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## Business Review 1999/1998

### Group

		1999	1998	Change
Divisional sales	CHF million	9 158	9 341	-2%
Sales Group <sup>1</sup>		9 256	9 535	-3%
Net income before minority interests		562	524	+7%
Net income and depreciation on tangible fixed assets and intangible assets		1 178	1 139	+3%
Total assets		10 980	10 209	+8%
Shareholders' equity		3 365	2 698	+25%
Investment in fixed assets		425	464	-8%
Personnel costs		2 168	2 117	+2%
Employees (at year-end)	Number	28 993	29 279	-1%
Return on sales (ROS)	%	6.1	5.5	+11%
Profit per share (par value CHF 50)	CHF	38.77	36.25	+7%
Dividend per share (par value CHF 50)		10.00 <sup>2</sup>	9.00	+11%

<sup>1</sup> incl. trading

<sup>2</sup> as proposed to the General Meeting of Shareholders

## 1999 Consolidated Financial Statements of the Clariant Group

# Consolidated Balance Sheets

at 31 December 1999 and 1998

		31 December		31 December	
		1999		1998	
		CHF mio	%	CHF mio	%
<b>Assets</b>	*				
<b>Long-term assets</b>					
Tangible fixed assets	3	4 059		3 899	
Intangible assets	4	752		743	
Investments in associated companies	5	471		417	
Deferred taxes	6	480		570	
Other financial assets	7	62		15	
<b>Total long-term assets</b>		<b>5 824</b>	<b>53.0</b>	<b>5 644</b>	<b>55.3</b>
<b>Current assets</b>					
Inventories	8	2 083		2 026	
Trade accounts receivable	9	1 810		1 571	
Other current assets	10	439		478	
Cash and short-term deposits		824		490	
<b>Total current assets</b>		<b>5 156</b>	<b>47.0</b>	<b>4 565</b>	<b>44.7</b>
<b>Total assets</b>		<b>10 980</b>	<b>100.0</b>	<b>10 209</b>	<b>100.0</b>

\*The notes form an integral part of the consolidated financial statements.  
1998 has been restated to be comparable with the 1999 presentation.

## 1999 Consolidated Financial Statements of the Clariant Group

		31 December 1999		31 December 1998	
		CHF mio	%	CHF mio	%
<b>Equity and liabilities</b>	*				
<b>Equity</b>					
Share capital	12	730		727	
Treasury shares (par value)		-14		-15	
Reserves		2 649		1 986	
<b>Total equity</b>		<b>3 365</b>	<b>30.6</b>	<b>2 698</b>	<b>26.4</b>
<b>Minority interests</b>		<b>106</b>	<b>1.0</b>	<b>61</b>	<b>0.6</b>
<b>Liabilities</b>					
<b>Long-term liabilities</b>					
Financial debts	13	2 789		2 974	
Deferred taxes	6	808		811	
Other	14	730		553	
<b>Total long-term liabilities</b>		<b>4 327</b>		<b>4 338</b>	
<b>Short-term liabilities</b>					
Trade accounts payable		852		898	
Financial debts	15	814		672	
Taxes payable		41		48	
Other	16	1 475		1 494	
<b>Total short-term liabilities</b>		<b>3 182</b>		<b>3 112</b>	
<b>Total liabilities</b>		<b>7 509</b>	<b>68.4</b>	<b>7 450</b>	<b>73.0</b>
<b>Total equity and liabilities</b>		<b>10 980</b>	<b>100.0</b>	<b>10 209</b>	<b>100.0</b>

\*The notes form an integral part of the consolidated financial statements.  
1998 has been restated to be comparable with the 1999 presentation.

## 1999 Consolidated Financial Statements of the Clariant Group

# Consolidated Income Statements

for the years ended 31 December 1999 and 1998

		1999		1998	
		CHF mio	%	CHF mio	%
	*				
Sales		9 256	100.0	9 535	100.0
Cost of goods sold		-5 997		-6 032	
<b>Gross profit</b>		<b>3 259</b>	<b>35.2</b>	<b>3 503</b>	<b>36.7</b>
Marketing and distribution		-1 359		-1 408	
Research and development		-362		-334	
Income from associated companies	5	86		57	
Administration and general overhead cost	20	-542		-721	
<b>Operating income before amortization of goodwill</b>		<b>1 082</b>	<b>11.7</b>	<b>1 097</b>	<b>11.5</b>
Amortization of goodwill		-52		-40	
<b>Operating income after amortization of goodwill</b>		<b>1 030</b>	<b>11.1</b>	<b>1 057</b>	<b>11.1</b>
Financial result	21	-193		-224	
<b>Income before taxes and minority interests</b>		<b>837</b>		<b>833</b>	
Taxes	22	-275		-309	
<i>Income before minority interests</i>		<i>562</i>	<i>6.1</i>	<i>524</i>	<i>5.5</i>
Minority interests		-9		-5	
<b>Net income of the group</b>		<b>553</b>		<b>519</b>	
Earnings per share (CHF / share)	23	38.77		36.25	
Diluted earnings per share (CHF / share)	23	37.08		34.33	

\*The notes form an integral part of the consolidated financial statements.  
1998 has been restated to be comparable with the 1999 presentation.

## 1999 Consolidated Financial Statements of the Clariant Group

# Consolidated Statements of Cash Flows

for the years ended 31 December 1999 and 1998

	1999 CHF mio	1998 CHF mio
Net income	553	519
Depreciation of tangible fixed assets	546	554
Amortization of intangible assets	70	61
Change in long-term liabilities	186	138
Other non-cash items	-84	-8
<b>Cash flow before changes in working capital</b>	<b>1 271</b>	<b>1 264</b>
Change in inventories	71	-178
Change in trade accounts receivable and other current assets	204	216
Change in short-term financial assets	3	-5
Change in trade accounts payable	-122	-93
Other	-383	-492
<b>Cash flow from operating activities</b>	<b>1 044</b>	<b>712</b>
Investment in tangible fixed assets	-425	-464
Change in intangible and financial assets	-19	-14
Sale of tangible and intangible assets	47	56
Acquisition of companies, businesses and participations (net of cash acquired)	-94	0
Acquisition of minority interests	-31	-13
Divestment of businesses (and companies)	-	105
Dividends received	56	28
<b>Cash flow from investing activities</b>	<b>-466</b>	<b>-302</b>
Capital increase	31	1
Treasury share transactions	15	-163
Change in long-term financial debts	-218	247
Change in short-term financial debts	44	-556
Dividends paid to third parties	-131	-102
<b>Cash flow from financing activities</b>	<b>-259</b>	<b>-573</b>
Currency translation effect on cash and short-term deposits	15	-8
<b>Net change in cash and short-term deposits</b>	<b>334</b>	<b>-171</b>
<b>Cash and short-term deposits at the beginning of the period</b>	<b>490</b>	<b>661</b>
<b>Cash and short-term deposits at the end of the period</b>	<b>824</b>	<b>490</b>
Additional information to the Consolidated Statements of Cash Flows:		
Interest paid	-177	-168
Income taxes paid	-146	-208

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

1998 has been restated to be comparable with the 1999 presentation.

Exactly your chemistry.

## 1999 Consolidated Financial Statements of the Clariant Group

# Consolidated Statement of Changes in Equity for the years ended 31 December 1999 and 1998

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 1997</b>	<b>1 491</b>	<b>507</b>	<b>-26</b>	<b>1 972</b>	<b>727</b>	<b>-5</b>	<b>2 694</b>
Effect of IAS 12 revised		-193		-193			-193
Dividends to third parties		-102		-102			-102
Dividends on treasury shares		2		2			2
Exercise of conversion rights	1			1			1
Treasury share transactions	-153			-153		-10	-163
Translation effects			-60	-60			-60
Net income		519		519			519
<b>Balance 31 December 1998</b>	<b>1 339</b>	<b>733</b>	<b>-86</b>	<b>1 986</b>	<b>727</b>	<b>-15</b>	<b>2 698</b>
Effect of IAS 19 revised		4		4			4
Dividends to third parties		-131		-131			-131
Dividends on treasury shares		2		2			2
Exercise of conversion rights	29			29	3		32
Treasury share transactions	14			14		1	15
Translation effects			192	192			192
Net income		553		553			553
<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>

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).

#### 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. All other minority investments are valued at their acquisition cost less impairment in value.

#### 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 inter-

company 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 extreme cases when 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 pur-

## Notes to the Consolidated Financial Statements

chased 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. All other minority investments are reported at their acquisition cost, and loans are reported at their nominal value. Adjustments are made for any permanent impairment in value. The net result is included in other income and expense in the income statement.

### Inventories

Purchased products are valued at acquisition cost while self-manufactured products are valued at manufacturing costs including related production expenses. 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 have been made for inventories with a lower market value or which are slow moving. Unsaleable inventory has been 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.

### Marketable securities and financial instruments

Marketable security portfolios are valued at the lower of cost or market value. The result is included 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 movements. The Group manages and records centrally its cover of various positions arising from existing assets and liabilities as well as future business transactions. Transactions are only concluded with reputable international banks. The result of using financial instruments in our risk management program is strictly monitored, checked and communicated to Group management.

Financial instruments which are held for hedging purposes, principally interest rate and currency swaps, are valued using the same principles as the underlying hedged positions.

Gains and losses arising from the use of financial instruments for the purpose of hedging other financial risks are recorded in the income statement when the gains and losses arising from the underlying hedged position are recognized. Option premiums or fees are recorded on payment or receipt.

All other financial instruments are valued at fair market value with the resulting gains or losses 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 has not been taken into account since, generally, the 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.

## 2. Change in the scope of consolidation

### Aquisitions

As of 1 January 1999, the Division Masterbatches acquired the worldwide Hydrocerol® business from Boehringer Ingelheim. In addition to the actual business activities, the production site for Hydrocerol® in Winchester, VA (USA) has been transferred to Clariant. The Hydrocerol® production in Ingelheim on the Rhine was shifted to Clariant Masterbatch GmbH & Co. OHG, Lahnstein. Sales of Hydrocerol® in 1999 were CHF 28 million.

Effective 1 January 1999, Clariant acquired 55% of the shares of Sang Ho Mercantile Co. Ltd. in Korea. Total annual sales in 1999 (Division Masterbatches) were CHF 21 million.

On 1 April 1999, Clariant acquired the remaining 50% participation of Hoechst Gosei K.K from the former joint-venture partner Nippon Gohsei and consolidated it from this date. The company was renamed to Clariant Polymers K.K. Sales (Division Cellulose Ethers & Polymerisates) from 1 April 1999 through year-end 1999 were CHF 66 million.

On 1 May 1999, Clariant acquired 51% of the shares of Songwon Color Co. Ltd. Korea. Sales of the period from 1 May 1999 through year-end 1999 were CHF 42 million (CHF 39 million Division Pigments & Additives and CHF 3 million Division Masterbatches).

At the end of October 1999, Clariant increased their participation in Säurefabrik Schweizerhall AG to 25%. This company is consolidated "at equity" as of 1 November 1999.

### Divestments

Effective 31 December 1998, the superabsorber business, a part of the Surfactants Division, was divested. Sales in 1998 were CHF 288 million.

## Notes to the Consolidated Financial Statements

### 3. Tangible fixed asset movements

in CHF mio	Land	Build-ings	Machin-ery and equip-ment	Furni-ture, vehicles com-puter hard-ware	Plant under con-struction	Total 1999	Total 1998
<b>Costs</b>							
at 1 January	633	2 207	5 526	724	254	9 344	9 894
Changes in consolidation scope	25	40	80	8	–	153	–568
Additions and reclassifications	6	152	224	5	38	425	464
Disposals	–7	–29	–110	–40	–7	–193	–362
Translation effects	27	107	190	38	27	389	–84
<b>at 31 December</b>	<b>684</b>	<b>2 477</b>	<b>5 910</b>	<b>735</b>	<b>312</b>	<b>10 118</b>	<b>9 344</b>
<b>Accumulated depreciation</b>							
at 1 January	–	–1 079	–3 845	–521	–	–5 445	–5 441
Change in consolidation scope	–	–5	–38	–4	–	–47	307
Additions and reclassifications	–	–164	–325	–57	–	–546	–554
Disposals	–	18	87	39	–	144	205
Translation effects	–	–30	–109	–26	–	–165	38
<b>at 31 December</b>	<b>–</b>	<b>–1 260</b>	<b>–4 230</b>	<b>–569</b>	<b>–</b>	<b>–6 059</b>	<b>–5 445</b>
<b>Book value at 31 December</b>	<b>684</b>	<b>1 217</b>	<b>1 680</b>	<b>166</b>	<b>312</b>	<b>4 059</b>	<b>3 899</b>
<b>Insured value at 31 December</b>						<b>14 173</b>	<b>14 068</b>

The capitalized cost of tangible fixed assets under lease contracts at 31 December 1999 amounts to CHF 10 million with a book value of CHF 2 million (1998: CHF 10 million and CHF 4 million respectively).

As of 31 December 1999, commitments for purchases of tangible fixed assets totalled CHF 83 million.

## Notes to the Consolidated Financial Statements

### 4. Intangible asset movements

in CHF mio	Goodwill	Other	Total 1999	Total 1998
<b>Costs</b>				
at 1 January	774	73	847	805
Additions	50	19	69	52
Disposals	–	–1	–1	–10
Translation effects	10	3	13	–
<b>at 31 December</b>	<b>834</b>	<b>94</b>	<b>928</b>	<b>847</b>
<b>Accumulated amortization</b>				
at 1 January	–64	–40	–104	–42
Amortization	–52	–18	–70	–61
Disposals	–	–	–	2
Translation effects	–1	–1	–2	–3
<b>at 31 December</b>	<b>–117</b>	<b>–59</b>	<b>–176</b>	<b>–104</b>
<b>Book value at 31 December</b>	<b>717</b>	<b>35</b>	<b>752</b>	<b>743</b>

## 5. Investment in associated companies

	Balance sheet value		Income statement effect	
	31.12.1999 CHF mio	31.12.1998 CHF mio	1999 CHF mio	1998 CHF mio
InfraServ GmbH & Co. Höchst KG	199	209	13	23
Säurefabrik Schweizerhall AG	68	–	39	–
InfraServ GmbH & Co. Wiesbaden KG	55	54	8	7
InfraServ GmbH & Co. Gendorf KG	43	44	6	7
Harco Harlow Chemical Company Ltd.	33	28	16	14
InfraServ GmbH & Co. Knapsack KG	22	22	1	1
Perstorp-Clariant AB	11	10	2	3
Hoechst Gosei K.K.	–	21	–	–
Others	40	29	1	2
	<b>471</b>	<b>417</b>	<b>86</b>	<b>57</b>

At the end of October 1999, Clariant increased their participation in Säurefabrik Schweizerhall AG by 6.25% to 25%. In line with the accounting policies expressed in the Notes, the company has been consolidated "at equity" as of 1 November 1999. The surplus value of the previously held shares minus the goodwill depreciation on the additionally acquired shares – a net CHF 31 million – has been included in the 1999 result as a one time profit in the line "income from associated companies".

## Notes to the Consolidated Financial Statements

### 6. Deferred taxes

	31.12.1999 CHF mio	31.12.1998 CHF mio
Deferred tax liabilities associated with:		
Tangible and intangible asset depreciation and amortization	653	683
Prepaid pensions	14	1
Other accruals and provisions	141	127
<b>Total liabilities</b>	<b>808</b>	<b>811</b>
Deferred tax assets associated with:		
Tangible and intangible asset depreciation and amortization	42	46
Employee benefit liabilities	120	59
Other accruals and provisions	318	465
<b>Total assets</b>	<b>480</b>	<b>570</b>

### 7. Other financial assets

	31.12.1999 CHF mio	31.12.1998 CHF mio
Prepaid pensions	59	–
Other investments	3	15
<b>Total</b>	<b>62</b>	<b>15</b>

### 8. Inventories

	31.12.1999 CHF mio	31.12.1998 CHF mio
Raw material, consumables, work in progress	870	711
Finished products	1 213	1 315
<b>Total</b>	<b>2 083</b>	<b>2 026</b>

**9. Trade accounts receivable**

	31.12.1999 CHF mio	31.12.1998 CHF mio
Receivables gross	1 950	1 707
Provision for doubtful receivables	-140	-136
<b>Total net</b>	<b>1 810</b>	<b>1 571</b>

**10. Other current assets**

	31.12.1999 CHF mio	31.12.1998 CHF mio
Other receivables	336	355
Short-term financial assets	29	18
Prepaid expenses /accrued income	74	105
<b>Total</b>	<b>439</b>	<b>478</b>

**11. Financial instruments**

**Risk management (hedging) instruments and off-balance sheet risk**

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 or to manage the return on cash and cash equivalents. Risk exposures from existing assets and liabilities as well as anticipated transactions are managed centrally. The Group also holds or issues financial instruments for trading purposes.

**Interest rate management**

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

**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. The entire exposure may not be hedged throughout the year, depending on the management's estimation of future developments.

**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 AA 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.

## Notes to the Consolidated Financial Statements

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 the gain or loss a contract would realize if exchan-

ged or settled using market values or standard pricing models at 31 December 1999. IAS 39 has not been early adopted.

	Contract or underlying prin- cipal amount CHF mio	Positive fair values CHF mio	Negative fair values CHF mio
<b>Currency related hedging instruments</b>			
Forward foreign exchange rate contracts	1 876	8	-198
<b>Interest related instruments</b>			
Interest rate swaps	1 094	22	-5
<b>Total financial instruments</b>	<b>2 970</b>	<b>30</b>	<b>-203</b>

Any gains or losses per category are recognized in the income statement under the principles of hedge accounting. This means the recognition of a gain or a loss follows the recognition of the respective gain or loss of the hedged cash flow or asset.

## Notes to the Consolidated Financial Statements

### Financial instruments by maturity

	1–12 months CHF mio	1–5 years CHF mio	over 5 years CHF mio
<b>Currency related hedging instruments</b>			
Forward foreign exchange rate contracts	709	1 121	46
<b>Interest related instruments</b>			
Interest rate swaps	–	607	487
<b>Total financial instruments</b>	<b>709</b>	<b>1 728</b>	<b>533</b>

### Financial instruments by currency

	Forward foreign exchange CHF mio	Total CHF mio
USD	1 012	1 012
JPY	474	474
GBP	233	233
EURO	105	105
CHF	43	43
Others	9	9
<b>Total</b>	<b>1 876</b>	<b>1 876</b>
Interest rate swaps		1 094
<b>Total financial instruments</b>		<b>2 970</b>

All counterparties are rated at least AA.

## Notes to the Consolidated Financial Statements

### 12. Changes in share capital and treasury shares

Registered shares each with a par value of CHF 50

	Number of shares 1999	Par value CHF mio 1999	Number of shares 1998	Par value CHF mio 1998
<b>at 1 January</b>	<b>14 545 636</b>	<b>727</b>	<b>14 544 000</b>	<b>727</b>
Increase of share capital by conversion of bonds	55 192	3	1 636	
<b>at 31 December</b>	<b>14 600 828</b>	<b>730</b>	<b>14 545 636</b>	<b>727</b>
Treasury shares	-289 816	-14	-304 466	-15
<b>Outstanding Capital 31 December</b>	<b>14 311 012</b>	<b>716</b>	<b>14 241 170</b>	<b>712</b>

Treasury shares (number of shares)

	1999	1998
<b>Holdings on 1 January</b>	<b>304 466</b>	<b>95 960</b>
Shares purchased at fair market value	43 190	218 680
Shares sold at fair market value	-57 840	-10 174
<b>Holdings on 31 December</b>	<b>289 816</b>	<b>304 466</b>

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## Notes to the Consolidated Financial Statements

### 13. Long-term financial debts

	Interest rate	Term	Earliest redemption date	Amount 31.12.1999 CHF mio	Amount 31.12.1998 CHF mio
Convertible Bond <sup>1</sup>	1%	1997–2002	2000 <sup>2</sup>	424	455
Straight Bonds	4¼%	1995–2000		150	150
Straight Bonds	4⅝%	1996–2003		150	150
Straight Bonds	4⅛%	1996–2006		200	200
Straight Bonds	3⅜%	1997–2004		300	300
Straight Bonds	3¾%	1997–2007		200	200
Straight Bonds	3%	1998–2005		250	250
<b>Liabilities to banks and other financial institutions</b>				<b>1 288</b>	<b>1 276</b>
<b>Obligations under finance leases</b>				<b>1</b>	<b>1</b>
<b>Subtotal</b>				<b>2 963</b>	<b>2 982</b>
<b>Less current portion</b>				<b>-174</b>	<b>-8</b>
<b>Total</b>				<b>2 789</b>	<b>2 974</b>
Breakdown by maturity		2000		–	249
		2001		45	12
		2002		449	466
		2003		152	167
		2004		315	
		thereafter		1 828	2 080
<b>Total</b>				<b>2 789</b>	<b>2 974</b>
Breakdown by currency		CHF		1 730	1 948
		DEM		618	626
		USD		396	324
		other		45	76
<b>Total</b>				<b>2 789</b>	<b>2 974</b>
<b>Fair value comparison</b>					
Convertible bonds				566	553
Straight bonds				1 104	1 306
Others				1 265	1 269
<b>Total</b>				<b>2 935</b>	<b>3 128</b>
Total value of the security given, mainly against tangible fixed assets				230	145
Total secured long-term financial debts				61	50

<sup>1</sup> Bonds with a CHF 5,000 nominal value can be converted into 8.7719 registered shares of Clariant Ltd. during the period from 19 August 1997 to 19 August 2002, respectively until the early redemption date.

<sup>2</sup> Early redemption by Clariant is possible:

– to 100% after 3 years (19 August 2000);

– to 100% at anytime, if more than 95% of the original nominal value has been converted.

As of 31 December 1999, bonds with a nominal value of CHF 32,395,000 have been converted into shares (31 December 1998: CHF 935,000).

#### 14. Other long-term liabilities

	31.12.1999 CHF mio	31.12.1998 CHF mio restated	31.12.1998 CHF mio
Pension and termination benefit plans	343	331	246
Post-retirement benefits in USA, France and Canada	115	90	91
Other	272	266	216
<b>Total</b>	<b>730</b>	<b>687</b>	<b>553</b>

#### 15. Short-term financial debts

	31.12.1999 CHF mio	31.12.1998 CHF mio
Banks and other financial institutions (including employees' accounts)	640	664
Current portion of long-term financial debts	174	8
<b>Total</b>	<b>814</b>	<b>672</b>

#### 16. Other short-term liabilities

	31.12.1999 CHF mio	31.12.1998 CHF mio
Other taxes	11	1
Provisions for restructuring costs	274	657
Accrued expenses	728	452
Provision for personnel costs	169	182
Other payables	293	202
<b>Total</b>	<b>1 475</b>	<b>1 494</b>

Provisions for restructuring costs	31.12.1999 CHF mio	31.12.1998 CHF mio
at 1 January	657	978
Utilization	-383	-321
<b>at 31 December</b>	<b>274</b>	<b>657</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.

	31.12.1999 CHF mio	31.12.1998 CHF mio restated	31.12.1998 CHF mio
Liabilities recognized in the balance sheet:			
Pension Funds			
defined contribution plans	-26	-50	-50
defined benefit plans	-317	-281	-196
Other post retirement benefit plans	-115	-90	-91
<b>Total</b>	<b>-458</b>	<b>-421</b>	<b>-337</b>

### Defined contribution pension and termination plans

In 1999, CHF 25 million was charged to the income statements of the Group companies

as contributions to these plans (1998: CHF 25 million).

### Defined benefit obligations plans

The Group has adopted IAS 19 revised "Employee Benefit Plans" as of 1 January 1999. The obligations and the related assets as of December 31, 1998 have been

reassessed according to the revised standards. The following transitional amounts resulted from this restatement:

	CHF mio
Obligations as of December 31, 1998	-1 050
Increase	-161
<b>Obligations as of January 1, 1999</b>	<b>-1 211</b>

## Notes to the Consolidated Financial Statements

The net increase of CHF 161 million was mainly due to changes in actuarial assumptions and relates to benefit plans in Switzerland, Germany and USA. The resulting amounts, net of related deferred tax assets, and partially reduced by formerly unrecognized surpluses of assets over liabilities, were credited to shareholders' equity in accordance with the benchmark treatment in IAS 8. It was impractical to restate for the effect on

prior periods. From surpluses of assets, CHF 59 million have been capitalized.

### 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

yearly and reassessed at least every three years by independent actuaries. Assets are valued at fair values. All pension plan obligations are sufficiently funded by assets.

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.

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

	31.12.1999 CHF mio	31.12.1998 CHF mio restated
Present value of funded obligations	-939	-889
Fair value of plan assets	1 131	974
<b>Total</b>	<b>192</b>	<b>85</b>
Present value of unfunded obligations	-254	-232
Unrecognized actuarial (gains) losses	-255	-134
<b>Liability in the balance sheet</b>	<b>-317</b>	<b>-281</b>

The pension plan assets include registered shares issued by the Company with a fair value of CHF 26 million at 31 December 1999.

## Notes to the Consolidated Financial Statements

The amounts recognized in the income statement are as follows:	1999 CHF mio	1998 CHF mio
Current service cost	-80	-77
Interest cost	-44	-41
Expected return on plan assets	57	54
Net actuarial losses recognized in current year	0	-6
Losses on curtailment	-1	-1
<b>Total included in personnel costs in the Group income statement</b>	<b>-68</b>	<b>-71</b>

The actual return on plan assets in 1999 was CHF 125 million.

Movement in the liability recognized in the balance sheet:	31.12.1999 CHF mio	31.12.1998 CHF mio
<b>At beginning of year</b>		
– as previously reported	-196	-178
– effect of adopting IAS 19 revised	-85	–
<b>Total as restated</b>	<b>-281</b>	<b>-178</b>
Exchange differences	-11	-2
Liabilities acquired in business combination	-15	–
Total expense as above	-68	-71
Contributions paid	58	55
<b>At end of year</b>	<b>-317</b>	<b>-196</b>

## Notes to the Consolidated Financial Statements

The principal actuarial assumptions used for accounting purposes were:

	weighted average %	
	1999	1998
Discount rate	4.8%	5.0%
Expected return on plan assets	5.8%	5.6%
Expected inflation rate	2.7%	2.2%

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

With the adoption of IAS 19 revised, the plans for the companies in France have been recorded for the first time. The resulting increase of the obligation has been offset by a similar reduction of the liability in the USA.

The following amounts are recognized in the balance sheet:

	1999 CHF mio	1998 CHF mio restated
Present value of unfunded obligations	-115	-90

## Notes to the Consolidated Financial Statements

The amounts recognized in the income statement are as follows:	1999 CHF mio	1998 CHF mio
Current service cost	-3	-2
Interest cost	-6	-5
<b>Total included in personnel costs</b>	<b>-9</b>	<b>-7</b>

Movement in the liability recognized in the balance sheet:	1999 CHF mio	1998 CHF mio
<b>At beginning of year</b>		
– as previously reported	-91	-93
– effect of adopting IAS 19 revised	1	–
<b>Total as restated</b>	<b>-90</b>	<b>-93</b>
Exchange differences	-14	5
Total expense as above	-9	-7
Benefits paid	2	4
Other	-4	0
<b>At end of year</b>	<b>-115</b>	<b>-91</b>

In addition to the assumptions used for the pensions schemes, the main actuarial assumption is a long term increase in health costs of 6.5% per year.

## Notes to the Consolidated Financial Statements

### 18. Stock option plan

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

In 1999, a new Clariant Group Executive 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 new Plans (I.b) and (II.) are included in personnel expenses. A provision has been made for shares earned in 1999 which will be granted in 2000. The grant of options (I.a) has no effect on the income statement. The costs of the options and shares granted under the plans, which were in place from 1996 to 1998, are wholly borne by the autonomous employee share participation foundation.

#### Share options and shares as of 31 December 1999

##### Options

Base-year	Granted	Exercisable from	Expiry date	Exercise price	Number 31.12.1999	Number 31.12.1998
1997	1998	2001	2007	286.50	15 974 <sup>1</sup>	20 696
1997	1998	2001	2007	421.50	16 036 <sup>1</sup>	16 036
1998	1999	2002	2008	695.00	36 281 <sup>2</sup>	–
			<b>Total</b>		<b>68 291</b>	<b>36 732</b>

##### Shares

1995	1996	1999	–	192.50	–	1 290
1996	1997	2000	–	230.00	5 408 <sup>1</sup>	5 408
1998	1999	2002	–	–	8 619 <sup>2</sup>	–
			<b>Total</b>		<b>14 027</b>	<b>6 698</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.

## Notes to the Consolidated Financial Statements

### 19. Consolidated statement of Cash Flow

	1999
	CHF mio
The following is a summary of the impact of acquisitions during 1999:	
Tangible fixed assets	-98
Other long-term assets	-5
Inventories	-28
Trade accounts receivable	-45
Other current assets	-9
Marketable securities, cash and short-term deposits	-19
Long-term and short-term financial debts to third parties	78
Trade accounts payable and other liabilities	44
<b>Reduction of cash</b>	<b>-82</b>
Plus acquired cash and short-term deposits	11
Minority interests	21
<b>Sub-total</b>	<b>-50</b>
Goodwill	-44
<b>Net Cash Flow</b>	<b>-94</b>

## Notes to the Consolidated Financial Statements

### 20. Administration and general overhead costs

	1999	1998
	CHF mio	CHF mio
Administration and general overhead costs	-542	-721

In 1999, Clariant and Hoechst settled certain outstanding claims related to Clariant's 1997 purchase of the Hoechst Specialty Chemicals business. The result of this settlement, net of adjustments for related liabilities, is reflected in the income statement as a one-off contribution of CHF 34 million within Administrative and general overhead costs. The net adjustment to assets acquired has been recorded in the income statement as required by IAS 22. The related cash flows have been presented within the operating cash flows of the Group.

### 21. Financial expense, net

	1999	1998
	CHF mio	CHF mio
Interest income	28	40
Interest expense	-212	-238
Exchange rate differences	-9	-26
<b>Total</b>	<b>-193</b>	<b>-224</b>

## Notes to the Consolidated Financial Statements

### 22. Taxes

	1999 CHF mio	1998 CHF mio
Current income taxes	-169	-190
Deferred income taxes	-106	-119
<b>Total</b>	<b>-275</b>	<b>-309</b>

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

	1999	1998
Maximum Swiss Tax rate	24.8%	24.8%
Effect of different tax rates in other countries	10.8%	22.1%
Effect of expenses which are additionally tax deductible	-5.1%	-7.3%
Effect of previously unrecognized tax losses	-0.8%	-0.3%
Other items	3.1%	-2.2%
Effective tax rate	32.8%	37.1%

No material tax losses were used to reduce deferred tax liabilities. Tax losses and tax credits on which no deferred tax was calculated are as follows:

	31.12.1999 CHF mio	31.12.1998 CHF mio
Unrecognized tax losses	178	85
Unrecognized tax credits	16	25

All tax losses and tax credits presented expire between 2000 and 2006.

## Notes to the Consolidated Financial Statements

### 23. 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).

	1999 CHF mio	1998 CHF mio
<b>Net income</b>	<b>553</b>	<b>519</b>
Reversed interest on convertible bond	5	5
Remaining amortization of the convertible bond issue costs	-1	-5
<b>Diluted net income</b>	<b>557</b>	<b>519</b>
<b>Shares</b>		
Holdings on 1 January	14 241 170	14 448 040
Effect of transactions with treasury shares on average number of shares outstanding	32 130	-118 537
<b>Average number of shares outstanding</b>	<b>14 273 300</b>	<b>14 329 503</b>
Effect on average number of shares outstanding assuming the convertible bond had been converted at the earliest possible date	743 172	798 364
<b>Average diluted number of shares outstanding</b>	<b>15 016 472</b>	<b>15 127 867</b>

### 24. Personnel expenses

	1999 CHF mio	1998 CHF mio
Wages and salaries	-1 683	-1 629
Pension and social security costs	-485	-488
<b>Total</b>	<b>-2 168</b>	<b>-2 117</b>

## Notes to the Consolidated Financial Statements

### 25. Divisional breakdown of key figures 1999 und 1998 (in CHF million)

Divisions	Process- & Performance Products		Pigments & Additives		Masterbatches		Surfactants	
	1999	1998	1999	1998	1999	1998	1999	1998
Sales Divisions	2 284	2 368	1 937	1 918	1 065	977	1 881	2 118
Sales to other Divisions	-25	-23	-41	-36	0	0	-56	-61
<b>Total Sales</b>	<b>2 259</b>	<b>2 345</b>	<b>1 896</b>	<b>1 882</b>	<b>1 065</b>	<b>977</b>	<b>1 825</b>	<b>2 057</b>
Depreciation of tangible fixed assets	-130	-133	-79	-83	-31	-32	-106	-96
Amortization of intangible assets	0	-6	0	-3	-1	-2	0	0
Income from associates	36 <sup>1</sup>	3	10 <sup>1</sup>	9	0	0	9	10
Other operating expenses	-1 866	-1 901	-1 548	-1 494	-908	-839	-1 516	-1 748
<b>Operating Income</b>	<b>299</b>	<b>308</b>	<b>279</b>	<b>311</b>	<b>125</b>	<b>104</b>	<b>212</b>	<b>223</b>
<b>Total Assets</b>	<b>2 079</b>	<b>2 038</b>	<b>1 717</b>	<b>1 523</b>	<b>649</b>	<b>561</b>	<b>1 265</b>	<b>1 307</b>
Liabilities	-155	-182	-157	-179	-107	-101	-189	-194
<b>Total Equity and minority interests</b>	<b>1 924</b>	<b>1 856</b>	<b>1 560</b>	<b>1 344</b>	<b>542</b>	<b>460</b>	<b>1 076</b>	<b>1 113</b>
Net debts	0	0	0	0	0	0	0	0
<b>Total Net Operating Assets<sup>3</sup></b>	<b>1 924</b>	<b>1 856</b>	<b>1 560</b>	<b>1 344</b>	<b>542</b>	<b>460</b>	<b>1 076</b>	<b>1 113</b>
Thereof:								
Investments in tangible fixed assets for the period	64	68	64	72	41	35	68	69
Investments in associated companies	74	8	107	102	3	0	71	71

<sup>1</sup> Clariant increased their participation in Säurefabrik Schweizerhall AG by 6.25% to 25%. In line with the accounting policies expressed in the Notes, the company has been consolidated "at equity" as of 1 November 1999.

The revaluation resulted in a one off contribution of CHF 31 million. The share of the Division Process & Performance Products ist CHF 29 million, that of the Division Pigments & Additives CHF 2 million.

Fine Chemicals		Cellulose Ethers & Polymerisates		Total Divisions		Other (mainly trading)		Corporate		Total Group	
1999	1998	1999	1998	1999	1998	1999	1998	1999	1998	1999	1998
1 294	1 383	1 075	1 001	9 536	9 765	98	262	–	–	9 634	10 027
–207	–266	–49	–38	–378	–424	–	–68	–	–	–378	–492
<b>1 087</b>	<b>1 117</b>	<b>1 026</b>	<b>963</b>	<b>9 158</b>	<b>9 341</b>	<b>98</b>	<b>194</b>	<b>0</b>	<b>0</b>	<b>9 256</b>	<b>9 535</b>
–121	–138	–41	–44	–508	–526	–1	–7	–37	–21	–546	–554
0	–2	0	0	–1	–13	0	0	–69	–48	–70	–61
4	6	28	28	87	56	0	0	–1	1	86	57
–885	–878	–892	–824	–7 615	–7 684	–94	–175	13 <sup>2</sup>	–61	–7 696	–7 920
<b>85</b>	<b>105</b>	<b>121</b>	<b>123</b>	<b>1 121</b>	<b>1 174</b>	<b>3</b>	<b>12</b>	<b>–94</b>	<b>–129</b>	<b>1 030</b>	<b>1 057</b>
<b>1 552</b>	<b>1 484</b>	<b>827</b>	<b>728</b>	<b>8 089</b>	<b>7 641</b>	<b>12</b>	<b>127</b>	<b>2 879</b>	<b>2 441</b>	<b>10 980</b>	<b>10 209</b>
–125	–109	–119	–95	–852	–860	0	–38	–6 657	–6 552	–7 509	–7 450
<b>1 427</b>	<b>1 375</b>	<b>708</b>	<b>633</b>	<b>7 237</b>	<b>6 781</b>	<b>12</b>	<b>89</b>	<b>–3 778</b>	<b>–4 111</b>	<b>3 471</b>	<b>2 759</b>
0	0	0	0	0	0	0	0	2 779	3 156	2 779	3 156
<b>1 427</b>	<b>1 375</b>	<b>708</b>	<b>633</b>	<b>7 237</b>	<b>6 781</b>	<b>12</b>	<b>89</b>	<b>–999</b>	<b>–955</b>	<b>6 250</b>	<b>5 915</b>
114	119	58	81	409	444	0	1	16	19	425	464
78	81	130	146	463	408	0	4	8	5	471	417

<sup>2</sup> In 1999, Administration and general overhead cost include a one off contribution of CHF 34 million. The amount is related to the take-over of the Hoechst Specialty Chemicals business.

<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.

## Notes to the Consolidated Financial Statements

### 26. Regional breakdown of key figures 1999 and 1998 (in CHF million)

Region	Sales <sup>1</sup>		Operating income before amortization of Goodwill <sup>2</sup>		Number of employees at 31.12.	
	1999	1998	1999	1998	1999	1998
Europe	4 780	5 231	768	780	17 132	17 069
<i>thereof in Germany</i>	<i>1 464</i>	<i>1 657</i>	<i>224</i>	<i>408</i>	<i>10 451</i>	<i>10 253</i>
The Americas	2 596	2 729	190	197	5 656	6 153
<i>thereof in the US</i>	<i>1 518</i>	<i>1 549</i>	<i>81</i>	<i>61</i>	<i>2 160</i>	<i>2 289</i>
Asia / Africa / Australia	1 880	1 575	124	120	6 205	6 057
<b>Total Group</b>	<b>9 256</b>	<b>9 535</b>	<b>1 082</b>	<b>1 097</b>	<b>28 993</b>	<b>29 279</b>

Region	Investments in tangible fixed assets		Depreciation of tangible fixed assets		Net operating assets at 31.12. <sup>3</sup>	
	1999	1998	1999	1998	1999	1998
Europe	267	287	389	391	3 502	3 654
<i>thereof in Germany</i>	<i>175</i>	<i>203</i>	<i>291</i>	<i>269</i>	<i>1 803</i>	<i>1 967</i>
The Americas	115	125	86	123	1 405	1 275
<i>thereof in the US</i>	<i>76</i>	<i>94</i>	<i>55</i>	<i>70</i>	<i>710</i>	<i>689</i>
Asia / Africa / Australia	43	52	71	40	1 343	986
<b>Total Group</b>	<b>425</b>	<b>464</b>	<b>546</b>	<b>554</b>	<b>6 250</b>	<b>5 915</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

### 27. Commitments and contingencies

#### 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.

#### Leasing commitments

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

	1999 CHF mio	1998 CHF mio
1999	–	64
2000	83	61
2001	76	52
2002	68	46
2003	57	42
2004	49	–
thereafter	31	6
<b>Total</b>	<b>364</b>	<b>271</b>

### 28. Affiliates, joint ventures and associated companies

The principal affiliates, joint ventures and associated companies are listed on pages 98 and 99.

## 29. Related party transactions

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

<b>Income and expense</b>	1999 CHF mio
Income from the sale of goods to related parties	45
Income from the rendering of services to related parties	11
Expense from the purchase of goods from related parties	-14
Expense from the purchase of services from related parties	-738

<b>Payables, receivables and loans</b>	31.12.1999 CHF mio
Trade accounts receivable from related parties	22
Trade accounts payable to related parties	94

In July 1999, in the course of a secondary offering, the Hoechst Group reduced their participation in Clariant Ltd. from 45% to 12.5%.

### Others:

The market value of the compensation (incl. options) paid to the Board of Directors in 1999 was CHF 790,000 (1998: CHF 760,000).

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

## Notes to the Consolidated Financial Statements

### 30. Exchange rates of principal currencies

Rates used to translate the consolidated balance sheets (closing rate)

	31.12.1999	31.12.1998
1 USD	1.60	1.38
100 DEM	82.00	82.24
100 FRF	24.45	24.51
1 GBP	2.58	2.28
1 000 ITL	0.83	0.83
100 JPY	1.56	1.21
100 BEF	3.98	3.98
100 ESP	0.96	0.97

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

	1999	1998
1 USD	1.50	1.45
100 DEM	81.81	82.39
100 FRF	24.39	24.57
1 GBP	2.43	2.40
1 000 ITL	0.83	0.83
100 JPY	1.34	1.11
100 BEF	3.97	3.98
100 ESP	0.96	0.97

### 31. Events occurring subsequent to the balance sheet date

On 24 January 2000 Clariant announced the terms of a recommended cash offer for the entire ordinary share capital of BTP plc, a British fine chemicals company. The offer was 600 pence in

cash for each BTP share. In the financial year ended 31 March 1999, BTP's audited consolidated turnover was GBP 374 million and operating profit was GBP 58 million (before amortisation of goodwill). BTP employs approximately 2,800 people world-wide. Attention is drawn to the annual report (pages 12 and 13).

## 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 1999.

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 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 law and the accounting provisions as contained in the Listing Rules of the Swiss Exchange.

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

PricewaterhouseCoopers AG

U. Vogt      Dr R. Gerber

Basle, 17 March 2000

## Review of Trends

### Five year Group Summary 1995–1999

		1999	1998	1997	1996	1996	1995
				Pro forma	Pro forma		Pro forma
<b>Divisional sales</b>	CHF mio	9 158	9 341	9 912	8 276		
Change relative to preceding year							
in Swiss Francs	%	-2	-6	20	-		
in local currency	%	-4	-1	13	-		
<b>Group Sales<sup>1</sup></b>	CHF mio	9 256	9 535	10 184	8 902	2 337	2 145
Change relative to preceding year							
in Swiss Francs	%	-3	-6	14	-	9	-8
in local currency	%	-5	-2	*	-	7	3
<b>Operating income before amortization of goodwill</b>	CHF mio	1 082	1 097	1 030	614	*	*
Change relative to preceding year	%	-1	7	68	-	*	*
as a % of sales		11.7	11.5	10.1	6.9	*	*
<b>Operating income after amortization of goodwill</b>	CHF mio	1 030	1 057	989	510	235	211
Change relative to preceding year	%	-3	7	94	-	11	-1
as a % of sales		11.1	11.1	9.7	5.7	10.1	9.8
<b>EBITDA</b>	CHF mio	1 646	1 672	1 592	1 115	*	*
Change relative to preceding year	%	-2	5	43	-	*	*
as a % of sales		17.8	17.5	15.6	12.5	*	*
<b>Net income before minority interests</b>	CHF mio	562	524	428	126	137	106
Change relative to preceding year	%	7	22	240	-	29	3
as a % of sales		6.1	5.5	4.2	1.4	5.9	4.9
<b>Investment in tangible fixed assets</b>	CHF mio	425	464	473	566	98	89
Change relative to preceding year	%	-8	-2	-16	-	10	-25
as a % of sales		5	5	5	6	4	4
<b>Personnel costs</b>	CHF mio	2 168	2 117	2 134	-	545	525
Change relative to preceding year	%	2	-1	*	-	4	-9
as a % of sales		23	22	21	-	23	24
<b>Employees at year end</b>	number	28 993	29 279	30 862	32 505	8 554	8 410
Change relative to preceding year	%	-1	-5	-5	-	2	-3

\* not available

<sup>1</sup> incl. trading

## Review of Trends

### Trend in Group Sales by Business Sector / Division

	1999		1998		1997		1996		1996		1995	
	CHF mio	%	CHF mio	%	Pro forma CHF mio	%	Pro forma CHF mio	%	CHF mio	%	Pro forma CHF mio	%
<b>Business sector</b>												
Textile Dyes									663	29	643	30
Textile Chemicals									347	15	323	15
Leather									240	10	211	10
Paper									326	14	299	14
Pigments/Additives									261	11	241	11
Masterbatches									401	17	326	15
Others									99	4	102	5
<b>Total</b>									<b>2 337</b>	<b>100</b>	<b>2 145</b>	<b>100</b>
<b>Division</b>												
Process &												
Performance Prod.	2 259	25	2 345	25	2 609	26	2 235	27				
Pigments & Additives	1 896	21	1 882	20	2 006	20	1 651	20				
Masterbatches	1 065	11	977	11	986	10	818	10				
Surfactants	1 825	20	2 057	22	2 094	21	1 706	20				
Fine Chemicals	1 087	12	1 117	12	1 189	12	980	12				
Cellulose Ethers &												
Polymerisates	1 026	11	963	10	1 028	11	886	11				
<b>Total Divisions</b>	<b>9 158</b>	<b>100</b>	<b>9 341</b>	<b>100</b>	<b>9 912</b>	<b>100</b>	<b>8 276</b>	<b>100</b>				
Other												
(mainly trading)	98	–	194	–	272	–	626	–				
<b>Total Group</b>	<b>9 256</b>	<b>–</b>	<b>9 535</b>	<b>–</b>	<b>10 184</b>	<b>–</b>	<b>8 902</b>	<b>–</b>				

## Review of Trends

### Trend in Group Sales by Region

Region	1999		1998		1997		1996		1996		1995	
	CHF mio	%	CHF mio	%	Pro forma CHF mio	%	Pro forma CHF mio	%	CHF mio	%	Pro forma CHF mio	%
Europe	4 780	52	5 231	55	5 433	53	*	–	1 026	44	936	44
The Americas	2 596	28	2 729	29	2 857	28	*	–	758	32	694	32
Asia / Australia	1 683	18	1 361	14	1 668	17	*	–	485	21	453	21
Africa	197	2	214	2	226	2	*	–	68	3	62	3
<b>Total</b>	<b>9 256</b>	<b>100</b>	<b>9 535</b>	<b>100</b>	<b>10 184</b>	<b>100</b>	<b>8 902</b>	<b>100</b>	<b>2 337</b>	<b>100</b>	<b>2 145</b>	<b>100</b>

\* not available

## Review of Trends

### Investments by Region

Region	1999		1998		1997 Pro forma		1996 Pro forma		1996		1995 Pro forma	
	CHF mio	%	CHF mio	%	CHF mio	%	CHF mio	%	CHF mio	%	CHF mio	%
Europe	267	63	287	62	287	61	*	–	45	46	50	56
The Americas	115	27	125	27	84	18	*	–	22	22	25	28
Asia / Australia	41	10	51	11	100	21	*	–	31	32	14	16
Africa	2	0	1	0	2	0	*	–	–	–	–	–
<b>Total</b>	<b>425</b>	<b>100</b>	<b>464</b>	<b>100</b>	<b>473</b>	<b>100</b>	<b>566</b>	<b>100</b>	<b>98</b>	<b>100</b>	<b>89</b>	<b>100</b>

\* not available

## Review of Trends

### Trend in Group Personnel Employment by Region

Region	31.12.1999		31.12.1998		31.12.1997		31.12.1996 Pro forma		31.12.1996		31.12.1995	
	Number	%	Number	%	Number	%	Number	%	Number	%	Number	%
Europe	17 132	59	17 069	58	18 184	59	18 906	58	4 255	50	4 197	49
The Americas	5 656	19	6 153	21	6 595	21	7 470	23	2 607	30	2 560	31
Asia / Australia	5 763	20	5 605	19	5 623	18	5 621	17	1 598	19	1 558	19
Africa	442	2	452	2	460	2	508	2	94	1	95	1
<b>Total</b>	<b>28 993</b>	100	<b>29 279</b>	100	<b>30 862</b>	100	<b>32 505</b>	100	<b>8 554</b>	100	<b>8 410</b>	100

## Review of Trends

### Share Information\*

	31.12.1999	31.12.1998	31.12.1997	31.12.1996	31.12.1995
Number of registered shares issued (at par value CHF 50 each)	14 600 828**	14 545 636**	14 544 000	8 000 000	8 000 000
Number of shares created by conversion within the limits of the conditional capital	55 192	1 636	0		
Number of shares eligible for dividend	14 600 828	14 545 636	14 544 000	8 000 000	8 000 000
Dividend per share in CHF	10.00***	9.00	7.00	5.00	2.25 (for 6 months)
Year-end price in CHF	759	642	610	286.50	189
Stock exchange capital in CHF mio	11 082	9 338	8 872	2 292	1 512
High / low in CHF	793 / 622	1 054 / 540	627.50 / 280	293 / 183.50	198 / 173

\* All quotations were adapted to the share split 1:2 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), 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 1999

Number of shares	Number of shareholders		Number of shares	
	Number	in %	Number	in %
1 – 99	22 216	76.1	710 090	4.9
100 – 999	6 363	21.8	1 348 312	9.2
1 000 – 9 999	531	1.8	1 283 178	8.8
10 000 and more	88	0.3	6 157 314	42.2
<b>Total registered shares</b>			<b>9 498 894</b>	<b>65.1</b>
Shares not registered	–	–	5 101 934	34.9
<b>Total</b>	<b>29 198</b>	<b>100.0</b>	<b>14 600 828</b>	<b>100.0</b>

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### Shareholder's structure according to regions at 31 December 1999

Regions	Number of shareholders		Number of shares	
	Number	in %	Number	in %
Switzerland	27 559	94.4	5 340 472	36.6
Europe	1 448	4.9	3 904 180	26.7
Outside of Europe	191	0.7	254 242	1.8
<i>thereof USA</i>	77	0.3	221 980	1.5
Shares not registered	–	–	5 101 934	34.9
<b>Total</b>	<b>29 198</b>	<b>100.0</b>	<b>14 600 828</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

1 818 000 shares

# The most important companies of the Clariant Group

## Affiliated companies and other holdings as at December 31, 1999

Although the economic transfer has taken place, the Hoechst company marked with an asterisk could still not be transferred to Clariant under national civil law in 1999.

		Participation	Holding/ 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 (Oesterreich) 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 (Tianjin) Ltd., Tianjin	●		●	●	
	Clariant Chemicals (China) Ltd., Shanghai	●		●	●	
	Clariant Guangzhou Masterbatch Ltd., Guangzhou	▼		●	●	
	Clariant (China) Ltd., Hong Kong	●		●	●	
	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, Karise	●		●	●	
<b>Ecuador</b>	Clariant (Ecuador) S.A., Quito	●		●		
<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 Huningue S.A., Huningue	●		●	●	●
	Clariant (France) S.A., Paris La Défense	●		●	●	●
<b>Germany</b>	Clariant Verwaltungsges. mbH, Leinfelden-Echterdingen	●	●			
	Clariant (Deutschland) GmbH, Leinfelden-Echterdingen	●		●	●	●
	Clariant GmbH, Frankfurt	●		●	●	●
	Clariant Masterbatch GmbH & Co. OHG, Lahnstein	●		●	●	●
<b>Great Britain</b>	Clariant Holdings UK Ltd., Horsforth/Leeds	●	●			
	Clariant UK Ltd., Horsforth/Leeds	●		●	●	●
	Harco Harlow Chemical Company Ltd., Harlow	■		●	●	
	RV Chemicals Ltd., Horsforth/Leeds	●		●	●	
	TR Oil Services, 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>	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	●		●	●	●

- above 90%
- ▼ above 50 and up to 90%
- 50% and below

<sup>1</sup> Management and Support

		Participation	Holding/ Finance	Sales	Production	Research
<b>Japan</b>	Clariant (Japan) K.K., Tokyo	●		●	●	●
	Clariant Tokuyama Ltd., Tokyo	▼		●	●	
	Clariant Polymers K.K., Tokyo	●		●	●	●
<b>Kenya</b>	Clariant (Eastern Africa) Ltd., Nairobi	●		●	●	
<b>Korea</b>	Clariant (Korea) Ltd., Seoul	●		●		
	Clariant Industries (Korea) Ltd., Seoul	▼		●	●	
	Sang Ho Mercantile Co., Ltd., Yangsan-Si	▼		●	●	
	Songwon Color Co., Ltd., Ulsan	▼		●	●	
<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, Oslo	●		●		
<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., Porto	●		●	●	
<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	●		●	●	●
	Säurefabrik Schweizerhall AG, Pratteln	■		●	●	●
<b>Taiwan</b>	Clariant (Taiwan) Co. Ltd., Taipei	●		●	●	
<b>Thailand</b>	Clariant Products Ltd., Bangkok	●			●	
	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 A.S., Istanbul	●		●	●	
<b>USA</b>	Clariant Corporation, Charlotte, N.C.	●		●	●	●
<b>Venezuela</b>	Clariant (Venezuela) S.A., Caracas	●		●	●	

## 1999 Financial Statements of Clariant Ltd., Muttenz

# Clariant Ltd. Balance Sheets (prior to profit appropriation)

at 31 December 1999 and 1998

	31 December 1999		31 December 1998	
	CHF	%	CHF	%
<b>Assets</b>				
Financial assets	4 664 323 447		4 924 102 533	
<b>Total long-term assets</b>	<b>4 664 323 447</b>	<b>84.0</b>	<b>4 924 102 533</b>	<b>91.3</b>
<b>Current assets</b>				
Receivables from Group companies	178 845 552		39 208 552	
Other receivables	1 776 055		12 730 525	
Accrued income	19 701 360		27 425 724	
Cash, marketable securities and short-term deposits	690 069 122		391 027 012	
<b>Total current assets</b>	<b>890 392 089</b>	<b>16.0</b>	<b>470 391 813</b>	<b>8.7</b>
<b>Total assets</b>	<b>5 554 715 536</b>	<b>100.0</b>	<b>5 394 494 346</b>	<b>100.0</b>

The notes form an integral part of the financial statements.

**Exactly your chemistry.**

## 1999 Financial Statements of Clariant Ltd., Muttenz

	31 December 1999		31 December 1998	
	CHF	%	CHF	%
<b>Equity and liabilities</b>				
<b>Equity</b>				
<b>Total share capital</b>	<b>730 041 400</b>		<b>727 281 800</b>	
<b>Reserves</b>				
Legal reserves	1 342 954 598		1 309 333 778	
Reserve for treasury shares	226 613 762		231 534 742	
<b>Total reserves</b>	<b>1 569 568 360</b>		<b>1 540 868 520</b>	
<b>Unappropriated earnings</b>				
Balance from prior year	43 636 721		6 161 072	
Net income	151 034 343		168 386 373	
<b>Total unappropriated earnings</b>	<b>194 671 064</b>		<b>174 547 445</b>	
<b>Total equity</b>	<b>2 494 280 824</b>	44.9	<b>2 442 697 765</b>	45.3
<b>Liabilities</b>				
<b>Long-term liabilities</b>				
Convertible bond	423 605 000		455 065 000	
Straight bonds	1 100 000 000		1 250 000 000	
Other long-term liabilities	1 176 229 361		1 181 332 114	
<b>Total long-term liabilities</b>	<b>2 699 834 361</b>		<b>2 886 397 114</b>	
<b>Short-term liabilities</b>				
4¼% Straight Bond 1995–2000	150 000 000		–	
Provisions	4 581 597		1 252 186	
Liabilities to Group companies	836 103		–	
Other liabilities	41 063 014		7 459 692	
Accrued expenses	164 119 637		56 687 589	
<b>Total short-term liabilities</b>	<b>360 600 351</b>		<b>65 399 467</b>	
<b>Total liabilities</b>	<b>3 060 434 712</b>	55.1	<b>2 951 796 581</b>	54.7
<b>Total equity and liabilities</b>	<b>5 554 715 536</b>	100.0	<b>5 394 494 346</b>	100.0

The notes form an integral part of the financial statements.

## 1999 Financial Statements of Clariant Ltd., Muttenz

# Clariant Ltd. Income Statements

1999 and 1998

	1999 CHF	1998 CHF
<b>Income</b>		
Income from financial assets	384 644 328	834 750 414
Income from cash, marketable securities and short-term deposits	142 094 752	122 076 992
Other income	155 775 776	30 912 639
<b>Total income</b>	<b>682 514 856</b>	<b>987 740 045</b>
<b>Expenses</b>		
Financial expense	300 121 531	326 271 167
Administrative expense	2 242 316	2 736 016
Depreciation on financial fixed assets	223 690 489	486 594 803
Other expense (including taxes)	5 426 177	3 751 686
<b>Total expenses</b>	<b>531 480 513</b>	<b>819 353 672</b>
<b>Net income</b>	<b>151 034 343</b>	<b>168 386 373</b>

The notes form an integral part of the financial statements.

1999 Financial Statements of Clariant Ltd., Muttenz

# Proposal for Profit Appropriation of Available Earnings

	1999 CHF	1998 CHF
<b>Available unappropriated earnings</b>		
Net income	151 034 343	168 386 373
Balance carried forward from previous year	43 636 721	6 161 072
<b>Total available earnings</b>	<b>194 671 064</b>	<b>174 547 445</b>
<b>Appropriation</b>		
Distribution of a dividend of CHF 10.00 gross on 14,600,828 registered shares with a par value of CHF 50 (1998: CHF 9.00 gross on 14,545,636 registered shares)	-146 008 280	-130 910 724
<b>Balance to be carried forward</b>	<b>48 662 784</b>	<b>43 636 721</b>

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## 1. Accounting policies

### Introduction

The unconsolidated 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 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 totaling CHF 2,936.8 million (1998: 2,955.2 million). The principal direct and indirect affiliated companies, joint-ventures and other holdings of Clariant Ltd. are shown on pages 98 and 99 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 205 million (see also footnote 5).

## Notes to the financial statements of Clariant Ltd.

### 4. Share capital

	31.12.1999	31.12.1998
Number of registered shares each with a par value of CHF 50	14 600 828	14 545 636
in CHF	730 041 400	727 281 800

#### Capital increase

As of 31 December 1999, an additional CHF 31,460,000 of the 1% convertible bond 1997–2002 worth CHF 456,000,000 was converted into 55,192 registered shares of Clariant Ltd. each with a nominal value of CHF 50. The share capital grew accordingly by CHF 2,759,600.

#### Authorized capital

	31.12.1999	31.12.1998
Number of registered shares each with a par value of CHF 50	800 000	800 000
in CHF	40 000 000	40 000 000

Lapse of authorization: 12 June 2000.

#### Conditional capital

	31.12.1999	31.12.1998
Number of registered shares each with a par value of CHF 50	1 543 172	1 598 364
in CHF	77 158 600	79 918 200

As of 31 December 1999, 743,172 registered shares of the remaining 1,543,172 registered shares are reserved to cover the conversion rights of the 1% convertible bonds 1997–2002. The remaining 800,000 registered shares are available for further issuance of convertible or warrant bonds.

## 5. Treasury shares (number with a par value of CHF 50 each)

	1999	1998
<b>Holdings on 1 January</b>	304 466	95 960
Shares purchased at market value	43 190	218 680
Shares sold at market value	-57 840	-10 174
<b>Holdings on 31 December</b>	<b>289 816</b>	<b>304 466</b>

## 6. Reconciliation of equity

	Registered shares CHF	Legal reserves CHF	Reserves for treasury shares CHF	Unappropriated retained earnings CHF	Total CHF
<b>Balance 31.12.1998</b>	727 281 800	1 309 333 778	231 534 742	174 547 445	<b>2 442 697 765</b>
Capital increase due to stock option right exercised (convertible rights)	2 759 600	28 699 840			<b>31 459 440</b>
Purchase of treasury shares		4 920 980	-4 920 980		-
Dividends for 1998				-130 910 724	<b>-130 910 724</b>
Profit for the year				151 034 343	<b>151 034 343</b>
<b>Balance 31.12.1999</b>	<b>730 041 400</b>	<b>1 342 954 598</b>	<b>226 613 762</b>	<b>194 671 064</b>	<b>2 494 280 824</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.

## Notes to the financial statements of Clariant Ltd.

### 9. Convertible and straight bonds

	Interest rate	Term	Earliest redemption date	Amount 31.12.1999 CHF mio	Amount 31.12.1998 CHF mio
Convertible Bond <sup>1</sup>	1%	1997–2002	2000 <sup>2</sup>	424	455
Straight Bonds	4¼%	1995–2000		150	150
Straight Bonds	4⅝%	1996–2003		150	150
Straight Bonds	4⅞%	1996–2006		200	200
Straight Bonds	3⅜%	1997–2004		300	300
Straight Bonds	3¾%	1997–2007		200	200
Straight Bonds	3%	1998–2005		250	250
<b>Total</b>				<b>1 674</b>	<b>1 705</b>

<sup>1</sup> Bonds with a CHF 5,000 nominal value can be converted into 8.7719 registered shares of Clariant Ltd. during the period from 19 August 1997 to 19 August 2002, or until the early redemption date respectively.

<sup>2</sup> Early redemption by Clariant is possible:

- to 100% after 3 years (19 August 2000);
- to 100% at anytime, if more than 95% of the original nominal value has been converted.

As of 31 December 1999, bonds with a nominal value of CHF 32,395,000 were converted into shares (31 December 1998: CHF 935,000).

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## 10. Contingent liabilities

	Outstanding liabilities 31.12.1999 CHF mio	Outstanding liabilities 31.12.1998 CHF mio
Outstanding liabilities as guarantees in favor of Group companies	32	36

## 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. For resolutions of the General Meeting of Shareholders where the agreement of at least 2/3 of the represented votes and a majority of the represented shares are required by Article 704 Swiss Code of Obligations, a shareholder can vote on his own behalf and on the behalf of other shareholders for up to 33.4% of the votes present at the resolution.

## 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 owns 12.5% of the share capital on 31 December 1999 (1998: 45%).

## 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 100 to 108) of Clariant Ltd. for the year ended 31 December 1999.

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 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 proposed appropriation of available earnings comply with the law and the company's articles of incorporation.

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

PricewaterhouseCoopers AG

U. Vogt      R. Sauter

Basle, 17 March 2000

## Most important companies

**Argentina:** Clariant (Argentina) S.A. Avda. Int. Tomkinson 2054, 1642 San Isidro, Buenos Aires, T +54 11 4732 5836, F +54 11 4732 5013. • **Australia:** Clariant (Australia) Pty. Ltd., 675-685 Warrigal Road, Chadstone Victoria 3148, T +61 3 9254 1000, F +61 3 9254 1010. • **Austria:** Clariant (Österreich) GmbH, Breitenfurter Strasse 239, 1231 Wien, T +43 1 80 122-0, F +43 1 80 122 900. • **Benelux:** Clariant (Benelux) S.A., Parc Scientifique Fleming, 1, rue Fond Jean Pâques, 1348 Louvain-la-Neuve, T +32 1048 0511, F +32 1048 0666. • **Brazil:** Clariant S.A., Av. das Nações Unidas, 18.001 São Paulo SP 04795-900, T +55 11 5683 7233, F +55 11 5642 1654. • **China:** Clariant (China) Ltd., 1-5/F Sandoz Centre, 178-182 Texaco Road, Tsuen Wang, Hongkong, T +852 2406 4111, F +852 2407 6046. - Clariant Chemicals (China) Ltd. 1-4/F Block 25, 69 Gui Qin Road, Caohejing Hi-Tech Park, 200233 Shanghai, T +86 21 6485 1000, F +86 21 6485 3000. • **Czech Republic:** Clariant CR s.r.o., Národní trida 10, 110 00 Praha 1, T +420 2 2197 6111, F +420 2 2491 3504. • **France:** Clariant (France) S.A., 70, avenue du Général de Gaulle, 92058 Paris La Défense Cedex, T +33 1 4696 9600, F +33 1 4696 9601. • Clariant Huningue S.A., avenue de Bâle, 68331 Huningue Cedex, T +33 389 89 6000, F +33 389 89 6195. • **Germany:** Clariant GmbH, Am Unisyspark 1, 65843 Sulzbach, T +49 6196 7570, F +49 6196 757 8856. • Clariant (Deutschland) GmbH, Stresemannallee 61, 60569 Frankfurt/Main, T +49 69 6330 9603, F +49 69 6330 9605. • Clariant Masterbatch GmbH & Co. OHG, Hohenrhein 1, 56112 Lahnstein, T +49 4192 487-0, F +49 4102 487 169. • **India:** Clariant (India) Ltd., Sandoz House, Dr. Annie Besant Road, Worli, Mumbai 400 018, T +91 22 496 5678, F +91 22 493 5657. • Colour-Chem Ltd., 194, Churchgate Reclamation, Mumbai 400 020, T +91 22 202 2161, F +91 22 202 9781. • **Italy:** Clariant (Italia) S.p.A., Via M.U. Traiano 18, 20149 Milano, T +39 02 32631, F +39 02 331 1351. • **Japan:** Clariant (Japan) K.K., Center Office 9F, Bunkyo Green Court, 2-28-8 Hon Komagome, Bunkyo-ku, Tokyo 113-8662, T +81 3 5977 7900, F +81 3 5977 7881. • **Korea:** Clariant (Korea) Ltd., Clariant House, 84-7 Chung Dam-Dong, Kangnam-Ku, Seoul, 135-100, T +82 2510 8100, F +82 2540 4807. • **Mexico:** Clariant (Mexico) S.A. de C.V., Boulevard Toluca 46, Col. El Conde, 53500 Naucalpan de Juárez, Edo. de Mex., T +52 5329 1800, F +52 5576 3259. - Pakistan: Clariant (Pakistan) Ltd., 5th Floor, Bahria Complex, 24, M.T. Kahn Road, Karachi 74000, T +92 21 561 1926, F +92 21 561 0628. • **Portugal:** Clariant Químicos (Portugal) Lda., E.N. Lisboa-Sintra, Apartado 191, 2726-901 Mem Martins, T +351 21 926 9700, F +351 21 926 9780. • **Scandinavia:** Clariant (Sverige) AB, Göteborgsvägen 91B, 43137 Mölndal, T +46 3167 8500, F +46 3187 7960. • **Singapore:** Clariant (Singapore) Pte. Ltd., 1, International Business Park, #03-15/16, The Synergy, Singapore 609917, T +65 563 0288, F +65 563 0200. • **South Africa:** Clariant Southern Africa (Pty.) Ltd., Parkview House, Constantia Park, c/r Hendrik Potgieter St. & 14th Ave., 1715 Weltevreden Park, T +21 11 471 7220, F +27 11 475 3940. - Spain: Clariant Ibérica S.A., Via Augusta, 252-260, 08017 Barcelona, T +34 93 306 8121, F +34 93 201 1322. • **Switzerland:** Clariant (Schweiz) AG, Rothausstrasse 61, 4132 Muttenz 1, T +41 61 469 5111, F +41 61 469 5999. • **Turkey:** Clariant A.S., Basin Ekspres Yolu, Ziyal Is Merkezi, 34540 Gunesli Istanbul, T +90 212 693 9420, F +90 212 471 0960. • **UK:** Clariant UK Ltd, Calverley Lane, Horsforth, Leeds LS18 4RP, T +44 113 258 4646, F +44 113 239 8473. - TR Oil Services Ltd., 3rd Floor, St. James House, 192, Wellington Road North, Stockport, Cheshire SK4 2QN, T +44 161 431 9099, F +44 161 431 9044. • **USA:** Clariant Corporation, 4000 Monroe Road, Charlotte, NC 28205, T +1 704 331 7000, F +1 704 377 1063. • **Venezuela:** Clariant (Venezuela) S.A., Avenida Anton Philips, Zona Industrial San Vicente, Maracay/Edo. Aragua, T +58 43 53 7111, F +58 43 53 7547.