conference                     | November 2, 2005 |
| Analyst meeting                      | November 2, 2005 |
| Report on sales 2005                 | January 25, 2006 |
| Report on year-end results 2005      | March 16, 2006   |
| Press conference on year-end results | March 16, 2006   |
| Analyst meeting                      | March 16, 2006   |
| Report on Q1 2006                    | April 27, 2006   |
| Annual General Meeting, Frankfurt    | May 2, 2006      |

Please note that the above-mentioned dates may be subject to change.