



# Financial Information 2001

online version

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# Business Review

| <b>Group</b>  |         | <b>2001</b>       | 2000   | Change |
|---|---------|-------------------|--------|--------|
| Divisional sales to third parties   | CHF mio | 9 871             | 10 583 | -7%    |
| Operating income before restructuring, disposals and amortization of goodwill |         | 631               | 1 135  | -44%   |
| Net loss/income   |         | -1 242            | 505    | -      |
| Net income and depreciation on tangible fixed assets and intangible assets    |         | 1 031             | 1 152  | -11%   |
| Total assets  |         | 10 555            | 12 947 | -18%   |
| Shareholders' equity  |         | 1 958             | 3 567  | -45%   |
| Investment in fixed assets  |         | 505               | 535    | -6%    |
| Research and development  |         | 409               | 414    | -1%    |
| Personnel costs   |         | 2 346             | 2 395  | -2%    |
| Employees (at year-end)   | Number  | 28 904            | 31 546 | -8%    |
| Loss/Profit per share   | CHF     | -8.14             | 3.41   |        |
| Dividend per share  | CHF     | 0.30 <sup>1</sup> | 1.10   |        |

<sup>1</sup> As proposed to the General Meeting of Shareholders.

# *Important goals were reached in a difficult business year*

## **Clariant in 2001**

In a difficult business year which led to an unsatisfactory net result, Clariant achieved some important goals which leaves the company well positioned to benefit from an economic upturn. In the second half, it reduced net debt by more than one billion Swiss francs. This huge reduction was brought about by a combination of factors: a greatly reduced cost base, the release of funds tied up in current assets and various disposals. Sales revenues in the second half of the year were much lower than in the previous year, with September and December being particularly weak. The strong Swiss franc also had an adverse impact on sales.

The key features of the reporting period were

- a reduction in debt by more than one billion Swiss francs from CHF 5.35 billion to CHF 4.28 billion in the second half.
- a sharp reduction in net current assets, in particular for inventories (–13%) and accounts receivable (–14%).
- sales that were only slightly lower (–1.9%) than the previous year in local currency terms.
- a headcount reduction of 2 642 to 28 904.
- strong pressure on operating margins.

In the period under review, Clariant generated EBITDA of CHF 1 395 million, corresponding to a margin of 14.1%. Net profit before special effects fell from CHF 505 million to CHF 140 million.

Restructuring of plants and Group companies proceeded according to plan, and these efforts will reduce the cost base by at least CHF 250 million in the next two years. Rapid implementation of the program was of crucial importance. Just with the measures taken so far, costs will be cut by CHF 100 million worldwide. In Germany, where the bulk of cost savings are to be made (at least CHF 100 million), three quarters of the necessary restructuring has already been implemented. The program will be completed in Germany by mid-year 2002. On a global scale, ten plants will be shut down or sold.

By spinning off operations, Clariant has further streamlined its portfolio and scaled back its activities in areas that are dependent on the prices of raw materials and oil. The major divestitures include the sale of the PVA/PVB business to the Japanese firm Kuraray Ltd., the disposal of the Cassella-Offenbach plant in Germany to Allessa-Chemie and the sale of the 50% stake in the British joint venture Harlow Chemicals to Yule Catto.

On January 1, 2002 Clariant streamlined its organizational structure, which now has only five divisions. The Cellulose Ethers & Polymerisates division was dissolved, and the Cellulose Ethers/Emulsion Powders business unit was folded into the Functional Chemicals division. The Emulsions business unit is now part of the Textile, Leather and Paper Chemicals division. The new organizational structure reduces the company's complexity and increases its flexibility. This reorganization of businesses is expected to improve customer focus and boost efficiency overall.

In 2001, the basis for optimizing business processes was created, with supply chain management as the core. The brief of the business process managers is to improve processes within the business units and, where possible, to create a uniform approach across divisional boundaries.

## **Market conditions**

### **Economic trends**

2001 was marked by a difficult economic situation, overshadowed by the downturn in the United States and the terrorist attacks of September 11. The recession, the first of its kind in a decade, impacted most sectors of the economy severely, including several end user markets that are critical for Clariant. The hardest hit were the capital goods and consumer goods industries and the construction sector. Many companies postponed capital expenditure decisions. The industries in which Clariant's customers operate saw their capacity utilization rates decline. The results were brightened in the second half when commodity and oil prices weakened.

### Geographic trends

Sales revenues contracted in almost all regions, under the impact mainly of the strong Swiss franc and declining volumes. The biggest drops were seen in the US and Japan, while the fall in Europe was more moderate. In local currency terms, however, some countries posted big gains in sales revenues: China/Hong Kong (+15%), India (+10%), Pakistan (+18%) and Brazil (+22%). The recession in the United States caused sales to decline, with the textile market feeling the effects acutely. In Europe, the major factor was the downturn in the construction industry, which started in Germany and then spread to the rest of Europe.

### Exchange rate trends

Currencies important for Clariant lost considerable ground against the Swiss franc. The changes that affected Clariant most were the exchange rate movements of the Euro (-3%), the British pound (-5%), the Japanese yen (-12%) and the Brazilian real (-23%). These movements had a corresponding effect on Clariant's sales. More than 70% of the drop in revenues can be attributed to currency fluctuations, an effect that was particularly marked in Brazil, where sales grew +22% in terms of the real but fell by -3.1% in terms of the Swiss franc. The US dollar was stable during the reporting period (-0.2%).

### Sales

Sales in the divisions came to CHF 9871 million in 2001, or CHF 712 million (-6.7%) less than the previous year, when Clariant generated revenues of CHF 10583 million. In line with the global economy sales were much lower in the second half than in the first six months. A number of different factors contributed – both positively and negatively – to the fall-off in revenues.

- Positive
  - Acquisitions (CHF +139 million, +1.3%).
  - Price increases (CHF +70 million, +0.7%).
- Negative
  - Decline in volume (CHF -398 million, -3.8%).
  - Currency fluctuations (CHF -513 million, -4.9%).

In local currencies, sales revenues fell by only CHF 199 million (-1.9%)

### Operating profit

Operating profit before special effects fell by CHF 504 million from CHF 1 135 million to CHF 631 million. Net income before special effects fell by CHF 365 million from CHF 505 million to CHF 140 million. The special effects included, on the one hand, extraordinary expenditure of CHF 1 865 million for restructuring and special write-downs and, on the other, extraordinary revenues of CHF 468 million from the disposal of companies. The restructuring program will begin to have its full impact in the next two years, lowering costs by more than CHF 250 million. Clariant's payroll will decline by 3 500 all told; this figure includes transfers associated with company disposals.

### Divisions

#### Textile, Leather & Paper Chemicals

|            |       |              |             |
|------------|-------|--------------|-------------|
| Sales      |       |              |             |
| in CHF mio | 2 383 | -8.0% in CHF | -2.4% in LC |
| EBITDA     |       |              |             |
| in CHF mio | 326   |              |             |
| EBITDA     |       |              |             |
| Marge in % | 13.7  |              |             |

#### Position

The division is the market leader in textile and leather chemicals and among the leaders in textile dyes and paper chemicals. Its decentralized structure and broad product portfolio enable it to offer rapid, flexible and customer-focused solutions.

#### Performance

Weak consumer confidence and overcapacity led to price erosion in all four business units: Textile Dyes, Textile Chemicals, Leather and Paper. To some extent, the division was able to offset the trend among textile manufacturers to shift their production to low-wage countries, but margins in textile chemicals came under pressure. The "follow the markets" strategy triggered positive developments in Latin America, southern Europe and China. For instance, the productivity and capacity of Clariant's Chinese plant for textile and leather chemicals were increased. The textile business came under strong pressure in the United States where 40 textile plants were closed down. In Leather, sales increased despite tough competition. The integration of BTP/Hodgson

rounded off the business unit's portfolio. Despite a difficult market, the Paper business unit also improved its sales in local currencies by focusing on specialty chemicals. To better satisfy customer needs, the unit switched part of the production of its hydrosulfite bleaching agent from a powder to a liquid formulation. It also streamlined the production of sodium hydrosulfite. Inventories were scaled back by 16%.

### Market trend

The shift of textile production to low-wage countries continues unabatedly.

### Strategy

The division aims to expand its leading market position. In selected segments, it plans to generate growth with high-margin products such as UV absorbers and nano-emulsions for textile finishing. With its engineering know-how and close cooperation with customers, the division is well placed to offer tailor-made solutions. Customers can obtain a package of materials needed to manufacture their end product with the desired property ("one-stop shopping"). The division is expanding its offering of total solutions in order to generate additional sales.

### Innovation

About one hundred new products or product groups are developed and launched every year because their life cycle is relatively short. The division's customers are increasingly seeking overall solutions for their products and their manufacturing processes. Development is matching this trend. That means that cross-divisional cooperation is especially important because the industries Clariant serves are often supplied by more than one division. A prime example is the automotive industry, which is supplied by almost all our divisions. In the specialty segment, the division has introduced new technologies such as silicon oils. On the whole, the division is focusing on high-tech segments such as chemicals used to manufacture paper designed to be used with ink-jet printers.

### Outlook

Clariant is stepping up the pace of development in Asia to offset the business downturn in the US. Capacity for manufacturing textile and leather chemicals at the Tianjin plant in China is being increased. Optimization continues at all facilities, at the same time as targeted investment in high-margin products.

### Pigments & Additives

|             |       |               |             |
|-------------|-------|---------------|-------------|
| Sales       |       |               |             |
| in CHF mio  | 1 872 | -11.2% in CHF | -6.8% in LC |
| EBITDA      |       |               |             |
| in CHF mio  | 295   |               |             |
| EBITDA      |       |               |             |
| margin in % | 15.8  |               |             |

### Position

The division is the market leader in organic pigments and is also strongly positioned in niche applications for plastic additives, waxes and flame retardants.

### Performance

In the period under review, the market for consumer goods was sluggish, with knock-on effects for the dye and plastic industries. The Pigments business unit was particularly hard hit, with sales down -9.9% in local currencies. Two thirds of this decline was due to a fall-off in volume and one third to pressure on prices. In a difficult market environment, sales of printing pigments increased slightly in terms of volume and value. Additives and Waxes turned in a slack performance, while Flame Retardants remained stable. Only Special Waxes reported a clear increase in local currencies. In the reporting period the division cut its inventories by 16%.

### Market trend

In the second half of 2001, the business saw a sudden slow down in customer markets owing to the poor economic environment. Competition from so-called low-wage countries is growing while upstream industries continue to consolidate.

### Strategy

The division plans to increase its market share in the key business segments. In selected segments such as flame retardants, additives for paints and dyes and dyes for toners, the pace of growth is being stepped up.

The division has recently optimized all its production and business processes, with the focus on supply chain management.

#### Innovation

A pilot plant for flame retardants in the engineering plastics segment was brought on stream. Labs for microreactor technology and a pilot plant based on microreactors were set up. New polyolefin waxes based on Clariant's metallocene technology and four new high-performance pigments were successfully launched.

#### Outlook

The sale of the Cassella-Offenbach plant has given the division considerable flexibility with regard to its cost base. The division will continue to focus on optimizing process costs. In the area of semi-specialties, facilities producing at low cost will be strengthened in order to increase market share. Despite the difficult market, the division expects to see growth generated by the launch of four high-performance pigments. The pressure of economics will speed up the consolidation of the industry.

#### Masterbatches

|             |       |              |             |
|-------------|-------|--------------|-------------|
| Sales       |       |              |             |
| in CHF mio  | 1 038 | -9.3% in CHF | -5.0% in LC |
| EBITDA      |       |              |             |
| in CHF mio  | 106   |              |             |
| EBITDA      |       |              |             |
| margin in % | 10.2  |              |             |

#### Position

The division is the global market leader in color masterbatches.

#### Performance

The division saw its sales revenues in the US fall especially in the automotive and synthetic fiber industries. During the downturn, parts of the business were restructured in order to increase cost-effectiveness and lower costs. Despite negative market trends, sales in Asia increased compared with the previous year. In Europe – particularly in Germany and Great Britain – demand was weaker than in the previous year. The division was unable to fully offset the decrease in demand by the launch of new products and applications. In the period under review, inventories were scaled back by 15%.

#### Market trend

Consumer goods purchases declined in the US, Asia and Europe in 2001. In the United States the market appears to have stabilized, and growth is forecast for 2002 in the US and Asia. It is still not certain whether this growth will reach Europe. In the packaging industry, the trend to replace glass bottles by PET bottles saw no let-up. Customers are increasingly looking for suppliers that have global operations, and this benefits Clariant since the trend further strengthens its market position.

#### Strategy

The division plans to reinforce its leading market position by further improving its technology leadership and it aims to extend its lead in color masterbatches. In the current year, it is seeking growth in the emerging markets, especially in Asia.

#### Innovation

The focus is clearly on customer-driven service, for instance predicting color trends, computer-assisted design tools or a color service for the automotive industry. The market in which Clariant operates anticipates a renewal rate of 30% with fairly short product life cycles. Some 35% of the division's product portfolio is renewed every year, making it possible to grow faster than the market average.

#### Outlook

The division is prepared for the market recovery that is taking shape. Restructuring in the US and especially in Germany is enabling the division to expand and increase its flexibility. In countries such as Taiwan, China and India, capacity in coloring of non-traditional plastics is being expanded. The Latin America business unit (the division's fourth), founded in the period under review, can exploit local resources more effectively in order to access new business opportunities in the region. The new technical and design centers in Singapore and Taiwan will start operations this year.

## Functional Chemicals

|            |       |              |             |
|------------|-------|--------------|-------------|
| Sales      |       |              |             |
| in CHF mio | 1 869 | -3.4% in CHF | +1.6% in LC |
| EBITDA     |       |              |             |
| in CHF mio | 201   |              |             |
| EBITDA     |       |              |             |
| margin in% | 10.8  |              |             |

### Position

The division is the no. 1 worldwide in innovative additives for detergents and cleansing agents. In Europe, it is the market leader in polyethylene glycols and is also one of the top players in specialties in the area of ethylene oxide and derivatives. It is also a global player in personal care, crop protection and oilfield chemicals.

### Performance

The focus on specialties continued, enabling the division to gain market share in the key segments oilfield chemicals, cosmetics, crop protection, deicing agents and cleansing agents. The cleansing agent market was weak in some cases (-14%), but the Cosmetics business performed well. Process Chemicals beat the projections. The exchange of the butylglycol ether business for BP's brake fluid business rounded off the portfolio in this segment, generating additional sales. The division successfully integrated the biocides of the former BTP as well as TROS, a service company for oilfield chemicals. Inventories were cut by 6%.

### Market trend

The detergents and cleansing agents industry has started using cheaper raw materials in order to optimize its own portfolio. It was therefore not possible to push through any price increases.

At the same time, however, the trend to specialties continues.

### Strategy

The portfolio continues to shift towards specialties such as cosmetics. New products are being developed in cooperation with customers who set the technological trends. The pace of growth has been stepped up in the Americas and Asia.

### Innovation

Strong research and development units support opera-

tions in all industries. The division generated about 20% of its sales with products that are less than five years old.

### Outlook

The division anticipates buoyant growth in the US owing to new production capacity brought on stream by the cleaning agent industry. The Service Group for oilfield chemicals gained a foothold in the US market in the period under review and plans to expand this business in the current year. A new facility is being built in Mexico, while two production facilities are being rationalized. Mexico is being groomed as the division's platform for the North American market. The Cellulose Ethers and Emulsion Powders business unit was integrated into the division, which should generate additional sales with the division's current customers.

## Life Science & Electronic Chemicals

|            |       |              |             |
|------------|-------|--------------|-------------|
| Sales      |       |              |             |
| in CHF mio | 1 616 | -2.2% in CHF | +2.4% in LC |
| EBITDA     |       |              |             |
| in CHF mio | 75    |              |             |
| EBITDA     |       |              |             |
| margin in% | 4.6   |              |             |

### Position

The division develops and supplies fine chemicals, making it one of the leading partners to the agrochemical and pharmaceutical industries worldwide. It has a leading position in chemicals for products in the electronics industry.

### Performance

Overall, the division defended its position successfully in a difficult environment (sales +2.4% in local currencies). Strong price pressure plus declining volumes for pharmaceuticals led to growth in the Life Science Molecules business unit that was below projections. Sales were affected by the delay in customers obtaining FDA approval for new products and partner firms did pull back products. Nevertheless, investment in new products and processes continued. Sales fell by about 40% in the cyclical semiconductor industry. Although as a supplier Clariant was also affected by this downtrend, it limited its own sales decrease to -15% because of the strong growth seen in flat screens. This important cus-

tomers industry will maintain its upwards trend despite its cyclicality thanks to its enormous innovation potential. The division cut its inventories by 13%.

#### Market trend

Sales of pharmaceutical intermediates continue to suffer from delays in new product launches. The weak semiconductor industry has stabilized, while the flat screen business continues to grow. Consolidation in the industries served by Clariant and among Clariant's competitors shows no let-up, thus increasing pressure on margins.

#### Strategy

Huge investments in restructuring are preparing the division to meet future challenges. Following the integration of BTP, the product and business portfolio was refocused and optimized.

#### Innovation

The research pipeline has an average of 12 major projects, thus ensuring long-term growth. In Life Science Molecules, microreactor technology is being used in process optimization. Chiral intermediates based on biocatalytic processes are being launched. Several new electronic chemicals – for instance photoresists for the new chip generation – are in the development stage.

#### Outlook

With the semiconductor market expected to pick up in the second half of 2002, strong volume growth of electronic materials will make itself felt. The division should be more than able to offset price pressure. This year is expected to see the first sales of light management films. The division continues to restructure and optimize its various businesses.

#### Cellulose Ethers & Polymerisates (incl. PVA/PVB)

|            |       |              |             |
|------------|-------|--------------|-------------|
| Sales      |       |              |             |
| in CHF mio | 1 093 | -5.4% in CHF | -0.7% in LC |
| EBITDA     |       |              |             |
| in CHF mio | 114   |              |             |
| EBITDA     |       |              |             |
| margin in% | 10.4  |              |             |

#### Position

The division is the European market leader in the dye and adhesive industries. On a global scale it is a leader in polyvinylbutyral (PVA/PVB) for engineering applications, while within Europe it leads in polyvinylalcohol and methylcellulose ether.

#### Performance

The most important event in the period under review was the sale of the PVA/PVB business to the Japanese firm Kuraray Ltd. The unit performed well on the whole and increased its market share. Sales of emulsions were held at the previous year's level (-0.6% in local currencies) despite difficult market conditions. Clariant strengthened its market position in this business area by selling its 50% stake in the joint venture Harlow Chemical Company Ltd. to Yule Catto and the acquisition of the remainder of the joint venture Perstorp Clariant. This business area achieved far-reaching improvements in cost management. With commodity prices falling, margins were improved. Inventories were reduced by 25%. Sales of emulsion powders declined owing to the poor state of the construction industry.

#### Market trend

The construction sector remains weak, and there is no let-up in price pressure owing to fierce competition, overcapacity in the market and customers' cost consciousness. Competitive pressures plus price trends for raw materials mean that price increases cannot be passed on in full to customers. Another source of pressure is the economic situation in Turkey, Japan, Brazil and Argentina (11% of the business). Optimized production processes have improved the cost structure because, for instance, throughput at various plants has been increased.

#### Strategy

The product portfolio continues to develop in the direction of specialties. In response to anticipated market trends, capacity for conventional emulsions has been scaled back, while the division gears up to produce methylcellulose ether and hydroxyethyl cellulose. In the core business areas the emulsion business is to be focused more closely on Europe, while selective growth is sought in Asia.

## **Innovation**

Customer-led research and development activities have been expanded especially in higher-margin segments such as emulsions for ink-jet paper and biostable cellulose ethers for dyes. In the core business areas, projects for new developments are now all being conducted together with customers.

## **Outlook**

The integration of the Emulsions business unit in the TLP division and of the Cellulose Ethers business unit in the FUN division is releasing synergies. The cost-cutting program is being continued. For instance, four locations for the production of emulsions are being closed. Prices for raw materials are falling, but at the same time price pressure is increasing. The integration of Hodgson's emulsion business is opening up new business opportunities.

## **Corporate**

Group expenditure before restructuring charges came to CHF 60 million, compared with CHF 82 million the previous year. The decline in expenditure compared with the previous year was due in the main to the reversal of accruals. After restructuring charges, this figure was CHF 185 million. The restructuring costs affected chiefly value adjustments on infrastructure.

## **Goodwill amortization**

Amortization of goodwill came to CHF 1 337 million, of which CHF 111 million was non-recurrent amortization. A non-recurrent write-down of CHF 1 226 million results from restatement of the goodwill from the purchase of BTP plc. in 2000. The remainder of this goodwill will, as planned, be amortized over a period of 20 years. The goodwill amortization of BTP will fall to CHF 74 million in 2002 as a result of the non-recurrent write-down. This will already benefit the statement of income in 2002. The write-down was necessary because Clariant has restated the value of the business of the former BTP in light of the future generation of cash flow. More cautious assumptions were adopted owing to the still difficult conditions in the pharmaceutical and agrochemical markets, delays in production registration and product recalls.

## **Financial result**

The financial result showed an expenditure of CHF 246 million, compared with CHF 273 million the previous year. The main reason for this change is the item Other financial revenues, which increased from CHF 8 million to CHF 28 million in the year under review. This item reflects proceeds from the purchase of own bonds, which were bought at below par, and revenues from the closing-out of some interest rate and currency positions. Net interest expenditure remained unchanged at CHF 257 million in the year under review compared with the previous year. In terms of the average net financial debt, which was virtually unchanged from the previous year, the interest rate was 5.1%, almost unchanged from 5.2% in 2000. This reflects the fact that the majority of financial liabilities are hedged with long-term interest rates.

Net financial debt fell steeply in the past year, dropping to CHF 4 282 million at year-end compared with CHF 5 138 million at end-2000.

Net debt increased by CHF 192 million to CHF 5 329 million in the first six months of 2001 – mostly owing to an increase in current assets – but it fell by a substantial CHF 1 047 million in the second half. The main reasons were successful management of net current assets and the proceeds from the disposal of the PVA/PVB business unit and of the stake in Harlow Chemicals Company. The strong Swiss franc also had a positive impact.

Operating profit before special effects (Impairment of goodwill, restructuring and value adjustments) (631) was 2.5 times the net interest income (257). The marked reduction from the previous year's factor of 3.9 reflects the difficult market situation and the erosion of margins.

## **Taxes**

Tax expenditure fell from CHF 224 million in the previous year to CHF 110 million. The tax rate is distorted, however, because the bulk of the costs for restructuring and impairment could not be deducted from taxes in the period under review. For this reason, the tax rate before goodwill amortization rose from 26% to 51.4%.

| In CHF mio  | 2001   | 2000  |
|---|--------|-------|
| Profit before taxes and minorities                        | -1 123 | 737   |
| Taxes   | 110    | 224   |
| Effective tax rate  |        | 30.4% |
| Profit before goodwill amortization, taxes and minorities | 214    | 862   |
| Taxes   | 110    | 224   |
| Taxes before goodwill amortization                        | 51.4%  | 26.0% |

### Restructuring

Clariant launched an extensive restructuring program in the wake of the economic downturn and in light of the need to further integrate the BTP Group, which it had acquired in 2000. The aims of this program are to close down redundant production facilities, focus production in fewer but more efficient plants and optimize both organization and management. The program involved more than 60 group companies around the world from all divisions. The costs of the restructuring drive came to CHF 639 million. Clariant is confident that this major effort will very soon show in increased profits and bring the company closer to its strategic goals.

### Earnings per share and dividend

At the Annual General Meeting in 2001 the shareholders agreed to a ten-for-one share split, thereby increasing the number of shares from 15 344 000 to 153 440 000. Of these shares 152 387 604 were in circulation at the end of the reporting period, the remaining 1 052 936 were treasury stock. The average number of outstanding shares used to calculate earnings per share was thus 152 573 596 in 2001 compared with 147 863 670 the previous year. The loss per share thus came to CHF 8.14, compared with earnings per share of CHF 3.41 in the previous year. Earnings per share before goodwill amortization ("cash earnings per share") fell from CHF 4.26 in 2000 to CHF 0.62 in the year under review. This decline is partly due to the corporation's large-scale restructuring program. Clariant is confident that these measures will help cash earnings to rise once again.

### Dividend

The Board of Directors proposes payment of a dividend of CHF 0.30 per registered share. The total sum earmarked for dividend payments thus comes to CHF 46 million or 33% of net profit before restructuring and amortization of goodwill. The payout ratio for net profit before goodwill amortization comes to 18%.

### Balance sheet

Total assets fell substantially to CHF 10 555 million owing to the disposals and the non-recurrent amortization of goodwill. At year-end the equity ratio stood at 18.6%.

Net operating assets reflect the special effects and declined to CHF 6 314 million at year-end compared with CHF 8 805 million one year previously. Capital turnover, which measures sales in relation to average net operating assets, stood at 1.3.

Gearing, which defines net financial debt in relation to equity capital including minorities, increased to 211% from 140% one year previously. However, this was much lower than six months previously, when gearing had stood at 254%. The development was driven by two factors: the special effects impacting equity on the one hand, and the marked decrease in indebtedness on the other.

Net current assets (defined as inventories plus accounts receivable and liabilities from sales and services) were managed efficiently in the period under review: accounts receivable were reduced by -14% and inventories by -13%. At year-end net current assets stood at CHF 2 705 million compared with CHF 3 087 million at the end of the previous year.

### Capital expenditure

All told, Clariant invested CHF 505 million in the period under review, compared with CHF 535 million in the previous year. This amount is about CHF 80 million lower than the capex planned for the reporting period, even though two large plants for customer-specific products were completed on time. Capital expenditure budgeted for 2002 is less than CHF 400 million.

## Personnel

At the end of the reporting period, Clariant had 28 904 employees, 2 642 (8.4%) fewer than in the previous year. The decline was due in the main to the sale of the Cassella-Offenbach plant, the disposal of the PVA/PVB business and the restructuring program, especially in Germany. Personnel expenditure came to CHF 2 346 million including CHF 95 million restructuring costs. Personnel costs before restructuring were 5% lower than the previous year.

## Research and development

Research and development continued without let-up in 2001 since this is the only way that our employees' knowledge can be translated into new products, applications, services and production processes. A total of CHF 409 million, or 4.1% of sales revenues, was spent on R & D. Clariant has some 1 700 people working in research and development.

| Research and development | 2001 | 2000 |
|--------------------------|------|------|
| Expenditure in CHF mio   | 409  | 414  |
| As a % of sales          | 4.1% | 3.9% |

## New accounting standards

On January 1, 2001 Clariant adopted International Accounting Standard IAS 39 covering the recognition and measurement of derivative instruments and hedging activities. The initial effect of the new standard was to generate an additional liability of CHF 26 million. The impact of IAS 39 on the company's income statement is negligible.

## Sale of business operations and participations

In the period under review, Clariant sold off the PVA/PVB business unit, which was part of its Cellulose Ether & Polymerisates division. The bulk of these operations are located in Germany. Globally, PVA/PVB also includes smaller production units and sales offices. Furthermore, Clariant also disposed of its shareholdings in Harlow Chemicals Company Ltd, UK, Clariant Tokuyama, Japan, and AB Vickers, UK. These shareholdings were reported in the balance sheet according to the equity method at the time of the sale.

## Outlook

In the current year, Clariant will reduce its debt to below CHF 4 billion. It will continue to focus on the generation of cash flow. The company believes that the economy will pick up steam again in the second half, first in the US and then in Europe. Asia – with the exception of Japan – should see a positive economic trend. Prices of raw materials are expected to fall further. Clariant, because of the actions taken in 2001, is well placed to benefit from this upturn. Regardless of these trends, Clariant anticipates sales growth with new products in those areas in which it practices active portfolio management. The cost structure will improve by CHF 250 million in the next two years owing to restructuring. Efforts aimed at optimizing the portfolio will continue. The first measurable results from Business Process Management, an efficiency-boosting program launched last year, are expected soon. With the goals achieved in 2001 and the continued actions being taken Clariant is well positioned to translate the anticipated macroeconomic upturn into increased earnings.

**Forward-Looking Statements**

Forward-looking statements contained herein are qualified in their entirety as there are certain factors that could cause results to differ materially from those anticipated. Investors are cautioned that all forward-looking statements involve risks and uncertainty. In addition to the factors discussed above, among the factors that could cause actual results to differ materially are among others the following: the timing and strength of new product offerings; pricing strategies of competitors; the Company's ability to continue to receive adequate products from its vendors on acceptable terms, or at all, and to continue to obtain sufficient financing to meet its liquidity needs; and changes in the political, social and regulatory framework in which the Company operates or in economic or technological trends or conditions, including currency fluctuations, inflation and consumer confidence, on a global, regional or national basis.

# Consolidated Balance Sheets

at 31 December 2001 and 2000

|                                     |    | 31. December 2001 |       | 31. December 2000 |       |
|-------------------------------------|----|-------------------|-------|-------------------|-------|
|                                     |    | CHF mio           | %     | CHF mio           | %     |
| <b>Assets</b>                       | *  |                   |       |                   |       |
| <b>Long-term assets</b>             |    |                   |       |                   |       |
| Tangible fixed assets               | 2  | 3 754             |       | 4 420             |       |
| Intangible assets                   | 3  | 1 420             |       | 2 755             |       |
| Investments in associated companies | 4  | 411               |       | 451               |       |
| Other financial assets              | 7  | 104               |       | 97                |       |
| Deferred taxes                      | 20 | 414               |       | 451               |       |
| <b>Total long-term assets</b>       |    | <b>6 103</b>      | 57.8  | <b>8 174</b>      | 63.1  |
| <b>Current assets</b>               |    |                   |       |                   |       |
| Inventories                         | 8  | 1 984             |       | 2 268             |       |
| Trade accounts receivable           | 9  | 1 452             |       | 1 680             |       |
| Other current assets                | 10 | 472               |       | 516               |       |
| Cash and short-term deposits        |    | 544               |       | 309               |       |
| <b>Total current assets</b>         |    | <b>4 452</b>      | 42.2  | <b>4 773</b>      | 36.9  |
| <b>Total assets</b>                 |    | <b>10 555</b>     | 100.0 | <b>12 947</b>     | 100.0 |

\*The notes form an integral part of the consolidated financial statements.

## 2001 Consolidated Financial Statements of the Clariant Group

|                                     |    | 31 December<br>2001 |       | 31. December<br>2000 |       |
|-------------------------------------|----|---------------------|-------|----------------------|-------|
|                                     |    | CHF mio             | %     | CHF mio              | %     |
| <b>Equity and liabilities</b>       | *  |                     |       |                      |       |
| <b>Equity</b>                       |    |                     |       |                      |       |
| Share capital                       |    | 767                 |       | 767                  |       |
| Treasury shares (par value)         |    | -5                  |       | -3                   |       |
| Reserves                            |    | 1 196               |       | 2 803                |       |
| <b>Total equity</b>                 |    | <b>1 958</b>        | 18.6  | <b>3 567</b>         | 27.5  |
| <b>Minority interests</b>           |    | <b>74</b>           | 0.7   | <b>100</b>           | 0.8   |
| <b>Liabilities</b>                  |    |                     |       |                      |       |
| <b>Long-term liabilities</b>        |    |                     |       |                      |       |
| Financial debts                     | 13 | 3 801               |       | 3 888                |       |
| Deferred taxes                      | 20 | 617                 |       | 746                  |       |
| Other                               | 14 | 938                 |       | 868                  |       |
| <b>Total long-term liabilities</b>  |    | <b>5 356</b>        |       | <b>5 502</b>         |       |
| <b>Short-term liabilities</b>       |    |                     |       |                      |       |
| Trade accounts payable              |    | 731                 |       | 861                  |       |
| Financial debts                     | 15 | 1 025               |       | 1 559                |       |
| Taxes payable                       |    | 168                 |       | 125                  |       |
| Other                               | 16 | 1 243               |       | 1 233                |       |
| <b>Total short-term liabilities</b> |    | <b>3 167</b>        |       | <b>3 778</b>         |       |
| <b>Total liabilities</b>            |    | <b>8 523</b>        | 80.7  | <b>9 280</b>         | 71.7  |
| <b>Total equity and liabilities</b> |    | <b>10 555</b>       | 100.0 | <b>12 947</b>        | 100.0 |

\*The notes form an integral part of the consolidated financial statements.

# Consolidated Income Statements

for the years ended 31 December 2001 and 2000

|  |      | 2001         |              | 2000              |             |
|--|------|--------------|--------------|-------------------|-------------|
|  |      | CHF mio      | %            | CHF mio           | %           |
|  | *    |              |              |                   |             |
| Sales  |      | 9871         | 100.0        | 10583             | 100.0       |
| Cost of goods sold   |      | -6787        |              | -6948             |             |
| <b>Gross profit</b>  |      | <b>3084</b>  | <b>31.2</b>  | <b>3635</b>       | <b>34.3</b> |
| Marketing and distribution   |      | -1459        |              | -1534             |             |
| Research and development   |      | -409         |              | -414              |             |
| Income from associated companies   | 4    | 42           |              | 50                |             |
| Administration and general overhead cost   |      | -627         |              | -602              |             |
| <b>Operating income before restructuring, disposals and amortization of goodwill</b> |      | <b>631</b>   | <b>6.4</b>   | <b>1135</b>       | <b>10.7</b> |
| Disposal of business activities and financial fixed assets                           | 5    | 468          |              | -                 |             |
| Restructuring and impairment   | 6    | -639         |              | -                 |             |
| Amortization of goodwill   | 3, 6 | -1337        |              | -125              |             |
| <b>Operating income after restructuring, disposals and amortization of goodwill</b>  |      | <b>-877</b>  | <b>-8.9</b>  | <b>1010</b>       | <b>9.5</b>  |
| Financial result   | 19   | -246         |              | -273              |             |
| <b>Income before taxes and minority interests</b>                                    |      | <b>-1123</b> |              | <b>737</b>        |             |
| Taxes  | 20   | -110         |              | -224              |             |
| <i>Income before minority interests</i>  |      | <b>-1233</b> | <b>-12.5</b> | <b>513</b>        | <b>4.9</b>  |
| Minority interests   |      | -9           |              | -8                |             |
| <b>Net loss/income of the group</b>  |      | <b>-1242</b> |              | <b>505</b>        |             |
| Loss/earnings per share (CHF/share) <sup>1</sup>                                     |      | -8.14        |              | 3.41 <sup>1</sup> |             |
| Diluted earnings per share (CHF/share) <sup>1</sup>                                  |      | -8.14        |              | 3.32 <sup>1</sup> |             |

\*The notes form an integral part of the consolidated financial statements.

<sup>1</sup> Adapted to the share split 10:1.

# Consolidated Statements of Cash Flows

for the years ended 31 December 2001 and 2000

|  | 2001<br>CHF mio | 2000<br>CHF mio |
|--|-----------------|-----------------|
| Net income   | -1 242          | 505             |
| Depreciation of tangible fixed assets  | 924             | 506             |
| Amortization of intangible assets  | 1 349           | 141             |
| Change in long-term liabilities  | 157             | -64             |
| Profit before taxes from disposal of business activities and financial assets  | -468            | -               |
| Other non-cash items   | 61              | 18              |
| <b>Cash flow before changes in working capital</b>                             | <b>781</b>      | <b>1 106</b>    |
| Change in inventories  | 147             | -102            |
| Change in trade accounts receivable and other current assets                   | 127             | 194             |
| Change in trade accounts payable   | -96             | -92             |
| Other  | -163            | -154            |
| <b>Cash flow from operating activities</b>                                     | <b>796</b>      | <b>952</b>      |
| Investment in tangible fixed assets  | -505            | -535            |
| Change in intangible and financial assets                                      | -12             | -38             |
| Sale of tangible and intangible assets   | 77              | 92              |
| Acquisition of companies, businesses and participations (net of cash acquired) | -               | -2 942          |
| Acquisition of minority interests  | -20             | -               |
| Disposal of business activities and financial assets                           | 558             | -               |
| Dividends received   | 61              | 50              |
| <b>Cash flow from investing activities</b>                                     | <b>159</b>      | <b>-3 373</b>   |
| Capital increase   | -               | 424             |
| Treasury share transactions  | -107            | 130             |
| Change in long-term financial debts  | 32              | 1 210           |
| Change in short-term financial debts   | -474            | 295             |
| Dividends paid to third parties  | -169            | -146            |
| <b>Cash flow from financing activities</b>                                     | <b>-718</b>     | <b>1 913</b>    |
| Currency translation effect on cash and short-term deposits                    | -2              | -7              |
| <b>Net change in cash and short-term deposits</b>                              | <b>235</b>      | <b>-515</b>     |
| <b>Cash and short-term deposits at the beginning of the period</b>             | <b>309</b>      | <b>824</b>      |
| <b>Cash and short-term deposits at the end of the period</b>                   | <b>544</b>      | <b>309</b>      |
| Additional information to the Consolidated Statements of Cash Flows:           |                 |                 |
| Interest paid  | -240            | -243            |
| Income taxes paid  | -140            | -221            |

The notes form an integral part of the consolidated financial statements.

# Consolidated Statement of Changes in Equity for the years ended 31 December 2001 and 2000

in CHF mio

|  | Share premium | Retained earnings | Cumulative translation differences | Total reserves | Total share capital | Treasury shares par value | Total equity |
|--|---------------|-------------------|------------------------------------|----------------|---------------------|---------------------------|--------------|
| <b>Balance 31 December 1999</b>          | <b>1 382</b>  | <b>1 161</b>      | <b>106</b>                         | <b>2 649</b>   | <b>730</b>          | <b>-14</b>                | <b>3 365</b> |
| Effect of IAS 22 revised                 |               | -592              |                                    | -592           |                     |                           | -592         |
| Dividends to third parties               |               | -146              |                                    | -146           |                     |                           | -146         |
| Dividends on treasury shares             |               | 1                 |                                    | 1              |                     |                           | 1            |
| Exercise of conversion rights            | 387           |                   |                                    | 387            | 37                  |                           | 424          |
| Treasury share transactions              | 119           |                   |                                    | 119            |                     | 11                        | 130          |
| Translation effects                      |               |                   | -120                               | -120           |                     |                           | -120         |
| Net income                               |               | 505               |                                    | 505            |                     |                           | 505          |
| <b>Balance 31 December 2000</b>          | <b>1 888</b>  | <b>929</b>        | <b>-14</b>                         | <b>2 803</b>   | <b>767</b>          | <b>-3</b>                 | <b>3 567</b> |
| Effect of IAS 39                         |               | -26               |                                    | -26            |                     |                           | -26          |
| Valuation of cash flow hedges            |               | -2                |                                    | -2             |                     |                           | -2           |
| Dividends to third parties               |               | -169              |                                    | -169           |                     |                           | -169         |
| Dividends on treasury shares             |               | 1                 |                                    | 1              |                     |                           | 1            |
| Treasury share transactions <sup>1</sup> |               | -107              |                                    | -107           |                     | -2                        | -109         |
| Translation effects                      |               |                   | -62                                | -62            |                     |                           | -62          |
| Net income                               |               | -1 242            |                                    | -1 242         |                     |                           | -1 242       |
| <b>Balance 31 December 2001</b>          | <b>1 888</b>  | <b>-616</b>       | <b>-76</b>                         | <b>1 196</b>   | <b>767</b>          | <b>-5</b>                 | <b>1 958</b> |

<sup>1</sup> The treasury share transactions include, apart from sales and purchases of shares, an engagement in call/put options, which does not affect the number of shares held by Clariant.

The notes form an integral part of the consolidated financial statements.

# Notes to the Consolidated Financial Statements

## 1. Accounting policies

### Basis of preparation

The financial statements of the Clariant Group are prepared in accordance with the standards formulated by the International Accounting Standards Committee (IASC).

### Changes in accounting policies

Clariant adopted IAS 39 "Financial Instruments: Recognition and Measurement" as of 1 January 2001. IAS 39 requires prospective adoption and restatement of the prior year is prohibited. Thus certain accounting policies, principally affecting the measurement and classification of financial assets, derivative financial instruments and hedge accounting are different for 2001 than those used by Clariant in 2000.

### Scope of consolidation

All companies in which Clariant Ltd., Muttenz, holds a majority equity investment and possesses the majority of the voting rights are fully consolidated.

Associated companies (investments of between 20% and 50% in a company's equity) are consolidated using the equity method where the Group exercises a significant influence.

### Principles and method of consolidation

The financial statements of the companies included in the consolidation have been prepared, as a general rule, as of the date of the consolidated financial statements using the historical cost convention and applying uniform presentation and valuation principles.

The purchase method of accounting is used for acquired businesses.

Intercompany income and expenses including unrealized gross profits from internal Group transactions, and intercompany receivables and payables have been eliminated. The minority interests in the equity and the results of consolidated companies are separately disclosed in the balance sheet and income statement.

### Exchange rate differences

Income, expense and cash flows of the consolidated companies have been translated into Swiss francs using the respective yearly average sales-weighted exchange rates. The balance sheets are translated using the year end exchange rates.

Exchange rate differences arising from exchange rate movements compared to the prior year relating to the translation of shareholders' equity and long-term Group internal financing of consolidated companies, and differences resulting from the translation of the net income are allocated to reserves.

The exception to this is for Group companies in hyperinflationary countries, where all exchange rate differences are charged to the income statement.

Exchange rate differences on business transactions are recorded in the income statement at the approximate rate applicable at the time of the transaction.

### Hyperinflationary countries

The financial statements of consolidated companies operating in highly inflationary economies are maintained using current value considerations, except in those rare cases

where the use of a functional currency different (generally US Dollar) from the local currency for the underlying accounts provides a more consistent picture of the economic situation.

### Tangible fixed assets

Tangible fixed assets have been valued at historical acquisition or production costs and depreciated on a straight-line basis to the income statement, in accordance with the related Group guidelines over the following maximum estimated useful lives:

- Buildings 40 years
- Machinery and equipment 16 years
- Furniture, vehicles, computer hardware 5 to 10 years

Tangible fixed assets which are financed by leases giving rights to use the assets as if owned, are capitalized with their estimated present value at the inception of the lease, and depreciated in the same manner as other tangible fixed assets. Financing costs associated with the construction of tangible fixed assets are not capitalized.

### Intangible assets

Goodwill, arising when the acquisition cost of an investment is in excess of the fair value of net assets acquired, is capitalized and amortized over a period not exceeding twenty years. Other purchased intangible assets – such as patents, trademarks and other rights – are capitalized at historical cost and amortized on a straight-line basis to the income statement over their estimated useful lives, with a maximum of ten years. Adjustments are made for any permanent impairment in value.

### Financial assets

Associated companies are accounted for using the equity method. Since January 1, 2001 all other financial assets are initially recorded at cost and subsequently carried at fair market value. The changes in fair market values are recognised in the income statement. All purchases and sales of financial assets are recognized on settlement date, which is the date that Clariant settles the transaction. Under Clariant's previous accounting policy, all minority investments other than associated companies were reported at their acquisition cost, and loans were reported at their nominal value.

### Inventories

Purchased products are valued at acquisition cost while self-manufactured products are valued at manufacturing costs including related production overhead costs. Inventory held at the balance sheet date is primarily valued at standard cost, which as a general rule, approximates actual costs. This valuation method is also used for valuing the cost of goods sold in the income statement. Adjustments are made for inventories with a lower market value or which are slow moving. Unsaleable inventory is fully written-off.

### Trade accounts receivable

The reported values represent the invoiced amounts, less adjustments for doubtful receivables.

### Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, deposits and calls with banks as well as short term investment instruments which convert to cash within 90 days.

# Notes to the Consolidated Financial Statements

## Financial instruments and hedging

Under IAS 39 financial instruments are initially recognised in the balance sheet at cost and subsequently remeasured to their fair value. The method of recognizing the resulting gain or loss is dependent on whether the derivative contract is designated to hedge a specific risk and qualifies for hedge accounting. On the date a derivative contract is entered into, Clariant designates certain derivatives as either a) a hedge of the fair value of a recognized asset or liability (fair value hedge), or b) a hedge of a forecasted transaction (cash flow hedge) or firm commitment or c) a hedge of a net investment in a foreign entity.

Changes in the fair value of financial instruments in fair value hedges that are highly effective are recognized in the income statement, along with any changes in the fair value of the hedged asset or liability that is attributable to the hedged risk.

Changes in the fair value of derivatives in cash flow hedges are recognized in equity. Where the forecasted transaction or firm commitment results in the recognition of an asset or liability, the gains and

losses previously included in equity are included in the initial measurement of the asset or liability. Otherwise, amounts recorded in equity are transferred to the income statement and classified as revenue or expense in the same period in which the forecasted transaction affects the income statement. Hedges of net investments in foreign entities are accounted for similarly to cash flow hedges. Clariant hedges certain net investments in foreign entities with foreign currency borrowings and cross currency swaps. All foreign exchange gains or losses arising on translation are recognized in equity and included in cumulative translation differences.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognized in the income statement, when the committed or forecasted transaction ultimately is recognized in the income statement. However, if a forecasted or committed transaction is no longer expected to occur, the cumulative gain or loss that was recognized in equity is immediately transferred to the income statement.

Certain financial instruments, while providing effective economic hedges under Clariant's policies, do not qualify for hedge accounting. Changes in the fair value of any financial instruments that do not qualify for hedge accounting under IAS 39 are recognized immediately in the financial result.

Financial instruments are used in the normal course of business to reduce risks arising from currency translation, interest rate or price movement. Clariant manages and records centrally its cover of various positions arising from existing assets and liabilities as well as future business transactions. For minimizing the counterparty risk Clariant entered into financial instruments only with reputable international banks. The result of using financial instruments in Clariant's risk management program is permanently monitored, checked and communicated to Group management.

Under Clariant's previous accounting policy gains and losses arising from the use of financial instruments for the purpose of hedging other financial risks were recorded in the income statement when the gains and losses arising from the underlying hedged position were

recognized. All other financial instruments were valued at fair market value with the resulting gains and losses being recorded in the financial result.

## Deferred taxes

Deferred taxes have been calculated using the comprehensive liability method. These result from the temporary differences that arise between the recognition of items in the balance sheets of Group companies used for tax purposes and those prepared for consolidation purposes. Withholding tax on possible distributions of retained earnings of Group companies is not taken into account since, generally, retained earnings are reinvested. Deferred taxes, calculated using applicable local tax rates, are included in long-term assets, resp. in long-term liabilities with changes in the year recorded in the income statement.

# Notes to the Consolidated Financial Statements

## **Pension fund, post-retirement and termination benefits**

### **(a) Defined benefit pension plans**

The liability in respect of defined benefit pension plans corresponds to the defined benefit obligation and is periodically calculated by independent actuaries. The charge for such pension plans representing the net periodic pension cost is included in personnel expenses.

### **(b) Post-retirement benefits other than pensions**

Some Group companies provide healthcare and life insurance benefits for the majority of their retired employees and their eligible dependents. The cost of these benefits is actuarially determined and accrued over the employees' working lives. Personnel costs and long-term liabilities include the expense and related liability, respectively.

### **(c) Termination benefits**

These are provided in accordance with the legal requirements of certain countries.

### **Research and development**

With the exception of fixed assets used for research and development, which are capitalized and written off over their estimated useful life, research and development costs are charged to the income statement in the period during which they are incurred.

# Notes to the Consolidated Financial Statements

## 2. Tangible fixed asset movements

in CHF mio

|                                     | Land       | Buildings     | Machinery and equipment | Furniture, vehicles, computer hardware | Plant under construction | Total 2001    | Total 2000    |
|-------------------------------------|------------|---------------|-------------------------|--|--------------------------|---------------|---------------|
| <b>Costs</b>                        |            |               |                         |  |                          |               |               |
| at 1 January                        | 657        | 2 650         | 6 357                   | 722                                    | 356                      | 10 742        | 10 118        |
| Changes in consolidation scope      | –          | –             | –                       | –                                      | –                        | –             | 832           |
| Additions and reclassifications     | 5          | 110           | 407                     | 78                                     | –95                      | 505           | 535           |
| Disposals                           | –1         | –32           | –974                    | –133                                   | –3                       | –1 143        | –407          |
| Translation effects                 | 18         | –164          | –105                    | –13                                    | 45                       | –219          | –336          |
| <b>at 31 December</b>               | <b>679</b> | <b>2 564</b>  | <b>5 685</b>            | <b>654</b>                             | <b>303</b>               | <b>9 885</b>  | <b>10 742</b> |
| <b>Accumulated depreciation</b>     |            |               |                         |  |                          |               |               |
| at 1 January                        | –          | –1 305        | –4 444                  | –573                                   | –                        | –6 322        | –6 059        |
| Changes in consolidation scope      | –          | –             | –                       | –                                      | –                        | –             | –255          |
| Additions and reclassifications     | –91        | –222          | –522                    | –89                                    | –                        | –924          | –505          |
| Disposals                           | –          | 14            | 926                     | 126                                    | –                        | 1 066         | 315           |
| Translation effects                 | 1          | 46            | –12                     | 14                                     | –                        | 49            | 182           |
| <b>at 31 December</b>               | <b>–90</b> | <b>–1 467</b> | <b>–4 052</b>           | <b>–522</b>                            | <b>–</b>                 | <b>–6 131</b> | <b>–6 322</b> |
| <b>Book value at 31 December</b>    | <b>589</b> | <b>1 097</b>  | <b>1 633</b>            | <b>132</b>                             | <b>303</b>               | <b>3 754</b>  | <b>4 420</b>  |
| <b>Insured value at 31 December</b> |            |               |                         |  |                          | <b>10 087</b> | <b>13 279</b> |

The capitalized cost of tangible fixed assets under lease contracts at 31 December 2001 amounts to CHF 21 million with a book value of CHF 11 million (2000: CHF 12 million and CHF 1 million respectively).

As of 31 December 2001, commitments for purchases of tangible fixed assets totalled CHF 41 million (2000: CHF 72 million).

# Notes to the Consolidated Financial Statements

## 3. Intangible asset movements

| in CHF mio                       | Goodwill      | Other      | Total<br>2001 | Total<br>2000 |
|----------------------------------|---------------|------------|---------------|---------------|
| <b>Costs</b>                     |               |            |               |               |
| at 1 January                     | 2 858         | 124        | 2 982         | 928           |
| Effect of IAS 22 revised         | –             | –          | –             | –675          |
| Changes in consolidation scope   | –             | –          | –             | 2 702         |
| Additions                        | –             | 12         | 12            | 38            |
| Disposals                        | –             | –2         | –2            | –1            |
| Translation effects              | 4             | –3         | 1             | –10           |
| <b>at 31 December</b>            | <b>2 862</b>  | <b>131</b> | <b>2 993</b>  | <b>2 982</b>  |
| <b>Accumulated amortization</b>  |               |            |               |               |
| at 1 January                     | –155          | –72        | –227          | –176          |
| Effect of IAS 22 revised         | –             | –          | –             | 83            |
| Amortization                     | –1 337        | –12        | –1 349        | –141          |
| Disposals                        | –             | 1          | 1             | 1             |
| Translation effects              | 2             | –          | 2             | 6             |
| <b>at 31 December</b>            | <b>–1 490</b> | <b>–83</b> | <b>–1 573</b> | <b>–227</b>   |
| <b>Book value at 31 December</b> | <b>1 372</b>  | <b>48</b>  | <b>1 420</b>  | <b>2 755</b>  |

The goodwill arising on the acquisition of BTP plc. in 2000 (CHF 2 702 mio) was reassessed for recoverability in 2001. The resulting special amortization amounted to CHF 1 226 mio.

# Notes to the Consolidated Financial Statements

## 4. Investment in associated companies

|                                    | Balance sheet value   |                       | Effect on the income statement |                 |
|------------------------------------|-----------------------|-----------------------|--------------------------------|-----------------|
|                                    | 31.12.2001<br>CHF mio | 31.12.2000<br>CHF mio | 2001<br>CHF mio                | 2000<br>CHF mio |
| InfraServ GmbH & Co. Höchst KG     | 190                   | 193                   | 18                             | 14              |
| SF-Chem AG                         | 70                    | 70                    | 2                              | 4               |
| InfraServ GmbH & Co. Wiesbaden KG  | 35                    | 51                    | 6                              | 7               |
| InfraServ GmbH & Co. Gendorf KG    | 38                    | 42                    | 4                              | 7               |
| Harco Harlow Chemical Company Ltd. | –                     | 25                    | 5                              | 11              |
| InfraServ GmbH & Co. Knapsack KG   | 22                    | 22                    | 2                              | 2               |
| Perstorp-Clariant AB               | 8                     | 10                    | –                              | 2               |
| Others                             | 48                    | 38                    | 5                              | 3               |
| <b>Total</b>                       | <b>411</b>            | <b>451</b>            | <b>42</b>                      | <b>50</b>       |

## 5. Disposal of business activities and financial assets

During the year 2001 the operations of the business unit PVA/PVB pertaining to the division Cellulose Ether and Polymerisates were sold.

Sales, income cash flow and net assets of the business unit disposed of were as listed below for the reporting year and the previous year:

|   |                         |                         |
|---|-------------------------|-------------------------|
|   | <b>2001<br/>CHF mio</b> | <b>2000<br/>CHF mio</b> |
| Sales   | 198                     | 188                     |
| Operating costs                               | –162                    | –149                    |
| <b>Result before tax</b>                      | <b>36</b>               | <b>39</b>               |
| Taxes   | –9                      | –12                     |
| <b>Result after tax</b>                       | <b>27</b>               | <b>27</b>               |
| <b>Cash flows of discontinuing operations</b> | <b>2001<br/>CHF mio</b> | <b>2000<br/>CHF mio</b> |
| Operating cash flows                          | 22                      | 29                      |
| Investing cash flows                          | –9                      | –6                      |
| <b>Total cash flows</b>                       | <b>13</b>               | <b>23</b>               |

## Notes to the Consolidated Financial Statements

| <b>Net assets of discontinuing operations</b> | <b>at the date<br/>of disposal<br/>CHF mio</b> | 31.12.2000<br>CHF mio |
|---|--|-----------------------|
| Tangible fixed assets                         | 40   | 40                    |
| Current assets                                | 53   | 67                    |
| <b>Total assets</b>                           | <b>93</b>                                      | <b>107</b>            |
| Total liabilities                             | -25  | -36                   |
| <b>Net assets</b>                             | <b>68</b>                                      | <b>71</b>             |
| Number of employees                           | 258  | 243                   |

In addition to this, shareholdings in the companies Harco Harlow Chemical Company Ltd. UK and Clariant Tokuyama, Japan were sold. Shareholdings in both companies were recorded as shareholdings valued at equity at the point in time of their disposal.

The income resulting from the disposal of business activities and financial assets was the following:

|   | <b>CHF mio</b> |
|---|----------------|
| Proceeds from sales   | 558            |
| Net value of assets and liabilities sold                                      | -90            |
| Profit before taxes from disposal of business activities and financial assets | <b>468</b>     |
| Tax expense   | -133           |
| <b>Net result from disposal of business activities and financial assets</b>   | <b>335</b>     |

## Notes to the Consolidated Financial Statements

### 6. Restructuring and impairment

As a result of the slackening economy and the need for further integration of the BTP group acquired in 2000, Clariant has embarked on a large scale restructuring program.

The goal of this effort is the elimination of idle production facilities, the concentration on fewer but more efficient production sites and the streamlining of organizational and administrative infrastructure. The program involved more than

60 affiliates worldwide and all divisions. The measures comprise the reduction of redundant staff, the closure of entire sites and a critical assessment of the recoverable value of fixed assets and inventory in the companies concerned.

The expenses for restructuring and impairment in 2001 were as follows:

| in CHF mio  | Total Group  | Corporate    | TOTAL Division | TLP        | PA        | MB        | FUN       | LSE        | CEP       |
|---|--------------|--------------|----------------|------------|-----------|-----------|-----------|------------|-----------|
| <b>Cash out expenses</b>  | <b>68</b>    | <b>3</b>     | <b>65</b>      | <b>12</b>  | <b>5</b>  | <b>1</b>  | <b>11</b> | <b>26</b>  | <b>10</b> |
| <b>Non cash expenses</b>  |              |              |                |            |           |           |           |            |           |
| Provisions for:   |              |              |                |            |           |           |           |            |           |
| Leaving indemnity   | 70           | 5            | 65             | 26         | 13        | 1         | 5         | 10         | 10        |
| Others  | 121          | –            | 121            | 35         | 12        | 8         | 6         | 45         | 15        |
| <b>Total provisions</b>   | <b>191</b>   | <b>5</b>     | <b>186</b>     | <b>61</b>  | <b>25</b> | <b>9</b>  | <b>11</b> | <b>55</b>  | <b>25</b> |
| Write-off fixed assets:   |              |              |                |            |           |           |           |            |           |
| Land and Buildings  | 163          | 117          | 46             | 8          | 22        | –         | 2         | 10         | 4         |
| Others  | 217          | –            | 217            | 45         | 38        | 7         | 10        | 109        | 8         |
| <b>Total write-off fixed assets</b>                                       | <b>380</b>   | <b>117</b>   | <b>263</b>     | <b>53</b>  | <b>60</b> | <b>7</b>  | <b>12</b> | <b>119</b> | <b>12</b> |
| <b>Total restructuring and impairment before amortization of Goodwill</b> | <b>639</b>   | <b>125</b>   | <b>514</b>     | <b>126</b> | <b>90</b> | <b>17</b> | <b>34</b> | <b>200</b> | <b>47</b> |
| Impairment of Goodwill  | 1 226        | 1 226        | –              | –          | –         | –         | –         | –          | –         |
| <b>Total restructuring and impairment</b>                                 | <b>1 865</b> | <b>1 351</b> | <b>514</b>     | <b>126</b> | <b>90</b> | <b>17</b> | <b>34</b> | <b>200</b> | <b>47</b> |
| <b>Thereof non cash expenses</b>  | <b>1 797</b> | <b>1 348</b> | <b>449</b>     | <b>114</b> | <b>85</b> | <b>16</b> | <b>23</b> | <b>174</b> | <b>37</b> |

# Notes to the Consolidated Financial Statements

## 7. Other financial assets

|                   | 31.12.2001<br>CHF mio | 31.12.2000<br>CHF mio |
|-------------------|-----------------------|-----------------------|
| Prepaid pensions  | 102                   | 94                    |
| Other investments | 2                     | 3                     |
| <b>Total</b>      | <b>104</b>            | <b>97</b>             |

## 8. Inventories

|   | 31.12.2001<br>CHF mio | 31.12.2000<br>CHF mio |
|---|-----------------------|-----------------------|
| Raw material, consumables, work in progress | 849                   | 911                   |
| Finished products                           | 1 135                 | 1 357                 |
| <b>Total</b>                                | <b>1 984</b>          | <b>2 268</b>          |

## 9. Trade accounts receivable

|                                    | 31.12.2001<br>CHF mio | 31.12.2000<br>CHF mio |
|------------------------------------|-----------------------|-----------------------|
| Receivables gross                  | 1 558                 | 1 794                 |
| Allowance for doubtful receivables | -106                  | -114                  |
| <b>Total net</b>                   | <b>1 452</b>          | <b>1 680</b>          |

## 10. Other current assets

|                                 | 31.12.2001<br>CHF mio | 31.12.2000<br>CHF mio |
|---------------------------------|-----------------------|-----------------------|
| Other receivables               | 366                   | 356                   |
| Short-term financial assets     | 36                    | 70                    |
| Prepaid expenses/accrued income | 70                    | 90                    |
| <b>Total</b>                    | <b>472</b>            | <b>516</b>            |

## 11. Financial instruments

### Risk management (hedging) instruments and off-balance sheet risks

Clariant uses forward foreign exchange and option contracts, interest rate and currency swaps, and other derivative instruments to hedge the Group's risk exposure to volatility in interest rates and currencies and to manage the return on cash and cash equivalents. Risk exposures from existing assets and liabilities as well as anticipated transactions are managed centrally.

### Interest rate management

It is the Group's policy to manage the cost of interest using fixed and variable rate debt and interest related derivatives.

### Foreign exchange management

To manage the exposure to fluctuation in foreign currency exchange rates, the Group follows a strategy of hedging both balance sheet and revenue risk partially through the use of forward exchange contracts and currency swaps in various currencies. In order to minimize financial expenses the Group does not hedge the entire exposure.

### Counterparty risk

Financial instruments contain an element of risk that the counterparty may be unable to either issue securities or to fulfill the settlement terms of a contract. Clariant therefore only cooperates with counterparties or issuers that are at least

A rated. The cumulative exposure to these counterparties is constantly monitored by the Group management; therefore, there is no expectation of a material loss due to counterparty risk in the future. The following table shows the contract or underlying principal amounts and the respective fair value of financial instruments by type at year-end. The contract or underlying principal amounts indicate the volume of business outstanding at the balance sheet date and do not represent the amount at risk. The fair values represent market values or standard pricing models at 31 December 2001.

| <b>Financial instruments</b>                               | Contract or underlying principal amount<br>CHF mio | Positive fair values<br>CHF mio | Negative fair values<br>CHF mio |
|--|--|---------------------------------|---------------------------------|
| <b>Currency related instruments</b>                        |  |                                 |                                 |
| Forward foreign exchange rate contracts and currency swaps | 524  | 5                               | -100                            |
| <b>Interest related instruments</b>                        |  |                                 |                                 |
| Interest rate swaps  | 981  | 20                              | -17                             |
| <b>Total financial instruments</b>                         | <b>1 505</b>                                       | <b>25</b>                       | <b>-117</b>                     |

# Notes to the Consolidated Financial Statements

## Financial instruments by maturity

|   | 1–12 months<br>CHF mio | 1–5 years<br>CHF mio | over 5 years<br>CHF Mio | <b>Total<br/>CHF mio</b> |
|---|------------------------|----------------------|-------------------------|--------------------------|
| <b>Currency related instruments</b>                                 |                        |                      |                         |                          |
| Forward foreign exchange rate contracts<br>and cross currency swaps | 75                     | 411                  | 38                      | 524                      |
| <b>Interest related instruments</b>                                 |                        |                      |                         |                          |
| Interest rate swaps   | 476                    | 240                  | 265                     | 981                      |
| <b>Total financial instruments</b>                                  | <b>551</b>             | <b>651</b>           | <b>303</b>              | <b>1 505</b>             |

## Financial instruments by currency

|                                    | Forward foreign<br>exchange rate<br>contracts and<br>currency swaps<br>CHF mio | <b>Total<br/>CHF mio</b> |
|------------------------------------|--|--------------------------|
| USD                                | 431  | 431                      |
| JPY                                | 69   | 69                       |
| EUR                                | 23   | 23                       |
| Other                              | 1  | 1                        |
| <b>Total</b>                       | <b>524</b>   | <b>524</b>               |
| Interest rate swaps                |  | 981                      |
| <b>Total financial instruments</b> |  | <b>1 505</b>             |

All counterparties are A-rated at least.

## Summary of the impact of adapting IAS 39 at 1 January 2001

|   | CHF mio    |
|---|------------|
| <b>Financial instruments measured to fair value</b> |            |
| Non qualifying hedges                               | -23        |
| Fair value hedges                                   | -2         |
| Cash flow hedges                                    | -1         |
| <b>Total</b>  | <b>-26</b> |

|  | 2001<br>CHF mio | 2000<br>CHF mio |
|--|-----------------|-----------------|
| <b>Financial instruments effective for hedge accounting purposes</b> |                 |                 |
| <b>Fair value of cash flow hedges</b>                                |                 |                 |
| Interest rate swaps  | -14             | -10             |
| <b>Fair value of fair value hedges</b>                               |                 |                 |
| Interest rate swaps  | 21              | 14              |
| Forward foreign exchange contracts and currency swaps                | -18             | -14             |
| <b>Fair value of hedges of net investments in foreign entities:</b>  |                 |                 |
| <b>Contracts with positive fair values</b>                           |                 |                 |
| Cross currency swaps   | 3               | 2               |
| <b>Contracts with negative fair values</b>                           |                 |                 |
| Borrowings denominated in foreign currencies                         | -303            | -311            |
| Cross currency swaps   | -50             | -46             |

### Securitisation

For a number of years Clariant has been using securitisation as a means of financing. Trade receivables from certain companies are

sold in ABS programs and as a consequence are derecognized from the balance sheet. As the trade receivables are insured against the risk of default, Clariant does not

retain obligation or interest in the receivables.

|   | CHF mio<br>2001 | CHF mio<br>2000 |
|---|-----------------|-----------------|
| <b>Volumes of securitisation of trade receivables</b> |                 |                 |
| Trade receivables denominated in Euro                 | 214             | 234             |
| Trade receivables denominated in US Dollars           | 136             | 147             |
| <b>Total</b>  | <b>350</b>      | <b>381</b>      |

# Notes to the Consolidated Financial Statements

## 12. Changes in share capital and treasury shares

Registered shares each with a par value of CHF 5 (adapted to the share split 10:1)

|  | Number of shares<br>2001 | Par value<br>CHF mio<br>2001 | Number of shares<br>2000 | Par value<br>CHF mio<br>2000 |
|--|--------------------------|------------------------------|--------------------------|------------------------------|
| at 1 January                                     | 153 440 000              | 767                          | 146 008 280              | 730                          |
| Increase of share capital by conversion of bonds | –                        | –                            | 7 431 720                | 37                           |
| <b>at 31 December</b>                            | <b>153 440 000</b>       | <b>767</b>                   | <b>153 440 000</b>       | <b>767</b>                   |
| Treasury shares                                  | –1 052 396               | –5                           | –564 760                 | –3                           |
| <b>Outstanding Capital<br/>31 December</b>       | <b>152 387 604</b>       | <b>762</b>                   | <b>152 875 240</b>       | <b>764</b>                   |

Treasury shares (number of shares)

|   | 2001             | 2000           |
|---|------------------|----------------|
| Holdings at 1 January   | 564 760          | 2 898 160      |
| Shares purchased at fair market value                               | 610 686          | 886 890        |
| Shares sold at fair market value                                    | –102 410         | –3 220 290     |
| Shares for employees  | –20 640          | –              |
| <b>Holdings at 31 December</b>                                      | <b>1 052 396</b> | <b>564 760</b> |
| Outstanding shares, accessible to Clariant via a call/put structure | 3 150 000        | 3 150 000      |

# Notes to the Consolidated Financial Statements

## 13. Long-term financial debts

|   | Interest rate     | Term      | Original amount<br>31.12.2001<br>CHF mio | Repurchased | Net amount<br>31.12.2001<br>CHF mio | Net amount<br>31.12.2000<br>CHF mio |
|---|-------------------|-----------|--|-------------|-------------------------------------|-------------------------------------|
| Straight Bonds  | 4 $\frac{5}{8}$ % | 1996–2003 | 150                                      | –15         | 135                                 | 150                                 |
| Straight Bonds  | 4 $\frac{1}{8}$ % | 1996–2006 | 200                                      | –39         | 161                                 | 200                                 |
| Straight Bonds  | 3 $\frac{3}{8}$ % | 1997–2004 | 300                                      | –37         | 263                                 | 300                                 |
| Straight Bonds  | 3 $\frac{3}{4}$ % | 1997–2007 | 200                                      | –14         | 186                                 | 200                                 |
| Straight Bonds  | 3%                | 1998–2005 | 250                                      | –32         | 218                                 | 250                                 |
| Straight Bonds  | 4 $\frac{1}{4}$ % | 2000–2008 | 500                                      | –66         | 434                                 | 500                                 |
| <b>Total</b>  |                   |           | <b>1 600</b>                             | <b>–203</b> | <b>1 397</b>                        | <b>1 600</b>                        |
| <b>Liabilities to banks and other financial institutions</b>            |                   |           |  |             | <b>2 418</b>                        | <b>2 307</b>                        |
| <b>Obligations under finance leases</b>                                 |                   |           |  |             | <b>–</b>                            | <b>1</b>                            |
| <b>Subtotal</b>   |                   |           |  |             | <b>3 815</b>                        | <b>3 908</b>                        |
| <b>Less current portion</b>   |                   |           |  |             | <b>–14</b>                          | <b>–20</b>                          |
| <b>Total</b>  |                   |           |  |             | <b>3 801</b>                        | <b>3 888</b>                        |
| Breakdown by maturity   |                   |           |  | 2002        | –                                   | 28                                  |
|   |                   |           |  | 2003        | 485                                 | 484                                 |
|   |                   |           |  | 2004        | 503                                 | 313                                 |
|   |                   |           |  | 2005        | 786                                 | 830                                 |
|   |                   |           |  | 2006        | 552                                 | –                                   |
|   |                   |           |  | thereafter  | 1 475                               | 2 233                               |
| <b>Total</b>  |                   |           |  |             | <b>3 801</b>                        | <b>3 888</b>                        |
| Breakdown by currency   |                   |           |  | CHF         | 1 693                               | 1 906                               |
|   |                   |           |  | EUR         | 784                                 | 586                                 |
|   |                   |           |  | USD         | 395                                 | 391                                 |
|   |                   |           |  | JPY         | 914                                 | 984                                 |
|   |                   |           |  | other       | 15                                  | 21                                  |
| <b>Total</b>  |                   |           |  |             | <b>3 801</b>                        | <b>3 888</b>                        |
| <b>Fair value comparison</b>  |                   |           |  |             |                                     |                                     |
| Straight bonds  |                   |           |  |             | 1 321                               | 1 610                               |
| Others  |                   |           |  |             | 2 264                               | 2 399                               |
| <b>Total</b>  |                   |           |  |             | <b>3 585</b>                        | <b>4 009</b>                        |
| Total value of the security given, mainly against tangible fixed assets |                   |           |  |             | 204                                 | 210                                 |
| Total secured long-term financial debts                                 |                   |           |  |             | 42                                  | 56                                  |

In order to reduce financial debts Clariant repurchased bonds in the amount of CHF 203 mio in 2001.

# Notes to the Consolidated Financial Statements

## 14. Movements in other long-term liabilities

| in CHF mio   | Provisions for pension plans | Environmental provisions | Other long-term provisions | Total 2001 |
|--|------------------------------|--------------------------|----------------------------|------------|
| at 1 January   | 456                          | 199                      | 213                        | 868        |
| Additions and reclassifications                              | 99                           | 69                       | 107                        | 275        |
| Amounts used   | -89                          | -11                      | -79                        | -179       |
| Unused amounts reversed                                      | -1                           | -                        | -12                        | -13        |
| Changes due to passage of time and changes in discount rates | 12                           | -                        | 2                          | 14         |
| Translation effects  | -11                          | -5                       | -11                        | -27        |
| <b>At 31 December</b>  | <b>466</b>                   | <b>252</b>               | <b>220</b>                 | <b>938</b> |

## 15. Short-term financial debts

|  | 31.12.2001<br>CHF mio | 31.12.2000<br>CHF mio |
|--|-----------------------|-----------------------|
| Banks and other financial institutions (including employees' accounts) | 1 011                 | 1 539                 |
| Current portion of long-term financial debts                           | 14                    | 20                    |
| <b>Total</b>   | <b>1 025</b>          | <b>1 559</b>          |

## 16. Other short-term liabilities

|                                    | 31.12.2001<br>CHF mio | 31.12.2000<br>CHF mio |
|------------------------------------|-----------------------|-----------------------|
| Provisions for restructuring       | 172                   | 120                   |
| Liabilities from personnel costs   | 158                   | 167                   |
| Other short-term provisions        | 222                   | 164                   |
| <b>Total short-term provisions</b> | <b>552</b>            | <b>451</b>            |
| Accruals                           | 441                   | 583                   |
| Other payables                     | 250                   | 199                   |
| <b>Total</b>                       | <b>1 243</b>          | <b>1 233</b>          |

# Notes to the Consolidated Financial Statements

## Movements in short-term provisions

| in CHF mio                      | Restructuring provisions | Liabilities from personnel costs | Other short-term provisions | <b>Total 2001</b> |
|---------------------------------|--------------------------|----------------------------------|-----------------------------|-------------------|
| at 1 January                    | 120                      | 167                              | 164                         | 451               |
| Additions and reclassifications | 180                      | 121                              | 198                         | 499               |
| Amounts used                    | -81                      | -104                             | -112                        | -297              |
| Unused amounts reversed         | -45                      | -21                              | -23                         | -89               |
| Translation effects             | -2                       | -5                               | -5                          | -12               |
| <b>at 31 Dezember</b>           | <b>172</b>               | <b>158</b>                       | <b>222</b>                  | <b>552</b>        |

## 17. Employee Benefits

The Group has, apart from the legally required social security schemes, numerous independent pension plans. The assets are

principally held externally. For certain Group companies, however, no independent assets exist for the pension and other long-

term employee benefit obligations. In these cases the related liability is included in the balance sheet.

|   | <b>31.12.2001<br/>CHF mio</b> | 31.12.2000<br>CHF mio |
|---|-------------------------------|-----------------------|
| Liabilities recognized in the balance sheet:  |                               |                       |
| Pension Funds      defined contribution plans | -28                           | -25                   |
| defined benefit plans                         | -309                          | -312                  |
| Other post retirement benefit plans           | -129                          | -119                  |
| <b>Total</b>                                  | <b>-466</b>                   | <b>-456</b>           |

# Notes to the Consolidated Financial Statements

## Defined contribution pension and termination plans

In 2001, CHF 30 million was charged to the income statements of the Group companies as contributions to these plans (2000: CHF 27 million).

## Defined benefit obligations plans

### Defined benefit pension and termination plans

Defined benefit pension and termination plans cover the majority of the Group's employees. Future obligations and the corresponding assets of those plans considered as defined benefit plans under IAS 19 are reappraised annually and

reassessed at least every three years by independent actuaries. Assets are valued at fair values. US employees transferred to Clariant with the Hoechst Specialty Chemicals business remain insured with Hoechst for their pension claims incurred prior to 30 June 1997.

The following is a summary of the status of the plans:

|                                       | 31.12.2001<br>CHF mio | 31.12.2000<br>CHF mio |
|---------------------------------------|-----------------------|-----------------------|
| Present value of funded obligations   | -1 327                | -1 189                |
| Fair value of plan assets             | 1 259                 | 1 457                 |
| <b>Deficit/Surplus</b>                | <b>-68</b>            | <b>268</b>            |
| Present value of unfunded obligations | -284                  | -261                  |
| Unrecognized actuarial losses (gains) | 43                    | -319                  |
| <b>Liability in the balance sheet</b> | <b>-309</b>           | <b>-312</b>           |

The pension plan assets include registered shares issued by the Company with a fair value of CHF 10 million at 31 December 2001 (2000: CHF 20 million).

# Notes to the Consolidated Financial Statements

The amounts recognized in the income statement are as follows:

|  | <b>2001</b>    | 2000       |
|--|----------------|------------|
|  | <b>CHF mio</b> | CHF mio    |
| Current service cost   | -81            | -92        |
| Interest cost  | -78            | -65        |
| Expected return on plan assets   | 88             | 82         |
| Net actuarial losses recognized in current year                        |                | -1         |
| Losses on curtailment  | -2             | -          |
| <b>Total included in personnel costs in the Group income statement</b> | <b>-73</b>     | <b>-76</b> |

The actual return on plan assets in 2001 was CHF -186 million (2000: CHF +115 million).

Movement in the liability recognized in the balance sheet:

|   | <b>31.12.2001</b> | 31.12.2000  |
|---|-------------------|-------------|
|   | <b>CHF mio</b>    | CHF mio     |
| At beginning of year                          | -312              | -317        |
| Translation effect                            | 15                | 18          |
| Reduction in obligations due to restructuring | 14                | -           |
| Total expense as above                        | -73               | -76         |
| Contributions paid                            | 51                | 65          |
| Others  | -4                | -2          |
| <b>At end of year</b>                         | <b>-309</b>       | <b>-312</b> |

The principal actuarial assumptions used for accounting purposes were:

|                                | weighted average % |      |
|--------------------------------|--------------------|------|
|                                | <b>2001</b>        | 2000 |
| Discount rate                  | 5.4%               | 5.2% |
| Expected return on plan assets | 6.3%               | 6.2% |
| Expected inflation rate        | 2.4%               | 2.5% |

# Notes to the Consolidated Financial Statements

## Post employment medical benefits

The Group operates a number of post employment medical benefit schemes in the USA, Canada and

France. The method of accounting for the liabilities associated with these plans is similar to the one used for defined benefit pension schemes. These plans are not exter-

nally funded, but are covered by provisions in the balance sheets of the Group companies concerned.

The following amounts are recognized in the balance sheet:

|                                       | 2001<br>CHF mio | 2000<br>CHF mio |
|---------------------------------------|-----------------|-----------------|
| Present value of unfunded obligations | -129            | -119            |

The amounts recognized in the income statement are as follows:

|  | 2001<br>CHF mio | 2000<br>CHF mio |
|--|-----------------|-----------------|
| Current service cost                     | -3              | -3              |
| Interest cost                            | -7              | -7              |
| <b>Total included in personnel costs</b> | <b>-10</b>      | <b>-10</b>      |

Movement in the liability recognized in the balance sheet:

|                        | 2001<br>CHF mio | 2000<br>CHF mio |
|------------------------|-----------------|-----------------|
| At beginning of year   | -119            | -115            |
| Translation effect     | -2              | -2              |
| Total expense as above | -10             | -10             |
| Benefits paid          | 3               | 3               |
| Other                  | -1              | 5               |
| <b>At end of year</b>  | <b>-129</b>     | <b>-119</b>     |

In addition to the assumptions used for the pensions schemes, the main actuarial assumption is a long term increase in health costs of 8.0% per year.

## 18. Employee participation plans

### I. Executive Stock Option Plan "ESOP"

In 1999, a new Clariant Group Executive Stock Option Plan was introduced.

Under this plan, a specific group of executives are granted, as part of their annual remuneration, the choice of either:

#### a Options

The granted options entitle the holder to acquire registered shares of Clariant Ltd. (1 share per option) at a predetermined strike price. They become vested and are exercisable after 3 years and expire after 10 years.

#### b Shares

The granted registered shares Clariant Ltd. become vested and are exercisable after 3 years.

### II. Management Stock Incentive Plan "MSIP"

In 1999, a Clariant Group Management Stock Incentive Plan was introduced. Under this plan a specific group of managers are granted, as part of their annual remuneration, registered shares of Clariant Ltd. The shares become vested after 3 years.

The number of options and shares granted in both plans depends on the performance of the individuals and on the performance of the sector in which they work.

The costs of the Plans (I.b) and (II.) are included in personnel expenses. A provision has been made for shares earned in 2001 which will be granted in 2002. The grant of options (I.a) has no effect on the income statement.

### Share options and shares as of 31 December 2001

| <b>Options</b> |         |                     |             |                   |                      | <b>Number<br/>31.12.2001</b> | <b>Number*<br/>31.12.2000</b> |
|----------------|---------|---------------------|-------------|-------------------|----------------------|------------------------------|-------------------------------|
| Base-year      | Granted | Exercisable<br>from | Expiry date | Exercise<br>price |                      |                              |                               |
| 1997           | 1998    | 2001                | 2007        | 28.65             | 113 480 <sup>1</sup> | 159 740                      |                               |
| 1997           | 1998    | 2001                | 2007        | 42.15             | 145 100 <sup>1</sup> | 154 560                      |                               |
| 1998           | 1999    | 2002                | 2008        | 69.50             | 308 820 <sup>2</sup> | 340 920                      |                               |
| 1999           | 2000    | 2003                | 2009        | 54.00             | 103 820 <sup>2</sup> | 103 820                      |                               |
| 2000           | 2001    | 2004                | 2010        | 47.00             | 6 420 <sup>2</sup>   | —                            |                               |
| <b>Total</b>   |         |                     |             |                   |                      | <b>677 640</b>               | <b>759 040</b>                |
| <b>Shares</b>  |         |                     |             |                   |                      | <b>Number<br/>31.12.2001</b> | <b>Number*<br/>31.12.2000</b> |
| Base-year      | Granted | Exercisable<br>from | Expiry date | Exercise<br>price |                      |                              |                               |
| 1998           | 1999    | 2002                |             |                   | 82 550 <sup>2</sup>  | 85 960                       |                               |
| 1999           | 2000    | 2003                |             |                   | 176 260 <sup>2</sup> | 193 790                      |                               |
| 2000           | 2001    | 2004                |             |                   | 316 890 <sup>2</sup> | —                            |                               |
| <b>Total</b>   |         |                     |             |                   |                      | <b>575 700</b>               | <b>279 750</b>                |

<sup>1</sup> The corresponding number of registered shares is held by the employee share participation foundation.

<sup>2</sup> The corresponding number of registered shares is held as treasury shares of Clariant Ltd.

\*Adapted to the share split 10:1.

# Notes to the Consolidated Financial Statements

## 19. Financial income and expense

|  | 2001<br>CHF mio | 2000<br>CHF mio |
|--|-----------------|-----------------|
| Interest income  | 21              | 22              |
| Fair value gains on financial instruments:             |                 |                 |
| Interest rate swaps                                    | 3               | –               |
| Other financial income                                 | 28              | 8               |
| <b>Financial income</b>                                | <b>52</b>       | <b>30</b>       |
| Interest expense                                       | –278            | –279            |
| Fair value losses on financial instruments:            |                 |                 |
| Foreign exchange forward contracts and currency swaps: |                 |                 |
| Transactions classified as trading activities          | –12             | –               |
| Other financial expense                                | –8              | –22             |
| <b>Financial expense</b>                               | <b>–298</b>     | <b>–301</b>     |
| Currency result, net                                   | –               | –2              |
| <b>Total</b>   | <b>–246</b>     | <b>–273</b>     |

# Notes to the Consolidated Financial Statements

## 20. Taxes

|                       | <b>2001</b><br>CHF mio | 2000<br>CHF mio |
|-----------------------|------------------------|-----------------|
| Current income taxes  | -213                   | -262            |
| Deferred income taxes | 103                    | 38              |
| <b>Total</b>          | <b>-110</b>            | <b>-224</b>     |

Tax expense on the consolidated earnings before taxes and special amortization of goodwill differs from the maximum Swiss tax rate applicable to corporations domiciled in Switzerland as follows:

|   | <b>2001</b>   | 2000         |
|---|---------------|--------------|
| Maximum Swiss Tax rate  | 24.8%         | 24.8%        |
| Effect of different tax rates in other countries                                  | 9.5%          | 9.4%         |
| Effect of expenses which are additionally taxable                                 | 2.6%          | 0.4%         |
| Effect of previously unrecognized tax losses                                      | -             | -2.6%        |
| Tax effect of restructuring and impairment expenses at present not tax deductible | 68.8%         | -            |
| Other items   | 1.1%          | -1.5%        |
| <b>Effective tax rate</b>   | <b>106.8%</b> | <b>30.5%</b> |

|  | <b>31.12.2001</b><br>CHF mio | 31.12.2000<br>CHF mio |
|--|------------------------------|-----------------------|
| Deferred tax liabilities on:                       |                              |                       |
| Tangible and intangible assets                     | 444                          | 622                   |
| Prepaid pensions,<br>other accruals and provisions | 173                          | 124                   |
| <b>Total deferred tax liabilities</b>              | <b>617</b>                   | <b>746</b>            |
| Deferred tax assets on:                            |                              |                       |
| Tangible and intangible assets                     | 42                           | 37                    |
| Employee benefit liabilities                       | 114                          | 141                   |
| Other accruals and provisions                      | 258                          | 273                   |
| <b>Total deferred tax assets</b>                   | <b>414</b>                   | <b>451</b>            |

Tax losses and tax credits on which no deferred tax was calculated are as follows:

|                          | <b>31.12.2001</b><br>CHF mio | 31.12.2000<br>CHF mio |
|--------------------------|------------------------------|-----------------------|
| Unrecognized tax losses  | 1 670                        | 212                   |
| Unrecognized tax credits | 19                           | 29                    |

All tax losses and tax credits presented expire between 2003 and 2021.

# Notes to the Consolidated Financial Statements

## 21. Earnings per share (EPS)

Earnings per share are calculated by dividing the Group net income by the average outstanding number of shares (issued shares less treasury shares).

|   | 2001<br>CHF mio    | 2000<br>CHF mio    |
|---|--------------------|--------------------|
| <b>Net income</b>   | -1 242             | 505                |
| <b>Diluted net income</b>   | -1 242             | 505                |
| <b>Shares</b>   |                    |                    |
| Holdings on 1 January   | 152 875 240        | 143 110 120        |
| Effect of transactions with treasury shares on average number of shares outstanding   | -301 644           | 4 753 550          |
| <b>Average number of shares outstanding</b>   | <b>152 573 596</b> | <b>147 863 670</b> |
| Effect on average number of shares outstanding assuming the convertible bond had been converted at the earliest possible date | -                  | 4 113 040          |
| <b>Average diluted number of shares outstanding</b>   | <b>152 573 596</b> | <b>151 976 710</b> |
| <b>Loss/earnings per share (CHF/share)</b>  | <b>-8.14</b>       | <b>3.41</b>        |
| <b>Diluted loss/earnings per share (CHF/share)</b>  | <b>-8.14</b>       | <b>3.32</b>        |

## 22. Personnel expenses

|                                   | 2001<br>CHF mio | 2000<br>CHF mio |
|-----------------------------------|-----------------|-----------------|
| Wages and salaries                | -1 868          | -1 891          |
| Pension and social security costs | -478            | -504            |
| <b>Total</b>                      | <b>-2 346</b>   | <b>-2 395</b>   |

# Notes to the Consolidated Financial Statements

## 23. Divisional breakdown of key figures 2001 and 2000 (in CHF million)

| Divisions<br>Continuing operations   | Textile, Leather &<br>Paper Chemicals<br>(TLP) |              | Pigments &<br>Additives<br>(PA) |              | Masterbatches<br>(MB) |              | Functional<br>Chemicals<br>(FUN) |              |
|--|--|--------------|---------------------------------|--------------|-----------------------|--------------|----------------------------------|--------------|
|  | 2001   | 2000         | 2001                            | 2000         | 2001                  | 2000         | 2001                             | 2000         |
| Sales Divisions  | 2 404  | 2 616        | 1 934                           | 2 182        | 1 040                 | 1 147        | 1 943                            | 2 028        |
| Sales to other Divisions   | -21  | -27          | -62                             | -74          | -2                    | -2           | -74                              | -93          |
| <b>Total Sales</b>   | <b>2 383</b>                                   | <b>2 589</b> | <b>1 872</b>                    | <b>2 108</b> | <b>1 038</b>          | <b>1 145</b> | <b>1 869</b>                     | <b>1 935</b> |
| Systematic depreciation of tangible fixed assets <sup>1</sup>                        | -98  | -109         | -66                             | -74          | -24                   | -26          | -52                              | -83          |
| Amortization of intangible assets without Goodwill                                   | -1   | -1           | -                               | -            | -1                    | -1           | -                                | -            |
| Income from associates   | 4  | 5            | 22                              | 10           | 1                     | 1            | 3                                | 9            |
| Other operating expenses   | -2 061   | -2 143       | -1 598                          | -1 711       | -933                  | -999         | -1 671                           | -1 669       |
| <b>Operating income before restructuring, disposals and amortization of goodwill</b> | <b>227</b>                                     | <b>341</b>   | <b>230</b>                      | <b>333</b>   | <b>81</b>             | <b>120</b>   | <b>149</b>                       | <b>192</b>   |
| <b>EBITDA before restructuring and disposals</b>                                     | <b>326</b>                                     | <b>451</b>   | <b>295</b>                      | <b>407</b>   | <b>106</b>            | <b>147</b>   | <b>201</b>                       | <b>275</b>   |
| <b>EBITDA after restructuring and disposals</b>                                      | <b>253</b>                                     | <b>451</b>   | <b>265</b>                      | <b>407</b>   | <b>98</b>             | <b>147</b>   | <b>179</b>                       | <b>275</b>   |
| <b>Total Assets</b>  | <b>2 026</b>                                   | <b>2 147</b> | <b>1 639</b>                    | <b>1 702</b> | <b>510</b>            | <b>580</b>   | <b>1 225</b>                     | <b>1 375</b> |
| Liabilities  | -170   | -156         | -156                            | -153         | -63                   | -89          | -142                             | -160         |
| <b>Total Equity and minority interests</b>   | <b>1 856</b>                                   | <b>1 991</b> | <b>1 483</b>                    | <b>1 549</b> | <b>447</b>            | <b>491</b>   | <b>1 083</b>                     | <b>1 215</b> |
| Net debts  | -  | -            | -                               | -            | -                     | -            | -                                | -            |
| <b>Total Net Operating Assets<sup>3</sup></b>  | <b>1 856</b>                                   | <b>1 991</b> | <b>1 483</b>                    | <b>1 549</b> | <b>447</b>            | <b>491</b>   | <b>1 083</b>                     | <b>1 215</b> |
| Thereof:   |  |              |                                 |              |                       |              |                                  |              |
| Investments in tangible fixed assets for the period                                  | 77   | 89           | 64                              | 89           | 25                    | 39           | 169                              | 109          |
| Investments in associated companies  | 65   | 76           | 230                             | 105          | 5                     | 4            | 52                               | 69           |

<sup>1</sup> Reconciliation of depreciation: Systematic depreciation CHF 544 mio  
 Depreciation from restructuring and impairment (Note 6) CHF 380 mio  
 Total CHF 924 mio

<sup>2</sup> Corporate: depreciation includes a special write-off charge of CHF 97 million and other operating expenses; the corresponding credit is for a cancelled project of the division Functional Chemicals.

# Notes to the Consolidated Financial Statements

| Life Science & Electronic Chemicals (LSE) |              | Cellulose Ethers & Polymerisates (CEP) <sup>4</sup> |            | Total Divisions Continuing Operations |               | Discontinuing Operations (PVA/PVB) |            | Total Divisions |               | Corporate         |               | Total Group   |               |
|---|--------------|---|------------|---------------------------------------|---------------|------------------------------------|------------|-----------------|---------------|-------------------|---------------|---------------|---------------|
| 2001                                      | 2000         | 2001  | 2000       | 2001                                  | 2000          | 2001                               | 2000       | 2001            | 2000          | 2001              | 2000          | 2001          | 2000          |
| 1 736                                     | 1 832        | 940   | 1 009      | 9 997                                 | 10 814        | 198                                | 192        | 10 195          | 11 006        | –                 | –             | 10 195        | 11 006        |
| –120                                      | –181         | –45   | –42        | –324                                  | –419          | –                                  | –4         | –324            | –423          | –                 | –             | –324          | –423          |
| <b>1 616</b>                              | <b>1 651</b> | <b>895</b>  | <b>967</b> | <b>9 673</b>                          | <b>10 395</b> | <b>198</b>                         | <b>188</b> | <b>9 871</b>    | <b>10 583</b> | –                 | –             | <b>9 871</b>  | <b>10 583</b> |
| –145                                      | –144         | –29   | –31        | –414                                  | –467          | –8                                 | –8         | –422            | –475          | –122 <sup>2</sup> | –31           | –544          | –506          |
| –3  | –1           | –   | –          | –5                                    | –3            | –                                  | –          | –5              | –3            | –7                | –13           | –12           | –16           |
| –   | 4            | 10  | 20         | 40                                    | 49            | –                                  | –          | 40              | 49            | 2                 | 1             | 42            | 50            |
| –1 541                                    | –1 385       | –835  | –889       | –8 639                                | –8 796        | –154                               | –141       | –8 793          | –8 937        | 67 <sup>2</sup>   | –39           | –8 726        | –8 976        |
| <b>–73</b>                                | <b>125</b>   | <b>41</b>   | <b>67</b>  | <b>655</b>                            | <b>1 178</b>  | <b>36</b>                          | <b>39</b>  | <b>691</b>      | <b>1 217</b>  | <b>–60</b>        | <b>–82</b>    | <b>631</b>    | <b>1 135</b>  |
| <b>75</b>                                 | <b>270</b>   | <b>73</b>   | <b>100</b> | <b>1 076</b>                          | <b>1 650</b>  | <b>41</b>                          | <b>45</b>  | <b>1 117</b>    | <b>1 695</b>  | <b>69</b>         | <b>–38</b>    | <b>1 186</b>  | <b>1 657</b>  |
| <b>–7</b>                                 | <b>270</b>   | <b>95</b>   | <b>100</b> | <b>883</b>                            | <b>1 650</b>  | <b>452</b>                         | <b>45</b>  | <b>1 335</b>    | <b>1 695</b>  | <b>60</b>         | <b>–38</b>    | <b>1 395</b>  | <b>1 657</b>  |
| <b>1 947</b>                              | <b>2 305</b> | <b>474</b>  | <b>695</b> | <b>7 821</b>                          | <b>8 804</b>  | –                                  | <b>107</b> | <b>7 821</b>    | <b>8 911</b>  | <b>2 734</b>      | <b>4 036</b>  | <b>10 555</b> | <b>12 947</b> |
| –143                                      | –199         | –54   | –67        | –728                                  | –824          | –                                  | –36        | –728            | –860          | –7 795            | –8 420        | –8 523        | –9 280        |
| <b>1 804</b>                              | <b>2 106</b> | <b>420</b>  | <b>628</b> | <b>7 093</b>                          | <b>7 980</b>  | –                                  | <b>71</b>  | <b>7 093</b>    | <b>8 051</b>  | <b>–5 061</b>     | <b>–4 384</b> | <b>2 032</b>  | <b>3 667</b>  |
| –   | –            | –   | –          | –                                     | –             | –                                  | –          | –               | –             | 4 282             | 5 138         | 4 282         | 5 138         |
| <b>1 804</b>                              | <b>2 106</b> | <b>420</b>  | <b>628</b> | <b>7 093</b>                          | <b>7 980</b>  | –                                  | <b>71</b>  | <b>7 093</b>    | <b>8 051</b>  | <b>–779</b>       | <b>754</b>    | <b>6 314</b>  | <b>8 805</b>  |
| 129                                       | 158          | 16  | 22         | 480                                   | 506           | 9                                  | 6          | 489             | 512           | 16                | 23            | 505           | 535           |
| 3   | 76           | 47  | 120        | 402                                   | 450           | –                                  | –          | 402             | 450           | 9                 | 1             | 411           | 451           |

<sup>3</sup> Within Net Operating Assets, fixed assets including infrastructure, inventory, trade payables and receivables were allocated to each Division.

All other balance sheet positions generally included in the calculation of Net Operating Assets, particularly goodwill, were allocated to Corporate.

<sup>4</sup> The number for the division Cellulose Ethers & Polymerisates of the previous year are restated, as the Business unit PVA/PVB, formerly pertaining to this division is now reported as “Discontinuing operations”.

# Notes to the Consolidated Financial Statements

## 24. Regional breakdown of key figures 2001 and 2000 (in CHF million)

| Region                                | Sales <sup>1</sup> |               | Operating income before restructuring, disposals and amortization of goodwill <sup>2</sup> |              | Number of employees per 31.12. |               |
|---------------------------------------|--------------------|---------------|--|--------------|--------------------------------|---------------|
|                                       | 2001               | 2000          | 2001   | 2000         | 2001                           | 2000          |
| Europe                                | 4 683              | 4 971         | 341  | 664          | 16 601                         | 18 655        |
| <i>thereof in Germany</i>             | <i>1 292</i>       | <i>1 357</i>  | <i>88</i>  | <i>202</i>   | <i>8 297</i>                   | <i>10 020</i> |
| The Americas                          | 2 853              | 3 090         | 80   | 216          | 6 012                          | 6 364         |
| <i>thereof in USA</i>                 | <i>1 607</i>       | <i>1 795</i>  | <i>-25</i>   | <i>101</i>   | <i>2 542</i>                   | <i>2 816</i>  |
| Asia/Africa/Australia                 | 2 137              | 2 334         | 174  | 216          | 6 291                          | 6 284         |
| <b>Total continuing operations</b>    | <b>9 673</b>       | <b>10 395</b> | <b>595</b>   | <b>1 096</b> | <b>28 904</b>                  | <b>31 303</b> |
| Europe                                | 184                | 181           | 35   | 39           | –                              | 238           |
| <i>thereof in Germany</i>             | <i>164</i>         | <i>165</i>    | <i>32</i>  | <i>30</i>    | –                              | <i>229</i>    |
| The Americas                          | 10                 | 3             | 1  | –            | –                              | 2             |
| <i>thereof in USA</i>                 | <i>7</i>           | –             | <i>1</i>   | –            | –                              | –             |
| Asia/Africa/Australia                 | 4                  | 4             | –  | –            | –                              | 3             |
| <b>Total discontinuing operations</b> | <b>198</b>         | <b>188</b>    | <b>36</b>  | <b>39</b>    | –                              | <b>243</b>    |
| <b>Total Group</b>                    | <b>9 871</b>       | <b>10 583</b> | <b>631</b>   | <b>1 135</b> | <b>28 904</b>                  | <b>31 546</b> |

## Notes to the Consolidated Financial Statements

| Region                                | Investments in tangible fixed assets |            | Depreciation of tangible fixed assets |            | Net operating assets at 31.12. <sup>3</sup> |              |
|---------------------------------------|--------------------------------------|------------|---------------------------------------|------------|---|--------------|
|                                       | 2001                                 | 2000       | 2001                                  | 2000       | 2001  | 2000         |
| Europe                                | 294                                  | 359        | 704                                   | 329        | 3 603                                       | 5 514        |
| <i>thereof in Germany</i>             | 128                                  | 171        | 448                                   | 202        | 1 223                                       | 1 549        |
| The Americas                          | 159                                  | 116        | 156                                   | 108        | 1 642                                       | 2 126        |
| <i>thereof in USA</i>                 | 120                                  | 67         | 125                                   | 75         | 1 046                                       | 1 410        |
| Asia/Africa/Australia                 | 43                                   | 54         | 56                                    | 61         | 1 069                                       | 1 094        |
| <b>Total continuing operations</b>    | <b>496</b>                           | <b>529</b> | <b>916</b>                            | <b>498</b> | <b>6 314</b>                                | <b>8 734</b> |
| Europe                                | 9                                    | 6          | 8                                     | 8          | –   | 69           |
| <i>thereof in Germany</i>             | 9                                    | 6          | 8                                     | 8          | –   | 67           |
| The Americas                          | –                                    | –          | –                                     | –          | –   | 1            |
| <i>thereof in USA</i>                 | –                                    | –          | –                                     | –          | –   | –            |
| Asia/Africa/Australia                 | –                                    | –          | –                                     | –          | –   | 1            |
| <b>Total discontinuing operations</b> | <b>9</b>                             | <b>6</b>   | <b>8</b>                              | <b>8</b>   | <b>–</b>                                    | <b>71</b>    |
| <b>Total Group</b>                    | <b>505</b>                           | <b>535</b> | <b>924</b>                            | <b>506</b> | <b>6 314</b>                                | <b>8 805</b> |

<sup>1</sup> Allocated by region of third party sale's destination.

<sup>2</sup> Allocated by region of production and selling entity.

<sup>3</sup> Long-term and current assets (excluding cash and short-term deposits) less non-interest bearing liabilities.

# Notes to the Consolidated Financial Statements

## 25. Commitments and contingencies

### Leasing commitments

Commitments arising from fixed-term operational leases mainly from InfraServ companies, at 31 December are as follows:

|                                       | 2001<br>CHF mio | 2000<br>CHF mio |
|---------------------------------------|-----------------|-----------------|
| 2001                                  | –               | 102             |
| 2002                                  | 91              | 91              |
| 2003                                  | 74              | 76              |
| 2004                                  | 61              | 65              |
| 2005                                  | 47              | 38              |
| 2006                                  | 42              | –               |
| there after                           | 39              | 32              |
| <b>Total</b>                          | <b>354</b>      | <b>404</b>      |
| Guarantees in favour of third parties | 96              | –               |

### Contingencies

In the course of normal business, affiliated companies may be involved in administrative proceedings and in litigation as a result of which claims are being made against them.

In the opinion of Group management, however, the outcome of the actions referred to will not materially affect the Group's financial position.

### Environmental risk

Clariant is exposed to environmental liabilities and risk relating to its past operations, principally in respect to remediation costs. Provisions for non-recurring remediation costs are made when there is a legal or constructive obligation and the cost can be estimated reliably. The material components of the Group's potential environmental lia-

bility consist of a risk assessment based on investigation of the various sites identified by the Group as at risk for environmental exposure. Clariant believes that its provisions are adequate based upon currently available information, however, given the inherent difficulties in estimating liabilities in this area, it cannot be guaranteed that additional costs will not be incurred.

## 26. Affiliates, joint ventures and associated companies

The principal affiliates, joint ventures and associated companies are listed on pages 96 to 97.

# Notes to the Consolidated Financial Statements

## 27. Related party transactions

Transactions with companies which are recorded as shareholdings valued at equity in the consolidated balance sheet:

| <b>Income and expense</b>                                  | <b>2001</b>       | 2000       |
|--|-------------------|------------|
|  | <b>CHF mio</b>    | CHF mio    |
| Income from the sale of goods to related parties           | 47                | 52         |
| Income from the rendering of services to related parties   | 15                | 21         |
| Expense from the purchase of goods from related parties    | -23               | -22        |
| Expense from the purchase of services from related parties | -558              | -653       |
|  | <b>31.12.2001</b> | 31.12.2000 |
|  | <b>CHF mio</b>    | CHF mio    |
| Trade accounts receivable from related parties             | 17                | 22         |
| Trade accounts payable to related parties                  | 72                | 89         |

### Others:

The market value of the compensation (incl. shares) paid to the Board of Directors in 2001 was CHF 680 000 (2000: CHF 760 000).

There were no outstanding loans by the Group to any members of the Board of Directors.

## 28. Exchange rates of principal currencies

| Rates used to translate the consolidated balance sheets (closing rate) | <b>31.12.2001</b> | 31.12.2000 |
|--|-------------------|------------|
| 1 USD  | 1.68              | 1.64       |
| 100 DEM  | 75.68             | 77.84      |
| 100 FRF  | 22.56             | 23.21      |
| 1 GBP  | 2.43              | 2.44       |
| 1 000 ITL  | 0.76              | 0.79       |
| 100 JPY  | 1.28              | 1.42       |
| 100 BEF  | 3.67              | 3.77       |
| 100 ESP  | 0.89              | 0.92       |
| 100 EUR  | 148.02            | 152.25     |

Average sales-weighted rates used to translate the consolidated income statements and consolidated statements of cash flow:

|           | <b>2001</b> | 2000   |
|-----------|-------------|--------|
| 1 USD     | 1.69        | 1.69   |
| 100 DEM   | -           | 79.60  |
| 100 FRF   | -           | 23.76  |
| 1 GBP     | 2.43        | 2.56   |
| 1 000 ITL | -           | 0.80   |
| 100 JPY   | 1.39        | 1.57   |
| 100 BEF   | -           | 3.87   |
| 100 ESP   | -           | 0.94   |
| 100 EUR   | 151.16      | 157.61 |

As all companies located in countries participating in the Euro converted their accounting systems to this currency at the beginning of the year 2001, no average exchange rates were calculated for the old currencies of these countries.

# Report of the Group Auditors



## **Report of the Group Auditors to the General Meeting of Shareholders of Clariant Ltd., Muttenz**

As auditors of the Group, we have audited the consolidated financial statements (balance sheet, income statement, statement of cash flows, statement of changes in equity and notes – pages 56 to 89) of the Clariant Group for the year ended 31 December 2001.

These consolidated financial statements are the responsibility of the Board of Directors. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We confirm that we meet the legal requirements concerning professional qualification and independence.

Our audit was conducted in accordance with auditing standards promulgated by the Swiss profession and with International Standards on Auditing issued by the International Federation of Accountants (IFAC), which require that an audit be planned and performed to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement. We have examined on a test basis evidence supporting the amounts and disclosures in the consolidated financial statements. We have also assessed the accounting principles used, significant estimates made and the overall consolidated financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements give a true and fair view of the financial position, the results of operations and the cash flows in accordance with International Accounting Standards (IAS) issued by the International Accounting Standards Committee, and comply with the Swiss law.

We recommend that the consolidated financial statements submitted to you be approved.

PricewaterhouseCoopers AG

U. Vogt

Dr R. Gerber

Basle, 22 February 2002

## Review of Trends

### Five year Group Summary 1997–2001

|  |         | 2001   | 2000   | 1999<br>restated | 1999   | 1998   | 1997<br>Pro forma |
|--|---------|--------|--------|------------------|--------|--------|-------------------|
| <b>Divisional Sales</b>  | CHF mio | 10 195 | 11 006 | 9 158            | 9 158  | 9 341  | 9 912             |
| Change relative to preceding year<br>in Swiss Francs                                     | %       | -7     | 16     | -2               | -2     | -6     | 20                |
| in local currency  | %       | -2     | 12     | -4               | -4     | -1     | 13                |
| <b>Group Sales<sup>1</sup></b>   | CHF mio | 9 871  | 10 583 | 9 256            | 9 256  | 9 535  | 10 184            |
| Change relative to preceding year<br>in Swiss Francs                                     | %       | -7     | 14     | -3               | -3     | -6     | 14                |
| in local currency  | %       | -2     | 10     | -5               | -5     | -2     | *                 |
| <b>Operating income before restructuring,<br/>disposals and amortization of goodwill</b> | CHF mio | 631    | 1 135  | 1 082            | 1 082  | 1 097  | 1 030             |
| Change relative to preceding year  | %       | -44    | 5      | -1               | -1     | 7      | 68                |
| as a % of sales  |         | 6.4    | 10.7   | 11.7             | 11.7   | 11.5   | 10.1              |
| <b>Operating income after restructuring,<br/>disposals and amortization of goodwill</b>  | CHF mio | -877   | 1 010  | 1 064            | 1 030  | 1 057  | 989               |
| Change relative to preceding year  | %       | -      | -5     | 1                | -3     | 7      | 94                |
| as a % of sales  |         | -8.9   | 9.5    | 11.5             | 11.1   | 11.1   | 9.7               |
| <b>EBITDA</b>  | CHF mio | 1 395  | 1 657  | 1 646            | 1 646  | 1 672  | 1 592             |
| Change relative to preceding year  | %       | -16    | 1      | -2               | -2     | 5      | 43                |
| as a % of sales  |         | 14.1   | 15.7   | 17.8             | 17.8   | 17.5   | 15.6              |
| <b>Net income before minority interests</b>  | CHF mio | -1 233 | 513    | 596              | 562    | 524    | 428               |
| Change relative to preceding year  | %       | -      | -14    | 14               | 7      | 22     | 240               |
| as a % of sales  |         | -12.5  | 4.9    | 6.4              | 6.1    | 5.5    | 4.2               |
| <b>Investment in tangible fixed assets</b>   | CHF mio | 505    | 535    | 425              | 425    | 464    | 473               |
| Change relative to preceding year  | %       | -6     | 26     | -8               | -8     | -2     | -16               |
| as a % of sales  |         | 5      | 5      | 5                | 5      | 5      | 5                 |
| <b>Personnel costs</b>   | CHF mio | 2 346  | 2 395  | 2 168            | 2 168  | 2 117  | 2 134             |
| Change relative to preceding year  | %       | -2     | 10     | 2                | 2      | -1     | *                 |
| as a % of sales  |         | 24     | 23     | 23               | 23     | 22     | 21                |
| <b>Employees at year end</b>   | number  | 28 904 | 31 546 | 28 993           | 28 993 | 29 279 | 30 862            |
| Change relative to preceding year  | %       | -8     | 9      | -1               | -1     | -5     | -5                |

<sup>1</sup> Incl. trading.

\*Not available.

## Review of Trends

### Trend in Group Sales by Division

| Division                               | 2001         |            | 2000          |            | 1999         |            | 1998         |            | 1997<br>Pro forma |            |
|--|--------------|------------|---------------|------------|--------------|------------|--------------|------------|-------------------|------------|
|  | CHF mio      | %          | CHF mio       | %          | CHF mio      | %          | CHF mio      | %          | CHF mio           | %          |
| Textile, Leather & Paper Chemicals     | 2 383        | 24         | 2 589         | 24         | 2 259        | 25         | 2 345        | 25         | 2 609             | 26         |
| Pigments & Additives                   | 1 872        | 19         | 2 108         | 20         | 1 896        | 21         | 1 882        | 20         | 2 006             | 20         |
| Masterbatches                          | 1 038        | 11         | 1 145         | 11         | 1 065        | 11         | 977          | 11         | 986               | 10         |
| Functional Chemicals                   | 1 869        | 19         | 1 935         | 18         | 1 825        | 20         | 2 057        | 22         | 2 094             | 21         |
| Life Science &<br>Electronic Chemicals | 1 616        | 16         | 1 651         | 16         | 1 087        | 12         | 1 117        | 12         | 1 189             | 12         |
| Cellulose Ethers & Polymerisates       | 1 093        | 11         | 1 155         | 11         | 1 026        | 11         | 963          | 10         | 1 028             | 11         |
| <b>Total Divisions</b>                 | <b>9 871</b> | <b>100</b> | <b>10 583</b> | <b>100</b> | <b>9 158</b> | <b>100</b> | <b>9 341</b> | <b>100</b> | <b>9 912</b>      | <b>100</b> |
| Other (mainly trading)                 | –            | –          | –             | –          | 98           | –          | 194          | –          | 272               | –          |
| <b>Total Group</b>                     | <b>9 871</b> | <b>–</b>   | <b>10 583</b> | <b>–</b>   | <b>9 256</b> | <b>–</b>   | <b>9 535</b> | <b>–</b>   | <b>10 184</b>     | <b>–</b>   |

## Review of Trends

### Trend in Group Sales by Region

| Region         | 2001         |            | 2000          |            | 1999         |            | 1998         |            | 1997<br>Pro forma |            |
|----------------|--------------|------------|---------------|------------|--------------|------------|--------------|------------|-------------------|------------|
|                | CHF mio      | %          | CHF mio       | %          | CHF mio      | %          | CHF mio      | %          | CHF mio           | %          |
| Europe         | 4 867        | 49         | 5 152         | 49         | 4 780        | 52         | 5 231        | 55         | 5 433             | 53         |
| The Americas   | 2 863        | 29         | 3 093         | 29         | 2 596        | 28         | 2 729        | 29         | 2 857             | 28         |
| Asia/Australia | 1 955        | 20         | 2 143         | 20         | 1 683        | 18         | 1 361        | 14         | 1 668             | 17         |
| Africa         | 186          | 2          | 195           | 2          | 197          | 2          | 214          | 2          | 226               | 2          |
| <b>Total</b>   | <b>9 871</b> | <b>100</b> | <b>10 583</b> | <b>100</b> | <b>9 256</b> | <b>100</b> | <b>9 535</b> | <b>100</b> | <b>10 184</b>     | <b>100</b> |

## Review of Trends

### Share Information\*

|  | 31.12.2001  | 31.12.2000    | 31.12.1999    | 31.12.1998    | 31.12.1997  |
|--|-------------|---------------|---------------|---------------|-------------|
| Number of registered shares issued<br>(at par value CHF 5 each)                        | 153 440 000 | 153 440 000** | 146 008 280** | 145 456 360** | 145 440 000 |
| Number of shares created by conversion<br>within the limits of the conditional capital |             | 7 431 720     | 551 920       | 16 360        |             |
| Number of shares eligible for dividend   | 153 440 000 | 153 440 000   | 146 008 280   | 145 456 360   | 145 440 000 |
| Dividend per share in CHF  | 0.30***     | 1.10          | 1.00          | 0.90          | 0.70        |
| Year-end price in CHF  | 31.25       | 58.10         | 75.90         | 64.20         | 61.00       |
| Stock exchange capital in CHF mio  | 4 795       | 8 915         | 11 082        | 9 338         | 8 872       |
| High/low in CHF  | 59.40/16.50 | 79.90/46.10   | 79.30/62.20   | 105.40/54.00  | 62.75/28.00 |

\* All quotations were adapted to the share split 2:1 of June 1998 (every registered share with a par value of CHF 100 each was split into two registered shares with a par value of CHF 50 each), as well as to the share split 10:1 of May 2001 (every registered share with a par value of CHF 50 each was split into ten registered shares with a par value of CHF 5 each), therefore the values are comparable.

\*\* Including shares created by conversions in the respective business year.

\*\*\* According to the resolution of the Board of Directors.

## Review of Trends

### Shareholders' structure according to number of shares held at 31 December 2001

| Numbers of shares              | Number of Shareholders |              | Number of Shares   |              |
|--------------------------------|------------------------|--------------|--------------------|--------------|
|                                |                        | in %         |                    | in %         |
| 1-999                          | 29 092                 | 78.4         | 8 864 321          | 5.8          |
| 1 000-9 999                    | 7 365                  | 19.8         | 15 490 800         | 10.1         |
| 10 000-99 999                  | 582                    | 1.6          | 14 393 794         | 9.4          |
| 100 000 and more               | 92                     | 0.2          | 61 408 624         | 40.0         |
| <b>Total registered shares</b> |                        |              | <b>100 157 539</b> | <b>65.3</b>  |
| Shares not registered          | –                      | –            | 53 282 461         | 34.7         |
| <b>Total</b>                   | <b>37 131</b>          | <b>100.0</b> | <b>153 440 000</b> | <b>100.0</b> |

### Shareholders' structure according to regions at 31 December 2001

| Regions               | Number of Shareholders |              | Number of Shares   |              |
|-----------------------|------------------------|--------------|--------------------|--------------|
|                       |                        | in %         |                    | in %         |
| Switzerland           | 35 386                 | 95.3         | 63 174 256         | 41.2         |
| Europe                | 1 558                  | 4.2          | 35 251 902         | 23.0         |
| Outside of Europe     | 187                    | 0.5          | 1 731 381          | 1.1          |
| <i>thereof USA</i>    | 47                     | 0.1          | 1 303 119          | 0.8          |
| Shares not registered | –                      | –            | 53 282 461         | 34.7         |
| <b>Total</b>          | <b>37 131</b>          | <b>100.0</b> | <b>153 440 000</b> | <b>100.0</b> |

### Shareholders holding 5% and more of the shares issued

Frankfurter Spezialchemikalien Verwaltungs GmbH & Co. KG,  
a 100% owned subsidiary of Hoechst Ltd, Frankfurt  
which on her part is a 97% participation of Aventis, Strasbourg 18 180 000 shares

# Principal Companies of the Clariant Group

## Affiliated companies and other holdings as at December 31, 2001

|                       |   | Participa-<br>tion | Holding/<br>Finance | Sales | Production | Research |
|-----------------------|---|--------------------|---------------------|-------|------------|----------|
| <b>Argentina</b>      | Clariant (Argentina) S.A., Buenos Aires                       | ●                  |                     | ●     | ●          |          |
| <b>Australia</b>      | Clariant (Australia) Pty Ltd, Melbourne                       | ●                  |                     | ●     | ●          |          |
| <b>Austria</b>        | Clariant (Österreich) GmbH, Vienna                            | ●                  |                     | ●     | ●          |          |
| <b>Belgium</b>        | Clariant (Benelux) S.A., Louvain-La-Neuve                     | ●                  |                     | ●     | ●          | ●        |
| <b>Brazil</b>         | Clariant S.A., São Paulo and Resende                          | ●                  |                     | ●     | ●          |          |
| <b>Canada</b>         | Clariant (Canada) Inc., Québec                                | ●                  |                     | ●     | ●          |          |
| <b>Chile</b>          | Clariant Colorquímica (Chile) Ltda., Santiago de Chile        | ●                  |                     | ●     | ●          |          |
| <b>China</b>          | Clariant Chemicals (China) Ltd, Shanghai                      | ●                  |                     | ●     | ●          |          |
|                       | Clariant (China) Ltd, Hong Kong                               | ●                  |                     | ●     | ●          |          |
|                       | Clariant Guangzhou Masterbatch Ltd, Guangzhou                 | ▼                  |                     | ●     | ●          |          |
|                       | Clariant (Tianjin) Ltd, Tianjin                               | ●                  |                     | ●     | ●          |          |
|                       | Clariant Pigments (Tianjin) Co. Ltd, Tianjin                  | ▼                  |                     | ●     | ●          |          |
|                       | Tianjin Hua Shi Chemicals Co. Ltd, Tianjin                    | ■                  |                     | ●     | ●          |          |
| <b>Colombia</b>       | Clariant (Colombia) S.A., Santa Fé de Bogotá                  | ●                  |                     | ●     | ●          |          |
| <b>Czech Republic</b> | Clariant CR s.r.o., Prague                                    | ●                  |                     | ●     |            |          |
| <b>Denmark</b>        | Clariant (Danmark) A/S, Glostrup                              | ●                  |                     | ●     |            |          |
| <b>Egypt</b>          | Clariant (Egypt) S.A.E., Cairo                                | ▼                  |                     | ●     | ●          |          |
|                       | The Egyptian German Company for Dyes and Resins S.A.E., Cairo | ●                  |                     | ●     | ●          |          |
| <b>Finland</b>        | Clariant (Finland) Oy, Helsinki                               | ●                  |                     | ●     |            |          |
| <b>France</b>         | Clariant (France), Paris La Défense                           | ●                  |                     | ●     | ●          | ●        |
|                       | Clariant Huningue, Huningue                                   | ●                  |                     | ●     | ●          | ●        |
|                       | Clariant Life Science Molecules (France) S.A.S., Nanterre     | ●                  |                     | ●     | ●          |          |
| <b>Germany</b>        | Clariant (Deutschland) GmbH, Leinfelden-Echterdingen          | ●                  |                     | ●     | ●          | ●        |
|                       | Clariant GmbH, Frankfurt                                      | ●                  |                     | ●     | ●          | ●        |
|                       | Clariant Masterbatch GmbH & Co. OHG, Lahnstein                | ●                  |                     | ●     | ●          | ●        |
|                       | Clariant Verwaltungsges. mbH, Leinfelden-Echterdingen         | ●                  | ●                   |       |            |          |
| <b>Great Britain</b>  | BTP plc, Manchester   | ●                  | ●                   |       |            |          |
|                       | BTP Chemicals plc, Manchester                                 | ●                  | ●                   | ●     | ●          | ●        |
|                       | Clariant Holdings UK Ltd, Horsforth/Leeds                     | ●                  | ●                   |       |            |          |
|                       | Clariant UK Ltd, Horsforth/Leeds                              | ●                  |                     | ●     | ●          | ●        |
|                       | Lancaster Synthesis Ltd, Morecambe                            | ●                  |                     | ●     | ●          | ●        |
|                       | TR Oil Services Ltd, Stockport                                | ●                  |                     | ●     | ●          |          |
| <b>Greece</b>         | Clariant (Hellas) S.A., Lykovrisi                             | ●                  |                     | ●     | ●          |          |
| <b>Guatemala</b>      | Clariant (Guatemala) S.A., Guatemala City                     | ●                  |                     | ●     | ●          |          |
| <b>Hungary</b>        | Clariant Hungaria Kft, Budapest                               | ●                  |                     | ●     |            |          |
| <b>India</b>          | BTP India Ltd, Chennai  | ●                  |                     | ●     | ●          |          |
|                       | Clariant (India) Ltd, Mumbai                                  | ▼                  |                     | ●     | ●          |          |
|                       | Colour-Chem Ltd, Mumbai                                       | ▼                  |                     | ●     | ●          |          |
| <b>Indonesia</b>      | P.T. Clariant Indonesia, Tangerang                            | ●                  |                     | ●     | ●          |          |
|                       | P.T. Pulosynthetics, Jakarta                                  | ●                  |                     | ●     | ●          |          |
| <b>Ireland</b>        | Masterplast Ltd, Naas   | ●                  |                     | ●     | ●          |          |
| <b>Italy</b>          | Clariant (Italia) S.p.A., Milan                               | ●                  |                     | ●     | ●          | ●        |
|                       | Clariant Life Science Molecules (Italia) S.p.A., Origgio      | ●                  |                     | ●     | ●          | ●        |

- above 90%
- ▼ above 50 and up to 90%
- 50% and below
- <sup>1</sup> Management and Support

|                     |   | Participa-<br>tion | Holding/<br>Finance | Sales | Production | Research |
|---------------------|---|--------------------|---------------------|-------|------------|----------|
| <b>Japan</b>        | Clariant (Japan) K.K., Tokyo  | ●                  |                     | ●     | ●          | ●        |
|                     | Clariant Polymers K.K., Tokyo   | ●                  |                     | ●     | ●          | ●        |
| <b>Korea</b>        | Clariant Industries (Korea) Ltd, Seoul                                    | ▼                  |                     | ●     | ●          |          |
|                     | Clariant (Korea) Ltd, Seoul   | ●                  |                     | ●     |            |          |
|                     | Sang Ho Mercantile Co., Ltd, Yangsan-Si                                   | ▼                  |                     | ●     | ●          |          |
|                     | Songwon Color Co., Ltd, Ulsan   | ●                  |                     | ●     | ●          |          |
| <b>Luxemburg</b>    | BTP World S.A., Luxembourg  | ●                  | ●                   |       |            |          |
| <b>Malaysia</b>     | Clariant (Malaysia) Sdn. Bhd., Shah Alam                                  | ●                  |                     | ●     | ●          |          |
| <b>Mexico</b>       | Clariant (México) S.A. de C.V., Naucalpan de Juárez                       | ●                  |                     | ●     | ●          |          |
|                     | Clariant Productos Químicos S.A. de C.V., Santa Clara                     | ●                  |                     | ●     | ●          |          |
| <b>Morocco</b>      | Clariant (Maroc) S.A., Casablanca   | ●                  |                     | ●     | ●          |          |
| <b>Netherlands</b>  | Dick Peters BV, Denekamp  | ●                  |                     | ●     | ●          |          |
| <b>New Zealand</b>  | Clariant (New Zealand) Ltd, Takapuna-Auckland                             | ●                  |                     | ●     | ●          |          |
| <b>Nigeria</b>      | Clariant (Nigeria) Ltd, Ikeja-Lagos                                       | ▼                  |                     | ●     | ●          |          |
| <b>Norway</b>       | Clariant (Norge) AS, Sande  | ●                  |                     | ●     |            |          |
| <b>Pakistan</b>     | Clariant (Pakistan) Ltd, Karachi  | ▼                  |                     | ●     | ●          |          |
| <b>Peru</b>         | Clariant (Perú) S.A., Lima  | ●                  |                     | ●     | ●          |          |
| <b>Philippines</b>  | Clariant (Philippines) Corp., Makati City-Manila                          | ●                  |                     | ●     |            |          |
| <b>Poland</b>       | Clariant Polska Sp. z.o.o., Warsaw  | ●                  |                     | ●     |            |          |
| <b>Portugal</b>     | Clariant Químicos (Portugal) Lda., Mem Martins                            | ●                  |                     | ●     | ●          |          |
| <b>Singapore</b>    | Clariant (Singapore) Pte. Ltd, Singapore                                  | ●                  |                     | ●     | ●          |          |
| <b>South Africa</b> | Clariant Southern Africa (Pty) Ltd, Weltevreden Park                      | ●                  |                     | ●     | ●          |          |
| <b>Spain</b>        | Clariant Ibérica S.A., Barcelona  | ●                  |                     | ●     | ●          | ●        |
|                     | Disper S.A., Sant Andreu de la Barca                                      | ●                  |                     | ●     | ●          |          |
| <b>Sweden</b>       | Clariant (Sverige) AB, Mölndal  | ●                  |                     | ●     | ●          |          |
|                     | Perstorp Clariant AB, Perstorp  | ■                  |                     | ●     | ●          | ●        |
| <b>Switzerland</b>  | Clariant International AG, Muttenz  | ●                  | ● <sup>1</sup>      |       |            |          |
|                     | Clariant (Schweiz) AG, Muttenz  | ●                  |                     | ●     | ●          | ●        |
|                     | SF-Chem AG, Pratteln  | ■                  |                     | ●     | ●          | ●        |
| <b>Taiwan</b>       | Clariant (Taiwan) Co. Ltd, Taipei   | ●                  |                     | ●     | ●          |          |
| <b>Thailand</b>     | Clariant Chemicals Ltd, Bangkok   | ●                  |                     | ●     | ●          |          |
|                     | Clariant Emulsions (Thailand) Ltd, Bangkok                                | ●                  |                     | ●     | ●          |          |
|                     | Drycolor Pacific Co. Ltd, Bangkok   | ●                  |                     | ●     | ●          |          |
| <b>Tunisia</b>      | Clariant Tunisie S.A., Cherguia-Tunis                                     | ■                  |                     | ●     |            |          |
| <b>Turkey</b>       | Clariant (Türkiye) A.S., Istanbul   | ●                  |                     | ●     | ●          |          |
| <b>USA</b>          | Clariant Corporation, Charlotte, N.C.                                     | ●                  |                     | ●     | ●          | ●        |
|                     | Clariant Life Science Molecules (America) Inc., Elgin and Rock Hill, S.C. | ●                  |                     | ●     | ●          | ●        |
|                     | Clariant Life Science Molecules (Florida) Inc., Gainesville, F.L.         | ●                  |                     | ●     | ●          | ●        |
|                     | Clariant Life Science Molecules (Missouri) Inc., Springfield, M.O.        | ●                  |                     | ●     | ●          |          |
|                     | Lancaster Synthesis Inc., Pelham, N.H.                                    | ●                  |                     | ●     | ●          |          |
| <b>Venezuela</b>    | Clariant (Venezuela) S.A., Maracay  | ●                  |                     | ●     | ●          |          |

# Clariant Ltd. Balance Sheets (prior to dividend proposal)

at 31 December 2001 and 2000

|   | 31 December<br>2001  |       | 31 December<br>2000  |       |
|---|----------------------|-------|----------------------|-------|
|   | CHF                  | %     | CHF                  | %     |
| <b>Assets</b>                                       |                      |       |                      |       |
| Financial assets                                    | 4 995 271 511        |       | 6 577 035 202        |       |
| <b>Total long-term assets</b>                       | <b>4 995 271 511</b> | 92.1  | <b>6 577 035 202</b> | 95.4  |
| <b>Current assets</b>                               |                      |       |                      |       |
| Receivables from Group companies                    | 74 204 504           |       | 172 618 813          |       |
| Other receivables                                   | 8 279 279            |       | 28 052 782           |       |
| Accrued income                                      | 19 442 319           |       | 28 259 202           |       |
| Cash, marketable securities and short-term deposits | 324 517 919          |       | 85 171 661           |       |
| <b>Total current assets</b>                         | <b>426 444 021</b>   | 7.9   | <b>314 102 458</b>   | 4.6   |
| <b>Total assets</b>                                 | <b>5 421 715 532</b> | 100.0 | <b>6 891 137 660</b> | 100.0 |

The notes form an integral part of the financial statements.

|   | 31 December<br>2001   |       | 31 December<br>2000  |       |
|---|-----------------------|-------|----------------------|-------|
|   | CHF                   | %     | CHF                  | %     |
| <b>Equity and liabilities</b>             |                       |       |                      |       |
| <b>Equity</b>                             |                       |       |                      |       |
| <b>Total share capital</b>                | <b>767 200 000</b>    |       | <b>767 200 000</b>   |       |
| <b>Reserves</b>                           |                       |       |                      |       |
| Legal reserves                            | 1 898 272 237         |       | 1 919 911 489        |       |
| Reserve for treasury shares               | 57 745 563            |       | 36 106 311           |       |
| <b>Total reserves</b>                     | <b>1 956 017 800</b>  |       | <b>1 956 017 800</b> |       |
| <b>Unappropriated loss/earnings</b>       |                       |       |                      |       |
| Balance from prior year                   | 57 149 991            |       | 48 662 784           |       |
| Net loss (income)                         | -1 196 537 803        |       | 177 271 207          |       |
| <b>Total unappropriated loss/earnings</b> | <b>-1 139 387 812</b> |       | <b>225 933 991</b>   |       |
| <b>Total equity</b>                       | <b>1 583 829 988</b>  | 29.2  | <b>2 949 151 791</b> | 42.8  |
| <b>Liabilities</b>                        |                       |       |                      |       |
| <b>Long-term liabilities</b>              |                       |       |                      |       |
| Straight bonds                            | 1 396 835 000         |       | 1 600 000 000        |       |
| Other long-term liabilities               | 1 484 643 034         |       | 1 284 828 051        |       |
| <b>Total long-term liabilities</b>        | <b>2 881 478 034</b>  |       | <b>2 884 828 051</b> |       |
| <b>Short-term liabilities</b>             |                       |       |                      |       |
| Provisions                                | 17 272 124            |       | 16 780 124           |       |
| Liabilities to Group companies            | 661 081 467           |       | 30 068 531           |       |
| Other liabilities                         | 150 839 073           |       | 813 461 890          |       |
| Accrued expenses                          | 127 214 846           |       | 196 847 273          |       |
| <b>Total short-term liabilities</b>       | <b>956 407 510</b>    |       | <b>1 057 157 818</b> |       |
| <b>Total liabilities</b>                  | <b>3 837 885 544</b>  | 70.8  | <b>3 941 985 869</b> | 57.2  |
| <b>Total equity and liabilities</b>       | <b>5 421 715 532</b>  | 100.0 | <b>6 891 137 660</b> | 100.0 |

The notes form an integral part of the financial statements.

# Clariant Ltd. Income Statements

2001 and 2000

|   | 2001<br>CHF           | 2000<br>CHF        |
|---|-----------------------|--------------------|
| <b>Income</b>   |                       |                    |
| Income from financial assets                                    | 241 606 875           | 445 831 630        |
| Income from cash, marketable securities and short-term deposits | 129 297 660           | 183 383 255        |
| Other income  | 46 488 103            | 49 071 200         |
| <b>Total income</b>   | <b>417 392 638</b>    | <b>678 286 085</b> |
| <b>Expenses</b>   |                       |                    |
| Financial expense   | 383 035 216           | 376 520 943        |
| Administrative expense  | 2 947 928             | 3 136 305          |
| Depreciation on financial fixed assets                          | 1 225 998 256         | 79 501 115         |
| Other expense (including taxes)                                 | 1 949 041             | 41 856 515         |
| <b>Total expenses</b>   | <b>1 613 930 441</b>  | <b>501 014 878</b> |
| <b>Net income</b>   | <b>-1 196 537 803</b> | <b>177 271 207</b> |

The notes form an integral part of the financial statements.

## *Dividend Proposal*

|  | 2001<br>CHF | 2000<br>CHF  |
|--|-------------|--------------|
| Distribution of a dividend of CHF 0.30 gross on 153 440 000 registered shares with a par value of CHF 5 out of reserves (2000: CHF 1.10 gross on 153 440 000 registered shares out of unappropriated earnings) | -46 032 000 | -168 784 000 |

# Notes to the financial statements of Clariant Ltd.

## 1. Accounting policies

### Introduction

Statutory financial statements of Clariant Ltd. comply with the requirements of the Swiss Company Law.

### Exchange rate differences

Balance sheet items denominated in foreign currencies are converted at year-end exchange rates. Exchange rate differences arising from these as well as those from business transactions are recorded in the income statement.

### Financial fixed assets

These are valued at acquisition cost less adjustments for impairment of value.

### Provisions

Provisions are made to cover existing liabilities.

## 2. Financial assets

Financial assets include loans to Group companies totalling CHF 2 528 million (2000: 3 188.8 million).

Clariant has reassessed the former BTP businesses in terms of their future cash flow generation capabilities and written down the investments in these companies by CHF 1.226 million.

The principal direct and indirect affiliated companies, joint ventures and other holdings of Clariant Ltd. are shown on pages 96 to 97 of this report.

## 3. Cash, marketable securities and short term financial assets

Securities include treasury shares valued at fair market value in the amount of CHF 32 million (see also footnote 5).

**4. Share capital**

|  | <b>31.12.2001</b> | 31.12.2000* |
|--|-------------------|-------------|
| Number of registered shares each with a par value of CHF 5 | 153 440 000       | 153 440 000 |
| in CHF   | 767 200 000       | 767 200 000 |

**Conditional capital**

|  | <b>31.12.2001</b> | 31.12.2000 |
|--|-------------------|------------|
| Number of registered shares each with a par value of CHF 5 | 8 000 000         | 8 000 000  |
| in CHF   | 40 000 000        | 40 000 000 |

8 000 000 registered shares are available for further issuance of convertible or warrant bonds.

\*Adapted to the share split 10:1.

# Notes to the financial statements of Clariant Ltd.

## 5. Treasury shares (number with a par value of CHF 5 each)

|                                  | 2001             | 2000           |
|----------------------------------|------------------|----------------|
| Holdings on 1 January            | 564 760          | 2 898 160      |
| Shares purchased at market value | 610 686          | 886 890        |
| Shares sold at market value      | -102 410         | -3 220 290     |
| Shares to employees              | -20 640          | -              |
| <b>Holdings on 31 December</b>   | <b>1 052 396</b> | <b>564 760</b> |

## 6. Reconciliation of equity

|                                | Registered<br>shares | Legal<br>reserves    | Reserve<br>for treasury<br>shares | Unappropriated<br>retained<br>loss/earnings | <b>Total</b>          |
|--------------------------------|----------------------|----------------------|-----------------------------------|---|-----------------------|
| <b>Balance 31.12.2000</b>      | <b>767 200 000</b>   | <b>1 919 911 489</b> | <b>36 106 311</b>                 | <b>225 933 991</b>                          | <b>2 949 151 791</b>  |
| Purchase of<br>treasury shares |                      | -21 639 252          | 21 639 252                        |   | -                     |
| Dividends for 2000             |                      |                      |                                   | -168 784 000                                | <b>-168 784 000</b>   |
| Loss/Profit for the year       |                      |                      |                                   | -1 196 537 803                              | <b>-1 196 537 803</b> |
| <b>Balance 31.12.2001</b>      | <b>767 200 000</b>   | <b>1 898 272 237</b> | <b>57 745 563</b>                 | <b>-1 139 387 812</b>                       | <b>1 583 829 988</b>  |

## 7. Legal reserves

Legal reserves arise from premiums paid by shareholders in connection with the founding of the company in 1995, the capital increase in 1997, and the execution of conversion rights.

## 8. Reserve for treasury shares held by the Group

In accordance with the Swiss Code of Obligations paragraph 659a II, the required reserve for treasury shares has been created from the part of available legal reserves, which exceeds 20% of share capital.

**9. Straight bonds**

|               | Interest rate                   | Term      | <b>Amount<br/>31.12.2001<br/>TCHF mio</b> | Amount<br>31.12.2000<br>TCHF mio |
|---------------|---------------------------------|-----------|---|----------------------------------|
| Straight Bond | 4 <sup>5</sup> / <sub>8</sub> % | 1996–2003 | 134 505                                   | 150 000                          |
| Straight Bond | 4 <sup>1</sup> / <sub>8</sub> % | 1996–2006 | 161 450                                   | 200 000                          |
| Straight Bond | 3 <sup>3</sup> / <sub>8</sub> % | 1997–2004 | 262 900                                   | 300 000                          |
| Straight Bond | 3 <sup>3</sup> / <sub>4</sub> % | 1997–2007 | 186 230                                   | 200 000                          |
| Straight Bond | 3%                              | 1998–2005 | 217 925                                   | 250 000                          |
| Straight Bond | 4 <sup>1</sup> / <sub>4</sub> % | 2000–2008 | 433 825                                   | 500 000                          |
| <b>Total</b>  |                                 |           | <b>1 396 835</b>                          | <b>1 600 000</b>                 |

In order to reduce financial debts Clariant repurchased bonds in the amount of TCHF 203 165 in 2001.

## 10. Contingent liabilities

|  | <b>Outstanding liabilities<br/>31.12.2001<br/>CHF mio</b> | Outstanding liabilities<br>31.12.2000<br>CHF mio |
|--|---|--|
| Outstanding liabilities as guarantees in favour of Group companies | 901   | 30   |

The guarantees result from the final financing structure of the acquisition of BTP plc.

## 11. Voting and legal registration limitations

In accordance with Article 5 of the Articles of Incorporation, no limitations with regard to registration of shares which are acquired in one's own name and on one's own account exist. Special rules exist for Nominees. In accordance with Article 12 of the Articles of Incorporation, each share has the right to one vote. A shareholder can only vote for his own shares and for represented shares, up to a maximum of 10% of total share capital.

## 12. Shareholders holding 5 percent or more of total share capital

Based on the information available at the time of this report, Frankfurter Spezialchemikalien Verwaltungs GmbH & Co. KG, a 100% owned subsidiary of Hoechst AG, Frankfurt, which on her part is a 97% participation of Aventis, Strasbourg, owns 11.8% of the share capital on 31 December 2001 (2000: 11.8%).

# Report of the Statutory Auditors



## **Report of the Statutory Auditors to the General Meeting of Shareholders of Clariant Ltd., Muttenz**

As statutory auditors, we have audited the accounting records and the financial statements (balance sheet, income statement and notes – pages 98 to 106) of Clariant Ltd. for the year ended 31 December 2001.

These financial statements are the responsibility of the Board of Directors. Our responsibility is to express an opinion on these financial statements based on our audit. We confirm that we meet the legal requirements concerning professional qualification and independence.

Our audit was conducted in accordance with auditing standards promulgated by the Swiss profession, which require that an audit be planned and performed to obtain reasonable assurance about whether the financial statements are free from material misstatement. We have examined on a test basis evidence supporting the amounts and disclosures in the financial statements. We have also assessed the accounting principles used, significant estimates made and the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the accounting records and financial statements and the proposal for dividend comply with the law and the company's articles of incorporation.

We recommend that the financial statements submitted to you be approved.

PricewaterhouseCoopers AG

Dr. R. Gerber

C. Boller

Basle, 22 February 2002

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