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Dr Reinhard Handte

Chief Operating Officer

29th August, 2000

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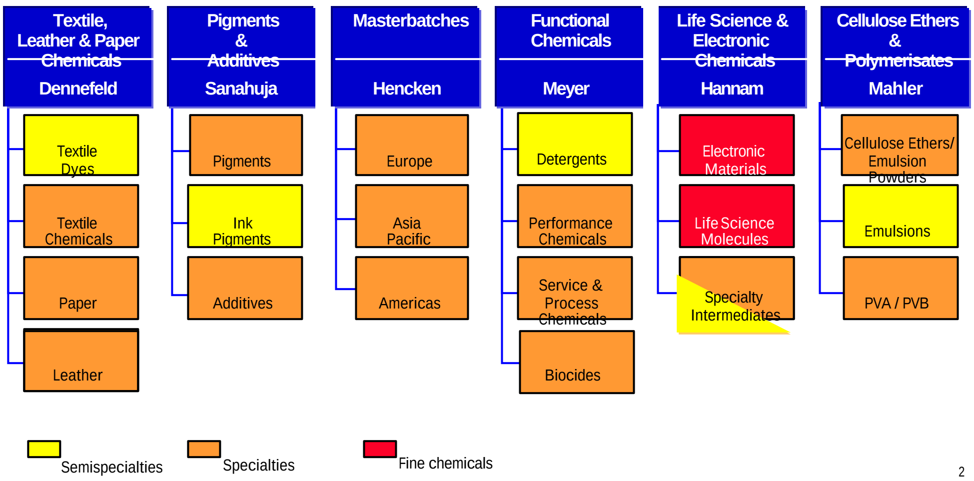
Business structure



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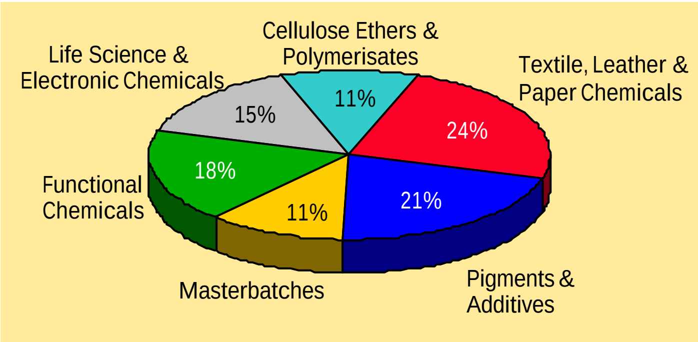
First half results 2000

Divisional sales split



Total sales first half 2000: CHF 5 295 mio

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First half results 2000

Operating statement

	First half 2000		First half 1999		Change in %
	in CHF mio	ROS in %	in CHF mio	ROS in %	
Textile, Leather & Paper Chemicals	165	12.7	127	11.3	+ 30
Pigments & Additives	200	18.4	132	14.1	+ 52
Masterbatches	68	11.4	65	12.4	+ 5
Functional Chemicals	97	10.3	107	11.8	– 9
Life Science & Electronic Chemicals	65	8.3	36	6.6	+ 81
Cellulose Ethers & Polymerisates	67	11.5	66	13.6	+ 2
Total Divisions	**662**	**12.5**	**533**	**11.8**	**+ 24**

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First half results 2000

Textile, Leather & Paper Chemicals

- Textile Dyes
  - Good business worldwide in reactive dyes (cotton) and acid dyes (wool/polyamide), especially in South East Asia, Far East and South America; sulphur dyes business weak
  - Volumes generally up (except USA) and easing pricing decreases (except USA)
- Textile Chemicals
  - Good volumes, generally with the exception of US almost stable prices
  - China, India, Thailand, Brazil and Mexico with strong business volumes
  - USA weak due to structural problems of US textile industry
  - New products successfully introduced

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First half results 2000

Textile, Leather & Paper Chemicals

- Leather
  - Support from the strong US dollar (South East Asia, India, Pakistan, Latin America)
  - Good business in car upholstery applications and leather clothing
  - Pricing stable; market shows clear trend towards high-end processing as end consumers increase their demand for real high-quality products
  - BTP integration on track; measures to be taken defined and implementation underway
- Paper
  - Good volumes worldwide, pricing pressure in the US
  - Optical brighteners business remains strong (e.g. super-white paper)
  - Industry consolidation on the customer side
  - Good development of paper dyes

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Outlook

Textile, Leather & Paper Chemicals

- Second half 2000
  - Textile dyes: Good China business, especially with reactive dyes, expected. Capacity reductions to continue
  - Textile chemicals: Continuation of first half development
  - Leather: Business to improve seasonally (e.g. winter fashion production), prices approximately stable
  - Paper: Continuation of first half trends expected; stabilization of margins
- Outlook into 2001
  - Textile dyes: More optimism with regard to volumes and margins. Capacity utilization will increase
  - Textile chemicals: Growth should continue
  - Leather: First “soft” and “hard” synergies from BTP to be expected. Opportunity to increase prices
  - Paper: Capacity utilization to remain high; US market expansion targeted

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First half results 2000

Pigments & Additives

- Pigments
  - Volumes generally good, slightly slower business for the car industry
  - Pricing: selective increases in Europe
  - US demand for high performance pigments for housing paints is very strong
  - Pigments for non-impact printing with excellent growth
  - High outlet of pigment preparations
- Ink Pigments
  - Pricing on average stable
  - Strong business in high performance pigments for decor printing and yellow pigments for offset printing
  - Moderate US business
  - Improved product mix and value-wise improved capacity utilization achieved
- Additives
  - Good product range and business in flame retardants and waxes
  - Polymer additives and light stabilizer business at low levels

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Outlook 2000/2001

Pigments & Additives

- Pigments
  - Further price increases targeted
  - Pigments for non-impact printing will continue to grow strongly
  - Excellent pipeline of HPP for the next few years to be prepared for market introduction
- Ink Pigments
  - Further growth expected, but slower than in first half 2000
  - Product mix will improve furthermore and preparation for launches of new products
- Additives
  - Waxes: New lubricant for polyamide injection moulding as a growth product
  - Flame retardant business to continue at current good level; could improve furthermore
  - No significant improvement of polymer additives expected

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First half results 2000

Masterbatches

- Sales development overview
  - Sales in Europe good, in Asia very good; especially strong performance of plastics industry in South Europe
  - North America sales overall o.k.; car business reflects signs of slowdown since second quarter 2000
  - Personal care packaging and new office machine business remained strong
- Operating margin reduced, Return on net assets (Rona) ~ stable
  - Higher raw materials prices (e.g. polyethylene, polypropylene)
  - Product mix:
    - Weaker high-margin PET black fiber business for textile fibers spin dyeing due to technical problems and new local, asian competitor
    - More white masterbatches business in Italy (instead of coloured masterbatches)
  - Selective price increases realized

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Outlook

Masterbatches

- Second half 2000
  - Raw materials overall slightly higher
    - Stable polyethylene and polypropylene prices to be expected
    - TiO_2 prices likely to be higher than in first half 2000
    - Costs for pigments neutral
  - Product mix likely to change favourably (more coloured MB and PET black fibres)
  - Operating margin likely to remain stable until year end
  - Rona should remain stable as well
- Outlook into 2001
  - USA
    - Volumes expected to increase as new fibers business is ahead
    - Design business in packaging and office and household machine applications with growth prospects
    - Stable pricing expected
  - Europe and Asia to grow

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First half results 2000

Functional Chemicals

- Detergents
  - Portfolio streamlining leads to significant lower sales and operating profit
  - Increased raw materials costs, especially ethylene derivatives and fatty alcohols
- Performance Chemicals
  - New product for hair rinses allowing easy combing successfully launched
  - Good demand for skin-sedative products used in deodorants and suncreams
  - Emulfisiers for crop protection with weak results due to reduced demand
  - Continued growth for chemical-mechanical polishing agent Klebosol®
- Service & Process Chemicals
  - Oilservice business suffered from loss of a contract, but new contracts underway
  - Metalworking with positive development in Europe and US
- Biocides
  - Strong sales into surface coatings sector and personal care sector
  - Successful customized tailor-made solutions
  - Resurgence of activity in Asia

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Outlook

Functional Chemicals

- Second half 2000
  - Another ~ CHF 50 mio of sales will be eliminated
  - Shut down of sulfonation plant
  - Further expansion of Klebosol® business
  - Taking advantage of good position in Mexico after Christianson add-on
  - Price increases due to higher raw material costs
  - 2000 will be a transition year due to portfolio streamlining
- Outlook into 2001
  - Plant for future-oriented specialties for the detergent and consumer care industry will go onstream
  - Introduction of attractive new products for washing systems
  - Good business for Performance, Service & Process Chemicals expected
  - Exploit growth opportunities for biocides through leveraging Clariant's global sales network, customer relationships and technology platform

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First half results 2000

Life Science & Electronic Chemicals

- Electronic Materials
  - Upswing in Asia continued unbated, especially flat panel business. US business now clearly improves
  - Double-digit volume growth, price pressure decreased
  - Deep UV photoresists successfully introduced in Asia
  - Anti reflective coatings (for optimal application of advanced photoresists) showed strong development
  - New site in Branchburg/USA is operational
- Life Science Molecules
  - Agro market under pressure. Postponed sales
  - Glyoxal and derivatives are doing fine
  - Pharma intermediates: Pipeline strong, sales satisfiying but also some postponed sales with strong peak potential
- Specialty Intermediates
  - Good volumes in intermediates for detergents and cleaning agents
  - Low margin, commodity-type businesses with unfavourable overcapacities

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Outlook

Life Science & Electronic Chemicals

- Second half 2000
  - Electronic Materials
    - Confident outlook; also for USA business, further strong growth expected
    - Light management films will generate first revenues
    - Deep UV photoresists: US market introduction targeted
  - Life Science Molecules
    - Demand for agro intermediates to remain depressed until at least end of third quarter, but deliveries of new products
    - Pharma intermediates
      - Glyoxal and derivatives to remain strong
      - Strong sales in various products should help to offset part of the product delays for the year
  - Specialty Intermediates
    - Overcapacities to remain in the short run → restructurings underway (going into 2001)
- Outlook into 2001
  - Electronic Materials: Attractive growth expected in all regions; taking full advantage of new Branchburg plant
  - Life Science Molecules: Expected upswing in agro; pharma will grow much stronger than in 2000 as some postponed sales should materialize

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First half results 2000

Cellulose Ethers & Polymerisates

- Cellulose Ethers / Emulsion powders
  - Good sales development in Europe, other regions stable to higher sales
  - Operating margins of BU improved significantly
  - Cellulose ethers were able to achieve much better results after successful solution of problems in a new plant which came onstream in 1999
- Emulsions
  - Volumes increased in line with generally positive market development
  - Price increases but with delay in timing and magnitude (vs raw material increase)
  - Sales in Europe and Asia much higher, in South America also higher
  - Raw material price increases heavy (e.g. VAM) → result: significant margin squeeze !
- PVA/PVB
  - Raw material price increases heavy (e.g. VAM) → result: margin squeeze !
  - Sales in Europe higher

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Outlook

Cellulose Ethers & Polymerisates

- Second half 2000
  - Raw material prices (e.g. VAM) have not peaked yet
  - Selling price increases to continue resolutely, but margin improvement hardly possible in Emulsions and PVA/PVB
  - Debottlenecking efforts successful based on process improvements
  - Margin improvement hardly possible in BU Emulsions and BU PVA/PVB
- Outlook into 2001
  - Oil price seems to stabilize on a high level
  - Based on oil price situation no significant reduction of VAM-prices expected
  - Margin improvement possible based on selling price increases and operational improvements

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Update integration BTP

- Synergies of CHF 50 mio in the following areas confirmed
  - amalgamation of leather chemicals businesses
  - reduction of support functions
  - sourcing and materials management
- Restructuring costs of CHF 100 mio will be charged in second half 2000
- Approximately two thirds of restructuring costs will be cash out, one third non-cash

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Raw materials

- Overall raw material prices increased by approximately 5% in the first half 2000; main products behind increase are vinylacetate, ethylene, fatty alcohols and acetic acid
- Most affected division is Cellulose Ethers & Polymerisates, to a lesser extent Functional Chemicals and Masterbatches
- Some raw materials are likely for a further rise in second half 2000, but less significant. Stabilization for 2001 expected
- Prices in affected product lines have been increased since fall 1999; additional increases should offset higher raw material costs after time lag

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Roland Lösser

Chief Financial Officer

29th August, 2000

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First half 2000 results at a glance

- Good sales development, divisional sales up 17% in CHF and 11% in LC; sales growth without BTP acquisition 9% in CHF and 4% in LC
- Divisional operating income overproportionally increased by 24% to CHF 662 mio, representing 12.5% of sales, up from 11.8%
- Overall stable operating margin at 11.6% despite absence of CHF 34 mio one time contribution in H1 1999
- Higher goodwill amortization and financial expenses due to acquisition of BTP
- Advantageous tax situation
- Cash EPS increased by 17%

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Profit & loss statement first half 2000, part I

	1st half 2000 in CHF mio	1st half 2000 ROS in %	1st half 1999[1] in CHF mio	1st half 1999[1] ROS in %
Sales	5 295		4 577	
Cost of goods sold	– 3 421		– 2 963	
Gross profit	**1 874**	**35.4**	**1 614**	**35.3**
Marketing and distribution	– 754		– 662	
Research and development	– 202		– 171	
Income from associated companies	26		28	
Administration and general overhead costs	– 329		– 281[2]	
Operating profit before GWA	**615**	**11.6**	**528**	**11.5**
Goodwill amortization	– 52		– 5	
Operating profit	**563**	**10.6**	**523**	**11.4**
Depreciation, amortization	314		257	
EBITDA	**877**	**16.6**	**780**	**17.0**

[1] Restated
[2] Including CHF 34 mio one-time contribution related to the acquisition of the Hoechst specialty chemicals business

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Profit & loss statement first half 2000, part II

	1st half 2000 in CHF mio	1st half 2000 ROS in %	1st half 1999[1] in CHF mio	1st half 1999[1] ROS in %	Change in %
Operating profit	**563**	**10.6**	**523**	**11.4**	**+ 8%**
Financial result	– 147		– 95		
Taxes	– 130		– 148		
Minorities	– 5		– 3		
Net profit after minorities	**281**	**5.3**	**277**	**6.1**	**+ 1%**
Earnings per share	**19.48**		**19.38**		**+ 1%**

Cash EPS shows substantial improvement

	1st half 2000	1st half 1999	Change in %
Net profit	281	277	
Goodwill amortization	52	5	
Cash earnings	333	282	
Cash EPS	**23.07**	**19.77**	**+ 17%**

[1] Restated

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Taxes in 2000 and outlook

Tax rate is indicated in % of profit before taxes, after goodwill amortization

Situation 2000: Tax rate around 34%

- Improved legal and financial structure
- Loss carry-forwards are advantageous
- Beneficial one time effects
  - Integration related advantages
  - German tax changes offer benefits, reduction of deferred tax liablities

Outlook 2001 and following years: Tax rate of around 38% to be expected

- Goodwill amortization of approximately CHF 150 mio is not tax deductible and will lead to higher tax rate
- Impact of German tax changes probably only slightly positive

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Balance sheet

Amounts in CHF mio

	30.06.2000	31.12.1999[1]		30.06.2000	31.12.1999[1]
Tangible fixed assets	4 508	4 059	**Equity**	**2 946**	**2 773**
Intangible assets	2 884	160	Minority interests	106	106
Financial assets	983	1 013			
Total long-term assets	**8 375**	**5 232**			
Inventories	2 413	2 083	Financial debt	6 399	3 603
Accounts receivable	1 848	1 810	Other	4 107	3 906
Other current assets	522	439	**Total liabilities**	**10 506**	**7 509**
Cash	400	824			
Total current assets	**5 183**	**5 156**			
Total assets	**13 558**	**10 388**	**Total equity & liabilities**	**13 558**	**10 388**

[1] Restated

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Impact of IAS 22 (revised) "Business Combinations"

Expenses from restructuring activities which are not yet specified and announced at the time of the acquisition have to be charged to the income statement. Rule is to be applied 5 years backwards.

- Purchase of the Hoechst specialty chemicals business generated goodwill of CHF 675 mio which is now subject to revised rule:
  - Goodwill of CHF 650 mio charged retroactively to 1997 accounts and CHF 25 mio to 1998 accounts
  - Restated equity lower by CHF 592 mio at CHF 2 773 mio (at the end of 1999)
  - Goodwill amortization decreases by CHF 34 mio per annum, earnings accordingly higher

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Enlarged balance sheet

Acquisition of BTP

- Preliminary calculated goodwill amounts to CHF 2 760 mio
- Goodwill amortized over 20 years, annual charge of CHF 138 mio
- First half results include amortization of CHF 46 mio for 4 months

Leveraged balance sheet

- Financial debt as expected increased to CHF 5 999 mio due to acquisition of BTP
- Lower equity including minorities at CHF3 052 mio, reflecting impact of IAS 22
- Gearing at mid year at 197%
- Conversion of equity-linked bond increased equity by CHF 424 mio in August and reduced financial debt accordingly
- Adjusted gearing about 160% reflecting improved leverage

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Net working capital management

- Inventories built up by CHF 162 mio
  - Seasonal effect due to summer holidays
  - Destocking of customers
  - Some planned stock-piling for maintainance shutdowns
- Trade accounts receivables reduced by CHF 159 mio
  - Collection period reduced
- Accounts payables lowered by CH 225 mio
  - Formerly favorable contracts had to be replaced at market conditions

→ Inventory management shows potential for improvement

→ Reduction of net working capital to below 30% of sales targeted

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Financial outlook

- Continued positive sales development in second half
- Slightly lower operating margins in second half expected
  - Some raw material prices will increase further
  - Prices being increased, but margins in the respective businesses short term under pressure
  - Less currency support
- Net profit 2000 lower due to goodwill amortization and restructuring charge
- Clear improvement of operating income and net profit in 2001

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