

# *Clariant – The Way Forward*

1<sup>st</sup> Quarter Results  
Conference Call – May 10, 2005



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# *Agenda*

Key Factors 1<sup>st</sup> Quarter 2005

Financial Review

Business Review

Outlook



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*Key Factors*  
*1<sup>st</sup> Quarter 2005*  
*François Note, CFO*

## *1<sup>st</sup> Quarter 2005 – Price Increases Achieved*

- Sales flat at 1.992 bn compared to strong first quarter 2004
- Continued success in raising prices across most business lines
- Industry-wide slowdown, but long-term trend confirmed
- Raw material prices still at high level; negative FX impacts
- Transformation Program delivering further cost base reductions as planned
- Operating Income\*\* at CHF 139 mn declined from CHF 186 mn\*
- Operating Cash Flow at CHF 22 mn mainly due to higher inventories
- Net income up 18% to CHF 72 mn\*

\*on a comparable basis \*\* before exceptional items and amortization of goodwill



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Key Factors Q1 2005

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## Key financial group figures 1<sup>st</sup> Quarter 2005

1 <sup>st</sup> Quarter 2005 in mn CHF	2005	% of Sales	2004* like-for-like	% of Sales	Change in % CHF	LC
Sales	1,992		2,045		-3	+0
Gross profit	613	30.8%	674	33.0%	-9	-5
EBITDA	183	9.2%	243	11.9%	-25	-16
EBITDA before exceptional items	208	10.4%	261	12.8%	-20	-14
Operating income before exceptional items and amortization of goodwill	139	7.0%	186	9.1%	-25	-17
Operating income	110	5.5%	154	7.5%	-29	-20
Net income	72	3.6%	61	3.0%		

as per	Mar 05	Dec 04	Mar 04
Net debt	1,392	1,331	2,901
Equity	2,403	2,288	1,387

\* The numbers for 2004 are like-for-like to account for the sales of business activities in 2004. Sales in 2004: Electronic Materials of the Life Science Chemicals Division, Lancaster Synthesis Ltd, UK and USA, of the Life Science Chemicals Division, and Clariant Polymers, Japan, of the Textile, Leather & Paper Chemicals Division. All activities were sold effective as per the end of 2004



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Key Factors Q1 2005

**Financial Review**

Business Review

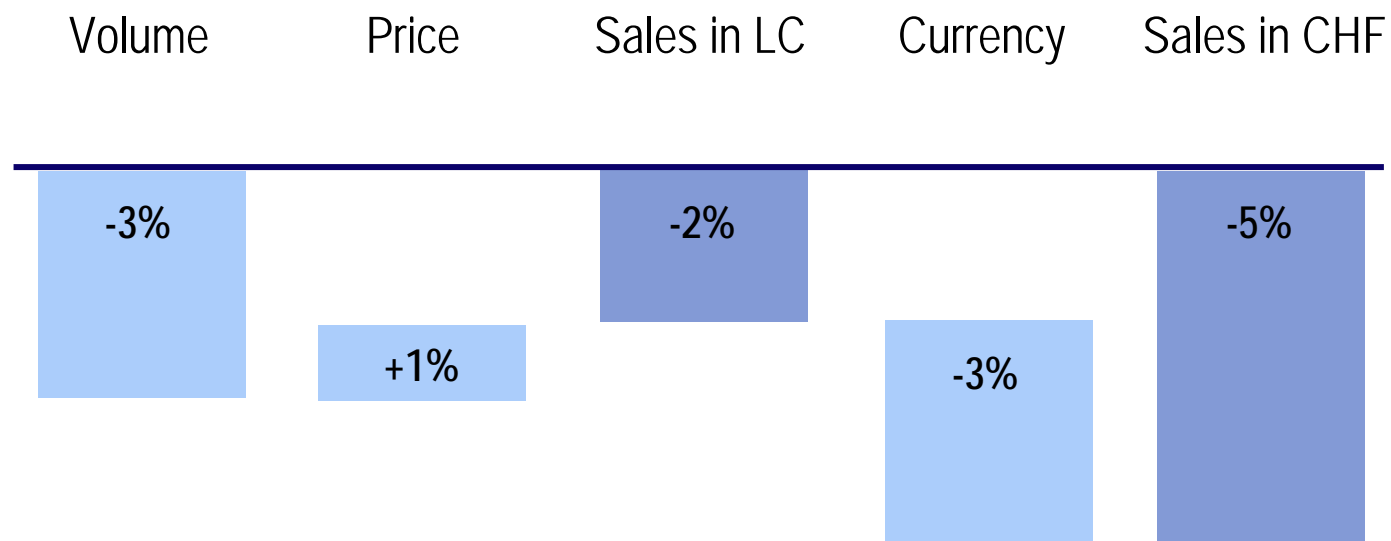
Outlook

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## *Sales negatively affected by FX*

1<sup>st</sup> Quarter 2005 versus 1<sup>st</sup> Quarter 2004, continuing operations\*



\* Continuing Operations: On September 30, 2004, Clariant sold the business unit Electronic Materials, belonging to the LSC division, to the Carlyle Group. As a consequence, Electronic Materials is disclosed as Discontinuing Operations for 2004.



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Key Factors Q1 2005

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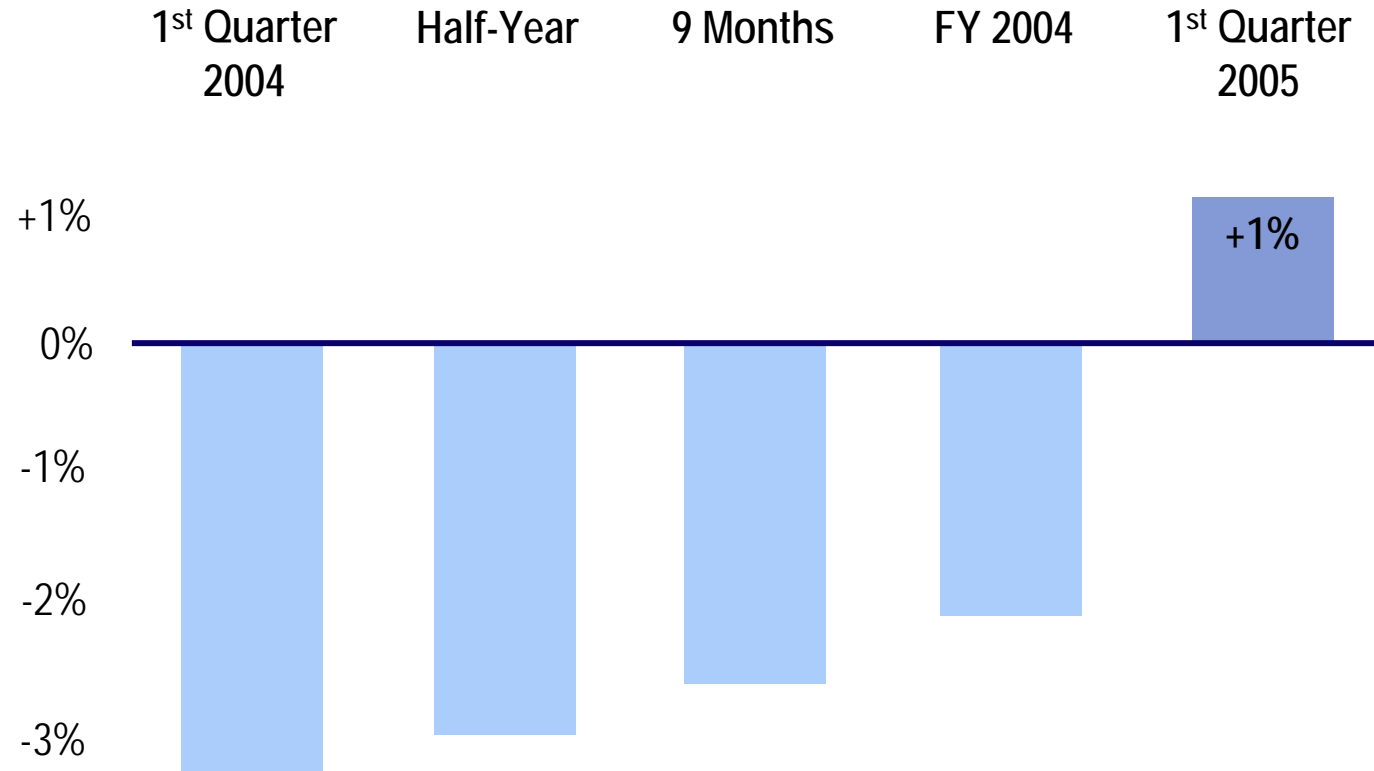
Business Review

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## *Positive price trend continues*

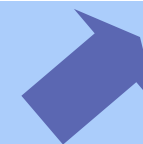


Price change cumulative, compared with year earlier period

## *Positive price trend across divisions*

1<sup>st</sup> Quarter 2005 versus 1<sup>st</sup> Quarter 2004

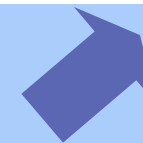
Functional Chemicals



Textile, Leather & Paper Chemicals



Masterbatches



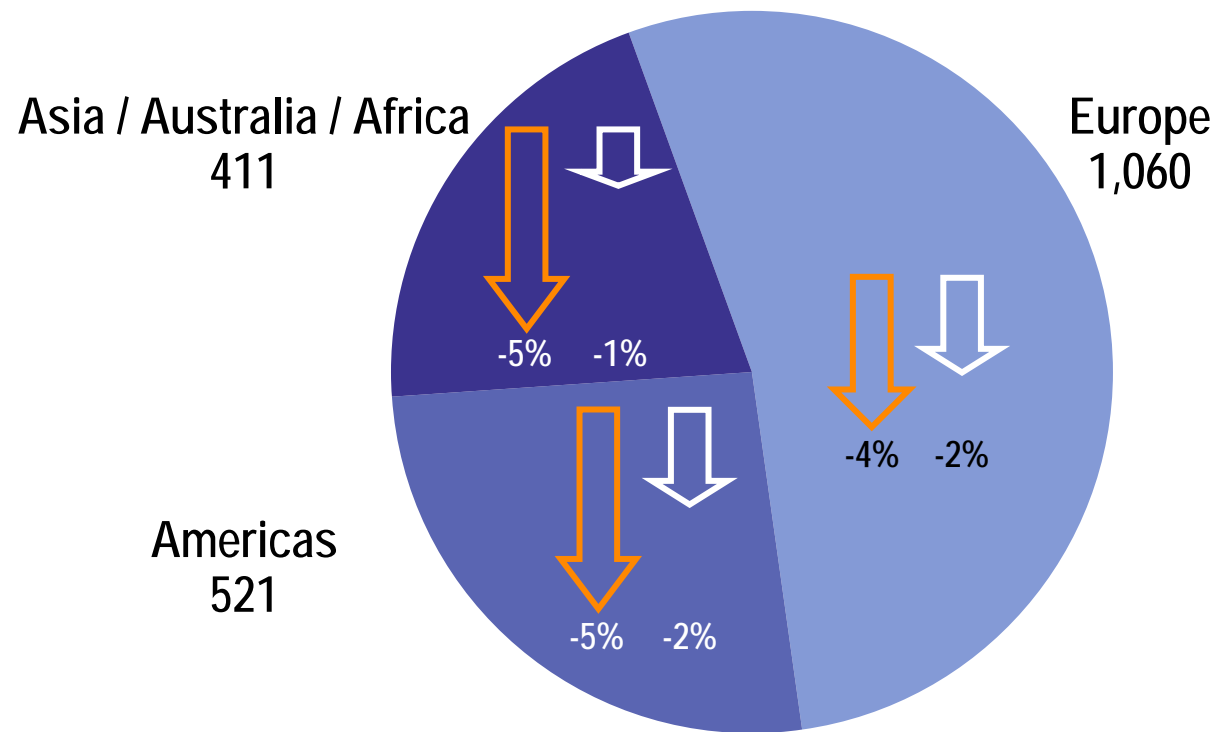
Life Science Chemicals



Pigments & Additives



# Group sales, 1<sup>st</sup> Quarter 2005, by region *(continuing operations\*)*



in mn CHF

Sales 1<sup>st</sup> Quarter 2005: 1,992

Changes in CHF  / in LC 

\* Continuing Operations: On September 30, 2004, Clariant sold the business unit Electronic Materials, belonging to the LSC division, to the Carlyle Group. As a consequence, Electronic Materials is disclosed as Discontinuing Operations for 2004.

## *Cash flow affected by higher inventories*

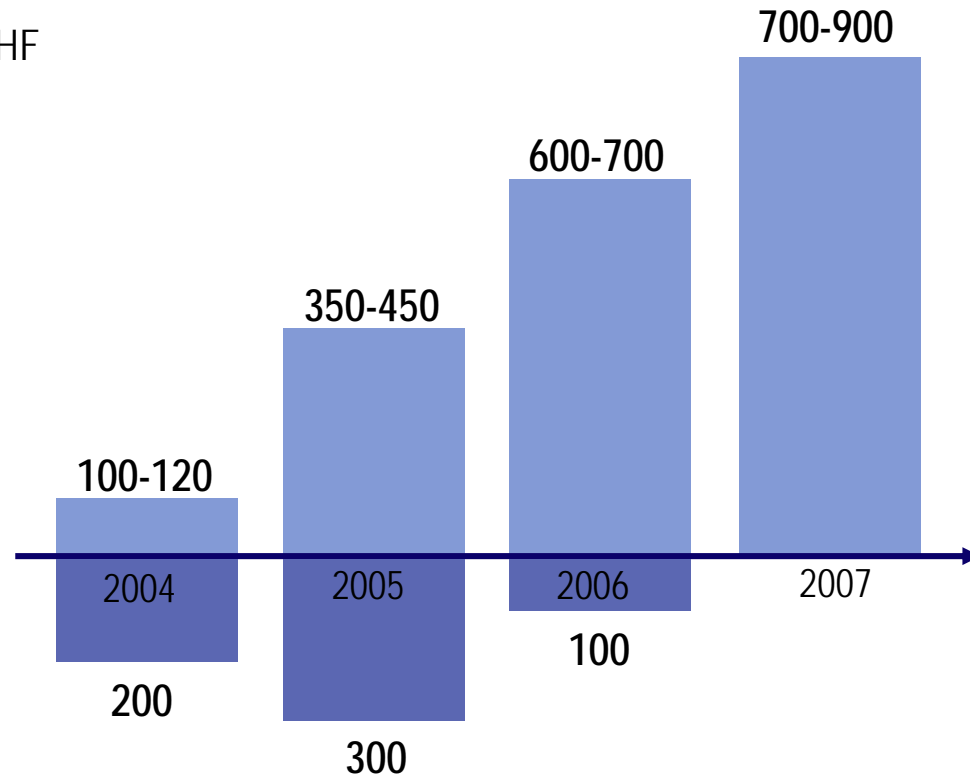
in mn CHF	1 <sup>st</sup> Quarter 2005	1 <sup>st</sup> Quarter 2004*
Net result	72	73
Depreciation & amortization	73	97
Other	-17	64
<b>Operating cash flow before working capital</b>	<b>128</b>	<b>234</b>
Change in working capital	-106	-131
<b>Operating cash flow</b>	<b>22</b>	<b>103</b>
Capital expenditure	-71	-53
Other	17	23
<b>Cash flow before financing</b>	<b>-32</b>	<b>-73</b>

\*restated

# Performance improvement measures from 2004 to 2007

EBIT impact of measures\*

in mn CHF

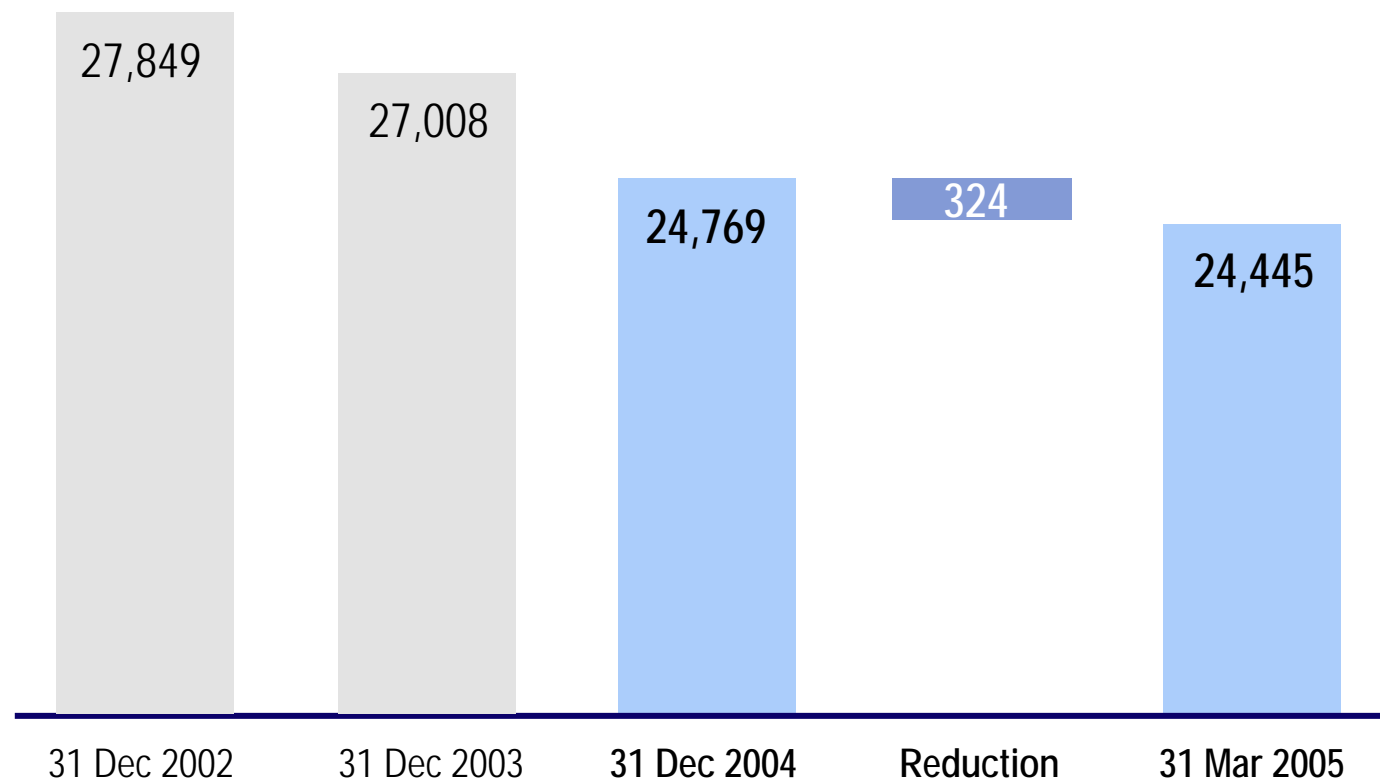


■ performance improvement costs

■ performance improvement measures

\*before business risks & price erosion

## *Reduction in personnel as planned*



 Number of employees, reported

## *Divisional sales and margins 1<sup>st</sup> Quarter 2005 vs. 1<sup>st</sup> Quarter 2004 (continuing operations\*)*

1 <sup>st</sup> Quarter 2005 in mn CHF	Q1 2005	Change	EBITDA Margin in %**	
	Sales	2005 vs 2004 LC in %	2005	2004
Textile, Leather & Paper Chemicals	506	-6	9.3	11.4
Pigments & Additives	460	+0	12.4	16.0
Masterbatches	280	+0	10.7	12.9
Functional Chemicals	527	+4	12.5	14.0
Life Science Chemicals	219	-11	5.9	6.7
<b>Total continuing operations</b>	<b>1,992</b>	<b>-2</b>	<b>10.4</b>	<b>12.5</b>

\* Continuing Operations: On September 30, 2004, Clariant sold the business unit Electronic Materials, belonging to the LSC division, to the Carlyle Group. As a consequence, Electronic Materials is disclosed as Discontinuing Operations for 2004.

\*\* EBITDA before exceptional items

## *Divisional performance*

### Textile, Leather & Paper Chemicals

- Better pricing environment for nearly all businesses
- Mixed performance for textiles; weaker demand for leather products

### Pigments & Additives

- Weaker sales for decorative paints and products for automotives
- High level of demand for additives, e.g. waxes and flame retardants

### Functional Chemicals

- Robust volume growth and improved pricing climate across all business lines
- Agro and oilfield industries doing particularly well

## *Divisional performance*

### Life Science Chemicals

- Improved sales in speciality fine chemicals, e.g. glyoxal derivatives and monochloric acetic acid
- Improved pricing climate, but significant losses in Pharma volumes

### Masterbatches

- Price increases supported by market-leader status
- Modest slowdown in demand across most regions

## *Outlook for 2005*

- Improved sales in local currency\*
- Improved pricing environment, but adverse currency and raw material effects expected
- Total cost base reduction of approx. CHF 300 mn for 2005
- Improved operating margin before exceptional items\*
- Improved net income\*
  
- Clariant long-term targets confirmed:
  - CHF 400 mn EBIT improvement by end 2007
  - Pre-Tax ROIC above 12% by end 2007

**2005 – Increased profitability**

\*on a comparable basis

# *Questions and Answers*

## *François Note*

## *Calendar of upcoming corporate events*

June 23, 2005	Dividend expected pay-out of par value repayment (CHF 0.25 per share)
August 4, 2005	First Half 2005 Results
November 9, 2005	Nine Month 2005 Results
February 28, 2006	Full Year 2005 Results
April 6, 2006	Annual General Meeting
May 9, 2006	First Quarter 2006 Results
August 2, 2006	First Half 2006 Results
November 7, 2006	Nine Month 2006 Results

## *Your Investor Relations contacts*

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## *The way forward*

### Strategic focus

- Recognized as a leading specialty chemicals Group
  - World-class customer service skills
  - Superior innovation and applications capabilities
  - Leading-edge technologies in synthesis, color and surface effects
- Defend and improve market-leading positions
- Focus on profitability and cash flow generation



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## *Current market segments*

Textile, Leather & Paper Chemicals	Pigments & Additives	Functional Chemicals	Life Science Chemicals	Masterbatches
<ul style="list-style-type: none"><li>■ Textiles</li><li>■ Paper</li><li>■ Leather</li></ul>	<ul style="list-style-type: none"><li>■ Coating Industries</li><li>■ Plastic Industries</li><li>■ Printing Industries</li><li>■ Specialties</li></ul>	<ul style="list-style-type: none"><li>■ Detergents</li><li>■ Performance Chemicals</li><li>■ Process Chemicals</li></ul>	<ul style="list-style-type: none"><li>■ Pharmaceutical Fine Chemicals</li><li>■ Specialty Fine Chemicals</li></ul>	<ul style="list-style-type: none"><li>■ Europe</li><li>■ Asia Pacific</li><li>■ NAFTA</li><li>■ Latin America</li><li>■ Special Markets</li></ul>



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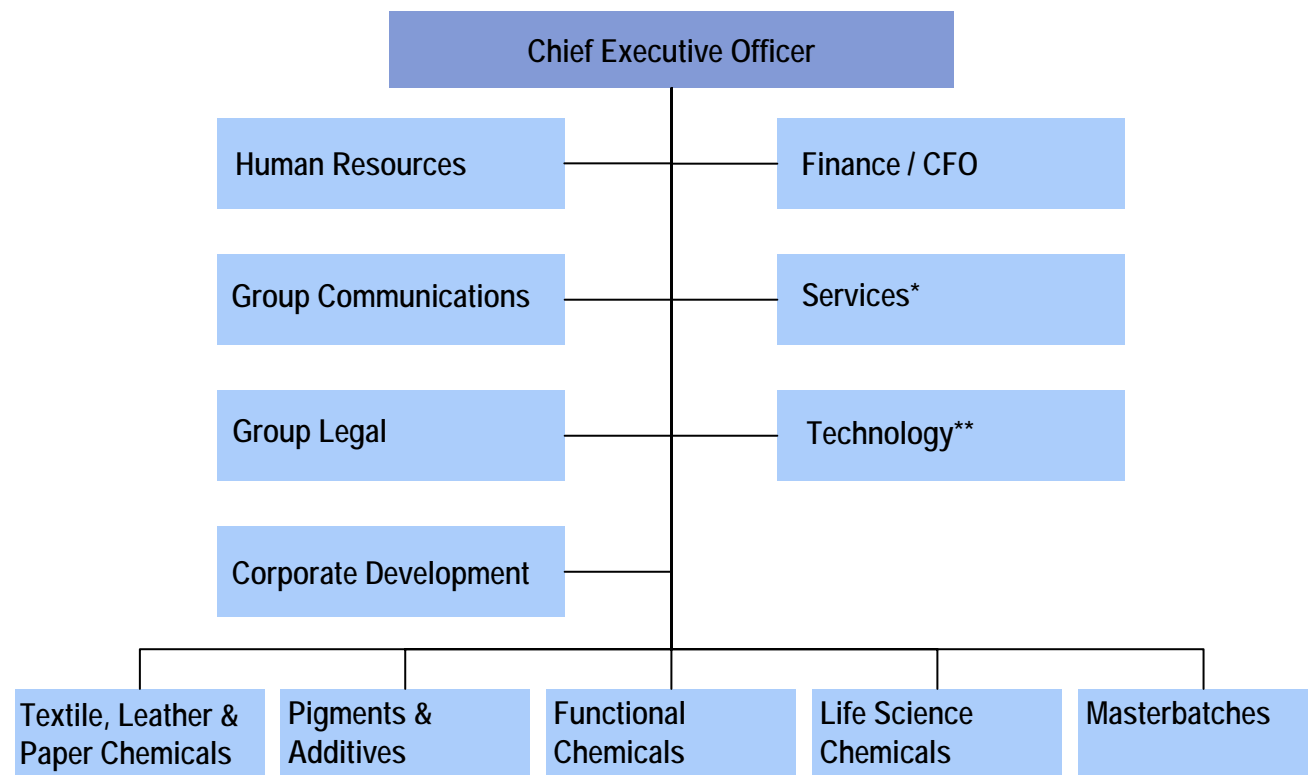
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# Clariant Organization



\*SERVICES: Production Services, Supply Chain Management, Sourcing, ESHA, IT, International Coordination

\*\*TECHNOLOGY: Intellectual Property, Innovation & Knowledge Management, New Business Development



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## *The way forward - refocusing portfolio*

Clariant portfolio	% of Sales	Market attractiveness	Competitive position	Clariant strategy
Service-driven businesses	60 - 70%	High	Strong	Expand
Technology-driven / niche businesses	10%	High but volatile	Strong in certain areas	Selectively develop
Cost-driven businesses	20 - 30%	Low	Weak to Medium	Restructure



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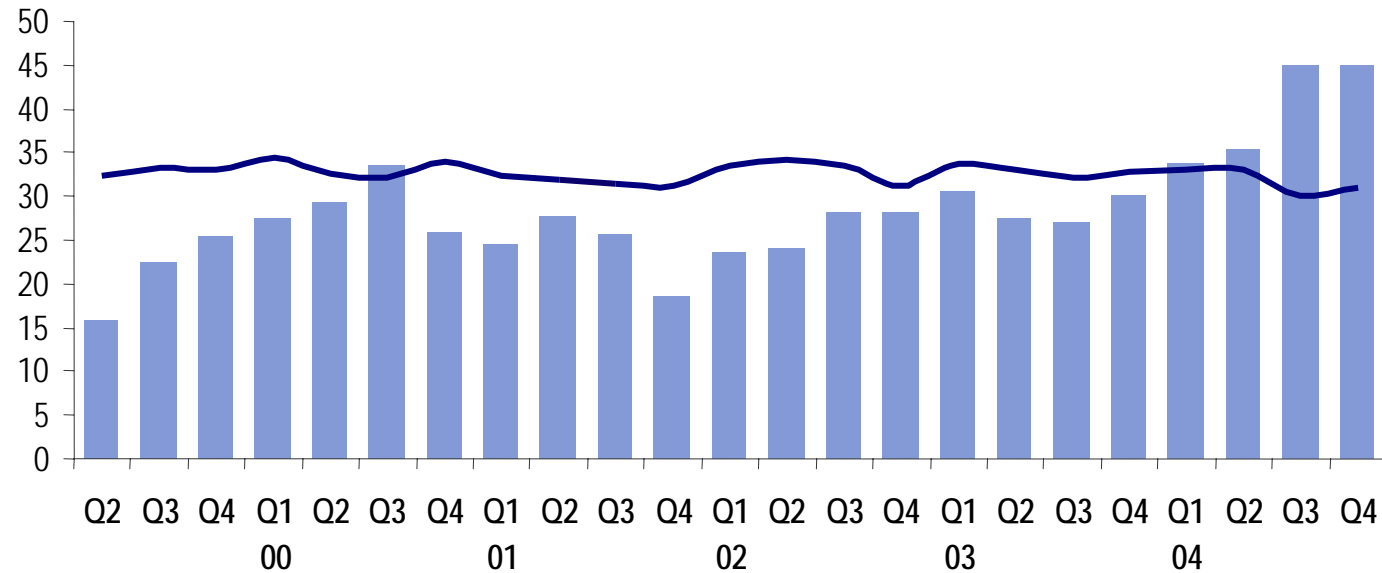
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## *Stable gross margin even at high oil prices*



■ Crude Oil Brent USD / bbl ■ Gross margin in %

No correlation of crude oil price and raw material costs on operational performance

## *Raw material dependency reduced*

### Percent of top 10 raw materials of total costs



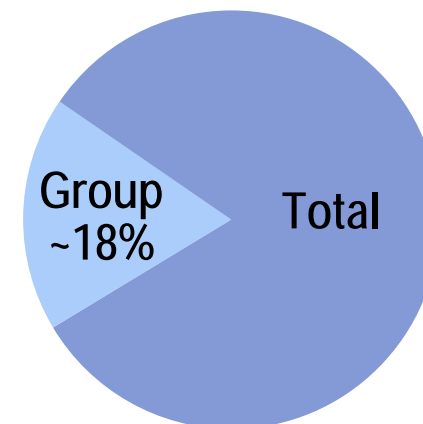
### Percent of VAM<sup>1</sup> of raw materials of total costs



<sup>1</sup> Vinylacetate monomer

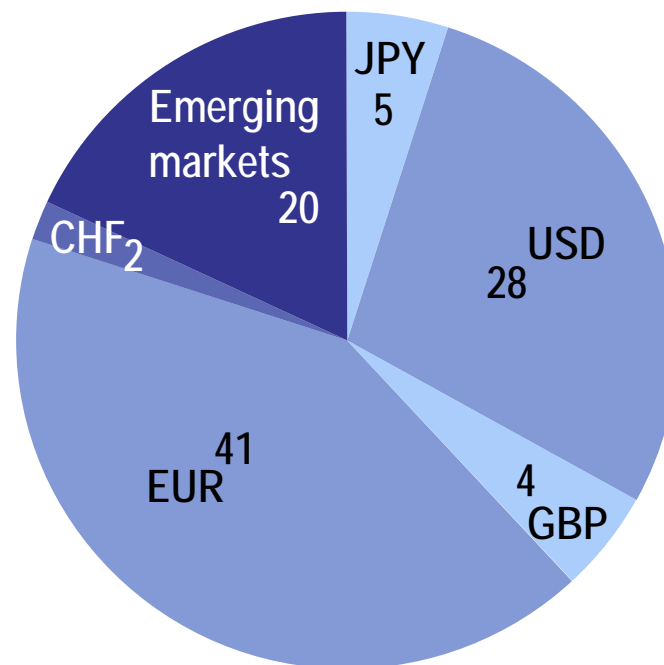
## *Top 5 products in percentage of total raw material costs*

Ranking	Product
1	Ethylene
2	Acetic Acid
3	Acrylates
4	Acetic Anhydride
5	Vinylacetate



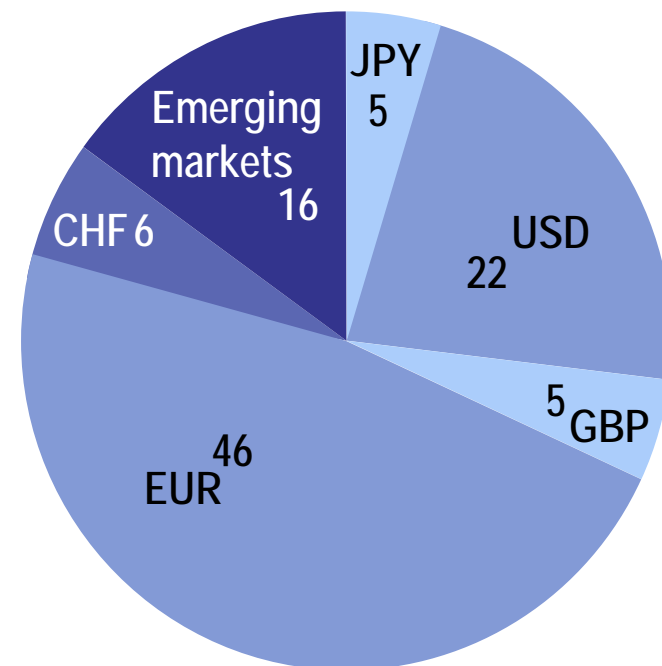
## Sales and cost structure, Full-year 2004

Global sales distribution in %



in mn CHF

Global cost distribution in %





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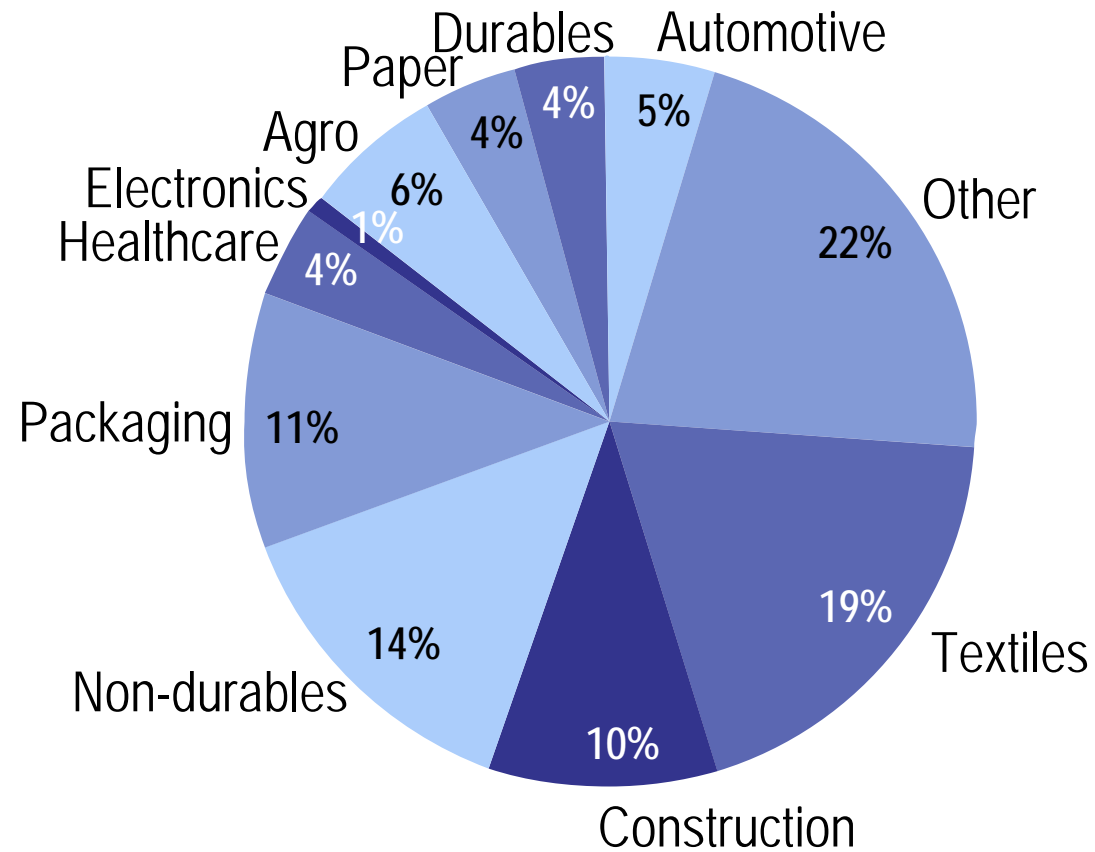
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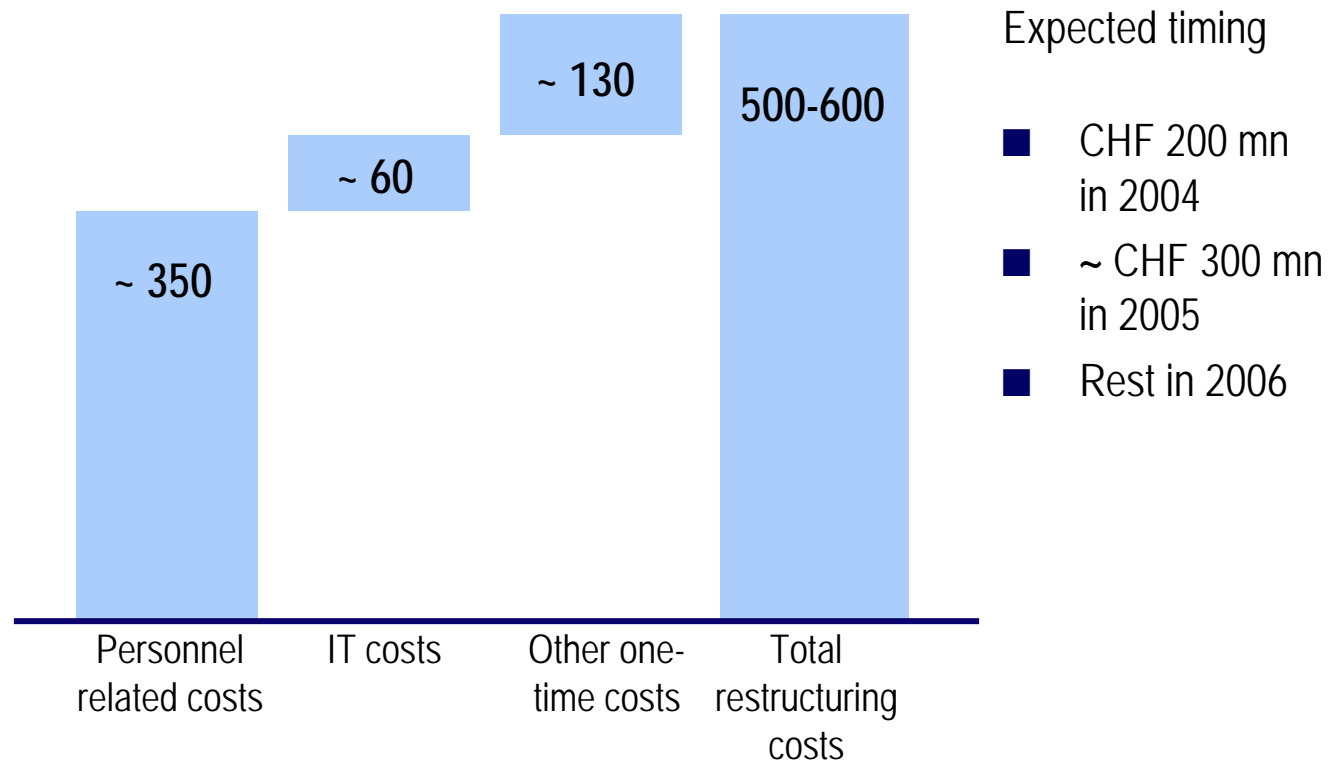
## *Divisional sales Full-year 2004 in end-user markets\**



\*continuing operations

## *Break-down of CPIP costs*

in mn CHF





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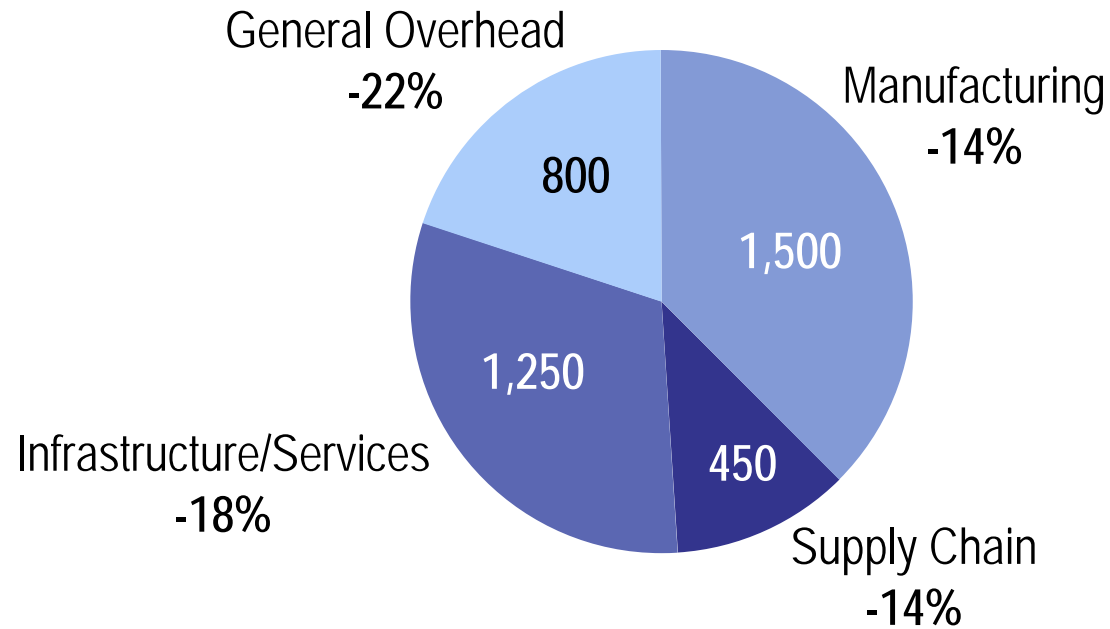
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## *Substantial job cuts to sharply reduce costs*



**Total job cuts: 4,000 identified by end 2005**