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**Group**

		<b>2000</b>	1999 restated	Change
Divisional sales	CHF million	10 583	9 158	+16%
Operating income before amortization of goodwill		1 135	1 082	+5%
Net income		505	587	-14%
Net income and depreciation on tangible fixed assets and intangible assets		1 152	1 169	-1%
Total assets		12 947	10 388	+25%
Shareholders' equity		3 567	2 773	+29%
Investment in fixed assets		535	425	+26%
Personnel costs		2 395	2 168	+10%
Employees (at year-end)	Number	31 546	28 993	+9%
Earnings per share	CHF	34.14	41.13	-17%
Dividend per share		11.00 <sup>1</sup>	10.00	+10%

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

# A challenging year successfully mastered

## Clariant in 2000 – Key achievements

During 2000, Clariant continued to take decisive steps towards its strategic goal of becoming a leading player in the fine and specialty chemicals industries:

- Acquisition of the fine chemicals company BTP plc: this earned Clariant a place among the ranks of the leading suppliers of life science molecules;
- Continued commitment to research and development: there was a further increase in the proportion of sales accounted for by new products and solution packages;
- Sales were pushed above the CHF 10 billion threshold and the operating result once again rose above the billion Swiss francs mark;
- Net profit of CHF 630 million before amortization of goodwill which is equivalent to cash earnings per share of CHF 42.61.

Clariant has continued to optimize its structures, thus putting itself in a stronger starting position for further growth. With its broad technological platform and well-defined customer focus, the company is ideally prepared for the challenges of the markets and can expect business to follow a dynamic trend during the current year, particularly in the strategic growth areas.

## Market conditions

### Economic development

2000 was shaped by a positive economic environment, with the upturn which began in the second half of 1999 continuing during the year under review. However, the second half of the year saw a slowdown in growth.

A number of Clariant's enduser markets reported excellent business, including in particular the electronics industry. It was also a good year in the construction, textiles, packaging and printing sectors. While the market for household articles and body-care products was stable, operating conditions were difficult in the automobile and in the agrochemical industries. Both the latter and the pharmaceutical industry underwent an intensive consolidation process.

## Geographical development

In Europe, business developed at a gratifying level in all markets, although the activity did tail off slightly towards the end of the year. North America presented a mixed picture: while the semiconductor industry remained on an unbroken upturn, economic growth weakened in the second half of the year. In particular, the automobile industry and its suppliers experienced marked falls in sales. The textile business was slack too and is also undergoing structural changes. Almost all operations in Latin America reported good business at a gratifyingly high level. Asia exhibited high growth rates posted throughout the year. The electronics business stood out by its continuing strong momentum. The countries of Southeast Asia benefited from favorable conditions for export-oriented industries and reported good growth rates, particularly for consumer goods and textiles.

## Currency development

Overall, foreign exchange rates took a turn for the better in 2000 and had a positive impact on the financial statements.

The average sales-weighted exchange rates used to prepare the consolidated income and cash flow statements underwent major changes: At CHF 1.69 the US dollar showed a significant rise compared with the year-back rate of CHF 1.50. This had a positive impact on sales and earnings. By contrast, the Euro was weaker in comparison with the previous year: the rate applied during the year under review was CHF 1.56 as against CHF 1.60 the year before. Although this adversely affected sales, the impact on earnings was negligible since a higher-than-average proportion of costs are also incurred in Euros. The exchange rates for the Japanese yen and the Mexican peso were also favorable.

With the exception of the US dollar, the currency conversion rates used for the consolidated balance sheets were slightly lower on 31 December 2000 than on 31 December 1999 and had the effect of reducing figures on the balance sheet.

## Sales

In 2000, sales increased to CHF 10,583 million. Compared with the prior-year figure of CHF 9,256 million, this represents an increase of 14%. The previous year's sales include a sum of CHF 98 million from trading activities which were deliberately wound down and for which no further sales were recorded during the financial year under review.

As a result, the core business – divisional sales – shows an 16% increase compared with the equivalent prior-year figure of CHF 9,158 million. This increase is made up of an increase in volumes (including product mix shifts) of three percentage points and an expansion driven by acquisitions of nine percentage points. A further four percentage points are attributable to favorable exchange rate trends. Despite price increases in a range of product lines, taking the portfolio as a whole, prices were broadly on a par with the previous year.

## Operating result

Operating profit before goodwill amortization rose by CHF 53 million to CHF 1,135 million, compared with the year-back figure of CHF 1,082 million. The year-back result included one-off, non-recurrent earnings totaling CHF 65 million. This means that the comparable operating result comes to CHF 1,017 million, bringing the increase for the year under review to CHF 118 million or 12%.

This increase is the result of the following factors: The increase in sales through organic and acquisition-based growth made a contribution to growth in the range of CHF 150 million. The oil-price-related increase in raw material prices reduced earnings by a figure of the order of CHF 200 million. Despite price increases in individual segments, sales prices for the whole portfolio of activities were stable. Thus, on balance, the change in raw material prices and sales prices had a negative impact of 2 percentage points on the operating margin. Delays in sales in specific segments of the fine chemicals business gave rise to additional costs of around CHF 20 million as a result of idle facilities. Clariant was able to reduce this decline in earnings by around CHF 110 million by initiating measures to cut costs and various efficiency improvements, the impact of which will continue to be felt beneficial in future. The operating result improved by an additional CHF 80 million or so thanks to exchange rate factors which were more favorable than in the previous year.

## Divisions

### Textile, Leather & Paper Chemicals division

The *Textile, Leather and Paper Chemicals* division upped its sales to CHF 2,589 million, which represents an increase of 15% in Swiss franc terms and 9% in local currencies. This was attributable not only to the operating expansion of the business, but also to the acquisition effect in the leather and textile chemicals segment.

Through concentration on high-margin products and tight management of costs and facilities, it was possible to improve the result on a sustained basis. Compared with the previous year, the operating result was increased by 14% to CHF 341 million.

<b>Textile, Leather &amp; Paper Chemicals</b>	<b>2000</b>	1999
in CHF mio		
Sales	<b>2589</b>	2259
Growth in CHF	<b>+15%</b>	
Growth in local currencies	<b>+9%</b>	
Operating result	<b>341</b>	299
Operating margin	<b>13.2%</b>	13.2%
Investments	<b>89</b>	64

The market revival noted in the second half of 1999 continued in 2000, although the increase was slightly weaker in the final six months of the year. The Division responded to the increasingly exacting requirements of its markets with numerous product innovations and customer-focused process solutions. Strengthened customer service and targeted streamlining of the product portfolio reduced the pressure on prices in individual segments.

While the European markets exhibited stable or slightly rising trends, substantial increases were reported in the growth regions of Latin America and Asia. Brazil and the China region grew particularly strongly. The positive trend also continued in eastern Europe as well as in India and Pakistan. However, expectations were not fulfilled in the US, where the textile industry in particular had to contend with difficulties. Demand was also rather subdued in southern Europe.

On the production side, a further phase of site consolidation was successfully completed. This mainly concerned sites for textile dyes in North America and for textile chemicals in Europe. In Japan, production was amalgamated at a single plant and the land no longer required was sold.

**Textile Dyes business unit.** The *Textile Dyes* business unit had to deal with the continuing process of consolidation in the textile sector. In Europe, productivity was increased by merging textile plants without reductions in volume. Rising costs also prompted rationalization measures in the US textile industry or led to the relocation of plants to South and Central America or Asia. By contrast, the upturn in South America, particularly in Brazil, had a positive impact on orders. In the Asia region, major progress was made in China in particular.

New colors for the automobile industry introduced in the second half of the year and the new high-fix reactive dyes for finishing cotton opened up new areas of applications and additional potential for growth in the high-end dye sector. The Business Unit continued to systematically expand its ranges of dyes by adding specialties for cotton, polyamide and polyester and strove to complement with new products. The environmentally friendly *Diresul® EV* dyes proved to be a big success. Shrewd positioning of these products, economical procurement of raw materials and streamlining of production costs made it possible to significantly improve the result even though sales rose only slightly.

**Textile Chemicals business unit.** The *Textile Chemicals* business unit achieved its strongest growth in Asia and South America, while sales in Europe stabilized at a gratifyingly high level. Adverse effects resulting from the closure of US textile plants were partly offset by an increase in sales in Mexico. BTP's textile business, which was taken over in the US, was completely integrated into the business unit. All in all, the leading market position was further expanded.

The introduction of 30 new products and more economical processes generated positive stimuli, as did the increased promotion of system solutions instead of individual products. Cooperation with textile machinery manufacturers was stepped up in the field of pretreatment chemicals. Progress was also made in relation to chemicals for dyeing and textile printing and UV absorbers. Dyeing specialties benefited from demand for higher fastness ratings. In the fabric finishing segment, silicon softeners continued to replace conventional products based on fatty acids. In the case of optical brighteners, the range was decisively expanded with the addition of *Hostalux®* brands for synthetic fibers.

Unlike classic textiles, technical textiles are enjoying high growth rates in the industrialized countries. The

biggest increase was achieved with *Locron®* for ceramic fibers. A sharp increase was also reported for fluorocarbon for finishing technical fabrics and textiles.

**Leather business unit.** The *Leather* business unit was able to count on an increase in demand throughout the world. The clothing industry also contributed to this with leathers for garments and shoes. Sales were also buoyant in the automobile sector where leather is increasingly being used in smaller cars.

As a result of the takeover of BTP's leather business, which included the company *Hodgson, Earnshaw* and *OPCA*, Clariant was able to significantly expand its product range and optimize its sales channels. BTP's integration was also accompanied by a change of focus in the leather segment. Resources were bundled by setting up Core Competence Centers for finishing in Leinfelden/Germany, for wet end chemicals in Beverley/UK and for dyeing in Prat/Spain.

The introduction of the *Neosan® 2000* series significantly improves processing at the tanning stage. This new finishing system is characterized by a steady pigment volume, high coverage and excellent fastness characteristics. In the fashion world black colors still rank in pole position: Highly concentrated, liquid dyes combining the lowest level of black with excellent fastness characteristics, enjoyed strong demand. The main focus in the wet end segment is a new system for manufacturing chrome-free, white leathers. *Granofin® FC Process* is an innovative tanning process that takes account of the latest environmental standards.

**Paper business unit.** The *Paper* business unit enjoyed brisk demand. This trend was fueled in particular by higher-than-average increases in sales in South America, Asia and Eastern Europe. The reinforcement of the presence in the fast-growing region of Greater China made a key contribution to the progress. In addition, a dye for industrial packaging paper was manufactured at the Tianjin plant for the first time.

Optical brighteners benefited from sustained strong demand for brilliant white papers and achieved higher-than-average growth. Demand for shading dyes and pigments also showed a gratifying trend. There was a great deal of interest in paper chemicals for improving surface qualities, for example, so as to improve printability. The continuing consolidation and globalization of the paper industry meant that business with major multinational customers continued to increase in importance. The

quest for increasingly cost-efficient solutions and intensive competition among suppliers of chemicals for the paper industry resulted in sustained price pressure.

Customer-focused innovative capacity was further strengthened. Thus, several high-quality, environmentally friendly dyes and additives for improving the running properties and quality characteristics of coated paper were newly developed and launched on the market.

### Pigments & Additives division

The *Pigments & Additives* division can look back on its most successful business year ever. At CHF 2,108 million, sales were well above the two-billion threshold. Compared with the previous year, this equates to an increase of 11% in Swiss francs and 6% in local currency terms. After a very dynamic sales trend in the first nine months of the year, growth slowed down in the last quarter. The key factors underlying the positive trend were a more sector-oriented marketing approach and systematic exploitation of growth opportunities, particularly through the introduction of numerous product innovations. The distinct expansion of volume, an improved product mix and the systematic optimization of supply chain processes resulted in operating profit climbing by an impressive 19% to CHF 333 million.

<b>Pigments &amp; Additives</b>	<b>2000</b>	1999
in CHF mio		
Sales	<b>2108</b>	1896
Growth in CHF	<b>+11%</b>	
Growth in local currencies	<b>+6%</b>	
Operating result	<b>333</b>	279
Operating margin	<b>15.8%</b>	14.7%
Investments	<b>89</b>	64

The Division posted gratifying growth in Europe and Latin America. North America followed a stable trend, while positions in Asia were expanded significantly.

**Pigments business unit.** Sales growth in the *Pigments* business unit exceeded the growth of the market. The gratifying trend in specialties for the paints and plastics industry continued. Products for non-impact printing and aluminum dyes also developed extremely positively. The first half of the year saw market prices come under pressure, particularly in North America because of the strong dollar. In regional terms, the countries of Asia and eastern Europe in particular reported a very good sales trend. Despite a rather stagnant eco-

nomic situation, the market position was also considerably expanded in Japan. In the US, volumes remained at the previous year's level, although the target result was not quite achieved because of price discounts. All in all, the situation in Europe was solid.

The positive result was boosted by the launch of numerous new products, such as *Duasyn*<sup>®</sup> colors for inkjet printers, low-dust dispersable *DrizPearls*<sup>®</sup> pigments for the plastics industry, environmentally sound pigment preparations and new *Hostaperm*<sup>®</sup> yellow pigments for coatings and plastics. Although earnings were squeezed by pressure on some prices, this was more than offset by increases in productivity and further improvements to manufacturing processes. Various investment projects relating to high performance pigments are paving the way for further higher-than-average sales growth.

**Ink Pigments business unit.** The *Ink Pigments* business unit posted a higher-than-average increase in sales. Sales of high performance pigments for decorative and packaging printing exhibited a particularly gratifying trend. Appreciable growth was reported in Asia, where products from the Tianjin plant were particularly in demand. This prompted a decision to start work on expanding capacity for classic azo pigments at the plant. Europe also posted positive results. The weakness of the euro benefited both Clariant's own exports and those of European printing ink manufacturers. However, business in the US was adversely affected by the unfavorable exchange rate situation. Thanks to the good state of the economic activity in terms of volumes and to strict cost management the result was better than the previous year.

**Additives business unit.** In the *Additives* business unit, sales of waxes continued to increase. The production facilities were fully utilized to such an extent, that bottlenecks had to be eliminated. Metallocene waxes from the pilot plant in Frankfurt-Höchst were well received. Applications tests yielded positive results for application areas not previously worked in. A full-scale plant is planned.

Polymer additives did well, particularly where light stabilizers were concerned. Special mention should be made of *Hostavin*<sup>®</sup> products for polyolefins, *Nylostab*<sup>®</sup> S-EED for polyamide and *Sanduvor*<sup>®</sup> products for paints. On the other hand, the strong price pressure affecting process stabilizers had a negative impact on the result.

Halogen-free flame retardant made further strong gains. Products for technical polymers also elicited a very positive market resonance. The efforts of recent years on the technical marketing front paid off and generally met with a positive customer response.

#### Masterbatches division

In 2000, the *Masterbatches* division posted sales of CHF 1,145 million, which represented a year-on-year increase of 8% in Swiss francs and 4% in local currencies. At CHF 120 million, operating profit fell slightly short of the previous year's figure of CHF 125 million.

Masterbatches	2000	1999
in CHF mio		
Sales	1145	1065
Growth in CHF	+8%	
Growth in local currencies	+4%	
Operating result	120	125
Operating margin	10.5%	11.7%
Investments	39	41

Business was boosted by the growing use of colors in a wide range of products from cosmetic packaging and automobile dashboards to computers and mobile phones. The Division increasingly also offers designer services and advises customers on the creation and design of colors and surface structures. Business done with globally operating companies has been further expanded; Clariant guarantees them worldwide color consistency and simplified procurement and logistics thanks to its blanket regional coverage. To simplify the selection, processing and delivery of suitable material, five different trading brands have been introduced as part of a global marketing strategy. New business methods have been successfully initiated. One example is the commissioning of the electronic *Clariant Online Technical Center*, and since December 2000, the Division has been involved in *Omnexus™*, the world's biggest virtual market for the injection molding industry.

Despite the growth in business, the Division was not entirely able to buck the unfavorable market trends affecting certain areas. Owing to the decline in the fiber industry, its activities had a less favorable product mix. All the same, it nearly equaled the year-back results thanks to strict cost control, increased efficiency and innovations.

The Division introduced a large number of new products, including anti-microbial masterbatches for use in

bathroom suites or sporting goods and special metallic-effect masterbatches for coloring ski boots and cosmetics articles.

**Europe business unit.** The *Europe* business unit reported positive business. Indeed, in the plastics industry, there was even a slight increase in business at the end of the year. The unit succeeded in maintaining its high market share. Business with *Hydroceral®* propellants for foamed plastics was systematically expanded with the construction of a new production facility at the Ahrensburg plant in Germany. Following their successful launch in the US, products for attractive triple-layer bottles for the personal care sector also met great interest in Europe. The once strong business in carpet fibers continued to shift from Europe to the Middle East region.

**Asia-Pacific business unit.** The markets of the *Asia-Pacific* business unit remained on track for success. Very good growth rates were achieved in Korea, China, Taiwan and Singapore. Sales of engineering plastics enjoyed very good demand, as did sales of masterbatches for consumer electronics products and mobile communications. On the other hand, a downturn in the PET fiber industry had a negative impact.

**US business unit.** The *US* business unit got off to a very dynamic start, but experienced a distinct slowdown in the second half of the year. One of the main reasons was the fall in output in the North American automobile industry. However, the broad-based leveling off of activity also affected packaging for consumer goods and the electrical industry. Even so, new products and an excellent standard of service enabled the business unit to strengthen its market position. From mid-2001 onward demand is expected to revive significantly. As a leading supplier of color and additive masterbatches, the Division has taken full advantage of the trend toward globalization and has further expanded its market position in Latin America.

#### Functional Chemicals division

At CHF 1,935 million, the sales of the *Functional Chemicals* division exceeded the prior-year figure by CHF 110 million. This resulted in a growth rate of 6% in Swiss francs and 4% in local currencies. The *Performance Chemicals* and *Process Chemicals* business units also contributed to the increase in sales, as did expansion driven by acquisitions, while the *Detergents* business

unit posted significantly lower sales because of the realignment of its product range. At CHF 192 million, the operating result was lower than the prior-year figure of CHF 212 million. This was mainly because of higher raw material costs.

<b>Functional Chemicals</b>	<b>2000</b>	1999
in CHF mio		
Sales	<b>1935</b>	1825
Growth in CHF	<b>+6%</b>	
Growth in local currencies	<b>+4%</b>	
Operating result	<b>192</b>	212
Operating margin	<b>9.9%</b>	11.6%
Investments	<b>109</b>	68

The realignment process continued successfully in 2000. This process involves on the one hand withdrawing from mature markets and semispecialties and on the other massively expanding high-growth specialties.

**Detergents business unit.** The operations of the *Detergents* business unit were dominated by the realignment of the product portfolio. Products worth a total of more than CHF 100 million were deleted from the unit's range and the production facilities in question were shut down. On the other hand, the multifunctional detergent builder SKS-6 and the special tensides for washing powder did very well. The Business Unit invested significant sums of money in the construction of a new production facility for specialties with a promising future at a factory in Muttentz, Switzerland which is due to begin operations mid-2001. The unit pressed ahead with new development projects in the segment of performance additives for detergents. Agreements were awarded for two major projects and the plants in question will begin operations in 2002.

**Performance Chemicals business unit.** The *Performance Chemicals* business unit posted a gratifying sales trend. Strong sales of the wafer-polishing agent *Klebosa*® from the new production plant in Martin, USA contributed to the increase. Supplies to the semiconductor industry showed very high growth rates. The purchase of the Mexican company Christianson S.A. greatly strengthened Clariant's market position in the North American region. This acquisition makes it possible to supply the market with a broader range of products, including in particular polyethylene glycols, amines and

other derivatives, which had previously only been manufactured in Europe and Brazil. Business in the crop protection sector did not revive again until the end of the year, when it particularly benefited from sales of new formulation agents developed in close cooperation with customers. Efforts to improve the business base continued. The associated declines in sales were fully compensated by the expansion of specialties in the personal care and cosmetics business segments.

**Process Chemicals business unit.** The *Process Chemicals* business unit ended the year with a very good sales trend in all sectors. The petroleum business benefited from the positive trend of products for oil and gas exploration in Russia, where business was further expanded and the product range was extended to new areas of applications. The subsidiary T.R. Oil Services opened a representative office in Houston, the second one in the US after California, to enable it to work on the attractive market in the Gulf of Mexico. The oil companies' intensive drilling operations meant that there was brisk demand for products for oil and gas exploration. The refineries sector reported good volume growth in Asia, while the competitive pressure increased in Europe. Business in products used for metal-working showed a gratifying trend. Supported by good sales and volume growth in the US and Southeast Asia, the sector aligned its business even more systematically on the requirements of its globally active clientele. European business was stable. In the mining sector flotation agents for ores, coal and industrial minerals experienced strong growth, particularly in Latin America and Russia. A whole series of new additives for the fertilizer industry were also developed and brought onto the market in Europe and South America. The raw materials business was dominated by the tumultuous trend in the petrochemicals sector, particularly in relation to monoethylene glycol and ethylene oxide. The Business Unit's result benefited from the increases in volume and improvements in its product mix.

**Biocides business unit.** In conjunction with the BTP acquisition, the new *Biocides* business unit was created. It includes the businesses of the former *Nipa Laboratories Ltd.* and has strong market positions in preservatives and disinfectants. Good sales figures were achieved, particularly in the paint and coatings segments and personal care products. The focus of activity was on extending tailor-made solutions, which met with growing

acceptance in the market place. Customer-specific formulations that extend beyond the sale of individual active substances are to be strengthened in future too. The integration of Biocides with the division is enabling synergies to be exploited, e.g. in the case of shared customers in the personal care sector. In response to growing demand for new formulations, laboratories were set up in Latin America and the USA.

#### Life Science & Electronic Chemicals Division

The activities of the *Life Science & Electronic Chemicals* division were significantly boosted by the acquisition and integration of the fine chemicals activities of BTP plc. The businesses acquired led to a rise in the division's sales to CHF 1,651 million, corresponding to a 52% jump in Swiss francs and 47% increase in local currencies. Excluding the impact of acquisitions, growth amounted to 7% in Swiss francs and 2% in local currencies. Operating profit rose by 47% compared with the previous year's level to CHF 125 million. At 7.6%, the operating margin was just below the previous year's level, and has so far fallen short of the target. Earnings were hit by the cost of idle capacity and rising raw material prices. The necessary measures to improve the situation have been taken.

<b>Life Science &amp; Electronic Chemicals</b>		
<b>Chemicals</b>	<b>2000</b>	1999
in CHF mio		
Sales	<b>1651</b>	1087
Growth in CHF	<b>+52%</b>	
Growth in local currencies	<b>+47%</b>	
Operating profit	<b>125</b>	85
Operating margin	<b>7.6%</b>	7.8%
Investments	<b>158</b>	114

The acquisition of BTP's activities significantly enhanced Clariant's position, particularly in active ingredients for the pharmaceutical industry. The acquisition of production facilities in the US, Italy, France and the UK was a perfect match for Clariant's existing network of plants in Germany, France, Brazil and India.

**Electronic Materials business unit.** Owing to favorable market conditions and the launch of a large number of new products, it was a very successful year for the *Electronic Materials* business unit, with double-digit growth in sales and a over proportional increase in

profit. In the US, a new production facility in Branchburg, N.J. came on stream and capacity ran at a high level from day one. The semiconductors segment recorded healthy business levels worldwide. With the Asian upturn having begun back in 1999, a significant increase was also reported in the US. A new generation of *Deep UV photoresists* for the minutest structures was successfully launched with several clients. There was particularly buoyant demand for photoresists for the manufacturing of flat panel displays, which continued to grow at an steady pace. Consequently, the Business Unit further expanded its market leadership. The anti-reflective coatings business made gains across all sectors. Clariant tapped into a new market segment with new light management films for liquid crystal displays.

**Life Science Molecules business unit.** The new *Life Science Molecules* business unit was set up in the course of integrating the BTP activities. It includes the businesses of Clariant's former Life Science Intermediates business unit, as well as the fine chemicals business stemming from BTP, which was placed under the Archimica umbrella. The activities were rapidly and successfully integrated and targeted different market segments in order to present a focused marketing interface to the customer. This was the reason for setting up the pharmaceutical, agrochemical and fine chemicals specialties sectors.

As a consequence of merger activity in the pharmaceutical industry, there was an above-average build-up of inventories, and over ambitious business plans had a negative impact on quantities bought by customers. In addition, delays in approving new products and systems had negative effects for the time being. But good relationships with customers and growing acceptance of the new business unit among the customers meant that new projects could be initiated. More than a third of ongoing pharmaceutical projects is currently in clinical phase III or at the market launch stage.

The agrochemical industry underwent major restructuring and merger activity. As a result of combining Clariant's previously strong position with the activities of BTP, virtually all the significant players in the industry rank among the customer base. The Business Unit is therefore extremely well positioned for an upturn and will make the most out of the industry's trend to outsourcing production of intermediates. Despite delays with a significant project in which the client is waiting for the authorities to give their approval for the end

product, strong progress was achieved in the agro chemical intermediates business, particularly fungicides. Successes also include the launch of seven new molecules produced on an exclusive basis.

The Business Unit carried out significant investment in new production sites for fluoroaromatics, phenylhydrazines and isochromanone, which will make a significant contribution to growth in the future.

It was a successful year for the specialty fine chemicals business. This was partly attributable to growth in glyoxilic acid and silicon-based products. For the photographic industry, a number of possible new applications were identified; a new team was set up to harness this potential.

**Specialty Intermediates business unit.** The *Specialty Intermediates* business unit had a very difficult financial year, and this had a negative effect on the results of the division as a whole. The Business Unit – part of this division for technical and logistical reasons – produces standardized intermediates with a low degree of processing for the chemical industry, which was hit by intense competition with pressure on prices and in some cases declining volumes. Added to this, the Business Unit suffered from a sharp increase in raw material prices, especially in the second half of the year, and in particular in the case of acetic acid. Besides this, an unscheduled production interruption led to a shortfall in sales. Measures to ensure a sustained improvement of the unsatisfactory situation were introduced.

#### **Cellulose Ethers & Polymerisates division**

The *Cellulose Ethers & Polymerisates* division posted sales of CHF 1,155 million in the year 2000, a jump versus the previous year of 13% in Swiss franc terms and 12% in local currencies. This reflects a sharp rise in volumes as a consequence of increased market share and to a lesser extent higher prices. For this Division, 2000 was a year in which its major successes in improving operating processes and expanding market positions were sharply offset by drastic price increases for key raw materials. As a result, operating profit fell to CHF 106 million.

<b>Cellulose Ethers &amp; Polymerisates</b>	<b>2000</b>	1999
in CHF mio		
Sales	<b>1155</b>	1026
Growth in CHF	<b>+13%</b>	
Growth in local currencies	<b>+12%</b>	
Operating profit	<b>106</b>	121
Operating margin	<b>9.2%</b>	11.8%
Investments	<b>28</b>	58

The focus of activities was on improving production efficiency. Funds were deployed in a targeted manner in order to improve processes and eliminate bottlenecks, resulting in substantial increases in capacity. However, these measures, plus volume growth and the price increases that were implemented, were not sufficient to offset massive price increases for raw materials. The Division is nevertheless optimistic about prospects for the current year. Prices for the main raw material, vinyl acetate monomer, continued to rise. However, it is anticipated that this increase will come to a halt in the second quarter of 2001. By consistently widening measures to increase efficiency across all sites, the Division hopes to achieve a clear improvement in competitiveness and profitability.

**Cellulose Ethers/Emulsion Powders business unit.** The *Cellulose Ethers/Emulsion Powders* business unit stepped up its efforts to exploit the newly created capacity in order to boost growth. The new hydroxyethylcellulose (HEC) plant fulfilled expectations, resulting in the addition of a range of high-quality brands. Through the extended HEC range, above-average market growth was achieved across all regions. In methyl cellulose (MC) the high market share in Europe was retained, and business in North and South America developed positively. The new plant for *Mowilith*<sup>®</sup> powder reached the target production level for its first year. The successful launch of new varieties ensured above-average market growth. Overall, the Business Unit performed very well in terms of sales and profit.

**Emulsions business unit.** For the *Emulsions* business unit, the emphasis of activity was on improving efficiency. Particular successes included measures to improve processes as well as debottlenecking of production facilities. Through skillful investment, significant increases in capacity were achieved at several sites. In addition, optimization of the supply chain processes led to a considerable increase in the availability of plants. By

integrating management processes with modern information systems, production times were shortened, capacity utilization was raised and the number of staff involved in the supply chain processes was reduced. This success is all the more remarkable given that despite the substantial increase in capacity utilization it is still possible to secure delivery times in a business that is characterized by production to order.

Research and development were coordinated such that the focus is now on rapid market launch of new solutions based on extensive know-how in polymerization. By consistently tailoring all projects to specific client requirements and cooperating closely with customers, a series of new products were launched whose attractive margins contributed to the result. Sharp increases in the price of monomers led to the highest price level since the first half of the 1980s. Consequently, results for the year 2000 were unsatisfactory. Consistent implementation of measures to boost efficiency will lead to a sharp improvement in 2001.

**Polyvinyl alcohol/Polyvinyl butyral business unit.** The *Polyvinyl alcohol/Polyvinyl butyral* business unit maintained the healthy profitability level of previous years, albeit at a slightly lower level. Further investment at the polyvinyl alcohol production plant enabled a clear reduction in energy consumption in the regeneration cycle. In terms of energy efficiency, this production process is virtually unparalleled. In the case of polyvinyl butyral, a bottleneck at one production line was eliminated at the beginning of the year, enabling the capacity of this facility to be doubled. Happily, the additional capacity was fully utilized already in the first year. As for research and development, efforts were substantially increased. Thus the current project portfolio comprises a series of new products that are set to be launched on the market next year with substantial volumes.

### Corporate

Group expenses amounted to CHF 82 million, while for the previous year expenses totaled CHF 42 million. The previous year's figure was helped by an extraordinary contribution following settlement of mutual claims amounting to CHF 34 million in connection with the purchase of the Hoechst Specialty Chemicals business. On a comparable basis, group expenses were therefore relatively constant.

### Amortization of goodwill

Amortization of goodwill amounted to CHF 125 million, against CHF 18 million for 1999. The increase is due to the acquisition of BTP plc. Goodwill from this transaction amounts to CHF 2,702 million and will be amortized over a time span of 20 years given the strategic significance of the acquisition. In the year 2000, the goodwill since consolidation on March 1, i.e. for a period of 10 months, was written off.

In 2000, Clariant adopted the revised IAS 22 rule. Based on this accounting standard, goodwill from the mid-1997 acquisition of the Hoechst Specialty Chemicals business was written off retroactively. This eliminates the corresponding annual recurring amortization of CHF 34 million. The annual accounts for the previous year were adjusted accordingly; all comparisons in this financial review are made on the basis of the adjusted accounts for the previous year.

In light of the current intensive debate surrounding the treatment of goodwill in the balance sheet, Clariant will examine the treatment of goodwill over the course of the year.

### Financial result

Net financial debt rose strongly last year as a result of the acquisition of BTP, amounting to CHF 5,138 million at the end of the year. This compares with CHF 2,779 million at the close of the previous financial year. Net financial debt, which amounted to CHF 5,999 million at mid-year, was reduced by CHF 861 million in the second half. CHF 420 million of this, or almost half, was attributable to the successful conversion of the equity-linked bond. Generation of free cash flow from operating activities constitutes the other important element in the repayment of financial debts in the second half of the year.

The financial result showed an expense of CHF 273 million, compared with CHF 193 million in the previous year. The main reason for the change is the rise in net interest expenses, which grew to CHF 257 million from CHF 177 million in the previous year due to the higher net debt. In terms of average net financial debt, the interest rate was 5.2%, and therefore 0.8% lower in relation to the previous year. This reduction reflects the allocation of additional debt to currencies yielding a low level of interest. The majority of financial liabilities are financed at long-term fixed interest rates.

The operating result covered net interest expenses 3.9 times, and the interest coverage therefore remains solid.

Seen against the significantly higher factor of 6.0 times for the previous year, however, this reflects the use of cost-efficient financing with debt. The interest coverage based on earnings before interest, tax, depreciation and amortization (EBITDA) declined from 9.3 times to 6.4 times.

### Taxes

Clariant established and maintains a fiscally efficient organizational structure. Tax expenses fell to CHF 224 million from CHF 275 million in the previous year. The tax rate before amortization of goodwill declined from 30.9% to 26.0%.

	2000	1999
Income before taxes and minority interests	737	871
Taxes	224	275
Effective tax rate	30.4%	31.6%
Income before goodwill amortization, taxes and minority interests	862	889
Taxes	224	275
Tax rate before goodwill amortization	26.0%	30.9%

The main reason for the lower tax charge was the German tax reform. By writing back deferred tax liabilities that were no longer required, a non-recurring reduction in tax expenses of CHF 43 million was achieved in 2000.

As this extraordinary factor falls out of the picture, the tax rate before goodwill amortization in the year 2001 is expected to come into the range of 32%.

### Earnings per share and dividend

The number of shares issued grew to 15,344,000 as per the year-end. The difference of 14,600,828 shares compared with the previous year's figure is due to the full conversion of the equity-linked bond into shares. Of the statutory share capital of 15,344,000 shares, 15,287,524 shares were in circulation at the end of the year, with the remaining 56,476 shares being held by the Group as treasury stock.

The average number of outstanding shares used to calculate earnings per share amounted to 14,786,367 in the year 2000 compared with 14,273,300 in the previous year. Accordingly, earnings per share amounted to CHF 34.14 compared with CHF 41.13 in the previous year.

The increasingly important yardstick of earnings per share before goodwill amortization, or "cash earnings per share", rose to CHF 42.61 from CHF 42.39 in the previous year.

The Board of Directors is to recommend to shareholders that a dividend of CHF 11 be paid per registered share. This gives a total dividend payment of CHF 169 million, equivalent to 33% of net income. The pay out ratio in terms of net income before goodwill amortization amounts to 27%.

### Balance sheet

The balance sheet total grew substantially as a consequence of the acquisition of BTP plc and amounted to CHF 12,947 million at the end of the year. The equity ratio stood at 27.6% at the end of the year, thus slightly exceeding the previous year's figure of 26.7%.

The increase in net operating assets likewise reflects the purchase of BTP plc; this figure was CHF 8,805 million at the end of the year as against CHF 5,658 million in the previous year. Capital turnover, i.e. sales as a ratio of average net operating assets employed, was unchanged at 1.5 times.

The ratio of net financial debts to equity (gearing) amounted to 204% at the mid-year point, and was the subject of a targeted reduction in the second half of the year to 144% through the use of financial and operational measures. The increase in relation to the previous year's figure of 100% reflects usage of the balance sheet to achieve a cost-efficient financing structure with financial debt.

Net working capital, defined as inventories plus trade accounts receivable less accounts payable, amounted to CHF 3,087 million at the year-end. At the mid-year point, the figure was CHF 3,509 million, in the second half of the year various measures to reduce inventories and accounts receivable were taken and successfully implemented. A further improvement in the management of current assets will enable further funds to be freed up in the future.

### Investments

Investments in fixed assets amounted to CHF 535 million, corresponding to around 5.1% of sales. In the previous year, the investment figure was CHF 425 million – equivalent to 4.6% of sales.

The most significant investments involved new facilities for fluoroaromatics, phenylhydrazines and isochromanones for the life sciences industry and a new production plant for promising speciality products that will in future be used in the detergents industry.

In the future, Clariant will continue to maintain an investment ratio of around 4-5% of sales.

#### Human resources

The workforce totalled 31,546 people at the end of the year. Compared with the previous year's total of 28,993, this corresponds to an increase of 2,553 or 9%. The change on the one hand reflects the addition of around 2,900 staff as a result of acquisitions and on the other mirrors reductions due to optimization and reorganisation measures.

At CHF 2,395 million, personnel expenditure was 10% above the previous year's figure of CHF 2,168 million.

#### Research and development

Innovative products enable exciting new kinds of effects to be achieved, ease usage for customers and are characterized by a high degree of environmental compatibility. New products are therefore an important factor behind the success of Clariant. For this reason, initiatives for research and development are continuing apace. In 2000, CHF 414 million was expended on research and development; compared with the previous year, this represents an increase of CHF 52 million or 14%.

Research and development	<b>2000</b>	1999
Expenditure in CHF m	<b>414</b>	362
as % of sales	<b>3.9%</b>	3.9%

In the past, Clariant has invested up to 4% of its sales in research and development activities and intends to continue doing so in the future. These investments form the basis of further growth and improvements in profitability.

In line with Clariant's strategic focus, research funds are deployed primarily in the growth areas of fine chemicals and specialties in order to expand the product range. In contrast, the below-average sums spent on semi-specialties are used mainly to optimise processes. The focus of innovation activity is in the Life Science & Electronic Chemicals division, which accounts for more

than a quarter of expenditure, as well as in Pigments & Additives.

The Group's research and development strategy centres on gaining a lead over its rivals in both new and existing markets through innovative solutions designed to meet client needs. To do this, ongoing improvements are made to products, production processes, application and process technologies.

The key to guaranteeing maximum proximity to the market is the direct integration of research activities – undertaken by more than 1,650 committed employees – with the individual business units. Centralised coordination ensures that cross-divisional synergies are exploited, that knowledge is exchanged and in addition new technological developments are identified at an early stage and incorporated into divisional strategies in good time. Added to this, research projects are regularly monitored with regard to the achievement of targets and relevance to the market.

#### Introduction of the Euro

With a view to the launch of the Euro as the means of payment in eleven member states of the European Union on 1 January 2002, extensive preparatory work has been undertaken. All business processes, particularly relations with customers, suppliers and banks, as well as price lists and contracts, were monitored with regard to effects of Euro's launch. Corresponding necessary measures, particularly in the field of information systems, have been carried out at all those Group companies affected across the world.

The measures have so far been implemented on schedule and Clariant does not expect any operational or technical difficulties as a result of the introduction of the Euro.

#### New accounting standards

From 1 January 2001, Clariant is to adopt the IAS 39 accounting standard relating to the treatment of derivative instruments and hedging activities. The necessary measures for this have been taken. The Board of Management's view is that applying this standard will not have a major effect on assets, as well as the financial and earnings positions.

## **Outlook**

The current year will bring further challenges for Clariant: after a rather weak start to the year, largely due to the difficult situation in the automotive industry, it is anticipated that the markets for Clariant products will pick up momentum as the year progresses. Following several quarters with clear rises in raw material prices, an easing of the situation is likely to occur from the second quarter onwards. The impact of exchange rates is difficult to forecast. However, it is anticipated that these will have a less positive effect in the current year.

Clariant is nevertheless looking to the future with optimism: its strong base enables it to tackle the challenges in the markets head-on. In particular, in strategic growth areas Clariant expects business to develop at a dynamic pace.

## **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 2000 and 1999

	*	31 December 2000		31 December 1999 restated		31 December 1999	
		CHF mio	%	CHF mio	%	CHF mio	%
<b>Assets</b>	*						
<b>Long-term assets</b>							
Tangible fixed assets	3	4 420		4 059		4 059	
Intangible assets	4	2 755		160		752	
Investments in associated companies	5	451		471		471	
Deferred taxes	6	451		480		480	
Other financial assets	7	97		62		62	
<b>Total long-term assets</b>		<b>8 174</b>	63.1	<b>5 232</b>	50.4	<b>5 824</b>	53.0
<b>Current assets</b>							
Inventories	8	2 268		2 083		2 083	
Trade accounts receivable	9	1 680		1 810		1 810	
Other current assets	10	516		439		439	
Cash and short-term deposits		309		824		824	
<b>Total current assets</b>		<b>4 773</b>	36.9	<b>5 156</b>	49.6	<b>5 156</b>	47.0
<b>Total assets</b>		<b>12 947</b>	100.0	<b>10 388</b>	100.0	<b>10 980</b>	100.0

\*The notes form an integral part of the consolidated financial statements.  
1999 has been restated to be comparable with the 2000 presentation.

	<b>31 December 2000</b>		31 December 1999 restated		31 December 1999		
	CHF mio	%	CHF mio	%	CHF mio	%	
<b>Equity and liabilities</b>	*						
<b>Equity</b>							
Share capital	12	767	730		730		
Treasury shares (par value)		-3	-14		-14		
Reserves		2 803	2 057		2 649		
<b>Total equity</b>		<b>3 567</b>	27.5	<b>2 773</b>	26.7	<b>3 365</b>	30.6
<b>Minority interests</b>		<b>100</b>	0.8	<b>106</b>	1.0	<b>106</b>	1.0
<b>Liabilities</b>							
<b>Long-term liabilities</b>							
Financial debts	13	3 888	2 789		2 789		
Deferred taxes	6	746	808		808		
Other	14	868	730		730		
<b>Total long-term liabilities</b>		<b>5 502</b>		<b>4 327</b>		<b>4 327</b>	
<b>Short-term liabilities</b>							
Trade accounts payable		861	852		852		
Financial debts	15	1 559	814		814		
Taxes payable		125	41		41		
Other	16	1 233	1 475		1 475		
<b>Total short-term liabilities</b>		<b>3 778</b>		<b>3 182</b>		<b>3 182</b>	
<b>Total liabilities</b>		<b>9 280</b>	71.7	<b>7 509</b>	72.3	<b>7 509</b>	68.4
<b>Total equity and liabilities</b>		<b>12 947</b>	100.0	<b>10 388</b>	100.0	<b>10 980</b>	100.0

\*The notes form an integral part of the consolidated financial statements.  
1999 has been restated to be comparable with the 2000 presentation.

# Consolidated Income Statements

for the years ended 31 December 2000 and 1999

	2000		1999 restated		1999	
	CHF mio	%	CHF mio	%	CHF mio	%
	*					
Sales	10 583	100.0	9 256	100.0	9 256	100.0
Cost of goods sold	-6 948		-5 997		-5 997	
<b>Gross profit</b>	<b>3 635</b>	<b>34.3</b>	<b>3 259</b>	<b>35.2</b>	<b>3 259</b>	<b>35.2</b>
Marketing and distribution	-1 534		-1 359		-1 359	
Research and development	-414		-362		-362	
Income from associated companies	5	50	86	86	86	86
Administration and general overhead cost	-602		-542		-542	
<b>Operating income before amortization of goodwill</b>	<b>1 135</b>	<b>10.7</b>	<b>1 082</b>	<b>11.7</b>	<b>1 082</b>	<b>11.7</b>
Amortization of goodwill	-125		-18		-52	
<b>Operating income after amortization of goodwill</b>	<b>1 010</b>	<b>9.5</b>	<b>1 064</b>	<b>11.5</b>	<b>1 030</b>	<b>11.1</b>
Financial result	20	-273	-193		-193	
<b>Income before taxes and minority interests</b>	<b>737</b>		<b>871</b>		<b>837</b>	
Taxes	21	-224	-275		-275	
<i>Income before minority interests</i>	<b>513</b>	<b>4.9</b>	<b>596</b>	<b>6.4</b>	<b>562</b>	<b>6.1</b>
Minority interests		-8	-9		-9	
<b>Net income of the group</b>	<b>505</b>		<b>587</b>		<b>553</b>	
Earnings per share (CHF/share)	22	34.14	41.13		38.77	
Diluted earnings per share (CHF/share)	22	33.22	39.32		37.08	

\* The notes form an integral part of the consolidated financial statements.  
1999 has been restated to be comparable with the 2000 presentation.

# Consolidated Statements of Cash Flows

for the years ended 31 December 2000 and 1999

	2000	1999 restated	1999
	CHF mio	CHF mio	CHF mio
Net income	505	587	553
Depreciation of tangible fixed assets	506	546	546
Amortization of intangible assets	141	36	70
Change in long-term liabilities	-64	186	186
Other non-cash items	18	-84	-84
<b>Cash flow before changes in working capital</b>	<b>1 106</b>	<b>1 271</b>	<b>1 271</b>
Change in inventories	-102	71	71
Change in trade accounts receivable and other current assets	194	204	204
Change in short-term financial assets	-	3	3
Change in trade accounts payable	-92	-122	-122
Other	-154	-383	-383
<b>Cash flow from operating activities</b>	<b>952</b>	<b>1 044</b>	<b>1 044</b>
Investment in tangible fixed assets	-535	-425	-425
Change in intangible and financial assets	-38	-19	-19
Sale of tangible and intangible assets	92	47	47
Acquisition of companies, businesses and participations (net of cash acquired)	-2 942	-94	-94
Acquisition of minority interests	-	-31	-31
Dividends received	50	56	56
<b>Cash flow from investing activities</b>	<b>-3 373</b>	<b>-466</b>	<b>-466</b>
Capital increase	424	31	31
Treasury share transactions	130	15	15
Change in long-term financial debts	1 210	-218	-218
Change in short-term financial debts	295	44	44
Dividends paid to third parties	-146	-131	-131
<b>Cash flow from financing activities</b>	<b>1 913</b>	<b>-259</b>	<b>-259</b>
Currency translation effect on cash and short-term deposits	-7	15	15
<b>Net change in cash and short-term deposits</b>	<b>-515</b>	<b>334</b>	<b>334</b>
<b>Cash and short-term deposits at the beginning of the period</b>	<b>824</b>	<b>490</b>	<b>490</b>
<b>Cash and short-term deposits at the end of the period</b>	<b>309</b>	<b>824</b>	<b>824</b>
Additional information to the Consolidated Statements of Cash Flows:			
Interest paid	-243	-177	-177
Income taxes paid	-221	-146	-146

The notes form an integral part of the consolidated financial statements.  
1999 has been restated to be comparable with the 2000 presentation.

## Consolidated Statement of Changes in Equity

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 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>
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>

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 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. 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 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.

### 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 instru-

ments 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 for the valuation of 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 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.

#### **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 March 2000, Clariant acquired the entire ordinary share capital of BTP plc, England. Sales of the period from 1 March through year-end 2000 were CHF 765 million (CHF 486 million Division Life Science & Electronic Chemicals, CHF 180 million Division Textile, Leather & Paper Chemicals and CHF 99 million Division Functional Chemicals).

Effective 1 June 2000, Clariant acquired the Mexican company Christianson S.A. Sales of the period from 1 June 2000 through year-end 2000 (Division Functional Chemicals) were CHF 24 million.

**3. Tangible fixed asset movements**

in CHF mio	Land	Buildings	Machinery and equipment	Furniture, vehicles, computer hardware	Plant under construction	<b>Total 2000</b>	Total 1999
<b>Costs</b>							
at 1 January	684	2 477	5 910	735	312	10 118	9 344
Changes in consolidation scope	10	233	573	15	1	832	153
Additions and reclassifications	1	119	308	55	52	535	425
Disposals	-7	-117	-226	-57	-	-407	-193
Translation effects	-31	-62	-208	-26	-9	-336	389
<b>at 31 December</b>	<b>657</b>	<b>2 650</b>	<b>6 357</b>	<b>722</b>	<b>356</b>	<b>10 742</b>	<b>10 118</b>
<b>Accumulated depreciation</b>							
at 1 January	-	-1 260	-4 230	-569	-	-6 059	-5 445
Changes in consolidation scope	-	-35	-212	-8	-	-255	-47
Additions and reclassifications	-	-107	-333	-65	-	-505	-546
Disposals	-	76	187	52	-	315	144
Translation effects	-	21	144	17	-	182	-165
<b>at 31 December</b>	<b>-</b>	<b>-1 305</b>	<b>-4 444</b>	<b>-573</b>	<b>-</b>	<b>-6 322</b>	<b>-6 059</b>
<b>Book value at 31 December</b>	<b>657</b>	<b>1 345</b>	<b>1 913</b>	<b>149</b>	<b>356</b>	<b>4 420</b>	<b>4 059</b>
<b>Insured value at 31 December</b>						<b>13 279</b>	<b>14 173</b>

The capitalized cost of tangible fixed assets under lease contracts at 31 December 2000 amounts to CHF 12 million with a book value of CHF 1 million (1999: CHF 10 million and CHF 2 million respectively).

As of 31 December 2000, commitments for purchases of tangible fixed assets totalled CHF 72 million (1999: CHF 83 million).

## 4. Intangible asset movements

in CHF mio	Goodwill	Other	Total 2000	Total 1999 restated
<b>Costs</b>				
at 1 January	834	94	928	847
Effect of IAS 22 revised	-675	-	-675	-675
Changes in consolidation scope	2702	-	2702	-
Additions	-	38	38	69
Disposals	-	-1	-1	-1
Translation effects	-3	-7	-10	13
<b>at 31 December</b>	<b>2858</b>	<b>124</b>	<b>2982</b>	<b>253</b>
<b>Accumulated amortization</b>				
at 1 January	-117	-59	-176	-104
Effect of IAS 22 revised	83	-	83	83
Amortization	-125	-16	-141	-70
Disposals	-	1	1	-
Translation effects	4	2	6	-2
<b>at 31 December</b>	<b>-155</b>	<b>-72</b>	<b>-227</b>	<b>-93</b>
<b>Book value at 31 December</b>	<b>2703</b>	<b>52</b>	<b>2755</b>	<b>160</b>

The acquisition of BTP plc. resulted in a goodwill of CHF 2 702 mio. Based on the strategic significance of the acquisition for Clariant, goodwill is being amortized over a period of 20 years.

**Impacts of IAS 22 (revised)**

On 1 January 2000 the IAS 22 (revised) "Business Combinations" became effective. This had an impact on the accounting for the acquisition of the Specialty Chemicals business of the Hoechst Group. Goodwill in the amount of CHF 675 mio capitalized in the years 1997 and 1998 was retroactively charged to the income statements of 1997 and 1998 respectively. The corresponding amortization of goodwill of the years 1997 – 1999 in the amount of CHF 83 mio total was reversed accordingly. By 31 December 1999 the book value of the goodwill arising on the acquisition of the Specialty Chemicals business of the Hoechst Group amounted to CHF 592 mio. The financial statements as per 1 January 1999 have been restated to be comparable.

**5. Investment in associated companies**

	Balance sheet value		Effect on the income statement	
	<b>31.12.2000</b> CHF mio	31.12.1999 CHF mio	<b>2000</b> CHF mio	1999 CHF mio
InfraServ GmbH & Co. Höchst KG	193	199	14	13
Säurefabrik Schweizerhall AG	70	68	4	39
InfraServ GmbH & Co. Wiesbaden KG	51	55	7	8
InfraServ GmbH & Co. Gendorf KG	42	43	7	6
Harco Harlow Chemical Company Ltd	25	33	11	16
InfraServ GmbH & Co. Knapsack KG	22	22	2	1
Perstorp-Clariant AB	10	11	2	2
Others	38	40	3	1
<b>Total</b>	<b>451</b>	<b>471</b>	<b>50</b>	<b>86</b>

**6. Deferred taxes**

	<b>31.12.2000</b> CHF mio	31.12.1999 CHF mio
Deferred tax liabilities associated with:		
Tangible and intangible asset depreciation and amortization	622	653
Prepaid pensions	9	14
Other accruals and provisions	115	141
<b>Total liabilities</b>	<b>746</b>	<b>808</b>
Deferred tax assets associated with:		
Tangible and intangible asset depreciation and amortization	37	42
Employee benefit liabilities	141	120
Other accruals and provisions	273	318
<b>Total assets</b>	<b>451</b>	<b>480</b>

**7. Other financial assets**

	<b>31.12.2000</b> CHF mio	31.12.1999 CHF mio
Prepaid pensions	94	59
Other investments	3	3
<b>Total</b>	<b>97</b>	<b>62</b>

**8. Inventaires**

	<b>31.12.2000</b>	31.12.1999
	<b>CHF mio</b>	CHF mio
Raw material, consumables, work in progress	911	870
Finished products	1 357	1 213
<b>Total</b>	<b>2 268</b>	<b>2 083</b>

**9. Trade accounts receivable**

	<b>31.12.2000</b>	31.12.1999
	<b>CHF mio</b>	CHF mio
Receivables gross	1 794	1 950
Allowance for doubtful receivables	-114	-140
<b>Total net</b>	<b>1 680</b>	<b>1 810</b>

**10. Other current assets**

	<b>31.12.2000</b>	31.12.1999
	<b>CHF mio</b>	CHF mio
Other receivables	356	336
Short-term financial assets	70	29
Prepaid expenses/accrued income	90	74
<b>Total</b>	<b>516</b>	<b>439</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 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.

**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 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 the gain or loss a contract would realize if exchanged or settled using market values or standard pricing models at 31 December 2000.

All necessary measures have been taken to implement IAS 39 as per 1 January 2001.

	Contract underlying principal amount CHF mio	Positive fair values CHF mio	Negative fair values CHF mio
<b>Currency related hedging instruments</b>			
Forward foreign exchange rate contracts and currency swaps	1 224	7	-138
<b>Interest related instruments</b>			
Interest rate swaps	1 823	19	-19
<b>Total financial instruments</b>	<b>3 047</b>	<b>26</b>	<b>-157</b>

Any gains or losses are recognized in the income statement in accordance with 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.

**Financial instruments by maturity**

	1–12 months CHF mio	1–5 years CHF mio	over 5 years CHF mio	<b>Total CHF mio</b>
<b>Currency related hedging instruments</b>				
Forward foreign exchange rate contracts and currency swaps	345	837	42	1 224
<b>Interest related instruments</b>				
Interest rate swaps	400	951	472	1 823
<b>Total financial instruments</b>	<b>745</b>	<b>1 788</b>	<b>514</b>	<b>3 047</b>

**Financial instruments by currency**

	Forward foreign exchange CHF mio	<b>Total CHF mio</b>
USD	676	676
JPY	314	314
GBP	208	208
EUR	25	25
Übrige	1	1
<b>Total</b>	<b>1 224</b>	<b>1 224</b>
Interest rate swaps		1 823
<b>Total financial instruments</b>		<b>3 047</b>

All counterparties are rated at least A.

## 12. Changes in share capital and treasury shares

Registered shares each with a par value of CHF 50

	<b>Number shares 2000</b>	<b>Par value CHF mio 2000</b>	Number of shares 1999	Par value CHF mio 1999
at 1 January	14 600 828	730	14 545 636	727
Increase of share capital by conversion of bonds	743 172	37	55 192	3
<b>at 31 December</b>	<b>15 344 000</b>	<b>767</b>	<b>14 600 828</b>	<b>730</b>
Treasury shares	-56 476	-3	-289 816	-14
<b>Outstanding Capital 31 December</b>	<b>15 287 524</b>	<b>764</b>	<b>14 311 012</b>	<b>716</b>

Treasury shares (number of shares)

	<b>2000</b>	1999
Holdings on 1 January	289 816	304 466
Shares purchased at fair market value	88 689	43 190
Shares sold at fair market value	-322 029	-57 840
<b>Holdings on 31 December</b>	<b>56 476</b>	<b>289 816</b>

## 13. Long-term financial debts

	Interest rate	Term	Earliest redemption date	Amount 31.12.2000 CHF mio	Amount 31.12.1999 CHF mio
Convertible Bonds <sup>1</sup>	1%	1997–2002	2000	–	424
Straight Bonds	4¼%	1995–2000		–	150
Straight Bonds	4½%	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
Straight Bonds	4¼%	2000–2008		500	–
<b>Liabilities to banks and other financial institutions</b>				<b>2 307</b>	<b>1 288</b>
<b>Obligations under finance leases</b>				<b>1</b>	<b>1</b>
<b>Subtotal</b>				<b>3 908</b>	<b>2 963</b>
<b>Less current portion</b>				<b>–20</b>	<b>–174</b>
<b>Total</b>				<b>3 888</b>	<b>2 789</b>
Breakdown by maturity			2001	–	45
			2002	28	449
			2003	484	152
			2004	313	315
			2005	830	–
			thereafter	2 233	1 828
<b>Total</b>				<b>3 888</b>	<b>2 789</b>
Breakdown by currency			CHF	1 906	1 730
			EUR	586	618
			USD	391	396
			JPY	984	14
			other	21	31
<b>Total</b>				<b>3 888</b>	<b>2 789</b>
<b>Fair value comparison</b>					
Convertible bonds				–	566
Straight bonds				1 610	1 104
Others				2 399	1 265
<b>Total</b>				<b>4 009</b>	<b>2 935</b>
Total value of the security given, mainly against tangible fixed assets				210	230
Total secured long-term financial debts				56	61

<sup>1</sup> Clariant Ltd has exercised the early redemption possibility. The remaining outstanding bonds were converted at 19 August 2000.

**14. Movements in other long-term liabilities**

in CHF mio	Provisions for pension plans	Environmental provisions	Other long-term provisions	<b>Total 2000</b>
at 1 January	458	105	167	730
Long-term liabilities resulting from acquisitions	–	47	25	72
Additions and reclassifications	113	60	69	242
Amounts used	–87	–9	–34	–130
Unused amounts reversed	–16	–1	–12	–29
Changes due to passage of time and changes in discount rates	10	–	2	12
Translation effects	–22	–3	–4	–29
<b>at 31 December</b>	<b>456</b>	<b>199</b>	<b>213</b>	<b>868</b>

When IAS 37 “Provisions, Contingent Liabilities and Contingent Assets” was adopted as per 1 January 2000 the prior year information was not restated.

**15. Short-term financial debts**

	<b>31.12.2000 CHF mio</b>	31.12.1999 CHF mio
Banks and other financial institutions (including employees' accounts)	1 539	640
Current portion of long-term financial debts	20	174
<b>Total</b>	<b>1 559</b>	<b>814</b>

**16. Other short-term liabilities**

	<b>31.12.2000 CHF mio</b>	31.12.1999 CHF mio
Provisions for restructuring	120	274
Liabilities from personnel costs	167	183
Other short-term provisions	164	248
<b>Total short-term provisions</b>	<b>451</b>	<b>705</b>
Accruals	583	477
Other payables	199	293
<b>Total</b>	<b>1 233</b>	<b>1 475</b>

The numbers of 1999 have been restated to be comparable with the presentation of the numbers of 2000.

**Movements in short-term provisions**

in CHF mio	Restructuring provisions	Liabilities from personnel costs	Other short-term provisions	<b>Total 2000</b>
at 1 January	274	183	248	705
Long-term liabilities resulting from acquisitions	–	1	15	16
Additions and reclassifications	–	142	81	223
Amounts used	–154	–122	–141	–417
Unused amounts reversed	–	–32	–33	–65
Translation effects	–	–5	–6	–11
<b>at 31 December</b>	<b>120</b>	<b>167</b>	<b>164</b>	<b>451</b>

When IAS 37 “Provisions, Contingent Liabilities and Contingent Assets” was adopted as per 1 January 2000 the prior year information is not restated.

**17. Employee Benefits**

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

cipally 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>31.12.2000 CHF mio</b>	31.12.1999 CHF mio
Liabilities recognized in the balance sheet:		
Pension Funds defined contribution plans	–25	–26
defined benefit plans	–312	–317
Other post retirement benefit plans	–119	–115
<b>Total</b>	<b>–456</b>	<b>–458</b>

**Defined contribution pension and termination plans**

In 2000, CHF 27 million was charged to the income statements of the Group companies as contri-

butions to these plans (1999: CHF 25 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. 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.

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

	<b>31.12.2000</b>	31.12.1999
	<b>CHF mio</b>	CHF mio
Present value of funded obligations	-1 189	-939
Fair value of plan assets	1 457	1 131
<b>Surplus</b>	<b>268</b>	<b>192</b>
Present value of unfunded obligations	-261	-254
Unrecognized actuarial (gains) losses	-319	-255
<b>Liability in the balance sheet</b>	<b>-312</b>	<b>-317</b>

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

The amounts recognized in the income statement are as follows:

	<b>2000</b>	1999
	<b>CHF mio</b>	CHF mio
Current service cost	-92	-80
Interest cost	-65	-44
Expected return on plan assets	82	57
Net actuarial losses recognized in current year	-1	-
Losses on curtailment	-	-1
<b>Total included in personnel costs in the Group income statement</b>	<b>-76</b>	<b>-68</b>

The actual return on plan assets in 2000 was CHF 115 million.

Movement in the liability recognized in the balance sheet:

	<b>31.12.2000</b>	31.12.1999
	<b>CHF mio</b>	CHF mio
At beginning of year	-317	-281
Translation effect	18	-11
Liabilities acquired in business combination	-	-15
Total expense as above	-76	-68
Contributions paid	65	55
Others	-2	3
<b>At end of year</b>	<b>-312</b>	<b>-317</b>

The principal actuarial assumptions used for accounting purposes were:

	weighted average %	
	<b>2000</b>	1999
Discount rate	5.2%	4.8%
Expected return on plan assets	6.2%	5.8%
Expected inflation rate	2.5%	2.7%

**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:

	<b>2000</b>	1999
	<b>CHF mio</b>	CHF mio
Present value of unfunded obligations	-119	-115

The amounts recognized in the income statement are as follows:

	<b>2000</b>	1999
	<b>CHF mio</b>	CHF mio
Current service cost	-3	-3
Interest cost	-7	-6
<b>Total included in personnel costs</b>	<b>-10</b>	<b>-9</b>

Movement in the liability recognized in the balance sheet:

	<b>2000</b>	1999
	<b>CHF mio</b>	CHF mio
At beginning of year	-115	-90
Translation effect	-2	-14
Total expense as above	-10	-9
Benefits paid	3	2
Other	5	-4
<b>At end of year</b>	<b>-119</b>	<b>-115</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. Stock option plan

### 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 new Plans (I.b) and (II.) are included in personnel expenses. A provision has been made for shares earned in 2000 which will be granted in 2001. The grant of options (I.a) has no effect on the income statement. The costs of the options granted under the plans, which were in place in 1998, are wholly borne by the autonomous employee share participation foundation.

### Share options and shares as of 31 December 2000

<b>Options</b>						
Base-year	Granted	Exercisable from	Expiry date	Exercise price	Number 31.12.2000	Number 31.12.1999
1997	1998	2001	2007	286.50	15 974 <sup>1</sup>	15 974
1997	1998	2001	2007	421.50	15 456 <sup>1</sup>	16 036
1998	1999	2002	2008	695.00	34 092 <sup>2</sup>	36 281
1999	2000	2003	2009	540.00	10 382 <sup>2</sup>	—
				<b>Total</b>	<b>75 904</b>	<b>68 291</b>
<b>Shares</b>						
1996	1997	2000			—	5 408
1998	1999	2002			8 596 <sup>2</sup>	8 619
1999	2000	2003			19 379 <sup>2</sup>	—
				<b>Total</b>	<b>27 975</b>	<b>14 027</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 or covered with options with banks.

**19. Consolidated statement of Cash Flow**

The following is a summary of the impact of acquisitions during 2000:

	<b>2000</b>
	<b>CHF mio</b>
Tangible fixed assets	-577
Other long-term assets	-35
Inventories	-232
Trade accounts receivable	-282
Other current assets	-101
Marketable securities, cash and short-term deposits	-41
Long-term and short-term financial debts to third parties	490
Trade accounts payable and other liabilities	496
<b>Reduction of cash</b>	<b>-282</b>
Cash and short-term deposits acquired	42
<b>Sub-total</b>	<b>-240</b>
Goodwill	-2 702
<b>Net Cash Flow</b>	<b>-2 942</b>

**20. Financial expense, net**

	<b>2000</b>	1999
	<b>CHF mio</b>	CHF mio
Interest income	22	12
Other financial income	8	22
<b>Financial income</b>	<b>30</b>	<b>34</b>
Interest expense	-279	-189
Other financial expense	-22	-29
<b>Financial expense</b>	<b>-301</b>	<b>-218</b>
Currency result, net	-2	-9
<b>Total</b>	<b>-273</b>	<b>-193</b>

The numbers of 1999 have been restated to be comparable with the presentation of the numbers of 2000.

## 21. Taxes

	<b>2000</b> CHF mio	1999 CHF mio
Current income taxes	-262	-169
Deferred income taxes	38	-106
<b>Total</b>	<b>-224</b>	<b>-275</b>

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

	<b>2000</b>	1999 restated	1999
Maximum Swiss Tax rate	24.8%	24.8%	24.8%
Effect of different tax rates in other countries	9.4%	9.5%	10.8%
Effect of expenses which are additionally tax deductible (1999) or taxable (2000)	0.4%	-4.9%	-5.1%
Effect of previously unrecognized tax losses	-2.6%	-0.8%	-0.8%
Other items	-1.5%	3.0%	3.1%
<b>Effective tax rate</b>	<b>30.5%</b>	<b>31.6%</b>	<b>32.8%</b>

As result of the reduction of the German tax rates CHF 43 mio deferred tax were released. This reflects in the effect of expenses which are additionally tax deductible.

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

	<b>31.12.2000</b> CHF mio	31.12.1999 CHF mio
Unrecognized tax losses	212	178
Unrecognized tax credits	29	16

All tax losses and tax credits presented expire between 2001 and 2007.

**22. 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).

	<b>2000</b>	1999 restated	1999
	<b>CHF mio</b>	CHF mio	CHF mio
<b>Net income</b>	<b>505</b>	<b>587</b>	<b>553</b>
Reversed interest on convertible bond	–	5	5
Remaining amortization of the convertible bond issue costs	–	–1	–1
<b>Diluted net income</b>	<b>505</b>	<b>591</b>	<b>557</b>
<b>Shares</b>			
Holdings on 1 January	14 311 012	14 241 170	14 241 170
Effect of transactions with treasury shares on average number of shares outstanding	475 355	32 130	32 130
<b>Average number of shares outstanding</b>	<b>14 786 367</b>	<b>14 273 300</b>	<b>14 273 300</b>
Effect on average number of shares outstanding assuming the convertible bond had been converted at the earliest possible date	411 304	743 172	743 172
<b>Average diluted number of shares outstanding</b>	<b>15 197 671</b>	<b>15 016 472</b>	<b>15 016 472</b>
<b>Earnings per share (CHF/share)</b>	<b>34.14</b>	<b>41.13</b>	<b>38.77</b>
<b>Diluted earnings per share (CHF/share)</b>	<b>33.22</b>	<b>39.32</b>	<b>37.08</b>

1999 has been restated to be comparable with the 2000 presentation.

**23. Personnel expenses**

	<b>2000</b>	1999
	<b>CHF mio</b>	CHF mio
Wages and salaries	–1 891	–1 683
Pension and social security costs	–504	–485
<b>Total</b>	<b>–2 395</b>	<b>–2 168</b>

## 24. Divisional breakdown of key figures 2000 und 1999 (in CHF million)

Divisions	Textile, Leather & Paper Chemicals		Pigments & Additives		Masterbatches		Functional Chemicals	
	2000	1999	2000	1999	2000	1999	2000	1999
Sales Divisions	2 616	2 284	2 182	1 937	1 147	1 065	2 028	1 881
Sales to other Divisions	-27	-25	-74	-41	-2	-	-93	-56
<b>Total Sales</b>	<b>2 589</b>	<b>2 259</b>	<b>2 108</b>	<b>1 896</b>	<b>1 145</b>	<b>1 065</b>	<b>1 935</b>	<b>1 825</b>
Depreciation of tangible fixed assets	-109	-130	-74	-79	-26	-31	-83	-106
Amortization of intangible assets	-1	-	-	-	-1	-1	-	-
Income from associates	5	36	10	10	1	-	9	9
Other operating expenses	-2 143	-1 866	-1 711	-1 548	-999	-908	-1 669	-1 516
<b>Operating Income</b>	<b>341</b>	<b>299</b>	<b>333</b>	<b>279</b>	<b>120</b>	<b>125</b>	<b>192</b>	<b>212</b>
<b>Total Assets</b>	<b>2 147</b>	<b>2 079</b>	<b>1 702</b>	<b>1 717</b>	<b>580</b>	<b>649</b>	<b>1 375</b>	<b>1 265</b>
Liabilities	-156	-155	-153	-157	-89	-107	-160	-189
<b>Total Equity and minority interests</b>	<b>1 991</b>	<b>1 924</b>	<b>1 549</b>	<b>1 560</b>	<b>491</b>	<b>542</b>	<b>1 215</b>	<b>1 076</b>
Net debts	-	-	-	-	-	-	-	-
<b>Total Net Operating Assets<sup>1</sup></b>	<b>1 991</b>	<b>1 924</b>	<b>1 549</b>	<b>1 560</b>	<b>491</b>	<b>542</b>	<b>1 215</b>	<b>1 076</b>
Thereof:								
Investments in tangible fixed assets for the period	89	64	89	64	39	41	109	68
Investments in associated companies	76	74	105	107	4	3	69	71

<sup>1</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. 1999 has been restated to be comparable with the 2000 presentation.

Life Science & Electronic Chemicals		Cellulose Ethers & Polymerisates		Total Divisions		Other (mainly trading)		Corporate			Total Group		
2000	1999	2000	1999	2000	1999	2000	1999	2000	1999 re-stated	1999	2000	1999 re-stated	1999
1 832	1 294	1 201	1 075	11 006	9 536	–	98	–	–	–	11 006	9 634	9 634
–181	–207	–46	–49	–423	–378	–	–	–	–	–	–423	–378	–378
<b>1 651</b>	<b>1 087</b>	<b>1 155</b>	<b>1 026</b>	<b>10 583</b>	<b>9 158</b>	<b>–</b>	<b>98</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>10 583</b>	<b>9 256</b>	<b>9 256</b>
–144	–121	–39	–41	–475	–508	–	–1	–31	–37	–37	–506	–546	–546
–1	–	–	–	–3	–1	–	–	–138	–35	–69	–141	–36	–70
4	4	20	28	49	87	–	–	1	–1	–1	50	86	86
–1 385	–885	–1 030	–892	–8 937	–7 615	–	–94	–39	13	13	–8 976	–7 696	–7 696
<b>125</b>	<b>85</b>	<b>106</b>	<b>121</b>	<b>1 217</b>	<b>1 121</b>	<b>–</b>	<b>3</b>	<b>–207</b>	<b>–60</b>	<b>–94</b>	<b>1 010</b>	<b>1 064</b>	<b>1 030</b>
<b>2 305</b>	<b>1 552</b>	<b>802</b>	<b>827</b>	<b>8 911</b>	<b>8 089</b>	<b>–</b>	<b>12</b>	<b>4 036</b>	<b>2 287</b>	<b>2 879</b>	<b>12 947</b>	<b>10 388</b>	<b>10 980</b>
–199	–125	–103	–119	–860	–852	–	–	–8 420	–6 657	–6 657	–9 280	–7 509	–7 509
<b>2 106</b>	<b>1 427</b>	<b>699</b>	<b>708</b>	<b>8 051</b>	<b>7 237</b>	<b>–</b>	<b>12</b>	<b>–4 384</b>	<b>–4 370</b>	<b>–3 778</b>	<b>3 667</b>	<b>2 879</b>	<b>3 471</b>
–	–	–	–	–	–	–	–	5 138	2 779	2 779	5 138	2 779	2 779
<b>2 106</b>	<b>1 427</b>	<b>699</b>	<b>708</b>	<b>8 051</b>	<b>7 237</b>	<b>–</b>	<b>12</b>	<b>754</b>	<b>–1 591</b>	<b>–999</b>	<b>8 805</b>	<b>5 658</b>	<b>6 250</b>
158	114	28	58	512	409	–	–	23	16	16	535	425	425
76	78	120	130	450	463	–	–	1	8	8	451	471	471

**25. Regional breakdown of key figures 2000 and 1999 (in CHF million)**

Region	Sales <sup>1</sup>		Operating income before amortization of Goodwill <sup>2</sup>		Number of employees at 31.12.	
	2000	1999	2000	1999	2000	1999
Europe	5 152	4 780	703	768	18 893	17 132
<i>thereof in Germany</i>	<i>1 522</i>	<i>1 464</i>	<i>232</i>	<i>224</i>	<i>10 249</i>	<i>10 451</i>
The Americas	3 093	2 596	216	190	6 366	5 656
<i>thereof in the US</i>	<i>1 795</i>	<i>1 518</i>	<i>101</i>	<i>81</i>	<i>2 816</i>	<i>2 160</i>
Asia/Africa/Australia	2 338	1 880	216	124	6 287	6 205
<b>Total Group</b>	<b>10 583</b>	<b>9 256</b>	<b>1 135</b>	<b>1 082</b>	<b>31 546</b>	<b>28 993</b>

Region	Investments in tangible fixed assets		Depreciation of tangible fixed assets		Net operating assets at 31.12. <sup>3</sup>		
	2000	1999	2000	1999	2000	1999 restated	1999
Europe	365	267	337	389	5 583	3 171	3 502
<i>thereof in Germany</i>	<i>177</i>	<i>175</i>	<i>210</i>	<i>291</i>	<i>1 616</i>	<i>1 632</i>	<i>1 803</i>
The Americas	116	115	108	86	2 127	1 272	1 405
<i>thereof in the US</i>	<i>67</i>	<i>76</i>	<i>75</i>	<i>55</i>	<i>1 410</i>	<i>643</i>	<i>710</i>
Asia/Africa/Australia	54	43	61	71	1 095	1 215	1 343
<b>Total Group</b>	<b>535</b>	<b>425</b>	<b>506</b>	<b>546</b>	<b>8 805</b>	<b>5 658</b>	<b>6 250</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. 1999 has been restated to be comparable with the 2000 presentation.

**26. Commitments and contingencies****Leasing commitments**

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

	<b>2000</b>	1999
	<b>CHF mio</b>	CHF mio
2000	–	83
2001	102	76
2002	91	68
2003	76	57
2004	65	49
2005	38	–
thereafter	32	31
<b>Total</b>	<b>404</b>	<b>364</b>

**Contingencies**

In the course of normal business, affiliated companies may be involved in administrative proceed-

ings 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.

**27. Affiliates, joint ventures and associated companies**

The principal affiliates, joint ventures and associated companies are listed on pages 94 to 95.

**28. 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>2000 CHF mio</b>	1999 CHF mio
Income from the sale of goods to related parties	52	45
Income from the rendering of services to related parties	21	11
Expense from the purchase of goods from related parties	-22	-14
Expense from the purchase of services from related parties	-653	-738
<b>Payables, receivables and loans</b>	<b>31.12.2000 CHF mio</b>	31.12.1999 CHF mio
Trade accounts receivable from related parties	22	22
Trade accounts payable to related parties	89	94

**Others:**

The market value of the compensation (incl. options) paid to the Board of Directors in 2000 was CHF 760 000 (1999: CHF 790 000).

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

**29. Exchange rates of principal currencies**

Rates used to translate the consolidated balance sheets (closing rate)	<b>31.12.2000</b>	31.12.1999
1 USD	1.64	1.60
100 DEM	77.84	82.00
100 FRF	23.21	24.45
1 GBP	2.44	2.58
1 000 ITL	0.79	0.83
100 JPY	1.42	1.56
100 BEF	3.77	3.98
100 ESP	0.92	0.96
100 EUR	152.25	160.38

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

	<b>2000</b>	1999
1 USD	1.69	1.50
100 DEM	79.60	81.81
100 FRF	23.76	24.39
1 GBP	2.56	2.43
1 000 ITL	0.80	0.83
100 JPY	1.57	1.34
100 BEF	3.87	3.97
100 ESP	0.94	0.96



**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 58 to 87) of the Clariant Group for the year ended 31 December 2000.

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, 16 March 2001

## Five year Group Summary 1996–2000

		2000	1999 restated	1999	1998	1997 Pro forma	1996 Pro forma
<b>Divisional sales</b>	CHF million	10 583	9 158	9 158	9 341	9 912	8 276
Change relative to preceding year							
in Swiss Francs	%	16	–2	–2	–6	20	–
in local currency	%	12	–4	–4	–1	13	–
<b>Group Sales<sup>1</sup></b>	CHF million	10 583	9 256	9 256	9 535	10 184	8 902
Change relative to preceding year							
in Swiss Francs	%	14	–3	–3	–6	14	–
in local currency	%	10	–5	–5	–2	*	–
<b>Operating income before amortization of goodwill</b>	CHF million	1 135	1 082	1 082	1 097	1 030	614
Change relative to preceding year	%	5	–1	–1	7	68	–
as a % of sales		10.7	11.7	11.7	11.5	10.1	6.9
<b>Operating income after amortization of goodwill</b>	CHF million	1 010	1 064	1 030	1 057	989	510
Change relative to preceding year	%	–5	1	–3	7	94	–
as a % of sales		9.5	11.5	11.1	11.1	9.7	5.7
<b>EBITDA</b>	CHF million	1 657	1 646	1 646	1 672	1 592	1 115
Change relative to preceding year	%	1	–2	–2	5	43	–
as a % of sales		15.7	17.8	17.8	17.5	15.6	12.5
<b>Net income before minority interests</b>	CHF million	513	596	562	524	428	126
Change relative to preceding year	%	–14	14	7	22	240	–
as a % of sales		4.9	6.4	6.1	5.5	4.2	1.4
<b>Investment in tangible fixed assets</b>	CHF million	535	425	425	464	473	566
Change relative to preceding year	%	26	–8	–8	–2	–16	–
as a % of sales		5	5	5	5	5	6
<b>Personnel costs</b>	CHF million	2 395	2 168	2 168	2 117	2 134	–
Change relative to preceding year	%	10	2	2	–1	*	–
as a % of sales		23	23	23	22	21	–
<b>Employees at year end</b>	number	31 546	28 993	28 993	29 279	30 862	32 505
Change relative to preceding year	%	9	–1	–1	–5	–5	–

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

\*Not available.

## Trend in Group Sales by Division

Division	2000		1999		1998		1997		1996	
	CHF mio	%	CHF mio	%	CHF mio	%	Pro forma CHF mio	%	Pro forma CHF mio	%
Textile, Leather & Paper Chemicals	2 589	24	2 259	25	2 345	25	2 609	26	2 235	27
Pigments & Additives	2 108	20	1 896	21	1 882	20	2 006	20	1 651	20
Masterbatches	1 145	11	1 065	11	977	11	986	10	818	10
Functional Chemicals	1 935	18	1 825	20	2 057	22	2 094	21	1 706	20
Life Science & Electronic Chemicals	1 651	16	1 087	12	1 117	12	1 189	12	980	12
Cellulose Ethers & Polymerisates	1 155	11	1 026	11	963	10	1 028	11	886	11
<b>Total Divisions</b>	<b>10 583</b>	100	<b>9 158</b>	100	<b>9 341</b>	100	<b>9 912</b>	100	<b>8 276</b>	100
Other (mainly trading)	–	–	98	–	194	–	272	–	626	–
<b>Total Group</b>	<b>10 583</b>	–	<b>9 256</b>	–	<b>9 535</b>	–	<b>10 184</b>	–	<b>8 902</b>	–

## Trend in Group Sales by Region

Region	2000		1999		1998		1997 Pro forma		1996 Pro forma	
	CHF mio	%	CHF mio	%	CHF mio	%	CHF mio	%	CHF mio	%
Europe	5 152	49	4 780	52	5 231	55	5 433	53	*	—
The Americas	3 093	29	2 596	28	2 729	29	2 857	28	*	—
Asia/Australia	2 143	20	1 683	18	1 361	14	1 668	17	*	—
Africa	195	2	197	2	214	2	226	2	*	—
<b>Total</b>	<b>10 583</b>	100	<b>9 256</b>	100	<b>9 535</b>	100	<b>10 184</b>	100	<b>8 902</b>	100

\*Not available.

**Share Information\***

	<b>31.12.2000</b>	31.12.1999	31.12.1998	31.12.1997	31.12.1996
Number of registered shares issued (at par value CHF 50 each)	15 344 000**	14 600 828**	14 545 636**	14 544 000	8 000 000
Number of shares created by conversion within the limits of the conditional capital	743 172	55 192	1 636		
Number of shares eligible for dividend	15 344 000	14 600 828	14 545 636	14 544 000	8 000 000
Dividend per share in CHF	11.00***	10.00	9.00	7.00	5.00
Year-end price in CHF	581	759	642	610	286.50
Stock exchange capital in CHF mio	8 915	11 082	9 338	8 872	2 292
High/low in CHF	799/461	793/622	1 054/540	627.50/280	293/183.50

\* 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.

**Shareholders' structure according to number of shares held at 31 December 2000**

<b>Number of shares</b>	Number of shareholders	in %	Number of shares	in %
1-99	28 988	78.0	890 572	5.8
100-999	7 516	20.2	1 567 653	10.2
1 000-9 999	574	1.5	1 435 951	9.4
10 000 and more	95	0.3	5 449 761	35.5
<b>Total registered shares</b>			<b>9 343 937</b>	<b>60.9</b>
Shares not registered	—	—	6 000 063	39.1
<b>Total</b>	<b>37 173</b>	<b>100.0</b>	<b>15 344 000</b>	<b>100.0</b>

**Shareholders' structure according to regions at 31 December 2000**

<b>Regions</b>	Number of shareholders	in %	Number of shares	in %
Switzerland	35 338	95.1	6 165 256	40.2
Europe	1 632	4.4	3 043 041	19.8
Outside of Europe	203	0.5	1 35 640	0.9
<i>thereof USA</i>	<i>64</i>	<i>0.2</i>	<i>1 13 826</i>	<i>0.7</i>
Shares not registered	—	—	6 000 063	39.1
<b>Total</b>	<b>37 173</b>	<b>100.0</b>	<b>15 344 000</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	1 818 000 shares
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# Principal Companies of the Clariant Group

## Affiliated companies and other holdings as at December 31, 2000

		Participa- tion	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 (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 (Tianjin) Pigments 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 (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	●		●	●	●
	Harco Harlow Chemical Company Ltd., Harlow	■		●	●	
	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	●		●	●	

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

		Participa- tion	Holding/ Finance	Sales	Production	Research
<b>Italy</b>	Clariant (Italia) S.p.A., Milan	●		●	●	●
	Clariant Life Science Molecules (Italia) S.p.A., Origgio	●		●	●	●
<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, 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 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.	●		●	●	●
	Clariant Life Science Molecules (America) Inc., Elgin and Rock Hill, S.C.	●		●	●	●
	Clariant Life Science Molecules (Florida) Inc., Gainesville, FL	●		●	●	●
	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 profit appropriation)

at 31 December 2000 and 1999

	<b>31 December 2000 CHF</b>	%	31 December 1999 CHF	%
<b>Assets</b>				
Financial assets	6 577 035 202		4 664 323 447	
<b>Total long-term assets</b>	<b>6 577 035 202</b>	95.4	<b>4 664 323 447</b>	84.0
<b>Current assets</b>				
Receivables from Group companies	172 618 813		178 845 552	
Other receivables	28 052 782		1 776 055	
Accrued income	28 259 202		19 701 360	
Cash, marketable securities and short-term deposits	85 171 661		690 069 122	
<b>Total current assets</b>	<b>314 102 458</b>	4.6	<b>890 392 089</b>	16.0
<b>Total assets</b>	<b>6 891 137 660</b>	100.0	<b>5 554 715 536</b>	100.0

The notes form an integral part of the financial statements.

	31 December 2000		31 December 1999	
	CHF	%	CHF	%
<b>Equity and liabilities</b>				
<b>Equity</b>				
<b>Total share capital</b>	<b>767 200 000</b>		<b>730 041 400</b>	
<b>Reserves</b>				
Legal reserves	1 919 911 489		1 342 954 598	
Reserve for treasury shares	36 106 311		226 613 762	
<b>Total reserves</b>	<b>1 956 017 800</b>		<b>1 569 568 360</b>	
<b>Unappropriated earnings</b>				
Balance from prior year	48 662 784		43 636 721	
Net income	177 271 207		151 034 343	
<b>Total unappropriated earnings</b>	<b>225 933 991</b>		<b>194 671 064</b>	
<b>Total equity</b>	<b>2 949 151 791</b>	42.8	<b>2 494 280 824</b>	44.9
<b>Liabilities</b>				
<b>Long-term liabilities</b>				
Convertible bond	–		423 605 000	
Straight bonds	1 600 000 000		1 100 000 000	
Other long-term liabilities	1 284 828 051		1 176 229 361	
<b>Total long-term liabilities</b>	<b>2 884 828 051</b>		<b>2 699 834 361</b>	
<b>Short-term liabilities</b>				
4¼% Straight Bond 1995–2000	–		150 000 000	
Provisions	16 780 124		4 581 597	
Liabilities to Group companies	30 068 531		836 103	
Other liabilities	813 461 890		41 063 014	
Accrued expenses	196 847 273		164 119 637	
<b>Total short-term liabilities</b>	<b>1 057 157 818</b>		<b>360 600 351</b>	
<b>Total liabilities</b>	<b>3 941 985 869</b>	57.2	<b>3 060 434 712</b>	55.1
<b>Total equity and liabilities</b>	<b>6 891 137 660</b>	100.0	<b>5 554 715 536</b>	100.0

The notes form an integral part of the financial statements.

# Clariant Ltd Income Statements

2000 and 1999

	<b>2000 CHF</b>	1999 CHF
<b>Income</b>		
Income from financial assets	445 831 630	384 644 328
Income from cash, marketable securities and short-term deposits	183 383 255	142 094 752
Other income	49 071 200	155 775 776
<b>Total income</b>	<b>678 286 085</b>	<b>682 514 856</b>
<b>Expenses</b>		
Financial expense	376 520 943	300 121 531
Administrative expense	3 136 305	2 242 316
Depreciation on financial fixed assets	79 501 115	223 690 489
Other expense (including taxes)	41 856 515	5 426 177
<b>Total expenses</b>	<b>501 014 878</b>	<b>531 480 513</b>
<b>Net income</b>	<b>177 271 207</b>	<b>151 034 343</b>

The notes form an integral part of the financial statements.

## Proposal for Profit Appropriation of

	<b>2000 CHF</b>	1999 CHF
<b>Available unappropriated earnings</b>		
Net income	177 271 207	151 034 343
Balance carried forward from previous year	48 662 784	43 636 721
<b>Total available earnings</b>	<b>225 933 991</b>	<b>194 671 064</b>
<b>Appropriation</b>		
Distribution of a dividend of CHF 11.00 gross on 15 344 000 registered shares with a par value of CHF 50 (1999: CHF 10.00 gross on 14 600 828 registered shares)	-168 784 000	-146 008 280
<b>Balance to be carried forward</b>	<b>57 149 991</b>	<b>48 662 784</b>

## 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 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 totaling CHF 3 188.8 million (1999: 2 936.8 million). The principal direct and indirect affiliated companies, joint-ventures and other holdings of Clariant Ltd are shown on pages 94 to 95 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 33 million (see also footnote 5).

**4. Share capital**

	<b>31.12.2000</b>	31.12.1999
Number of registered shares each with a par value of CHF 50	15 344 000	14 600 828
in CHF	767 200 000	730 041 400

**Capital increase**

In the year 2000 the remaining amount of the 1% convertible bond 1997–2002 of CHF 456 000 000 were converted into 743 172 registered shares Clariant Ltd, each with a nominal value of CHF 50.

The share capital grew accordingly by CHF 37 158 600.

**Conditional capital**

	<b>31.12.2000</b>	31.12.1999
Number of registered shares each with a par value of CHF 50	800 000	1 543 172
in CHF	40 000 000	77 158 600

In the year 2000 the remaining amount of the 1% convertible bond 1997–2002 of CHF 456 000 000 were converted into 743 172 registered shares. 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)**

	<b>2000</b>	1999
Holdings on 1 January	289 816	304 466
Shares purchased at market value	88 689	43 190
Shares sold at market value	-322 029	-57 840
<b>Holdings on 31 December</b>	<b>56 476</b>	<b>289 816</b>

**6. Reconciliation of equity**

	Registered shares	Legal reserves	Reserve for treasury shares	Unappropriated retained earnings	<b>Total</b>
	CHF	CHF	CHF	CHF	<b>CHF</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>
Capital increase due to stock option rights exercised (convertible rights)	37 158 600	386 449 440			<b>423 608 040</b>
Purchase of treasury shares		190 507 451	-190 507 451		-
Dividends for 1999				-146 008 280	<b>-146 008 280</b>
Profit for the year				177 271 207	<b>177 271 207</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>

**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. Convertible and straight bonds**

	Interest rate	Term	<b>Amount 31.12.2000 CHF mio</b>	Amount 31.12.1999 CHF mio
Convertible Bond <sup>1</sup>	1%	1997–2002	–	424
Straight Bonds	4¼%	1995–2000	–	150
Straight Bonds	4⅝%	1996–2003	150	150
Straight Bonds	4⅞%	1996–2006	200	200
Straight Bonds	3⅞%	1997–2004	300	300
Straight Bonds	3¾%	1997–2007	200	200
Straight Bonds	3%	1998–2005	250	250
Straight Bonds	4¼%	2000–2008	500	–
<b>Total</b>			<b>1 600</b>	<b>1 674</b>

<sup>1</sup> Clariant Ltd has exercised the early redemption possibility. The remaining outstanding bonds were converted at 19 August 2000.

**10. Contingent liabilities**

	<b>Outstanding liabilities 31.12.2000 CHF mio</b>	Outstanding liabilities 31.12.1999 CHF mio
Outstanding liabilities as guarantees in favor of Group companies	30	32

**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 2000 (1999: 12.5%).



**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 96 to 104) of Clariant Ltd for the year ended 31 December 2000.

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 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

Dr R. Gerber

B. Haid

Basle, 16 March 2001

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Further contacts may be obtained from the Clariant website <http://www.clariant.com>, "Where we are".

## The world of Clariant on your PC

The Clariant corporate film *"All around you"* is not only well received by Clariant partners, but it has also been a big hit in the media world. At the New York Festival, the Clariant film, one of 1200 submitted by businesses from 43 countries, won gold in the category Industrial Film for "best camera" and bronze for "best director". At the world Media Festival in Hamburg, *"All around you"* won two prizes: the Silver Globe in the category "public relations/image" and the "Inforfilm International Special Award". At the Festival Communica 2000 in Deauville, France, the Clariant film walked away with the "Silver Dolphin" and in Cologne at the ITVA Festival 2000, it again won silver in the category "corporate image". At the Munich corporate media competition for German-language media, the Clariant film was awarded the "Master of Excellence" prize and the special "Award of Masters" prize for the best DVD. *"All around you"* is a ten-minute film whose impressive images show the important role played by Clariant products in daily life, even if you can't always see them. Besides illustrating applications, the film emphasizes Clariant's international reach and its global responsibility. *"All around you"* was filmed in Korea, Mexico, the USA, Morocco, Germany and Switzerland.

System requirements: Windows 95/98/NT4 (Service Pack 5)/2000, Microsoft Media Player 6.4, Pentium II 266 or AMD K6/350, 64 MB RAM, 640x480 VGA graphics card, 16 bit color depth (256 colors), 8 x CD-ROM drive, mouse, sound card – the CD-ROM starts automatically. Should it not start automatically, click "Start – Run – Browse" and select the drive letter assigned to your CD-ROM drive. Double click on "clariant.exe" in the file "clariant". You can find further information in the "readme.txt" file.

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**Publisher:**

Clariant International Ltd  
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**Concept and design:**

Gruner & Brenneisen AG, Basel

**Lithos and print:**

Multicolor Print AG,  
Kündig Druck, Baar

**Photos:**

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Walter Kloos, Hardy Rougier  
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Digitalvision

This is an English translation of the original  
German.

