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euro adhoc: Clariant International Ltd. - Annual Reports - Clariant Post Profit, Announces Major Job Cuts and Plans Capital Increase (E)

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MUTTENZ, Switzerland - Feb. 24, 2004 -- Clariant AG showed a resilient performance amid tough market conditions in 2003, posting a 1% rise in turnover measured in local currency terms and holding margins steady. The company recorded a net profit of CHF 161 million and substantially reduced net debt, to CHF 2.9 billion.

At the same time, Clariant announced that its Transformation Program is well on-track. The asset sales process is proceeding according to schedule, including the sale of Electronic Materials, in which negotiations are well advanced. The Transformation Program will result in the company eliminating 4,000 jobs over the next two years.

Clariant also announced that the Board of Directors will propose at the Annual General Meeting on April 2nd a capital increase amounting to approximately CHF 920 million.

Positive Results in a Difficult Environment

For the year ending Dec. 31, 2003, sales totaled CHF 8.5 billion in local currency terms, up 1% compared to 2002. In Swiss franc terms, sales were down 3% from a year earlier. Net profit for the year was CHF 161 million compared to a net loss of CHF 648 million in 2002.

Four of Clariant's five divisions recorded sales gains in local currency terms, with Life Sciences & Electronic Chemicals being the exception.

Measures initiated in 2003 improved working capital management, resulting in significantly improved cash flow in the second half of the year.

Net debt was reduced from CHF 3.7 billion in the middle of the year to CHF 2.9 billion by year-end. Shareholders equity increased by CHF 200 million to total approximately CHF 1.2 billion, lifting the equity ratio to approximately 15%. The Board of Directors will propose a gross dividend of CHF 0.20 per share.

"Our efforts to improve the company's results have paid off, but we still have a lot of work ahead of us," said Clariant Chief Executive Roland Loesser.

Transformation Program On-Track

In mid 2003, Clariant initiated a Transformation Program designed to create a substantially more competitive company. It includes the sale of non-core assets as well as a wide range of measures to improve performance.

The sale of the Cellulose Ethers business unit was successfully completed at the end of 2003. Negotiations to sell Electronic Materials are well advanced. In addition, two other units are now ready for sale.

Clariant successfully implemented projects to improve efficiency in the areas of purchasing, logistics and production in selected parts of the company in the second half of 2003 and these will now be extended throughout the group. In addition, measures to improve the

efficiency of the organizational structure and of business processes will lead to the reduction of 4,000 jobs worldwide over the next two years. The main areas affected are general administration, infrastructure, production and the supply chain. The areas of sales and client service will be unaffected. Various functions previously carried out elsewhere will henceforth be concentrated in the Muttentz headquarters.

"These jobs cuts are painful, but unfortunately they are unavoidable given the need to ensure Clariant's long-term strength," Mr. Loesser said. "We must be highly efficient in all our operations in order to retain a competitive advantage."

Capital Increase Planned

Clariant's Board will propose at the next Annual General Meeting a capital increase of approximately CHF 920 million. The requested capital increase is fully underwritten by a banking syndicate led by Citigroup and UBS.

"The capital increase is aimed at strengthening our balance sheet and therefore the long-term competitiveness of the company," Mr. Loesser said. "It will facilitate the execution of the Transformation Program and give the business greater flexibility."

Board Changes

Long-time board member Pierre Borgeaud has reached the statutory retirement age and will step down from the Board at the next meeting. Two new members have been proposed: The Swiss lawyer Peter R. Isler, a partner at the Zurich law firm Niederer, Kraft & Frey and the Frankfurt-based businessman Dr. Kajo Neukirchen.

Outlook

Regarding the current business year, Mr. Loesser said: "For the time being, I do not see a sustainable improvement in demand, but I am more optimistic than three months ago. I am of course even more positive about Clariant given the measures we have put in place." In addition, Mr. Loesser confirmed the company's target, announced in August 2003, to achieve CHF 100 million in cost savings this year, deliver an EBIT improvement of CHF 400 million within the next three years and reduce working capital by CHF 600 million over the same period.

The main terms of the Capital Increase are as follows

Issuance of up to 92 064 000 fully paid registered shares representing aggregate proceeds of approx. CHF 920 million.

the issued shares will be entitled to dividends for the 2004 financial year.

the detailed terms will be announced at the AGM of April 2, 2004.

The pre-emptive rights (Bezugsrechte) of existing shareholders shall be granted. They shall be traded between April 13, 2004 and April 20, 2004 and shall be exercisable from April 13, 2004 until noon CET on April 21, 2004.

Pre-emptive rights not exercised during the exercise period shall be placed or taken up by the underwriting syndicate.

Resumes of Proposed New Board Members

Dr. Peter R. Isler, born in 1946, studied law at the universities of Zurich and Harvard. Since 1977 he has been with the law firm Niederer Kraft & Frey, becoming a partner in 1981. Dr. Isler also teaches trade and commercial law at the University of Zurich.

Dr. Kajo Neukirchen, born in 1941, studied physics and economics. He served as chief executive of several German corporations, most recently at Metallgesellschaft (now MG Technologies), a specialty chemical, building technologies and machinery group.

Key Financial Group Figures 2003 (in CHF mn)
like-for-like

Full Year	2003	2002 (like-for-like)	Change % 2003 compared with 2002 (like-for-like) CHF	LC
Sales	8516	8824	-3	+1
Gross profit	2729	2898	-6	-3
Margin	32%	32.8%		
EBITDA	1119	1125		
Margin	13.1%	12.7%	-1	+5
EBIT before restructuring, impairment, disposals and amortisation of goodwill	611	640		
Margin	7.2%	7.3%	-	-
EBIT	559	-250		
Margin	6.6%	-	-	-
Net income	161	-693	-	-
as per	Dec. 02	June 03	Dec. 03	
Net debt	3476	3686	2905	
Equity	914	1061	1176	

4th quarter	2003 (like-for-like)	2002 1	Change % 2003 compared with 2002 (like-for-like) 1 CHF
Sales	2114	2097	+1
Gross profit	667	635	
Margin	31.6%	30.3%	+5
EBITDA	423	290	
Margin	20.0%	13.8%	+46
EBIT before restructuring, impairment and disposals	98	-702	
Margin	4.6%	-	
EBIT	262	-721	-
Margin	12.4%		
Net income	172	-835	-

1 The numbers for 2002 were like-for-like to account for the disposals of business activities in 2002. Disposals in 2002: Emulsion business of Division Textile, Leather and Paper. Hydrosulfite business in North America of Division Textile, Leather and Paper. Emulsion businesses Portugal of Division Textile, Leather and Paper. All activities were sold effective as per the end of 2002.

Calendar of Corporate Events

April 2, 2004	Annual General Meeting
April 7, 2004	Ex-Dividend Date
May 4, 2004	First Quarter 2004 Results
August 5, 2004	First Half Year 2004 Results
November 9, 2004	Third Quarter 2004 Results

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Clariant - Exactly your chemistry.

Clariant is a global leader in the field of specialty chemicals. Strong business relationships, commitment to outstanding service and wide-ranging application know-how make Clariant a preferred partner for its customers.

Clariant, which is represented on five continents with over 100 group companies, employs about 27,000 people. Headquartered in Muttenz near Basel, it generated sales of around CHF 8.5 billion in 2003.

Clariants businesses are organized in five divisions: Textile, Leather & Paper Chemicals, Pigments & Additives, Masterbatches, Functional Chemicals and Life Science & Electronic Chemicals.

Clariants innovative products play a key role in its customers manufacturing and treatment processes or else add value to their end products. The companys success is based on the know-how of its people and their ability to identify new customer needs at an early stage and to work together with customers to develop innovative, efficient solutions.

Clariant is committed to sustainable growth springing from its own innovative strength. Our objective is to generate 30% of sales with products and services that are no more than five years old.

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Further inquiry note:

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WKN:

Indizes: General Standard, SMI

Börsen: official dealing Frankfurter Wertpapierbörse, SWX Swiss Exchange; free trade Berliner Wertpapierbörse, Bayerische Börse, Bremer Wertpapierbörse (BWB), Börse Düsseldorf, Baden-Württembergische Wertpapierbörse

Branche: Chemicals

Sprache: Englisch