

# *First Half Results 2007*

Implementing world class performance

August 2, 2007



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Key factors

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# *Key Factors*

*Jan Secher*

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**Key factors**

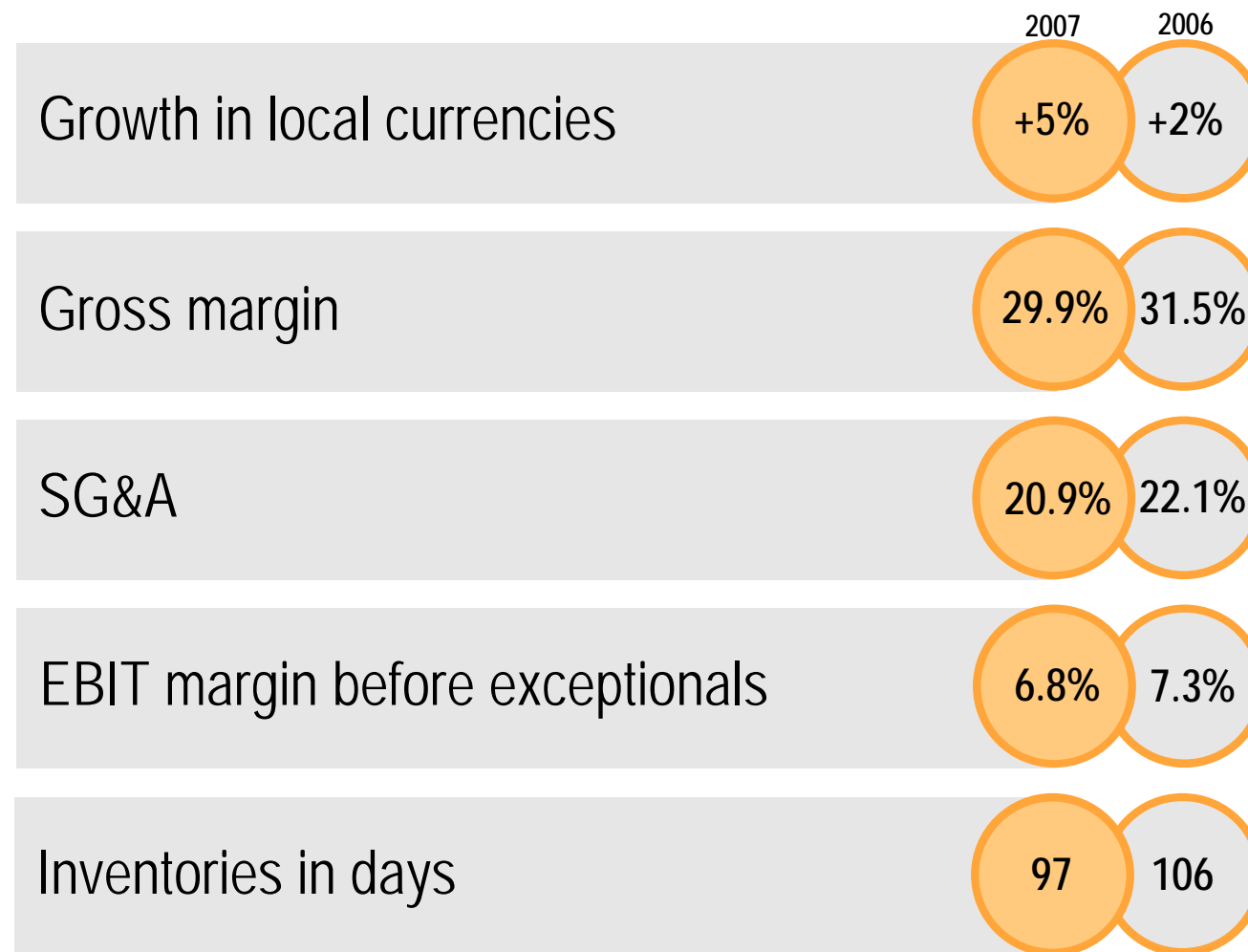
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## *First Half 2007 – Key financials*



All figures continuing operations; in CHF mn



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## Key factors

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# *First Half 2007 – Key dynamics & actions*

- Strong increase in raw material prices affecting in particular PA and TLP
- Selling prices up +1% with further price increases announced
- Unfavorable FX environment impacted gross profit
- SG&A cost reductions, product pruning & site review activities well underway
- Measures to reduce net working capital on track
- Management changes announced

**Progressing in a shifting industry environment**



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# *Financial Results*

*Patrick Jany*

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## *First Half 2007 – Financial group figures*

	First Half			
	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>4,336</b>	<b>100%</b>	<b>4,081</b>	<b>100%</b>
Local currency growth (LC)	+5%			
- Organic growth	+4%			
- Acquisitions/Divestitures	+1%			
Currencies	+1%			
<b>Gross profit</b>	<b>1,297</b>	<b>29.9%</b>	<b>1,285</b>	<b>31.5%</b>
<b>EBITDA before exceptionals</b>	<b>430</b>	<b>9.9%</b>	<b>426</b>	<b>10.4%</b>
<b>EBITDA</b>	<b>406</b>	<b>9.4%</b>	<b>397</b>	<b>9.7%</b>
<b>Operating income before exceptionals</b>	<b>294</b>	<b>6.8%</b>	<b>298</b>	<b>7.3%</b>
<b>Operating income</b>	<b>266</b>	<b>6.1%</b>	<b>225</b>	<b>5.5%</b>
<b>Net income from continuing operations</b>	<b>174</b>	<b>4.0%</b>	<b>122</b>	<b>3.0%</b>
<b>Operating cash flow (total operations)</b>	<b>12</b>		<b>53</b>	
<b>Discontinued operations</b>				
Sales	81		225	
Net loss from discontinued operations	-101		-107	



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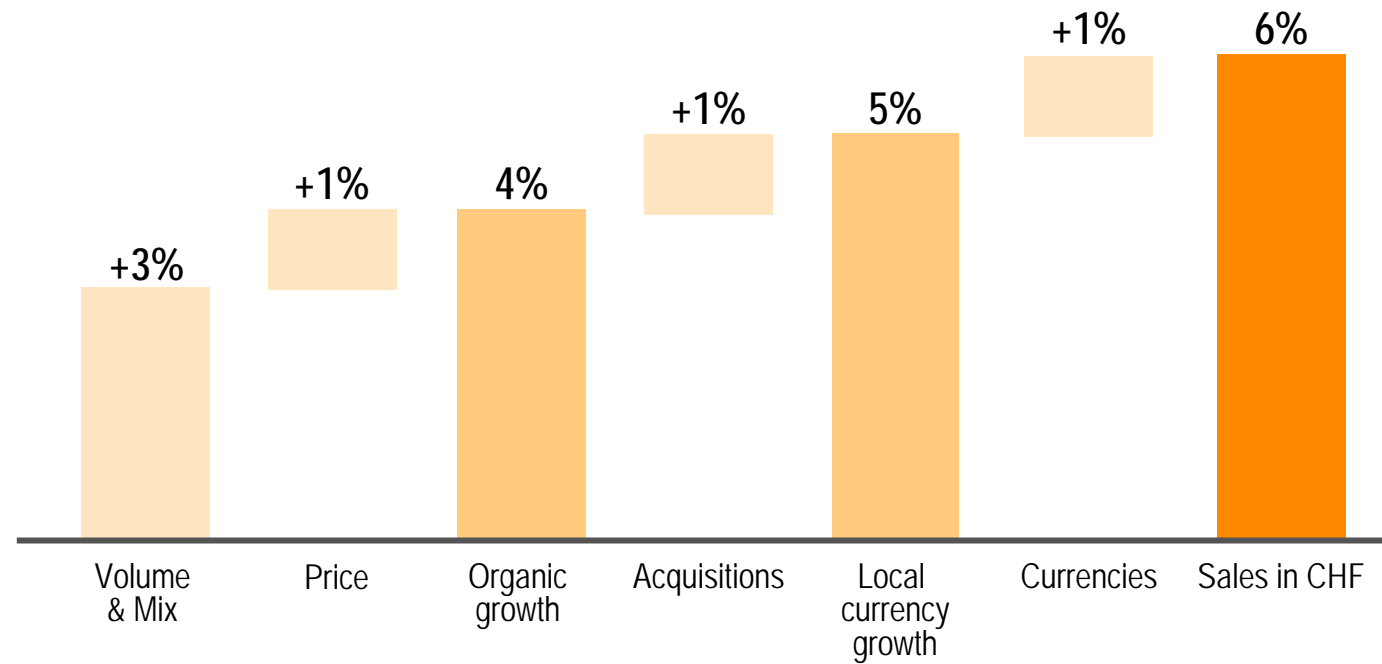
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# *Sales growth with higher prices*

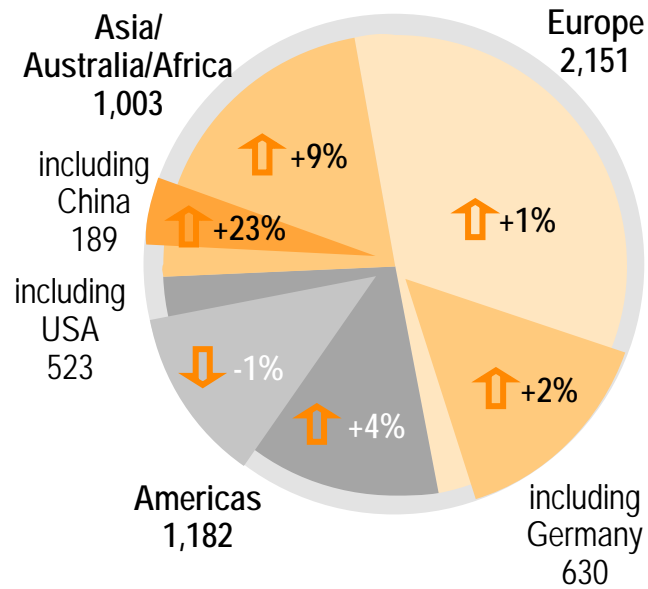
First Half 2007 versus First Half 2006\*



\*Continuing operations

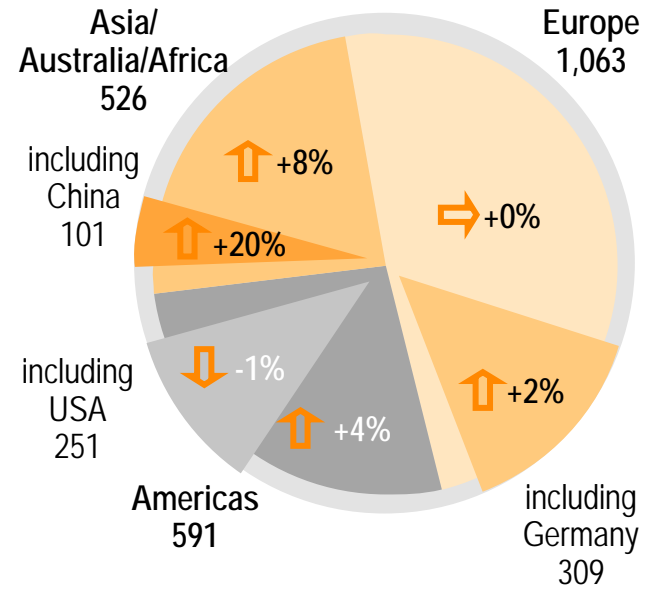
# First Half 2007 – Regional sales

First Half 2007



Total Sales: 4,336 +4%

Second Quarter 2007

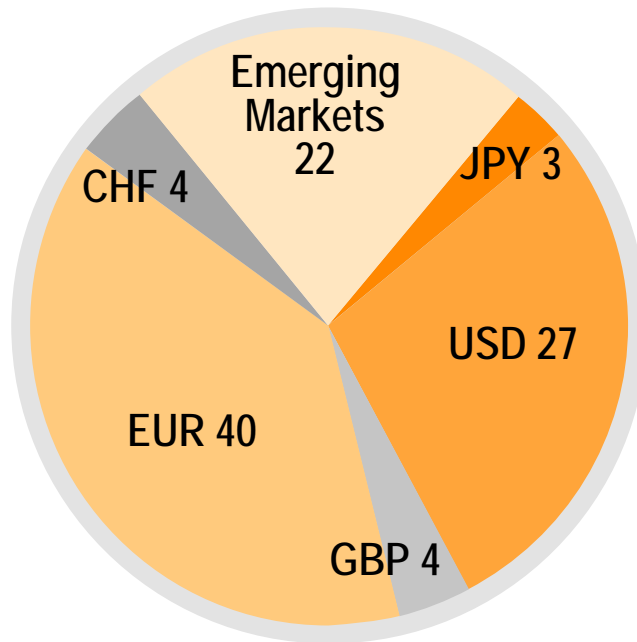


Total Sales: 2,180 +3%

Sales in mn CHF, Organic growth in %

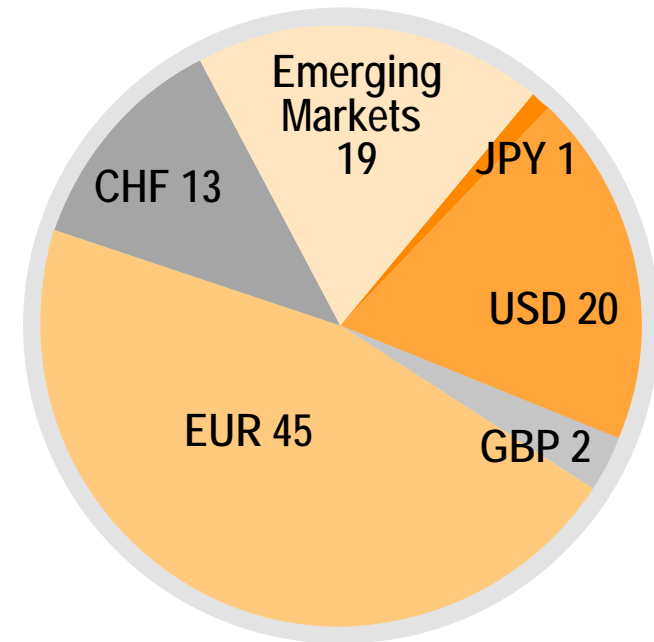
# First Half 2007 – Sales and cost structure

Global sales distribution in %



in CHF mn

Global cost distribution in %



**Unfavorable FX movements impacted  
EBIT before exceptionals by approx. CHF 35 mn**

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

Key factors

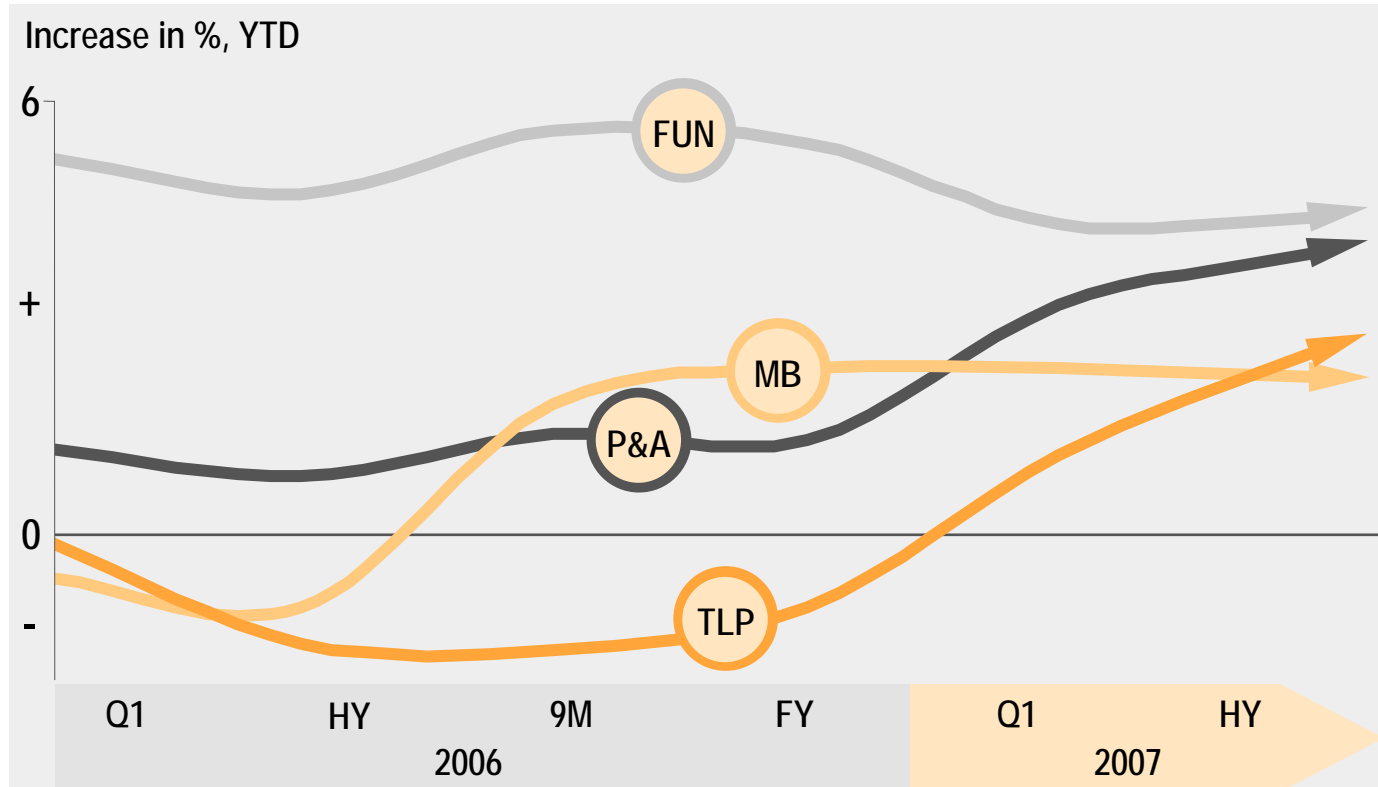
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# Raw material costs increasing



Further price increases to offset rising raw material costs

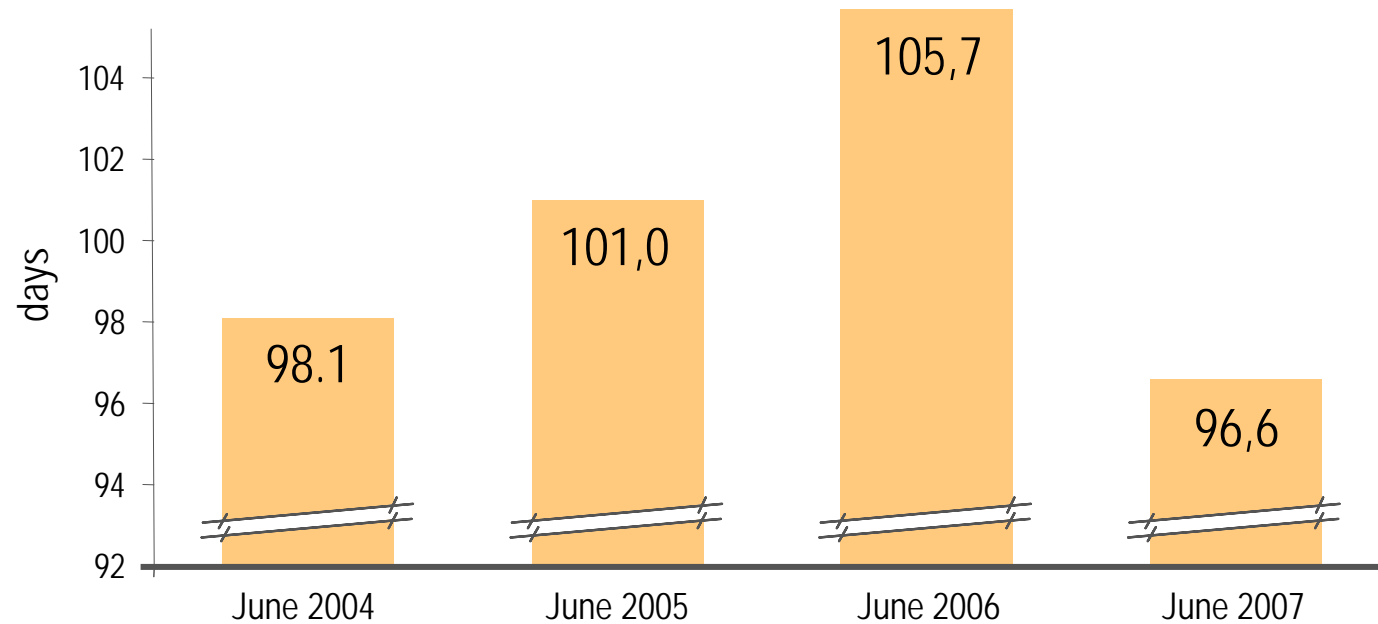
## *First Half 2007 – Cash flow*

	First Half	
	2007 <i>CHF mn</i>	2006 <i>CHF mn</i>
Net income	73	15
Depreciation & amortization	147	182
Other	2	118
<b>Operating cash flow before working capital</b>	<b>222</b>	<b>315</b>
Change in working capital	-210	-262
<b>Operating cash flow</b>	<b>12</b>	<b>53</b>
Capital expenditure	-140	-169
Acquisitions, disposals and other	52	62
<b>Cash flow before financing</b>	<b>-76</b>	<b>-54</b>

- Measures to improve net working capital underway
- Inventory reduction with expected negative impact on profits
- Operating cash flow impacted by one-offs to approx. CHF 90 mn

## *Inventory reduction fully on track*

### Inventory - number of days



**Decrease of inventories to 18.0% from 18.5% of total sales**

Key factors

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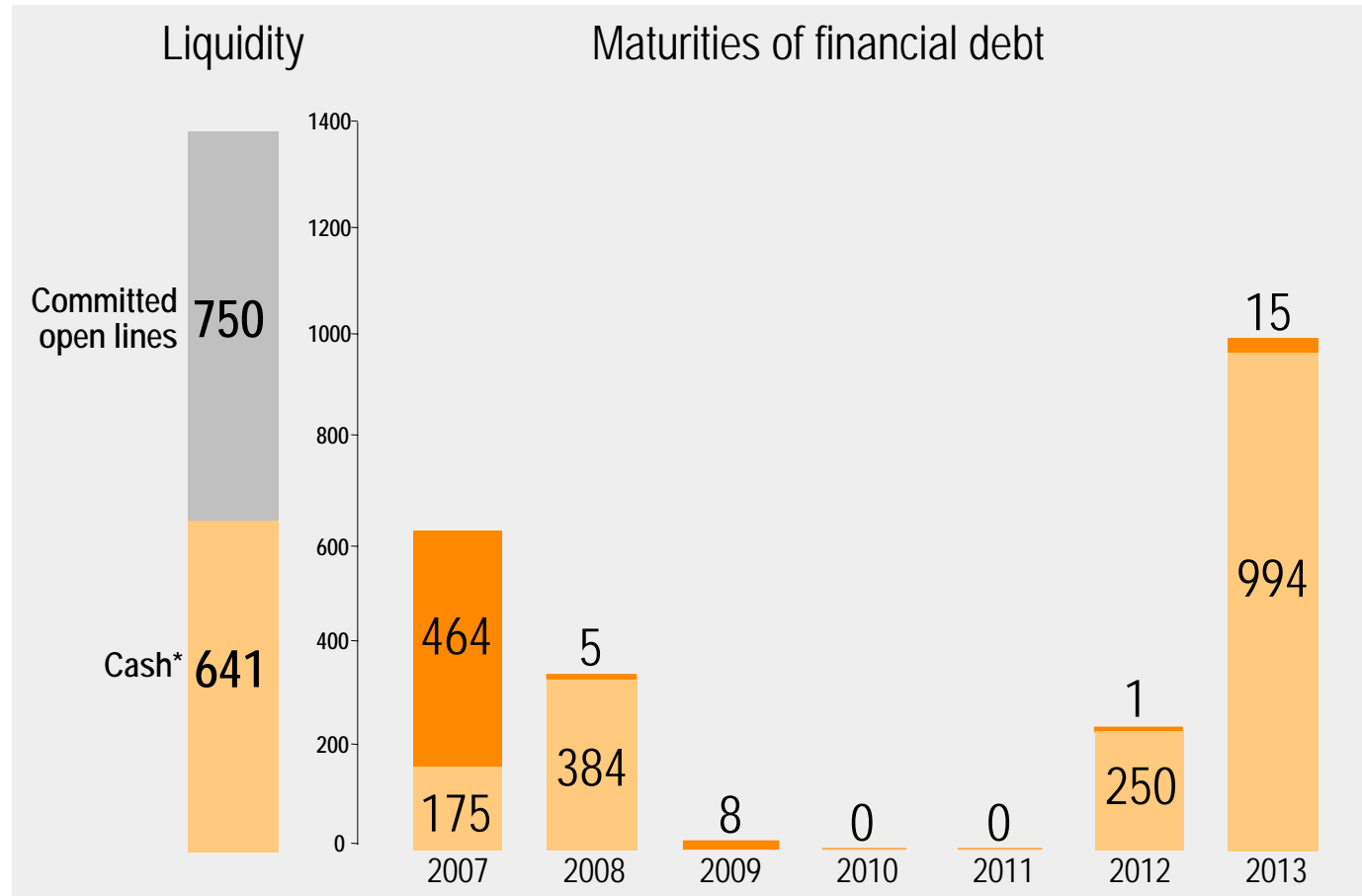
## *First Half 2007 – Financial result*

	First Half	
	2007 <i>CHF mn</i>	2006 <i>CHF mn</i>
Interest income	+11	+13
Interest expenses	-54	-50
Other financial income & expenses	-6	-11
<b>Net interest result</b>	<b>-49</b>	<b>-48</b>
Currency result, net	+30	-8
<b>Total financial result</b>	<b>-19</b>	<b>-56</b>

- Stable interest expenses despite higher average gross debt and interest rates
- Total financial result helped by favorable currency movements

# Successful launch of CHF 250 mn bond

Debt maturity profile on June 30, 2007



in CHF mn

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

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



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# *Business Review & Outlook*

*Jan Secher*

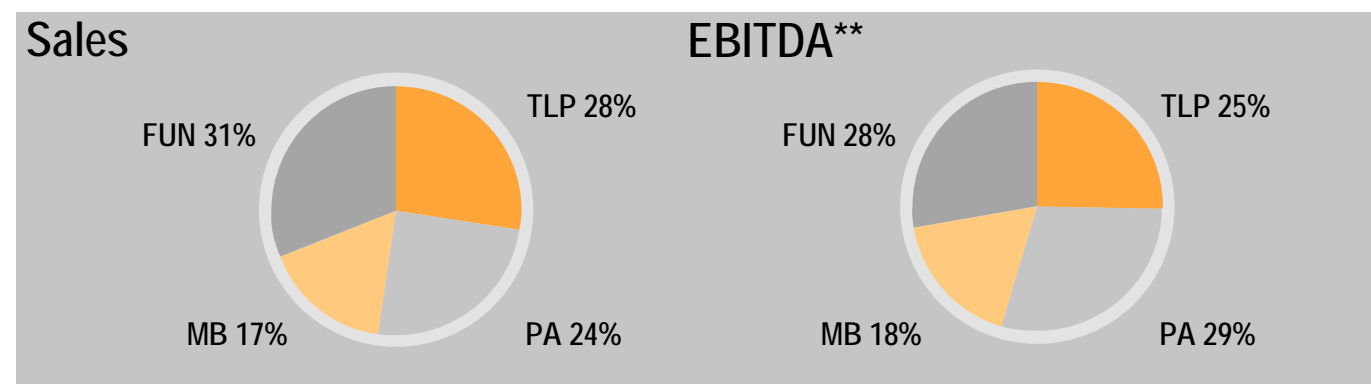
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# First Half 2007 – Divisional sales and margins

	First Half				
	CHF mn	Sales % Organic Growth*	% LC	EBITDA Margin in %**	
				2007	2006
Textile, Leather & Paper Chemicals	1,198	+3	+3	9.9	9.8
Pigments & Additives	1,061	+3	+3	13.0	16.9
Masterbatches	722	+4	+10	11.6	12.4
Functional Chemicals	1,355	+5	+5	9.7	10.3
<b>Total Group</b>	<b>4,336</b>	<b>+4</b>	<b>+5</b>	<b>9.9</b>	<b>10.4</b>



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

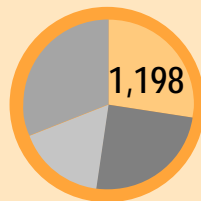
\*\* before exceptional items

# Textile, Leather & Paper Chemicals

- Solid demand with continued price pressure; growth driven mainly by Asia, Latin America and emerging markets
- Good volumes in Paper; positive development for dyes & chemicals
- Solid textile business with increased demand for finished products especially from China; however US and Europe continued to weaken
- Weakening business conditions in Leather
- Profitability maintained despite higher raw material prices and negative currencies
- New Division Head Philippe Royer started July 1<sup>st</sup>



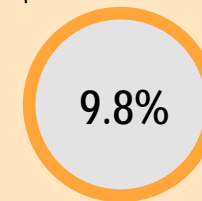
Sales in CHF mn



Organic growth



EBITDA Margin  
before exceptionals



2007

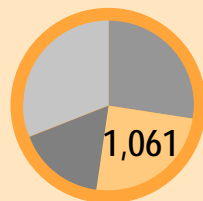
2006

# Pigments & Additives

- Solid growth with continued price pressure across most businesses
- Coatings showed strong performance especially in the automotive and construction industries
- Stable sales for Plastics
- Challenging business conditions for printing ink pigments
- Margins impacted negatively by FX, higher raw material costs and expected lower capacity utilisation
- New Division Head Okke Koo started August 1<sup>st</sup>



Sales in CHF mn



Organic growth

+3%

EBITDA Margin  
before exceptionals

13.0%

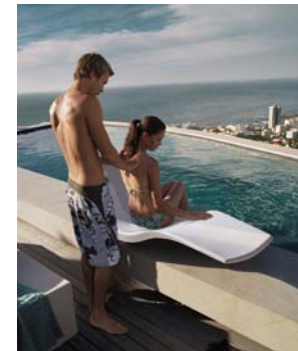
2007

16.9%

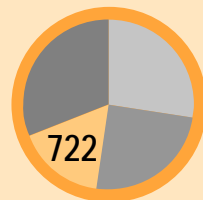
2006

# Masterbatches

- Good growth with higher prices and volumes
- Slowing demand in the plastics industry; packaging, resins and textiles developing well
- Solid growth in Europe and Asia; US slowing down
- Operational costs of accelerated integration of Ciba's masterbatches business fully realized; integration measures completed
- Higher raw material costs impacting margins; clear improvements in Q2



Sales in CHF mn



Organic growth

+4%

EBITDA Margin  
before exceptionals

11.6%

2007

12.4%

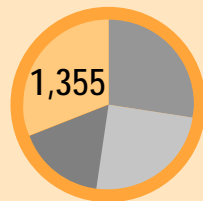
2006

# Functional Chemicals

- Good growth across several businesses; higher selling prices offset higher raw material costs
- Oilfield Services and Agro products in particular saw good demand
- Weak performance for Detergents and Specialty intermediates business
  - Detergent business hit by higher raw material costs
  - Increased competitive landscape for Intermediates
  - Both product-driven businesses reorganized as of August 1<sup>st</sup>



Sales in CHF mn



Organic growth



EBITDA Margin  
before exceptionals



2007



2006



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## *Outlook for 2007 confirmed*

Clariant anticipates a broadly stable macroeconomic climate, continued high raw material and energy costs and a stabilized exchange rate environment.

- Higher sales in local currency terms
- Increase in operating income before exceptionals from continuing operations; margins stable
- Higher cash flow from operations before exceptionals
- Improved recurring net income

**Confirming mid-term targets to achieve above average peer ROIC by end of 2009**



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## *Calendar of upcoming corporate events*

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November 7, 2007 Nine Month Results 2007

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December 12-13, 2007 Merrill Lynch Conference, London

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February 14, 2008 Full Year Results 2007

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April 10, 2008 13<sup>th</sup> Annual General Meeting, Basel

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May 8, 2008 First Quarter Results 2008

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August 5, 2008 First Half Results 2008

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November 4, 2008 Nine Month Results 2008

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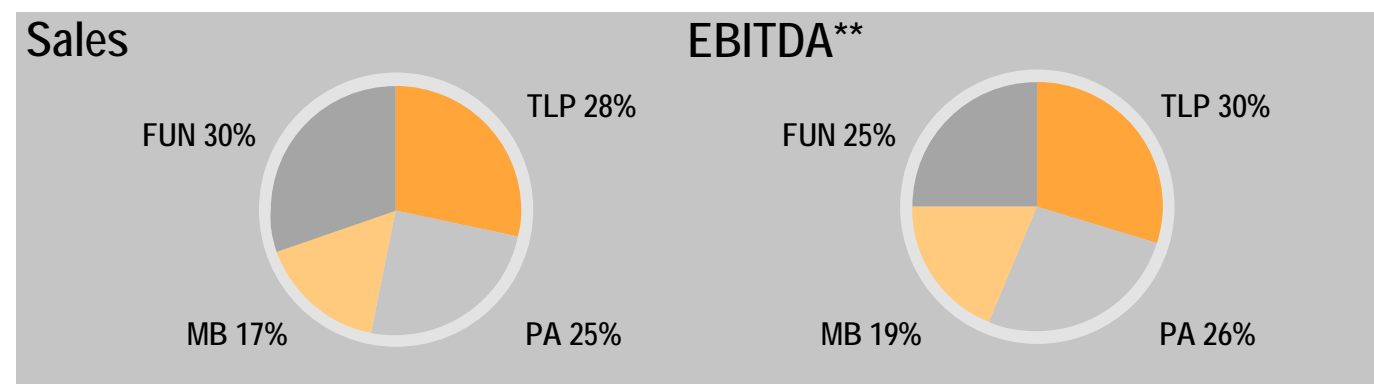
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## *Second Quarter 2007 – Financial group figures*

	Second 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>2,180</b>	<b>100%</b>	<b>2,033</b>	<b>100%</b>
Local currency growth (LC)	+4%			
- Organic growth	+3%			
- Acquisitions/Divestitures	+1%			
Currencies	+3%			
<b>Gross profit</b>	<b>626</b>	<b>28.7%</b>	<b>650</b>	<b>32.0%</b>
<b>EBITDA before exceptionals</b>	<b>211</b>	<b>9.7%</b>	<b>201</b>	<b>9.9%</b>
<b>EBITDA</b>	<b>196</b>	<b>9.0%</b>	<b>178</b>	<b>8.8%</b>
<b>Operating income before exceptionals</b>	<b>142</b>	<b>6.5%</b>	<b>138</b>	<b>6.8%</b>
<b>Operating income</b>	<b>127</b>	<b>5.8%</b>	<b>71</b>	<b>3.5%</b>
<b>Net income from continuing operations</b>	<b>88</b>	<b>4.0%</b>	<b>26</b>	<b>1.3%</b>
<b>Operating cash flow (total operations)</b>	<b>7</b>		<b>62</b>	
<b>Discontinued operations</b>				
Sales	35		112	
Net loss from discontinued operations	-99		-105	

# Second Quarter 2007 – Divisional sales and margins

	Second Quarter				
	CHF mn	Sales % Organic Growth*	% LC	EBITDA Margin in %**	
				2007	2006
Textile, Leather & Paper Chemicals	618	+1	+1	10.8	10.3
Pigments & Additives	538	+1	+1	11.0	16.4
Masterbatches	363	+3	+10	11.8	11.6
Functional Chemicals	661	+5	+5	8.5	9.2
<b>Total Group</b>	<b>2,180</b>	<b>+3</b>	<b>+4</b>	<b>9.7</b>	<b>9.9</b>



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

\*\* before exceptional items



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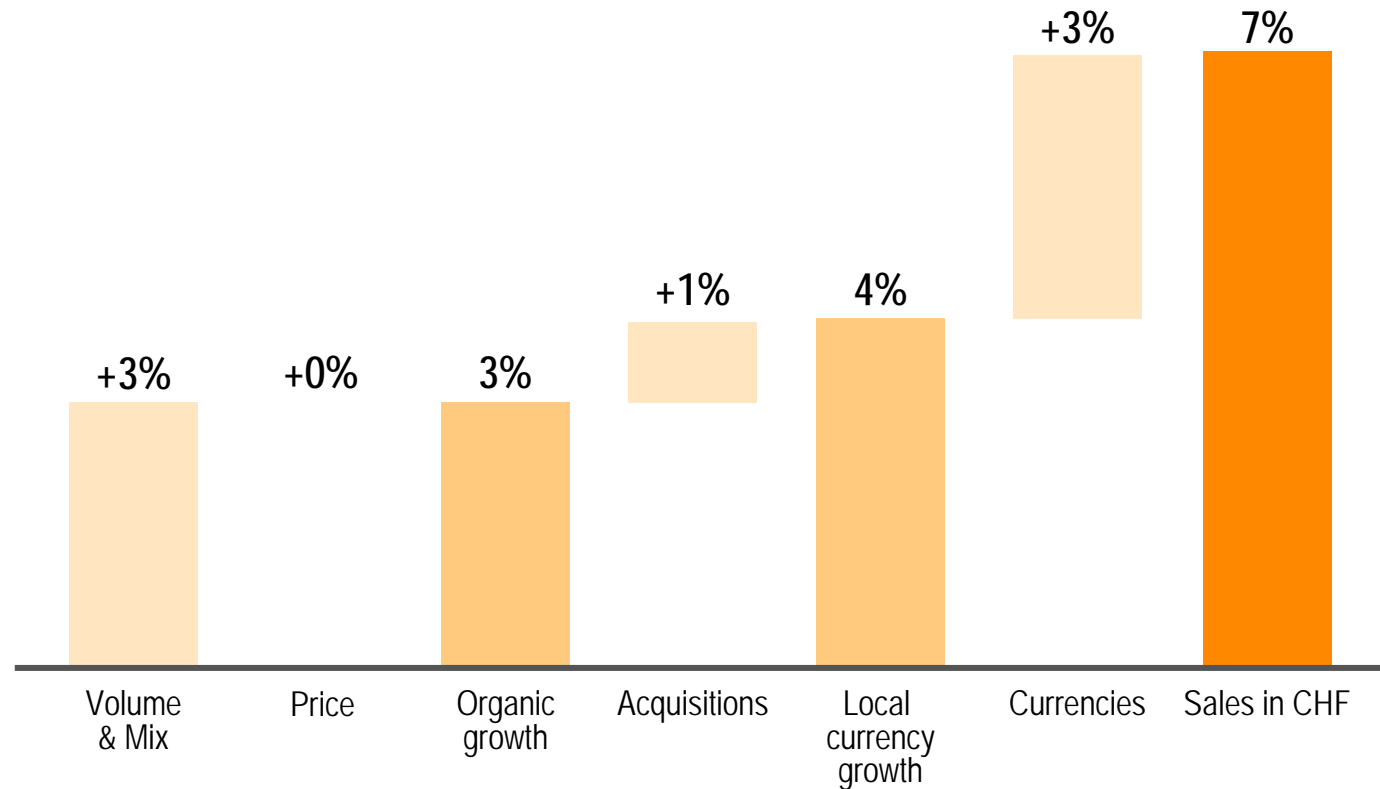
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## *Solid growth driven by volumes*

Second Quarter 2007 versus Second Quarter 2006\*



\*Continuing operations

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## *Second Quarter 2007 – Financial result*

	Second Quarter	
	2007 <i>CHF mn</i>	2006 <i>CHF mn</i>
Interest income	+6	+10
Interest expenses	-29	-31
Other financial income & expenses	-1	-7
<b>Net interest result</b>	<b>-24</b>	<b>-28</b>
Currency result, net	+25	+3
<b>Total financial result</b>	<b>+1</b>	<b>-25</b>

Key factors

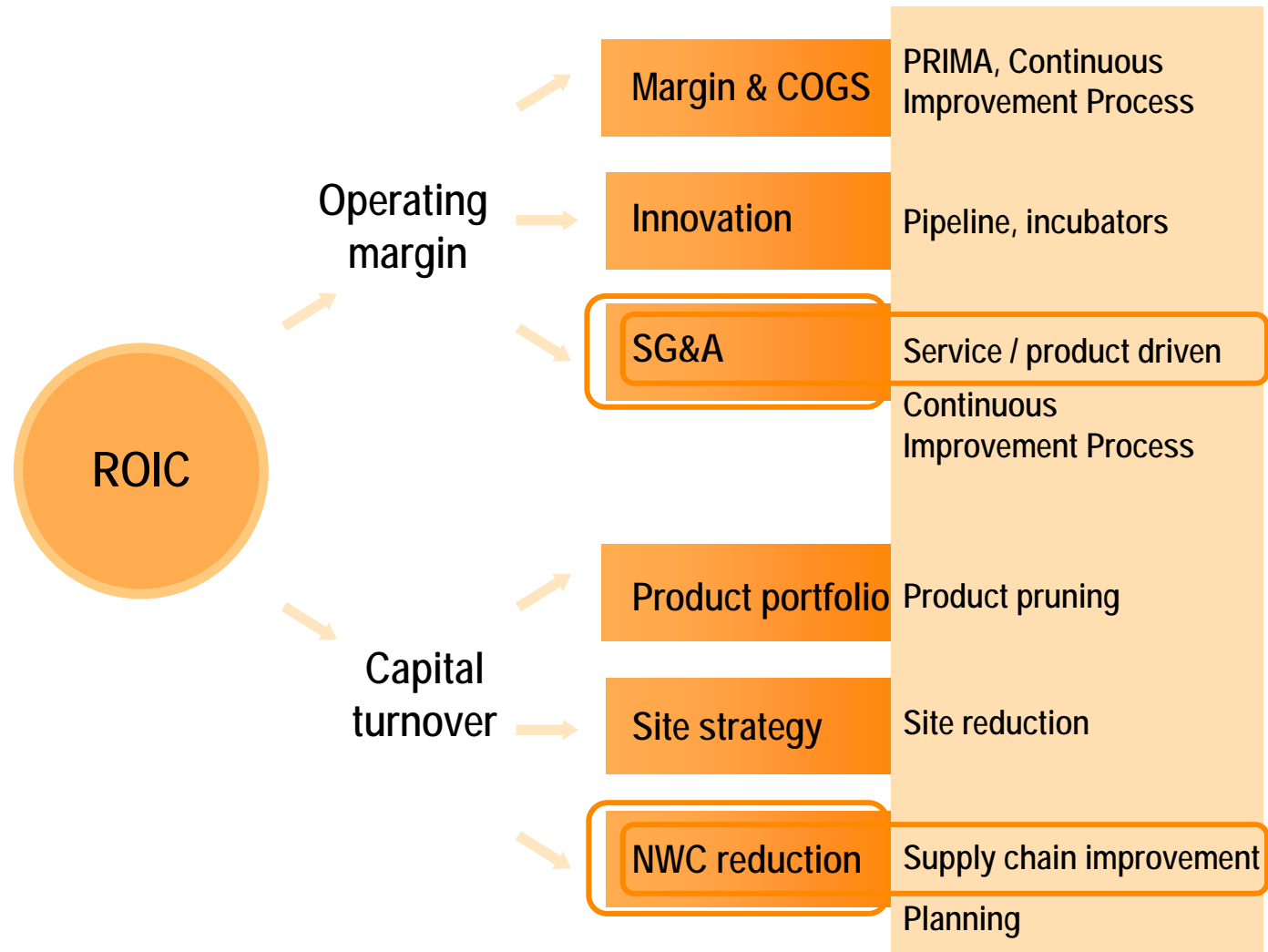
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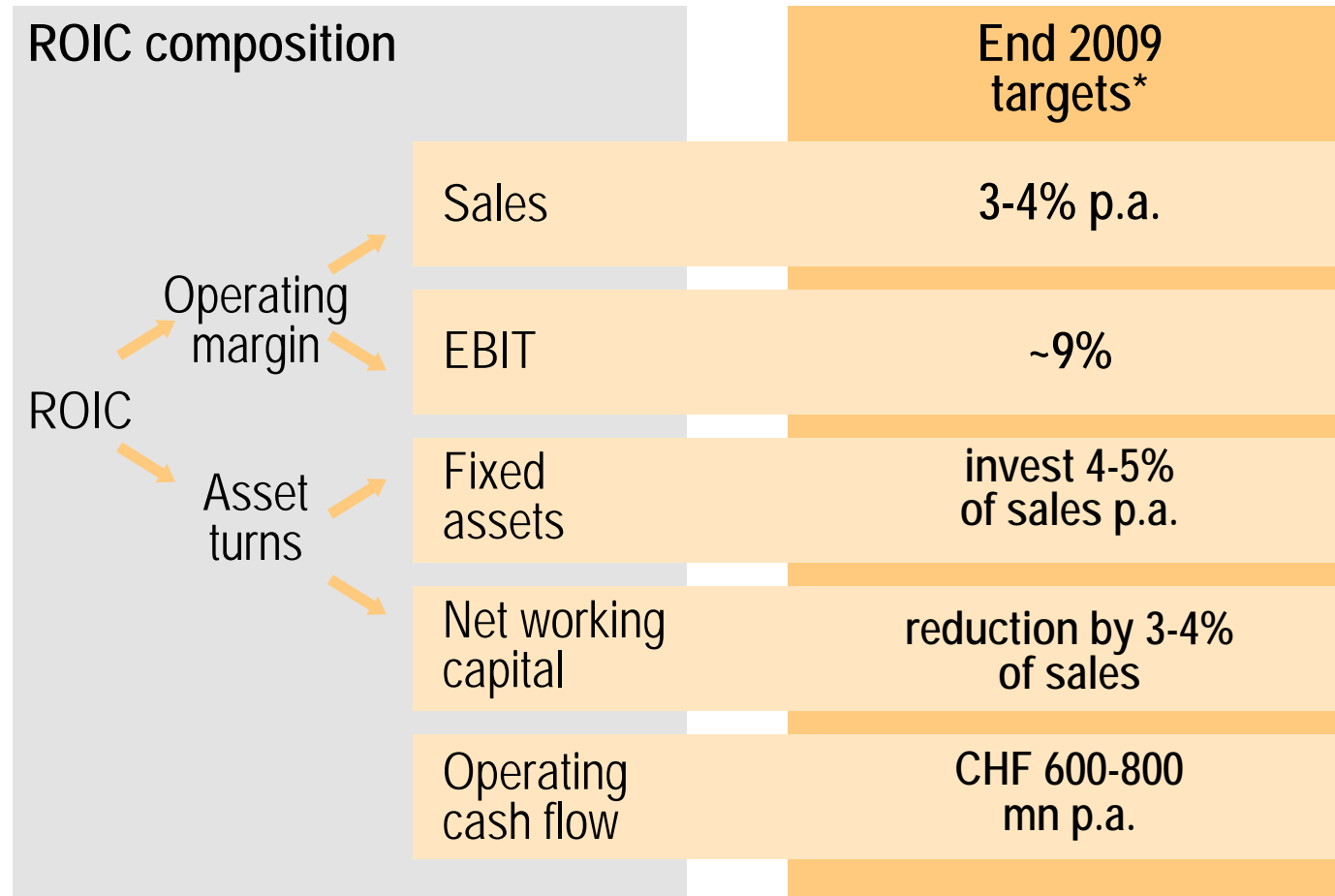
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# *Our priorities in 2007*



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



ROIC calculated on after-tax basis

\*Based on current environment



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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

Key factors

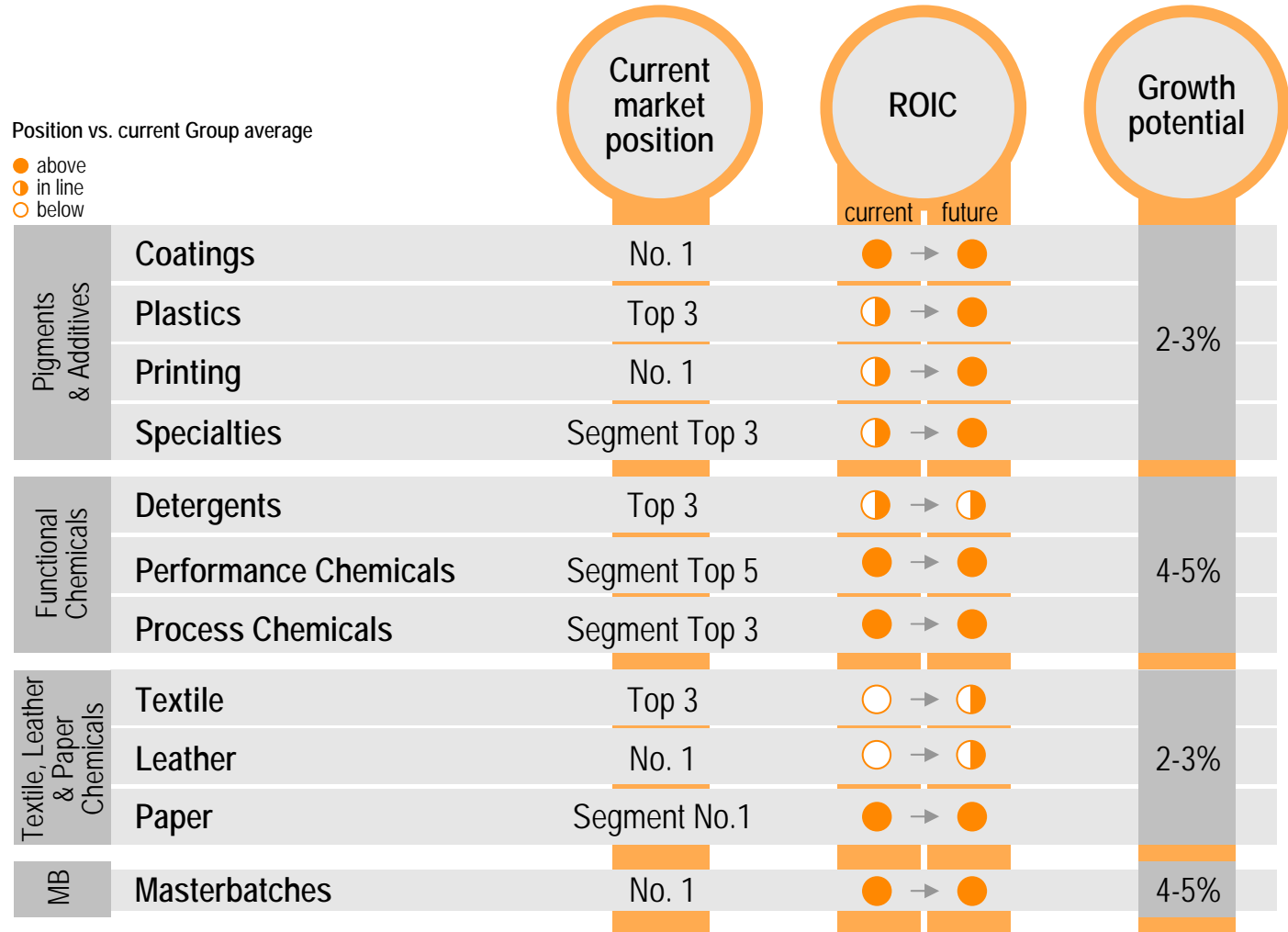
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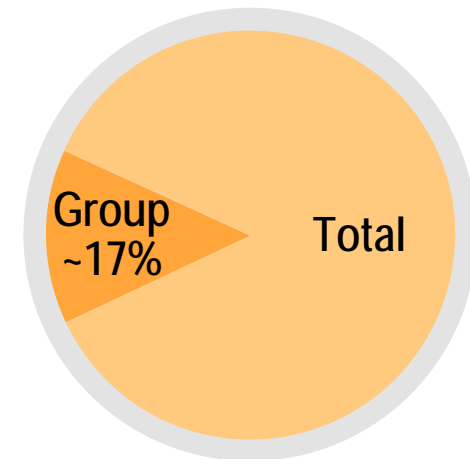
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# *We have the right platform for our core focus*

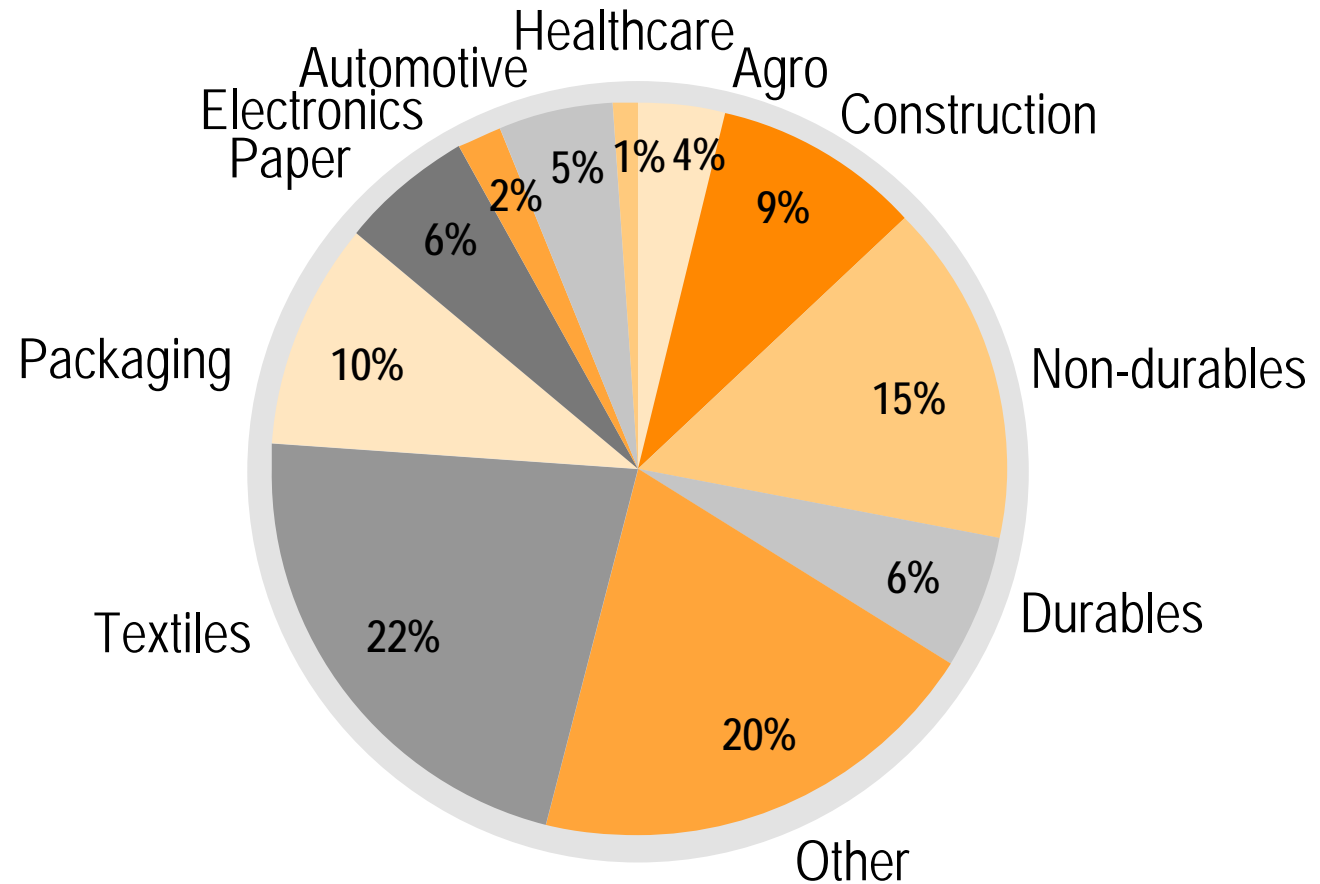


## *Top 5 products in percentage of total raw material costs*

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



## *Divisional sales Full Year 2006 in end-user markets*



Continued operations