

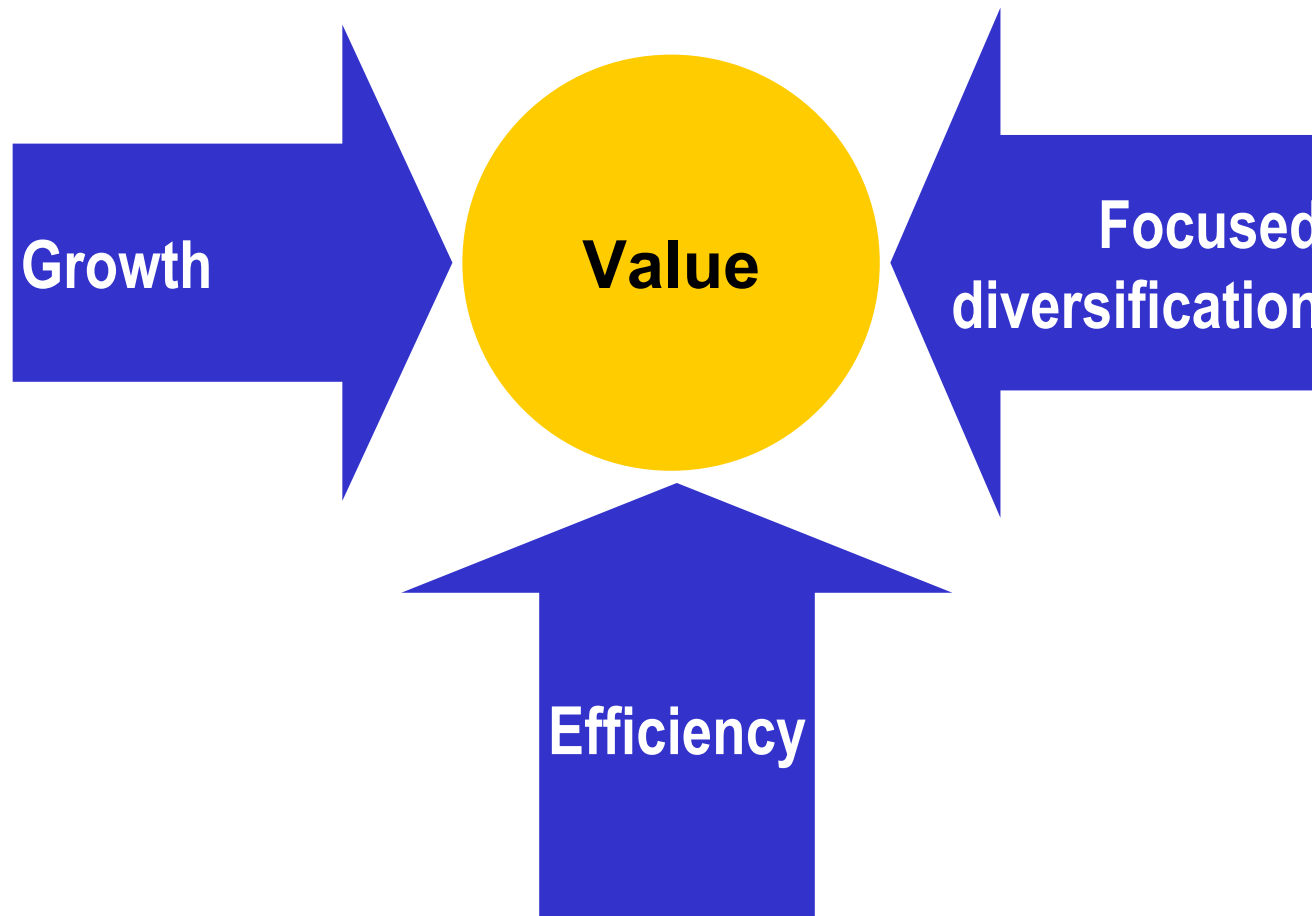
*UBS Warburg:
Swiss Alpine Summit 2003*

Measuring Value Creation

François Note
Chief Financial Officer



Creating value



Value drivers in specialty chemicals

Value creation in specialty chemicals

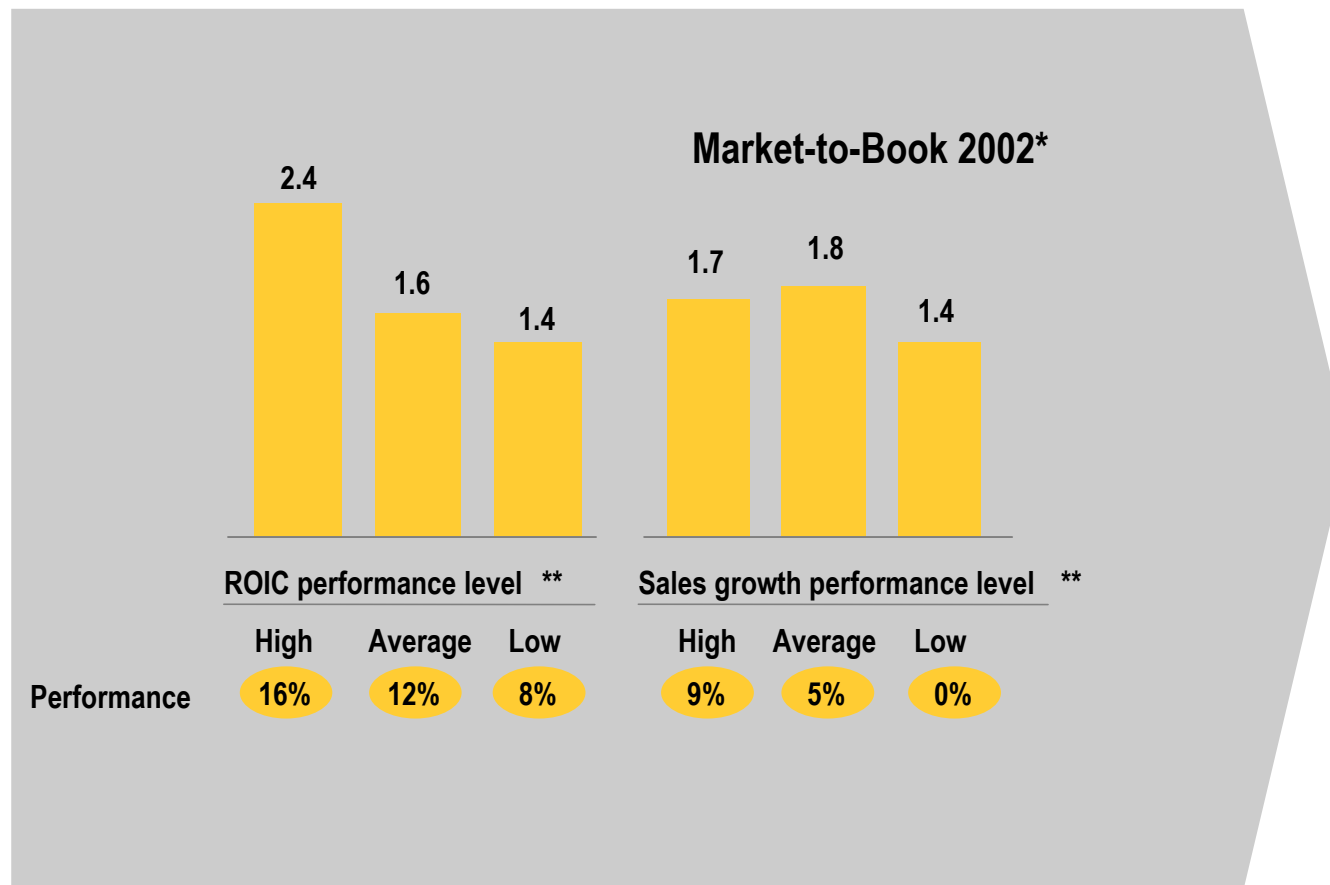
Financial control framework

Tracking value drivers

Measuring economic profit

Clariant financial targets

Sum-up

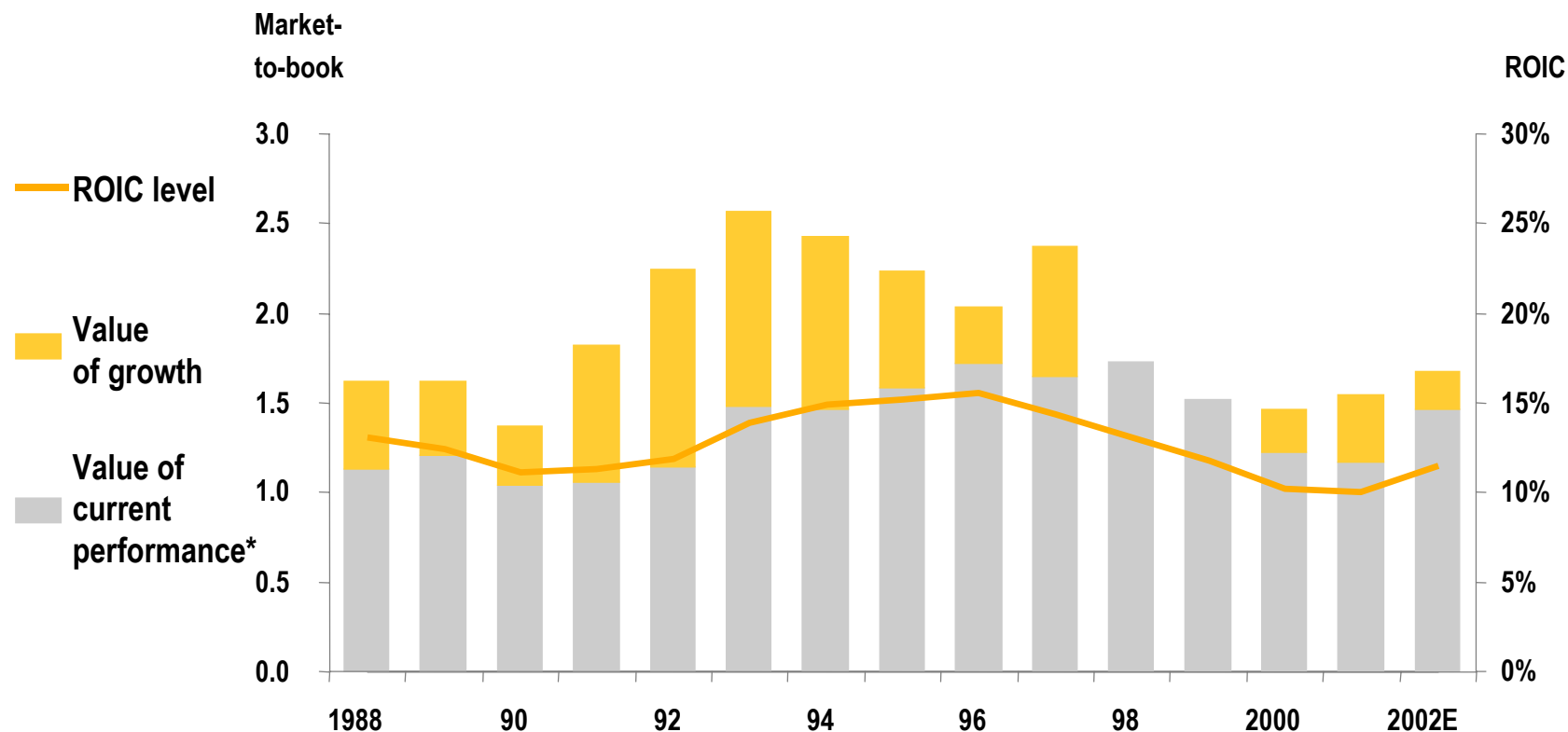


* June 2002, Invested Capital as of Dec 31, 2001

** Classification based on 1998 - 2001 performance. Acquisition and divestitures included in sales growth figures

Source: McKinsey

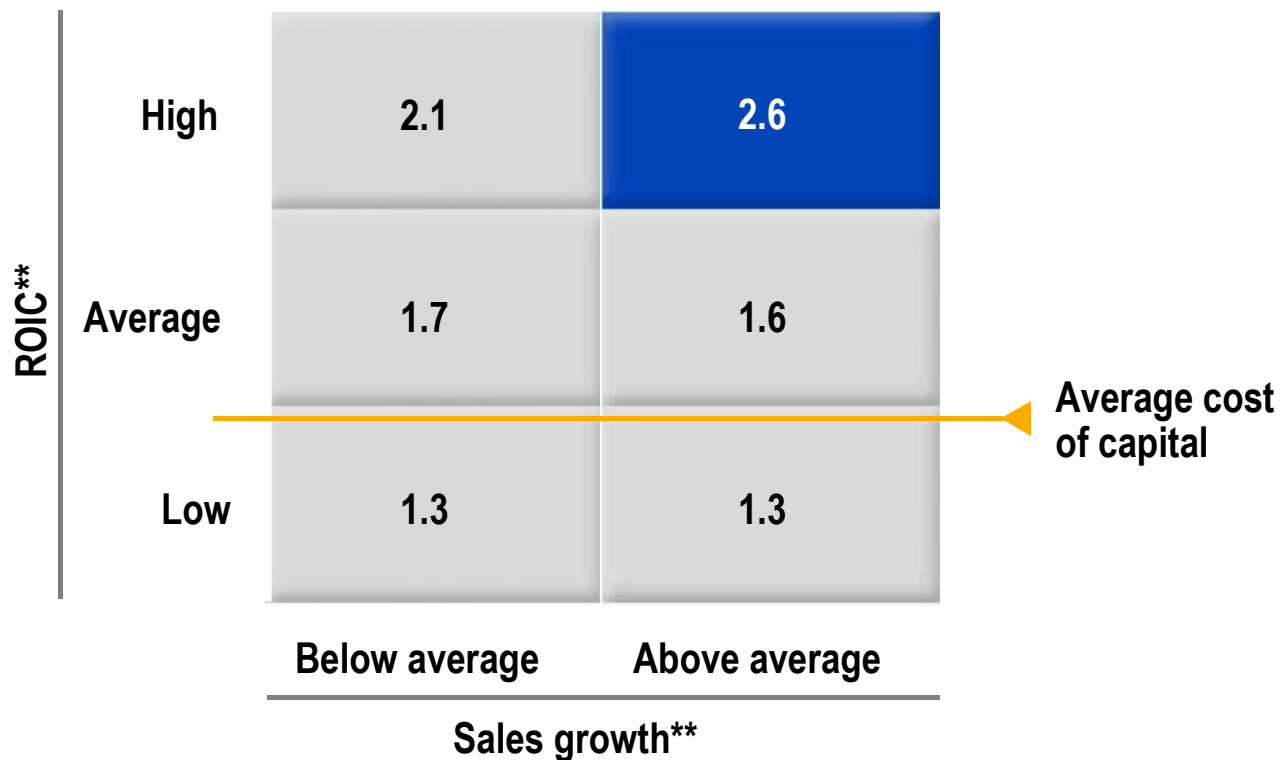
Decomposition of market valuation for specialty chemicals 1988 - 2002



* Value of current performance based on average (ROIC_t, ROIC_{t+1}) and current WACC with implied market risk premium

Source: McKinsey

Drivers of valuation in specialty chemicals 1998 - 2001 Market-to-book 2002*



* June 2002 (based on invested capital 2001)

** Classification based on 1998 - 2001 performance. Acquisitions and divestitures included in sales growth figures

Source: McKinsey

A financial control framework...

Reporting

- Fast monthly close
- Day 2 monthly sales report
- Electronic inter-company invoicing
- Inter-company balances and netting nearly group wide

Planning

- Monthly bottom-up sales and EBIT forecast
- 3 years capital expenditure plan by project
- 5 years business model at business unit level

Business warehouse

Value creation in specialty chemicals

Financial control framework

Tracking value drivers

Measuring economic profit

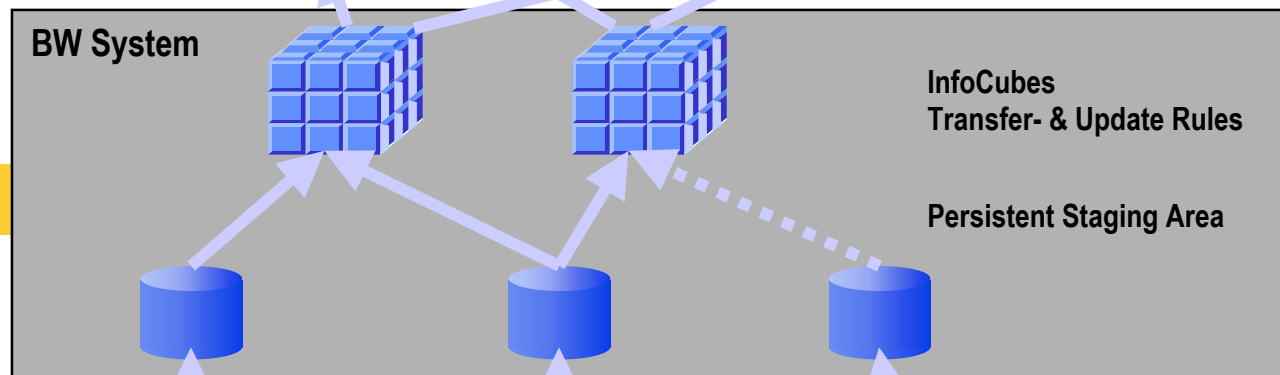
Clariant financial targets

Sum-up

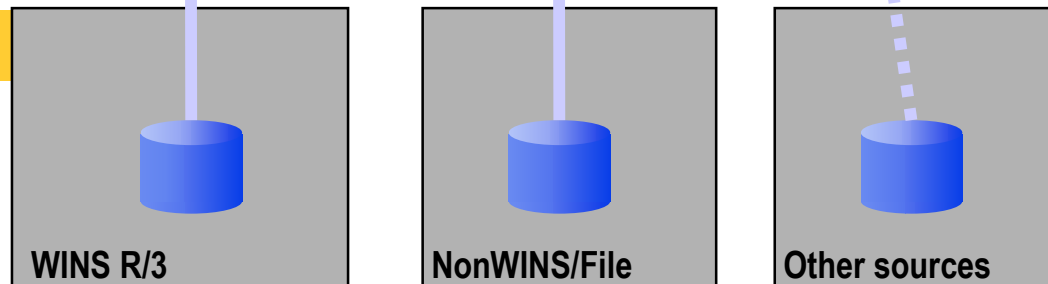
Presentation



Transformation



Extraction



Tracking value drivers

Existing

- Organic sales growth, currency adjusted
- Price change

2003 & later

- Capacity utilization
- Innovation rate
- Total cost of service
- Total capital bound

Sales drivers analysis

		J	K	L	M	N	
		Group Turnover by Product					
3	Division						
4	Business Unit						
5	Material number						
6							
7							
8							
9							
0	Deviation (without						
1		Total Dev	Curr %	Price %	Vol./Str. %	Total %	
2	Material number	CHF	%	%	%	%	
3	111	Product A	-1'420'680	-19.5	6.7	1.2	-11.7
4	222	Product B	-470'062	-3.6	-8.5	6.1	-6.0
5	333	Product C	-1'941'943	-1.6	-8.4	-12.4	-22.3
6	444	Product D	673'118	-3.9	-6.3	12.6	2.4
7	555	Product E	-1'349'715	-3.2	-4.0	-9.4	-16.6
8	666	Product F	-223'038	-8.6	-12.7	19.0	-2.4
9	777	Product G	-201'469	-3.7	-6.0	6.7	-2.9
0	888	Product H	-1'909'022	-3.1	-3.9	-16.1	-23.1
1	999	Product I	17'427'028	-32.9	-20.2	418.0	364.8
2	Overall result		10'584'216	-7.5	-5.9	24.6	11.2

Product innovation analysis

Microsoft Excel - Product Innovation Analysis (xSAPtemp9975.xls)

File Edit View Insert Format Tools Data Window Paste Special... Formula Bar Status Bar Properties Busi

Close Save As... Sheet Auditing CSR .txt

Arial 8 B I A

D14 = 2000

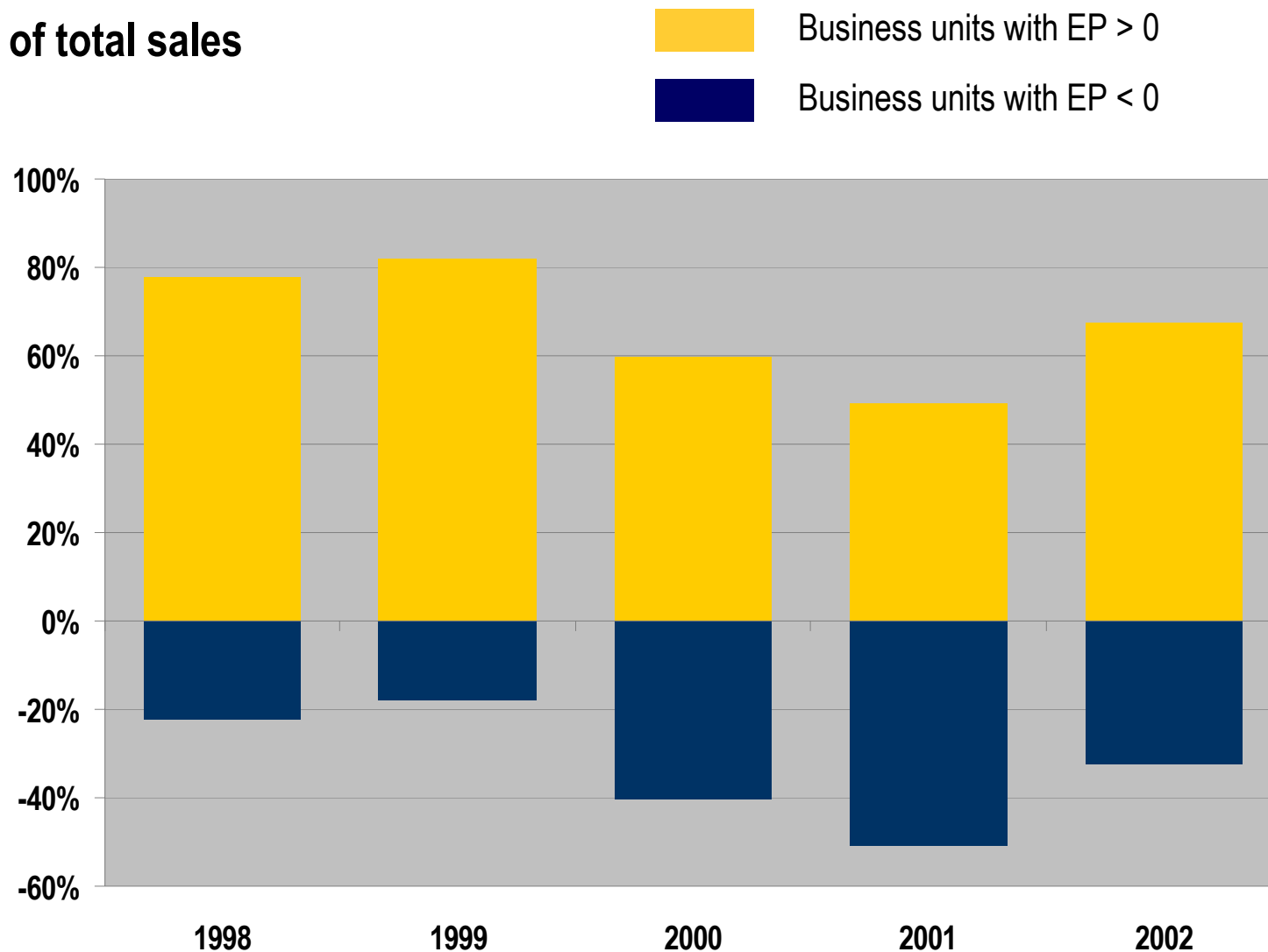
	A	B	C	D	F	G
1	Product Innovation Analysis			period 01.2002..09.2002		
11				Sales	Quantity	
12	Material number		Year	*1,000 CHF	*1,000	
13	111	Product A	1998	1'906	26'980 KG	
14	222	Product B	2000	1'890	23'286 KG	
15	333	Product C	1998	1'886	128'905 KG	
16	444	Product D	1957	1'886	25'269 KG	
17	555	Product E	1998	1'861	232'100 KG	
18	666	Product F	2002	1'858	20'991 KG	
19	777	Product G	2000	1'852	50'805 KG	
20	888	Product H	2002	1'845	27'490 KG	
21	99900	Product I	1977	1'810	153'030 KG	
22	99901	Product J	1999	1'804	161'763 KG	
23	Overall result				1'370'435	806'170 MIX

Measuring economic profit

- Corporate costs < 1% of sales
- Divisions influence > 90% of their G&A costs
- Divisional assets > 90% of group assets
- Consolidated country operating profit
- Risk-adjusted cost of capital for high risk countries

Economic profit is tracked at BU level

Share of total sales



Clariant main financial targets

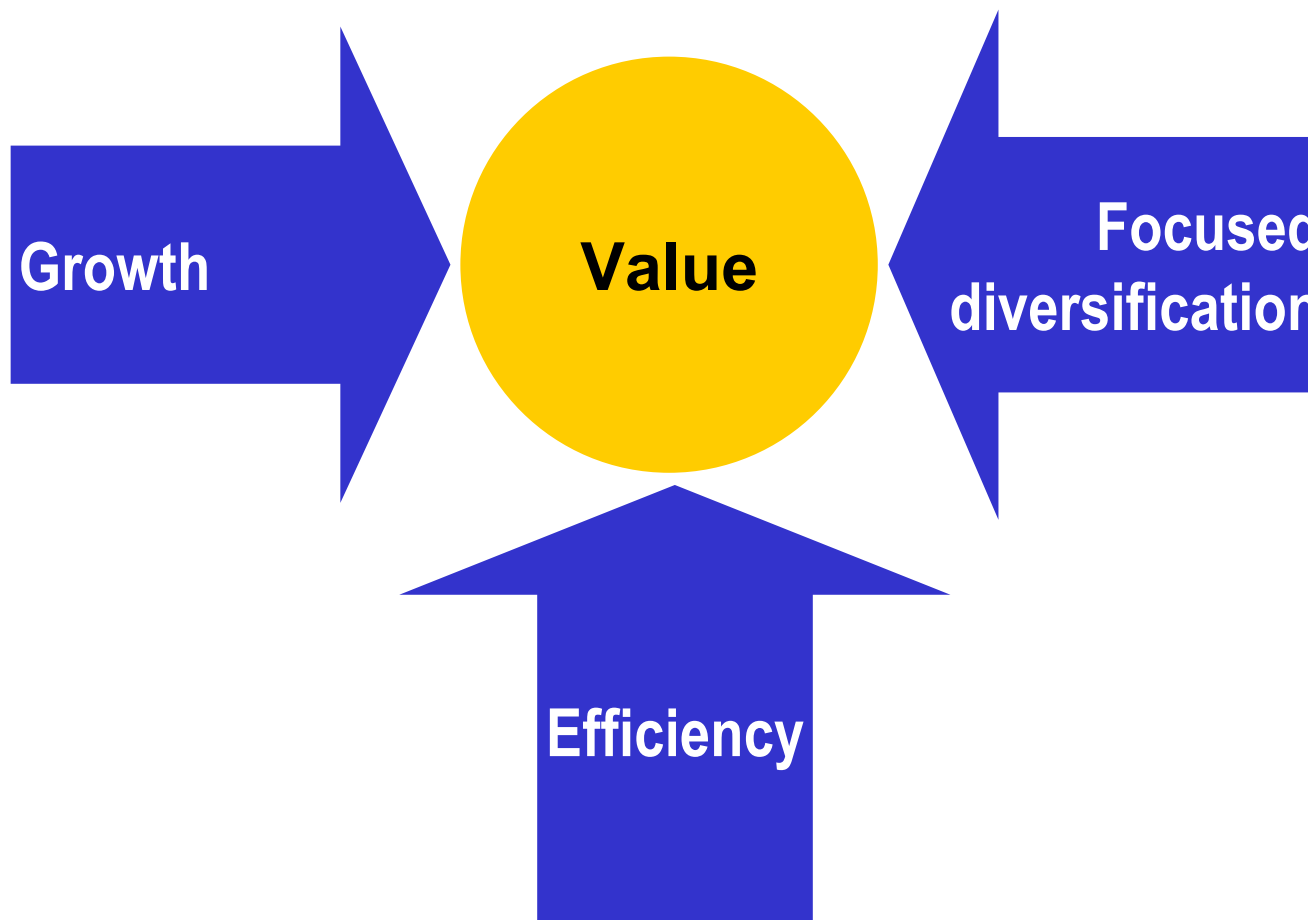
- Organic sales growth (currency adjusted) above traditional markets
- Reduce net debt to < 2.5x EBITDA
- Achieve and sustain positive economic profit

Other financial targets

- **Cost base reduction of CHF 250 million by 2003**
- **Retention of cost savings > 50%**
- **Net working capital* < 30% of sales**
- **Capital expenditure 4 - 5% of sales**
- **R&D cost 4% of sales**
- **Recurring tax rate < 30%**

* Inventories and accounts receivables (incl. asset-backed securities) less accounts payable

Creating value for our shareholders and customers



Sum-up

Value

Growth

- Strong market positions
- Innovation
- Customer Focus

Efficiency

- Cost Reduction
- Process optimization
- Asset utilization

Focused diversification

- Portfolio management
- Resource allocation and selective growth
- Technology

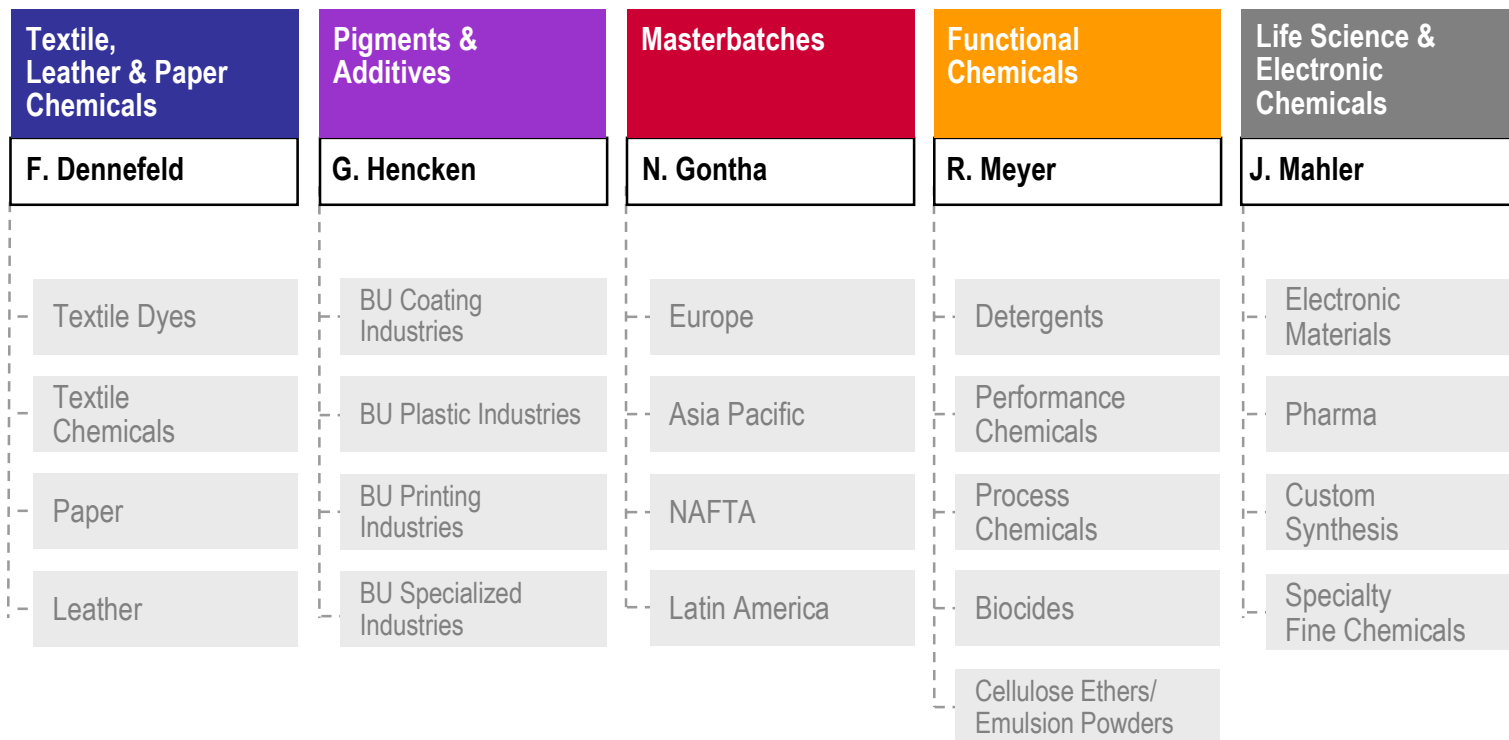
Basis for success: Motivated and educated people

*UBS Warburg:
Swiss Alpine Summit 2003*

Backup

Business structure as of January 1, 2003

Backup



Creating value

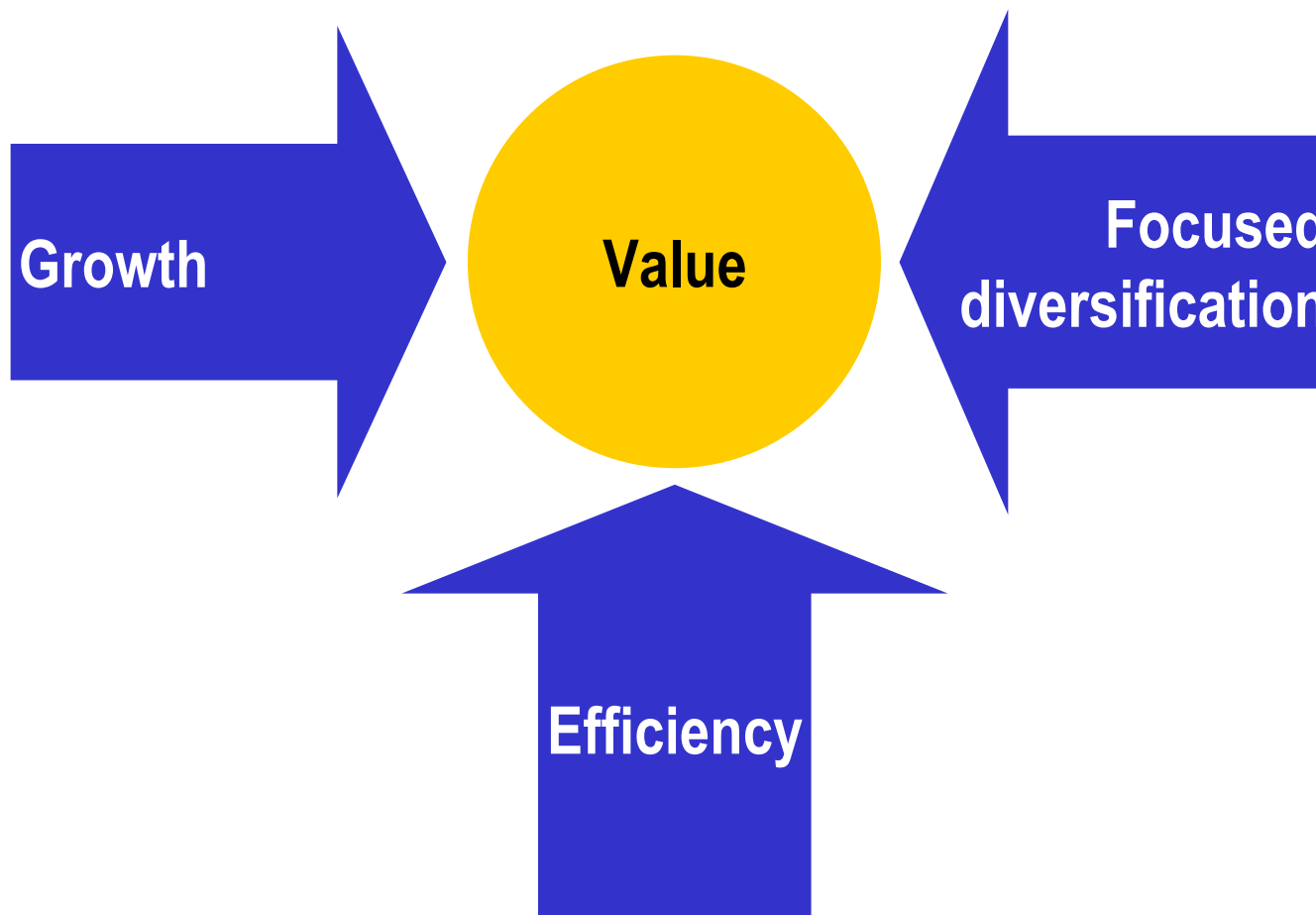
Backup

Value

— Growth

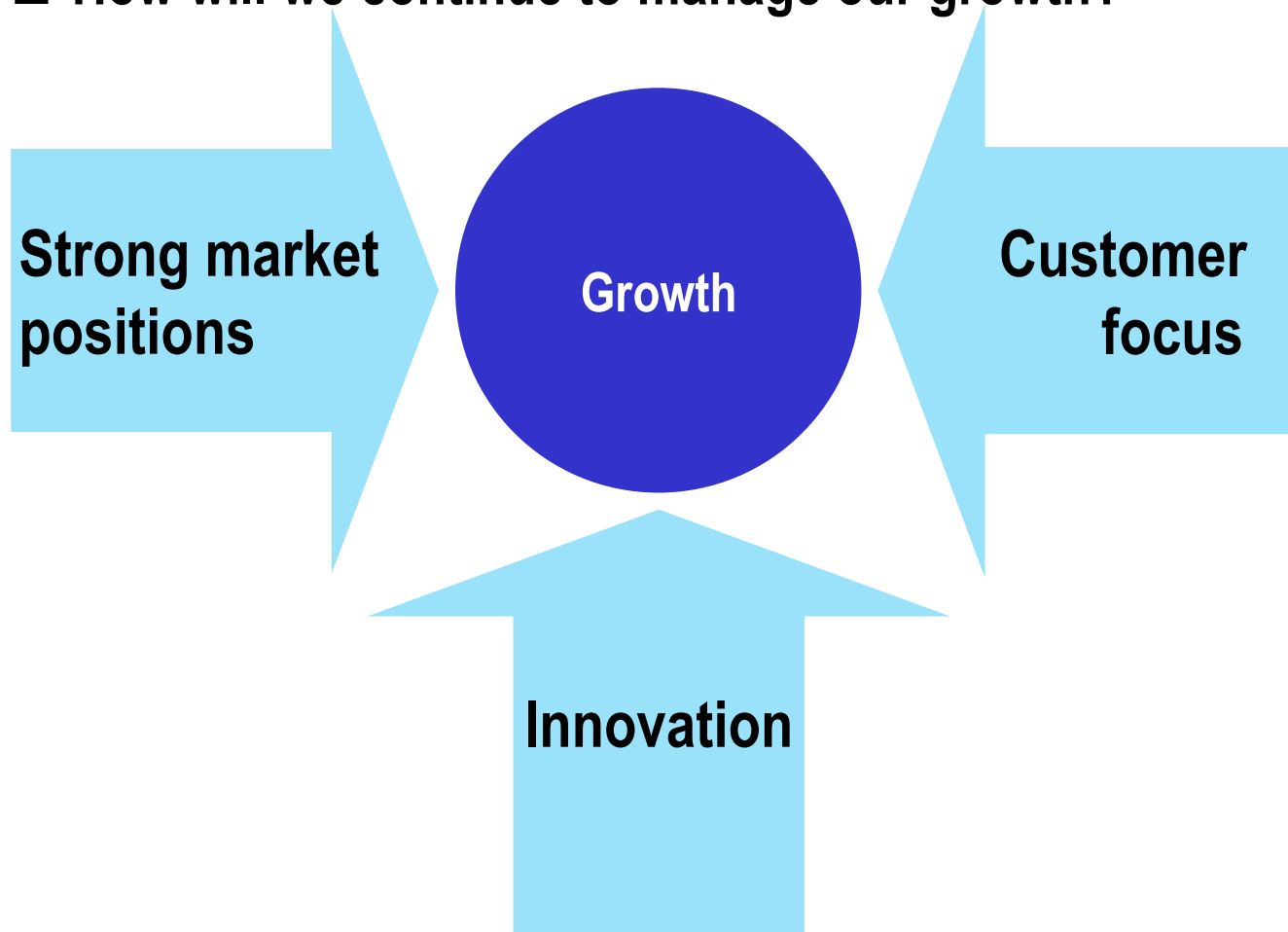
— Efficiency

— Focused diversification



Growth

- How did we manage to grow in a difficult environment?
- How will we continue to manage our growth?



Value

Growth

Strong market positions

Innovation

Customer Focus

Efficiency

Focused diversification

Strong market positions

Backup

Value

Growth

Strong market positions


Innovation

Customer Focus

Efficiency

Focused diversification

Categories	Semi-specialties	Specialties		Fine chemicals
Business Units	Textile Dyes	Textile Chemicals	Masterbatches	Electronic Materials
	Ink Pigments	Paper	Process Chemicals	BU Pharma
	Detergents	Leather	Cell. Ethers	Custom Synthesis
		Pigments	Specialty Fine Chemicals	
		Additives	Biocides	
		Performance Chemicals		

 Number one market position

 Amongst Top 3

 Amongst Top 5

Innovation

Backup

Value

Growth

Strong market positions

Innovation

Customer Focus

Efficiency

Focused diversification

- R&D efforts are customer-driven
- Help the customers to differentiate their products
- Add magic to the chemistry
 - formulations - services - solutions
- Shift towards specialties
- Shorten time to market
- R&D expenditures 4% of sales
- Target 30% of sales with products younger than 5 years
- 200 inventions and 3000 patent applications per year

Committed to R&D as motor for innovation-based sustainable growth

Customer focus

Backup



- Tailor-made solutions for customers
- One-stop-shopping if wanted
- Global presence - serving customers locally
 - following the markets
- Supply chain management
 - optimizing range of products
 - optimizing level of inventories

Efficiency

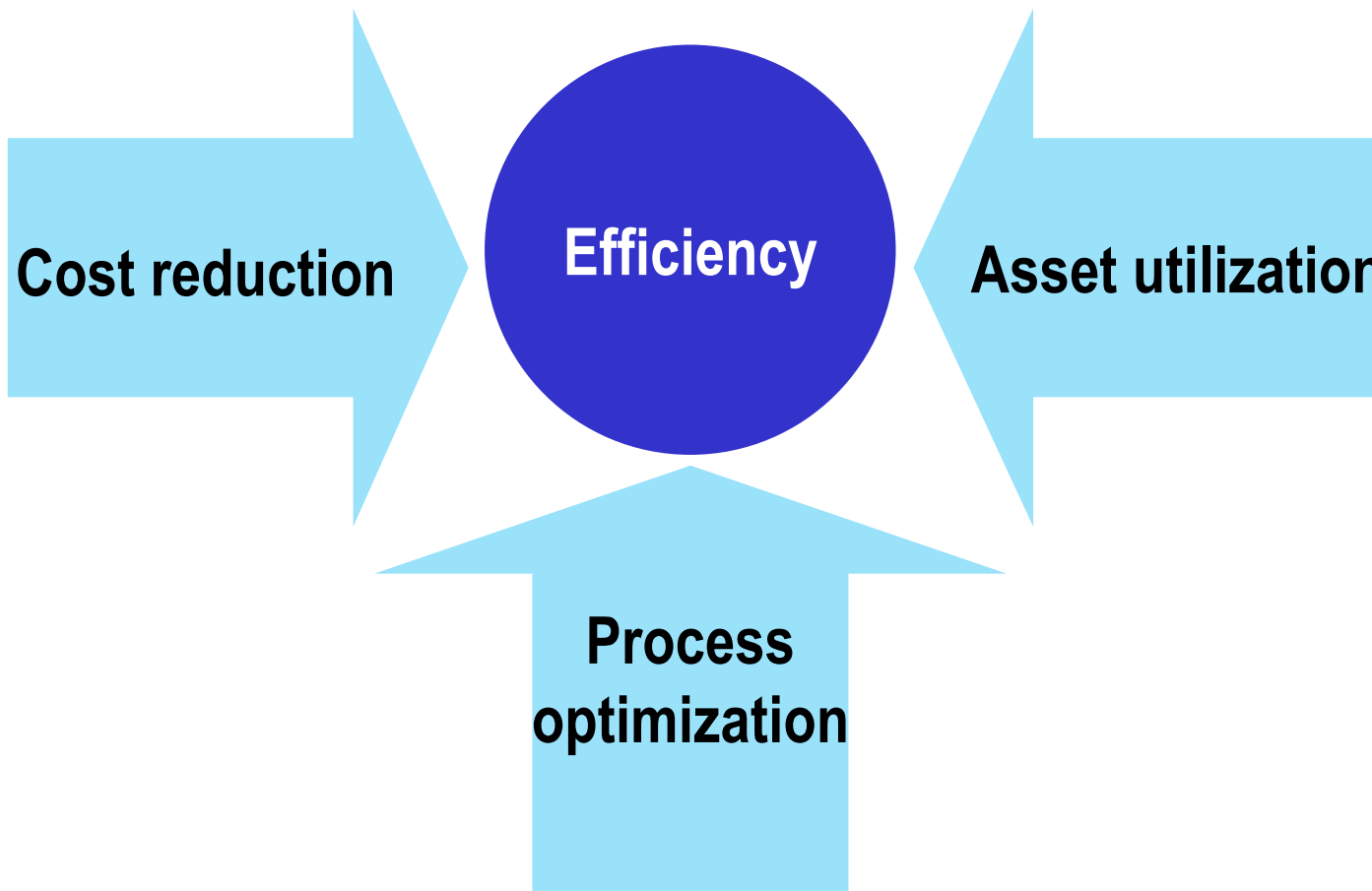
Backup

Value

Growth

Efficiency

Focused diversification



Cost reduction

- More than 75% of all projects completed (Restructuring program 2001)
- US: significant capacity adaption in textile dyes
- France: Lillebonne site closed and transferred to Lamotte
- Italy: Turin site closed and transferred to Milan-Palazzolo site
- Germany:
 - Efficiency program
 - Project Cassella-Offenbach
- LSE: closure/ sale of 5 sites will be completed year-end

Backup

Value

— Growth

— Efficiency

— Cost Reduction

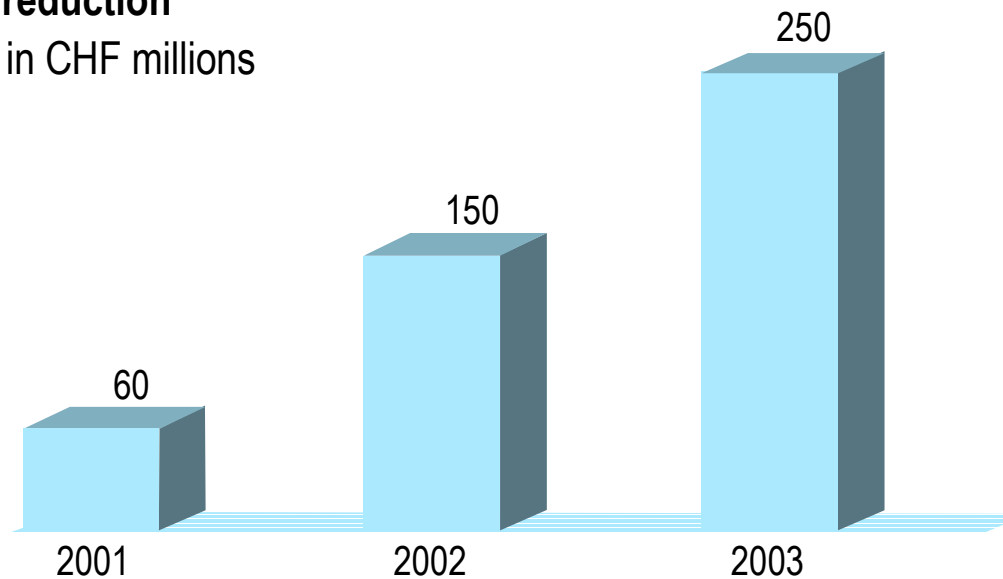
— Process optimization

— Asset utilization

— Focused diversification

Cost reduction

Cost base reduction
cumulated, in CHF millions



Value

Growth

Efficiency

Cost Reduction

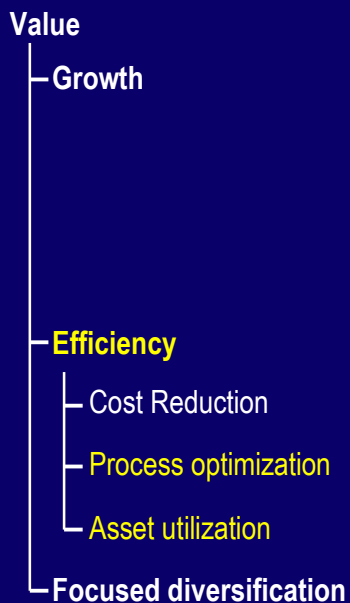
Process optimization

Asset utilization

Focused diversification

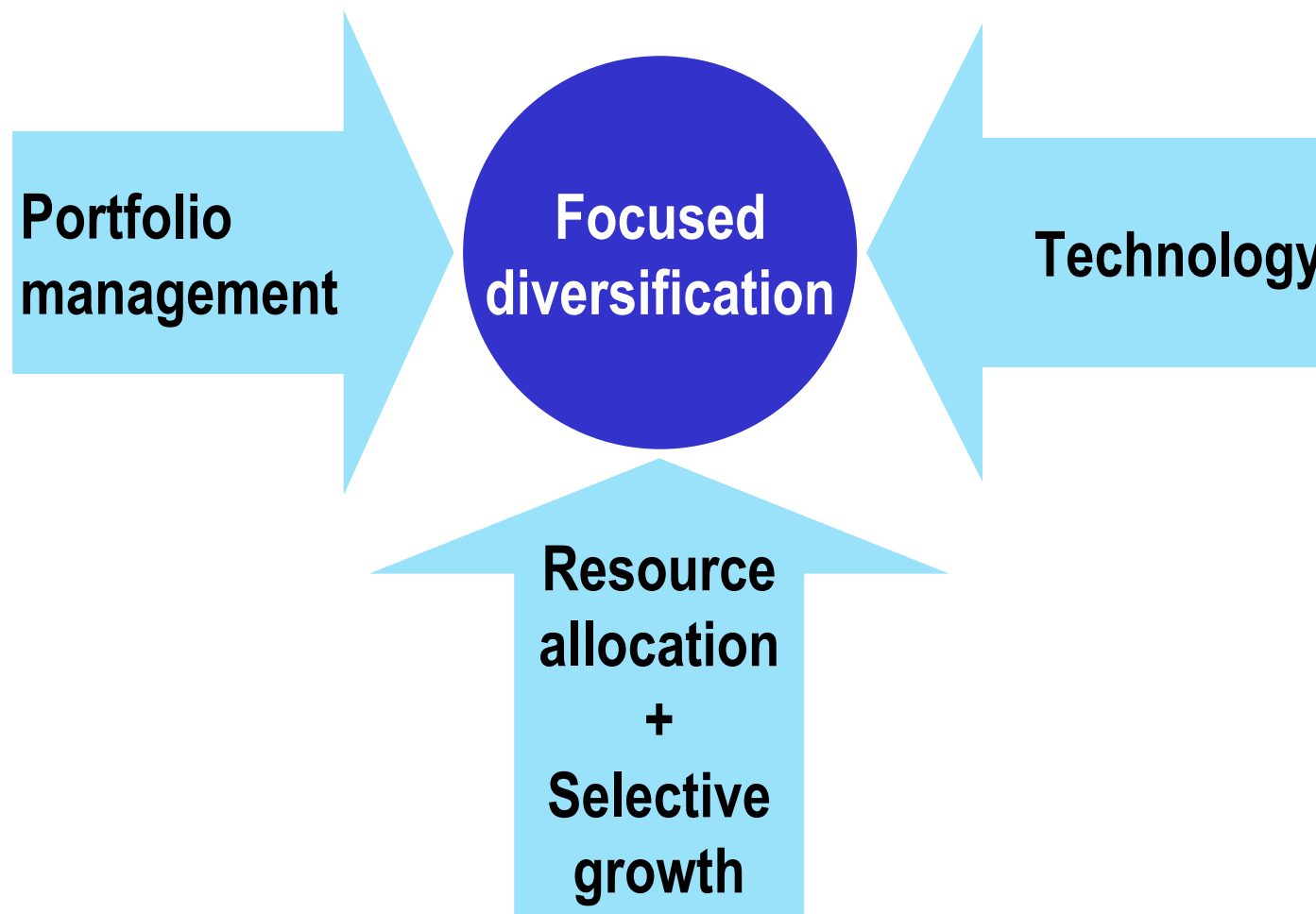
Process optimization and asset utilization

- Supply chain management
 - Optimizing range of products
 - Optimizing inventory levels
- Standardizing processes
- Optimizing global production network



Using Clariant's unique business software "WINS"

Focused diversification



Backup

Value

Growth

Efficiency

Focused diversification

Portfolio management: Market potential

Backup

Value

Growth

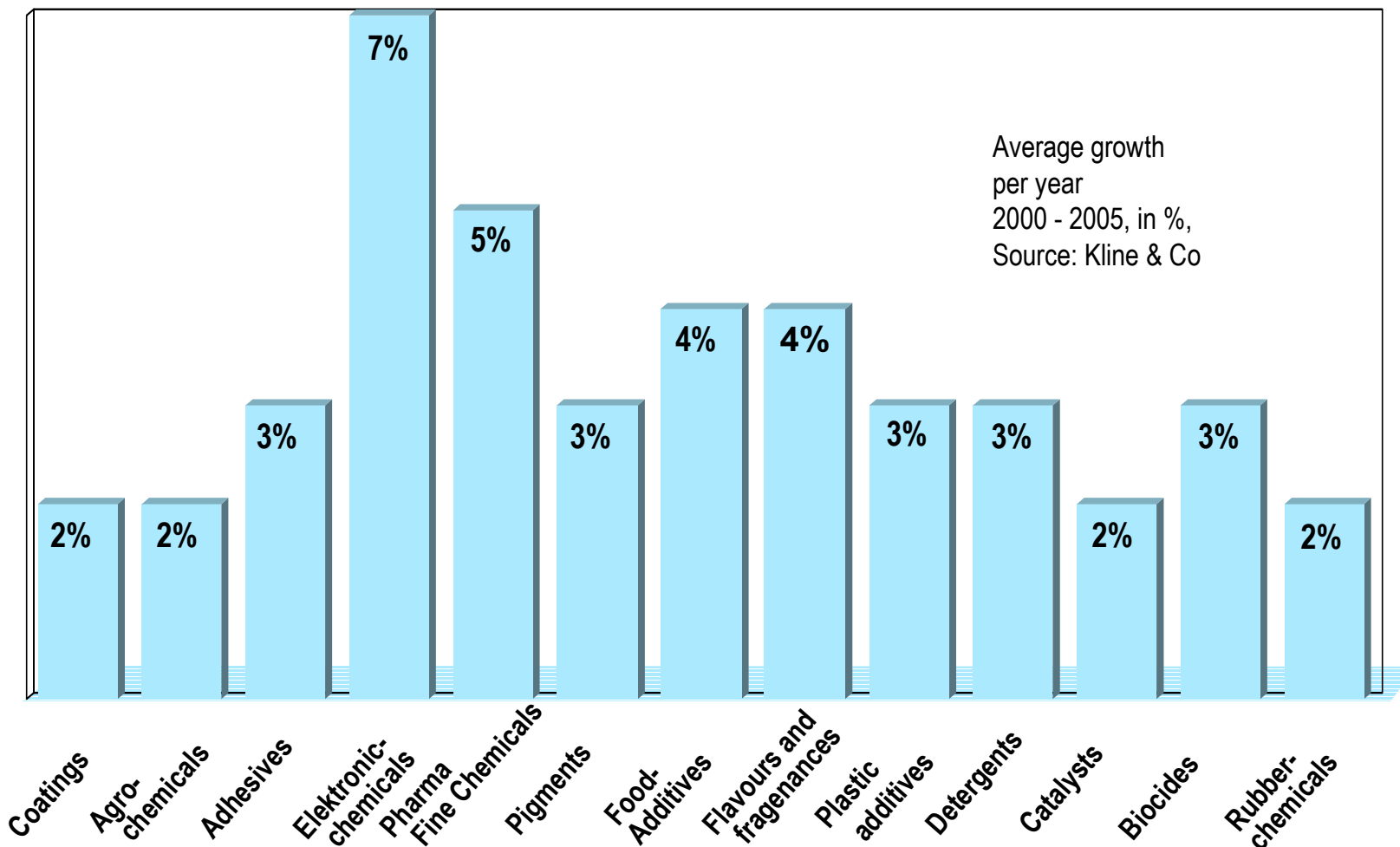
Efficiency

Focused diversification

Portfolio management

Resource allocation and
selective growth

Technology



Portfolio management

Divestiture of non-core businesses

Backup

Value

Growth

Efficiency

Focused diversification

Portfolio management

Resource allocation and
selective growth

Technology

Active portfolio management:

- Concentrate on sustainable growth areas
- Reduce raw material dependency
- Reduce high volume dependent products
- Focus on high value added businesses
- Reduce share of cyclical business

Actions:

- 2001: Sale of Cassella-Offenbach to Allessa Chemie
- 2001: Sale of PVA / PVB business unit to Kuraray
- 2001: Sale of 50% stake in Harlow Chemicals joint venture to Yule Catto
- 2002: Sale of European emulsions and emulsion powders businesses to Celanese AG

Resource allocation and Selective growth

Backup

Value

Growth

Efficiency

Focused diversification

Portfolio management

Resource allocation and
selective growth

Technology

Product categories	Semi-specialties	Specialties	Fine chemicals
Growth emphasis	Internal growth	Internal growth and operational complimentary / add-on acquisitions	Reinforced internal growth and add-on acquisitions
Concept	Selective growth only	Innovation-driven growth	Innovation-driven growth
Cash flow generation	Surplus	Balanced to surplus	Needs

■ **R&D expenditures: 4% of sales** (1-10% dependent on innovation potential)

■ **Capital expenditures: 4-5% of sales** (short-term below that level)

Technology

Network of interdivisional technology teams

Backup

Value

Growth

Efficiency

Focused diversification

Portfolio management

Resource allocation and selective growth

Technology

Piloting/ technologies

Color services

Information services

TLP

PA

MB

FUN

LSE

Mixing

Azo chemistry

Process technology

Metal organics

Dyestuffs

Pigments

Plastic coloration

External: patents, chemistry

Internal: data management

Focused on technologies and competencies that are for core for more than one division