

# *First Quarter Results 2007*

Implementing world class performance  
May 8, 2007

Sal. Oppenheim Conference, May 10, 2007  
Patrick Jany CFO



Exactly your chemistry.

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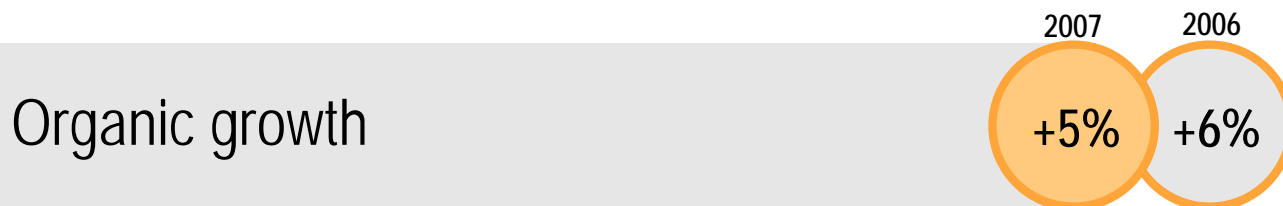
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# *First Quarter 2007 – Key financials*



- Local currency growth 6%, including 1% acquisitions
- Selling prices increased by 1%
- Solid demand across all businesses
- Notably strong growth in Asia
- Robust growth in Europe; US slowing down

# *First Quarter 2007 – Key financials*

	2007	2006
EBIT before exceptionals	152	160
EBIT margin before exceptionals	7.1%	7.8%

- Gross margin stable
- 3% rise in raw material costs, 11% higher energy costs
- Pigments & Additives most affected
- One-time integration costs impacted Masterbatches

# First Quarter 2007 – Key financials

	2007	2006
Net income from continuing ops.	86	96
Operating cash flow	+5	-9

- Restructuring costs on track
- Financial result impacted by positive currency effects, offsetting increased interest expenses
- First signs of improvements in operating cash flow amid strong volume growth and rising raw material prices
- Measures to improve net working capital underway

# *Performance through high-priority measures*

## Strategic intent

Business  
portfolio

- Building on the right platform

Business  
structure

- Leverage differences between product- and service-driven businesses

Profit  
drivers

- Increase prices based on our added value
- Reduce costs aggressively

Growth  
drivers

- Invest in service-driven segments
- Build on our innovation capabilities

People

- Create a culture of high performance and accountability

## Actions to 2009

- Better price management
- Growth investments following ROIC criteria
- Reduction of SG&A and complexity costs:
  - 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

# *Strategy implementation underway*

## Site network

- Successful integration of Ciba MB-business incl. one site closure in Malaysia realized and two in France announced
- Closure of smaller sites realized in UK for TLP and FUN Divisions
- Sales of our MB-business (incl. 3 smaller sites) in Australia, further smaller site closures announced in USA (MB) and Italy (TLP)
- Sale of 50% stake in Abieta Chemie GmbH announced

## SG&A

- Closure of service labs for Textile Dyes in Switzerland
- Closure and transfer of Paper Technical Centre in UK announced

## Value based selling

- Over 100 seminars worldwide conducted in First Quarter

**Focus on sustainable measures**

# *Custom Manufacturing successfully sold*

- Agreement signed with International Chemical Investors Group
- New entity will be one of the world's leading suppliers to the agrochemical industry
- Revenues of CHF 217 mn in 2006
- 490 employees mainly in Germany and the US
- Book loss of approx. CHF 70 mn expected
- Deal expected to close mid year

**Building on the right portfolio**

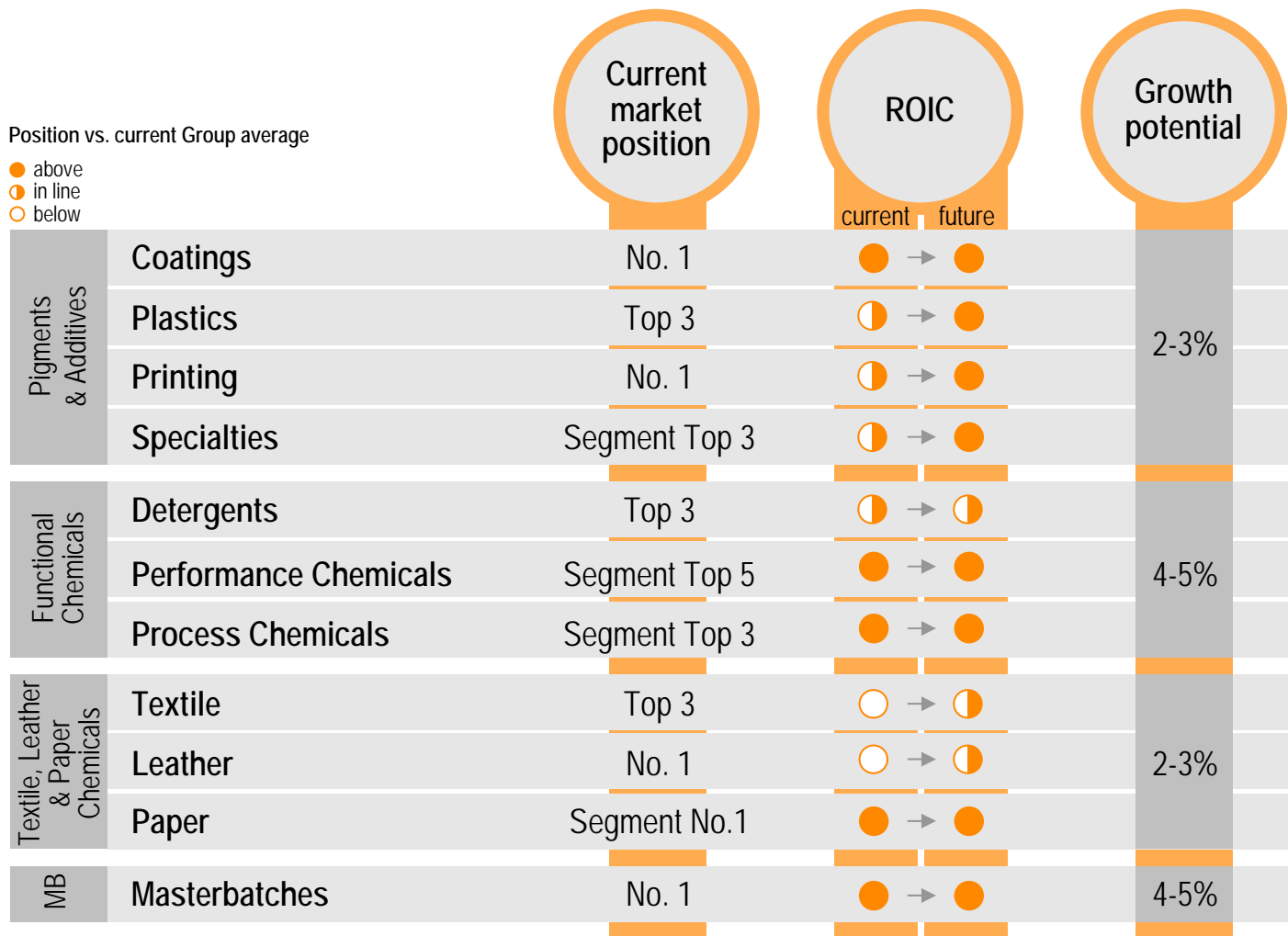
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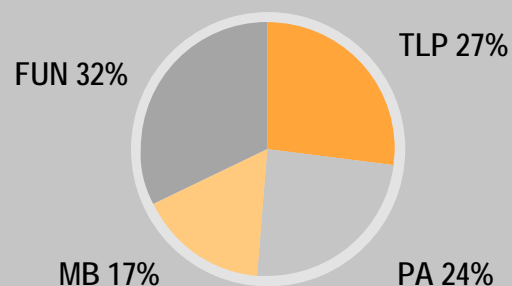
# *We have the right platform for our core focus*



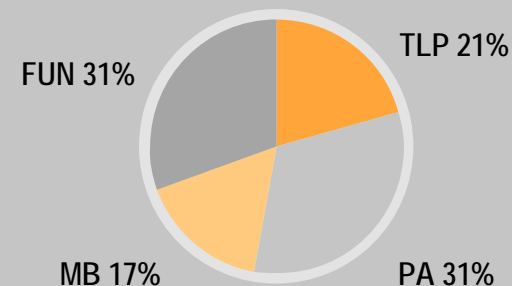
# First Quarter 2007 – Divisional sales and margins

	First Quarter			EBITDA Margin in %**	
	CHF mn	Sales % Organic Growth*	% LC	2007	2006
Textile, Leather & Paper Chemicals	580	+5	+5	9.0	9.2
Pigments & Additives	523	+5	+5	15.1	17.4
Masterbatches	359	+5	+11	11.4	13.3
Functional Chemicals	694	+4	+4	11.0	11.2
<b>Total Group</b>	<b>2,156</b>	<b>+5</b>	<b>+6</b>	<b>10.2</b>	<b>11.0</b>

Sales



EBITDA\*\*



\* Volume and price effect excluding the impacts of changes in FX and acquisitions /divestitures  
 \*\* before exceptional items

# *Example of increased front-end focus: Speed-to-market for Textiles*

**Market  
need**

Increased speed-to-market and reduced costs for designers, manufacturers and retailers

**Solution**

Exclusive strategic partnership with Pantone:  
Combined capabilities improving color  
matching and approval cycle

**Application**

- Textiles
- Fashion
- Home furnishings

**Benefits**

- Better service to the world's textile industry
- Faster and technically-sound end products anywhere
- Accurate color reproduction maintaining the creative vision

**Results**

Reduced color development times and associated management costs  
by 50 percent or more



# 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%
ROIC	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

# *Outlook for 2007 confirmed*

- 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**

# *Calendar of upcoming corporate events*

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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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February 14, 2008

Full Year 2007 Results

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April 10, 2008

Annual General Meeting, Basel

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# *Your Investor Relations contacts*



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# First Quarter 2007 – Financial group figures

Key factors &  
Outlook

**Financial results**

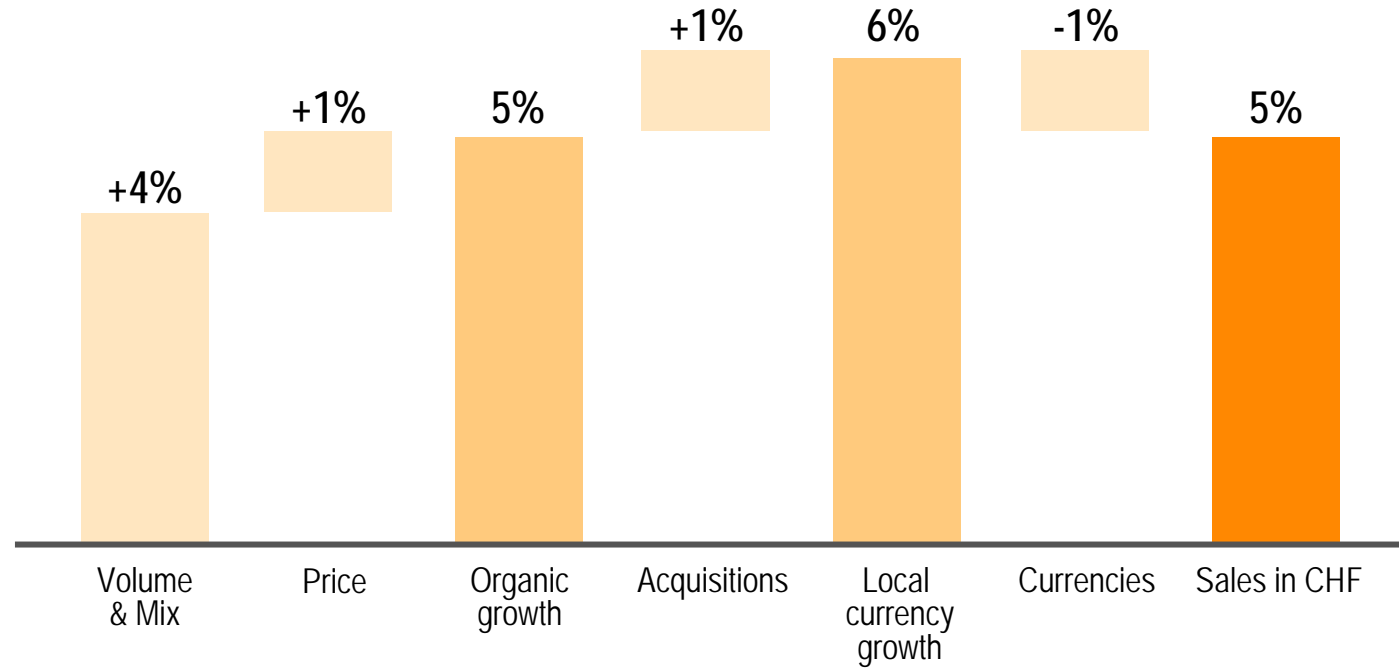
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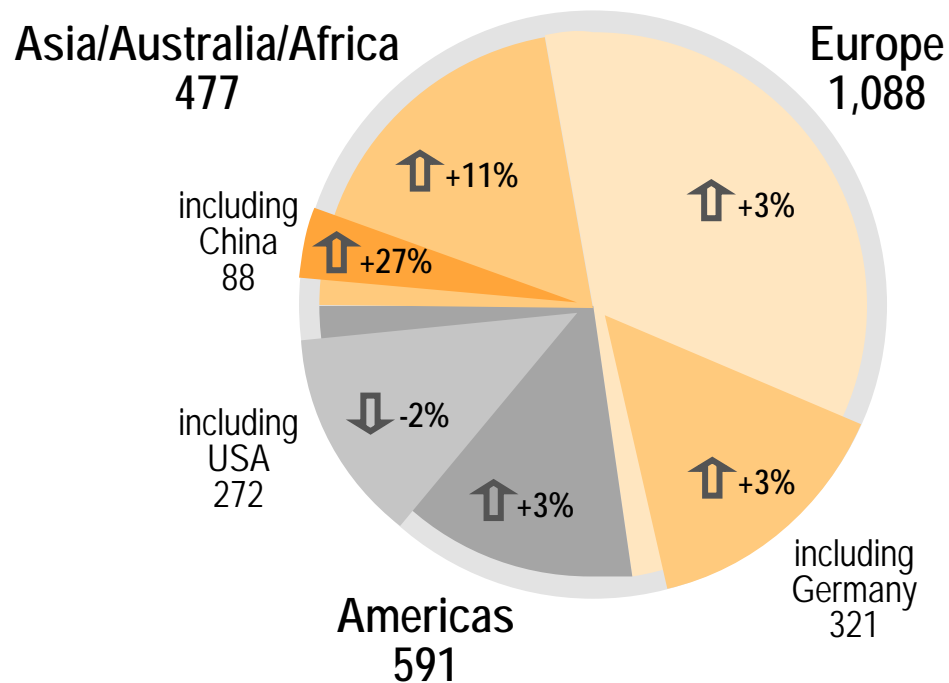
	First Quarter			
	2007		2006	
	<i>CHF mn</i>	<i>% of sales</i>	<i>CHF mn</i>	<i>% of sales</i>
<b>Continuing operations:</b>				
<b>Sales</b>	<b>2,156</b>	<b>100%</b>	<b>2,048</b>	<b>100%</b>
Local currency growth (LC)	+6%			
- Organic growth	+5%			
- Acquisitions/Divestitures	+1%			
Currencies	-1%			
<b>Gross profit</b>	<b>671</b>	<b>31.1%</b>	<b>635</b>	<b>31.0%</b>
<b>EBITDA before exceptionals</b>	<b>219</b>	<b>10.2%</b>	<b>225</b>	<b>11.0%</b>
<b>EBITDA</b>	<b>210</b>	<b>9.7%</b>	<b>219</b>	<b>10.7%</b>
<b>Operating income before exceptionals</b>	<b>152</b>	<b>7.1%</b>	<b>160</b>	<b>7.8%</b>
<b>Operating income</b>	<b>139</b>	<b>6.4%</b>	<b>154</b>	<b>7.5%</b>
<b>Net income from continuing operations</b>	<b>86</b>	<b>4.0%</b>	<b>96</b>	<b>4.7%</b>
<b>Operating cash flow (total operations)</b>	<b>5</b>		<b>-9</b>	
<b>Discontinued operations</b>				
Sales	46		113	
Net loss from discontinued operations	-2		-2	

# *Sales growth driven by strong volume*

First Quarter 2007 versus First Quarter 2006\*



# First Quarter 2007 – Regional sales



Total Sales: 2,156 ↑ +5%

# First Quarter 2007 – Financial result

	First Quarter	
	2007 <i>CHF mn</i>	2006 <i>CHF mn</i>
Interest income	+5	+3
Interest expenses	-25	-19
Other financial income & expenses	-5	-4
<b>Net interest result</b>	<b>-25</b>	<b>-20</b>
Currency result, net	+5	-11
<b>Total financial result</b>	<b>-20</b>	<b>-31</b>

- Increased interest expenses arising from higher average gross debt and interest rates

# First Quarter 2007 – Cash flow

Key factors & Outlook

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	First Quarter	
	2007 <i>CHF mn</i>	2006 <i>CHF mn</i>
Net income	84	94
Depreciation & amortization	75	70
Other	-39	-35
<b>Operating cash flow before working capital</b>	<b>120</b>	<b>129</b>
Change in working capital	-115	-138
<b>Operating cash flow</b>	<b>5</b>	<b>-9</b>
Capital expenditure	-62	-66
Acquisitions, disposals and other	47	-15
<b>Cash flow before financing</b>	<b>-10</b>	<b>-90</b>

- First signs of improvements in operating cash flow amidst strong volume growth and rising raw material prices
- Measures to improve net working capital underway

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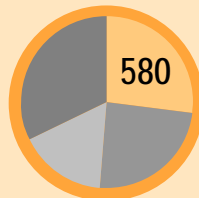
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# Textile, Leather & Paper Chemicals

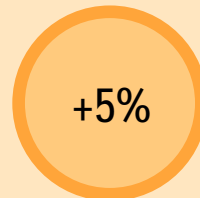
- Solid demand with stable average selling prices, growth driven especially by Asia and Latin America
- Paper continued its excellent performance after a strong 2006
- Robust Asian, but weak European and US growth – exiting some underperforming textiles businesses in North America
- Growth in Leather with challenging business conditions
- Profitability impacted by higher freight and energy costs



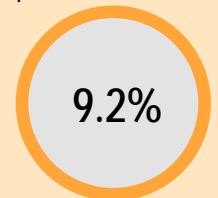
Sales in CHF mn



Organic growth



EBITDA Margin  
before exceptionals



2007

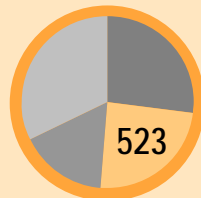
2006

# Pigments & Additives

- Strong volume demand across most businesses
- Coatings and Specialties showed strong performance
- Plastics sales remained at high levels
- Challenging business conditions for the printing industry
- Margins impacted by weaker prices, higher energy, freight and raw material costs



Sales in CHF mn



Organic growth

+5%

EBITDA Margin  
before exceptionals

15.1%

2007

17.4%

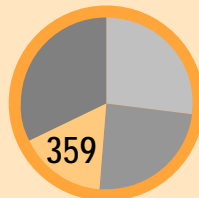
2006

# Masterbatches

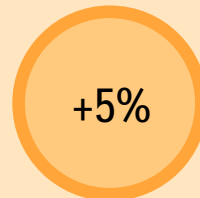
- Strongest growth in the Group helped by successful integration of recently acquired Ciba's Masterbatches business
- Robust demand in the plastics industry overall
- Price increases and higher volumes
- Margins down driven by higher raw material costs
- One time integration costs of acquisition impacting margins



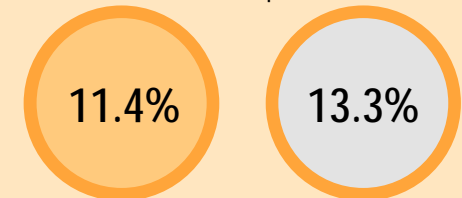
Sales in CHF mn



Organic growth



EBITDA Margin before exceptionals



2007

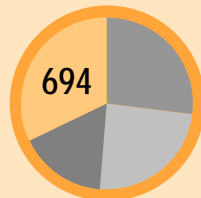
2006

# Functional Chemicals

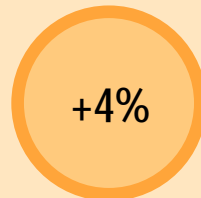
- Strong demand in several business sectors, notably Personal Care, Construction Chemicals and Agro products
- Detergents achieved stronger volumes with higher prices
- De-icing business hit by warm winter season
- Price increases more than offset higher raw material costs
- Margins declined due to higher freight and energy costs



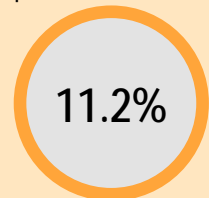
Sales in CHF mn



Organic growth



EBITDA Margin  
before exceptionals



2007

2006

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# *Businesses and market segments*

## Textile, Leather & Paper Chemicals

- Textiles
- Leather
- Paper

## Pigments & Additives

- Coating  
Business
- Plastic  
Business
- Printing  
Business
- Specialties  
Business

## Functional Chemicals

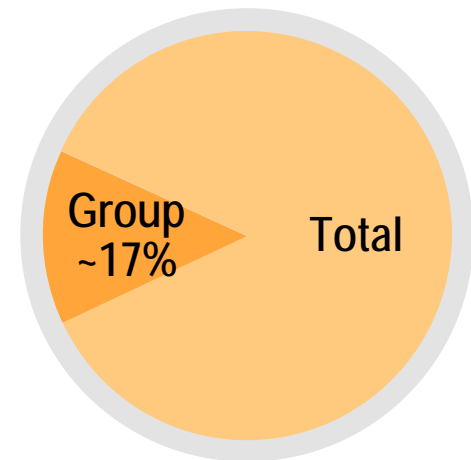
- Detergents
- Performance  
Chemicals
- Process  
Chemicals

## Masterbatches

- Europe North
- Europe West
- Europe South
- Asia Pacific
- North America
- Latin America
- Special Markets

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

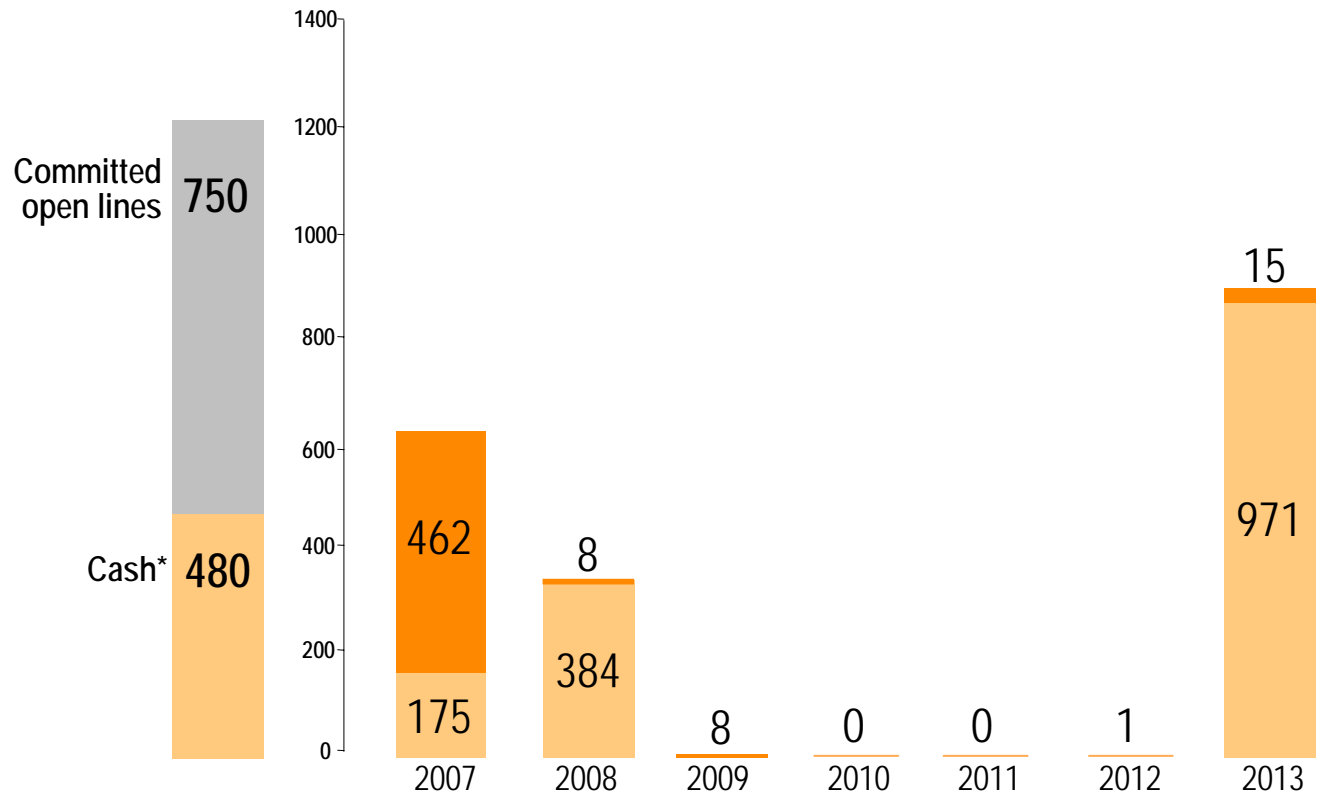
Ranking	Product
1	Ethylene & -Oxide
2	Vinylacetate
3	Polyethylene
4	Titanium Dioxide
5	Acrylates



# Debt maturity profile on March 31, 2007

## Liquidity

## Maturities of financial debt



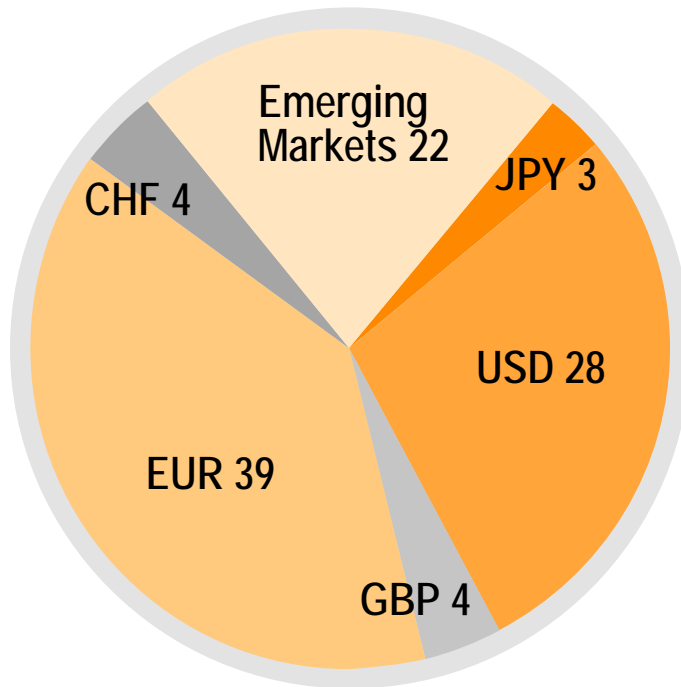
in CHF mn

\*Including current deposits (90-365 days) \*\* Including ABS

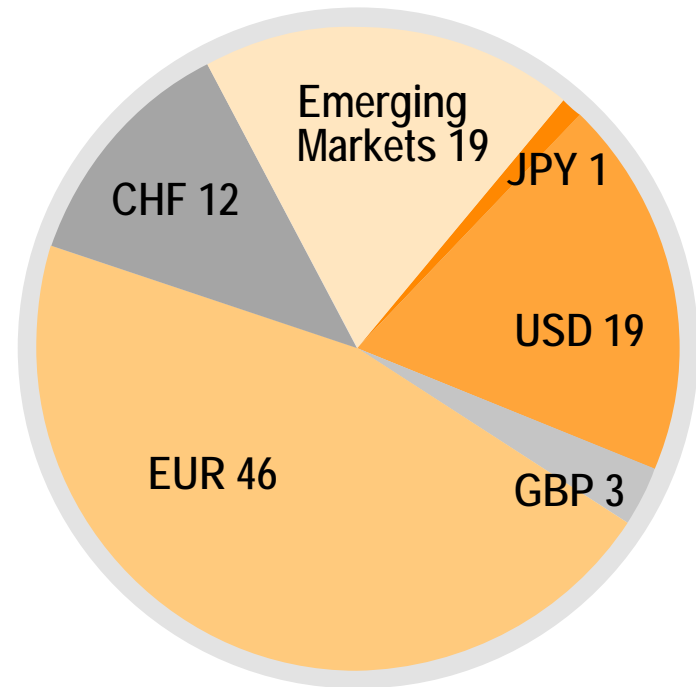
■ maturities ■ uncommitted & roll over loans\*\*

# Sales and cost structure – Full Year 2006

Global sales distribution in %



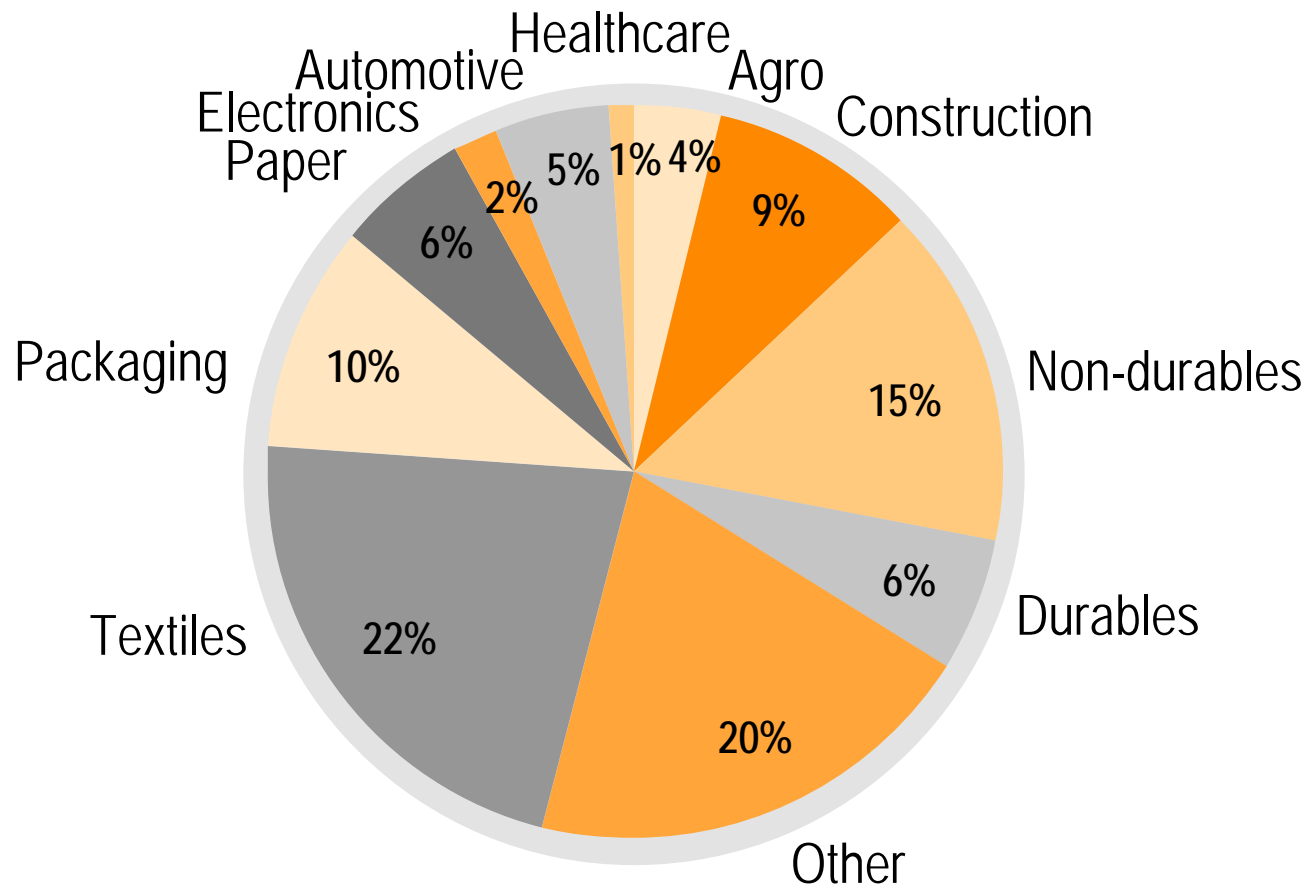
Global cost distribution in %



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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