Clariant

Annual Report 2000

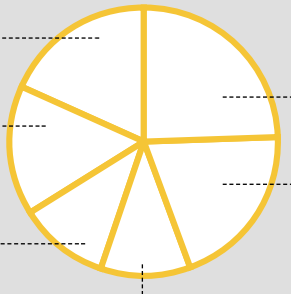
Business review		**2000**	1999 restated	Change
Divisional sales	CHF mio	**10 583**	9 158	+16%
Operating income before amortization of goodwill		**1 135**	1 082	+5%
Net income		**505**	587	–14%
Net income and depreciation on tangible fixed assets and intangible assets		**1 152**	1 169	–1%
Total assets		**12 947**	10 388	+25%
Shareholders' equity		**3 567**	2 773	+29%
Investment in fixed assets		**535**	425	+26%
Research and development		**414**	362	+14%
Personnel costs		**2 935**	2 168	+10%
Employees (at year-end)	Number	**31 546**	28 993	+9%
Earnings per share	**CHF**	**34.14**	**41.13**	**–17%**
Dividend per share		**11.00**[1]	10.0	+10%

[1] As proposed to the General Meeting of Shareholders.

Clariant very briefly

Clariant is a global leader in the production of fine and specialty chemicals with about 31,500 employees and annual sales of more than CHF 10 billion. The young company has grown out of the Chemicals division of Sandoz, which was floated on the stock market as a spin-off in the summer of 1995, and was extended significantly through the integration of the Hoechst specialty chemicals businesses in the summer of 1997. Through the acquisition of the British fine chemicals producer BTP in early 2000 Clariant became a leading manufacturer of intermediates and active ingredients for the pharmaceutical and agrochemical industry. The Group operates worldwide with more than 100 companies on five continents. It is domiciled and headquartered in Muttenz near Basel/Switzerland. The products and services of the six divisions Textile, Leather & Paper Chemicals, Pigments & Additives, Masterbatches, Functional Chemicals, Life Science & Electronic Chemicals and Cellulose Ethers & Polymerisates are based on specialty chemicals which play a decisive role in the clients' manufacturing processes, and upgrade their end-products. Clariant's work is successful due to the expertise of the staff members. The employees recognize the challenges the customers face, tailor the products to their exact specifications, and collaborate with them to come up with effective solutions: Clariant – Exactly your chemistry.

Sales by divisions Total 2000: CHF 10 583 mio.



Functional Chemicals
CHF 1 935 mio.

Life Science & Electronic Chemicals
CHF 1 651 mio.

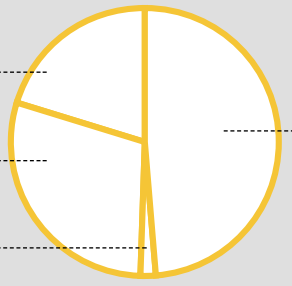
Cellulose Ethers & Polymerisates
CHF 1 155 mio.

Textile, Leather & Paper Chemicals
CHF 2 589 mio.

Pigments & Additives
CHF 2 108 mio.

Masterbatches
CHF 1 145 mio.

Sales by regions Total 2000: CHF 10 583 mio.



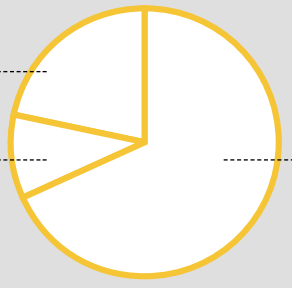
Asia/Australia
CHF 2 143 mio.

Americas
CHF 3 093 mio.

Africa
CHF 195 mio.

Europe
CHF 5 152 mio.

Investments by regions Total 2000: CHF 535 mio.

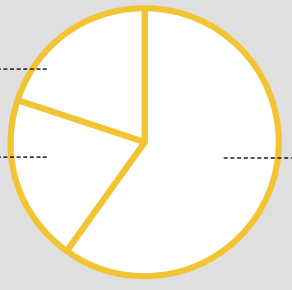


Americas
CHF 116 Mio.

Asia/Africa/Australia
CHF 54 Mio.

Europe
CHF 365 Mio.

Employees by regions Total 2000: 31 546



Asia/Africa/Australia
6 287

Americas
6 366

Europe
18 893

Contents

www.clariant.com

Seizing change as an opportunity

Clariant has had an eventful year, scoring a number of successes but also suffering some disappointments. On the one hand, with the successful takeover of the British company BTP we reached a strategic milestone in the promising area of fine chemicals; this step has made us into a leading partner for the pharmaceutical and agrochemical industries. On the other hand, though, the price of our share plummeted as the stock market turned its back on traditional industrial stocks. Fortunately, our employees have not allowed themselves to be distracted by the vagaries of the market and have persistently focused on strengthening the company's performance and growth potential. I would like to take this opportunity to thank all of you for this achievement.

Divisional sales in 2000 climbed by +16% from CHF 9,158 million to CHF 10,583 million. This growth was driven by two factors: for one thing, sales momentum picked up again as sales volumes increased; for another, expansion was driven by acquisitions along with favorable exchange rates. Operating profit before goodwill amortization rose CHF 53 million to CHF 1,135 million from the year-back figure of CHF 1,082 million. Adjusted for one-off revenues in the previous year, the improvement comes to CHF 118 million or +12%. The steep increase in the price of raw materials (the bill swelled by some CHF 200 million) could only be partially offset by passing on higher prices to customers, and then only with a time lag. Clariant met this reduction in earnings head on by initiating measures to cut costs and increase efficiency, and the impact of these moves will be felt in future too. Net income after minorities fell by –14% from CHF 587 million to CHF 505 million, owing in particular to additional acquisition-related goodwill amortization and higher financing costs connected with the takeover of BTP. Earnings per share accordingly declined from CHF 41.13 to CHF 34.14. However, earnings per share before goodwill amortization ("cash earnings") increased from CHF 42.39 to CHF 42.61. Given the positive outlook for the future, the Board of Directors will propose to the company's shareholders to raise the dividend by +10% from CHF 10 to CHF 11 per share.

Growth was driven by two factors: for one thing, sales momentum picked up again as volumes increased; for another, expansion was driven by acquisitions along with favorable exchange rates.

With its strong position in electronic materials and fine chemicals, Clariant is now well placed in two future-oriented markets with considerable growth potential.

The stock market turned its back on the specialty chemical sector, pushing down share prices for the industry as a whole and for Clariant in particular. The reasons investors gave for this trend – which we do not understand – are according to their opinion the more attractive investment opportunities to be found in other industries, the slowdown in the chemical sector and the steep rise in commodity prices. However, we were never forced to issue a profit warning because our business is broad-based and we are able to respond to business challenges swiftly. Nonetheless, over the year the share price fell to a 12-month low of CHF 461, though it did rally to finish at CHF 581.

As regards strategy, we forged ahead with the implementation of the Strategic Plan that was adopted in 1999. The takeover of BTP in the spring marked a major step in this direction. The product ranges, the know-how in chemical technology and the two management teams are all a perfect fit. We are confident that the pharmaceutical and agrochemical industries will increasingly turn to specialist fine chemical manufacturers for the production of their intermediates and active ingredients. With its strong position in electronic materials, Clariant is now well placed in two future-oriented markets with considerable growth potential. At the same time as we expand in our strategic growth areas, we will continue to dispose of semispecialty and specialty activities this year in order to streamline our business portfolio. The areas affected are those with insufficient growth and earnings potential as well as businesses that are of little strategic interest to Clariant despite their good performance and that would flourish better in a more suitable environment.

At the operational level, the strong performance by the divisions and local Group companies makes confident about the future: production plants were further optimized and adapted to meet market needs and, we are very pleased by the increased share of new and innovative products. This success, however, should not blind us to the fact that 2001 will be yet another very challenging year. The chemical industry is still in flux, and we are bound to see further changes in the environment. Our

goal is to seize these changes as an opportunity both to streamline our offering and to fine-tune our organizations. This currently affects primarily our companies and sites in Germany. Following divisionalization in Germany, when operational responsibility was delegated to the divisions, we will now carry out far-reaching restructuring in order to significantly improve competitiveness in this market. The company's ultimate aim in pursuing all these measures is to restore its solid balance sheet by generating greater free cash flow and reducing debt levels more quickly in order to regain its financial freedom of action.

Our goal is to seize the changes taking place in the chemical industry as an opportunity.

In its seventh year of existence, Clariant is in a strengthened position: it is one of the world's leading specialty chemical companies, has outstanding products and enjoys global reach. It can draw on a unique fund of know-how in a broad range of technologies and can count on highly skilled and committed employees. Therefore, the company is well positioned to tackle and confidently meet the challenges of the future.

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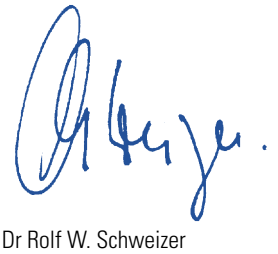


Dr Rolf W. Schweizer
Chairman & President

Corporate bodies

Board of Directors

Dr Rolf W. Schweizer*/**	Chairman and President
Eric André	
Truls Berg	
Pierre Borgeaud*	
Dr Reinhard Handte	
Markus Kündig*	
Roland Lösser	
Tony Reis	
Dr Herbert Wohlmann	Secretary

Board of Management

Dr Reinhard Handte**	Chief Operating Officer
Roland Lösser**	Chief Financial Officer
Peter Brandenberg**	Clariant in Germany
Dr Ulrich Cuntze	Special Regions
Dr François Darrort	Life Science & Electronic Chemicals
Dr François Dennefeld	Textile, Leather & Paper Chemicals
Steve Hannam	Life Science & Electronic Chemicals
Dr Günther Hencken	Masterbatches
Joachim Mahler	Cellulose Ethers & Polymerisates
Reinhart S. Meyer	Functional Chemicals
Dr Victor Sanahuja	Pigments & Additives
Dr Hartmut Wiezer	Research & Development/ New Business Development
Walter Vaterlaus	Secretary
Group Auditors	**PricewaterhouseCoopers,** Basel

* Member of the Presidium

** Member of the Executive Committee of the Board of Management

Valid on January 1, 2001

Shareholders vote in favor of resolutions

The shareholders of Clariant Ltd, Muttenz/Switzerland, have taken note of the stable 1999 business results at the company's 5th Annual General Meeting on April 18, 2000 in Basel and voted by clear majorities in favor of the resolutions proposed by the Board of Directors. Among other things, they granted discharge to the Board of Directors and the Board of Management and approved a +11% higher gross dividend of CHF 10.00 per registered share of CHF 50.00 par value. In place of *Klaus-Jürgen Schmieder* and *Claudio Sonder,* who have resigned from the Board, the Clariant managers *Reinhard Handte,* Chief Operating Officer, and *Roland Lösser,* Chief Financial Officer, were elected as new members of the Board of Directors.

Changes in the management of the Group

Rolf W. Schweizer announced that he would step down as Chairman and President of Clariant Ltd with effect from the next Annual General Meeting on May 16, 2001. The Board of Directors of Clariant has decided to split the dual function exercised by Rolf W. Schweizer and appoint a non-executive Chairman of the Board of Directors and a President & CEO. *Reinhard Handte,* who as Chief Operating Officer (COO) is responsible for the Group's operations, will take over as President and Chief Executive Officer (CEO) as of the Annual General Meeting in 2001. The new Chairman of the Board of Directors will be announced at a later date.

The Board has furthermore named Rolf W. Schweizer Honorary Chairman, effective the date of his resignation, in order to be able to draw on his experience and knowledge in future.

Roland Lösser will step down as Chief Financial Officer (CFO) of Clariant effective the date of the 2001 Annual General Meeting. He will, however, continue as an active Member of the Board of Directors. His successor is *François Note,* who had already been envisaged for this position. François Note is currently Head of Corporate Human Resources.

Effective the same date, *Steve Hannam* will relinquish active management of the Life Sciences & Electronic Chemicals division. However, he is prepared to accept a seat on the Board of Directors of Clariant where he can continue to support the planned expansion of Clariant's fine chemicals business with his wide industry experience. A proposal will thus be made to the 2001 Annual General Meeting to elect Steve Hannam to the Clariant Board. The Board has chosen *François Darrort*, who is currently the Division's Chief Operating Officer (COO), to succeed Steve Hannam.

Furthermore, the Board has entrusted responsibility for the Clariant companies in Germany to *Peter Brandenberg,* Head of Group companies, on a full-time basis.

From discovery to the market

Clariant acquired the British firm of BTP plc following a successful public takeover bid, effective March 1, 2000. The integration of the fine chemicals activities of both companies into the new Clariant Life Science Molecules business unit created one of the world's leading suppliers of intermediates and active ingredients for the pharmaceutical and agrochemical industries.

The *Clariant Life Science Molecules (LSM)* group in the Life Science & Electronic Chemicals division is a value-integrated, globally deployed business positioned to provide a full range of support in the development and manufacture of high-value products to pharmaceutical and agrochemical companies engaged in research and development as a partner. Our goal is to enhance the customer's productivity and profitability in any way we can. These efforts are based on our outstanding performance, global research and development, and a solid command of a vast array of chemical syntheses. They are backed up by leading technologies, cutting-edge facilities, and innovative process development.

Clariant LSM consists of three groups that are active throughout the world and that concentrate on three key segments: pharmaceuticals, agrochemicals and fine chemical specialties. Two of these groups are engaged in the earliest stages of the development of marketable products: *Lancaster* and the *Clariant Life Science Molecules Synthesis Centre (MSC).*

Creating value in each phase

Clariant Life Science Molecules provides valuable support in each phase of the product development cycle – from basic materials and intermediates to active ingredients and finished formulations. It has the expertise, professional talent, technologies and infrastructure needed to drive complex projects forward and to quickly develop new products up to the launch stage. This makes it a competent partner for leading pharmaceutical manufacturers, for whom it performs critical syntheses. It also supplies development support and high-value products to these companies. It takes these products from the laboratory, to pilot plants, and finally into large-scale production. Manufacturing can be provided at 11 different plants in Europe and the USA utilizing *"Current Good Manufacturing Practices" (cGMP).* These multi-purpose facilities provide "chemistry without limits" for complex multistep syntheses. In addition, Clariant LSM has expertise in the manufacture of chiral compounds by both chemical and enzymatic routes and capability in biotechnology via nucleotide chemistry.

Pharmaceutical production is supported by certified plants that permit full back-integration in different stages of drug development. The drugs can be formulated in Italy, France and the United States, using starting materials and intermediates manufactured at one of 23 facilities throughout the world. Production volumes can range from a few grams to over a ton.

Clariant's pharmaceutical specialists know the strict requirements that must be met in bringing a pharmaceutical product to market. However, their wealth of experience allows them to apply their know-how in the earliest phases of the development process – always with full confidentiality – and ultimately to create the critical master file needed to ensure that a new drug can be launched quickly and smoothly.

The quest for cost-effectiveness

Clariant LSM produces advanced intermediates and active ingredients for a wide range of commercial agrochemical products – including insecticides, herbicides and fungicides. Production includes a diverse range of commercially available chemicals, as well as proprietary compounds developed under exclusive contract.

The group's primary mission is to develop and implement the best technological solution for new molecules, collaborating closely with the customer to optimize the specifications of a product in such a way that it can be brought to market faster and can achieve higher profitability throughout the entire life cycle.

Clariant LSM manufactures agrochemical intermediates at 11 different production sites on four different continents using an extremely broad range of technologies. Clariant's competence in this area is an important strength: its worldwide reactor capacities can be brought to bear to quickly complete projects with a minimum of additional process investment. These multipurpose facilities offer our customers flexibility and allow them to respond quickly to changing market needs. Chemists, engineers and experts who oversee process development and scale-up activities work together closely with the customer to ensure that commercial products are scaled up quickly.

Across the markets

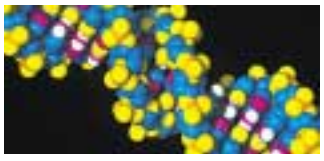
In the area of *fine chemical specialties,* Clariant offers toll manufacturing across the full range of markets, as well as a broad portfolio of technology-intensive products. Extensive synthesis and process development resources are offered to assist in the manufacture of key intermediates, resources that can ultimately spell success in the marketplace for a research-intensive product.

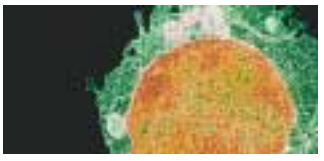
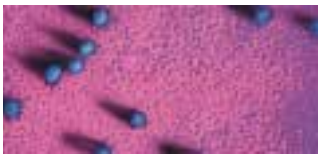
Clariant's process expertise and comprehensive knowledge of manufacturing technologies can be a critical factor in almost any application that demands cutting-edge technology. This know-how helps to leverage existing resources and to bring innovative new products to market faster and more profitably. Clariant can offer its customers a critical advantage: supply reliability. Products can be manufactured at various sites throughout the world.

The *Specialty Fine Chemicals* group is a leader in the utilization of silicone chemistry, supplying silicone intermediates such as functional silanes, siloxanes and silazanes for use in silicone products, electronics and composite materials. The group also has a strong position in the field of colloidal silica nanoparticles with its *Highlink® OG* product line, which improves mechanical and optical surface properties in coating systems with nanotechnical effects. The business has also established itself as a leader in glyoxal and glyoxyl products, which are used in a large number of applications.

14,000 laboratory chemicals

Lancaster is one of the leading suppliers of catalog research chemicals, offering over 14,000 com-



pounds, some 3,000 of which are considered difficult to source elsewhere. Offering quantities in the gram to kilogram range, the Lancaster catalog features many leading products, especially in the areas of boronic acids, fluorines, silanes and chiral compounds. Many of the products in the catalog are unique to Lancaster. The group's goal is to provide the best possible service to chemical researchers throughout the world. Over 90% of orders received are shipped the same day. Lancaster has service centers in the UK, USA, France, Germany, India and Japan, and distributors in 11 other countries.

In addition to a broad range of chemicals and a customer-focused infrastructure, Lancaster offers scientific and technical support to industry through its personnel and extensive technical literature. A group also provides access to the latest chemistry and to novel compounds. With experience in almost every organic reaction, Lancaster is constantly working hard in the UK and the US to add new compounds and extend the range of chemicals it offers.

Supporting discoveries

The *Clariant Life Science Molecules Synthesis Centre (MSC)* is a unique service organization that provides support to discovery and development programs in the pharmaceutical, agrochemical and fine chemical specialties markets. The MSC is an integral part of Clariant Life Science Molecules' ability to support the activities of its customers to all the way from discovery and product development to new product launches. The group works on a project or production basis and is willing to transfer technology when the customer sees fit. Its services also include custom syntheses, screening, contract research and development, as well as process identification and optimization.

Driving the activities of MSC is a group of highly qualified research personnel with years of experience in organic synthesis. The members of the group are located in Germany, the United Kingdom and the USA. These teams work at world-class facilities. An extremely well equipped pilot plant in the UK can carry out customer syntheses from a few grams up to several kilograms. The MSC can also support early-scale cGMP manufacturing. The MSC is committed to providing outstanding services, maintaining confidentiality, and utilizing cutting-edge technologies.

Chemical-technological know-how

Halogenation
- Chlorination
  - Chlorine
  - Sulfuryl chloride, Thionyl chloride
  - Phosphorus oxichloride, Phosphorus trichloride, Phosphorus pentachloride
- Bromination
  - Bromine, Chlorobromide (Nucleus, Side chain)
  - Hydrogen bromide, Alkyl bromide
- Fluorinations
  - Halogen exchange
  - Fluorine elemental
- Iodination
  - Iodine aromatics, Direct iodination, Sandmeier reaction
  - Iodine aliphatics (Methyl iodide, Iodoform, etc.)

Reduction
- Hydrogen Pd, Pt, Raney-Ni
- Hydride: Sodium borohydride, Borane, Lithium aluminum hydride
- Sodium sulphite, Sodium sulphide, Hydrazine

Oxidation
- Nitric acid
- Air oxidation

Metalorganic chemistry
- Grignard, Wurtz
- Boric acid
- C-C-Coupling (Suzuki, Heck, etc.)

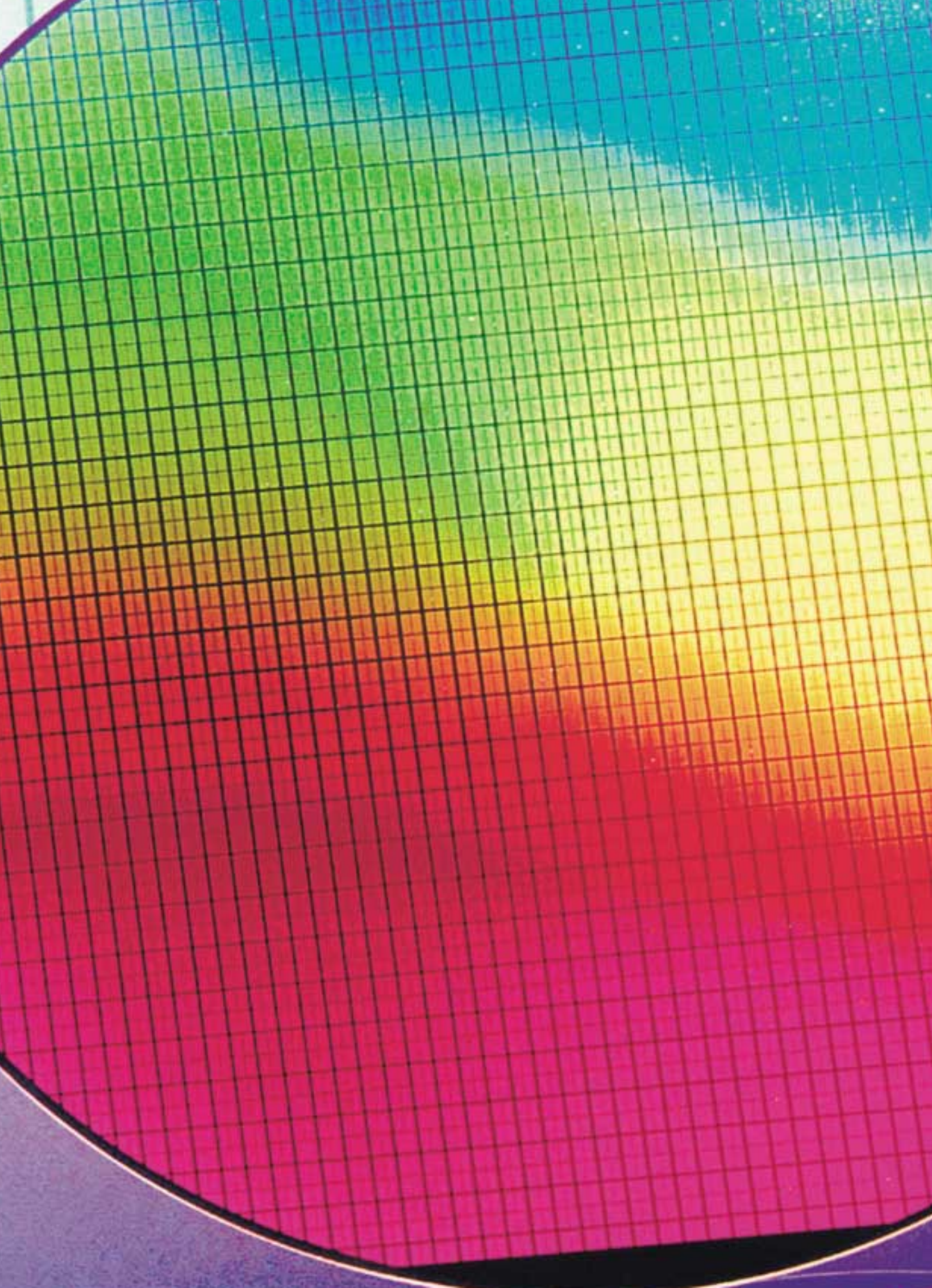
Aromatics chemistry
- Friedl Crafts acylation, -alkylation
- Ullmann reaction
- Chloromethylation, Vilsmeier reaction
- Nitration (continuous, discontinuous)
- Chlorosulphonation
- Carboxylation
- Diazonium salt chemistry (Phenylhydrazines, Sandmeier reactions)
- O, N-alkylations

Special technologies
- Cyanation
- Phosgenation
- Silane chemistry
- Aromatic sulfur compound
- Alkylphosphonic acid derivatives

Reactions of carbonyl, carboxyl functions
- Esterification
- Amidation, Nitrile formation
- Acid chlorides
- Condensation (Knoevennagel, Mannich)

Heterocycles and others
- Piperazine
- Pyridine, Niacin derivatives
- Thiophene derivates
- Benzimidazoles, Benzoxazoles, Pyrazoles
- Nucleic acids, Nucleosides

Chiral intermediates
- Enantiomeric separation
- Chiral hydrogenation
- Enantioselective cyanohydrines and derivatives
- Chiral epoxide opening



Adding value through innovation

Exciting ideas and creative solutions do not in themselves guarantee success. What is critical is how fast an improved or completely new product moves from the laboratory to the marketplace. To accomplish this, specialist expertise, application know-how, and knowledge of the market have to be skillfully interwoven – an ability that is one of Clariant's strong points.

Over 15,000 patents and patent applications protect our knowledge about the products and processes that benefit our customers throughout the world. Example catalysis: Modern catalysts increase the rate of reaction and ensure that simple, cost-effective feedstocks can be used. For example, Clariant uses air instead of expensive oxidizers as a reactant in many processes.

In addition, Clariant manufactures the most modern available generation of catalysts – the metallocenes – under contract for our customers. In one of our proprietary processes, metallocenes are used to manufacture waxes that, compared to conventional products, exhibit improved properties and thereby open up new potential applications.

To achieve market success, though, it is more than just products that count, but how the products are manufactured. Clariant is continually modifying its processes to maintain its cost and technology leadership. One example of this is the manufacture of diketene – an important intermediate for pigments and other substances: Production was improved systematically in all individual steps, and today the process represents the best that can be achieved in production technology anywhere in the world. Biotechnology is also becoming increasingly important – for example in textile chemistry. Thus, an enzymatic process is being used to greatly enhance the value of textile surfaces. This is what gives "stone washed" jeans their characteristic look.

Research and development projects are conducted on a decentralized basis so that we can be as close as possible to customer needs and requirements. Usually these projects are assigned directly to the business units involved. Research projects, which can extend over a period of a few months to several years, are coordinated centrally in order to maximize synergies within our research work. In addition, the projects are reviewed at regular intervals to make certain that goals are being met and are relevant to the marketplace.

Clariant employs more than 1,650 people in research and development, mainly in its R&D centers, the largest of which are located in Switzerland, Germany, France, Britain, Japan and the USA. Overall, the group annually invests about 4% of its total sales in research and development. In 2000 the figure was CHF 414 million (1999: CHF 362 million), which is equivalent to an increase of +14%. Priority was given to forward-looking products above-average development expenditure, while investments in mature products and technologies were kept at a low level.

Key projects

Textile, Leather & Paper Chemicals

- New silicone emulsions to improve the "grip" of textiles and give them special properties
- Oil- and water-repellent substances based on fluorocarbon derivatives
- Environmentally friendly optical brighteners having a low nitrogen content

Pigments & Additives

- Further development of metallocene waxes for a new, complete line of high-performance waxes
- The world's first halogen-free flame retardant for electrical and electronic applications complying with UL V-0 criteria
- New additive systems having lower addition rates, and a new generation of process stabilizers for polyolefins

Masterbatches

- Wax-resistant additive masterbatches having unique properties such as UV protection, flame retardation, odor inhibition, antimicrobial action for the manufacture of fibers
- Specially formulated masterbatches for optimizing color laser markings such as logos, texts or barcodes on plastics
- Development of an Internet software program ("e-Design") to ensure color consistency between designs created with CAD systems and the final product
- Use of nanotechnology to improve the properties of plastics

Functional Chemicals

- Joint products with customers to develop new performance additives in the area of detergent raw materials
- Expanding the range of polyalkylene glycol specialty products
- Development of new polymers for the cosmetics sector and new additives to reduce the amount of crop protection agents that need to be used
- A new generation of drilling and cementing auxiliaries to affect the water, oil, and gas permeability of rock

Life Science & Electronic Chemicals

- About 170 projects are being carried out in close cooperation with customers throughout the world
- Clariant Synthesis Center for synthesizing novel molecules for tests with customers in the pharmaceutical industry
- New class of photoresist for use in light management films, ferroelectric liquid crystals and HDTV screens

Cellulose Ethers & Polymerisates

- Development and manufacture of cellulose ethers on the basis of modified production processes for use in polymerization; pharmaceutical and coating industries
- Refinement of processing for manufacturing hydroxyethlycellulose (HEC) having novel product characteristics in a new plant

Clariant joins Omnexus™
Since December 2000 Clariant's Masterbatches division has been part of *Omnexus™,* the world's most important electronic marketplace for injection moulding products. Our participation will allow Omnexus to expand its product offerings to include a broad spectrum of color and additive masterbatches. Omnexus was originally founded by BASF, Bayer, Dow, DuPont and Ticona/Celanese. It currently includes about 25 globally active companies that offer their products to the plastics industry via the Internet.

Information:
www.omnexus.com

Sydney's blue wonder
The Olympic flame in Sydney was lit by a torch colored using a special Clariant dye. This torch, whose gracefully curved shape resembles a boomerang, was designed especially for the Games. The designers wanted to use the color of the torch to symbolize the deep blue of the Pacific Ocean. A Clariant product provided the design solution: The torch's fuel tank is made of aluminum, which was dyed blue using a special process. Clariant supplied the dye for this process, *Sanodal® Turquoise Blue PLW Liquid,* which produces vibrant color and excellent lightfastness. Since the colored layer is integrally bonded to the metal in a special process, the torch was able to withstand the most severe climatic conditions in the tropical rain forests of Oceania as well as under the burning sun of Australia's outback.

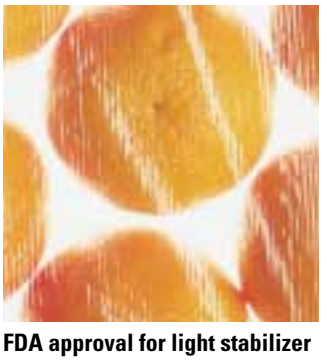
Information:
www.clariant.de (Media)
or: **pa.clariant.com**
(Special Applications)

New landmark in Höchst
Clariant GmbH's site at the Höchst Industrial Park near Frankfurt, Germany has a new landmark: the company's mill for high performance pigments, which was modernized at a cost of about DEM 14 million. Even before the façade was renovated, the building – which is 95 meters long, 30 meters wide and 25 meters high – was one of the most impressive structures in the entire industrial park. Professor Friedrich Ernst von Garnier has transformed the building into a work of art. The renowned artist completely changed the colors of the façade. Garnier, who has received numerous international awards, exclusively used paints containing pigments that are ground in the mill. Before leaving the building and being used in paints, plastics, printing inks, toners, ink jet inks, or cosmetics, these pigments are subjected to quality testing, blended as specified in the given formulation, ground to meet the requirements of the application, and then filled into containers. The plant currently processes about 80 different pigments in its blenders and milling equipment.

Information:
www.clariant.de (Press)

New heating system for Clariant building
Clariant's main administrative building in Sulzbach, Germany is the first building in the world to be heated using mobile heat storage units. The *"TransHeat"* heating concept, which was developed by the Eureca company in Bensheim, Germany, uses waste heat produced by electrical power plants or industrial plants to heat a storage medium. This medium is a solution of sodium acetate, a compound made from a solution of sodium hydroxide and acetic acid. It can absorb large amounts of heat and store this heat for long periods of time. The energy for this industrial-size "hot water bottle" is obtained from a Clariant plant in the nearby Höchst Industrial Park. The heated medium is transported by truck to Sulzbach several times a day. "TransHeat" cuts energy costs by nearly 25 percent, and reduces emissions of the greenhouse gas carbon dioxide by about 2,000 tons a year.

Information:
www.clariant.de (Press)



FDA approval for light stabilizer
The light stabilizer *Hostavin® N30* from Clariant's portfolio of additives recently received FDA approval. This approval is required for materials that come into contact with food products. The approval substantially broadens the range of applications for the product, which is already being used successfully in plastics, for example, to provide light stabilization in greenhouse films used in agriculture and in stadium seats. Now it can also be used in packaging films for foods, household articles, drinking water pipes, etc. The approval also opens up a big door for Hostavin N30 by allowing it to get global technical approval from multinational corporations. The product is marketed exclusively by Clariant and is available for further processing in various forms such as powder or granulate.

Information:
pa.clariant.com
(Additives, Polymer Additives, Applications)

"Baking powder" for plastics
Baking powder in pipe insulation, shoe soles or food packaging? In terms of its function and chemical composition, *Hydrocerol®* is very similar to ordinary baking powder (sodium bicarbonate). The difference is that it is mixed into plastics and not dough. Just like baking powder, it produces carbon dioxide gas when it is heated, creating a fine bubble-like expanded structure in the polymer. Special properties can be imparted to plastics using this technique. Expanded floor coverings, for example, have both thermal and acoustic insulation properties. Corks for wine bottles no longer need to be made of expensive natural cork: Plastic corks made using Hydrocerol as the blowing agent have precisely the same air

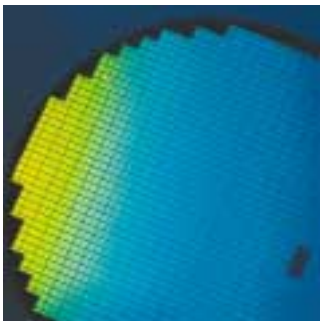
permeability and resistance to pressure as the natural material. In order to keep pace with the rapid growth of this business, Clariant has put a new production plant into operation at its Ahrensburg site near Hamburg, Germany. 40 jobs for highly qualified employees were created in the process.

Information:
www.masterbatches.com
(Products Overview, Additive Masterbatches, Hydrocerol®)

Global branding strategy
The Masterbatches division has introduced five global trade names to be used for all its standard and custom offerings of color and additive masterbatches throughout the worldwide Clariant organization. This global branding strategy follows the successful completion of a three-year program to establish a uniform corporate identity under the Clariant name. The program will increase the effectiveness of customer service and eliminate product names that are specific to individual countries or regions. This will make it easier for engineers and processors to select suitable products and order them from Clariant. Clariant Masterbatches has five global product brand names:

- *Remafin®* masterbatches for use in olefin-based applications
- *Renol®* masterbatches for non-olefin-based products and applications;
- *Cesa™* for standard and specialty additive masterbatches;
- *Hydrocerol®* for chemical foaming and nucleating agents;
- *Omnicolor®* for multipurpose color masterbatches.

Information:
www.masterbatches.com
(Products Overview)

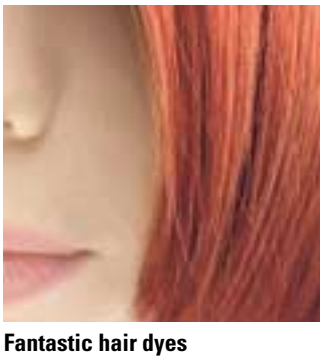


Photoresist for extremely fine structures
IMEC, Europe's leading center for microelectronics research has qualified Clariant's *AZ® DX 5105P* deep-UV photoresist for the critical gate levels of its 248-nm pilot line. "Lithography is the key factor for producing next-generation devices. This photoresist was picked for our most critical 248-nm gate levels because of its superior performance in imaging 150-nm and smaller features and in achieving good line edge roughness," explained Kurt Ronse, director of the IMEC Lithography department. Clariant's partnership with IMEC gives it access in Europe to the most advanced technological equipment and to cutting-edge technology.

Information:
www.imec.be
or: **lse.clariant.com**
(Electronic Materials, Deep-UV Photoresist)

Environmentally friendly pigment paste
Reflexblau A&L-G 31 MF is a new "flush" pigment paste based on Pigment Blue 61. The product meets the highest standards of ecological safety. It is based on vegetable oils and therefore contains no mineral oils or other volatile organic compounds. The new flush paste exhibits excellent color strength. It is recommended for sheet offset and newspaper printing inks, but is also suitable for heat set inks. In these systems the paste is mainly used to tone "environmentally friendly" black inks, and it can also be used to manufacture blue offset inks.

Information:
pa.clariant.com
(Pigments, Ink Pigments, Products)



Fantastic hair dyes
Changing hair color whenever the mood strikes you is no longer a problem. Both tinting or dyeing are possible. In tinting, colored substances penetrate right into the interior of the hair. These color molecules are very small, so that they can dissolve right out of the hair again. Shampoo a few times, and the tint is completely gone. In dyeing, however, everything is possible. Hydrogen peroxide bleaches out the hair. At the same time, color active ingredients are deposited on the hair, forming extremely vibrant color molecules that cannot be shampooed out. As a result, the color has to "grow out" over time. The trend toward increased use of hair coloring products has been with us for many years. Clariant's Functional Chemicals division manufactures the intermediates needed to support this trend: Handy powders that can be used to conjure up hundreds of different colors. Twenty-eight metric tons of these highly pure colorants were produced in 2000 – eight tons more than just three years ago, an impressive figure, considering that no more than 5 grams are needed for one application.

Information:
fun.clariant.com
(Markets, Personal Care, Hair Care)

Y2K no problem
Throughout the world, Clariant experienced no problems with Y2K. All plants were restarted on schedule without any difficulties. The Y2K teams that were in place throughout the entire group contributed decisively to this positive outcome. During the previous two years, these teams were supported by a large number of additional employees within the organization. In addition, special emergency teams were ready to respond during the tension-laden period from New Year's Eve to New Year's Day. Fortunately, they did not have to be called on.

Securely bonded
Take an aqueous solution of polyvinyl alcohol, add butyraldehyde and a little bit of acid as a catalyst, and the result is a milky-white aqueous suspension. However, this is only an intermediate step, since *Mowital®*, one of the main products of the Cellulose Ethers & Polymerisates division, must be a fine dry powder. The art of manufacturing this product is to control the chemical reaction precisely, so that the resulting substance has the precisely reproducible properties of the desired Mowital type. Specific temperatures must be maintained during production to produce the fine-grained powder that customers need for high-tech applications in various sectors. If the temperatures are too high, the product clumps together. The reaction – acetalation – is carried out in large stirred reactors. The remaining manufacturing steps are: washing, filtering, centrifuging and air-drying – all performed continuously. Finally, Mowital is used in printing inks, binders for paints and corrosion protection, as well as laminated safety glass for buildings, video screens, and automobiles.

Information:
cep.clariant.com
(Brands & Products, Mowital®)

Controlled light
Liquid crystal displays are essential to modern communications electronics. Everyone is familiar with the term LCD (liquid crystal display). However, their optical properties are not yet satisfactory. The Electronics Materials business unit is involved in research projects aimed at coming up with decisive improvements. One possibility is *diffuser films,* into which complicated molecules are embedded. These molecules disperse and bundle the light coming from the rear, so that most of the light is directed up and down and not to the side. Using this technology on a mobile telephone, for example, produces a crisper and brighter display. However, it is also necessary to "control" ambient light that strikes the device from the outside. The solution is a sophisticated film in which a minuscule prism structure aims the light in the right direction: toward the viewer's eye. A television screen or computer monitor have different requirements. With these devices you also have to be able to see the image from the side. Products have to be continually perfected and modified – namely tailored to the needs of the customer and the consumer.

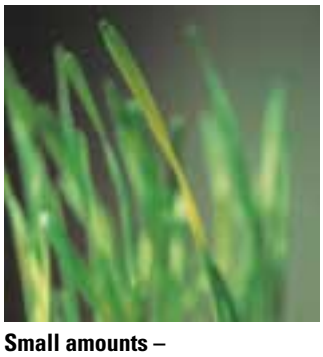
Information:
www.azresist.com (Products)

Exchanging knowledge and know-how
More than 50 scientists presented research and development projects from all our divisions at the international *Clariant Innovation Forum.* The purpose of this event was immediately clear: to exchange knowledge and know-how among all the divisions, business units and companies in the Clariant group. The program focused on markets for which new products and applications are being created. The scientists also attended workshops devoted to discovering how profit-generating innovation processes can be accelerated and improved. Chief Operating Officer Reinhard Handte asked the participants to think like entrepreneurs in carrying out their research work: "The goal is to achieve at least 30% of our sales with new products."

Information:
www.clariant.com (Innovation)

Unrivaled brilliant blue
The new paper colorant *Cartasol® Brilliant Blue RF Liquid,* another in the string of successes developed by our color researchers in Basel, produces a pure and brilliant color. In technical terms, the product is a strong anionic blue whose preferred uses are for coloring wood pulp-free paper and cardboard and for tinting white high-brilliance papers. The product belongs to the new generation of colorants that does not contain any azo groups and therefore does not have the disadvantage of liberating potentially hazardous or environmentally undesirable amines. It is also free of heavy metals and urea. Its environmentally safe formulation – only the active ingredient and water – means that it does not contain any auxiliaries that could contaminate wastewater. The colorant is drawn completely into the fibers. Thanks to its novel molecular structure, it exhibits high lightfastness and an exceedingly pure brilliant blue color.

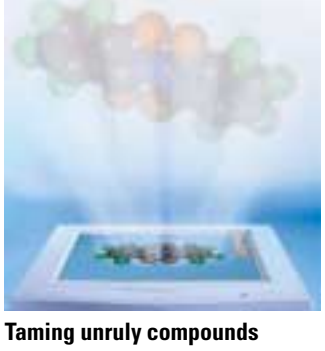
Information:
tlp.clariant.com (Paper, Dyes)



Small amounts – high effectiveness
Nowadays, crop protection agents are becoming increasingly effective: In the 1960s about 25 kilograms of active ingredient were required per hectare of cultivated acreage. Today, the same job can be done with as little as 25 grams or less. The advantages of this development are obvious: The farmer saves money, and the impact on the environment is reduced. Progress in crop protection is based not only on improved active ingredients but also on a multitude of chemical auxiliaries such as those developed and marketed by the crop protection area of Clariant's Functional Chemicals division. In the case of these auxiliaries, our scientists keep finding new answers to the same question: How can one apply a teaspoon of active ingredient to an area the size of a football field so that the substance can produce its optimum

effect on the plants. In addition to emulsifiers and dispersants, so-called *adjuvants* are used. These substances are additives that improve the crop protection agent's effectiveness and range of applications. By using adjuvants, it is possible to reduce the amount of active ingredients that have to be applied and to improve user safety. Specialty chemicals such as "bio-enhancers" attack the waxy layer found on plant leaves, ensuring that active ingredient molecules can produce their full effect as quickly and intensively as possible. In the highly competitive crop protection market, good ideas are more important than ever. Expiring patents, the high cost of developing new products, globalization of business activities, and strict environmental regulations are a challenge for active ingredient producers as well as for suppliers such as Clariant.

Information:
fun.clariant.com
(Crop Protection)



Taming unruly compounds
The effectiveness of new drugs and crop protection agents is often due to the fact that they are made up of building blocks containing fluorine. Clariant has developed innovative catalyst systems that allow it to create new compounds that up to now were difficult or impossible to produce. *Fluoroaromatics* are a class of bondings that is especially effective in this respect. These are ring-shaped compounds consisting of carbon and hydrogen to which one or more fluorine atoms are attached. Clariant's *Life Science Molecules* business unit has for some time been a leading developer and manufacturer of these molecules. Now, thanks to a new technology, promising fluorine compounds can be manufactured on a large scale at prices that open up completely new applications. Chlorine compounds that are relatively easy to obtain serve as the "raw material" for fluoroaromatics. But what looks easy on paper is often much more difficult in actual practice: The problem is to replace chlorine atoms with fluorine atoms. Specialists also referred to this reaction as a *halex* (halogen exchange) reaction. In recent years, a "reaction helper" has always been used in these reactions, a so-called *phase-transfer catalyst*. But particularly stable and highly promising aromatic chlorine compounds could not be made to undergo halogen exchange – the fluorine didn't have a chance to replace the chlorine. At Clariant's facility in Griesheim, Germany, researchers have been working for quite some time on catalyst systems that can convert such "unruly" chlorine aromatics into fluorine-containing molecules desired by customers. These new phase-transfer catalysts have to perform a chemical balancing act. They have to bring together the "fluorine provider" – an inorganic solid like potassium fluoride – and the organic aromatic compound. The team of researchers in Griesheim has developed and patented a whole range of such catalyst systems. This will make many new chemical breakthroughs possible: The phase-transfer catalyst is taking fluorine atoms to places they couldn't go using conventional methods.

Information:
lse.clariant.com (Products)

Cellulose Ethers in North America
The Cellulose Ethers & Polymerisates division has expanded its presence in the North American markets, where customers in the construction industry in particular are being offered a comprehensive range of products. The division also serves segments such as surface coating, surfactants, paper, textiles and pharmaceuticals. The division has over 26 production sites throughout the world and one of the industry's most complete product portfolios. Brands such as *Tylose®*, *Hostapur®*, *Mowilith®*, *Mowiol®* and *Mowital®* have been enjoying an excellent reputation for years.

Information:
nafta.clariant.com (Products)

Clariant acquires Christianson
Clariant acquired the Mexican company *Christianson S.A.* effective June 1, 2000, thus substantially strengthening its *Performance Chemicals* business in the NAFTA region. With 120 employees and a broad range of products, Christianson generated annual sales of over CHF 30 million. The acquisition is in line with the strategy of Clariant's Functional Chemicals division: to increasingly replace standard products with higher-margin specialties and to strengthen its presence in targeted regions. Christianson products are used in a wide range of applications: in crop protection, hair and body care products, detergent raw materials, industrial products, textiles and leather, the oil industry and mining. A substantial share of its production is exported to the United States and the rest to Latin America. The acquisition makes the division the region's largest manufacturer of products based on amine and ethylene oxide derivatives. With this acquisition, the Functional Chemicals division is opening up new application areas that have hitherto not been accessible in these markets.

Information:
nafta.clariant.com (Top Stories)

Laying the foundation stone
Last summer, Clariant celebrated the traditional "Richtfest" (equivalent to laying the foundation stone) at its new Muttenz (Switzerland) plant, which is dedicated to the production of specialty chemicals. In the space of eight months, a striking building, some 40 meters high, with cubic contents of 58,000 m^3 and a gross floor area of 9,300 m^2, was constructed on the existing site in reinforced concrete and structural steel framing with a metal cladding. Starting in mid-2001, the plant will operate year-round in shifts with a workforce of about 60 employees. The construction of the new production facility, which was started in September 1999 and will cost about CHF 100 million, is intended to expand the capacity for the manufacture of new products significantly. The investment is part of the Functional Chemicals division's strategy to produce more and more specialties with higher volume for the customers.

Solid growth achieved in core business

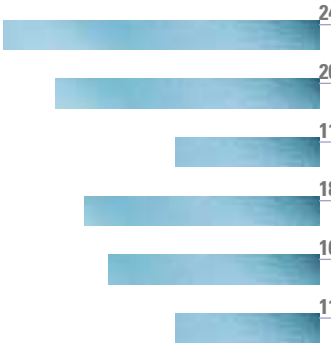
During 2000 Clariant continued to forge ahead in achieving its strategic goal of being one of the world's leaders in the fine and specialty chemicals industries. Through its acquisition of BTP, Clariant became one of the world's leading suppliers of life science molecules. The share of sales generated by new products and innovative solution packages continued to increase as a consequence of expanded activities in the area of research and development. Moreover, organizational structures were optimized to establish an excellent platform for future growth.

Clariant's core business grew significantly in 2000. *The Textile, Leather & Paper Chemicals* division saw its sales grow by +15%. The increase in the costs of raw materials was kept within reasonable limits thanks to efficient procurement. Profits grew significantly by +15% due to continued focus on high-margin products and rigorous cost management. The *Pigments & Additives* division turned in its most profitable business year ever. A sharp increase in volume, an improved product mix and systematic optimization of supply chain processes generated an +11% increase in sales and a +19% jump in operating profit, corresponding to an EBIT margin of 15.8%. Even though it enjoyed a growing business and saw its sales increase by +8%, the *Masterbatches* division was not able to completely buck unfavorable market trends with higher prices for certain raw materials. All the same, it was nearly able to equal the year-back results thanks to strict cost control, increased efficiency and the development of new products. Having streamlined its product portfolio of detergent raw materials, the *Functional Chemicals* division was only able to increase its sales by +6%. However, the division successfully pursued its realignment process, which involves withdrawing from mature markets and semi-specialties and expanding activities in the area of high-growth specialties. The acquisition of BTP's fine chemicals business led to a sales increase of +52% and an operating profit increase of +47% in the *Life Science & Electronic Chemicals* division. Clariant's position was thereby greatly strengthened, in particular in active substances for the pharmaceutical industry. Delays in launching new products and destocking by customers had a dampening effect on the performance of the *Life Science Molecules* business unit. However, the unit was able to initiate new projects thanks to its close cooperation with customers. It is currently engaged in 170 projects, one third of which are in clinical phase III or in the launch phase. The *Electronic Materials* business unit posted double-digit sales growth as a result of continued high demand for products used in semiconductor manufacturing and for photoresists used for flat panel displays. The *Cellulose Ethers & Polymerisates* division lifted its sales by +13% on higher volume resulting from greater market share. Unfortunately, successes in the marketplace were more than offset by a sharp rise in commodity prices, which led to a decline (–12%) in operating profit.

Investments by regions
Total 2000: CHF 535 mio.

68% Europe
CHF 365 mio.
22% Americas
CHF 116 mio.
10% Asia/Africa/Australia
CHF 54 mio.

Sales by divisions
Total 2000: CHF 10 583 mio.



24% Textile, Leather & Paper Chemicals
CHF 2 589 mio.
20% Pigments & Additives
CHF 2 108 mio.
11% Masterbatches
CHF 1 145 mio.
18% Functional Chemicals
CHF 1 935 mio.
16% Life Science & Electronic Chemicals
CHF 1 651 mio.
11% Cellulose Ethers & Polymerisates
CHF 1 155 mio.

Acquisitions integrated swiftly
The businesses acquired from the BTP plc fine chemicals company, with its nearly 2,800 employees, were integrated quickly and successfully. BTP's pharmaceutical and agrochemical activities were combined with Clariant's to form the new Life Science Molecules business unit in the *Life Science & Electronic* Chemicals division (see pages 8–9). The leather businesses of Hodgson and Earnshaw were integrated into the Leather business unit in the Textile, Leather & Paper Chemicals division, while the Biocides business was added to the Functional Chemicals division as an independent unit.

Investing in growth
Investments in property, plant and equipment totaled CHF 535 million in 2000 (1999: CHF 425 million), which corresponds to about 5.1% (4.6%) of sales. As in the past, our capital spending focused on the strategic growth areas: fine chemicals and electronic materials. The largest individual projects were the now-completed expansion of plants used to manufacture AZ® Photoresist in Branchburg, New Jersey, USA, and the new production facility for specialties used in the detergent raw materials sector in Muttenz, Switzerland, which will go into operation in summer 2001. Clariant intends to continue investing about 4–5% of sales in the construction of new plants and the maintenance of existing facilities.

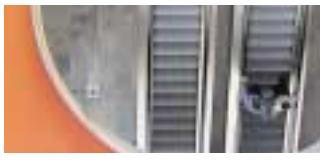
Faster rate of innovation
Research and development activities were continued with undiminished intensity. In 2000, CHF 414 million (1999: CHF 362 million) – +14% more or nearly 4% of sales – was spent for this purpose. This makes Clariant one of most research-oriented companies in the specialty chemicals industry. A significant share of the growth achieved over the past year was also attributable to the introduction of new specialties. In the area of Electronic Materials, for example, fully one third of sales was achieved with products that have been launched in the past three years. The innovation rate was even higher in Masterbatches. And it will also increase in Life Science Molecules, thanks to promising new product developments. The active renewal of Clariant's product portfolio will continue unabated during the current year. Increasingly, mature, traditional products will be replaced by more attractive or more effective products – items that give our customers advantages in their own markets and therefore create added value. Development work includes cross-divisional projects such as developing a color concept for the automotive industry that can be used in various divisions. These processes are firmly rooted in our enormous know-how, broad technology base, market-driven organization and our willingness and ability to collaborate closely with customers on developing attractive solutions. Clariant expects that business will develop dynamically this year, particularly in the strategic growth areas.

E-business pilot projects

Clariant is focusing its e-Business efforts on various pilot projects that are being monitored by a steering committee made up of members of the Board of Management. The main projects are:

- ***e-Procurement:*** *Clariant in the USA has launched a pilot project for the procurement of pipes, valves and accessories; in Germany there is a project for the procurement of laboratory chemicals and equipment. The projects uses a specially designed SAP module that contains a web browser and a Clariant catalogue. The system is regarded as very user-friendly and it greatly simplifies procurement and payment.*
- ***e-Marketplace:*** *Clariant is participating in Omnexus™, the most important electronic marketplace for injection moulding products. The offering will eventually comprise polymers, masterbatches, machinery and services for more than 100,000 injection moulding manufacturers the world over.*
- ***Business Center:*** *Customers with authorization can access this virtual center to order products, track orders, obtain technical and product information and request training programs or other services tailored to individual customer needs. The Masterbatches division is testing the application which can be found under the domain name "myclariant.com".*
- ***Color service via the Internet:*** *Online technologies for color management, color matching and other color-related services are opening up major business opportunities. The pilot project is concerned primarily with the technical feasibility of developing innovative business relationships with large multinationals.*
- ***Supply Chain Management:*** *The aim of the project is to demonstrate and explore the potential for savings arising from improved management of the supply chain. In addition, the project is intended to test to what degree business partners' IT systems have to be integrated in order to be able to track their orders online.*
- ***CPFR:*** *CPFR stands for "Collaborative Planning, Forecasting & Replenishment" – cooperation with customers in planning, determining requirements and managing supplies. This strictly confidential system uses data supplied by key accounts such as production forecasts, inventories or planning for unforeseen events.*

Reach and maintain leading positions



The business operations of Clariant are handled by six independent but coordinated divisions that are active worldwide, each with a distinct strategic objective: Textile, Leather & Paper Chemicals, Pigments & Additives, Masterbatches, Functional Chemicals, Life Science & Electronic Chemicals and Cellulose Ethers & Polymerisates. As top-level *profit centers,* the divisions report directly to the Board of Management and are accountable for their business worldwide. Their objective is to reach and maintain leading positions in all markets that have substantial growth and earnings potential. They have all the necessary operational resources such as research & development, production, marketing, sales and controlling. Each division comprises three or more business units, which are organized to meet the specific requirements and opportunities of their markets; where necessary, they are vertically integrated in some areas.

Improving the quality of life

Clariant makes a small but indispensable contribution to many articles you are familiar with in day-to-day life. Clariant contributes to advancements in computer technology, helps navigation systems negotiate city streets, enables companies to produce just the right paints for buildings and cars. We lend a helping hand when clothing is made, walls plastered, money printed, leather processed and drugs produced. Our products make concrete resistant to solvents, aid in dishwashing and crop protection, help make stadium seats more durable, highways quieter, building fronts more colorful, glass panes safer, and enable aircraft to take-off and land safely in very cold temperatures. Clariant specialty chemicals increase the value of all kinds of products and enhance people's quality of life – nearly everywhere.

As a fine and specialty chemicals group, the primary influences on Clariant's business are product performance, product differentiation, customer service, new product development and added value to the customer. The Group sells its products in more than 100 countries, through a combination of Group companies, service offices, agents and distributors. Specialists identify the challenges customer face, tailor products to their exact specifications, and collaborate with them to come up with effective "package" solutions. Clariant therefore constantly seeks to improve its product portfolio, production and application technologies and services.

Market-oriented organization

Textile, Leather & Paper Chemicals	Pigments & Additives	Masterbatches	Functional Chemicals	Life Science & Electronic Chemicals	Cellulose Ethers & Polymerisates
Textile Dyes	Pigments	Europe	Detergents	Electronic Materials	Cellulose Ethers/ Emulsion Powders
Textile Chemicals	Ink Pigments	Asia/Pacific	Performance Chemicals	Clariant Life Science Molecules	Emulsions
Leather	Additives	Americas	Process Chemicals	Specialty Intermediates	PVA
Paper			Biocides		PVB

Textile	Paints and lacquers	Plastics	Washing and rinsing agents	Health	Construction
Leather	Automotive	Fibers	Cleansing agents	Pharmaceuticals	Adhesives
Fashion	Transportation	Electronics	Cosmetics	Agro/crop protection	Binders
Paper	Printing	Communication	Hair and personal care	Electronics	Nutrition
Pulp	Toner	Packaging	Crop protection	Semiconductors	Surface coatings
Sports	Packaging	Office equipment	Automotive	Communication	Paper
Leisure	Industrial goods	Household appliances	Aviation	Laboratory chemicals	Leather
	Surface coating	Toys	Electronics	Exclusive synthesis	Textile
			Crude oil and refineries		Safety glass
			Mining		
			Metal-working		
			Nutrition		
			Preservation		

Reinforcing a strong position through innovation

Facts & Figures

	2000	1999
Sales:	**CHF 2,589 mio**	CHF 2,259 mio
Operating profit:	**CHF 341 mio**	CHF 299 mio
Operating margin:	**13.2%**	13.2%

Headquarters: Muttenz/Switzerland

Business units: Textile Dyes
Textile Chemicals
Leather
Paper

Core competencies:

- One of the world's leading suppliers of specialty chemicals and dyes for the textile, leather and paper industries
- Globally decentralized structures, broad-based product portfolio and efficient customer support
- System-led solutions thanks to enormous technological know-how and continuous innovation

Key products:

- Dyes and chemicals for the textile, leather and paper industries
- Reactive, direct, sulfur, disperse, acid and metal complex dyes
- Pretreatment, dyeing, printing and finishing chemicals
- Optical brighteners
- Process chemicals, cellulose chemicals

Business development 2000:

- Strong business recovery, in particular in the growth regions of Asia and Latin America
- Stronger competitiveness due to improved customer service and systematic optimization of the product portfolio
- High plant utilization worldwide through continued successful capacity optimization
- Major earnings improvement in textile dyes due to clever positioning of products as well as optimization of raw material costs and processes
- Rate of innovation remains high, leading market position in textile chemicals further expanded
- Increasing substitution of conventional finishing products based on fatty acids with advanced silicone softeners
- Successful integration of the business acquired from BTP with Hodgson and Earnshaw leather products and corresponding expansion of the product range
- Increased demand for high-performance products used to finish quality leathers for coats, jackets and shoes
- Continued trend in the paper industry for brilliant colors and optical brighteners for brilliant white papers
- Stagnation of the NAFTA markets due to migration and concentration of customer industries and increased competitive pressure

A steady stream of new colors

Textile dyes *(dyes.clariant.com)* give apparel the right colors for today's fashions. Clariant's particular strength is dyes for polyester, wool, silk and cotton. Jeans, for example, get their typical color with the aid of modern sulfur dyes. Disperse dyes that diffuse directly into the fiber are used for polyester. Wool, nylon and silk are dyed using acid dyes, which bond directly to the basic groups on the fibers. Clariant is continually at work developing new colors and improved products to reflect the latest fashion trends and to meet customer needs. Our new *Diresul® EV* sulfur dyes, for example, are superior from an environmental standpoint, and they also cut dyeing time and offer improved colorfastness.

Conserving water and energy

Clariant offers more than 5000 different **textile chemicals** *(chemicals.clariant.com)* used in the manufacture of textiles. These chemicals are used early on in the production process, for example to produce a fabric from individual fibers. Special liquids called "fiber pretreatment products" make yarn soft and supple enough to withstand the processing speeds encountered in modern looms. The finished fabric can then be treated with an optical brightener such as H*ostalux® ERE/ETB*, which is used, for example, to make brilliantly white curtains. Or it can be treated with the dye chemical *Sandofix® EC*, which increases the effectiveness of the dyes.

Finally, Clariant offers a broad range of chemicals for textile finishing. They include UV-filters for fibers, so that fabrics do not bleach out in the sun, chemicals that prevent dyes from bleeding out, or products that make textiles dirt- and water-repellent and allow them to withstand extremely harsh conditions. Textile chemicals are also used in automotive parts. For example, the textile insulation material used in the engine compartment contains substances that make it heat-resistant and waterproof and that prevent it from being soiled by oil or gasoline. In addition, biotechnology opens up new opportunities for environmentally friendly products and processes. In *Bactosol® AP* for example, enzymes assist the dyeing process by removing bleach residues from the fibers. This saves large amounts of water, since fewer rinsing operations are required.

Higher added value

As one of the world's leading suppliers of dyes and chemicals for dyeing, redyeing and finishing dyed **leather** *(leather.clariant.com),* Clariant possesses a highly diverse portfolio of products for wet applications as well as finishing chemicals used in the leather industry. Our *Nuva®* products, for example, to make leather water repellent. *Sandoderm®* dyes impart high-fashion colors to leather.

For hides that have surface flaws, Clariant has developed a patented process that generates higher added value by optimally hiding these flaws. The *Melio®* foam application process improves leather quality and thereby reduces scrap. It is used for finishing upholstery leather as well as for shoe uppers and high-fashion accessories.

Clariant is also among the market leaders in leather coating systems. Here, the trend is largely moving toward water-based, solvent-free coatings. Overall, our product range, competence and markets were greatly expanded by integrating the businesses of *Hodgson (www.hodgson-polymers.com)* and Earnshaw, which joined Clariant as a result of the acquisition of the BTP company.

Dyes for colorful paper

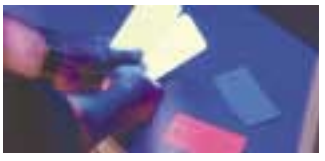
Clariant supplies dyes, optical brighteners and specialty chemicals used for surface treatment to the **paper** and cellulose industry *(paper.clariant.com).* Before wood or recycled paper can be turned into a snow-white sheet of paper, the paper must be bleached, dyed and optically brightened. Our environmentally friendly *Cartasol®* dyes are used in colored paper. Other additives prevent the sheet of paper from becoming charged with static electricity; or they make the paper surface smooth and make printed pages resistant to smudging and smearing, or they prevent inks from running.

Thanks to our global orientation, Clariant is able to supply the large multinational corporations that have resulted from the consolidation in the paper industry.

Committed to profitable growth

Facts & Figures

	2000	1999
Sales:	**CHF 2,108 mio**	CHF 1,896 mio
Operating profit:	**CHF 333 mio**	CHF 279 mio
Operating margin:	**15.8%**	14.7%



Headquarters: Sulzbach am Taunus/Germany

Business units: Pigments
Ink Pigments
Additives

Core competencies:

- Broad range of organic high performance pigments and ink pigments, plastics and special applications such as non-impact printing processes
- Innovative teams of scientists, application technicians, and marketing experts to develop customer-oriented solutions
- Waxes, polymer additives and halogen-free flame retardant for various special applications

Key products:

- Pigments for the use in paints, printing inks, decorative paints, plastics and special areas such as cosmetics
- Special colorants, e.g. for electrophotographic toner, ink jet inks, thermo transfer printing and aluminum dyes
- Waxes, light stabilizers, antioxidants, antistats, flame retardant, process stabilizers and phosphorus specialties for use in plastics, printing inks, paints, coatings, synthetic fibers and a variety of technical applications

Business development 2000:

- Successful exploitation of synergies between pigments and additives in key markets such as paints and plastics
- Increasing demand for azo pigments in Asia necessitates capacity expansion at the Chinese joint-venture plant in Tianjin
- Successful launch of Duasyn® colors for ink jet inks and DrizPearls® low-dust pigments for the plastics industry
- Satisfactory sales growth in high-performance pigments for decorative and packaging printing
- Delivery of first large-scale trial test quantities of montan waxes for use in crop protection
- Strong sales growth in halogen-free flame retardant
- Integration of selected pigment precursors from the Life Science & Electronic Chemicals division
- Successful completion of initial e-Business workshops with customers
- High rate of innovation thanks to intensified research and development activity
- Slower growth towards year-end due to sales problems in the automotive industry and customer inventory reductions

Many trend-setting pigments in the pipeline

Pigments *(pigments.clariant.com)* make life colorful. Clariant produces organic pigments and pigment preparations in some 100 colors. Our spectrum of colors extends from yellow to orange, red and violet through to blue, green and brown, and includes more than 30 red shades. Pigments are insoluble colorants that are incorporated in the vehicle as solids. They can be processed further into paints, printing inks, and coatings, or used to color plastics and cosmetics. The paints and plastics industry, as well as printing ink manufacturers, are among our major customers. Organic pigments, which are subdivided into **azo pigments** and **polycyclic pigments,** are characterized by their intense color strength. Quinacridone pigments, for example, impart reddish-violet colors to paints and coatings. A lion's share of the business is generated by high performance pigments such as *PV Fast Yellow HGR* or *PV Echtgelb HG*. These highly specialized light- and weatherfast pigments are especially well suited for coloring plastics. An increasing number of trendy color pigments can be expected to emerge from the pipeline. For example, our ability to manufacture a chemically innovative blue triphenodioxazine pigment, which has a reddish-violet hue, resulted in a breakthrough in a new segment.

In addition, Clariant produces more than 100 **dyes** for non-textile applications. These water-insoluble pigments are used, for example, to color soaps, dishwasher detergents, plastics, and mineral oil. The *Sanodal®* series of dyes is used in particular to color aluminum. For laser, ink jet or non-impact printing processes, Clariant has also developed special colorants like *Duasyn®* and *Savinyl®*.

Colorful periodicals and catalogs

Organic pigments are also on the job making periodicals, catalogs, CDs and packaging more and more colorful. Clariant *Hostaperm®, Novoperm®* and *Hansa®* pigments are not only used to color automotive and architectural paints, they are also used as **printing pigments** *(inkpigments.clariant.com).* Our reflex blue products were developed exclusively for manufacturing printing inks. Among other things, they provide brilliance in black printing inks. Clariant is focusing its research and development activities on water-based ink pigments for packaging printing.

Specific characteristics

Additives *(additives.clariant.com)* are chemicals that are added to a product to give it specific characteristics. Clariant produces three groups of additives: Waxes, flame retardant and polymer additives.

A broad spectrum of **waxes** are sold under the *Licowax®* brand. Clariant manufactures synthetic polyolefin waxes and montan waxes based on wax-containing soft coal. Using synthetic waxes in printing inks prevents newspaper readers from soiling their fingers on the ink. Montan waxes, on the other hand, are used in shoe polishes and automotive polishes to give leather and paints a high luster. We are actively searching for new applications, in particular for waxes manufactured using Clariant's patented Metallocene process.

Clariant is one of a small number of manufacturers of environmentally friendly, halogen-free phosphorus-based **flame retardant.** The principal customers for these special additives sold in the *Exolit®* product line are the construction, automotive and aircraft industries. However, Exolit is also used in plastics, fibers and electronic equipment. For example, Exolit keeps a burning cigarette dropped on the carpet from quickly growing into a large fire. Intumescent colors have a similar function. These paints contain flame retardant which, when exposed to high heat, produce a foam that insulates the steel or wood structure, so that it can withstand the fire for a longer time.

Polymer additives are added in small amounts to plastics or paints to protect them from adverse environmental factors. *Hindered amine light stabilizers (HALS),* for example, protect plastics from UV radiation. *Sanduvor® PR-25,* a colorless material, prevents PVCs from bleaching. Polymer additives are also used as antistatic agents or as heat and process stabilizers. However, the product line is focusing its activities on technical thermoplastics and on the multifunctional additive *Nylostab® S-EED,* which is used to stabilize polyamides.

Implementing technology competency on site

Facts & Figures

	2000	1999
Sales:	**CHF 1,145 mio**	CHF 1,065 mio
Operating profit:	**CHF 120 mio**	CHF 125 mio
Operating margin:	**10.5%**	11.7%

Headquarters: Muttenz/Switzerland

Business units: Europe
Asia/Pacific
Americas

Core competencies:

- Improvement of the technical characteristics of polymers, broad technology base and high degree of production flexibility
- Complete geographic coverage of the market by over 50 production sites worldwide, with high level of service
- Global color constancy and advantages in procurement and logistics resulting from division-wide Color Matching Expert System

Key products:

- Highly concentrated pigment and additive preparations for engineering plastics, spin dyeing and packaging
- Clariant offers its services through a worldwide network of local companies that can respond quickly to customer requirements in the various regions

Business development 2000:

- Strong business in the automotive, electronics and packaging industries; slowdown in the US toward year-end
- Attaining a leading position in the area of PET plastic bottles
- Attractive new businesses in colored masterbatches and compounds for the electronics industry and for household appliances
- Strong sales growth in the packaging sector resulting from close cooperation with the manufacturers of personal care products and cosmetics
- Distribution of standard products via e-Commerce in the US has been started; membership in the electronic Internet marketplace Omnexus™
- Start-up of a new plant for manufacturing chemical blowing agents in Ahrensburg, Germany (Hydrocerol®)
- Launch of new masterbatches for coloring compact disc blanks
- Increased shift of the once strong business in carpet fibers from Europe to Asia
- Unfavorable product mix throughout the year a main reason for lower operating margin

Consistent quality, worldwide

Masterbatches *(www.masterbatches.com)* are a mixture of pigments, additives, and plastic vehicles having a precisely matched color. They are formulated according to customer-specific recipes to impart every conceivable color to plastic products and synthetic fibers. The additives included in the masterbatches give the final products many different characteristics, for example they make them non-fading or flame resistant.

These colorful plastic granulates, powders and liquids are used, for example, in the packaging industry, where they color films, bottles and closures. Clariant guarantees that colors requested by its masterbatch customers will be identical throughout the world, no matter where they are supplied. Automobile, electronics, fiber, and toy manufacturers also use masterbatches. Since masterbatches are healthwise safe, they may even be used to manufacture food or toy packaging. *Remafin®* Masterbatches are used to make those colorful little Playmobil people that children love so much. Clariant annually produces tens of thousands of tons of masterbatches in some 5000 different specifications, including those with special color effects for stylish sporting goods or *Renol® AT* brands for spin dyeing polyester fibers. In the office, they give felt pens, computer cases, keyboards and mobile telephones a consistent color. It is already possible to produce the CD blanks used by the computer and entertainment industry in 10 different colors.

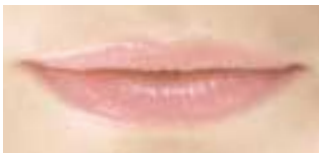
Clariant is also represented in the lucrative market for foaming agents and nucleating agents with its *Hydrocerol®* brand. In terms of its function and chemical composition, this product is very similar to baking powder. When added to plastics, it is used to produce a cellular foam structure in pipe insulation, shoe soles, or food packaging.

All masterbatch production systems are integrated with the *Color Matching Expert System,* which is used to precisely match colors and formulations. In this way, globally operating customers can be assured of having consistent characteristics with each and every shipment throughout the world. The system is a strategic advantage in a market in which the client industries are increasingly meeting their demand through global sourcing.

Quality over quantity

Facts & Figures

	2000	1999
Sales:	**CHF 1,935 mio**	CHF 1,825 mio
Operating profit:	**CHF 192 mio**	CHF 212 mio
Operating margin:	**9.9%**	11.6%



Headquarters: Sulzbach am Taunus/Germany

Business units: Detergents
Performance Chemicals
Process Chemicals
Biocides

Core competencies:

- Broad-based knowledge of chemical and engineering processes for developing and manufacturing many different types of functional chemicals
- Leading supplier of bleach activators and catalysts with new technologies for a greater spectrum of action against dirt, for use at low laundry temperatures
- Swift translation of customer requests into high-value products or formulations, as well as in-house development of new innovative products for numerous business sectors

Key products:

- Raw materials and auxiliaries for the manufacture of detergents and cleaning, hair and body care products
- Emulsifiers for crop protection agents
- Polishing agents for silicon wafers (semiconductor and electronics industry)
- Chemicals for use in petroleum and natural gas exploration, in the production of crude oil, and in refineries
- Auxiliaries for the metal-working industry (lubricants and coolants)
- Flotation reagents for the mining industry
- Glycol specialties for aircraft and runway de-icing, brake and hydraulic fluids
- Chemicals for chemical-technical processes
- Biocides for paints, surface coatings, cleansing products and personal care products

Business development 2000:

- Modification of product portfolio and capacities to meet changing customer needs in the area of detergent raw materials; thereby basis for strong organic growth established
- Strong demand for specialties for hair and personal care
- Development of new applications in the NAFTA region through acquisition of the Mexican company Christianson
- Full utilization of production plants for Klebosol®, a polishing agent for silicon wafers, in the US and Europe
- Weak volume in crop protection chemicals; customer interest stimulated by new formulating agents
- Improving business in products used for metal-working
- Increased trend from regional to global contracts in petrochemicals
- Merging of Clariant and BTP biocides businesses into a new business unit; good business performance
- Price increase for some raw materials
- Performance improvement expected due to price increases for major product lines coming on stream: expansion of Klebosol® plant, start-up of detergents specialty plant in Muttenz/Switzerland

Less dirt, fewer spots

High demands are being placed on detergents used in washing machines and dishwashers. These products have to be tough when it comes to dirt, and gentle when it comes to the environment. Plus, they have to be compatible with human skin. Clariant produces a large number of **detergent raw materials** *(fun.clariant.com)*.

Tensides, for example. These substances are the ingredients used in cleaning agents to eliminate dirt and spots. Water-softeners, so-called *builders*, keep calcium from building up on washing machines and on clothes, and they improve the effectiveness of tensides, whose principal job is cleaning. Clariant softener *SKS-6®* is also used in automatic dishwashers. Finally, bleaching agents help to combat stubborn dirt. Clariant is working hard to develop advanced bleach activators that can remain effective at low laundry temperatures.

Efficiency through small amounts

Clariant's **Performance Chemicals** *(fun.clariant.com)* have something to offer when it comes to beauty and personal care. The more than 100 different basic ingredients for hair and body care include surfactants, emulsifiers and other auxiliaries used in liquid soaps, shower gels, bubble baths, shampoos and skin creams. Clariant's *Genapol®* products are used, for example, as the basic ingredients in shampoos and bubble baths. Clariant is continually developing improved substances for use in gentle, environmentally friendly products, including chlorine-free emulsifiers, active ingredients to improve dermatological characteristics, or antiperspirants for deodorants.

Another area in which we are active is the production of specialty chemicals for crop protection agents. These products include dispersants and emulsifiers, as well as products to reduce the amount of active ingredient that needs to be used, thus reducing the impact on the environment.

The core business of Functional Chemicals *(fun.clariant. com)* is the manufacture of finished products for the automobile, aerospace and electronics industries, as well as the plant design and construction industry and the chemical industry itself. Clariant has developed special de-icers so that aircraft can take off and land safely in the winter: *Safewing®* for deicing aircraft and *Safeway®* for deicing runways. Other glycol specialty chemicals are used as automotive antifreezes, brake fluids or heater fluids: such as our *Antifrogen®* products, which are used in solar heating systems and heat pumps. Our extremely successful *Klebosol®* products are used as to polish silicon wafers for computer chips. Clariant offers tailor-made chemicals on the basis of amines, polyethylene glycol (PEG) and other starting products to customers.

For extreme conditions

Oil and mining companies need to use a wide variety of **Process Chemicals** *(fun.clariant. com)* in their production processes. Clariant supplies drilling and cement additives to the oil industry. These chemicals allow processes to occur under extreme conditions – for example at high temperatures or high pressures. Our refinery chemicals product lines include flow improvers, wax dispersants and additives to improve the lubricity of low-sulfur diesel fuel. Clariant supplies the mining industry with flotation reagents that used in the extraction of precious metals, industrial minerals and coal.

The metals industry also needs process chemicals. Emulsifiers, lubricants and corrosion inhibitors are used in metalworking, for example. Its plants for producing ethylene oxide and fatty amines not only supply Clariant's internal needs; Clariant is also a supplier of these chemicals in the marketplace. We are also active in the monoethylene glycol business. This substance is an important raw material in the production of polyester.

Antimicrobial solutions

The new **Biocides** business unit essentially comprises the activities of Nipa Laboratories *(www.nipa.com),* which was acquired from BTP, a leading manufacturer of industrial biocides and preservatives for cosmetic and hygiene products. The new business unit focuses on the antimicrobial effect of products and on improving the skin compatibility of products like suntan lotions or ointments. Biocides having special properties are also used in industrial products such as paints, detergents and cleaning products.

New products stimulate growth

Facts & Figures

	2000	1999
Sales:	**CHF 1,651 mio**	CHF 1,087 mio
Operating profit:	**CHF 125 mio**	CHF 85 mio
Operating margin:	**7.6%**	7.8%

Headquarters: Manchester/UK

Business units: Electronic Materials
Life Science Molecules
Specialty Intermediates

Core competencies:

- Unique portfolio containing key technologies and products for the Life Sciences industry
- Global network of centers of excellence and modern multi-purpose production equipment (cGMP), with capacity ranging from 1 gram to 1000 metric tons
- Specialty intermediates from the division's broad chemical know-how utilized as components in products used in everyday life.
- Production facilities to manufacture products for the electronics industry; state-of-the-art design

Key products:

- Organic synthesis products for further processing of pharmaceuticals, crop protection agents, fibers, plastics, pigments and dyes
- Intermediates, active ingredients and exclusive synthesis for the pharmaceutical and agrochemical industry manufactured in line with the "current good manufacturing practice" (cGMP) and the quality requirements mandated by FDA
- Leading provider of C_2 building blocks (ketene, diketene, glyoxal, glyoxylic acid, chloroacetic acid and derivatives)
- Over 14 000 catalog research chemicals including boronic acids, fluorines, silanes and chiral compounds
- Contract research and custom synthesis services
- Photoresists, ancillaries and polyimides for the manufacture of semiconductor chips and flat panel displays

Business development 2000:

- Successful acquisition of the fine chemicals company BTP and speedy merger of businesses to form the new Life Science Molecules business unit
- Growing acceptance for the combined business and increasingly positive evaluation by clients
- Well-filled pipeline containing 170 projects for the pharmaceutical and agrochemical industry, with above-average sales and earnings potential
- Introduction of seven new exclusive molecules for pharma and agro clients
- Temporary stagnation due to unexpected delays in product launches and liquidation of stocks by customers
- Business with glyoxal and corresponding derivatives, as well as with amines exceeded expectations
- Further expansion of leadership in the rapidly growing market of photoresists used for flat panel displays and television sets
- Initial sales of the new light management films, used in cellular phones, for example
- Exploiting the upswing in the electronics industry by promptly starting up new production facilities

Light-sensitive coatings

Electronic materials *(lse.clariant.com)* play a major role in the production of microchips, flat panel displays and electronic equipment. This business unit's most important products are so-called photoresists – light-sensitive coatings applied as films on silicon wafers that are to be processed into microchips. The most important production specification for Clariant's *AZ® Photoresists (www.azresist.com)* is to have a totally dust-free environment, since impurity is one of the greatest risks in subsequent chip production. However, Clariant's other electronic chemicals, such as developers and thinners, also meet high purity standards. These materials are transported through highly sensitive filtering systems that only allow particles smaller than 0.0001 mm to pass through.

Standard recipes and customer syntheses

The manufacture of pharmaceuticals and crop protection agents is based in part on so-called **Life Science Molecules** *(lse.clariant.com).* The activities of Clariant and BTP *(www.archimica.com)* have been successfully merged into this new business unit (see pages 8/9). Clariant supplies a large number of such precursors and intermediates to pharmaceutical companies and agricultural chemical companies, either in standard recipes or custom-synthesized to conform to specific customer requirements. One of these intermediates is diketene, which is obtained from acetic acid. This substance is processed further in a number of steps and is the precursor for a wide range of final products such as vitamin E, sweeteners, insecticides, or pharmaceuticals. Clariant itself uses diketene to produce methyl acetate, a precursor for the analgesic Novalgin and the broad-spectrum antibiotic Amoxicillin.

Crop protection agents help to achieve optimal utilization of limited acreages, protect crops from pests, and increase yields. Clariant produces various precursors used in the manufacture of herbicides, fungicides and insecticides. They include agrochemicals based on glyoxylic acid. Clariant has developed a class of environmentally friendly cross-linking agents through the production of *Highlink® DM* from glyoxal derivatives. These cross-linkers are used in the adhesives, textile and coatings industries.

Lancaster Synthesis *(www.lancaster.co.uk),* formerly a subsidiary of BTP, supplies thousands of laboratory chemicals needed for research and the manufacture of small customer-specific quantities of complex chemicals. This company's excellent reputation allows us to collaborate with key customers in very early stages of product development.

For industrial production

In its **Specialties Intermediates** business unit *(lse.clariant.com),* Clariant manufactures precursors used in the industrial-scale production of fibers, plastics and pigments, as well as in the manufacture of additional specialty chemicals. For example, Clariant is a major supplier of monochloroacetic acid. One of the uses of this intermediate, which has a wide variety of applications, is to manufacture detergents and cleaning products, adhesives, paints, and even synthetic caffeine used by the pharmaceutical industry.

Product developers have also achieved nice successes in the field of hair dyes: Intermediates, including the oxidation hair dye *HC Blue AC®*, have made Clariant one of the world's leading suppliers of hair dye precursors.

Optimizing processes and methods

Facts & Figures

	2000	1999
Sales:	**CHF 1,155 mio**	CHF 1,026 mio
Operating profit:	**CHF 106 mio**	CHF 121 mio
Operating margin:	**9.2%**	11.8%

Headquarters: Muttenz/Switzerland

Business units: Cellulose Ethers/Emulsion Powders
Emulsions
Polyvinyl alcohol/polyvinyl butyral (PVA/PVB)

Core competencies:

- Major manufacturer of auxiliaries to improve the processing characteristics of various types of water-containing systems
- Improvement in the quality of countless building materials, adhesives and paints, and also the use of solvent-containing products in environmentally friendly formulations.
- Comprehensive know-how, reliable material procurement, modern process engineering, and custom-made products for various industries

Key products:

- Cellulose ethers, emulsion powders and emulsions for the production of coatings, mortars, building materials, also adhesives for use in food, hygiene and pharmaceuticals
- Polyvinyl alcohol and polyvinyl butyral for the manufacture of adhesives and paper and for use in textile processing, for printing inks, paints and as safety glass laminates

Business development 2000:

- Dynamic development in the three business units due to the previous year's restructuring and improvements in business processes
- Expansion of cellulose ethers/emulsion powder exports to overseas
- Increased presence with biostable hydroxyethyl cellulose for brush-on paints in Asia
- Increasing of the proportion of new, higher-margin products
- Polyvinyl alcohol/polyvinyl butyral achieving record sales in all product groups, particularly in safety glass laminates
- Despite the extraordinary growth in volume, continuous price increases, and measures to reduce our consumption of raw materials and energy, the effects of the massive increases in raw material costs have only been cushioned slightly

Everywhere, everyday

Cellulose ethers *(cep.clariant.com)* can be found in virtually every area of our daily lives. These substances make paper stable and give yogurt a pleasantly creamy texture; they help to ensure that medicines taken in tablet form achieve their desired effect once they are inside the body, and they even keep wallpaper securely attached to the wall. Clariant uses especially pure cellulose to manufacture about 150 different cellulose ethers. Depending on the etherification reagent used in the process, these ethers can belong to one of three different product groups: methyl-, carboxymethyl- and hydroxyethyl cellulose. These products are available as powders or granulates under the brand names *Tylose®*, *Tylomer®, Tylopur®* and *Tylodrill®*.

Cellulose ethers can also modify the water-retaining ability of a given material and can achieve a uniform consistency and viscosity. As a result, they are always on the job at construction sites, improving the processability and adhesive strength of mortar, adhesives and patching compounds.

Emulsion powders have adhesive properties – and hence also film-forming properties – that are used in binders and coatings. Clariant's *Mowilith®* powder is suitable for manufacturing adhesives for ceramic tiles and heat insulation materials, and it can also be used as a binder in premixed stuccos, plasters and fillers. About three-quarters of the customers of this business unit come from the building materials industry. However, the adhesive, textile, paper, leather, cosmetics, pharmaceutical and food industries also use these products.

Hard at work at every construction site

Emulsions *(cep.clariant.com)* do not contain any solvents except for water and are therefore suitable for manufacturing environmentally friendly products. *Mowilith®* emulsions are used, for example, as binders in paints with low odor. In addition, emulsions are key components in wood stains, wood flooring and furniture finishes, and in various adhesives. In the construction industry, they are used in the production of mortar and concrete, since they improve elasticity and resistance to chemicals and acids. One unique application is the production of "whisper concrete" – a highway paving material whose structure is modified in such a way that automobile tire noise is reduced by about half.

High adhesion

Polyvinyl alcohol (PVA) *(cep.clariant.com)* is an important precursor in the paper, textile and adhesive industries. Clariant's *Mowiol®* granulate is water-soluble and biodegradable. It improves in connection with optical brighteners the brilliance of paper and bonds the fibers together to produce a smooth surface. PVA is used as an emulsifier and binder in the manufacture of salves and emulsions and in the production of water-soluble packaging films.

Polyvinyl butyral (PVB) *(cep.clariant.com)* is supplied as a powder. It is characterized by its ability to form elastic films and by its high adhesive strength. It is used as a precursor for paints, printing inks, metal primers and corrosion protection products, as well as for adhesives and temporary peel-off coatings. One of the most important applications is the manufacture of films used in laminated safety glass in the automobile and construction glass sectors. For example, the element that provides protection in automobile windshields is a film produced of *Mowital®* that is laminated between two layers of glass.

Divisions on the Internet

Textile, Leather & Paper Chemicals:	
Further information:	http://tlp.clariant.com
Pigments & Additives:	
Further information:	http://pa.clariant.com
Masterbatches:	
Further information:	http://clariant.masterbatches.com
Functional Chemicals:	
Further information:	http://fun.clariant.com
Life Science & Electronic Chemicals:	
Further information:	http://lse.clariant.com
Cellulose Ethers & Polymerisates:	
Further information:	http://cep.clariant.com

Information on products

Clariant supplies a range of chemical specialties. Further information on the following product groups can be found on the Internet website under **http://www.clariant.com.**

- Absorption fluids
- Additives
- Aluminum chemicals
- Aluminum dyes
- Antioxidants
- Biocides
- Bleach activators
- Brake fluids
- Builders
- Charge control agents
- Coolants
- De-foaming chemicals
- De-icing chemicals
- De-inking chemicals
- Detergents
- Dispersing agents
- Emulsions
- Exclusive Manufacturing
- Fabric softeners
- Flame retardants
- Flotation chemicals
- Flow improvers
- Heat transfer fluids
- Ink jet inks
- Intermediates
- Leather chemicals
- Leather dyes
- Light stabilizers
- Lubricants
- Masterbatches
- Mining chemicals
- Oilfield chemicals
- Optical brighteners
- Paper dyes
- Photoresists
- Pigments
- Polishing slurries
- Process stabilizers
- Pulping chemicals
- Safety glass laminates
- Soil release polymers
- Solvents
- Tensides
- Textile chemicals
- Textile dyes
- Waxes

Exploiting growth in local markets

Companies belonging to the Clariant group throughout the world not only focused their activities on continually improving productivity and efficiency; they also worked hard to systematically seize the opportunities for growth in their local markets. These efforts benefited from stable trends in Europe and North America, the rapid economic recovery in Asia, and the upswing in Latin America.

Thanks to stable economic conditions, most Clariant companies operating in **Europe** posted good growth. In the **Benelux** countries, our high market share was sustained by dyes and chemicals for carpet textiles. Strong sales were reported in **Belgium** with *Sanitized®* products used in the finishing of mattresses. At refineries operated in the **Netherlands** by the oil majors, there was strong demand for *Dodiflow®* flow improvers. On the other hand, masterbatches for spinning fibers came under pressure from the growing shift in production to the Middle East.

Divisionalization was a major factor affecting operations in **Germany** *(see inset).* The new structure should allow us to be more responsive to market trends and make us more competitive. In October 2000 Clariant GmbH transferred its logistics activities to *InfraServ Logistics GmbH.* This company will have a broad range of responsibilities: Logistics relating to all types of materials needed for production, as well as order picking, packaging and processing of shipments, including the management of hazardous materials. Capital spending was increased, in particular to eliminate capacity bottlenecks in pigments and life science molecules at the Höchst works.

In **Great Britain,** Textile Chemicals and Pigments improved their already strong positions. As part of the consolidation drive, the Stainland Functional Chemicals plant was sold to the McIntyre Group. *T.R. Oil Services Ltd.,* Clariant's own oil services company, benefited from the acquisition of a small California-based firm, *Technical Services Company Inc.* A series of organizational changes helped to improve the management of operating resources and to improve cost transparency.

In **Scandinavia,** our legal structures were streamlined through a reduction in the number of companies from 9 to 4, and – except for Finland – warehousing was centralized in Sweden. Intensified marketing efforts in the Baltic countries improved business in all divisions.

At the Cuise-Lamotte plant in **France,** a modern centralized warehouse came on stream, resulting in faster and more efficient delivery of shipments and on-time handling of chemical products. In order to boost productivity, the manufacture of fine chemicals will be shifted by mid-year from Lillebonne to Cuise-Lamotte, where research laboratories are already in operation. Even though our business in **Italy** performed well, additional measures to increase productivity were necessary. The production plant in Turin was closed and moved to Palazzolo, where the main administrative offices are now also located. The concentration of distribution facilities is currently underway, as are various outsourcing projects. In **Spain,** the consolidation of various companies was completed. Our subsidiary, *Disper SA,* which is active in the masterbatches business, made

Restructuring in Germany

Customer focus was the key criteria when Clariant was organized into divisions in Germany. Since July 1, 2000 the Pigments & Additives, Functional Chemicals, Life Science & Electronic Chemicals, and Cellulose Ether & Polymerisates divisions have been operating their businesses as stand-alone units. Each is therefore responsible for its own financial performance and human resources utilization. The various production sites were each assigned to the locally dominant division. The purpose was to create flexible, easily manageable structures with clear lines of responsibility, while avoiding costly redundant functions whenever possible. In addition to strengthening customer focus, this approach also increases productivity and paves the way for further growth. As in the past, the Textile, Leather & Paper Chemicals division will be overseen by Clariant (Deutschland) GmbH, while the Masterbatches division will be run by Clariant Masterbatch GmbH & Co. KG.

The services for the divisons are offered separately: Corporate tasks (such as environment, safety and health, or legal matters) will mainly be concentrated in the Clariant management company; functions pertaining to the German business (such as human resources, communications, or finance and accounting) will be located in Clariant Service GmbH.

A total of around 10 000 employees work at 13 sites in Germany.

substantial progress. The facility in Prat took over the worldwide production of black dyes for leather. In **Portugal,** the Resiquimica works dedicated its new wastewater treatment plant with an open house attended by several hundred visitors.

In **Turkey,** the situation increasingly returned to normal following last year's disastrous earthquake. In the areas of pigments, leather, and emulsions in particular, sales exceeded expectations. Business in **Egypt** was adversely affected by an increasing loss in the value of the local currency. By contrast, sales in the **Arabian Peninsula** increased sharply. In addition, we began to deliver textile dyes and chemicals to **Central Asia** (Turkmenistan and Uzbekistan).

In **India,** Clariant participated with great success in India's first-ever international chemical industry trade show, *Indiachem 2000,* which proved to be an ideal platform for presenting our broad range of products. **Pakistan** reported high growth, in particular in the two traditional markets, textiles and leather. In both countries, integration of the leather activities of BTP gave a boost to business.

In **China,** the three joint venture companies for textile dyes, pigments, and masterbatches posted good progress. The Clariant subsidiary in Beijing celebrated its 20th anniversary. Solid sales growth was achieved in **Japan** with new electronics materials, in particular photoresists for flat panel displays, as well as deep-UV-resists and antireflective coatings. In **Korea,** the economy increasingly stabilized. The integration of *Songwon Color,* a well-known pigments manufacturer, was successfully completed. Interesting cooperative agreements in the area of photoresist were signed with electronics manufacturers Hyundai and Samsung. The resists will be produced at the Ansung plant.

In the **ASEAN** region, sales returned to acceptable levels as a result of the rapidly improving economy and growing demand in local markets. In Indonesia, Thailand and Bangladesh, *Hodgson's* leather business was integrated successfully; and in Singapore, we expanded our capacity for masterbatches.

In **Australia,** the Olympic summer games unleashed a building boom, which led to large orders for the construction and construction products industries. The company initiated a *Value Improvement Process* to improve productivity, efficiency and customer satisfaction. Business in **South Africa** suffered from the structural problems of the local textile industry, but was able to increase local production in areas such as masterbatches.

Companies operating in **Latin America** focused on exploiting the sharp business uptrend and on further improving profitability and gaining market share. These efforts were supported by investments in improved production facilities at our two plants in Suzano and Resende, **Brazil.** There, our masterbatches business, in particular in the packaging industry, increased nearly 1.5-fold. The optimization of infrastructure continued. In **Argentina,** we concentrated administration, marketing, the applications research laboratory, storage facilities and part of our production operations at the Anilsud site. The Textile, Leather & Paper Chemicals divisions, as well as Pigments & Additives received ISO 9002 certification.

In **North America,** Clariant forged ahead with its strategic growth initiatives. In the **US,** a new plant for electronics materials started production on schedule in Branchburg, N.J. This allowed us to keep pace with surging demand in the semiconductor industry. The production capacity for our *Klebosol®* polishing agent was doubled at our Martin, S.C. plant. A series of especially cost-effective reactive dyes offering shorter handling times and lower water consumption was launched for the slowly recovering textile industry. Business in **Canada** was stronger than expected. Buoyant growth was posted in particular in the paper, textile and masterbatches areas, as well as in aircraft and runway deicers. In **Mexico,** Clariant opened up new applications in the area of functional chemicals through the acquisition of Christianson and substantially expanded the basis for the division in the NAFTA and Latin American region. The supply of feedstocks was increased by the construction of a new high-performance ethoxylation plant in Coatzacoalcos.

In **Eastern Europe,** our businesses expanded further thanks to positive economic developments in niche markets. For example, strong sales increases were recorded in particular by supplying petroleum chemicals to Russia and Kazakhstan. Business also developed satisfactorily in the **Czech Republic,** mainly due to growth in the paper sector as well as in pigments and masterbatches for the fiber industry.

Creative, competent, cosmopolitan

Staying close to the customer is what Clariant employees do best – in research, applications support, products, marketing, sales and administration.

Creativity and competence, combined with a sense of what is doable, are key requirements for achieving success. Clariant empowers its employees with a high level of independence and *individual responsibility.* Entrepreneurial spirit, inventiveness and commitment to serving the customer are required. One of Clariant's management principles is that employee compensation should be based on the achievement of individually agreed goals and that staff should share in the benefits of Clariant's successes. Thus, compensation for senior management is linked directly to the achievement of the group's financial and strategic goals. The variable portion of compensation ranges from one- to two-thirds of the total package and is determined by the success of the group, division or business unit. The size of the bonus depends on the extent to which financial and personal goals are met.

At the end of 2000 Clariant had 31,546 employees worldwide (1999: 28,993) employees. This represents an increase of +9% against the previous year. The main reason for this increase was the acquisition of the fine chemicals company BTP and of Christianson in Mexico. Group-wide, personnel costs increased by +10% to CHF 2.395 billion (1999: 2.168 billion).

Most Clariant employees work in the traditional chemical industry professions: chemical workers, laboratory technicians, and university-trained chemists. Various types of engineers and technical people are responsible for installing and maintaining our plants. Employees trained in business administration are responsible for process organization and sales.

Respecting other ways of thinking

As a multinational corporation that is represented in nearly every country in the world, Clariant puts a great deal of emphasis on having employees who are receptive to *global diversity* and are effective team players. Clariant believes that our employees' ability to integrate experiences from diverse cultures into the working world and to understand and respect other ways of thinking and other value systems enriches our activities and is one of the keys to our success.

An upward knowledge curve

Like every company, Clariant has to respond to increasingly complex challenges and changes in the global markets and among its competitors. To be able to achieve our ambitious goals, nevertheless, our employees and management have to continuously expand their knowledge and skills. Among the competencies that each and every one of them has to acquire are: leading others, working in teams, responding to change, or dealing with cultural differences.

At every level of management, therefore, Clariant aims to train and develop managers:

- *who are able to promptly identify future developments, opportunities and problems and to plan majors to deal with them in advance;*
- *who can clearly express their goals and intentions and can communicate them in an easily understood form;*
- *who have the requisite professionalism and expertise needed to exercise their management functions successfully;*
- *who understand how to create the conditions their employees need in order to reach their goals successfully;*
- *who are creative, courageous and decisive in carrying out their tasks.*

These goals form the basis of a new program for developing management personnel at Clariant. The program will be implemented step-by-step. As part of the Clariant Pioneer Programs, which is one of the components of this undertaking, 26 Clariant "high potentials" from 15 different countries met in September 2000 at a workshop dedicated in part to improving strategic and operational thinking and to engaging in a dialogue with members of top corporate management.

Committed to the environment

Environmental protection, safety and health are an ongoing commitment for Clariant and an integral part of corporate policy. The company has recently produced a position paper for customers, shareholders, employees and general public that illustrates this concern by means of concrete examples.

The environment, safety and health (ESH) management system was completed by the issuing of additional Group-wide guidelines governing environmental protection in particular. Any remaining, small gaps will be closed in the course of the current year. Following the draft stage, ESH activities focused on implementation at the facility level, with support from the ESH corporate and divisional units. These activities included the organization of regional training courses and workshops. The plants of the former BTP were swiftly integrated into the Clariant ESH concept without any major problems.

Clariant paid special attention to sites that have been contaminated as a result of decades of industrial use. Remediation was therefore either initiated or completed at several such sites. A Group-wide list of such sites forms the basis for further measures where necessary.

High standards

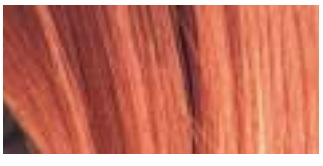
The corporation, the divisions and the individual local companies all carried out audits in the facilities, which now form an integral part of the ongoing improvement process. Auditors continued to receive in-depth training to allow them to carry out this work. In order to streamline these regular checks, it was decided to conduct combined internal and legal compliance audits for the first time, with the help of external experts. The company's *Risk Engineering Program,* conducted jointly with the insurance companies, was also successful and documented the very high standard of the Group's efforts to ensure safety and protect both the environment and health.

Further improvements were made to the emergency management system. For one thing, a centralized database was set up that contains relevant information about all Clariant facilities in the event of an incident. For another, regional training courses and drills were conducted that encompassed various departments, including the Board of Management.

The steps taken to reduce the number of industrial accidents have had a major impact. Compared with the year-back period, both the number of accidents and the working days lost were reduced further. The accident statistics were, however, affected by some transportation accidents in 2000.

The Clariant position paper on the environment, safety and health can be loaded down from the Internet at *www.clariant.com,* under *"About Us",* in the chapter *"Environment".*

From acetic acid to surfactants



Acetic acid: The most important of the fatty acids, it is the oldest carboxylic acid used by man. Its salts are used as auxiliaries in the textile and leather industries, in dyeing and in medicine. In the form of chloroacetic acid, it is used in a variety of organic syntheses.

Additives: Chemicals that are added to a product in order to produce or suppress certain properties, e.g. softeners or flame retardants for synthetic fibers or lubricants for diesel oil, etc.

Azo pigments: Pigments containing an azo group. They are insoluble in solvents and binders and are applied in or on the vehicle as a solid.

Biocides: Chemical substances protecting from harmful environmental influences.

Bleach activators: Produce oxidative bleaching in the 40–60 °C range, while acting to reduce the germ count.

Cellulose ether: Etherified cellulose that is used in adhesives, emulsifiers, stabilizers, plasticizing and water retention agents, detergents and cleaning agents, cosmetics, in the pharmaceutical, food and beverage industries and in adhesives, building coatings and paints, textile, paper and cables, mining and oil, farming and as polymerization auxiliaries.

Compounding: The combining of a base plastic with colors, modifiers, additives, reinforcements, fillers and/or other plastics to make the base polymer perform better, cost less, process more easily, look more attractive or otherwise improve its characteristics.

Derivatives: Substances derived from a chemical compound, usually in a single reaction step and with a close chemical affinity to the compound.

Emulsifiers: Auxiliaries used to produce and stabilize emulsions, which in a narrow sense can be called surface active agents or surfactants. As a rule, they are present in the form of an oil or wax but may also be a powder.

Emulsions: Disperse systems of two or more immiscible liquids. One of the liquid phases is the dispersion, in which the other phase is present as fine droplets.

Extrusion: A continuously operating process predominant in the manufacture of plastic shapes such as films, sheets, tapes, filaments, pipes, rods, and others.

Glycols: Are used as solvents, mineral-oil-free lubricants in brake and hydraulic fluids, as an additive in antifreeze, in organic syntheses, for the manufacture of solvents, detergent base materials, textile auxiliaries, etc.

Glyoxal: The simplest dialdehyde. Owing to the reactiveness of its two aldehyde groups, it is widely used on account of its condensation and cross-linking reactions in the manufacture of intermediates for the pharmaceutical and agrochemical industries.

Ketenes/Diketenes: Starting materials for the manufacture of acetic acid derivatives, which are important intermediates for pharmaceuticals, dyes and insecticides.

Masterbatch: A plastic compound which includes a high concentration of pigments or additives. They are designed for use in appropriate quantities with the base plastic material or mix so that the correct end concentration is achieved, i.e. color masterbatches.

Optical brighteners: Fluorescent chemicals that are used to achieve a brilliant white hue in textiles and paper.

Pigments: Colorants that are insoluble in solvents and binders and are applied in or on the vehicle as a solid.

Polyvinyl alcohol (PVA): Is used as an emulsifier, binder, for protective coverings and adhesives, finishing, sizing agent, for the manufacture of ointments and emulsions, water-soluble pouches and packaging films, thickening agents in pharmaceutical and cosmetic preparations.

Polyvinyl butyral (PVB): Supplied as a powder or dispersion, it can be processed into foils for the manufacture of laminated glass; as lacquer raw materials; in dispersion form for textile coatings; for adhesives and removable coatings, etc.

Sulfur dyes: Sulfur-containing dyes used for dyeing cotton, especially denim (jeans).

Surfactants: Substances that reduce the surface tension between two phases. They have a wide variety of uses, for instance in washing and cleaning of textiles, cosmetic products, flotation (i.e. the extraction and separation of ores and minerals from the surrounding stone), oil production, etc.

Contents

Group

		2000	1999 restated	Change
Divisional sales	CHF million	10 583	9 158	+16%
Operating income before amortization of goodwill		1 135	1 082	+5%
Net income		505	587	–14%
Net income and depreciation on tangible fixed assets and intangible assets		1 152	1 169	–1%
Total assets		12 947	10 388	+25%
Shareholders' equity		3 567	2 773	+29%
Investment in fixed assets		535	425	+26%
Personnel costs		2 395	2 168	+10%
Employees (at year-end)	Number	31 546	28 993	+9%
Earnings per share	CHF	34.14	41.13	–17%
Dividend per share		11.00 [1]	10.00	+10%

[1] As proposed to the General Meeting of Shareholders.

A challenging year successfully mastered

Clariant in 2000 – Key achievements
During 2000, Clariant continued to take decisive steps towards its strategic goal of becoming a leading player in the fine and specialty chemicals industries:

- Acquisition of the fine chemicals company BTP plc: this earned Clariant a place among the ranks of the leading suppliers of life science molecules;
- Continued commitment to research and development: there was a further increase in the proportion of sales accounted for by new products and solution packages;
- Sales were pushed above the CHF 10 billion threshold and the operating result once again rose above the billion Swiss francs mark;
- Net profit of CHF 630 million before amortization of goodwill which is equivalent to cash earnings per share of CHF 42.61.

Clariant has continued to optimize its structures, thus putting itself in a stronger starting position for further growth. With its broad technological platform and well-defined customer focus, the company is ideally prepared for the challenges of the markets and can expect business to follow a dynamic trend during the current year, particularly in the strategic growth areas.

Market conditions

Economic development
2000 was shaped by a positive economic environment, with the upturn which began in the second half of 1999 continuing during the year under review. However, the second half of the year saw a slowdown in growth.

A number of Clariant's enduser markets reported excellent business, including in particular the electronics industry. It was also a good year in the construction, textiles, packaging and printing sectors. While the market for household articles and body-care products was stable, operating conditions were difficult in the automobile and in the agrochemical industries. Both the latter and the pharmaceutical industry underwent an intensive consolidation process.

Geographical development
In Europe, business developed at a gratifying level in all markets, although the activity did tail off slightly towards the end of the year. North America presented a mixed picture: while the semiconductor industry remained on an unbroken upturn, economic growth weakened in the second half of the year. In particular, the automobile industry and its suppliers experienced marked falls in sales. The textile business was slack too and is also undergoing structural changes. Almost all operations in Latin America reported good business at a gratifyingly high level. Asia exhibited high growth rates posted throughout the year. The electronics business stood out by its continuing strong momentum. The countries of Southeast Asia benefited from favorable conditions for export-oriented industries and reported good growth rates, particularly for consumer goods and textiles.

Currency development
Overall, foreign exchange rates took a turn for the better in 2000 and had a positive impact on the financial statements.

The average sales-weighted exchange rates used to prepare the consolidated income and cash flow statements underwent major changes: At CHF 1.69 the US dollar showed a significant rise compared with the year-back rate of CHF 1.50. This had a positive impact on sales and earnings. By contrast, the Euro was weaker in comparison with the previous year: the rate applied during the year under review was CHF 1.56 as against CHF 1.60 the year before. Although this adversely affected sales, the impact on earnings was negligible since a higher-than-average proportion of costs are also incurred in Euros. The exchange rates for the Japanese yen and the Mexican peso were also favorable.

With the exception of the US dollar, the currency conversion rates used for the consolidated balance sheets were slightly lower on 31 December 2000 than on 31 December 1999 and had the effect of reducing figures on the balance sheet.

Sales

In 2000, sales increased to CHF 10,583 million. Compared with the prior-year figure of CHF 9,256 million, this represents an increase of 14%. The previous year's sales include a sum of CHF 98 million from trading activities which were deliberately wound down and for which no further sales were recorded during the financial year under review.

As a result, the core business – divisional sales – shows an 16% increase compared with the equivalent prior-year figure of CHF 9,158 million. This increase is made up of an increase in volumes (including product mix shifts) of three percentage points and an expansion driven by acquisitions of nine percentage points. A further four percentage points are attributable to favorable exchange rate trends. Despite price increases in a range of product lines, taking the portfolio as a whole, prices were broadly on a par with the previous year.

Operating result

Operating profit before goodwill amortization rose by CHF 53 million to CHF 1,135 million, compared with the year-back figure of CHF 1,082 million. The year-back result included one-off, non-recurrent earnings totaling CHF 65 million. This means that the comparable operating result comes to CHF 1,017 million, bringing the increase for the year under review to CHF 118 million or 12%.

This increase is the result of the following factors: The increase in sales through organic and acquisition-based growth made a contribution to growth in the range of CHF 150 million. The oil-price-related increase in raw material prices reduced earnings by a figure of the order of CHF 200 million. Despite price increases in individual segments, sales prices for the whole portfolio of activities were stable. Thus, on balance, the change in raw material prices and sales prices had a negative impact of 2 percentage points on the operating margin. Delays in sales in specific segments of the fine chemicals business gave rise to additional costs of around CHF 20 million as a result of idle facilities. Clariant was able to reduce this decline in earnings by around CHF 110 million by initiating measures to cut costs and various efficiency improvements, the impact of which will continue to be felt beneficial in future. The operating result improved by an additional CHF 80 million or so thanks to exchange rate factors which were more favorable than in the previous year.

Divisions

Textile, Leather & Paper Chemicals division

The *Textile, Leather and Paper Chemicals* division upped its sales to CHF 2,589 million, which represents an increase of 15% in Swiss franc terms and 9% in local currencies. This was attributable not only to the operating expansion of the business, but also to the acquisition effect in the leather and textile chemicals segment.

Through concentration on high-margin products and tight management of costs and facilities, it was possible to improve the result on a sustained basis. Compared with the previous year, the operating result was increased by 14% to CHF 341 million.

Textile, Leather & Paper Chemicals	**2000**	1999
in CHF mio		
Sales	**2589**	2259
Growth in CHF	**+15%**	
Growth in local currencies	**+9%**	
Operating result	**341**	299
Operating margin	**13.2%**	13.2%
Investments	**89**	64

The market revival noted in the second half of 1999 continued in 2000, although the increase was slightly weaker in the final six months of the year. The Division responded to the increasingly exacting requirements of its markets with numerous product innovations and customer-focused process solutions. Strengthened customer service and targeted streamlining of the product portfolio reduced the pressure on prices in individual segments.

While the European markets exhibited stable or slightly rising trends, substantial increases were reported in the growth regions of Latin America and Asia. Brazil and the China region grew particularly strongly. The positive trend also continued in eastern Europe as well as in India and Pakistan. However, expectations were not fulfilled in the US, where the textile industry in particular had to contend with difficulties. Demand was also rather subdued in southern Europe.

On the production side, a further phase of site consolidation was successfully completed. This mainly concerned sites for textile dyes in North America and for textile chemicals in Europe. In Japan, production was amalgamated at a single plant and the land no longer required was sold.

Textile Dyes business unit. The *Textile Dyes* business unit had to deal with the continuing process of consolidation in the textile sector. In Europe, productivity was increased by merging textile plants without reductions in volume. Rising costs also prompted rationalization measures in the US textile industry or led to the relocation of plants to South and Central America or Asia. By contrast, the upturn in South America, particularly in Brazil, had a positive impact on orders. In the Asia region, major progress was made in China in particular.

New colors for the automobile industry introduced in the second half of the year and the new high-fix reactive dyes for finishing cotton opened up new areas of applications and additional potential for growth in the high-end dye sector. The Business Unit continued to systematically expand its ranges of dyes by adding specialties for cotton, polyamide and polyester and strove to complement with new products. The environmentally friendly *Diresul® EV* dyes proved to be a big success. Shrewd positioning of these products, economical procurement of raw materials and streamlining of production costs made it possible to significantly improve the result even though sales rose only slightly.

Textile Chemicals business unit. The *Textile Chemicals* business unit achieved its strongest growth in Asia and South America, while sales in Europe stabilized at a gratifyingly high level. Adverse effects resulting from the closure of US textile plants were partly offset by an increase in sales in Mexico. BTP's textile business, which was taken over in the US, was completely integrated into the business unit. All in all, the leading market position was further expanded.

The introduction of 30 new products and more economical processes generated positive stimuli, as did the increased promotion of system solutions instead of individual products. Cooperation with textile machinery manufacturers was stepped up in the field of pretreatment chemicals. Progress was also made in relation to chemicals for dyeing and textile printing and UV absorbers. Dyeing specialties benefited from demand for higher fastness ratings. In the fabric finishing segment, silicon softeners continued to replace conventional products based on fatty acids. In the case of optical brighteners, the range was decisively expanded with the addition of *Hostalux®* brands for synthetic fibers.

Unlike classic textiles, technical textiles are enjoying high growth rates in the industrialized countries. The biggest increase was achieved with *Locron®* for ceramic fibers. A sharp increase was also reported for fluorocarbon for finishing technical fabrics and textiles.

Leather business unit. The *Leather* business unit was able to count on an increase in demand throughout the world. The clothing industry also contributed to this with leathers for garments and shoes. Sales were also buoyant in the automobile sector where leather is increasingly being used in smaller cars.

As a result of the takeover of BTP's leather business, which included the company *Hodgson, Earnshaw* and *OPCA,* Clariant was able to significantly expand its product range and optimize its sales channels. BTP's integration was also accompanied by a change of focus in the leather segment. Resources were bundled by setting up Core Competence Centers for finishing in Leinfelden/Germany, for wet end chemicals in Beverley/UK and for dyeing in Prat/Spain.

The introduction of the *Neosan® 2000* series significantly improves processing at the tanning stage. This new finishing system is characterized by a steady pigment volume, high coverage and excellent fastness characteristics. In the fashion world black colors still rank in pole position: Highly concentrated, liquid dyes combining the lowest level of black with excellent fastness characteristics, enjoyed strong demand. The main focus in the wet end segment is a new system for manufacturing chrome-free, white leathers. *Granofin® FC Process* is an innovative tanning process that takes account of the latest environmental standards.

Paper business unit. The *Paper* business unit enjoyed brisk demand. This trend was fueled in particular by higher-than-average increases in sales in South America, Asia and Eastern Europe. The reinforcement of the presence in the fast-growing region of Greater China made a key contribution to the progress. In addition, a dye for industrial packaging paper was manufactured at the Tianjin plant for the first time.

Optical brighteners benefited from sustained strong demand for brilliant white papers and achieved higher-than-average growth. Demand for shading dyes and pigments also showed a gratifying trend. There was a great deal of interest in paper chemicals for improving surface qualities, for example, so as to improve printability. The continuing consolidation and globalization of the paper industry meant that business with major multinational customers continued to increase in importance. The

quest for increasingly cost-efficient solutions and intensive competition among suppliers of chemicals for the paper industry resulted in sustained price pressure.

Customer-focused innovative capacity was further strengthened. Thus, several high-quality, environmentally friendly dyes and additives for improving the running properties and quality characteristics of coated paper were newly developed and launched on the market.

Pigments & Additives division

The *Pigments & Additives* division can look back on its most successful business year ever. At CHF 2,108 million, sales were well above the two-billion threshold. Compared with the previous year, this equates to an increase of 11% in Swiss francs and 6% in local currency terms. After a very dynamic sales trend in the first nine months of the year, growth slowed down in the last quarter. The key factors underlying the positive trend were a more sector-oriented marketing approach and systematic exploitation of growth opportunities, particularly through the introduction of numerous product innovations. The distinct expansion of volume, an improved product mix and the systematic optimization of supply chain processes resulted in operating profit climbing by an impressive 19% to CHF 333 million.

Pigments & Additives	**2000**	1999
in CHF mio		
Sales	**2108**	1896
Growth in CHF	**+11%**	
Growth in local currencies	**+6%**	
Operating result	**333**	279
Operating margin	**15.8%**	14.7%
Investments	**89**	64

The Division posted gratifying growth in Europe and Latin America. North America followed a stable trend, while positions in Asia were expanded significantly.

Pigments business unit. Sales growth in the *Pigments* business unit exceeded the growth of the market. The gratifying trend in specialties for the paints and plastics industry continued. Products for non-impact printing and aluminum dyes also developed extremely positively. The first half of the year saw market prices come under pressure, particularly in North America because of the strong dollar. In regional terms, the countries of Asia and eastern Europe in particular reported a very good sales trend. Despite a rather stagnant economic situation, the market position was also considerably expanded in Japan. In the US, volumes remained at the previous year's level, although the target result was not quite achieved because of price discounts. All in all, the situation in Europe was solid.

The positive result was boosted by the launch of numerous new products, such as *Duasyn®* colors for inkjet printers, low-dust dispersable *DrizPearls®* pigments for the plastics industry, environmentally sound pigment preparations and new *Hostaperm®* yellow pigments for coatings and plastics. Although earnings were squeezed by pressure on some prices, this was more than offset by increases in productivity and further improvements to manufacturing processes. Various investment projects relating to high performance pigments are paving the way for further higher-than-average sales growth.

Ink Pigments business unit. The *Ink Pigments* business unit posted a higher-than-average increase in sales. Sales of high performance pigments for decorative and packaging printing exhibited a particularly gratifying trend. Appreciable growth was reported in Asia, where products from the Tianjin plant were particularly in demand. This prompted a decision to start work on expanding capacity for classic azo pigments at the plant. Europe also posted positive results. The weakness of the euro benefited both Clariant's own exports and those of European printing ink manufacturers. However, business in the US was adversely affected by the unfavorable exchange rate situation. Thanks to the good state of the economic activity in terms of volumes and to strict cost management the result was better than the previous year.

Additives business unit. In the *Additives* business unit, sales of waxes continued to increase. The production facilities were fully utilized to such an extent, that bottlenecks had to be eliminated. Metallocene waxes from the pilot plant in Frankfurt-Höchst were well received. Applications tests yielded positive results for application areas not previously worked in. A full-scale plant is planned.

Polymer additives did well, particularly where light stabilizers were concerned. Special mention should be made of *Hostavin®* products for polyolefins, *Nylostab® S-EED* for polyamide and *Sanduvor®* products for paints. On the other hand, the strong price pressure affecting process stabilizers had a negative impact on the result.

Halogen-free flame retardant made further strong gains. Products for technical polymers also elicited a very positive market resonance. The efforts of recent years on the technical marketing front paid off and generally met with a positive customer response.

Masterbatches division

In 2000, the *Masterbatches* division posted sales of CHF 1,145 million, which represented a year-on-year increase of 8% in Swiss francs and 4% in local currencies. At CHF 120 million, operating profit fell slightly short of the previous year's figure of CHF 125 million.

Masterbatches	**2000**	1999
in CHF mio		
Sales	**1145**	1065
Growth in CHF	**+8%**	
Growth in local currencies	**+4%**	
Operating result	**120**	125
Operating margin	**10.5%**	11.7%
Investments	**39**	41

Business was boosted by the growing use of colors in a wide range of products from cosmetic packaging and automobile dashboards to computers and mobile phones. The Division increasingly also offers designer services and advises customers on the creation and design of colors and surface structures. Business done with globally operating companies has been further expanded; Clariant guarantees them worldwide color consistency and simplified procurement and logistics thanks to its blanket regional coverage. To simplify the selection, processing and delivery of suitable material, five different trading brands have been introduced as part of a global marketing strategy. New business methods have been successfully initiated. One example is the commissioning of the electronic *Clariant Online Technical Center,* and since December 2000, the Division has been involved in *Omnexus™*, the world's biggest virtual market for the injection molding industry.

Despite the growth in business, the Division was not entirely able to buck the unfavorable market trends affecting certain areas. Owing to the decline in the fiber industry, its activities had a less favorable product mix. All the same, it nearly equaled the year-back results thanks to strict cost control, increased efficiency and innovations.

The Division introduced a large number of new products, including anti-microbial masterbatches for use in bathroom suites or sporting goods and special metallic-effect masterbatches for coloring ski boots and cosmetics articles.

Europe business unit. The *Europe* business unit reported positive business. Indeed, in the plastics industry, there was even a slight increase in business at the end of the year. The unit succeeded in maintaining its high market share. Business with *Hydrocerol®* propellants for foamed plastics was systematically expanded with the construction of a new production facility at the Ahrensburg plant in Germany. Following their successful launch in the US, products for attractive triple-layer bottles for the personal care sector also met great interest in Europe. The once strong business in carpet fibers continued to shift from Europe to the Middle East region.

Asia-Pacific business unit. The markets of the *Asia-Pacific* business unit remained on track for success. Very good growth rates were achieved in Korea, China, Taiwan and Singapore. Sales of engineering plastics enjoyed very good demand, as did sales of masterbatches for consumer electronics products and mobile communications. On the other hand, a downturn in the PET fiber industry had a negative impact.

US business unit. The *US* business unit got off to a very dynamic start, but experienced a distinct slowdown in the second half of the year. One of the main reasons was the fall in output in the North American automobile industry. However, the broad-based leveling off of activity also affected packaging for consumer goods and the electrical industry. Even so, new products and an excellent standard of service enabled the business unit to strengthen its market position. From mid-2001 onward demand is expected to revive significantly. As a leading supplier of color and additive masterbatches, the Division has taken full advantage of the trend toward globalization and has further expanded its market position in Latin America.

Functional Chemicals division

At CHF 1,935 million, the sales of the *Functional Chemicals* division exceeded the prior-year figure by CHF 110 million. This resulted in a growth rate of 6% in Swiss francs and 4% in local currencies. The *Performance Chemicals* and *Process Chemicals* business units also contributed to the increase in sales, as did expansion driven by acquisitions, while the *Detergents* business

unit posted significantly lower sales because of the realignment of its product range. At CHF 192 million, the operating result was lower than the prior-year figure of CHF 212 million. This was mainly because of higher raw material costs.

Functional Chemicals	**2000**	1999
in CHF mio		
Sales	**1935**	1825
Growth in CHF	**+6%**	
Growth in local currencies	**+4%**	
Operating result	**192**	212
Operating margin	**9.9%**	11.6%
Investments	**109**	68

The realignment process continued successfully in 2000. This process involves on the one hand withdrawing from mature markets and semispecialties and on the other massively expanding high-growth specialties.

Detergents business unit. The operations of the *Detergents* business unit were dominated by the realignment of the product portfolio. Products worth a total of more than CHF 100 million were deleted from the unit's range and the production facilities in question were shut down. On the other hand, the multifunctional detergent builder SKS-6 and the special tensides for washing powder did very well. The Business Unit invested significant sums of money in the construction of a new production facility for specialties with a promising future at a factory in Muttenz, Switzerland which is due to begin operations mid-2001. The unit pressed ahead with new development projects in the segment of performance additives for detergents. Agreements were awarded for two major projects and the plants in question will begin operations in 2002.

Performance Chemicals business unit. The *Performance Chemicals* business unit posted a gratifying sales trend. Strong sales of the wafer-polishing agent *Klebosol®* from the new production plant in Martin, USA contributed to the increase. Supplies to the semiconductor industry showed very high growth rates. The purchase of the Mexican company Christianson S.A. greatly strengthened Clariant's market position in the North American region. This acquisition makes it possible to supply the market with a broader range of products, including in particular polyethylene glycols, amines and other derivatives, which had previously only been manufactured in Europe and Brazil. Business in the crop protection sector did not revive again until the end of the year, when it particularly benefited from sales of new formulation agents developed in close cooperation with customers. Efforts to improve the business base continued. The associated declines in sales were fully compensated by the expansion of specialties in the personal care and cosmetics business segments.

Process Chemicals business unit. The *Process Chemicals* business unit ended the year with a very good sales trend in all sectors. The petroleum business benefited from the positive trend of products for oil and gas exploration in Russia, where business was further expanded and the product range was extended to new areas of applications. The subsidiary T.R. Oil Services opened a representative office in Houston, the second one in the US after California, to enable it to work on the attractive market in the Gulf of Mexico. The oil companies' intensive drilling operations meant that there was brisk demand for products for oil and gas exploration. The refineries sector reported good volume growth in Asia, while the competitive pressure increased in Europe. Business in products used for metal-working showed a gratifying trend. Supported by good sales and volume growth in the US and Southeast Asia, the sector aligned its business even more systematically on the requirements of its globally active clientele. European business was stable. In the mining sector flotation agents for ores, coal and industrial minerals experienced strong growth, particularly in Latin America and Russia. A whole series of new additives for the fertilizer industry were also developed and brought onto the market in Europe and South America. The raw materials business was dominated by the tumultuous trend in the petrochemicals sector, particularly in relation to monoethylene glycol and ethylene oxide. The Business Unit's result benefited from the increases in volume and improvements in its product mix.

Biocides business unit. In conjunction with the BTP acquisition, the new *Biocides* business unit was created. It includes the businesses of the former *Nipa Laboratories Ltd.* and has strong market positions in preservatives and disinfectants. Good sales figures were achieved, particularly in the paint and coatings segments and personal care products. The focus of activity was on extending tailor-made solutions, which met with growing

acceptance in the market place. Customer-specific formulations that extend beyond the sale of individual active substances are to be strengthened in future too. The integration of Biocides with the division is enabling synergies to be exploited, e.g. in the case of shared customers in the personal care sector. In response to growing demand for new formulations, laboratories were set up in Latin America and the USA.

Life Science & Electronic Chemicals Division

The activities of the *Life Science & Electronic Chemicals* division were significantly boosted by the acquisition and integration of the fine chemicals activities of BTP plc. The businesses acquired led to a rise in the division's sales to CHF 1,651 million, corresponding to a 52% jump in Swiss francs and 47% increase in local currencies. Excluding the impact of acquisitions, growth amounted to 7% in Swiss francs and 2% in local currencies. Operating profit rose by 47% compared with the previous year's level to CHF 125 million. At 7.6%, the operating margin was just below the previous year's level, and has so far fallen short of the target. Earnings were hit by the cost of idle capacity and rising raw material prices. The necessary measures to improve the situation have been taken.

Life Science & Electronic Chemicals	**2000**	1999
in CHF mio		
Sales	**1651**	1087
Growth in CHF	**+52%**	
Growth in local currencies	**+47%**	
Operating profit	**125**	85
Operating margin	**7.6%**	7.8%
Investments	**158**	114

The acquisition of BTP's activities significantly enhanced Clariant's position, particularly in active ingredients for the pharmaceutical industry. The acquisition of production facilities in the US, Italy, France and the UK was a perfect match for Clariant's existing network of plants in Germany, France, Brazil and India.

Electronic Materials business unit. Owing to favorable market conditions and the launch of a large number of new products, it was a very successful year for the *Electronic Materials* business unit, with double-digit growth in sales and a over proportional increase in profit. In the US, a new production facility in Branchburg, N.J. came on stream and capacity ran at a high level from day one. The semiconductors segment recorded healthy business levels worldwide. With the Asian upturn having begun back in 1999, a significant increase was also reported in the US. A new generation of *Deep UV photoresists* for the minutest structures was successfully launched with several clients. There was particularly buoyant demand for photoresists for the manufacturing of flat panel displays, which continued to grow at an steady pace. Consequently, the Business Unit further expanded its market leadership. The anti-reflective coatings business made gains across all sectors. Clariant tapped into a new market segment with new light management films for liquid crystal displays.

Life Science Molecules business unit. The new *Life Science Molecules* business unit was set up in the course of integrating the BTP activities. It includes the businesses of Clariant's former Life Science Intermediates business unit, as well as the fine chemicals business stemming from BTP, which was placed under the Archimica umbrella. The activities were rapidly and successfully integrated and targeted different market segments in order to present a focused marketing interface to the customer. This was the reason for setting up the pharmaceutical, agrochemical and fine chemicals specialties sectors.

As a consequence of merger activity in the pharmaceutical industry, there was an above-average build-up of inventories, and over ambitious business plans had a negative impact on quantities bought by customers. In addition, delays in approving new products and systems had negative effects for the time being. But good relationships with customers and growing acceptance of the new business unit among the customers meant that new projects could be initiated. More than a third of ongoing pharmaceutical projects is currently in clinical phase III or at the market launch stage.

The agrochemical industry underwent major restructuring and merger activity. As a result of combining Clariant's previously strong position with the activities of BTP, virtually all the significant players in the industry rank among the customer base. The Business Unit is therefore extremely well positioned for an upturn and will make the most out of the industry's trend to outsourcing production of intermediates. Despite delays with a significant project in which the client is waiting for the authorities to give their approval for the end

product, strong progress was achieved in the agro chemical intermediates business, particularly fungicides. Successes also include the launch of seven new molecules produced on an exclusive basis.

The Business Unit carried out significant investment in new production sites for fluoroaromatics, phenylhydrazines and isochromanone, which will make a significant contribution to growth in the future.

It was a successful year for the specialty fine chemicals business. This was partly attributable to growth in glyoxilic acid and silicon-based products. For the photographic industry, a number of possible new applications were identified; a new team was set up to harness this potential.

Specialty Intermediates business unit. The *Specialty Intermediates* business unit had a very difficult financial year, and this had a negative effect on the results of the division as a whole. The Business Unit – part of this division for technical and logistical reasons – produces standardized intermediates with a low degree of processing for the chemical industry, which was hit by intense competition with pressure on prices and in some cases declining volumes. Added to this, the Business Unit suffered from a sharp increase in raw material prices, especially in the second half of the year, and in particular in the case of acetic acid. Besides this, an unscheduled production interruption led to a shortfall in sales. Measures to ensure a sustained improvement of the unsatisfactory situation were introduced.

Cellulose Ethers & Polymerisates division

The *Cellulose Ethers & Polymerisates* division posted sales of CHF 1,155 million in the year 2000, a jump versus the previous year of 13% in Swiss franc terms and 12% in local currencies. This reflects a sharp rise in volumes as a consequence of increased market share and to a lesser extent higher prices. For this Division, 2000 was a year in which its major successes in improving operating processes and expanding market positions were sharply offset by drastic price increases for key raw materials. As a result, operating profit fell to CHF 106 million.

Cellulose Ethers & Polymerisates	**2000**	1999
in CHF mio		
Sales	**1155**	1026
Growth in CHF	**+13%**	
Growth in local currencies	**+12%**	
Operating profit	**106**	121
Operating margin	**9.2%**	11.8%
Investments	**28**	58

The focus of activities was on improving production efficiency. Funds were deployed in a targeted manner in order to improve processes and eliminate bottlenecks, resulting in substantial increases in capacity. However, these measures, plus volume growth and the price increases that were implemented, were not sufficient to offset massive price increases for raw materials. The Division is nevertheless optimistic about prospects for the current year. Prices for the main raw material, vinyl acetate monomer, continued to rise. However, it is anticipated that this increase will come to a halt in the second quarter of 2001. By consistently widening measures to increase efficiency across all sites, the Division hopes to achieve a clear improvement in competitiveness and profitability.

Cellulose Ethers/Emulsion Powders business unit. The *Cellulose Ethers/Emulsion Powders* business unit stepped up its efforts to exploit the newly created capacity in order to boost growth. The new hydroxyethlyene cellulose (HEC) plant fulfilled expectations, resulting in the addition of a range of high-quality brands. Through the extended HEC range, above-average market growth was achieved across all regions. In methyl cellulose (MC) the high market share in Europe was retained, and business in North and South America developed positively. The new plant for *Mowilith®* powder reached the target production level for its first year. The successful launch of new varieties ensured above-average market growth. Overall, the Business Unit performed very well in terms of sales and profit.

Emulsions business unit. For the *Emulsions* business unit, the emphasis of activity was on improving efficiency. Particular successes included measures to improve processes as well as debottlenecking of production facilities. Through skillful investment, significant increases in capacity were achieved at several sites. In addition, optimization of the supply chain processes led to a considerable increase in the availability of plants. By

integrating management processes with modern information systems, production times were shortened, capacity utilization was raised and the number of staff involved in the supply chain processes was reduced. This success is all the more remarkable given that despite the substantial increase in capacity utilization it is still possible to secure delivery times in a business that is characterized by production to order.

Research and development were coordinated such that the focus is now on rapid market launch of new solutions based on extensive know-how in polymerization. By consistently tailoring all projects to specific client requirements and cooperating closely with customers, a series of new products were launched whose attractive margins contributed to the result. Sharp increases in the price of monomers led to the highest price level since the first half of the 1980s. Consequently, results for the year 2000 were unsatisfactory. Consistent implementation of measures to boost efficiency will lead to a sharp improvement in 2001.

Polyvinyl alcohol/Polyvinyl butyral business unit. The *Polyvinyl alcohol/Polyvinyl butyral* business unit maintained the healthy profitability level of previous years, albeit at a slightly lower level. Further investment at the polyvinyl alcohol production plant enabled a clear reduction in energy consumption in the regeneration cycle. In terms of energy efficiency, this production process is virtually unparalleled. In the case of polyvinyl butyral, a bottleneck at one production line was eliminated at the beginning of the year, enabling the capacity of this facility to be doubled. Happily, the additional capacity was fully utilized already in the first year. As for research and development, efforts were substantially increased. Thus the current project portfolio comprises a series of new products that are set to be launched on the market next year with substantial volumes.

Corporate

Group expenses amounted to CHF 82 million, while for the previous year expenses totaled CHF 42 million. The previous year's figure was helped by an extraordinary contribution following settlement of mutual claims amounting to CHF 34 million in connection with the purchase of the Hoechst Specialty Chemicals business. On a comparable basis, group expenses were therefore relatively constant.

Amortization of goodwill

Amortization of goodwill amounted to CHF 125 million, against CHF 18 million for 1999. The increase is due to the acquisition of BTP plc. Goodwill from this transaction amounts to CHF 2,702 million and will be amortized over a time span of 20 years given the strategic significance of the acquisition. In the year 2000, the goodwill since consolidation on March 1, i.e. for a period of 10 months, was written off.

In 2000, Clariant adopted the revised IAS 22 rule. Based on this accounting standard, goodwill from the mid-1997 acquisition of the Hoechst Specialty Chemicals business was written off retroactively. This eliminates the corresponding annual recurring amortization of CHF 34 million. The annual accounts for the previous year were adjusted accordingly; all comparisons in this financial review are made on the basis of the adjusted accounts for the previous year.

In light of the current intensive debate surrounding the treatment of goodwill in the balance sheet, Clariant will examine the treatment of goodwill over the course of the year.

Financial result

Net financial debt rose strongly last year as a result of the acquisition of BTP, amounting to CHF 5,138 million at the end of the year. This compares with CHF 2,779 million at the close of the previous financial year. Net financial debt, which amounted to CHF 5,999 million at mid-year, was reduced by CHF 861 million in the second half. CHF 420 million of this, or almost half, was attributable to the successful conversion of the equity-linked bond. Generation of free cash flow from operating activities constitutes the other important element in the repayment of financial debts in the second half of the year.

The financial result showed an expense of CHF 273 million, compared with CHF 193 million in the previous year. The main reason for the change is the rise in net interest expenses, which grew to CHF 257 million from CHF 177 million in the previous year due to the higher net debt. In terms of average net financial debt, the interest rate was 5.2%, and therefore 0.8% lower in relation to the previous year. This reduction reflects the allocation of additional debt to currencies yielding a low level of interest. The majority of financial liabilities are financed at long-term fixed interest rates.

The operating result covered net interest expenses 3.9 times, and the interest coverage therefore remains solid.

Seen against the significantly higher factor of 6.0 times for the previous year, however, this reflects the use of cost-efficient financing with debt. The interest coverage based on earnings before interest, tax, depreciation and amortization (EBITDA) declined from 9.3 times to 6.4 times.

Taxes

Clariant established and maintains a fiscally efficient organizational structure. Tax expenses fell to CHF 224 million from CHF 275 million in the previous year. The tax rate before amortization of goodwill declined from 30.9% to 26.0%.

	2000	1999
Income before taxes and minority interests	**737**	871
Taxes	**224**	275
Effective tax rate	**30.4%**	31.6%
Income before goodwill amortization, taxes and minority interests	**862**	889
Taxes	**224**	275
Tax rate before goodwill amortization	**26.0%**	30.9%

The main reason for the lower tax charge was the German tax reform. By writing back deferred tax liabilities that were no longer required, a non-recurring reduction in tax expenses of CHF 43 million was achieved in 2000.

As this extraordinary factor falls out of the picture, the tax rate before goodwill amortization in the year 2001 is expected to come into the range of 32%.

Earnings per share and dividend

The number of shares issued grew to 15,344,000 as per the year-end. The difference of 14,600,828 shares compared with the previous year's figure is due to the full conversion of the equity-linked bond into shares. Of the statutory share capital of 15,344,000 shares, 15,287,524 shares were in circulation at the end of the year, with the remaining 56,476 shares being held by the Group as treasury stock.

The average number of outstanding shares used to calculate earnings per share amounted to 14,786,367 in the year 2000 compared with 14,273,300 in the previous year. Accordingly, earnings per share amounted to CHF 34.14 compared with CHF 41.13 in the previous year.

The increasingly important yardstick of earnings per share before goodwill amortization, or "cash earnings per share", rose to CHF 42.61 from CHF 42.39 in the previous year.

The Board of Directors is to recommend to shareholders that a dividend of CHF 11 be paid per registered share. This gives a total dividend payment of CHF 169 million, equivalent to 33% of net income. The pay out ratio in terms of net income before goodwill amortization amounts to 27%.

Balance sheet

The balance sheet total grew substantially as a consequence of the acquisition of BTP plc and amounted to CHF 12,947 million at the end of the year. The equity ratio stood at 27.6% at the end of the year, thus slightly exceeding the previous year's figure of 26.7%.

The increase in net operating assets likewise reflects the purchase of BTP plc; this figure was CHF 8,805 million at the end of the year as against CHF 5,658 million in the previous year. Capital turnover, i.e. sales as a ratio of average net operating assets employed, was unchanged at 1.5 times.

The ratio of net financial debts to equity (gearing) amounted to 204% at the mid-year point, and was the subject of a targeted reduction in the second half of the year to 144% through the use of financial and operational measures. The increase in relation to the previous year's figure of 100% reflects usage of the balance sheet to achieve a cost-efficient financing structure with financial debt.

Net working capital, defined as inventories plus trade accounts receivable less accounts payable, amounted to CHF 3,087 million at the year-end. At the mid-year point, the figure was CHF 3,509 million, in the second half of the year various measures to reduce inventories and accounts receivable were taken and successfully implemented. A further improvement in the management of current assets will enable further funds to be freed up in the future.

Investments

Investments in fixed assets amounted to CHF 535 million, corresponding to around 5.1% of sales. In the previous year, the investment figure was CHF 425 million – equivalent to 4.6% of sales.

The most significant investments involved new facilities for fluoroaromatics, phenylhydrazines and isochromanones for the life sciences industry and a new production plant for promising speciality products that will in future be used in the detergents industry.

In the future, Clariant will continue to maintain an investment ratio of around 4-5% of sales.

Human resources

The workforce totalled 31,546 people at the end of the year. Compared with the previous year's total of 28,993, this corresponds to an increase of 2,553 or 9%. The change on the one hand reflects the addition of around 2,900 staff as a result of acquisitions and on the other mirrors reductions due to optimization and reorganisation measures.

At CHF 2,395 million, personnel expenditure was 10% above the previous year's figure of CHF 2,168 million.

Research and development

Innovative products enable exciting new kinds of effects to be achieved, ease usage for customers and are characterized by a high degree of environmental compatibility. New products are therefore an important factor behind the success of Clariant. For this reason, initiatives for research and development are continuing apace. In 2000, CHF 414 million was expended on research and development; compared with the previous year, this represents an increase of CHF 52 million or 14%.

Research and development	**2000**	1999
Expenditure in CHF m	**414**	362
as % of sales	**3.9%**	3.9%

In the past, Clariant has invested up to 4% of its sales in research and development activities and intends to continue doing so in the future. These investments form the basis of further growth and improvements in profitability.

In line with Clariant's strategic focus, research funds are deployed primarily in the growth areas of fine chemicals and specialties in order to expand the product range. In contrast, the below-average sums spent on semi-specialties are used mainly to optimise processes. The focus of innovation activity is in the Life Science & Electronic Chemicals division, which accounts for more than a quarter of expenditure, as well as in Pigments & Additives.

The Group's research and development strategy centres on gaining a lead over its rivals in both new and existing markets through innovative solutions designed to meet client needs. To do this, ongoing improvements are made to products, production processes, application and process technologies.

The key to guaranteeing maximum proximity to the market is the direct integration of research activities – undertaken by more than 1,650 committed employees – with the individual business units. Centralised coordination ensures that cross-divisional synergies are exploited, that knowledge is exchanged and in addition new technological developments are identified at an early stage and incorporated into divisional strategies in good time. Added to this, research projects are regularly monitored with regard to the achievement of targets and relevance to the market.

Introduction of the Euro

With a view to the launch of the Euro as the means of payment in eleven member states of the European Union on 1 January 2002, extensive preparatory work has been undertaken. All business processes, particularly relations with customers, suppliers and banks, as well as price lists and contracts, were monitored with regard to effects of Euro's launch. Corresponding necessary measures, particularly in the field of information systems, have been carried out at all those Group companies affected across the world.

The measures have so far been implemented on schedule and Clariant does not expect any operational or technical difficulties as a result of the introduction of the Euro.

New accounting standards

From 1 January 2001, Clariant is to adopt the IAS 39 accounting standard relating to the treatment of derivative instruments and hedging activities. The necessary measures for this have been taken. The Board of Management's view is that applying this standard will not have a major effect on assets, as well as the financial and earnings positions.

Outlook

The current year will bring further challenges for Clariant: after a rather weak start to the year, largely due to the difficult situation in the automotive industry, it is anticipated that the markets for Clariant products will pick up momentum as the year progresses. Following several quarters with clear rises in raw material prices, an easing of the situation is likely to occur from the second quarter onwards. The impact of exchange rates is difficult to forecast. However, it is anticipated that these will have a less positive effect in the current year. Clariant is nevertheless looking to the future with optimism: its strong base enables it to tackle the challenges in the markets head-on. In particular, in strategic growth areas Clariant expects business to develop at a dynamic pace.

Forward-Looking Statements

Forward-looking statements contained herein are qualified in their entirety as there are certain factors that could cause results to differ materially from those anticipated. Investors are cautioned that all forward-looking statements involve risks and uncertainty. In addition to the factors discussed above, among the factors that could cause actual results to differ materially are among others the following: the timing and strength of new product offerings; pricing strategies of competitors; the Company's ability to continue to receive adequate products from its vendors on acceptable terms, or at all, and to continue to obtain sufficient financing to meet its liquidity needs; and changes in the political, social and regulatory framework in which the Company operates or in economic or technological trends or conditions, including currency fluctuations, inflation and consumer confidence, on a global, regional or national basis.

Consolidated Balance Sheets

at 31 December 2000 and 1999

		31 December 2000		31 December 1999 restated		31 December 1999	
		CHF mio	**%**	CHF mio	%	CHF mio	%
Assets	*						
Long-term assets							
Tangible fixed assets	3	4 420		4 059		4 059	
Intangible assets	4	2 755		160		752	
Investments in associated companies	5	451		471		471	
Deferred taxes	6	451		480		480	
Other financial assets	7	97		62		62	
Total long-term assets		**8 174**	63.1	**5 232**	50.4	**5 824**	53.0
Current assets							
Inventories	8	2 268		2 083		2 083	
Trade accounts receivable	9	1 680		1 810		1 810	
Other current assets	10	516		439		439	
Cash and short-term deposits		309		824		824	
Total current assets		**4 773**	36.9	**5 156**	49.6	**5 156**	47.0
Total assets		**12 947**	100.0	**10 388**	100.0	**10 980**	100.0

*The notes form an integral part of the consolidated financial statements.
1999 has been restated to be comparable with the 2000 presentation.

		31 December 2000		31 December 1999 restated		31 December 1999	
		CHF mio	**%**	CHF mio	%	CHF mio	%
Equity and liabilities	*						
Equity							
Share capital	12	767		730		730	
Treasury shares (par value)		–3		–14		–14	
Reserves		2803		2057		2649	
Total equity		**3567**	27.5	**2773**	26.7	**3365**	30.6
Minority interests		**100**	0.8	**106**	1.0	**106**	1.0
Liabilities							
Long-term liabilities							
Financial debts	13	3888		2789		2789	
Deferred taxes	6	746		808		808	
Other	14	868		730		730	
Total long-term liabilities		**5502**		**4327**		**4327**	
Short-term liabilities							
Trade accounts payable		861		852		852	
Financial debts	15	1559		814		814	
Taxes payable		125		41		41	
Other	16	1233		1475		1475	
Total short-term liabilities		**3778**		**3182**		**3182**	
Total liabilities		**9280**	71.7	**7509**	72.3	**7509**	68.4
Total equity and liabilities		**12947**	100.0	**10388**	100.0	**10980**	100.0

*The notes form an integral part of the consolidated financial statements.
1999 has been restated to be comparable with the 2000 presentation.

Consolidated Income Statements

for the years ended 31 December 2000 and 1999

		2000		1999 restated		1999	
		CHF mio	**%**	CHF mio	%	CHF mio	%
	*						
Sales		10 583	100.0	9 256	100.0	9 256	100.0
Cost of goods sold		–6 948		–5 997		–5 997	
Gross profit		**3 635**	34.3	**3 259**	35.2	**3 259**	35.2
Marketing and distribution		–1 534		–1 359		–1 359	
Research and development		–414		–362		–362	
Income from associated companies	5	50		86		86	
Administration and general overhead cost		–602		–542		–542	
Operating income before amortization of goodwill		**1 135**	10.7	**1 082**	11.7	**1 082**	11.7
Amortization of goodwill		–125		–18		–52	
Operating income after amortization of goodwill		**1 010**	9.5	**1 064**	11.5	**1 030**	11.1
Financial result	20	–273		–193		–193	
Income before taxes and minority interests		**737**		**871**		**837**	
Taxes	21	–224		–275		–275	
Income before minority interests		**513**	4.9	**596**	6.4	**562**	6.1
Minority interests		–8		–9		–9	
Net income of the group		**505**		**587**		**553**	
Earnings per share (CHF/share)	22	34.14		41.13		38.77	
Diluted earnings per share (CHF/share)	22	33.22		39.32		37.08	

* The notes form an integral part of the consolidated financial statements.
1999 has been restated to be comparable with the 2000 presentation.

Consolidated Statements of Cash Flows

for the years ended 31 December 2000 and 1999

	2000		1999 restated		1999	
	CHF mio		CHF mio		CHF mio	
Net income	505		587		553	
Depreciation of tangible fixed assets	506		546		546	
Amortization of intangible assets	141		36		70	
Change in long-term liabilities	–64		186		186	
Other non-cash items	18		–84		–84	
Cash flow before changes in working capital	**1 106**		**1 271**		**1 271**	
Change in inventories	–102		71		71	
Change in trade accounts receivable and other current assets	194		204		204	
Change in short-term financial assets	–		3		3	
Change in trade accounts payable	–92		–122		–122	
Other	–154		–383		–383	
Cash flow from operating activities	**952**		**1 044**		**1 044**	
Investment in tangible fixed assets	–535		–425		–425	
Change in intangible and financial assets	–38		–19		–19	
Sale of tangible and intangible assets	92		47		47	
Acquisition of companies, businesses and participations (net of cash acquired)	–2 942		–94		–94	
Acquisition of minority interests	–		–31		–31	
Dividends received	50		56		56	
Cash flow from investing activities	**–3 373**		**–466**		**–466**	
Capital increase	424		31		31	
Treasury share transactions	130		15		15	
Change in long-term financial debts	1 210		–218		–218	
Change in short-term financial debts	295		44		44	
Dividends paid to third parties	–146		–131		–131	
Cash flow from financing activities	**1 913**		**–259**		**–259**	
Currency translation effect on cash and short-term deposits	–7		15		15	
Net change in cash and short-term deposits	**–515**		**334**		**334**	
Cash and short-term deposits at the beginning of the period	**824**		**490**		**490**	
Cash and short-term deposits at the end of the period	**309**		**824**		**824**	
Additional information to the Consolidated Statements of Cash Flows:						
Interest paid	–243		–177		–177	
Income taxes paid	–221		–146		–146	

The notes form an integral part of the consolidated financial statements.
1999 has been restated to be comparable with the 2000 presentation.

Consolidated Statement of Changes in Equity

in CHF mio	Share premium	Retained earnings	Cumulative translation differences	Total reserves	Total share capital	Treasury shares par value	Total equity
Balance 31 December 1998	**1 339**	**733**	**–86**	**1 986**	**727**	**–15**	**2 698**
Effect of IAS 19 revised		4		4			4
Dividends to third parties		–131		–131			–131
Dividends on treasury shares		2		2			2
Exercise of conversion rights	29			29	3		32
Treasury share transactions	14			14		1	15
Translation effects			192	192			192
Net income		553		553			553
Balance 31 December 1999	**1 382**	**1 161**	**106**	**2 649**	**730**	**–14**	**3 365**
Effect of IAS 22 revised		–592		–592			–592
Dividends to third parties		–146		–146			–146
Dividends on treasury shares		1		1			1
Exercise of conversion rights	387			387	37		424
Treasury share transactions	119			119		11	130
Translation effects			–120	–120			–120
Net income		505		505			505
Balance 31 December 2000	**1 888**	**929**	**–14**	**2 803**	**767**	**–3**	**3 567**

The notes form an integral part of the consolidated financial statements.

Notes to the Consolidated Financial Statements

1. Accounting policies

Basis of preparation
The financial statements of the Clariant Group are prepared in accordance with the standards formulated by the International Accounting Standards Committee (IASC).

Scope of consolidation
All companies in which Clariant Ltd, Muttenz, holds a majority equity investment and possesses the majority of the voting rights are fully consolidated.

Associated companies (investments of between 20% and 50% in a company's equity) are consolidated using the equity method where the Group exercises a significant influence. All other minority investments are valued at their acquisition cost less impairment in value.

Principles and method of consolidation
The financial statements of the companies included in the consolidation have been prepared, as a general rule, as of the date of the consolidated financial statements using the historical cost convention and applying uniform presentation and valuation principles.

The purchase method of accounting is used for acquired businesses.

Intercompany income and expenses including unrealized gross profits from internal Group transactions, and intercompany receivables and payables have been eliminated.

The minority interests in the equity and the results of consolidated companies are separately disclosed in the balance sheet and income statement.

Exchange rate differences
Income, expense and cash flows of the consolidated companies have been translated into Swiss francs using the respective yearly average sales-weighted exchange rates. The balance sheets are translated using the year end exchange rates. Exchange rate differences arising from exchange rate movements compared to the prior year relating to the translation of shareholders' equity and long-term Group internal financing of consolidated companies, and differences resulting from the translation of the net income are allocated to reserves.

The exception to this is for Group companies in hyperinflationary countries, where all exchange rate differences are charged to the income statement.

Exchange rate differences on business transactions are recorded in the income statement at the approximate rate applicable at the time of the transaction.

Hyperinflationary countries
The financial statements of consolidated companies operating in highly inflationary economies are maintained using current value considerations, except in those rare cases where the use of a functional currency different (generally US Dollar) from the local currency for the underlying accounts provides a more consistent picture of the economic situation.

Tangible fixed assets
Tangible fixed assets have been valued at historical acquisition or production costs and depreciated on a straight-line basis to the income statement, in accordance with the related Group guidelines over the following maximum estimated useful lives:

- Buildings 40 years
- Machinery and equipment 16 years
- Furniture, vehicles, computer hardware 5 to 10 years

Tangible fixed assets which are financed by leases giving rights to use the assets as if owned, are capitalized with their estimated present value at the inception of the lease, and depreciated in the same manner as other tangible fixed assets. Financing costs associated with the construction of tangible fixed assets are not capitalized.

Intangible assets
Goodwill, arising when the acquisition cost of an investment is in excess of the fair value of net assets acquired, is capitalized and amortized over a period not exceeding twenty years. Other purchased intangible assets – such as patents, trademarks and other rights – are capitalized at historical cost and amortized on a straight-line basis to the income statement over their estimated useful lives, with a maximum of ten years. Adjustments are made for any permanent impairment in value.

Financial assets
Associated companies are accounted for using the equity method. All other minority investments are reported at their acquisition cost, and loans are reported at their nominal value. Adjustments are made for any permanent impairment in value. The net result is included in other income and expense in the income statement.

Inventories
Purchased products are valued at acquisition cost while self-manufactured products are valued at manufacturing costs including related production expenses. Inventory held at the balance sheet date is primarily valued at standard cost, which as a general rule, approximates actual costs. This valuation method is also used for valuing the cost of goods sold in the income statement. Adjustments are made for inventories with a lower market value or which are slow moving. Unsaleable inventory is fully written-off.

Trade accounts receivable
The reported values represent the invoiced amounts, less adjustments for doubtful receivables.

Cash and cash equivalents
Cash and cash equivalents comprise cash in hand, deposits and calls with banks as well as short term investment instruments which convert to cash within 90 days.

Marketable securities and financial instruments
Marketable security portfolios are valued at the lower of cost or market value. The result is included in the Financial result.

Financial instruments are used in the normal course of business to reduce risks arising from currency translation, interest rate or price movements. The Group manages and records centrally its cover of various positions arising from existing assets and liabilities as well as future business transactions. Transactions are only concluded with reputable international banks. The result of using financial instru-

ments in our risk management program is strictly monitored, checked and communicated to Group management.

Financial instruments which are held for hedging purposes, principally interest rate and currency swaps, are valued using the same principles as for the valuation of the underlying hedged positions.

Gains and losses arising from the use of financial instruments for the purpose of hedging other financial risks are recorded in the income statement when the gains and losses arising from the underlying hedged position are recognized. Option premiums or fees are recorded on payment or receipt.

All other financial instruments are valued at fair market value with the resulting gains or losses being recorded in the Financial result.

Deferred taxes
Deferred taxes have been calculated using the comprehensive liability method. These result from the temporary differences that arise between the recognition of items in the balance sheets of Group companies used for tax purposes and those prepared for consolidation purposes. Withholding tax on possible distributions of retained earnings of Group companies is not taken into account since, generally, retained earnings are reinvested. Deferred taxes, calculated using applicable local tax rates, are included in long-term assets, resp. in long-term liabilities with changes in the year recorded in the income statement.

Pension fund, post-retirement and termination benefits

(a) Defined benefit pension plans
The liability in respect of defined benefit pension plans corresponds to the defined benefit obligation and is periodically calculated by independent actuaries. The charge for such pension plans representing the net periodic pension cost is included in personnel expenses.

(b) Post-retirement benefits other than pensions
Some Group companies provide healthcare and life insurance benefits for the majority of their retired employees and their eligible dependents. The cost of these benefits is actuarially determined and accrued over the employees' working lives. Personnel costs and long-term liabilities include the expense and related liability, respectively.

(c) Termination benefits
These are provided in accordance with the legal requirements of certain countries.

Research and development
With the exception of fixed assets used for research and development, which are capitalized and written off over their estimated useful life, research and development costs are charged to the income statement in the period during which they are incurred.

2. Change in the scope of consolidation

Aquisitions
As of 1 March 2000, Clariant acquired the entire ordinary share capital of BTP plc, England. Sales of the period from 1 March through year-end 2000 were CHF 765 million (CHF 486 million Division Life Science & Electronic Chemicals, CHF 180 million Division Textile, Leather & Paper Chemicals and CHF 99 million Division Functional Chemicals).

Effective 1 June 2000, Clariant acquired the Mexican company Christianson S.A. Sales of the period from 1 June 2000 through year-end 2000 (Division Functional Chemicals) were CHF 24 million.

3. Tangible fixed asset movements

in CHF mio	Land	Buildings	Machinery and equipment	Furniture, vehicles, computer hardware	Plant under construction	**Total 2000**	Total 1999
Costs							
at 1 January	684	2 477	5 910	735	312	10 118	9 344
Changes in consolidation scope	10	233	573	15	1	832	153
Additions and reclassifications	1	119	308	55	52	535	425
Disposals	–7	–117	–226	–57	–	–407	–193
Translation effects	–31	–62	–208	–26	–9	–336	389
at 31 December	**657**	**2 650**	**6 357**	**722**	**356**	**10 742**	**10 118**
Accumulated depreciation							
at 1 January	–	–1 260	–4 230	–569	–	–6 059	–5 445
Changes in consolidation scope	–	–35	–212	–8	–	–255	–47
Additions and reclassifications	–	–107	–333	–65	–	–505	–546
Disposals	–	76	187	52	–	315	144
Translation effects	–	21	144	17	–	182	–165
at 31 December	**–**	**–1 305**	**–4 444**	**–573**	**–**	**–6 322**	**–6 059**
Book value at 31 December	**657**	**1 345**	**1 913**	**149**	**356**	**4 420**	**4 059**
Insured value at 31 December						**13 279**	**14 173**

The capitalized cost of tangible fixed assets under lease contracts at 31 December 2000 amounts to CHF 12 million with a book value of CHF 1 million (1999: CHF 10 million and CHF 2 million respectively).

As of 31 December 2000, commitments for purchases of tangible fixed assets totalled CHF 72 million (1999: CHF 83 million).

4. Intagible asset movements

in CHF mio	Goodwill	Other	**Total 2000**	Total 1999 restated
Costs				
at 1 January	834	94	928	847
Effect of IAS 22 revised	–675	–	–675	–675
Changes in consolidation scope	2 702	–	2 702	–
Additions	–	38	38	69
Disposals	–	–1	–1	–1
Translation effects	–3	–7	–10	13
at 31 December	**2 858**	**124**	**2 982**	**253**
Accumulated amortization				
at 1 January	–117	–59	–176	–104
Effect of IAS 22 revised	83	–	83	83
Amortization	–125	–16	–141	–70
Disposals	–	1	1	–
Translation effects	4	2	6	–2
at 31 December	**–155**	**–72**	**–227**	**–93**
Book value at 31 December	**2 703**	**52**	**2 755**	**160**

The acquisition of BTP plc. resulted in a goodwill of CHF 2 702 mio. Based on the strategic significance of the acquisition for Clariant, goodwill is being amortized over a period of 20 years.

Impacts of IAS 22 (revised)

On 1 January 2000 the IAS 22 (revised) "Business Combinations" became effective. This had an impact on the accounting for the acquisition of the Specialty Chemicals business of the Hoechst Group. Goodwill in the amount of CHF 675 mio capitalized in the years 1997 and 1998 was retroactively charged to the income statements of 1997 and 1998 respectively. The corresponding amortization of goodwill of the years 1997 – 1999 in the amount of CHF 83 mio total was reversed accordingly. By 31 December 1999 the book value of the goodwill arising on the acquisition of the Specialty Chemicals business of the Hoechst Group amounted to CHF 592 mio. The financial statements as per 1 January 1999 have been restated to be comparable.

5. Investment in associated companies

	Balance sheet value		Effect on the income statement	
	31.12.2000 CHF mio	31.12.1999 CHF mio	**2000 CHF mio**	1999 CHF mio
InfraServ GmbH & Co. Höchst KG	193	199	14	13
Säurefabrik Schweizerhall AG	70	68	4	39
InfraServ GmbH & Co. Wiesbaden KG	51	55	7	8
InfraServ GmbH & Co. Gendorf KG	42	43	7	6
Harco Harlow Chemical Company Ltd	25	33	11	16
InfraServ GmbH & Co. Knapsack KG	22	22	2	1
Perstorp-Clariant AB	10	11	2	2
Others	38	40	3	1
Total	**451**	**471**	**50**	**86**

6. Deferred taxes

	31.12.2000 CHF mio	31.12.1999 CHF mio
Deferred tax liabilities associated with:		
Tangible and intangible asset depreciation and amortization	622	653
Prepaid pensions	9	14
Other accruals and provisions	115	141
Total liabilities	**746**	**808**
Deferred tax assets associated with:		
Tangible and intangible asset depreciation and amortization	37	42
Employee benefit liabilities	141	120
Other accruals and provisions	273	318
Total assets	**451**	**480**

7. Other financial assets

	31.12.2000 CHF mio	31.12.1999 CHF mio
Prepaid pensions	94	59
Other investments	3	3
Total	**97**	**62**

8. Inventoires

	31.12.2000 CHF mio	31.12.1999 CHF mio
Raw material, consumables, work in progress	911	870
Finished products	1 357	1 213
Total	**2 268**	**2 083**

9. Trade accounts receivable

	31.12.2000 CHF mio	31.12.1999 CHF mio
Receivables gross	1 794	1 950
Allowance for doubtful receivables	–114	–140
Total net	**1 680**	**1 810**

10. Other current assets

	31.12.2000 CHF mio	31.12.1999 CHF mio
Other receivables	356	336
Short-term financial assets	70	29
Prepaid expenses/accrued income	90	74
Total	**516**	**439**

11. Financial instruments

Risk management (hedging) instruments and off-balance sheet risk
Clariant uses forward foreign exchange and option contracts, interest rate and currency swaps, and other derivative instruments to hedge the Group's risk exposure to volatility in interest rates and currencies and to manage the return on cash and cash equivalents. Risk exposures from existing assets and liabilities as well as anticipated transactions are managed centrally.

Interest rate management
It is the Group's policy to manage the cost of interest using fixed and variable rate debt.

Foreign exchange management
To manage the exposure to fluctuation in foreign currency exchange rates, the Group follows a strategy of hedging both balance sheet and revenue risk partially through the use of forward exchange contracts and currency swaps in various currencies. The entire exposure may not be hedged throughout the year, depending on the management's estimation of future developments.

Counterparty risk
Financial instruments contain an element of risk that the counterparty may be unable to either issue securities or to fulfill the settlement terms of a contract. Clariant therefore only cooperates with counterparties or issuers that are at least A rated. The cumulative exposure to these counterparties is constantly monitored by the Group management; therefore, there is no expectation of a material loss due to counterparty risk in the future. The following table shows the contract or underlying principal amounts and the respective fair value of financial instruments by

type at year-end. The contract or underlying principal amounts indicate the volume of business outstanding at the balance sheet date and do not represent the amount at risk. The fair values represent the gain or loss a contract would realize if exchanged or settled using market values or standard pricing models at 31 December 2000.

All necessary measures have been taken to implement IAS 39 as per 1 January 2001.

	Contract underlying principal amount CHF mio	Positive fair values CHF mio	Negative fair values CHF mio
Currency related hedging instruments			
Forward foreign exchange rate contracts and currency swaps	1 224	7	–138
Interest related instruments			
Interest rate swaps	1 823	19	–19
Total financial instruments	**3 047**	**26**	**–157**

Any gains or losses are recognized in the income statement in accordance with the principles of hedge accounting. This means the recognition of a gain or a loss follows the recognition of the respective gain or loss of the hedged cash flow or asset.

Financial instruments by maturity

	1–12 months CHF mio	1–5 years CHF mio	over 5 years CHF mio	**Total CHF mio**
Currency related hedging instruments				
Forward foreign exchange rate contracts and currency swaps	345	837	42	1 224
Interest related instruments				
Interest rate swaps	400	951	472	1 823
Total financial instruments	**745**	**1 788**	**514**	**3 047**

Financial instruments by currency

	Forward foreign exchange CHF mio	**Total CHF mio**
USD	676	676
JPY	314	314
GBP	208	208
EUR	25	25
Übrige	1	1
Total	**1 224**	**1 224**
Interest rate swaps		1 823
Total financial instruments		**3 047**

All counterparties are rated at least A.

12. Changes in share capital and treasury shares

Registered shares each with a par value of CHF 50

	Number shares 2000	**Par value CHF mio 2000**	Number of shares 1999	Par value CHF mio 1999
at 1 January	14 600 828	730	14 545 636	727
Increase of share capital by conversion of bonds	743 172	37	55 192	3
at 31 December	**15 344 000**	**767**	**14 600 828**	**730**
Treasury shares	–56 476	–3	–289 816	–14
Outstanding Capital 31 December	**15 287 524**	**764**	**14 311 012**	**716**

Treasury shares (number of shares)

	2000	1999
Holdings on 1 January	289 816	304 466
Shares purchased at fair market value	88 689	43 190
Shares sold at fair market value	–322 029	–57 840
Holdings on 31 December	**56 476**	**289 816**

13. Long-term financial debts

	Interest rate	Term	Earliest redemption date	**Amount 31.12.2000 CHF mio**	Amount 31.12.1999 CHF mio
Convertible Bonds [1]	1%	1997–2002	2000	–	424
Straight Bonds	4¼%	1995–2000		–	150
Straight Bonds	4⅝%	1996–2003		150	150
Straight Bonds	4⅛%	1996–2006		200	200
Straight Bonds	3⅜%	1997–2004		300	300
Straight Bonds	3¾%	1997–2007		200	200
Straight Bonds	3%	1998–2005		250	250
Straight Bonds	4¼%	2000–2008		500	–
Liabilities to banks and other financial institutions				**2307**	**1288**
Obligations under finance leases				**1**	**1**
Subtotal				**3908**	**2963**
Less current portion				**–20**	**–174**
Total				**3888**	**2789**
Breakdown by maturity			2001	–	45
			2002	28	449
			2003	484	152
			2004	313	315
			2005	830	–
			thereafter	2233	1828
Total				**3888**	**2789**
Breakdown by currency			CHF	1906	1730
			EUR	586	618
			USD	391	396
			JPY	984	14
			other	21	31
Total				**3888**	**2789**
Fair value comparison					
Convertible bonds				–	566
Straight bonds				1610	1104
Others				2399	1265
Total				**4009**	**2935**
Total value of the security given, mainly against tangible fixed assets				210	230
Total secured long-term financial debts				56	61

[1] Clariant Ltd has exercised the early redemption possibility. The remaining outstanding bonds were converted at 19 August 2000.

14. Movements in other long-term liabilities

in CHF mio	Provisions for pension plans	Environ-mental provisions	Other long-term provisions	**Total 2000**
at 1 January	458	105	167	730
Long-term liabilities resulting from acquisitions	–	47	25	72
Additions and reclassifications	113	60	69	242
Amounts used	–87	–9	–34	–130
Unused amounts reversed	–16	–1	–12	–29
Changes due to passage of time and changes in discount rates	10	–	2	12
Translation effects	–22	–3	–4	–29
at 31 December	**456**	**199**	**213**	**868**

When IAS 37 "Provisions, Contingent Liabilities and Contingent Assets" was adopted as per 1 January 2000 the prior year information was not restated.

15. Short-term financial debts

	31.12.2000 CHF mio	31.12.1999 CHF mio
Banks and other financial institutions (including employees' accounts)	1 539	640
Current portion of long-term financial debts	20	174
Total	**1 559**	**814**

16. Other short-term liabilities

	31.12.2000 CHF mio	31.12.1999 CHF mio
Provisions for restructuring	120	274
Liabilities from personnel costs	167	183
Other short-term provisions	164	248
Total short-term provisions	**451**	**705**
Accruals	583	477
Other payables	199	293
Total	**1 233**	**1 475**

The numbers of 1999 have been restated to be comparable with the presentation of the numbers of 2000.

Movements in short-term provisions

in CHF mio	Restructuring provisions	Liabilities from personnel costs	Other short-term provisions	**Total 2000**
at 1 January	274	183	248	705
Long-term liabilities resulting from acquisitions	–	1	15	16
Additions and reclassifications	–	142	81	223
Amounts used	–154	–122	–141	–417
Unused amounts reversed	–	–32	–33	–65
Translation effects	–	–5	–6	–11
at 31 December	**120**	**167**	**164**	**451**

When IAS 37 "Provisions, Contingent Liabilities and Contingent Assets" was adopted as per 1 January 2000 the prior year information is not restated.

17. Employee Benefits

The Group has, apart from the legally required social security schemes, numerous independent pension plans. The assets are principally held externally. For certain Group companies, however, no independent assets exist for the pension and other long-term employee benefit obligations. In these cases the related liability is included in the balance sheet.

		31.12.2000 CHF mio	31.12.1999 CHF mio
Liabilities recognized in the balance sheet:			
Pension Funds	defined contribution plans	–25	–26
	defined benefit plans	–312	–317
Other post retirement benefit plans		–119	–115
Total		**–456**	**–458**

Defined contribution pension and termination plans

In 2000, CHF 27 million was charged to the income statements of the Group companies as contributions to these plans (1999: CHF 25 million).

Defined benefit obligations plans

Defined benefit pension and termination plans

Defined benefit pension and termination plans cover the majority of the Group's employees. Future obligations and the corresponding assets of those plans considered as defined benefit plans under IAS 19 are reappraised annually and reassessed at least every three years by independent actuaries. Assets are valued at fair values. All pension plan obligations are sufficiently funded by assets.

US employees transferred to Clariant with the Hoechst Specialty Chemicals business remain insured with Hoechst for their pension claims incurred prior to 30 June 1997.

The following is a summary of the status of the plans:

	31.12.2000 CHF mio	31.12.1999 CHF mio
Present value of funded obligations	–1 189	–939
Fair value of plan assets	1 457	1 131
Surplus	**268**	**192**
Present value of unfunded obligations	–261	–254
Unrecognized actuarial (gains) losses	–319	–255
Liability in the balance sheet	**–312**	**–317**

The pension plan assets include registered shares issued by the Company with a fair value of CHF 20 million at 31 December 2000.

The amounts recognized in the income statement are as follows:

	2000 CHF mio	1999 CHF mio
Current service cost	–92	–80
Interest cost	–65	–44
Expected return on plan assets	82	57
Net actuarial losses recognized in current year	–1	–
Losses on curtailment	–	–1
Total included in personnel costs in the Group income statement	**–76**	**–68**

The actual return on plan assets in 2000 was CHF 115 million.

Movement in the liability recognized in the balance sheet:

	31.12.2000 CHF mio	31.12.1999 CHF mio
At beginning of year	–317	–281
Translation effect	18	–11
Liabilities acquired in business combination	–	–15
Total expense as above	–76	–68
Contributions paid	65	55
Others	–2	3
At end of year	**–312**	**–317**

The principal actuarial assumptions used for accounting purposes were:

	weighted average %	
	2000	1999
Discount rate	5.2%	4.8%
Expected return on plan assets	6.2%	5.8%
Expected inflation rate	2.5%	2.7%

Post employment medical benefits

The Group operates a number of post employment medical benefit schemes in the USA, Canada and France. The method of accounting for the liabilities associated with these plans is similar to the one used for defined benefit pension schemes. These plans are not externally funded, but are covered by provisions in the balance sheets of the Group companies concerned.

The following amounts are recognized in the balance sheet:

	2000 CHF mio	1999 CHF mio
Present value of unfunded obligations	–119	–115

The amounts recognized in the income statement are as follows:

	2000 CHF mio	1999 CHF mio
Current service cost	–3	–3
Interest cost	–7	–6
Total included in personnel costs	**–10**	**–9**

Movement in the liability recognized in the balance sheet:

	2000 CHF mio	1999 CHF mio
At beginning of year	–115	–90
Translation effect	–2	–14
Total expense as above	–10	–9
Benefits paid	3	2
Other	5	–4
At end of year	**–119**	**–115**

In addition to the assumptions used for the pensions schemes, the main actuarial assumption is a long term increase in health costs of 8.0% per year.

18. Stock option plan

I. Executive Stock Option Plan "ESOP"

In 1999, a new Clariant Group Executive Stock Option Plan was introduced.

Under this plan, a specific group of executives are granted, as part of their annual remuneration, the choice of either:

a Options

The granted options entitle the holder to acquire registered shares of Clariant Ltd (1 share per option) at a predetermined strike price. They become vested and are exercisable after 3 years and expire after 10 years.

b Shares

The granted registered shares Clariant Ltd become vested and are exercisable after 3 years.

II. Management Stock Incentive Plan "MSIP"

In 1999, a Clariant Group Management Stock Incentive Plan was introduced. Under this plan a specific group of managers are granted, as part of their annual remuneration, registered shares of Clariant Ltd. The shares become vested after 3 years.

The number of options and shares granted in both plans depends on the performance of the individuals and on the performance of the sector in which they work.

The costs of the new Plans (I.b) and (II.) are included in personnel expenses. A provision has been made for shares earned in 2000 which will be granted in 2001. The grant of options (I.a) has no effect on the income statement. The costs of the options granted under the plans, which were in place in 1998, are wholly borne by the autonomous employee share participation foundation.

Share options and shares as of 31 December 2000

Base-year	Granted	Exercisable from	Expiry date	Exercise price	**Number 31.12.2000**	Number 31.12.1999
Options						
1997	1998	2001	2007	286.50	15 974 [1]	15 974
1997	1998	2001	2007	421.50	15 456 [1]	16 036
1998	1999	2002	2008	695.00	34 092 [2]	36 281
1999	2000	2003	2009	540.00	10 382 [2]	–
				Total	**75 904**	**68 291**
Shares						
1996	1997	2000			–	5 408
1998	1999	2002			8 596 [2]	8 619
1999	2000	2003			19 379 [2]	–
				Total	**27 975**	**14 027**

[1] The corresponding number of registered shares is held by the employee share participation foundation.

[2] The corresponding number of registered shares is held as treasury shares of Clariant Ltd or covered with options with banks.

19. Consolidated statement of Cash Flow

The following is a summary of the impact of acquisitions during 2000:

	2000 CHF mio
Tangible fixed assets	–577
Other long-term assets	–35
Inventories	–232
Trade accounts receivable	–282
Other current assets	–101
Marketable securities, cash and short-term deposits	–41
Long-term and short-term financial debts to third parties	490
Trade accounts payable and other liabilities	496
Reduction of cash	**–282**
Cash and short-term deposits acquired	42
Sub-total	**–240**
Goodwill	–2 702
Net Cash Flow	**–2 942**

20. Financial expense, net

	2000 CHF mio	1999 CHF mio
Interest income	22	12
Other financial income	8	22
Financial income	**30**	**34**
Interest expense	–279	–189
Other financial expense	–22	–29
Financial expense	**–301**	**–218**
Currency result, net	–2	–9
Total	**–273**	**–193**

The numbers of 1999 have been restated to be comparable with the presentation of the numbers of 2000.

21. Taxes

	2000 CHF mio	1999 CHF mio
Current income taxes	–262	–169
Deferred income taxes	38	–106
Total	**–224**	**–275**

Tax expense on the consolidated earnings before taxes differs from the maximum Swiss tax rate applicable to corporations domiciled in Switzerland as follows:

	2000	1999 restated	1999
Maximum Swiss Tax rate	24.8%	24.8%	24.8%
Effect of different tax rates in other countries	9.4%	9.5%	10.8%
Effect of expenses which are additionally tax deductible (1999) or taxable (2000)	0.4%	–4.9%	–5.1%
Effect of previously unrecognized tax losses	–2.6%	–0.8%	–0.8%
Other items	–1.5%	3.0%	3.1%
Effective tax rate	**30.5%**	**31.6%**	**32.8%**

As result of the reduction of the German tax rates CHF 43 mio deferred tax were released. This reflects in the effect of expenses which are additionally tax deductible.

Tax losses and tax credis on which no deferred tax was calculated are as follows:

	31.12.2000 CHF mio	31.12.1999 CHF mio
Unrecognized tax losses	212	178
Unrecognized tax credits	29	16

All tax losses and tax credits presented expire between 2001 and 2007.

22. Earnings per share (EPS)

Earnings per share are calculated by dividing the Group net income by the average outstanding number of shares (issued shares less treasury shares).

	2000 **CHF mio**	1999 restated CHF mio	1999 CHF mio
Net income	**505**	**587**	**553**
Reversed interest on convertible bond	–	5	5
Remaining amortization of the convertible bond issue costs	–	–1	–1
Diluted net income	**505**	**591**	**557**
Shares			
Holdings on 1 January	14 311 012	14 241 170	14 241 170
Effect of transactions with treasury shares on average number of shares outstanding	475 355	32 130	32 130
Average number of shares outstanding	**14 786 367**	**14 273 300**	**14 273 300**
Effect on average number of shares outstanding assuming the convertible bond had been converted at the earliest possible date	411 304	743 172	743 172
Average diluted number of shares outstanding	**15 197 671**	**15 016 472**	**15 016 472**
Earnings per share (CHF/share)	**34.14**	**41.13**	**38.77**
Diluted earnings per share (CHF/share)	**33.22**	**39.32**	**37.08**

1999 has been restated to be comparable with the 2000 presentation.

23. Personnel expenses

	2000 **CHF mio**	1999 CHF mio
Wages and salaries	–1 891	–1 683
Pension and social security costs	–504	–485
Total	**–2 395**	**–2 168**

24. Divisional breakdown of key figures 2000 und 1999 (in CHF million)

Divisions	Textile, Leather & Paper Chemicals		Pigments & Additives		Masterbatches		Functional Chemicals	
	2000	1999	**2000**	1999	**2000**	1999	**2000**	1999
Sales Divisions	2 616	2 284	2 182	1 937	1 147	1 065	2 028	1 881
Sales to other Divisions	–27	–25	–74	–41	–2	–	–93	–56
Total Sales	**2 589**	**2 259**	**2 108**	**1 896**	**1 145**	**1 065**	**1 935**	**1 825**
Depreciation of tangible fixed assets	–109	–130	–74	–79	–26	–31	–83	–106
Amortization of intangible assets	–1	–	–	–	–1	–1	–	–
Income from associates	5	36	10	10	1	–	9	9
Other operating expenses	–2 143	–1 866	–1 711	–1 548	–999	–908	–1 669	–1 516
Operating Income	**341**	**299**	**333**	**279**	**120**	**125**	**192**	**212**
Total Assets	**2 147**	**2 079**	**1 702**	**1 717**	**580**	**649**	**1 375**	**1 265**
Liabilities	–156	–155	–153	–157	–89	–107	–160	–189
Total Equity and minority interests	**1 991**	**1 924**	**1 549**	**1 560**	**491**	**542**	**1 215**	**1 076**
Net debts	–	–	–	–	–	–	–	–
Total Net Operating Assets[1]	**1 991**	**1 924**	**1 549**	**1 560**	**491**	**542**	**1 215**	**1 076**
Thereof:								
Investments in tangible fixed assets for the period	89	64	89	64	39	41	109	68
Investments in associated companies	76	74	105	107	4	3	69	71

[1] Within Net Operating Assets, fixed assets including infrastructure, inventory, trade payables and receivables were allocated to each Division. All other balance sheet positions generally included in the calculation of Net Operating Assets, particularly Goodwill, were allocated to Corporate.
1999 has been restated to be comparable with the 2000 presentation.

Life Science & Electronic Chemicals		Cellulose Ethers & Polymerisates		Total Divisions		Other (mainly trading)		Corporate			Total Group		
2000	1999	**2000**	1999	**2000**	1999	**2000**	1999	**2000**	1999 re-stated	1999	**2000**	1999 re-stated	1999
1 832	1 294	1 201	1 075	11 006	9 536	–	98	–	–	–	11 006	9 634	9 634
–181	–207	–46	–49	–423	–378	–	–	–	–	–	–423	–378	–378
1 651	**1 087**	**1 155**	**1 026**	**10 583**	**9 158**	**–**	**98**	**–**	**–**	**–**	**10 583**	**9 256**	**9 256**
–144	–121	–39	–41	–475	–508	–	–1	–31	–37	–37	–506	–546	–546
–1	–	–	–	–3	–1	–	–	–138	–35	–69	–141	–36	–70
4	4	20	28	49	87	–	–	1	–1	–1	50	86	86
–1 385	–885	–1 030	–892	–8 937	–7 615	–	–94	–39	13	13	–8 976	–7 696	–7 696
125	**85**	**106**	**121**	**1 217**	**1 121**	**–**	**3**	**–207**	**–60**	**–94**	**1 010**	**1 064**	**1 030**
2 305	**1 552**	**802**	**827**	**8 911**	**8 089**	**–**	**12**	**4 036**	**2 287**	**2 879**	**12 947**	**10 388**	**10 980**
–199	–125	–103	–119	–860	–852	–	–	–8 420	–6 657	–6 657	–9 280	–7 509	–7 509
2 106	**1 427**	**699**	**708**	**8 051**	**7 237**	**–**	**12**	**–4 384**	**–4 370**	**–3 778**	**3 667**	**2 879**	**3 471**
–	–	–	–	–	–	–	–	5 138	2 779	2 779	5 138	2 779	2 779
2 106	**1 427**	**699**	**708**	**8 051**	**7 237**	**–**	**12**	**754**	**–1 591**	**–999**	**8 805**	**5 658**	**6 250**
158	114	28	58	512	409	–	–	23	16	16	535	425	425
76	78	120	130	450	463	–	–	1	8	8	451	471	471

25. Regional breakdown of key figures 2000 and 1999 (in CHF million)

Region	Sales[1]		Operating income before amortization of Goodwill[2]		Number of employees at 31.12.	
	2000	1999	**2000**	1999	**2000**	1999
Europe	5 152	4 780	703	768	18 893	17 132
thereof in Germany	*1 522*	*1 464*	*232*	*224*	*10 249*	*10 451*
The Americas	3 093	2 596	216	190	6 366	5 656
thereof in the US	*1 795*	*1 518*	*101*	*81*	*2 816*	*2 160*
Asia/Africa/Australia	2 338	1 880	216	124	6 287	6 205
Total Group	**10 583**	**9 256**	**1 135**	**1 082**	**31 546**	**28 993**

Region	Investments in tangible fixed assets		Depreciation of tangible fixed assets		Net operating assets at 31.12.[3]		
	2000	1999	**2000**	1999	**2000**	1999 restated	1999
Europe	365	267	337	389	5 583	3 171	3 502
thereof in Germany	*177*	*175*	*210*	*291*	*1 616*	*1 632*	*1 803*
The Americas	116	115	108	86	2 127	1 272	1 405
thereof in the US	*67*	*76*	*75*	*55*	*1 410*	*643*	*710*
Asia/Africa/Australia	54	43	61	71	1 095	1 215	1 343
Total Group	**535**	**425**	**506**	**546**	**8 805**	**5 658**	**6 250**

[1] Allocated by region of third party sale's destination.
[2] Allocated by region of production and selling entity.
[3] Long-term and current assets (excluding cash and short-term deposits) less non-interest bearing liabilities. 1999 has been restated to be comparable with the 2000 presentation.

26. Commitments and contingencies

Leasing commitments

Commitments arising from fixed-term operational leases mainly from InfraServ companies, at 31 December, are as follows:

	2000 CHF mio	1999 CHF mio
2000	–	83
2001	102	76
2002	91	68
2003	76	57
2004	65	49
2005	38	–
thereafter	32	31
Total	**404**	**364**

Contingencies

In the course of normal business, affiliated companies may be involved in administrative proceedings and in litigation as a result of which claims are being made against them.

In the opinion of Group management, however, the outcome of the actions referred to will not materially affect the Group's financial position.

27. Affiliates, joint ventures and associated companies

The principal affiliates, joint ventures and associated companies are listed on pages 94 to 95.

28. Related party transactions

Transactions with companies which are recorded as shareholdings valued at equity in the consolidated balance sheet:

Income and expense	**2000 CHF mio**	1999 CHF mio
Income from the sale of goods to related parties	52	45
Income from the rendering of services to related parties	21	11
Expense from the purchase of goods from related parties	–22	–14
Expense from the purchase of services from related parties	–653	–738

Payables, receivables and loans	**31.12.2000 CHF mio**	31.12.1999 CHF mio
Trade accounts receivable from related parties	22	22
Trade accounts payable to related parties	89	94

Others:
The market value of the compensation (incl. options) paid to the Board of Directors in 2000 was CHF 760 000 (1999: CHF 790 000).

There were no outstanding loans by the Group to any members of the Board of Directors.

29. Exchange rates of principal currencies

Rates used to translate the consolidated balance sheets (closing rate)

		31.12.2000	31.12.1999
1	USD	1.64	1.60
100	DEM	77.84	82.00
100	FRF	23.21	24.45
1	GBP	2.44	2.58
1 000	ITL	0.79	0.83
100	JPY	1.42	1.56
100	BEF	3.77	3.98
100	ESP	0.92	0.96
100	EUR	152.25	160.38

Average sales-weighted rates used to translate the consolidated income statements and consolidated statements of cash flow:

		2000	1999
1	USD	1.69	1.50
100	DEM	79.60	81.81
100	FRF	23.76	24.39
1	GBP	2.56	2.43
1 000	ITL	0.80	0.83
100	JPY	1.57	1.34
100	BEF	3.87	3.97
100	ESP	0.94	0.96

PRICEWATERHOUSECOOPERS

Report of the Group Auditors to the General Meeting of Shareholders of Clariant Ltd, Muttenz

As auditors of the Group, we have audited the consolidated financial statements (balance sheet, income statement, statement of cash flows, statement of changes in equity and notes – pages 58 to 87) of the Clariant Group for the year ended 31 December 2000.

These consolidated financial statements are the responsibility of the Board of Directors. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We confirm that we meet the legal requirements concerning professional qualification and independence.

Our audit was conducted in accordance with auditing standards promulgated by the Swiss profession and with International Standards on Auditing issued by the International Federation of Accountants (IFAC), which require that an audit be planned and performed to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement. We have examined on a test basis evidence supporting the amounts and disclosures in the consolidated financial statements. We have also assessed the accounting principles used, significant estimates made and the overall consolidated financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements give a true and fair view of the financial position, the results of operations and the cash flows in accordance with International Accounting Standards (IAS) issued by the International Accounting Standards Committee, and comply with the Swiss law.

We recommend that the consolidated financial statements submitted to you be approved.

PricewaterhouseCoopers AG

U. Vogt Dr R. Gerber

Basle, 16 March 2001

Five year Group Summary 1996–2000

		2000	1999 restated	1999	1998	1997 Pro forma	1996 Pro forma
Divisional sales	CHF million	10583	9158	9158	9341	9912	8276
Change relative to preceding year							
in Swiss Francs	%	16	–2	–2	–6	20	–
iin local currency	%	12	–4	–4	–1	13	–
Group Sales[1]	CHF million	10583	9256	9256	9535	10184	8902
Change relative to preceding year							
in Swiss Francs	%	14	–3	–3	–6	14	–
in local currency	%	10	–5	–5	–2	*	–
Operating income before amortization of goodwill	CHF million	1135	1082	1082	1097	1030	614
Change relative to preceding year	%	5	–1	–1	7	68	–
as a % of sales		10.7	11.7	11.7	11.5	10.1	6.9
Operating income after amortization of goodwill	CHF million	1010	1064	1030	1057	989	510
Change relative to preceding year	%	–5	1	–3	7	94	–
as a % of sales		9.5	11.5	11.1	11.1	9.7	5.7
EBITDA	CHF million	1657	1646	1646	1672	1592	1115
Change relative to preceding year	%	1	–2	–2	5	43	–
as a % of sales		15.7	17.8	17.8	17.5	15.6	12.5
Net income before minority interests	CHF million	513	596	562	524	428	126
Change relative to preceding year	%	–14	14	7	22	240	–
as a % of sales		4.9	6.4	6.1	5.5	4.2	1.4
Investment in tangible fixed assets	CHF million	535	425	425	464	473	566
Change relative to preceding year	%	26	–8	–8	–2	–16	–
as a % of sales		5	5	5	5	5	6
Personnel costs	CHF million	2395	2168	2168	2117	2134	–
Change relative to preceding year	%	10	2	2	–1	*	–
as a % of sales		23	23	23	22	21	–
Employees at year end	number	31546	28993	28993	29279	30862	32505
Change relative to preceding year	%	9	–1	–1	–5	–5	–

[1] Incl. trading.
*Not available.

Trend in Group Sales by Division

	2000		1999		1998		1997 Pro forma		1996 Pro forma	
	CHF mio	**%**	CHF mio	%	CHF mio	%	CHF mio	%	CHF mio	%
Division										
Textile, Leather & Paper Chemicals	2 589	24	2 259	25	2 345	25	2 609	26	2 235	27
Pigments & Additives	2 108	20	1 896	21	1 882	20	2 006	20	1 651	20
Masterbatches	1 145	11	1 065	11	977	11	986	10	818	10
Functional Chemicals	1 935	18	1 825	20	2 057	22	2 094	21	1 706	20
Life Science & Electronic Chemicals	1 651	16	1 087	12	1 117	12	1 189	12	980	12
Cellulose Ethers & Polymerisates	1 155	11	1 026	11	963	10	1 028	11	886	11
Total Divisions	**10 583**	100	**9 158**	100	**9 341**	100	**9 912**	100	**8 276**	100
Other (mainly trading)	–	–	98	–	194	–	272	–	626	–
Total Group	**10 583**	–	**9 256**	–	**9 535**	–	**10 184**	–	**8 902**	–

Trend in Group Sales by Region

	2000		1999		1998		1997 Pro forma		1996 Pro forma	
	CHF mio	**%**	CHF mio	%	CHF mio	%	CHF mio	%	CHF mio	%
Region										
Europe	5 152	49	4 780	52	5 231	55	5 433	53	*	–
The Americas	3 093	29	2 596	28	2 729	29	2 857	28	*	–
Asia/Australia	2 143	20	1 683	18	1 361	14	1 668	17	*	–
Africa	195	2	197	2	214	2	226	2	*	–
Total	**10 583**	100	**9 256**	100	**9 535**	100	**10 184**	100	**8 902**	100

*Not available.

Share Information*

	31.12.2000	31.12.1999	31.12.1998	31.12.1997	31.12.1996
Number of registered shares issued (at par value CHF 50 each)	15 344 000**	14 600 828**	14 545 636**	14 544 000	8 000 000
Number of shares created by conversion within the limits of the conditional capital	743 172	55 192	1 636		
Number of shares eligible for dividend	15 344 000	14 600 828	14 545 636	14 544 000	8 000 000
Dividend per share in CHF	11.00***	10.00	9.00	7.00	5.00
Year-end price in CHF	581	759	642	610	286.50
Stock exchange capital in CHF mio	8 915	11 082	9 338	8 872	2 292
High/low in CHF	799/461	793/622	1 054/540	627.50/280	293/183.50

* All quotations were adapted to the share split 1:2 of June 1998 (every registered share with a par value of CHF 100 each was split into two registered shares with a par value of CHF 50 each), therefore the values are comparable.

** Including shares created by conversions in the respective business year.

*** According to the resolution of the Board of Directors.

Shareholders' structure according to number of shares held at 31 December 2000

Number of shares	Number of shareholders	in %	Number of shares	in %
1–99	28 988	78.0	890 572	5.8
100–999	7 516	20.2	1 567 653	10.2
1 000–9 999	574	1.5	1 435 951	9.4
10 000 and more	95	0.3	5 449 761	35.5
Total registered shares			**9 343 937**	**60.9**
Shares not registered	–	–	6 000 063	39.1
Total	**37 173**	**100.0**	**15 344 000**	**100.0**

Shareholders' structure according to regions at 31 December 2000

Regions	Number of shareholders	in %	Number of shares	in %
Switzerland	35 338	95.1	6 165 256	40.2
Europe	1 632	4.4	3 043 041	19.8
Outside of Europe	203	0.5	135 640	0.9
thereof USA	*64*	*0.2*	*113 826*	*0.7*
Shares not registered	–	–	6 000 063	39.1
Total	**37 173**	**100.0**	**15 344 000**	**100.0**

Shareholders holding 5% and more of the shares issued

Frankfurter Spezialchemikalien Verwaltungs GmbH & Co. KG, a 100% owned subsidiary of Hoechst Ltd, Frankfurt which on her part is a 97% participation of Aventis, Strasbourg	1 818 000 shares

Principal Companies of the Clariant Group

Affiliated companies and other holdings as at December 31, 2000

		Participation	Holding/ Finance	Sales	Production	Research
Argentina	Clariant (Argentina) S.A., Buenos Aires	●		●	●	
Australia	Clariant (Australia) Pty Ltd., Melbourne	●		●	●	
Austria	Clariant (Österreich) GmbH, Vienna	●		●	●	
Belgium	Clariant (Benelux) S.A., Louvain-La-Neuve	●		●	●	●
Brazil	Clariant S.A., São Paulo and Resende	●		●	●	
Canada	Clariant (Canada) Inc., Québec	●		●	●	
Chile	Clariant Colorquímica (Chile) Ltda., Santiago de Chile	●		●	●	
China	Clariant Chemicals (China) Ltd., Shanghai	●		●	●	
	Clariant (China) Ltd., Hong Kong	●		●	●	
	Clariant Guangzhou Masterbatch Ltd., Guangzhou	▼		●	●	
	Clariant (Tianjin) Ltd., Tianjin	●		●	●	
	Clariant (Tianjin) Pigments Co. Ltd., Tianjin	▼		●	●	
	Tianjin Hua Shi Chemicals Co. Ltd., Tianjin	■		●	●	
Colombia	Clariant (Colombia) S.A., Santa Fé de Bogotá	●		●	●	
Czech Republic	Clariant CR s.r.o., Prague	●		●		
Denmark	Clariant (Danmark) A/S, Karise	●		●	●	
Ecuador	Clariant (Ecuador) S.A., Quito	●		●		
Egypt	Clariant (Egypt) S.A.E., Cairo	▼		●	●	
	The Egyptian German Company for Dyes and Resins S.A.E., Cairo	●		●	●	
Finland	Clariant (Finland) Oy, Helsinki	●		●		
France	Clariant (France), Paris La Défense	●		●	●	●
	Clariant Huningue, Huningue	●		●	●	●
	Clariant Life Science Molecules (France) S.A.S., Nanterre	●		●	●	
Germany	Clariant (Deutschland) GmbH, Leinfelden-Echterdingen	●		●	●	●
	Clariant GmbH, Frankfurt	●		●	●	●
	Clariant Masterbatch GmbH & Co. OHG, Lahnstein	●		●	●	●
	Clariant Verwaltungsges. mbH, Leinfelden-Echterdingen	●	●			
Great Britain	BTP plc, Manchester	●	●			
	BTP Chemicals plc, Manchester	●	●	●	●	●
	Clariant Holdings UK Ltd., Horsforth/Leeds	●	●			
	Clariant UK Ltd., Horsforth/Leeds	●		●	●	●
	Harco Harlow Chemical Company Ltd., Harlow	■		●	●	
	Lancaster Synthesis Ltd., Morecambe	●		●	●	●
	TR Oil Services Ltd., Stockport	●		●	●	
Greece	Clariant (Hellas) S.A., Lykovrisi	●		●	●	
Guatemala	Clariant (Guatemala) S.A., Guatemala City	●		●	●	
Hungary	Clariant Hungaria Kft, Budapest	●		●		
India	BTP India Ltd., Chennai	●		●	●	
	Clariant (India) Ltd., Mumbai	▼		●	●	
	Colour-Chem Ltd., Mumbai	▼		●	●	
Indonesia	P.T. Clariant Indonesia, Tangerang	●		●	●	
	P.T. Pulosynthetics, Jakarta	●		●	●	
Ireland	Masterplast Ltd., Naas	●		●	●	

● above 90%
▼ above 50 and up to 90%
■ 50% and below
[1] Management and Support

		Participation	Holding/ Finance	Sales	Production	Research
Italy	Clariant (Italia) S.p.A., Milan	●		●	●	●
	Clariant Life Science Molecules (Italia) S.p.A., Origgio	●		●	●	●
Japan	Clariant (Japan) K.K., Tokyo	●		●	●	●
	Clariant Polymers K.K., Tokyo	●		●	●	●
Korea	Clariant Industries (Korea) Ltd., Seoul	▼		●	●	
	Clariant (Korea) Ltd., Seoul	●		●		
	Sang Ho Mercantile Co., Ltd., Yangsan-Si	▼		●	●	
	Songwon Color Co., Ltd., Ulsan	▼		●	●	
Luxemburg	BTP World S.A., Luxembourg	●	●			
Malaysia	Clariant (Malaysia) Sdn. Bhd., Shah Alam	●		●	●	
Mexico	Clariant (México) S.A. de C.V., Naucalpan de Juárez	●		●	●	
	Clariant Productos Químicos S.A. de C.V., Santa Clara	●		●	●	
Morocco	Clariant (Maroc) S.A., Casablanca	●		●	●	
Netherlands	Dick Peters BV, Denekamp	●		●	●	
New Zealand	Clariant (New Zealand) Ltd., Takapuna-Auckland	●		●	●	
Nigeria	Clariant (Nigeria) Ltd., Ikeja-Lagos	▼		●	●	
Norway	Clariant (Norge) AS, Oslo	●		●		
Pakistan	Clariant (Pakistan) Ltd., Karachi	▼		●	●	
Peru	Clariant (Perú) S.A., Lima	●		●	●	
Philippines	Clariant (Philippines) Corp., Makati City-Manila	●		●		
Poland	Clariant Polska Sp. z.o.o., Warsaw	●		●		
Portugal	Clariant Químicos (Portugal) Lda., Porto	●		●	●	
Singapore	Clariant (Singapore) Pte. Ltd., Singapore	●		●	●	
South Africa	Clariant Southern Africa (Pty) Ltd., Weltevreden Park	●		●	●	
Spain	Clariant Ibérica S.A., Barcelona	●		●	●	●
	Disper S.A., Sant Andreu de la Barca	●		●	●	
Sweden	Clariant (Sverige) AB, Mölndal	●		●	●	
	Perstorp Clariant AB, Perstorp	■		●	●	●
Switzerland	Clariant International AG, Muttenz	●	● [1]			
	Clariant (Schweiz) AG, Muttenz	●		●	●	●
	Säurefabrik Schweizerhall AG, Pratteln	■		●	●	●
Taiwan	Clariant (Taiwan) Co. Ltd., Taipei	●		●	●	
Thailand	Clariant Chemicals Ltd., Bangkok	●		●	●	
	Clariant Emulsions (Thailand) Ltd., Bangkok	●		●	●	
	Drycolor Pacific Co. Ltd., Bangkok	●		●	●	
Tunisia	Clariant Tunisie S.A., Cherguia-Tunis	■		●		
Turkey	Clariant A.S., Istanbul	●		●	●	
USA	Clariant Corporation, Charlotte, N.C.	●		●	●	●
	Clariant Life Science Molecules (America) Inc., Elgin and Rock Hill, S.C.	●		●	●	●
	Clariant Life Science Molecules (Florida) Inc., Gainesville, F.L.	●		●	●	●
	Clariant Life Science Molecules (Missouri) Inc., Springfield, M.O.	●		●	●	
	Lancaster Synthesis Inc., Pelham, N.H.	●		●	●	
Venezuela	Clariant (Venezuela) S.A., Maracay	●		●	●	

Clariant Ltd Balance Sheets (prior to profit appropriation)

at 31 December 2000 and 1999

	31 December 2000 CHF	%	31 December 1999 CHF	%
Assets				
Financial assets	6 577 035 202		4 664 323 447	
Total long-term assets	**6 577 035 202**	95.4	**4 664 323 447**	84.0
Current assets				
Receivables from Group companies	172 618 813		178 845 552	
Other receivables	28 052 782		1 776 055	
Accrued income	28 259 202		19 701 360	
Cash, marketable securities and short-term deposits	85 171 661		690 069 122	
Total current assets	**314 102 458**	4.6	**890 392 089**	16.0
Total assets	**6 891 137 660**	100.0	**5 554 715 536**	100.0

The notes form an integral part of the financial statements.

	31 December 2000 CHF	%	31 December 1999 CHF	%
Equity and liabilities				
Equity				
Total share capital	**767 200 000**		**730 041 400**	
Reserves				
Legal reserves	1 919 911 489		1 342 954 598	
Reserve for treasury shares	36 106 311		226 613 762	
Total reserves	**1 956 017 800**		**1 569 568 360**	
Unappropriated earnings				
Balance from prior year	48 662 784		43 636 721	
Net income	177 271 207		151 034 343	
Total unappropriated earnings	**225 933 991**		**194 671 064**	
Total equity	**2 949 151 791**	42.8	**2 494 280 824**	44.9
Liabilities				
Long-term liabilities				
Convertible bond	–		423 605 000	
Straight bonds	1 600 000 000		1 100 000 000	
Other long-term liabilities	1 284 828 051		1 176 229 361	
Total long-term liabilities	**2 884 828 051**		**2 699 834 361**	
Short-term liabilities				
4¼% Straight Bond 1995–2000	–		150 000 000	
Provisions	16 780 124		4 581 597	
Liabilities to Group companies	30 068 531		836 103	
Other liabilities	813 461 890		41 063 014	
Accrued expenses	196 847 273		164 119 637	
Total short-term liabilities	**1 057 157 818**		**360 600 351**	
Total liabilities	**3 941 985 869**	57.2	**3 060 434 712**	55.1
Total equity and liabilities	**6 891 137 660**	100.0	**5 554 715 536**	100.0

The notes form an integral part of the financial statements.

Clariant Ltd Income Statements

2000 and 1999

	2000 **CHF**	1999 CHF
Income		
Income from financial assets	445 831 630	384 644 328
Income from cash, marketable securities and short-term deposits	183 383 255	142 094 752
Other income	49 071 200	155 775 776
Total income	**678 286 085**	**682 514 856**
Expenses		
Financial expense	376 520 943	300 121 531
Administrative expense	3 136 305	2 242 316
Depreciation on financial fixed assets	79 501 115	223 690 489
Other expense (including taxes)	41 856 515	5 426 177
Total expenses	**501 014 878**	**531 480 513**
Net income	**177 271 207**	**151 034 343**

The notes form an integral part of the financial statements.

Proposal for Profit Appropriation of

	2000 CHF	1999 CHF
Available unappropriated earnings		
Net income	177 271 207	151 034 343
Balance carried forward from previous year	48 662 784	43 636 721
Total available earnings	**225 933 991**	**194 671 064**
Appropriation		
Distribution of a dividend of CHF 11.00 gross on 15 344 000 registered shares with a par value of CHF 50 (1999: CHF 10.00 gross on 14 600 828 registered shares)	–168 784 000	–146 008 280
Balance to be carried forward	**57 149 991**	**48 662 784**

1. Accounting policies

Introduction
The unconsolidated financial statements of Clariant Ltd comply with the requirements of the Swiss Company Law.

Exchange rate differences
Balance sheet items denominated in foreign currencies are converted at year-end exchange rates. Exchange rate differences arising from these as well as those from business transactions are recorded in the income statement.

Financial fixed assets
These are valued at acquisition cost less adjustments for impairment of value.

Provisions
Provisions are made to cover existing liabilities.

2. Financial assets

Financial assets include loans to Group companies totaling CHF 3 188.8 million (1999: 2 936.8 million). The principal direct and indirect affiliated companies, joint-ventures and other holdings of Clariant Ltd are shown on pages 94 to 95 of this report.

3. Cash, marketable securities and short-term financial assets

Securities include treasury shares valued at fair market value in the amount of CHF 33 million (see also footnote 5).

4. Share capital

	31.12.2000	31.12.1999
Number of registered shares each with a par value of CHF 50	15 344 000	14 600 828
in CHF	767 200 000	730 041 400

Capital increase

In the year 2000 the remaining amount of the 1% convertible bond 1997–2002 of CHF 456 000 000 were converted into 743 172 registered shares Clariant Ltd, each with a nominal value of CHF 50.
The share capital grew accordingly by CHF 37 158 600.

Conditional capital

	31.12.2000	31.12.1999
Number of registered shares each with a par value of CHF 50	800 000	1 543 172
in CHF	40 000 000	77 158 600

In the year 2000 the remaining amount of the 1% convertible bond 1997–2002 of CHF 456 000 000 were converted into 743 172 registered shares. 800 000 registered shares are available for further issuance of convertible or warrant bonds.

5. Treasury shares (number with a par value of CHF 50 each)

	2000	1999
Holdings on 1 January	289 816	304 466
Shares purchased at market value	88 689	43 190
Shares sold at market value	–322 029	–57 840
Holdings on 31 December	**56 476**	**289 816**

6. Reconciliation of equity

	Registered shares CHF	Legal reserves CHF	Reserve for treasury shares CHF	Unapprropriated retained earnings CHF	**Total CHF**
Balance 31.12.1999	**730 041 400**	**1 342 954 598**	**226 613 762**	**194 671 064**	**2 494 280 824**
Capital increase due to stock option rights exercised (convertible rights)	37 158 600	386 449 440			**423 608 040**
Purchase of treasury shares		190 507 451	–190 507 451		**–**
Dividends for 1999				–146 008 280	**–146 008 280**
Profit for the year				177 271 207	**177 271 207**
Balance 31.12.2000	**767 200 000**	**1 919 911 489**	**36 106 311**	**225 933 991**	**2 949 151 791**

7. Legal reserves

Legal reserves arise from premiums paid by shareholders in connection with the founding of the company in 1995, the capital increase in 1997, and the execution of conversion rights.

8. Reserve for treasury shares held by the Group

In accordance with the Swiss Code of Obligations paragraph 659a II, the required reserve for treasury shares has been created from the part of available legal reserves, which exceeds 20% of share capital.

9. Convertible and straight bonds

	Interest rate	Term	**Amount 31.12.2000 CHF mio**	Amount 31.12.1999 CHF mio
Convertible Bond [1]	1%	1997–2002	–	424
Straight Bonds	4¼%	1995–2000	–	150
Straight Bonds	4⅝%	1996–2003	150	150
Straight Bonds	4⅛%	1996–2006	200	200
Straight Bonds	3⅜%	1997–2004	300	300
Straight Bonds	3¾%	1997–2007	200	200
Straight Bonds	3%	1998–2005	250	250
Straight Bonds	4¼%	2000–2008	500	–
Total			**1 600**	**1 674**

[1] Clariant Ltd has exercised the early redemption possibility. The remaining outstanding bonds were converted at 19 August 2000.

10. Contingent liabilities

	Outstanding liabilities 31.12.2000 CHF mio	Outstanding liabilities 31.12.1999 CHF mio
Outstanding liabilities as guarantees in favor of Group companies	30	32

11. Voting and legal registration limitations

In accordance with Article 5 of the Articles of Incorporation, no limitations with regard to registration of shares which are acquired in one's own name and on one's own account exist. Special rules exist for Nominees.
In accordance with Article 12 of the Articles of Incorporation, each share has the right to one vote. A shareholder can only vote, for his own shares and for represented shares, up to a maximum of 10% of total share capital.

12. Shareholders holding 5 percent or more of total share capital

Based on the information available at the time of this report, Frankfurter Spezialchemikalien Verwaltungs GmbH & Co. KG, a 100% owned subsidiary of Hoechst AG, Frankfurt, which on her part is a 97% participation of Aventis, Strasbourg, owns 11.8% of the share capital on 31 December 2000 (1999: 12.5%).

PRICEWATERHOUSECOOPERS

Report of the Statutory Auditors to the General Meeting of Shareholders of Clariant Ltd, Muttenz

As statutory auditors, we have audited the accounting records and the financial statements (balance sheet, income statement and notes – pages 96 to 104) of Clariant Ltd for the year ended 31 December 2000.

These financial statements are the responsibility of the Board of Directors. Our responsibility is to express an opinion on these financial statements based on our audit. We confirm that we meet the legal requirements concerning professional qualification and independence.

Our audit was conducted in accordance with auditing standards promulgated by the Swiss profession, which require that an audit be planned and performed to obtain reasonable assurance about whether the financial statements are free from material misstatement. We have examined on a test basis evidence supporting the amounts and disclosures in the financial statements. We have also assessed the accounting principles used, significant estimates made and the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the accounting records and financial statements and the proposed appropriation of available earnings comply with the law and the company's articles of incorporation.

We recommend that the financial statements submitted to you be approved.

PricewaterhouseCoopers AG

Dr R. Gerber B. Haid

Basle, 16 March 2001

Globally linked

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The world of Clariant on your PC

The Clariant corporate film *"All around you"* is not only well received by Clariant partners, but it has also been a big hit in the media world. At the New York Festival, the Clariant film, one of 1200 submitted by businesses from 43 countries, won gold in the category Industrial Film for "best camera" and bronze for "best director". At the world Media Festival in Hamburg, *"All around you"* won two prizes: the Silver Globe in the category "public relations/image" and the "Inforfilm International Special Award". At the Festival Communica 2000 in Deauville, France, the Clariant film walked away with the "Silver Dolphin" and in Cologne at the ITVA Festival 2000, it again won silver in the category "corporate image". At the Munich corporate media competition for German-language media, the Clariant film was awarded the "Master of Excellence" prize and the special "Award of Masters" prize for the best DVD. *"All around you"* is a ten-minute film whose impressive images show the important role played by Clariant products in daily life, even if you can't always see them. Besides illustrating applications, the film emphasizes Clariant's international reach and its global responsibility. "All around you" was filmed in Korea, Mexico, the USA, Morocco, Germany and Switzerland.

System requirements: Windows 95/98/NT4 (Service Pack 5)/2000, Microsoft Media Player 6.4, Pentium II 266 or AMD K6/350, 64 MB RAM, 640x480 VGA graphics card, 16 bit color depth (256 colors), 8 x CD-ROM drive, mouse, sound card – the CD-ROM starts automatically. Should it not start automatically, click "Start – Run – Browse" and select the drive letter assigned to your CD-ROM drive. Double click on "clariant.exe" in the file "\clariant". You can find further information in the "readme.txt" file.

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