

Full-Year Results 2007

Analyst Conference - February 14, 2008



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Agenda

Full-Year highlights

Financial results

Business review

Outlook



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Full-Year highlights

Financial results

Business review

Outlook

Full-Year 2007 – Highlights

- Continuing robust sales growth
- Lowered SG&A costs in % of sales
- Further good progress in restructuring
- Operating cash flow significantly improved
- Selling prices up with increasing momentum towards year end
- Gross margins hit by escalating raw material prices, energy costs and unfavourable exchange rate development
- Disappointing operating margin as a result

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February 14, 2008 Slide 3

Necessity to improve performance



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Full-Year highlights

Financial results

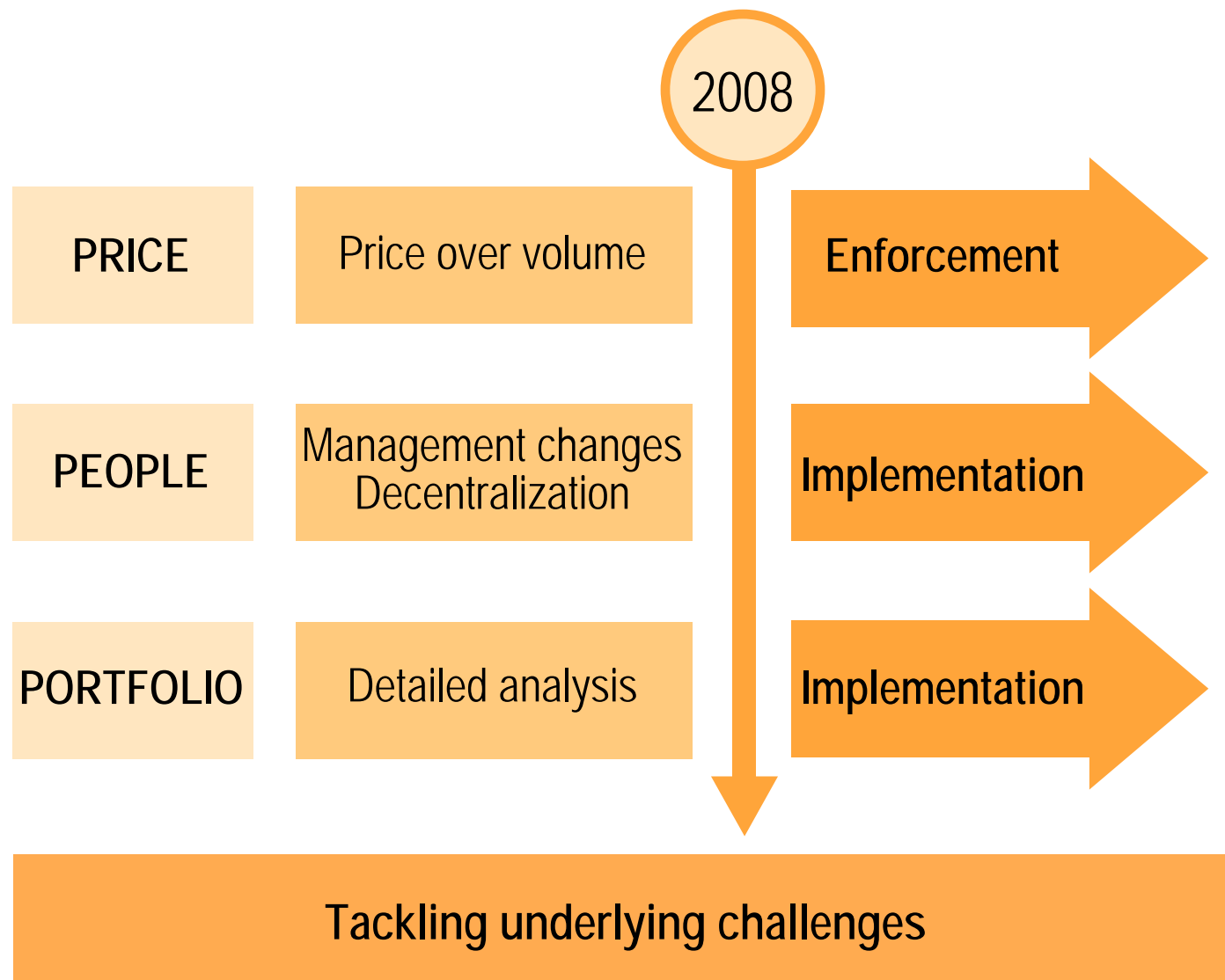
Business review

Outlook

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February 14, 2008 Slide 4

Implementing change





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Financial results

Business review

Outlook

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February 14, 2008 Slide 5

Full-Year 2007 financials

| | 2007 | 2006 |
|---|------|------|
| Sales growth <small>in local currencies</small> | +4% | +3% |
| SG&A costs <small>in % of sales</small> | 20.8 | 21.3 |
| EBIT margin before exceptionals | 6.3% | 7.3% |
| Operating cash flow <small>in CHF million</small> | 540 | 328* |
| ROIC | 7.8% | 8.3% |
| Net income <small>in CHF million</small> | 5 | -78 |

All figures continuing operations * The presentation of the cash flow statement was changed to provide additional relevant information. Comparative information was reclassified accordingly.



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Financial results

Business review

Outlook

Full Year Results 2007

February 14, 2008 Slide 6

Fourth Quarter 2007 – Key financial group figures

| | Fourth Quarter | | | |
|---|----------------|--------------|--------------|--------------|
| | 2007* | | 2006* | |
| | CHF mn | % of sales | CHF mn | % of sales |
| Continuing operations: | | | | |
| Sales | 2,086 | 100% | 2,010 | 100% |
| Local currency growth (LC) | 3% | | | |
| - Organic growth | 2% | | | |
| - Acquisitions/Divestitures | 1% | | | |
| Currencies | 1% | | | |
| Gross profit | 580 | 27.8% | 585 | 29.1% |
| EBITDA before exceptionals | 194 | 9.3% | 202 | 10.0% |
| EBITDA | 90 | 4.3% | 182 | 9.1% |
| Operating income before exceptionals | 122 | 5.8% | 134 | 6.7% |
| Operating income | 7 | 0.3% | 112 | 5.6% |
| Net income from continuing operations | -21 | -1.0% | 23 | 1.1% |
| Operating cash flow (total operations)** | 220 | | 155 | |
| Discontinued operations | | | | |
| Sales | 1 | | 55 | |
| Net gain/loss from discontinued operations | 4 | | -24 | |

* Continuing operations

** The presentation of the cash flow statement was changed to provide additional relevant information. Comparative information was reclassified accordingly



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Financial results

Business review

Outlook

Full Year Results 2007

February 14, 2008 Slide 7

Full-Year 2007 – Key financial group figures

| | Full-Year | | | |
|---|--------------|--------------|--------------|--------------|
| | 2007* | | 2006* | |
| | CHF mn | % of sales | CHF mn | % of sales |
| Continuing operations: | | | | |
| Sales | 8,533 | 100% | 8,100 | 100% |
| Local currency growth (LC) | 4% | | | |
| - Organic growth | 3% | | | |
| - Acquisitions/Divestitures | 1% | | | |
| Currencies | 1% | | | |
| Gross profit | 2,488 | 29.2% | 2,486 | 30.7% |
| EBITDA before exceptionals | 812 | 9.5% | 855 | 10.6% |
| EBITDA | 628 | 7.4% | 798 | 9.9% |
| Operating income before exceptionals | 539 | 6.3% | 592 | 7.3% |
| Operating income | 278 | 3.3% | 385 | 4.8% |
| Net income from continuing operations | 108 | 1.3% | 131 | 1.6% |
| Operating cash flow (total operations)** | 540 | | 328 | |
| ROIC | | 7.8% | | 8.3% |
| Discontinued operations | | | | |
| Sales | 82 | | 325 | |
| Net loss from discontinued operations | -103 | | -209 | |

* Continuing operations

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Financial results

Business review

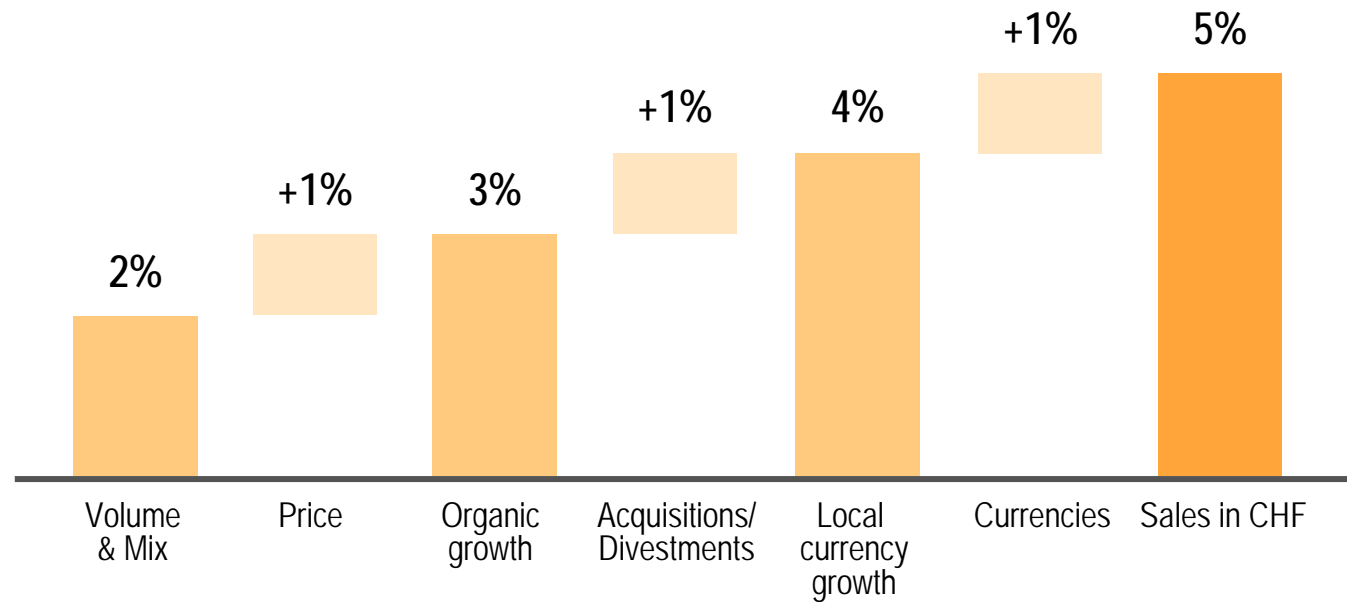
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February 14, 2008 Slide 8

Composition of sales growth in FY 2007

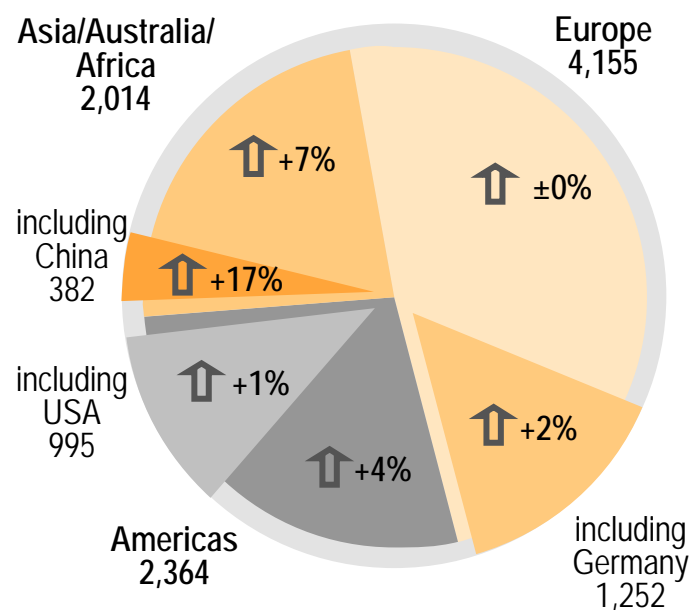
Full-Year 2007 versus Full-Year 2006*



* Continuing operations

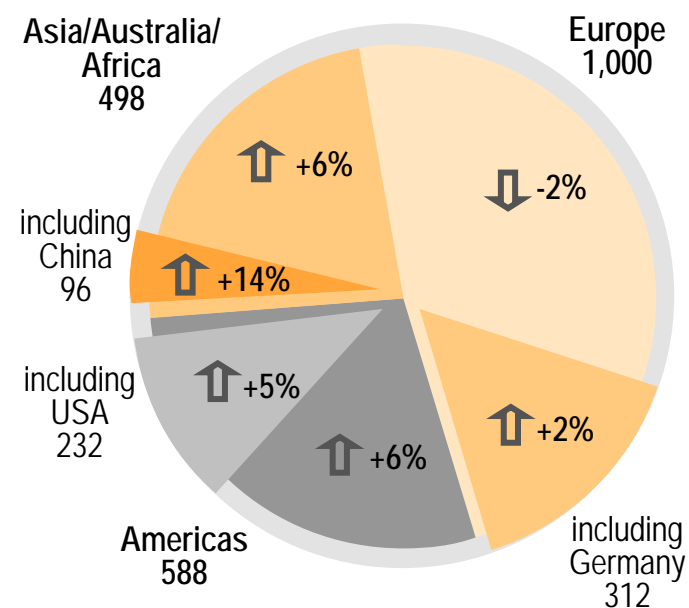
Regional sales Full-Year/Q4 2007

Full-Year 2007



Total Sales: 8,533 ↑ +3%

Fourth Quarter 2007



Total Sales: 2,086 ↑ +2%

Continuing sales in CHF mn ↑ Organic growth rate in % LC



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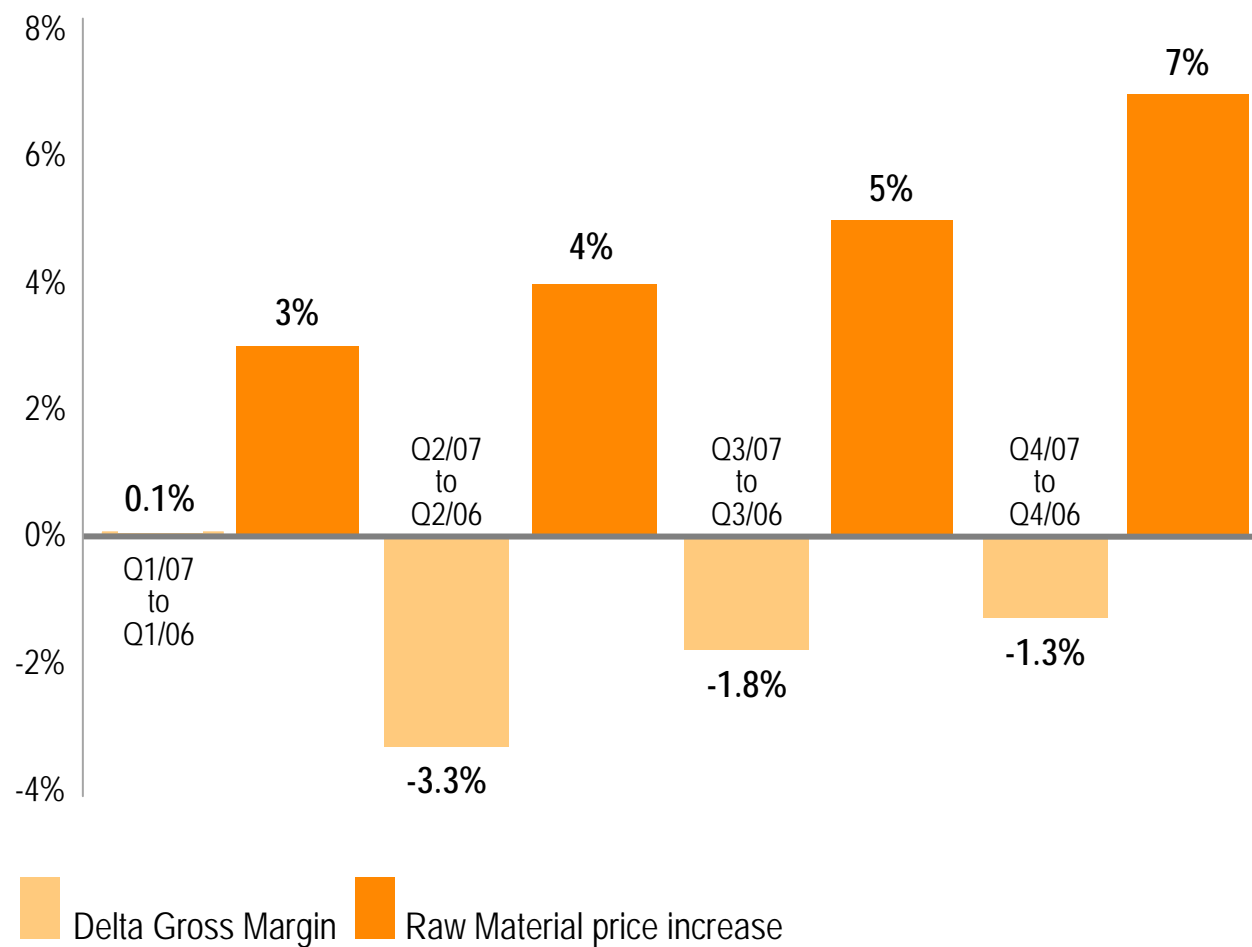
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February 14, 2008 Slide 10

Gross margin development and raw material inflation





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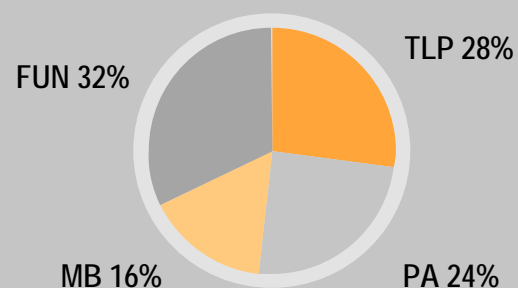
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Outlook

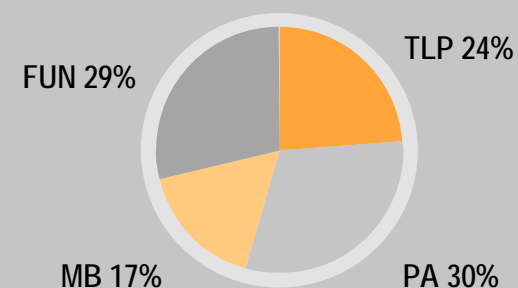
Sales and margins by divisions – Full-Year 2007

| | Full-Year | | | | |
|------------------------------------|-----------|-------------------------------|------|----------------------|------|
| | CHF mn | Sales % Organic Growth* | % LC | EBITDA Margin in %** | |
| | | | | 2007 | 2006 |
| Textile, Leather & Paper Chemicals | 2,332 | 0% | 0% | 9.3 | 10.1 |
| Pigments & Additives | 2,076 | +3% | +3% | 13.4 | 14.8 |
| Masterbatches | 1,380 | +2% | +8% | 11.1 | 12.1 |
| Functional Chemicals | 2,745 | +5% | +5% | 9.5 | 11.6 |
| Total Group | 8,533 | +3% | +4% | 9.5 | 10.6 |

Sales



EBITDA**



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February 14, 2008 Slide 11

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

** Before exceptional items



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Financial results

Business review

Outlook

Full Year Results 2007

February 14, 2008 Slide 12

Cash flow Full-Year 2007

| | Full-Year | |
|---|----------------|-----------------|
| | 2007 CHF mn | 2006* CHF mn |
| Net income | 5 | -78 |
| Depreciation & amortization | 357 | 507 |
| Other | 143 | 263 |
| Operating cash flow before working capital | 505 | 692 |
| Changes in working capital and provisions | 35 | -364 |
| Operating cash flow | 540 | 328 |
| Capital expenditure | -335 | -366 |
| Acquisitions, disposals and other | -58 | 64 |
| Cash flow before financing | 147 | 26 |

- Improved Cash Flow generation
- Further improvement in Net Working Capital
- Committed to maintaining solid investment grade profile

* The presentation of the cash flow statement was changed to provide additional relevant information. Comparative information was reclassified accordingly.

Financial result Full-Year 2007

| | Full-Year | |
|-----------------------------------|-----------------------|-----------------------|
| | 2007 <i>CHF mn</i> | 2006 <i>CHF mn</i> |
| Interest income | 26 | 30 |
| Interest expenses | -107 | -112 |
| Other financial income & expenses | -13 | -17 |
| Net interest result | -94 | -99 |
| Currency result, net | 23 | -11 |
| Total financial result | -71 | -110 |

- Net interest result improved year on year as a result of an optimized management of net debt throughout 2007
- Foreign exchange gains contributed to an improvement in total financial result



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Full-Year highlights

Financial results

Business review

Outlook

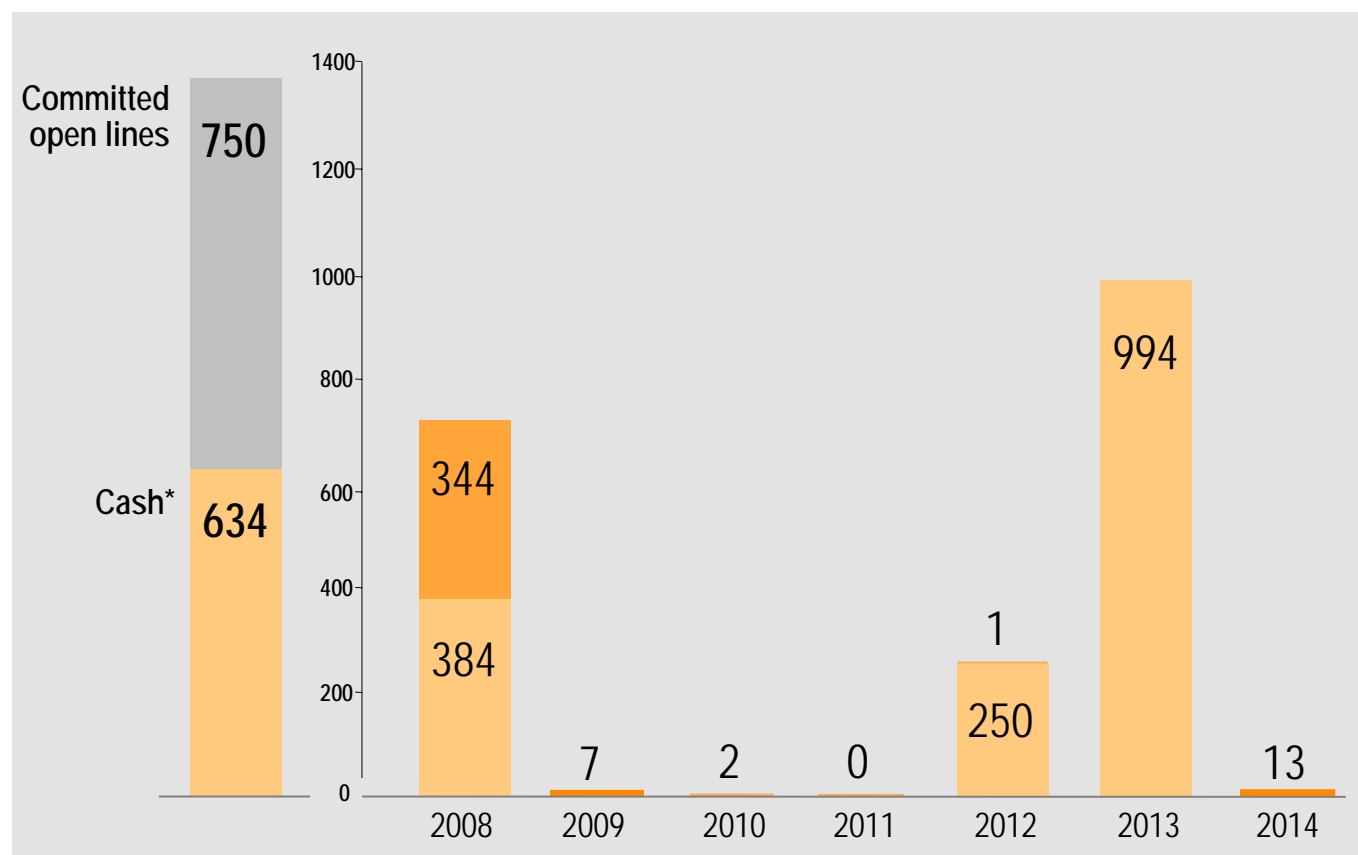
Full Year Results 2007

February 14, 2008 Slide 14

Debt maturity profile on Dec 31, 2007

Liquidity

Maturities of financial debt



in CHF mn

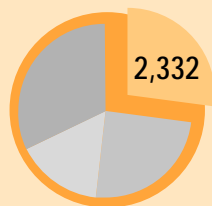
* Including current deposits (90-365 days) ** including ABS

■ maturities ■ uncommitted & roll over loans**

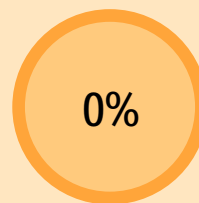
Textile, Leather & Paper Chemicals

- After a weak first half, prices rose in the second half of 2007
- Sales in Textiles impacted by weakness in key markets India, Turkey, Italy
- Sales in Paper peaked mid-2007
- Restructuring measures taken to tackle declining performance in Leather: closure of Selby production site in the UK
- Profitability declined mainly due to higher raw material prices and adverse FX developments

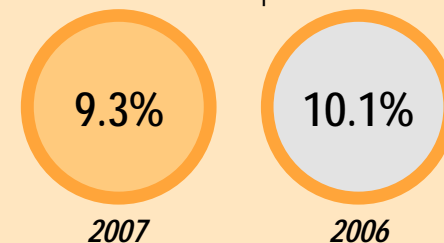
Sales in CHF mn



Organic growth



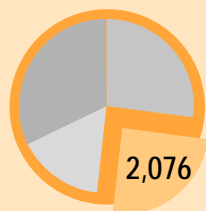
EBITDA margin
before exceptionals



Pigments & Additives

- Reversed negative trend of declining prices of recent years
- Strong demand for Coatings and various niche products in Specialty Industries
- Sales in the Plastic Business slowed due to weakening overall demand
- Printing grew modestly, dampened by current market dynamics
- Increasing raw material costs as well as negative FX affected margin adversely

Sales in CHF mn



Organic growth

+3%

EBITDA margin
before exceptionals

13.4%

2007

14.8%

2006



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Full-Year highlights

Financial results

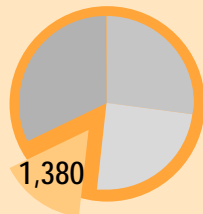
Business review

Outlook

Masterbatches

- Robust growth despite slowing demand across the plastic industry
- Sales in US at previous-years level, solid in Asia and Latam
- Divestment of Australian business; acquisition in Colombia
- Price increases offsetting higher raw material costs
- Integration of Masterbatches Business acquired from Ciba added 6% to revenues; profitability impacted by integration

Sales in CHF mn



Organic growth

+2%

EBITDA margin
before exceptionals

11.1%

2007

12.1%

2006

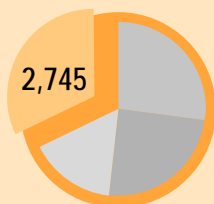
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February 14, 2008 Slide 17

Functional Chemicals

- Strong demand across most businesses
- Good development in service-driven businesses, e.g. oil and mining related units
- Robust demand in application driven market segments, e.g. crop protection and functional fluids
- Product-driven units Detergents and Specialty Intermediates suffering, impacting profitability
- Higher selling prices not offsetting steep rise in raw material cost

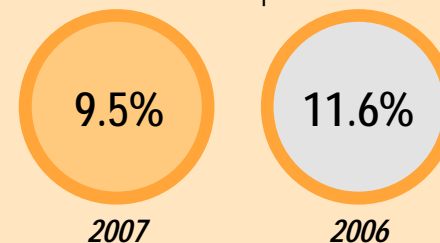
Sales in CHF mn



Organic growth



EBITDA margin
before exceptionals





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Full-Year highlights

Financial results

Business review

Outlook

Outlook for 2008

Environment

- Increasingly uncertain economic outlook
- Further increases in raw material and energy costs

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- Improving operating margin before exceptional items compared to 2007
- Continuing strong cash flow generation
- Period of active portfolio reshaping

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February 14, 2008 Slide 19



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Calendar of upcoming corporate events

| | |
|------------------|-------------------------------|
| April 10, 2008 | Annual General Meeting, Basel |
| April 30, 2008 | First Quarter 2008 Results |
| July 29, 2008 | Half Year 2008 Results |
| November 4, 2008 | Nine Months 2008 Results |



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Backup

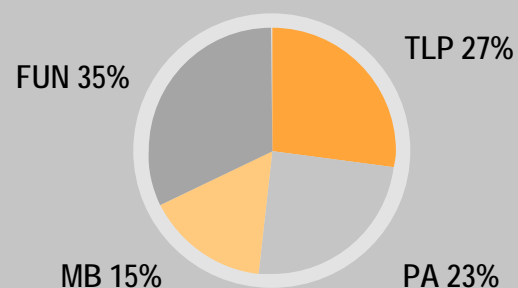
Full Year Results 2007

February 14, 2008 Slide 22

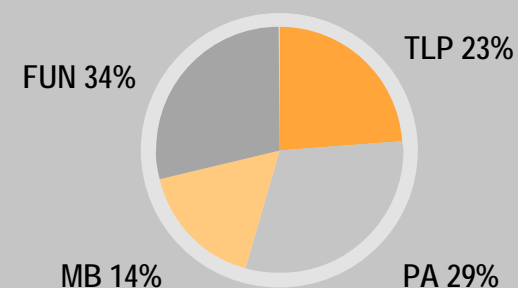
Sales and margins by Divisions – Fourth Quarter 2007

| | Fourth Quarter | | | | |
|------------------------------------|----------------|-------------------------------|------|----------------------|-------|
| | CHF mn | Sales % Organic Growth* | % LC | EBITDA Margin in %** | |
| | | | | 2007 | 2006 |
| Textile, Leather & Paper Chemicals | 553 | -3% | -3% | 9.4% | 10.0% |
| Pigments & Additives | 490 | +5% | +5% | 13.7% | 9.0% |
| Masterbatches | 315 | 0% | +6% | 10.2% | 10.8% |
| Functional Chemicals | 728 | +6% | +6% | 10.7% | 13.1% |
| Total Group | 2,086 | +2% | +3% | 9.3% | 10.0% |

Sales



EBITDA**



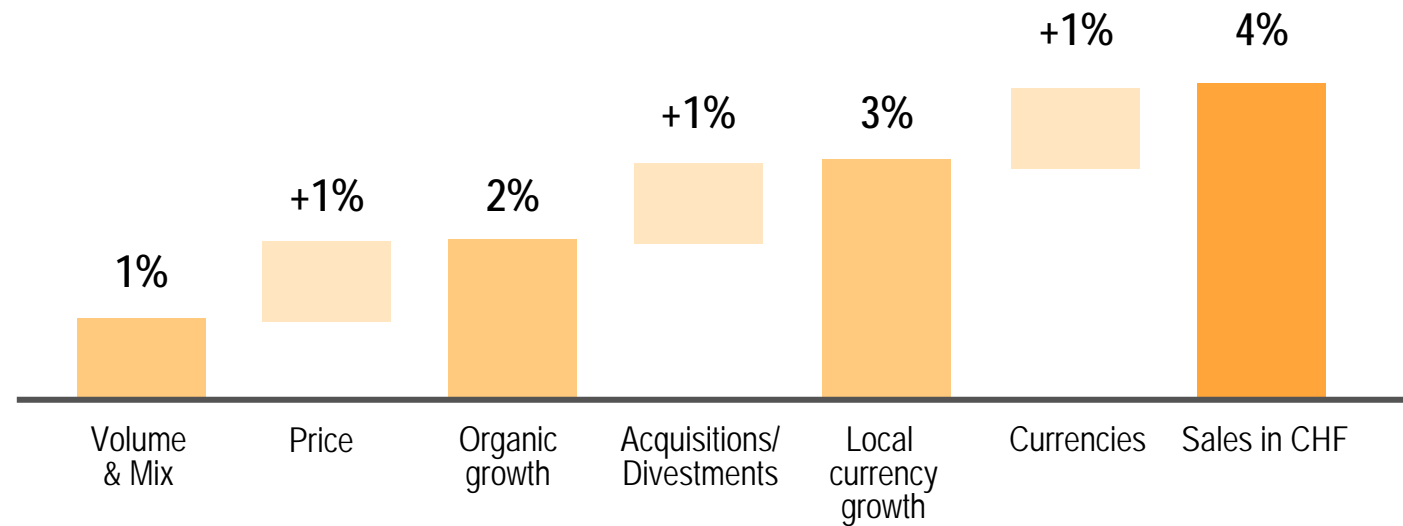


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Backup

Composition of sales growth in Q4 2007

Fourth Quarter 2007 versus Fourth Quarter 2006*



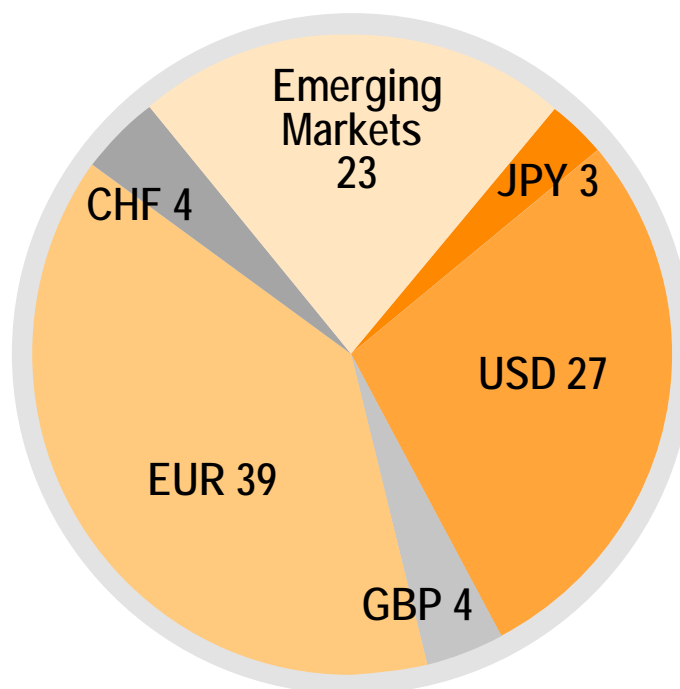
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February 14, 2008 Slide 24

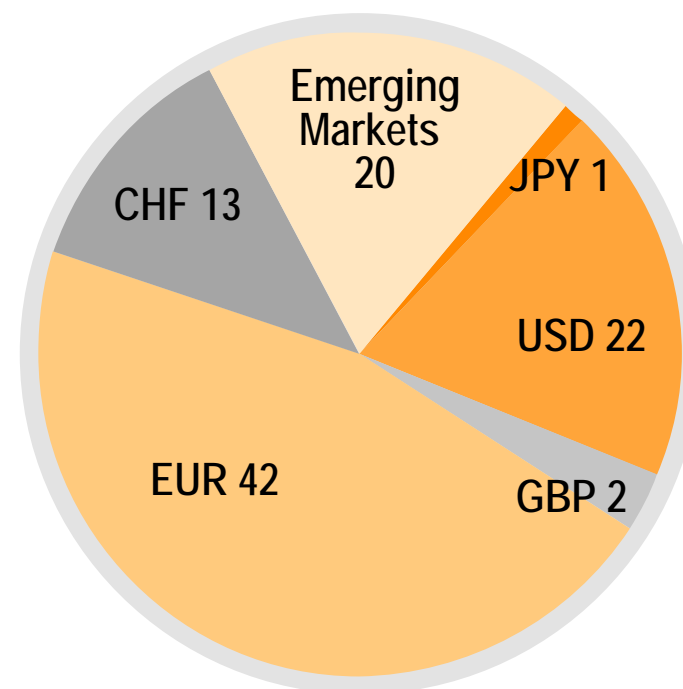
* Continuing operations

Sales and cost structure – Full-Year 2007

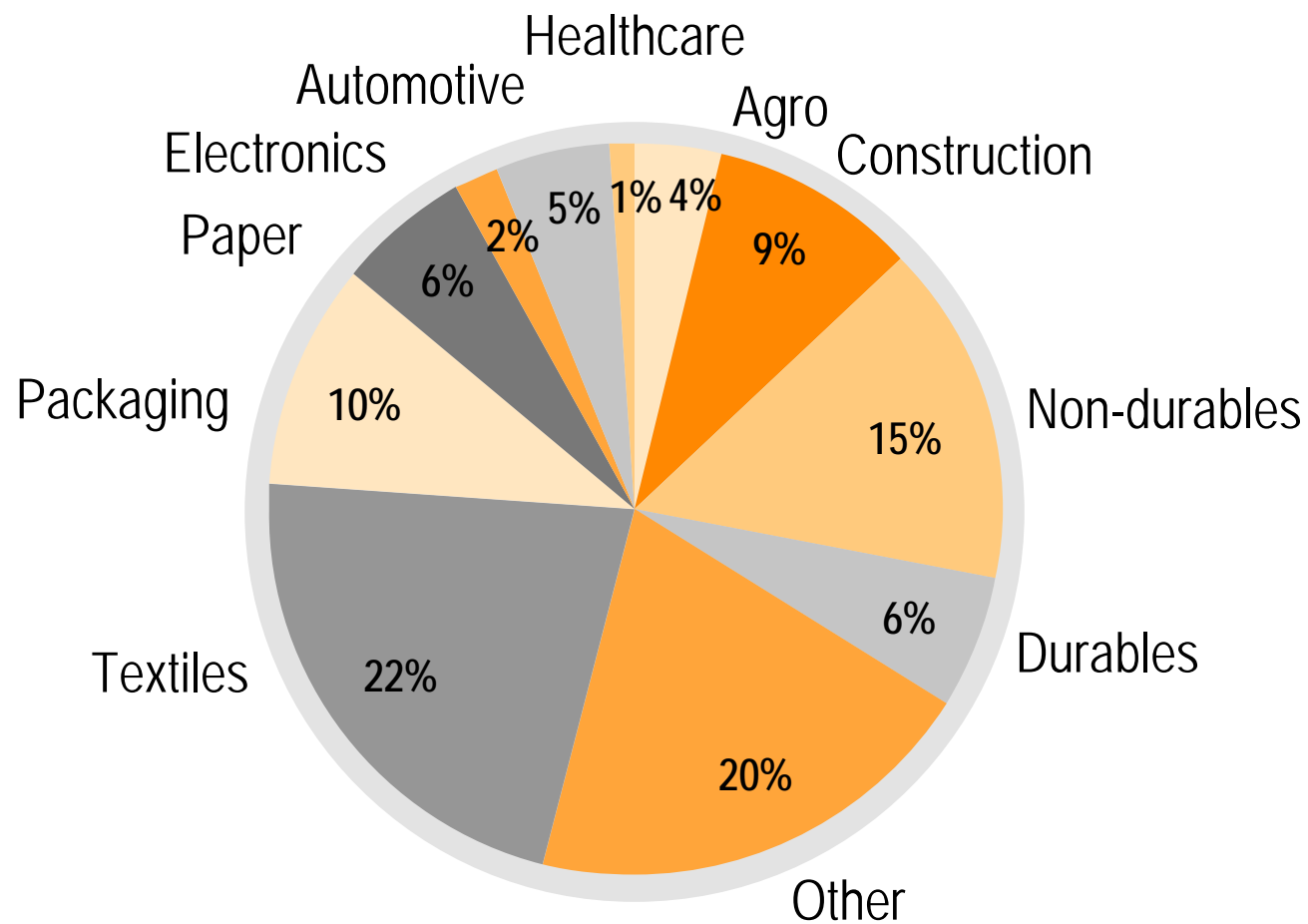
Global sales distribution in %



Global cost distribution in %

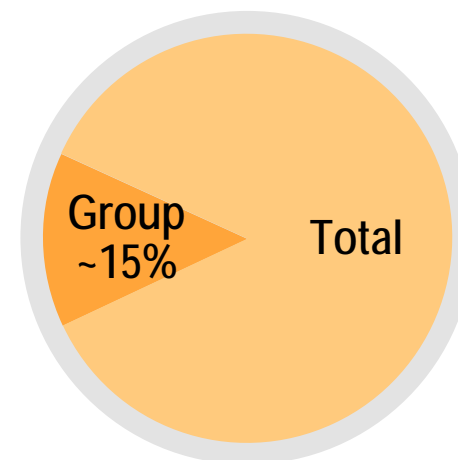


Divisional sales Full-Year 2007 in end-user markets



Top 5 products in percentage of total raw material costs

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





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Backup

Businesses and market segments

Textile, Leather & Paper Chemicals

- Textiles
- Leather
- Paper

Pigments & Additives

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

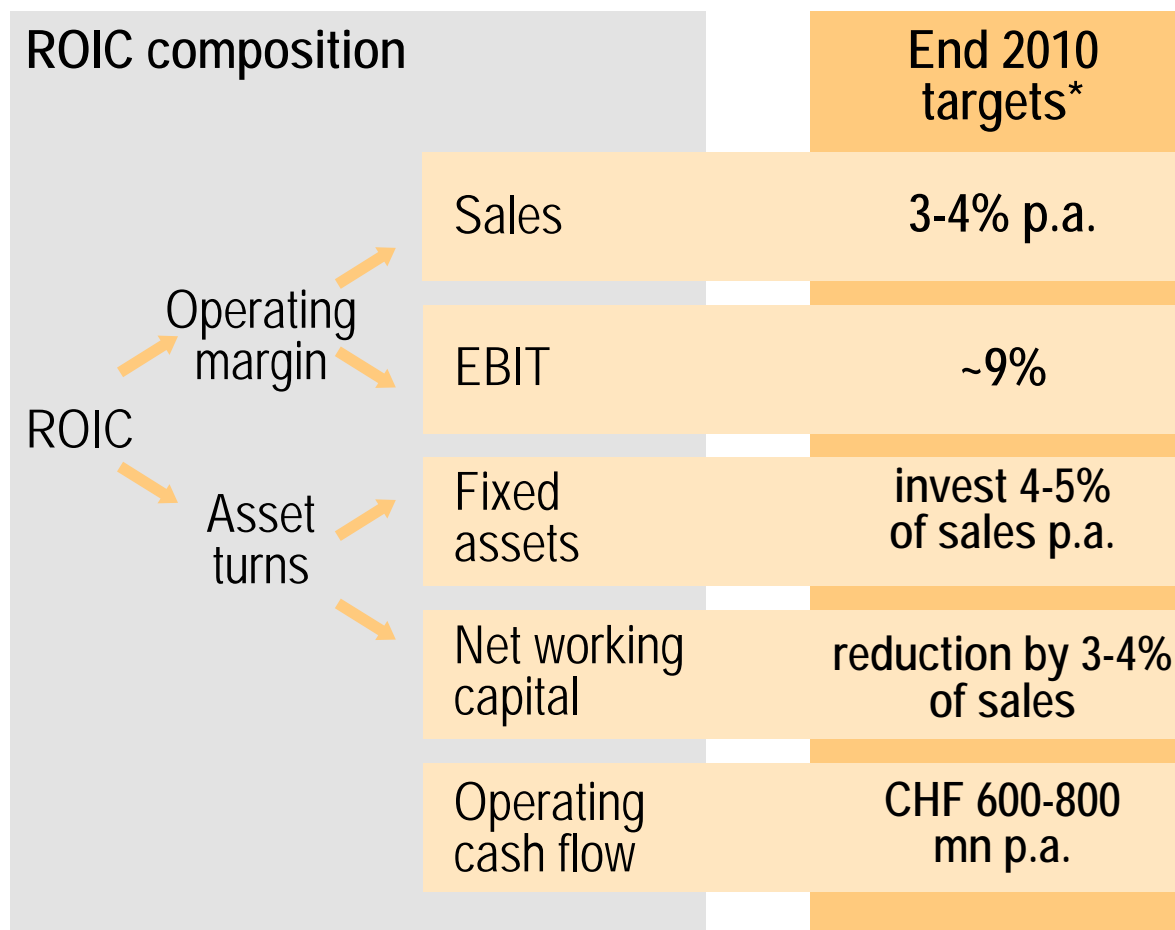
Functional Chemicals

- Detergents
- Performance Chemicals
- Process Chemicals
- Specialty Fine Chemicals

Masterbatches

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

Key targets: to achieve above peer average ROIC by end of 2010





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