

ALTANA AKTIENGESELLSCHAFT

Form 6-K

November 04, 2004

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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: November 4<sup>th</sup>, 2004

**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):  
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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:

Press Release of November 4<sup>th</sup>, 2004

Quarterly Report as to September 30, 2004

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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: November 4<sup>th</sup>, 2004

By: /s/ Nikolaus Schweickart  
Name: Dr. Nikolaus Schweickart  
Title: Chairman of the Management Board  
and  
Chief Executive Officer

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

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Press release

**ALTANA AG**

P.O. Box 1244  
61282 Bad Homburg v.d.H.

Herbert-Quandt-Haus  
Corporate Communications  
Am Pilgerrain 15  
61352 Bad Homburg v.d.H.  
Germany

P +49 (0) 6172 1712-160  
F +49 (0) 6172 1712-158  
PR@altana.de  
www.altana.com

**ALTANA: Markedly positive business performance**

**Strong third quarter; new record year in sight**

**Bad Homburg, November 4, 2004** A strong third quarter with double-digit growth rates of 10% in sales and 16% in EBT enabled ALTANA AG (NYSE: AAA, FSE: ALT) to increase sales in the first nine months of 2004 to around 2.2 billion, an improvement of 9% on the prior year's figure (2003: around 2 billion). Adjusted for currency effects, sales volume increased by 12%.

Also with its third quarter performance, ALTANA is well on the way to achieving the growth targets set for 2004 at the upper level of expectations and to concluding the business year with new record figures, stated Dr. Nikolaus Schweickart, President and CEO of ALTANA AG.

International business remains the driving force behind growth. International sales were up 11% at around 1.9 billion, and now account for 84% of total sales. Growth rates differ significantly by region: The Asian region accounts for the strongest growth, with an increase of 29% to 189 million. In the European markets outside Germany, ALTANA achieved sales of 770 million, an increase of 15%. The Latin American business rose by 10% to 204 million. North American sales grew by 5% to 679 million. In Germany ALTANA achieved sales of 356 million, up 1% on the prior year's figure.

**Positive earnings trend**

After the first three quarters, pre-tax earnings (EBT) amounted to 485 million, up 7% on the prior year's figure. EBITDA rose by 6% to 565 million, EBIT by 8% to 477 million. In the first nine months, a lower tax rate helped push consolidated earnings up 15% to 299 million.

Over the first nine months the operating return (EBITDA) totaled 25.3% and the EBT margin was 21.7%. Earnings per share increased by 15% to 2.20.

**Capital expenditure and number of employees increased**

In the period under review, ALTANA stepped up capital expenditure on property, plant and equipment by 19% to 133 million. At 328 million, R&D expenditure was up 11% on the prior year.

As of September 30, 2004 ALTANA employed some 10,800 people around the world, 3% more than in the previous year (2003: around 10,500). Of the total workforce, about 5,000 were employed in Germany (+4%) and about 5,800 abroad (+3%).

**ALTANA Pharma with double-digit growth in operating sales**

As per September 30, 2004, ALTANA Pharma AG, Constance, increased sales by 7%, up from around 1.5 billion in 2003 to around 1.6 billion. Adjusted for currency effects this translated as a 10% gain in operating sales. While international sales rose by 9% to around 1.3 billion, sales in the home market fell by 3% to 264 million. Sales in the core Therapeutics business rose by 7% to almost 1.4 billion. The growth driver is again our innovative gastrointestinal drug Pantoprazole (Pantozol®/Protonix®). ALTANA Pharma's own first nine-month sales of Pantoprazole amounted to 908 million, an increase of 9%. All sales partners included,

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first nine-month market sales amounted to around 1.8 billion, an increase of 8%. In the U.S., Pantoprazole's market share of new prescriptions in the market segment under review was at 23.3% by the end of September. Sales in local currencies amounted to U.S. \$1.2 billion, up 9% on the prior year's level. Expressed in local currencies, worldwide market sales of Pantoprazole are still expected to achieve continued double-digit growth, with particularly strong expansion in Europe and an increase of around 8 to 10% in the U.S. market for 2004 as a whole. Expressed in €, growth in ALTANA Pharma's own sales of Pantoprazole is expected to be around 10%.

Despite continuing high expenditure on the development of Alvesco® (Ciclesonide) and Daxas® (Roflumilast), the costs involved in preparing their market launch as well as shortfalls due to the German Health Policy, earnings before taxes (EBT) amounted to 406 million, an increase of 2% on the prior year's level. The EBT margin and the EBITDA margin remain at high level, with 25.8% and 29.5% respectively.

Meanwhile, ALTANA Pharma has been granted market approval for Alvesco® in Australia, Brazil, Mexico, and the United Kingdom, the reference state for the mutual recognition process for approvals in other European countries. From today's perspective, ALTANA expects launch dates in Europe in the first quarter of 2005. On October 21, ALTANA's U.S. cooperation partner Sanofi-Aventis received an approvable letter from the U.S. Food and Drug Administration (FDA) for Alvesco®. This represents an important milestone achievement in our preparations for the market launch of Alvesco®.

The clinical development of Daxas® for the treatment of COPD (smoker's lung) and asthma continues to make good progress. Daxas® could become the first in the new class of PDE4-inhibitors to receive market approval. After its filing for approval in Europe in February 2004, the application for approval of Daxas® in the U.S. is intensively being prepared. The application for the U.S. approval was originally planned for the first half of 2005. Due to the fact that the enrolment in the U.S. trials is taking longer than expected this ambitious schedule can no longer be kept.

**ALTANA Chemie with strong growth dynamics**

ALTANA Chemie AG, Wesel, achieved a substantial increase in sales in the first nine months of 2004, up 16% to 659 million. Adjusted for currency effects this translates as an increase of 19%. The net effect of acquisitions and divestments accounted for 7% of this increase. International sales rose by 16% to 567 million, domestic sales improved by 14% to 92 million. The business unit Additives & Instruments reported an increase of sales of 12% to 267 million. In the Electrical Insulation business unit sales were up 37% on the previous year's figure of 220 million, for the large part acquisition-related, while the business unit Coatings & Sealants achieved an increase of only 1% to 172 million due to divestments already in effect.

EBT rose disproportionately by 35% to 95 million, with the change in goodwill accounting rules (IFRS 3) effective from 2004 having an impact of + 8 million. The increase is due to an encouraging sales trend on the one hand, and the successful integration of Electrical Insulation acquisitions as well as the results of productivity-enhancing measures on the other. The return on sales (EBT) was 14.4%. EBITDA increased by 20% to 126 million; the operating return (EBITDA) increased to 19.2%. These results reinforce the leading position of ALTANA Chemie on an international comparison of the specialty chemicals industry.

Just a few days ago, ALTANA Electrical Insulation opened a highly modern production facility in Zhuhai (near Hong Kong) after a construction period of one-and-a-half years. On an area of 70,000 square meters, ALTANA Electrical Insulation Zhuhai produces specialty chemicals such as wire enamels, impregnating resins and casting compounds at an annual capacity of 25,000 metric tons.



**Forecast for 2004 confirmed**

ALTANA expects to see business performance continue along a positive trend in 2004 as a whole, with high single-digit growth in sales. Despite substantially higher second-half expenditure on R&D and the costs of preparing the market launch of our product candidates, pre-tax earnings (EBT) are expected to finish above the prior year's level. We are confident to be able to achieve earnings before taxes of slightly above 600 million. At a level of more than 20%, the anticipated return on sales (EBT) for 2004 will again be substantially above the market average. Thus ALTANA is heading for another business year with record figures.

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The investment and research program for the years of 2004 to 2006 will be continued with an investment volume of well over 2 billion from cash flow. This volume is significantly higher than that of the previous three years and will ensure the company's future profitability as an innovative and internationally-oriented group.

**Key figures, 1-9 2004**

ALTANA Group	January to September 2004	January to September 2003 <sup>1)</sup>	Change
	in million	in million	in %
Sales	2,234	2,042	+ 9
Earnings before interest, taxes, depreciation and amortization (EBITDA)	565	531	+ 6
Earnings before interest and taxes (EBIT)	477	442	+ 8
Earnings before taxes (EBT)	485	451	+ 7
Return on sales (EBT) in %	21.7	22.1	
Consolidated profit (EAT)	299	259	+ 15
Earnings per share in	2.20	1.90	+ 15
Number of employees	10,781	10,448	+ 3

<sup>1)</sup> After adjustment of the accounting of milestone payments in fall 2003

**Webcast**

Today, November 4, at 11 a.m. (CET), a webcast will run parallel to ALTANA's press conference held in Bad Homburg. There will also be a webcast parallel to the analyst meeting at 3 p.m. More information about the webcasts, this press release and the report on Q3 is available on the Internet at [www.altana.com](http://www.altana.com).

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*This press release contains forward-looking statements, i.e., current estimates or expectations of future events or future results. The forward-looking statements appearing in this press release include revenue and earnings projections for the ALTANA group, ALTANA's pharmaceutical product Pantoprazole, ALTANA's projections for the volume of its R&D Program, ALTANA's expectations to launch Alvesco® in Europe in the first quarter of 2005 and that the application for the U.S. approval of Daxas® will take place later but that Daxas® may be approved as first in class PDE4-inhibitor. 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, the granting of marketing approvals by the competent authorities, 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.*

**For inquiries:**

Dr. Thomas Gauly  
Head of Corporate Communications &  
Investor Relations

**Media Relations:**

P +49 (0) 6172 1712-160  
P +49 (0) 6172 1712-168  
F +49 (0) 6172 1712-158

**Investor Relations:**

P +49 (0) 6172 1712-163  
P +49 (0) 6172 1712-165  
F +49 (0) 6172 1712-158

**Investor Relations USA:**

P +1 212 974-6192  
F +1 212 974-6190

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- > **OPENNESS AND COMPETENCE**  
**Quarterly Report as to September 30, 2004**
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**Table of Contents****> At a Glance**

<b>in million</b>	<b>Q1-3 2004</b>	<b>Q1-3 2003</b>	<b>Δ%</b>
Sales	<b>2,234</b>	2,042	9
Earnings before interest, taxes, depreciation and amortization (EBITDA)	<b>565</b>	531	6
Earnings before interest and taxes (EBIT)	<b>477</b>	442	8
Earnings before taxes (EBT)	<b>485</b>	451	7
Return on sales (in %)	<b>21.7</b>	22.1	
Income before minority interests (EAT)	<b>299</b>	259	15
Earnings per share (EPS, in )	<b>2.20</b>	1.90	15
Cash flow from operating activities	<b>318</b>	385	-17
Capital expenditure	<b>152</b>	173	-12
Number of employees (Sept. 30)	<b>10,781</b>	10,448	3

**> Sales by region**

<b>in million</b>	<b>Q1-3 2004</b>	<b>%</b>	<b>Q1-3 2003</b>	
Europe	<b>1</b>	<b>1,126</b>	51	1,023
Germany		356	16	352
Europe excluding Germany		770	35	671
North America	<b>2</b>	<b>679</b>	30	649
U.S.		595	27	579
Latin America	<b>3</b>	<b>204</b>	9	186
Asia	<b>4</b>	<b>189</b>	8	147
Other regions	<b>5</b>	<b>36</b>	2	37
Total		<b>2,234</b>	100	2,042

**SALES PERFORMANCE OF THE GROUP****ALTANA GROUP MAINTAINS GROWTH TREND**

At 2,234 million, ALTANA AG reported 9% growth in sales compared to the first nine months of 2003. The positive business trend established in the first six months of 2004 therefore continued seamlessly into the third quarter. Operating growth amounted to 10%, with the effects of exchange rate fluctuations and acquisitions balancing each other out.

Domestic sales remained at prior-year level with 356 million (+1%). The sales shortfalls reported by the Pharmaceuticals division (-3%) due to the mandatory discount were more than compensated for by the growth achieved in the Chemicals division (+14%). Despite negative currency effects, earnings abroad were up by 11% on the prior year at 1,878 million. Substantial growth was achieved in the European markets (+15%) and in Asia (+29%). Business in North America grew by 5% expressed in euros, with a negative exchange rate development U.S.\$/ of 9%. In Latin America sales climbed by 20% excluding exchange rate fluctuations. International business now accounts for 84% of net sales (2003: 83%).



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## EARNINGS SITUATION OF THE GROUP

**EARNINGS BEFORE TAXES (EBT) UP BY SEVEN PERCENT**

Earnings before taxes (EBT) were up by 7%, i.e. almost the same as sales, to 485 million at the end of September. Growth has accelerated in the course of the year. The EBT margin was 21.7% as against 22.1% in the prior year.

Compared to last year's results, which included a capital gain of 20 million from the sale of a pharmaceutical product line, this year's results reflect the discontinuation of scheduled goodwill amortization (IFRS 3) 2003: 11 million. Excluding both effects, the comparable growth of earnings amounts to 10%.

Earnings after taxes (EAT) rose by 15% to 299 million due a lower tax rate reflecting the increasing share of earnings abroad, in particular from countries with lower tax rates. Earnings per share climbed correspondingly to 2.20.

**> Key profit figures**

	<b>Q3 2004</b>		<b>Δ%</b>	<b>Q3 2003</b>	
	<b>m</b>	<b>%</b>		<b>m</b>	<b>%</b>
Sales	<b>751</b>	<b>100</b>	10	684	100
Gross profit	<b>497</b>	<b>66.2</b>	11	447	65.4
Earnings before interest, taxes, depreciation and amortization (EBITDA)	<b>191</b>	<b>25.5</b>	14	168	24.5
Earnings before interest and taxes (EBIT)	<b>162</b>	<b>21.5</b>	18	137	20.0
Earnings before taxes (EBT)	<b>165</b>	<b>21.9</b>	16	141	20.6
Income before minority interests (EAT)	<b>105</b>	<b>14.0</b>	34	78	11.4
Earnings per share (EPS, in €)	<b>0.78</b>		34	0.57	
	<b>Q1-3 2004</b>		<b>Δ%</b>	<b>Q1-3 2003</b>	
	<b>m</b>	<b>%</b>		<b>m</b>	<b>%</b>
Sales	<b>2,234</b>	<b>100</b>	9	2,042	100
Gross profit	<b>1,469</b>	<b>65.7</b>	9	1,346	65.9
Earnings before interest, taxes, depreciation and amortization (EBITDA)	<b>565</b>	<b>25.3</b>	6	531	26.0
Earnings before interest and taxes (EBIT)	<b>477</b>	<b>21.3</b>	8	442	21.6
Earnings before taxes (EBT)	<b>485</b>	<b>21.7</b>	7	451	22.1
Income before minority interests (EAT)	<b>299</b>	<b>13.4</b>	15	259	12.7

Earnings per share (EPS, in )      **2.20**                      15      1.90

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**Table of Contents****PHARMACEUTICALS DIVISION: SALES PERFORMANCE****ALTANA PHARMA ACHIEVES DOUBLE-DIGIT OPERATING GROWTH WITH PANTOPRAZOLE, ITS MAIN SALES DRIVER**

ALTANA Pharma increased its sales by 7% over the first nine months of 2004. Three percentage points were lost due to the negative impact of a weak U.S. dollar. Expressed in local currencies, the Pharmaceuticals division pushed operating growth up by 10%. Sales revenues totaled 1,575 million (2003: 1,473 million). As expected, the core business Therapeutics generated the largest contribution to total sales 87% as at the end of the third quarter with prescription drugs. World-wide market sales of Pantoprazole (Pantozol®/ Protonix®), ALTANA Pharma's main sales driver, amounted to 1,830 million, 8% more than in the same period last year. Sales generated by ALTANA itself with this medication were up by 9% to 908 million. Demand for Pantoprazole in Europe was particularly encouraging (+23%), whilst in the U.S. and Canada, sales also achieved growth, up by 9% and 14% respectively expressed in local currencies. The market share of new prescriptions in the corresponding market segment climbed from 21.2% at the beginning of the year to 23.3% by the end of September.

In regional terms, impetus for growth came exclusively from our international business, which grew by 9% to 1,311 million during the period under review. This is equivalent to an 83% share of total sales (2003: 82%). The main sources of sales growth were in Europe outside of Germany (+15%). North American sales rose by 4% expressed in euros. Domestic sales fell by 3%.

**> Sales by business unit**

<u>in million</u>		<u>Q1-3 2004</u>	<u>%</u>	<u>Q1-3 2003</u>
Therapeutics	<b>1</b>	<b>1,375</b>	87	1,283
OTC	<b>2</b>	<b>83</b>	5	75
Imaging	<b>3</b>	<b>81</b>	5	79
Other	<b>4</b>	<b>36</b>	3	36
Total		<b>1,575</b>	100	1,473

**> Sales by region**

<u>in million</u>		<u>Q1-3 2004</u>	<u>%</u>	<u>Q1-3 2003</u>
Europe	<b>1</b>	<b>770</b>	49	712
Germany		264	17	271
Europe excluding Germany		506	32	441
North America	<b>2</b>	<b>577</b>	37	554
U.S.		500	32	490
Latin America	<b>3</b>	<b>173</b>	11	159
Other regions	<b>4</b>	<b>55</b>	3	48
Total		<b>1,575</b>	100	1,473

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**PHARMACEUTICALS DIVISION: EARNINGS TREND**

**SLIGHT INCREASE DESPITE HIGH INVESTMENT IN THE FUTURE**

Continued high expenditure on the development and market launch preparations for our two innovative product candidates, Alvesco® (Ciclesonide) and Daxas® (Roflumilast), as well as losses due to the mandatory discount applicable in Germany on non-reference price drugs slowed down the growth in earnings over the past nine months. Earnings before taxes (EBT) totaled 406 million at the end of September, 2% up on the prior year's figure, which included income of U.S. \$ 22 million from the sale of the Chromagen product line in the U.S. The EBT margin stood at 25.8% (2003: 27.0%) and the EBITDA margin at 29.5% (2003: 30.7%).

**FURTHER INFORMATION**

**RESEARCH AND DEVELOPMENT**

At the end of August the approval authorities in Brazil and Mexico granted market approval for Alvesco® (Ciclesonide), our novel inhaled corticosteroid for treating asthma of all degrees of severity at doses from 80 to 640 µg. This respiratory drug was approved in Australia in February 2004 and in the U.K. in April 2004. From today's perspective, ALTANA Pharma expects initial Alvesco® market launches in Europe in the first quarter of 2005. On October 21, ALTANA's U.S. corporation partner Sanofi-Aventis received an approvable letter from the U.S. Food and Drug Administration (FDA) for Alvesco®. This represents an important milestone achievement in our preparations for the market launch of Alvesco®.

Approval proceedings are currently underway in Europe for Daxas® (Roflumilast), an innovative oral PDE4 inhibitor. An approval application for submission to the FDA, the U.S. Food and Drug Administration, is in preparation. The quality of the existing clinical data is very satisfying. But due to delays in enrolment in some trials of this extensive clinical program it is now expected that the application for the U.S. approval through our cooperation partner Pfizer may not take place in the first half of 2005 as originally planned.

**CAPITAL EXPENDITURE**

Capital expenditure on property, plant and equipment totaled 101 million over the past nine months. Investment activity was increased by 56%. Current investment is focused on the construction of a new production site in Ireland, the expansion of production capacity at the Oranienburg site and work to extend the research capacity at the headquarters in Constance, and in India.

**EMPLOYEES**

The ALTANA Pharma workforce increased by 412 employees, i.e. 5%, in the first nine months of 2004. Of a total of 8,166 employees, 3,666 (+4%) worked in Germany and 4,500 (+6%) abroad as of the end of September.

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## CHEMICALS DIVISION: SALES PERFORMANCE

**ALTANA CHEMIE ACHIEVES FURTHER GROWTH ON A BROAD BASIS**

ALTANA Chemie increased its sales by 16% to 659 million (2003: 569 million). Adjusted for exchange rate effects growth amounts to 19%. The net effect from acquisitions and divestments had a 7% share. Demand increased in all the markets of ALTANA Chemie's three business units, each of which contributed to the strong operating growth in sales. The Additives & Instruments business unit again developed at a particularly dynamic pace, generating sales of 267 million during the period under review to achieve organic growth of 12%. Sales at ALTANA Electrical Insulation rose by 37% to 220 million, primarily due to acquisitions, whilst sales at ALTANA Coatings & Sealants (172 million) were only slightly higher (+1%) than last year's level due to divestments.

Domestic sales grew by 14% to 92 million. International business improved by 16% to 567 million. Sales growth was particularly high in European countries outside of Germany (+15%) and in Asia (+28%).

**> Sales by business unit**

<u>in million</u>		<u>Q1-3 2004</u>	<u>%</u>	<u>Q1-3 2003</u>
Additives & Instruments	<b>1</b>	<b>267</b>	41	238
Electrical Insulation	<b>2</b>	<b>220</b>	33	160
Coatings & Sealants	<b>3</b>	<b>172</b>	26	171
Total		<b>659</b>	100	569

**> Sales by region**

<u>in million</u>		<u>Q1-3 2004</u>	<u>%</u>	<u>Q1-3 2003</u>
Europe	<b>1</b>	<b>356</b>	54	311
Germany		92	14	81
Europe excluding Germany		264	40	230
North America	<b>2</b>	<b>102</b>	16	95
U.S.		95	14	89
Asia	<b>3</b>	<b>147</b>	22	115
Other regions	<b>4</b>	<b>54</b>	8	48
Total		<b>659</b>	100	569

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**CHEMICALS DIVISION: EARNINGS TREND**

**ENCOURAGING GROWTH IN EARNINGS**

At the end of the first nine months of 2004, earnings before taxes (EBT) stood at 95 million, i.e. 35% up on the prior year. Both the successful integration of the Schenectady business and a good performance of all the business units contributed to this disproportionately high growth. The return on sales (EBT) increased from 12.4% to 14.4%. The changes in the goodwill accounting rules (IFRS 3) which came into effect at the beginning of 2004 had a positive impact on income ( 8 million). The EBITDA figure, unaffected by these changes, correspondingly rose from 18.5% to 19.2%.

**FURTHER INFORMATION**

**PORTFOLIO MEASURES**

As part of the strategic business portfolio realignment to packaging coatings, ALTANA Coatings & Sealants concluded two divestment projects in Q3. At the beginning of July, the coil coating business of the subsidiary Rhenacoat S.A., generating sales of 12 million in 2003, was sold to Akzo Nobel. In early August, ALTANA Coatings & Sealants sold its 51% shareholding in Salchi Rhenacoat s.r.L, Milan, to its Italian joint venture partner. Established in 1993, the joint venture achieved sales of 27 million in 2003.

**CAPITAL EXPENDITURE**

ALTANA Chemie invested a total of 31 million in property, plant and equipment (2003: 40 million), primarily on the expansion of the Wesel site (Additives) and a new factory in China (Electrical Insulation) in the first nine months of 2004. A further 14 million were invested in intangible assets in connection with the acquisition of the electrical insulation business of Ranbar Electrical Material Inc., U.S.

**EMPLOYEES**

The worldwide headcount of ALTANA Chemie was 2,553 as of September 30, 2004, 3% lower than as of September 30, 2003. The slight decrease is due to divestments associated with the strategic realignment of the Coatings & Sealants business unit. At the end of the third quarter, a total of 1,222 people (+4%) were employed in Germany and 1,331 (-9%) abroad.

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## SEGMENT REPORTING

in million	Pharmaceuticals	Chemicals	Holding company	Group
<b>Net sales</b>				
<b>Q1-3 2004</b>	<b>1,575</b>	<b>659</b>		<b>2,234</b>
Q1-3 2003	1,473	569		2,042
<b>Operating income (EBIT)</b>				
<b>Q1-3 2004</b>	<b>404</b>	<b>99</b>	<b>-26</b>	<b>477</b>
Q1-3 2003	393	76	-27	442
<b>Earnings before taxes (EBT)</b>				
<b>Q1-3 2004</b>	<b>406</b>	<b>95</b>	<b>-16</b>	<b>485</b>
Q1-3 2003	398	70	-17	451
<b>Capital expenditure<sup>1</sup></b>				
<b>Q1-3 2004</b>	<b>106</b>	<b>45</b>	<b>1</b>	<b>152</b>
Q1-3 2003	68	98	7	173
<b>Employees</b>				
<b>Sept. 30, 2004</b>	<b>8,166</b>	<b>2,553</b>	<b>62</b>	<b>10,781</b>
Sept. 30, 2003	7,754	2,630	64	10,448

<sup>1</sup> Capital expenditure on property, plant and equipment and intangible assets  
ASSET AND FINANCIAL POSITION  
OF THE GROUP

**SOUND BALANCE SHEET STRUCTURE**

The ALTANA Group's total assets have risen by 4 % to 2,630 million since the beginning of the year. This balance sheet growth is essentially due to fixed assets and the increase of inventories and receivables largely attributable to business. Securities, cash and cash equivalents account for 20 % of total assets. Shareholders' equity totaling 1,568 million comprises 60 % of total assets.

**CASH FLOW**

Cash flow provided from operating activities amounted to 318 million and thus remained below the prior-year level of 385 million despite a clear growth of earnings. This was mainly due to higher cash outflow for taxation in the course of the year as well as the increased cash inflow from milestone payments the prior

**> ALTANA Group Consolidated Cash Flow Statement**

in million	Q1-3 2004	Q1-3 2003
Cash flow provided from operating activities	<b>318</b>	385
Cash flow used in investing activities	<b>-131</b>	-174
Cash flow used in financing activities	<b>-209</b>	-147
Effects of changes in companies consolidated and in exchange rates on cash and cash equivalents	<b>1</b>	-5

<b>Net change in cash and cash equivalents</b>	<b>-21</b>	<b>59</b>
Cash and cash equivalents as of Jan.1	<b>288</b>	323
<b>Cash and cash equivalents as of Sept. 30</b>	<b>267</b>	<b>382</b>

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year. Cash flow used in investing activities reflects the high level of investments in capital expenditure and the reduction of the marketable securities position. Cash flow used in financing activities comprises the dividend payment for the prior year as well as funds to buy back shares and to repay loans. Group liquidity, including securities, cash and cash equivalents, decreased since the beginning of the year by 47 million to achieve 533 million. As of September 30, 2004, the ALTANA Group's net liquid assets amount to 475 million.

**OUTLOOK**

**ALTANA GROUP:  
ON TARGET FOR THE WHOLE YEAR 2004**

ALTANA expects high single-digit sales growth for 2004 as a whole. Substantially higher expenditure on preparing the market launches of product candidates in the Pharmaceuticals division results in a slow-down in growth of earnings before taxes which will amount slightly above 600 million. At a level of more than 20%, the EBT return on sales will again be significantly above the industry average.

**ALTANA PHARMA:  
BUILDING ON ITS CORE BUSINESS**

Adjusted for exchange rate, acquisition and divestment effects, the Pharmaceuticals division anticipates double-digit growth in sales and high single-digit EBT growth. Expressed in local currencies, we expect to see further double-digit growth rates in worldwide market sales of Pantoprazole.

**ALTANA CHEMIE:**

**FURTHER DYNAMIC GROWTH**

The Chemicals division expects to finish 2004 as a whole with double-digit sales growth and disproportionately high earnings.

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**ALTANA SHARE AT DAX LEVEL  
AFTER NINE MONTHS**

Against the background of soaring crude oil prices and related concerns about the duration of the current economic slowdown, July and August saw substantial share price revisions on the international capital markets. In August, the DAX fell to a new record low for the year (3,618 points) before it rallied again early in September to head for the 4,000 point mark, driven up by the temporary fall in oil prices. In contrast to the Dow Jones, the German stock market index failed to reach its psychologically important level and, following largely sideways movement in September due to the lack of sustained upward impetus, closed the third quarter at 3,893 points. The Dow Jones closed at 10,080 on September 30, 2004. Both the DAX and the Dow Jones lost 1.8% and 3.6% respectively since the beginning of the year.

Two factors above all were responsible for the ALTANA share's sharp downturn in July, and then in August in particular: on the one hand details about the approval of Alvesco® and, on the other hand, additional losses still expected at that time in connection with the German health reform. As a result, the ALTANA share dropped to a new yearly low at 41.98 on August 11. The share then recovered in September after the full-year forecast for the ALTANA Group was upheld and it became clear that the new reference price regulation coming into effect in 2005 will not generate net additional costs over the 16 % mandatory discount applied this year. Pantoprazole, ALTANA's main sales driver, will be affected by this new reference price system. The share price closed at 46.85 on September 30. The ALTANA share price therefore lost 1.7 % in the first nine months of 2004, moving on a par with the DAX. On the New York Stock Exchange the share price followed a similar trend. Taking currency fluctuations into account, the share price fell by 0.5 %.

On the DAX list issued by the German stock exchange ALTANA ranked 25 (June 30: 24) in terms of total trading volume and 29 (June 30: 27) in terms of market capitalization. The market capitalization of ALTANA AG amounted to 6.6 billion as at the end of September.

**> Comparative performance ALTANA/DAX  
January 1 – September 30, 2004**



**Table of Contents**ALTANA GROUP THIRD QUARTER STATEMENT  
(ABRIDGED)

## ALTANA GROUP CONSOLIDATED BALANCE SHEET

<b>ASSETS</b> <b>in million</b>	<b>Sept. 30,</b> <b>2004</b>	<b>Dec. 31,</b> <b>2003</b>
Intangible assets, net	226	230
Property, plant and equipment, net	747	687
Long-term investments	48	26
<b>Total fixed assets</b>	<b>1,021</b>	<b>943</b>
Inventories	338	319
Receivables and other assets	671	611
Marketable securities	266	292
Cash and cash equivalents	267	288
Deferred tax assets	67	79
<b>Total assets</b>	<b>2,630</b>	<b>2,532</b>
 <b>LIABILITIES, PROVISIONS AND</b> <b>SHAREHOLDERS' EQUITY</b> <b>in million</b>	 <b>Sept. 30,</b> <b>2004</b>	 <b>Dec. 31,</b> <b>2003</b>
<b>Total shareholders equity</b>	<b>1,568</b>	1,445
<b>Minority interests</b>	<b>3</b>	7
<b>Total provisions</b>	<b>571</b>	553
Debt	58	96
Other liabilities	430	431
<b>Total liabilities</b>	<b>488</b>	527
<b>Total liabilities, provisions and</b> <b>shareholders equity</b>	<b>2,630</b>	<b>2,532</b>

## ALTANA GROUP STATEMENT OF CHANGES IN EQUITY

<b>in million</b>	<b>Q1-3</b> <b>2004</b>	<b>Q1-3</b> <b>2003</b>
Shareholders equity (Jan. 1)	1,445	1,250
Dividend for the prior year	-113	-103
Net income	299	259
Translation adjustments	6	-19
Purchase of treasury shares	-64	-49
Change of revaluation reserve	-4	13
Other changes	-1	2
<b>Shareholders equity (Sept. 30)</b>	<b>1,568</b>	<b>1,353</b>

## ALTANA GROUP CONSOLIDATED INCOME STATEMENT

in million	<b>Q3 2004</b>	<b>Q3 2003</b>	<b>Q1-3 2004</b>	<b>Q1-3 2003</b>
<b>Net sales</b>	<b>751</b>	684	<b>2,234</b>	2,042
Cost of sales	<b>-254</b>	-237	<b>-765</b>	-696
<b>Gross profit</b>	<b>497</b>	447	<b>1,469</b>	1,346
Selling and distribution expenses	<b>-201</b>	-180	<b>-584</b>	-525
Research and development expenses	<b>-111</b>	-92	<b>-328</b>	-295
General administrative expenses	<b>-38</b>	-33	<b>-110</b>	-98
Other operating income and expenses	<b>15</b>	-5	<b>30</b>	14
<b>Operating income</b>	<b>162</b>	137	<b>477</b>	442
Financial income	<b>3</b>	4	<b>8</b>	9
<b>Income before taxes and minority interests</b>	<b>165</b>	141	<b>485</b>	451
Income tax expense	<b>-60</b>	-63	<b>-186</b>	-192
<b>Income before minority interests</b>	<b>105</b>	78	<b>299</b>	259
Minority interests				
<b>Net income</b>	<b>105</b>	78	<b>299</b>	259
<b>Earnings per share (in )</b>	<b>0.78</b>	0.57	<b>2.20</b>	1.90
Weighted average common shares outstanding Jan. 1-Sept. 30(thousands)			<b>135,962</b>	136,286

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For interim reports the same accounting policies are generally applied as for the preparation of the consolidated financial statements.

As of January 1, 2004 we have retroactively applied the new IFRS 3 Business Combinations as well as the revised IAS 38 and IAS 36. This is applied prospectively starting as of January 1, i.e. all acquisitions after this date will be accounted for according to the new standard; prior years financial statements will not be adjusted. In addition, goodwill is no longer amortized as of this date but there will be an annual impairment test. In the first three quarters of 2004, goodwill amortization would have amounted to 14.4 million.

This report is unaudited.

This report on the third quarter 2004 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, ALTANA's pharmaceutical product Pantoprazole, ALTANA's projections for the volume of its R&D Program, ALTANA's expectations to launch Alvesco® in Europe in the first quarter of 2005 and that the application for the U.S. approach of Daxas® will take place later. 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.

If you have any queries or require further information, please contact ALTANA AG, Corporate Communications.

Visit our website at [www.altana.com](http://www.altana.com) for up-to-date news and background information on the ALTANA Group.

Dr. Thomas Gauly  
Senior General Manager  
Head of Corporate Communications  
& Investor Relations  
P +49 (0) 6172 17 12-153  
F +49 (0) 6172 17 12-158

Investor Relations  
IR@altana.de  
Sandra Fabian  
  
P +49 (0) 6172 1712-163  
  
F +49 (0) 6172 1712-158

Dr. Harald Schäfer  
P +49 (0) 6172  
1712-165  
F +49 (0) 6172  
1712-158

In the U.S.:  
Claudia Diller  
P +1 212 974-6192  
F +1 212 974-6190

Media Relations  
PR@altana.de  
Steffen Müller

P +49 (0) 6172 1712-160

F +49 (0) 6172 1712-158

Stefan Schmidt  
P +49 (0) 6172  
1712-168  
F +49 (0) 6172  
1712-158

ALTANA AG  
Corporate Communications  
Herbert-Quandt-Haus  
Am Pilgerrain 15  
61352 Bad Homburg v.d. Höhe  
Germany

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**> Financial Calendar 2004/2005**

Report on Q3 2004	November 4, 2004
Press conference	November 4, 2004
Analyst meeting	November 4, 2004
Report on sales 2004	January 27, 2005
Report on business year 2004	March 17, 2005
Press conference	March 17, 2005
Analyst meeting	March 17, 2005
Report on Q1 2005	April 28, 2005
Annual General Meeting, Frankfurt	May 4, 2005

Please note that the above mentioned dates might be subject to changes.