

Full Year Results 2006

Launching world class performance

February 20, 2007



Exactly your chemistry.



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Full Year 2006 – Key factors

- Strong demand in Specialty Chemicals driving good growth
- Higher raw material prices; peak in commodity chemical cycle
- Pricing landscape remains competitive
- Introduction of supply chain system in Europe completed
- Active measures taken to deal with underperformance in Life Science Chemicals
- Successful launch of World-Class Performance initiatives

Favorable environment drives growth

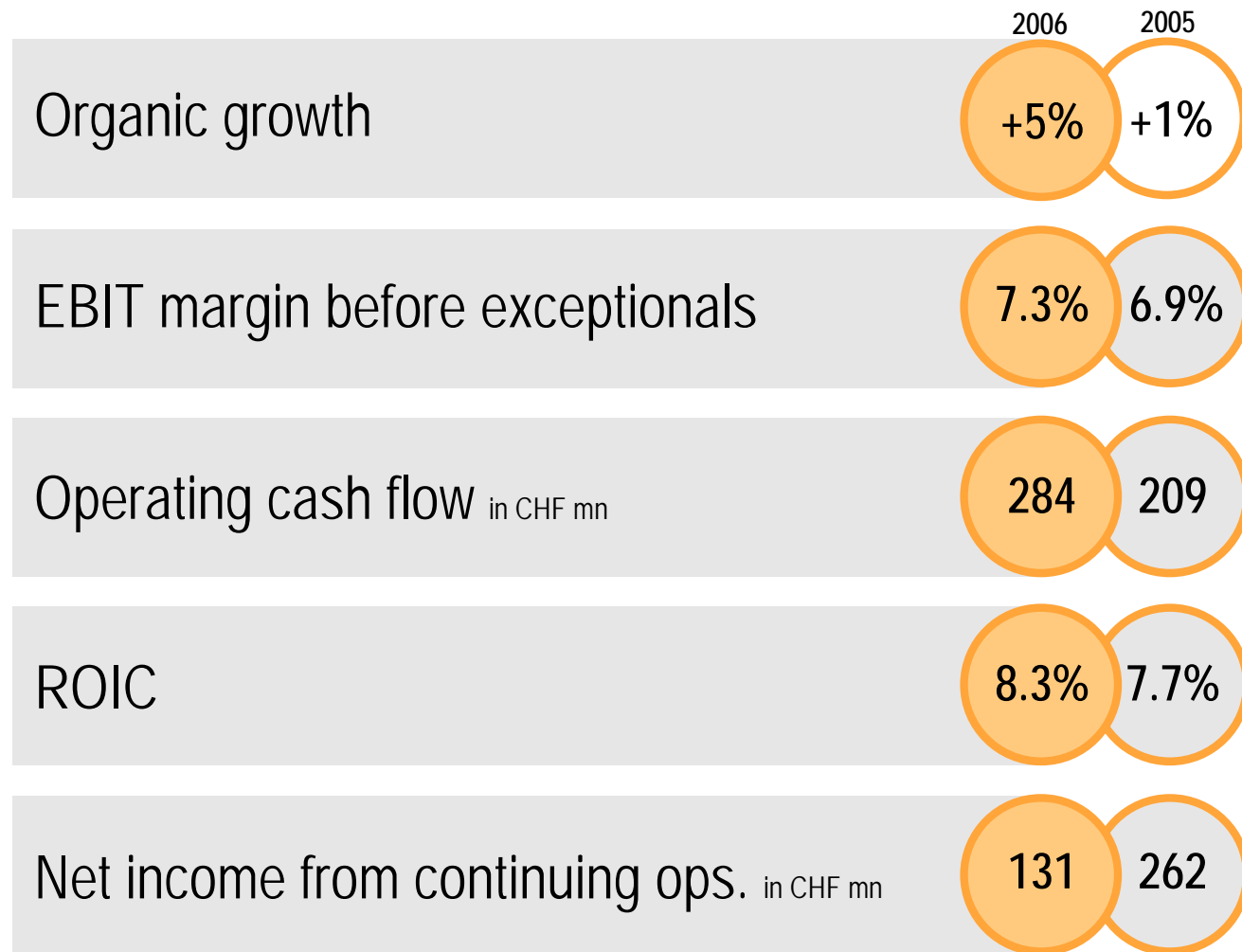
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Full Year 2006 financials



All figures continuing operations, except growth rate 2005 as reported



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Full Year 2006 – Achievements in our businesses

- **Masterbatches:** Strongest growth with prices and volumes up
- **Functional Chemicals:** Good returns with robust growth, good volumes and higher selling prices
- **Pigments & Additives:** Bottom line improvement; strong operational leverage but prices under pressure
- **Textile, Leather & Paper Chemicals:** Strong performance from paper but mixed picture in other businesses
- **Life Science Chemicals:** Further decline due to depressed agrochemical environment and slowdown in demand

Solid performance across most businesses



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Fourth Quarter 2006 – Key financial group figures

	Fourth Quarter			
	2006		2005**	
	<i>CHF mn</i>	<i>% of sales</i>	<i>CHF mn</i>	<i>% of sales</i>
Continuing operations:				
Sales	2,010	100%	1,958	100%
Local currency growth (LC)	+3%			
- Organic growth	+3%			
- Acquisitions/Divestitures*	0%			
Currencies	0%			
Gross profit	585	29.1%	576	29.4%
EBITDA before exceptionals	202	10.0%	171	8.7%
EBITDA	182	9.1%	160	8.2%
Operating income before exceptionals	134	6.7%	105	5.3%
Operating income	112	5.6%	105	5.3%
Net income from continuing operations	23	1.1%	16	0.8%
Operating cash flow (total operations)	143		14	
Discontinued operations				
Sales	55		129	
Net loss from discontinued operations	-24		-46	

* Divestments included Clariant Acetyl Building Blocks, Germany, of the Life Science Chemicals Division, sold July 2005

** 2005 is restated to exclude the discontinued operations of the Pharmaceutical Fine Chemical Business, sold in June 2006, and to also exclude the Custom Manufacturing Business



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Full Year 2006 – Key financial group figures

	Full Year			
	2006		2005**	
	<i>CHF mn</i>	<i>% of sales</i>	<i>CHF mn</i>	<i>% of sales</i>
Continuing operations:				
Sales	8,100	100%	7,728	100%
Local currency growth (LC)	+3%			
- Organic growth	+5%			
- Acquisitions/Divestitures*	-2%			
Currencies	+2%			
Gross profit	2,486	30.7%	2,355	30.5%
EBITDA before exceptionals	855	10.6%	795	10.3%
EBITDA	798	9.9%	714	9.2%
Operating income before exceptionals	592	7.3%	533	6.9%
Operating income	385	4.8%	448	5.8%
Net income from continuing operations	131	1.6%	262	3.4%
Operating cash flow (total operations)	284		209	
ROIC***	8.3%		7.7%	
Discontinued operations				
Sales	325		453	
Net loss from discontinued operations	-209		-70	

* Divestments included Clariant Acetyl Building Blocks, Germany, of the Life Science Chemicals Division, sold July 2005
 ** 2005 is restated to exclude the discontinued operations of the Pharmaceutical Fine Chemical Business, sold in June 2006, and to also exclude the Custom Manufacturing Business
 *** NOPLAT before exceptionals divided by average net capital employed



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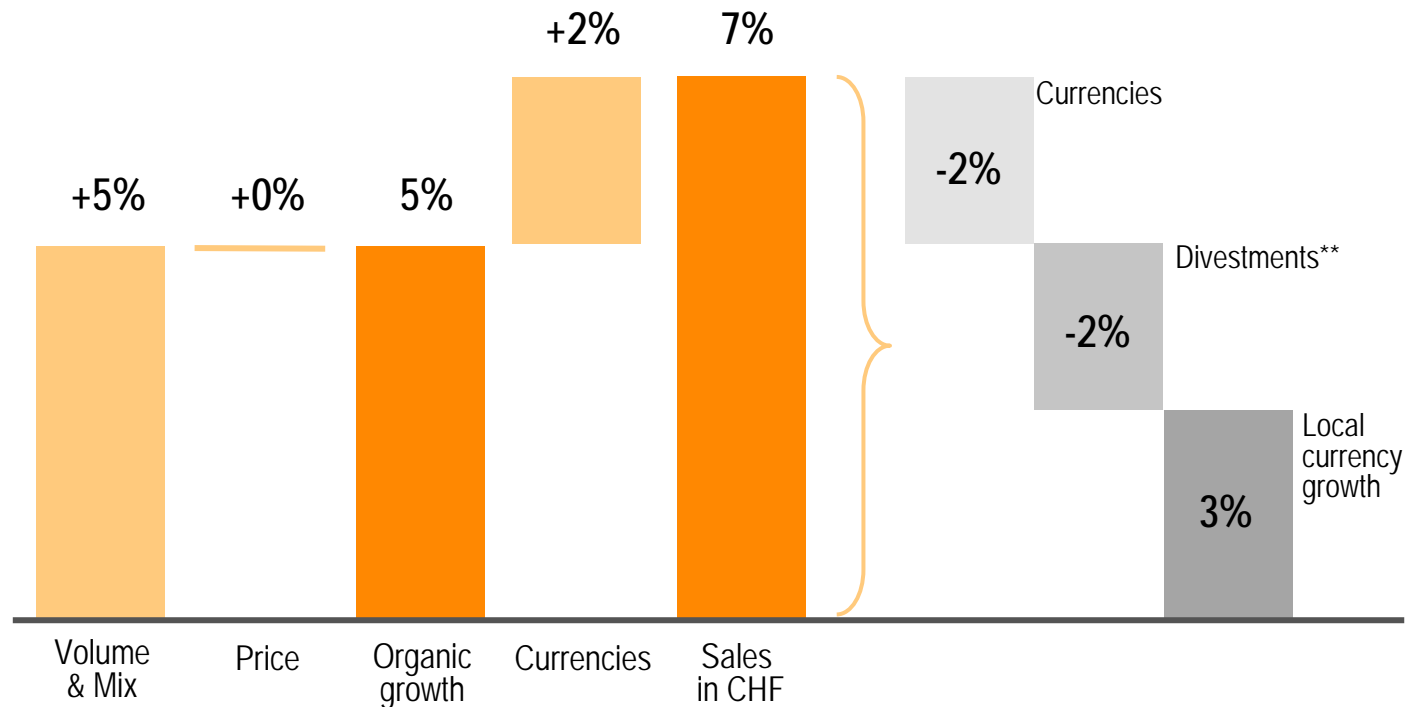
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Sales growth driven by strong volume

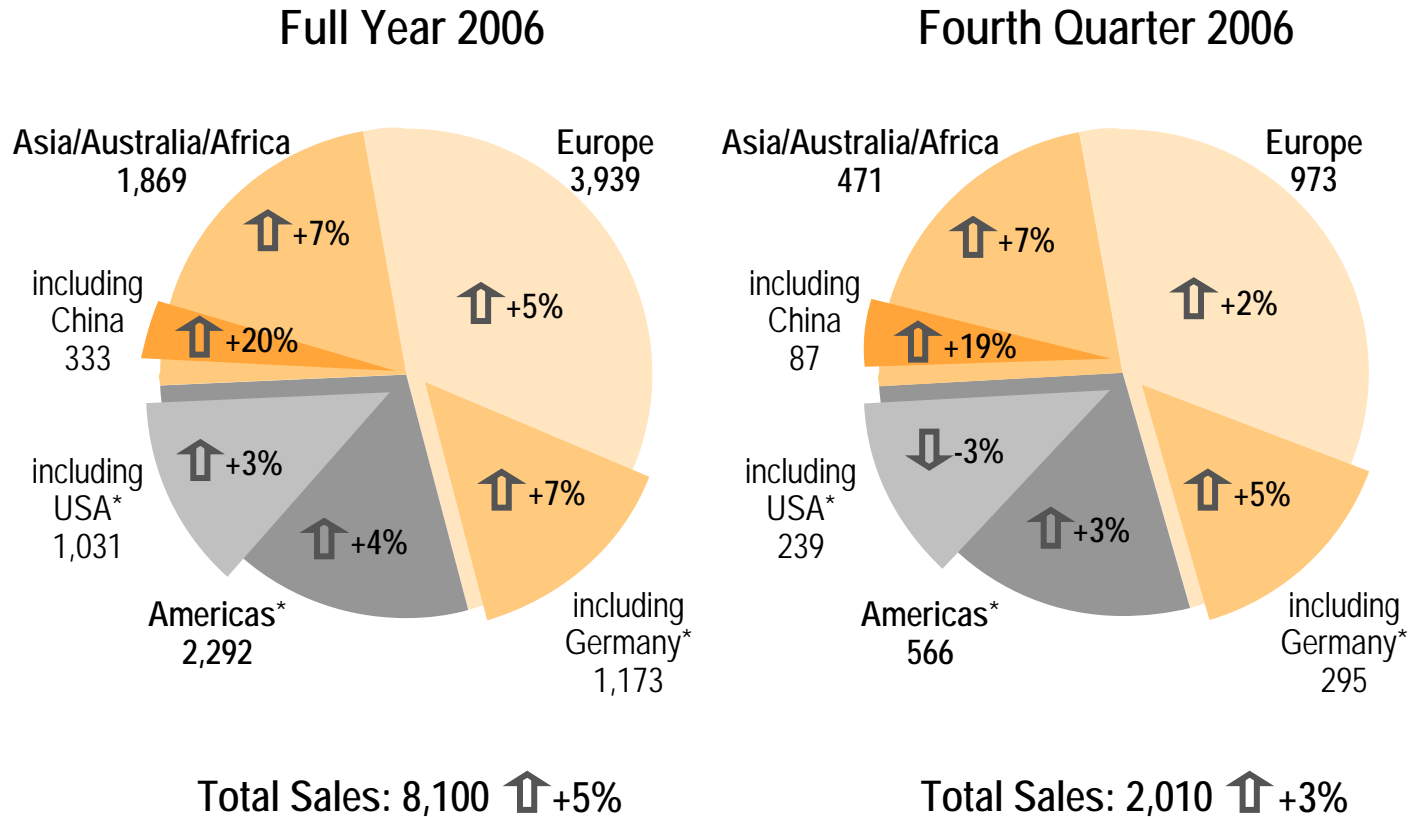
Full Year 2006 versus Full Year 2005*



* Continued operations

**Divestments included Clariant Acetyl Building Blocks, Germany, of the Life Science Chemicals Division, sold July 2005

Regional sales Full Year 2006

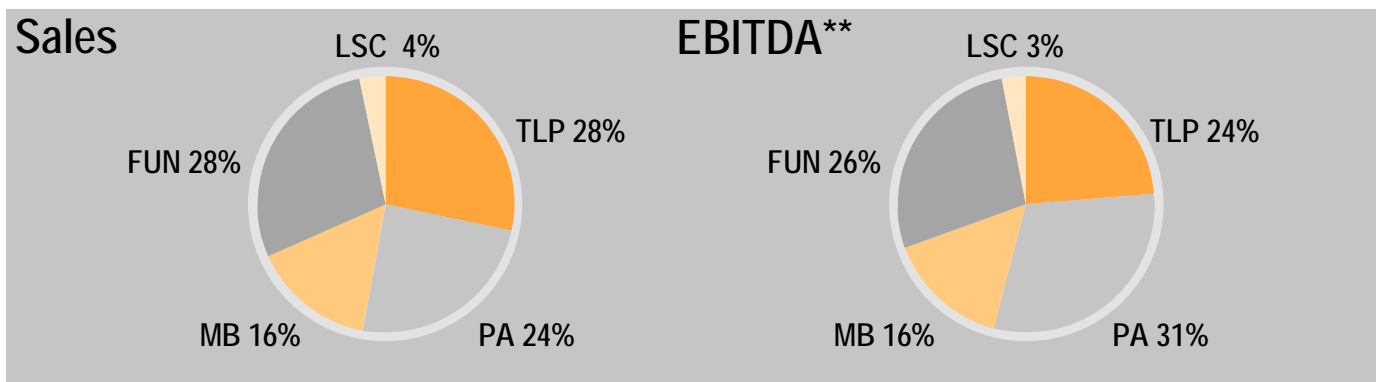


Sales in CHF mn, ↑ Organic growth in %

* excluding divestments of Clariant Acetyl Building Blocks (Germany) of the Life Science Chemicals Division, sold July 2005

Divisional sales and margins – Full Year 2006

	Full Year				
	CHF mn	Sales		EBITDA Margin in %**	
		% Organic Growth*	% LC	2006	2005***
Textile, Leather & Paper Chemicals	2,303	+3	+3	10.1	11.1
Pigments & Additives	1,981	+4	+4	14.8	13.0
Masterbatches	1,254	+8	+8	12.1	10.3
Functional Chemicals	2,281	+7	+7	11.7	12.4
Life Science Chemicals	281	-9	-36	10.7	11.2
Total Group	8,100	+5	+3	10.6	10.3



* Divestments included Clariant Acetyl Building Blocks, Germany, of the Life Science Chemicals Division, sold July 2005

** EBITDA-Margin before exceptionals

*** 2005 is restated to exclude the discontinued operations of the Pharmaceutical Fine Chemical Business, sold in June 2006, and to also exclude Custom Manufacturing Business

Cash flow Full Year 2006

	Full Year	
	2006 <i>CHF mn</i>	2005 <i>CHF mn</i>
Net result/loss	-78	192
Depreciation & amortization	507	342
Other	18	-261
Operating cash flow before working capital	447	273
Change in working capital	-163	-64
Operating cash flow	284	209
Capital expenditure	-366	-357
Acquisitions, disposals and other	103	107
Cash flow before financing	21	-41

- Improved operating cash flow before working capital supported by Fourth Quarter
- Net working capital at high level due to introduction of new supply chain system in Europe

Financial result Full Year 2006

	Full Year	
	2006 <i>CHF mn</i>	2005* <i>CHF mn</i>
Interest income	30	28
Other financial income	3	9
Interest expenses	-112	-132
Other financial expenses	-20	-55
Net interest result	-99	-150
Currency result, net	-11	+53
Total financial result	-110	-97

- Lower interest charges
- Negative currency result at normalized level

* 2005 is restated to exclude the discontinued operations of the Pharmaceutical Fine Chemical Business, sold in June 2006, and to also exclude Custom Manufacturing Business



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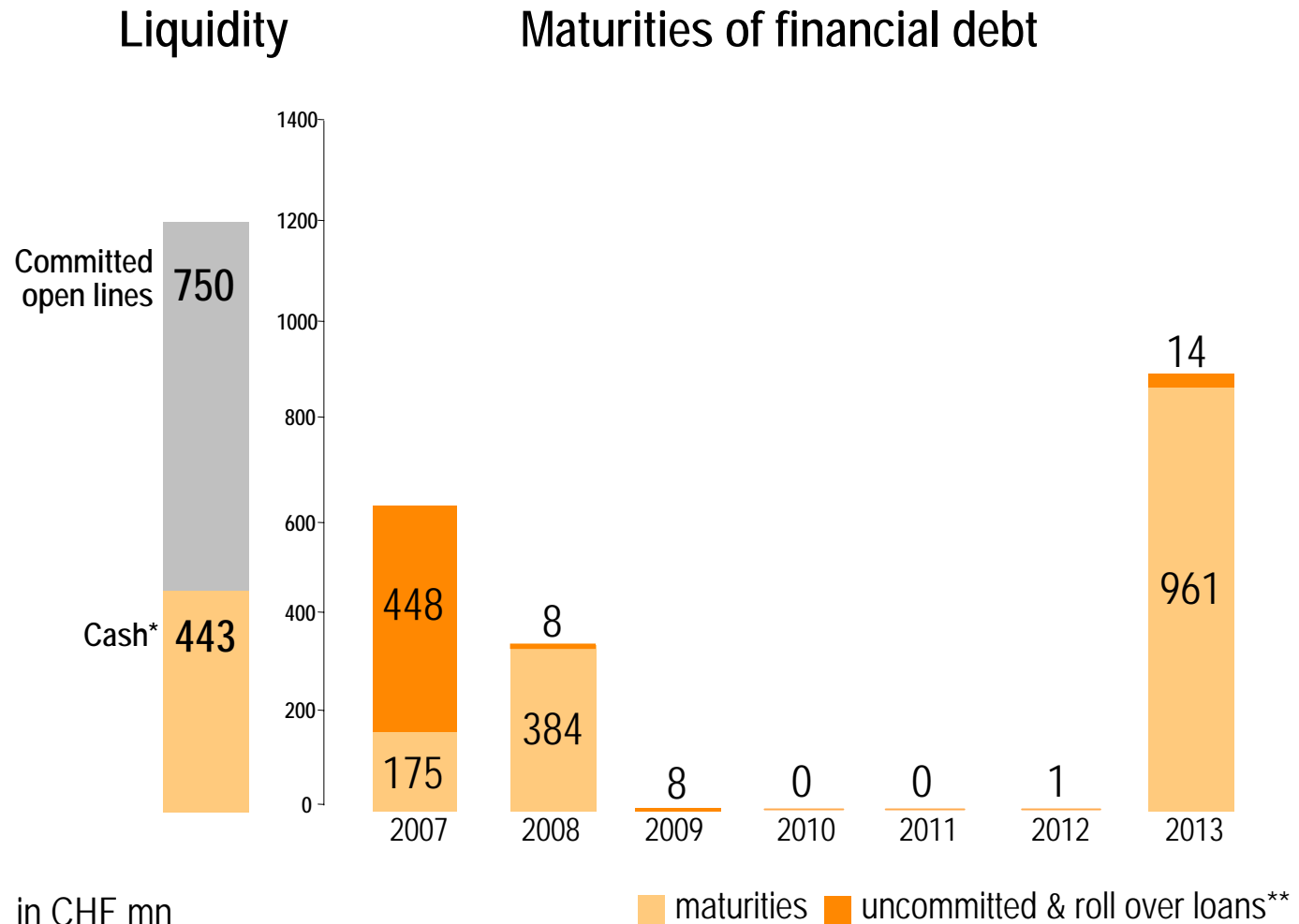
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Debt maturity profile on Dec 31, 2006



in CHF mn

* including current deposits (90-365 days) ** including ABS

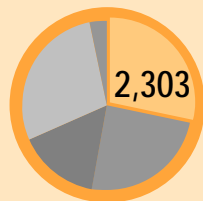
■ maturities ■ uncommitted & roll over loans**

Textile, Leather & Paper Chemicals

- Growth driven by solid volumes
- Paper showed excellent improvement with strong performance
- Challenging environment for Textiles in North America and Asia
- Leather made progress overall, but weaker Fourth Quarter
- Profitability impacted mainly by weaker pricing and product mix



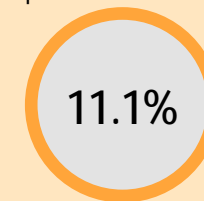
Sales in CHF mn



Organic growth



EBITDA Margin
before exceptionals



2006

2005

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Close to the market in TLP: Environmentally friendly Optical Brighteners

Market
need

Whiter paper and environmentally friendly products
compliant with REACH legislation

Solution

Innovative new OBA range (Leucophor® A)

Competitive
advantage

Only environmentally attractive liquid
product on the market

Benefits

Higher performance at lower cost for the customer

Results

Currently manufactured at a rate of more than 4,000 tons p.a.
Sales expected to be above 10,000 tons p.a. within two years

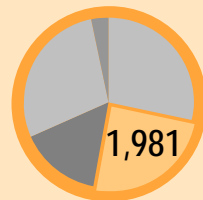


Pigments & Additives

- Coatings, Plastics and Specialties showed strong performance
- Printing Ink Pigments remained resilient, good demand for products for Non-Impact Printing
- Good demand for innovative flame retardant and wax products
- Margins supported by economies of scale but prices under pressure
- Pigment JV in China on-stream; co-operation in Asia for antioxidants agreed upon



Sales in CHF mn



Organic growth

+4%

EBITDA Margin
before exceptionals

14.8%

2006

13.0%

2005

Close to the market in PA:

Easy dispersible pigments reduce dispersion time and manufacturing cost

Market need

Lower energy consumption, less time consumption: higher value in use for paint applications

Solution

No grinding required
Lower manufacturing costs
Improved productivity

Application

Industrial coatings

Benefits

Dispersion time reduced by 50 to 70%
Less manufacturing cost; improved productivity
Good compatibility with all major solvent borne paint systems

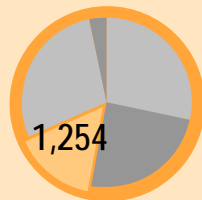


Masterbatches

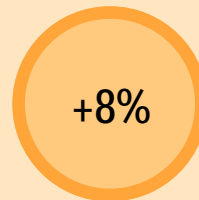
- Strongest growth in the Group with robust demand in the plastic industry overall
- Focus on market segments with high differentiation potential such as packaging and consumer goods
- Price increases more than offset rising raw material costs
- Acquisition of Ciba Masterbatches business to strengthen global market leadership in France, Saudi Arabia and Malaysia



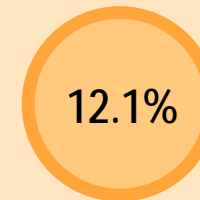
Sales in CHF mn



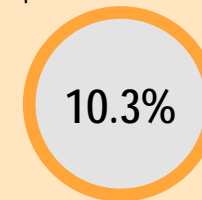
Organic growth



EBITDA Margin
before exceptionals



2006



2005

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Close to the market in MB: New design effects for personal care

Market
need

Special surface effects attract customer attention especially for high end personal care packaging

Solution

Joint design with brand owner to create new effects & to shorten development time

Applications

Packaging for high end personal care products

Benefits

Greater brand differentiation, higher value creation and shorter time to market

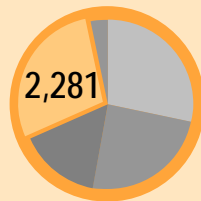


Functional Chemicals

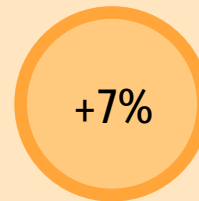
- Increased demand in several business sectors, notably Oil Services, Construction Chemicals and Personal Care products
- Better performance for Detergents after weak start
- Customer destocking hits agro business
- Margins declined despite volume growth and higher prices; sharp increase in raw material costs



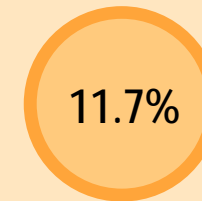
Sales in CHF mn



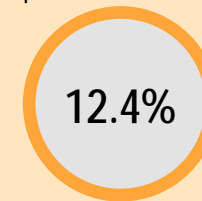
Organic growth



EBITDA Margin
before exceptionals



2006



2005

Close to the market in FUN: Superplasticizer in cement enhances concrete application

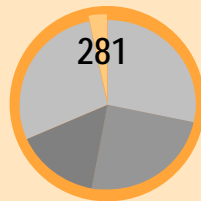
- Market need** Improved properties for concrete applications such as durability and high strength
- Feature** 0.2% super plasticizer in cement makes dispersion of cement particles extremely efficient
- Benefit** Higher strength, better durability
Improved flow and binding, delayed hardening = better and longer workability, lower production cost
- Example** Millau Viaduct, France
World's highest motorway bridge



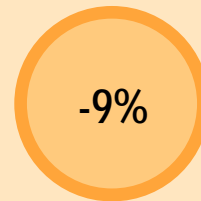
Life Science Chemicals

- Products for Specialty Intermediates business lines such as Glyoxal or glyoxylic acid saw weak demand
- Specialty Intermediate Business integrated into Functional Chemicals Division

Sales in CHF mn



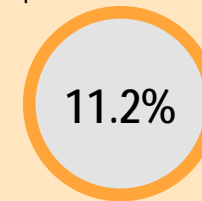
Organic growth



EBITDA Margin
before exceptionals



2006



2005

- Weak agrochemical environment for Custom Manufacturing
- Custom Manufacturing to be sold
 - Sale of DMS business agreed
 - Other activities in progress
- Pharma business successfully sold

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Performance through high-priority measures

Strategic intent	Actions to 2009
<p>Business portfolio</p> <ul style="list-style-type: none"> ■ Building on the right platform 	<ul style="list-style-type: none"> ■ Better price management ■ Growth investments following ROIC criteria ■ Reduction of SG&A and complexity costs: <ul style="list-style-type: none"> – Product/service-driven approach – Product pruning by 25% – Approx. 10 site closures – Job cuts of 10% ■ More efficient supply chain ■ Implementation of talent and performance management
<p>Business structure</p> <ul style="list-style-type: none"> ■ Leverage differences between product- and service-driven businesses 	
<p>Profit drivers</p> <ul style="list-style-type: none"> ■ Increase prices based on our added value ■ Reduce costs aggressively 	
<p>Growth drivers</p> <ul style="list-style-type: none"> ■ Invest in service-driven segments ■ Build on our innovation capabilities 	
<p>People</p> <ul style="list-style-type: none"> ■ Create a culture of high performance and accountability 	

Key targets: to achieve above peer average ROIC by end of 2009

ROIC composition		End 2009 targets*
ROIC	Operating margin	Sales: 3-4% p.a.
		EBIT: ~9%
	Asset turns	Fixed assets: invest 4-5% of sales p.a.
		Net working capital: reduction by 3-4% of sales
		Operating cash flow: CHF 600-800 mn p.a.

ROIC calculated on after-tax basis

* based on current environment



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Outlook for 2007

- Confirming mid-term targets to achieve above average peer ROIC by end of 2009
- Higher sales in local currency terms
- Raw material and energy prices to remain at high levels
- Higher cash flow from operations before exceptionals
- Increase in operating income before exceptionals from continuing operations; margins stable
- Improved recurring net income

Focus on strategy implementation and cash flow



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Calendar of upcoming corporate events

April 2, 2007	Annual General Meeting, Basel
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May 8, 2007	First Quarter 2007 Results
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August 2, 2007	Half Year 2007 Results
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November 7, 2007	Nine Months 2007 Results
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Backup

Full Year Results 2006

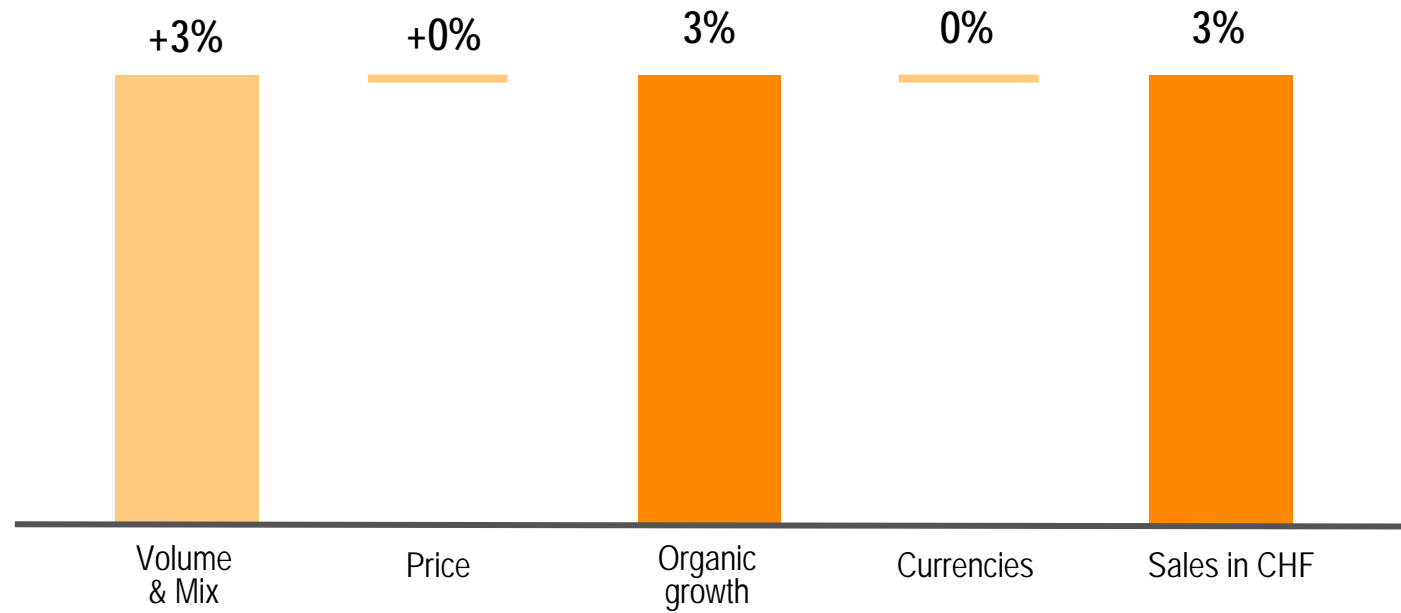
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High growth momentum in Fourth Quarter 2006

Fourth Quarter 2006 versus Fourth Quarter 2005*



* Continued operations

Divisional sales and margins – Fourth Quarter 2006

	Fourth Quarter				
	CHF mn	Sales		EBITDA Margin in %**	
		% Organic Growth*	% LC	2006	2005***
Textile, Leather & Paper Chemicals	570	+1	+1	10.0	11.4
Pigments & Additives	467	+3	+3	9.0	9.4
Masterbatches	296	+7	+7	10.8	10.1
Functional Chemicals	604	+5	+5	13.6	13.7
Life Science Chemicals	73	-5	-12	9.6	19.3
Total Group	2,010	+3	+3	10.0	8.7

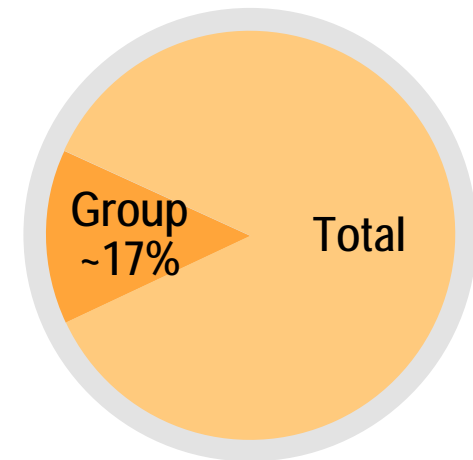
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** EBITDA-Margin before exceptionals

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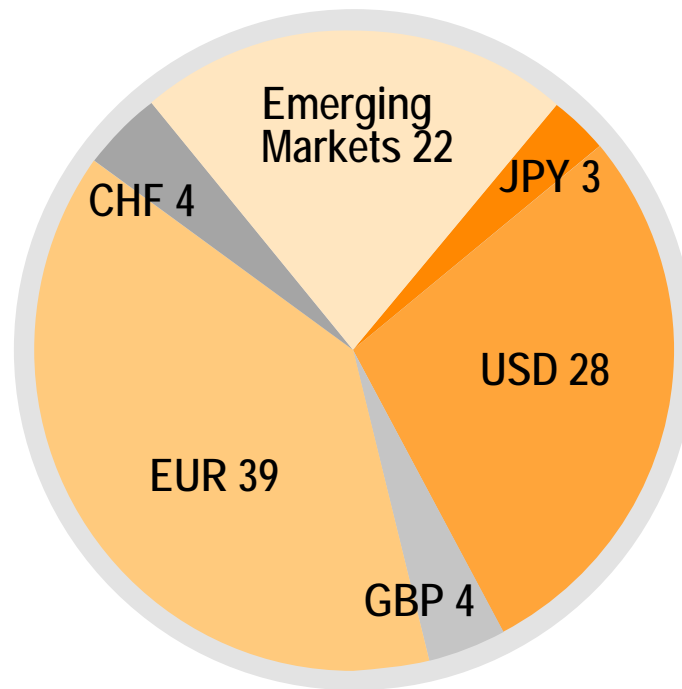
Top 5 products in percentage of total raw material costs

Ranking	Product
1	Ethylene & -Oxide
2	Vinylacetate
3	Polyethylene
4	Titanium Dioxide
5	Acrylates

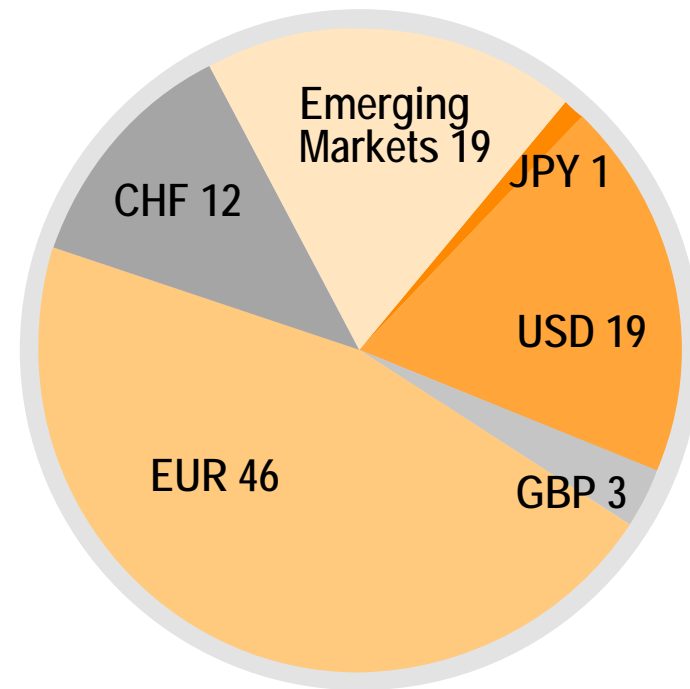


Sales and cost structure – Full Year 2006

Global sales distribution in %



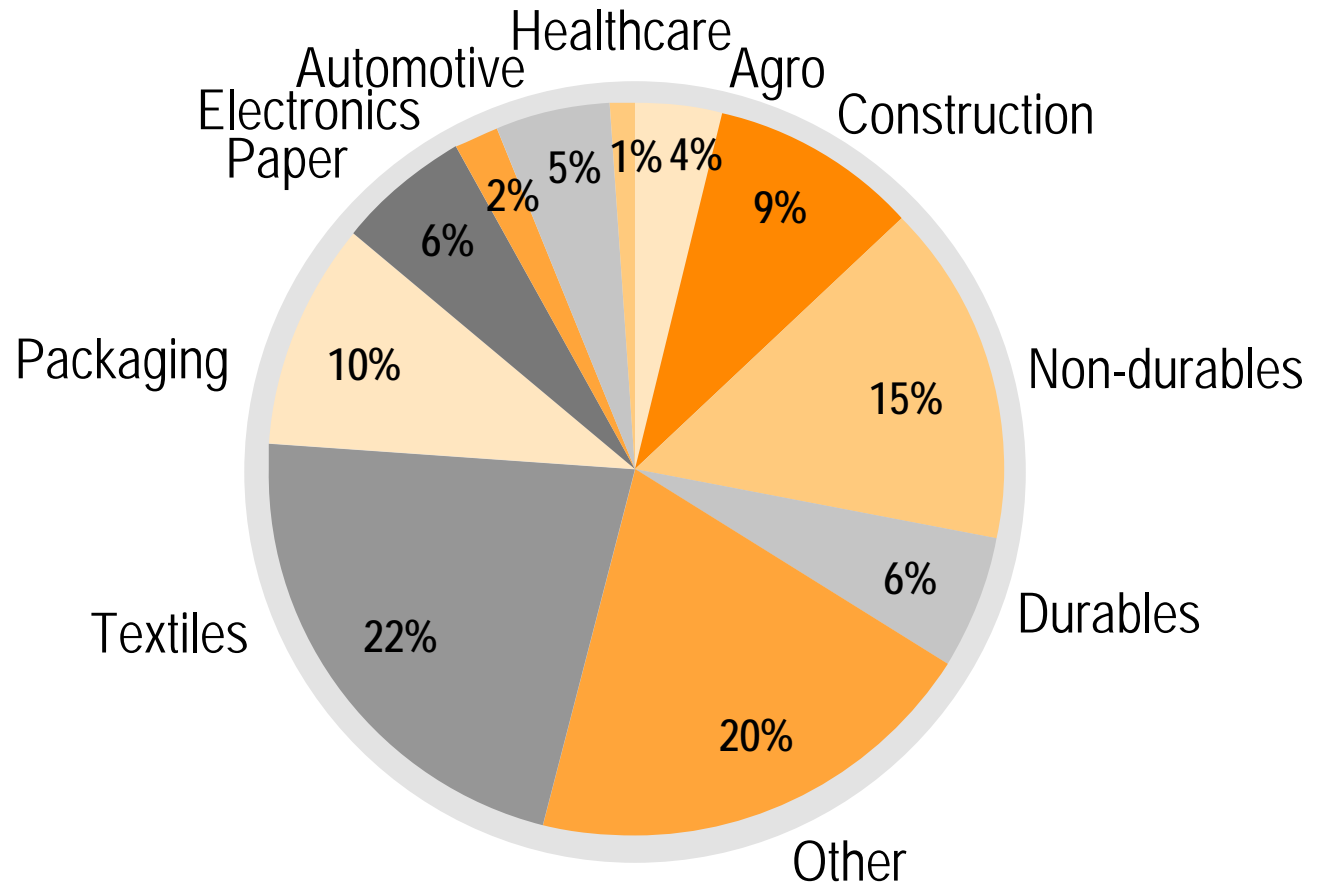
Global cost distribution in %



in CHF mn

These distributions represent an approximation to total cash in- and outflows and are closely linked to transaction exposures.
Continued operations

Divisional sales Full Year 2006 in end-user markets





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