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ref. exception number: 82-34978

Dear Sirs,

we are herewith submitting documents pursuant to the exemption we obtained under Rule 12g3-2 (b).

Please find enclosed following documents:

- Financial Review regarding 2nd Quarter 2006 results (21 pages)
- Public presentation regarding 2nd Quarter 2006 results (35 pages)

Yours sincerely,

Clariant Ltd

Holger Schimanke

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## *Quarterly Report* **August 2, 2006**

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[www.clariant.com](http://www.clariant.com)

Clariant International Ltd  
Rothausstrasse 61  
CH-4132 Muttenz 1, Switzerland



MUTTENZ, Switzerland – August 2, 2006

## *MUTTENZ, Switzerland – August 2, 2006 – Clariant posted a rise in sales in the first half of 2006, with organic growth of 4% in local currency terms and 8% in Swiss franc terms compared with the first half of 2005.*

A combination of higher costs for energy, raw materials and logistics as well as unchanged average selling prices weighed on results. Net income from continuing operations declined to CHF 109 million from CHF 144 million in the corresponding period last year mainly due to higher restructuring charges. Operating cash flow rose to CHF 53 million compared to a negative CHF 43 million in the first half of 2005.

Jan Secher, Chief Executive of Clariant said: "Our top-line growth is good and the majority of businesses are performing well, but overall profitability is unsatisfactory. The company has already made a lot of progress in our Transformation Program although there is much more work to be done. We have to increase our focus on implementation and execution to achieve our goal of strong and sustainable profitability."

Raw materials rose 1% year-on-year, while energy increased 17% over the same period. Nevertheless, the gross margin was maintained around last year's level, at 30.8%, partially benefiting from the Clariant Performance Improvement Program delivering cost savings across the Group of approximately CHF 130 million. The EBIT (earnings before interest and tax) margin before exceptional items declined to 6.8%, from 7.2%. This margin decrease was driven mainly by higher costs in two areas: selling, general and administrative expenses, which were incurred because of continued investment in improving the supply chain, and higher volumes.

### **Good Growth Across the Group**

Solid demand drove good growth across most businesses. Masterbatches delivered excellent results, particularly in the United States. Pigments & Additives grew strongly in volumes and showed very good performance with increased demand across all business areas, especially plastics. Textile, Leather & Paper posted solid sales growth compared to the previous year with strong growth in paper and encouraging developments in leather and textiles.

Functional Chemicals achieved strong volumes, but results were affected by a significant downturn in the agro industry and unsatisfactory results for detergents. A reduction in the cost base in detergents was initiated during the Second Quarter, including the closure of a plant in Knapsack, Germany.

In the Life Science Chemicals Division, Specialty Fine Chemicals (SFC) continued to experience very difficult market conditions, particularly in the crop protection area. The company recently appointed an investment bank to explore strategic options for the SFC business unit.

Pharmaceutical Fine Chemicals, which is qualified during the period as discontinued operations recorded excellent growth, continuing the positive trend since the start of the year. The business was sold to TowerBrook Capital Partners, effective June 30.

Looking at the regional picture during the first half of the year, organic sales growth in Asia was 4%, including 14% in China. In the Americas, sales grew 5%, including 7% in the United States, while in Europe sales increased 3%, including 3% in Germany.

### **Sharper Focus**

"Delivering shareholder value is and will remain our absolute priority, meaning that all of Clariant's activities are ultimately aimed at increasing return on invested capital," Mr. Secher said. "An important way for us to achieve this goal is to continue reducing costs on a permanent basis."

"Previous forecasts underestimated the persistence of high raw material prices, the amount of change required to transform Clariant as well as the rate we would be able to achieve that change," Mr. Secher added. "We are dedicated to fully delivering the potential of the Transformation Program, but more time is needed."

"Many measures to increase efficiency and productivity are already in place, but the speed at which the results are coming through is not yet satisfactory," Mr. Secher said. "We must strengthen the focus and drive harder to make sure that we have sufficient improvements on an ongoing basis." The company is currently engaged in a review of its operational effectiveness and strategic focus, the results of which will be presented in November.

### **Pigments Facility Opens in China**

A new facility to produce high performance red and yellow pigments opened in the Second Quarter in Hangzhou, southwest of Shanghai. The facility is the result of a joint venture between Clariant's Pigments & Additives Division and Hangzhou Baihe Chemical Co. Ltd, a privately owned company with a turnover of approximately USD 60 million. Production will meet growing demand from both international customers with facilities in China and local Chinese customers.

The Second Quarter also saw the opening of a ColorWorks center in Merate, near the international design capital Milan. The center, part of the Masterbatches Division, is the seventh of its type, specializing in integrating color into early design stages, accelerating new products to market and encouraging more effective use of color to increase customers' brand recognition. There are other ColorWorks centers in New York, Sao Paulo and Singapore.

### **Value-Based Pricing Initiatives Launched**

In the Second Quarter, the company began wide-ranging initiatives to improve its pricing capabilities. These initiatives will be implemented over the next 16 months, with positive results expected over the medium- to long-term. The company is also preparing to launch the Clariant Academy, a dedicated center in Switzerland focused on leadership development and building excellence across the company in the areas of sales, marketing and continuous improvement processes.

### **Outlook for 2006**

Taking into account a broadly stable macro-economic environment, the company anticipates for its continuing operations for the full year: Good sales growth in local currency terms; a total of CHF 250 million in cost base reductions; raw material and energy prices to remain at high levels; an improvement of approximately CHF 60 million in operating income before exceptionals, from CHF 100 million expected previously, and a satisfactory net income.

### **Economic Environment**

General macro economic conditions remained favourable. Industrial production in the United States recorded an annualized expansion of 7% in the Second Quarter 2006. Forecasts remain positive for the remainder of 2006 in all regions. Growth rates for 2006 are expected to decline slightly, spurred by inflationary concerns, mainly in the US. Geopolitical turmoil in the Middle East and continued high demand from China led again to increased commodity prices. Energy prices - in strong correlation with the rising oil prices - were on the rise in all regions.

### **Sales and Operating Results**

In the Second Quarter, **consolidated sales** from continuing operations remained on a par with the previous year in local currencies, while rising 2% in Swiss francs. Organic growth, excluding the CABB business disposed of in 2005, was 2% in local currency terms. Currency movements continued to have a positive, albeit weaker, impact on sales.

The **gross margin** amounted to 31.2% of sales in the Second Quarter of 2006, an improvement on the same period of the previous year (30.8%). Higher volumes and benefits from the Clariant Performance Improvement Program enabled the group to better cover its fixed costs, offsetting a 1% increase in raw material and a step-increase in energy costs.

**Marketing, distribution, administration and general overhead costs** amounted to 22.7% of sales, an increase on the Second Quarter (2005: 21.5%), which was mainly driven by the continued investment in improving the supply chain.

**Research and development costs** rose to CHF 55 million in the Second Quarter of 2006, compared to CHF 50 million in the Second Quarter of 2005.

**Restructuring costs and impairment** in the amount of CHF 67 million include the cost of closing a production plant in Knapsack, Germany, which had manufactured raw materials for detergents, and impairment losses on facilities at the Gersthofen industrial park, also in Germany.

**Net financial expenses** in the Second Quarter increased to CHF 25 million from CHF 14 million in the previous year. This was mainly due to foreign exchange rate impacts, which amounted to CHF +3 million in the quarter versus CHF +21 million in the prior-year period. Interest expenses on the other hand were reduced to CHF 31 million from CHF 40 million, resulting from financial debt reduction. Average gross financial debt was cut by substantially in the first six months of 2006, to CHF 2.3 billion from CHF 2.8 billion in the first half of 2005.

**Tax expenses** in the Second Quarter were again positively influenced by a substantial share of profit being generated in low-taxed countries and a stable operating performance. However, restructuring costs that are only partly tax-effective led to an increase of the tax rate in the Second Quarter.

**Net income from continuing operations** stood at CHF 16 million in the Second Quarter compared to CHF 71 million in the prior year.

The **loss from discontinued operations** amounted to CHF 95 million and mainly included the book loss on the disposal of Pharmaceutical Fine Chemicals.

### **Balance Sheet Key Figures**

**Total assets** increased to CHF 7.738 billion from CHF 7.324 billion in December 2005 (March 2006: CHF 7.597 billion). The main factor was an increase in cash and cash equivalents.

**Cash and cash equivalents** and non-current financial debt increased as the result of the launch of a seven-year EUR 600 million Eurobond.

**Equity** was reduced in June mainly as a result of the CHF 58 million share capital reduction. In addition, equity was also affected by unfavorable currency trends during the reporting period, with exchange rate differences recognized in equity amounting to a negative CHF 34 million. This was the result of the Swiss franc strengthening against many currencies during the reporting period. Equity at the end of June 2006 was CHF 2.520 billion, down from CHF 2.591 billion at the end of 2005.

**Net debt** in June 2006 rose to CHF 1.574 billion from CHF 1.508 billion on 31 December 2005, mainly due to capital expenditure. On 31 March 2006, net debt was 1.578 billion.

**Gearing**, which reflects net financial debt in relation to equity including minorities, increased to 62% in June 2006, up from 58% in December.

### **Cash Flow**

**Cash flow from operating activities before changes in working capital** was CHF 186 million for the Second Quarter of 2006 compared with CHF 129 million for the immediately preceding quarter and CHF 107 million for the same period in 2005. The operating cash flow for the first six months of 2006 was CHF 315 million compared to CHF 235 million for the first six months of 2005.

**Working capital** increased by CHF 124 million during the Second Quarter of 2006, compared to an increase of CHF 172 million for the same period of 2005. In the first six months of 2006, working capital increased by CHF 262 million compared to CHF 278 million for the same period of the prior year. In addition to the typical seasonal increase of net working capital, this development reflects increased raw material prices as well the temporary build-up of safety stock to safeguard the new supply change management system in Europe.

**Cash flow from operating activities** was CHF 62 million in the Second Quarter of 2006, compared with a negative CHF 65 million for the same period a year earlier. For the first six months of 2006, cash flow from operating activities amounted to CHF 53 million compared to a negative CHF 43 million for the same period one year earlier.

**Capital expenditure** for property, plant and equipment (PPE) increased to CHF 102 million for the Second Quarter of 2006, compared to CHF 81 million reported for the same period last year. For the first six months of 2006, capital expenditure amounted to CHF 164 million compared to CHF 151 million for the first six months of 2005.

## Business Discussion Second Quarter

### Textile, Leather & Paper Chemicals

	First Half				Second Quarter			
	2006		2005		2006		2005	
	CHF mn	% of sales	CHF mn	% of sales	CHF mn	% of sales	CHF mn	% of sales
<b>Sales</b>	<b>1 155</b>		<b>1 061</b>		<b>591</b>		<b>555</b>	
EBITDA before exceptionals	113	9.8	111	10.5	61	10.3	58	10.5
Operating income before exceptionals	78	6.8	75	7.1	44	7.4	40	7.2
Operating income	78	6.8	68	6.4	45	7.6	37	6.7

See Definitions of Terms of Financial Measurements on page 10

The Division **Textile, Leather & Paper Chemicals** showed good volume growth and increased sales were recorded versus the Second Quarter a year earlier. Organic growth of 4% together with a strong currency effect of 2% led to increased sales in Swiss francs of 6%. All the businesses grew, with Paper Chemicals showing the most marked improvement and further increasing its share of divisional sales. The competitive pricing environment prevented an increase in margins. The Americas and markets such as Turkey, India and Pakistan saw the strongest growth, while other Asian countries saw less robust demand. European markets continued to stabilize.

Sales in the **Textile business** were moderately above last year's level with an encouraging trend. The performance was mainly driven by chemicals for textile finishing and dyes. Declining demand in North America and relatively low in Asia was offset by good growth in Latin America and the Middle East. The devaluation of inventories for currency reasons in Latin America and somewhat weaker prices had a negative impact on profitability.

Optical brighteners, colorants, surface and coating paper chemicals continued to grow at a high rate and led to a further positive result for the **Paper business**. Paper markets in the U.S. were increasing due to higher whiteness standards. Asia also experienced continued good business conditions. Altogether, this led to a further increase in market share.

After a weak performance last year, the **Leather business** showed further signs of stabilization. Increases in volumes at comparable price levels led to a slight increase in sales in the Second Quarter with a stronger trend from month to month. Compared to the same period last year, wet-end chemicals and dyes saw strong demand whereas the market for finishing products was flat. Asia and NAFTA continued to see low levels of demand, whereas Latin America, Italy and Special Markets experienced good business conditions.

## Pigment & Additives

	First Half				Second Quarter			
	2006		2005		2006		2005	
	CHF mn	% of sales	CHF mn	% of sales	CHF mn	% of sales	CHF mn	% of sales
<b>Sales</b>	<b>1 016</b>		<b>955</b>		<b>517</b>		<b>495</b>	
EBITDA before exceptionals	172	16.9	133	13.9	85	16.4	73	14.7
Operating income before exceptionals	132	13.0	98	10.3	65	12.6	55	11.1
Operating income	130	12.8	83	8.7	64	12.4	47	9.5

See Definitions of Terms of Financial Measurements on page 10

The positive growth trend in the **Pigments & Additives Division** continued into the Second Quarter. Organic growth reached 3%, and currency movements lifted sales in the Group currency by a further 1%. There was evidence of increased demand for more colorful products as well as additives and a notably favorable trend in the volume of sales generated in the automotive industry.

Volume growth resulted in higher capacity utilization rates, which in turn led to a significant improvement in the margin. However, the competitive environment remains a challenge for the industry. Prices remain under pressure. At regional level, the Division saw solid growth rates in Europe and Asia, while the U.S. market weakened slightly. Two new plants, in China for pigments, and in Germany, for lycocene waxes, became operational providing new products for all applications.

For the **Coating Industry**, the Second Quarter brought confirmation of the solid growth rates posted in the First Quarter. This growth was driven mostly by a broad-based increase in demand amid continuing price pressure. High Performance Pigments and business with key accounts turned in a particularly positive performance. DPP red pigment made increased contributions to sales following its transition from the market launch phase to the growth phase. Industrial coatings, an important business line within this Division, showed a stable trend.

Benefiting from favorable market conditions, the **Plastics Industry** recorded marked growth compared with the prior-year period as prices remained stable. This was all the more encouraging because market share was consequently increased without customers building up inventories. The antioxidants product group bolstered its position by turning in another positive performance.

Clariant achieved a satisfactory performance with products for the **Printing Industry** amidst a market environment remaining intensely competitive. The picture for traditional printing inks was dominated by a trend towards consolidation and increased competition from Asia. Focusing on special niches in areas such as non-impact printing proved widely successful. Demand was especially strong in Japan's technologically sophisticated printing market.

The **Specialties Business** slightly increased revenue year on year, with sales of flame retardants and coatings moving in a clearly positive direction. High growth rates were achieved in optical media applications such as color filters and DVDs.

## Masterbatches

	First Half				Second Quarter			
	2006		2005		2006		2005	
	CHF mn	% of sales	CHF mn	% of sales	CHF mn	% of sales	CHF mn	% of sales
<b>Sales</b>	<b>643</b>		<b>570</b>		<b>319</b>		<b>290</b>	
EBITDA before exceptionals	80	12.4	58	10.2	37	11.6	28	9.7
Operating income before exceptionals	64	10.0	42	7.4	29	9.1	20	6.9
Operating income	61	9.5	38	6.7	29	9.1	17	5.9

See Definitions of Terms of Financial Measurements on page 10

The **Masterbatches Division** showed an ongoing strong performance. Organic growth of 8% was clearly above last year's level. A currency effect of 2% was recorded and led to a large increase in sales in Swiss francs of 10%. Robust volumes at higher price levels were achieved across all business segments and regions.

The Americas showed the highest growth, driven by an excellent performance in Latin America and a strong demand in the U.S. After a weak Fourth Quarter in 2005 the US plastic industry further improved and showed for the second consecutive quarter an increase. Good above-market growth was achieved in Europe especially in Germany and Italy. In particular the central and eastern parts of the continent performed well. Asia-Pacific showed satisfactory results with good development in the core area in China.

The year-on-year operating income before exceptional items improved substantially as a consequence of the higher volumes, better prices and stable raw material input costs. The EBIT margin before exceptionals improved in the Second Quarter to 9.1% compared to 6.9% the year before. The plastics market environment remained favourable, although challenged by volatile raw material prices.

## Functional Chemicals

	First Half				Second Quarter			
	2006		2005		2006		2005	
	CHF mn	% of sales	CHF mn	% of sales	CHF mn	% of sales	CHF mn	% of sales
<b>Sales</b>	<b>1 127</b>		<b>1 026</b>		<b>537</b>		<b>499</b>	
EBITDA before exceptionals	114	10.1	127	12.4	46	8.6	60	12.0
Operating income before exceptionals	91	8.1	103	10.0	35	6.5	47	9.4
Operating income	70	6.2	98	9.6	14	2.6	47	9.4

See Definitions of Terms of Financial Measurements on page 10

The **Functional Chemicals Division**, despite recording solid demand across most of its businesses, rising energy and raw material costs as well as unfavorable changes in exchange rates in Latin America depressed the operating result. Organic growth reached 6%, driven primarily by volumes, while currency movements added a further 2%.

The competitive environment for **Detergents** remained difficult. Due to ongoing cost pressures in the industry, demand for innovative raw materials for detergents continued to decline. Although some of the cost was passed on in the form of moderate price rises, higher raw material and energy prices led to a deterioration in the result year on year. Measures to improve efficiency were therefore introduced. The division initiated the closure of a production facility in Germany, resulting in restructuring costs of around CHF 19 million.

For **Performance Chemicals**, the situation was also unchanged as against the First Quarter. The trend in prices remained positive and demand was solid, helping to stabilize sales at the high level recorded in the previous year. The performance turned in by the individual businesses, however, was variable. While Construction Chemicals benefited from favorable conditions in the construction industry and, together with Personal Care, recorded further robust growth. Crop Protection continued to suffer the effects of increasingly weak demand for fungicides.

Increased raw material prices continued to affect **Process Chemicals**. The broad-based increase in sales was mainly driven by higher volumes. In particular, products in Oilfield Services strong demand. From a regional perspective, NAFTA countries and Asia made the largest contribution to the change in sales. The mining chemicals business benefited from the continuing strong demand in iron ore in Latin America.

In 2005, Clariant Acetyl Building Blocks (CABB), part of the Life Science Chemicals Division, was sold. Under IFRS, the disposal did not qualify for reporting as discontinued operations.

### Life Science Chemicals

	First Half				Second Quarter			
	2006		2005**		2006		2005**	
	CHF mn	% of sales	CHF mn	% of sales	CHF mn	% of sales	CHF mn	% of sales
<b>Continuing operations:</b>								
<b>Sales</b>	<b>251</b>		<b>379</b>		<b>119</b>		<b>201</b>	
EBITDA before exceptionals	8	3.2	37	9.8	1	0.8	22	10.9
Operating income before exceptionals	- 5	- 2.0	23	6.1	- 4	- 3.4	15	7.5
Operating income	- 5	- 2.0	12	3.2	- 4	- 3.4	5	2.5
<b>Discontinued operations:</b>								
Sales	114		96		62		55	
Operating income	- 1	- 0.9	- 1	- 1.0	- 1	- 1.6	1	1.8

\*\* Restated for Discontinued operations (see Note 6)

See Definitions of Terms of Financial Measurements on page 10

The business trend in the **Life Science Chemicals Division** presented a mixed picture. While Pharmaceutical Fine Chemicals showed strong growth as expected, Specialty Fine Chemicals (SFC) saw a double-digit decline in sales year on year. The sales and operating result of Specialty Fine Chemicals was lower in absolute terms due to the disposal of the CABB business on July 31, 2005. Adjusted for this disposal, organic growth was a negative 24%, while currency movements added 1%.

Lower demand and stable prices resulted in significant lower sales for **Specialty Fine Chemicals**. The main reason for this negative development was a sharp decline in demand for agrochemical products. Overstocking of fungicides in anticipation of an outbreak of an Asian rust epidemic in the U.S., the long and harsh winter season in Europe and economic difficulties in Brazil were the main drivers for this significant downturn. The good performances in the silicone, glyoxal and glyoxylic acid and pharmaceutical intermediate business were not able to offset the aforementioned volume decline. An investment bank was appointed to review strategic options for SFC.

**Pharmaceutical Fine Chemicals** recorded a sharp rise in sales. Besides the better conditions for the production of generics and active ingredients, new projects were the main contributors to the double-digit increase in sales in a stable pricing environment. As already reported, the business was sold as of the end of the Second Quarter and run as an independent operation by its new owner, TowerBrook Capital Partners, as of July 1.

## Regions

CHF mn	First Half						Second Quarter					
	2006	% of sales	2005**	% of sales	CHF %	LC %	2006	% of sales	2005**	% of sales	CHF %	LC %
Europe	2 090	49.9	2 081	52.1	-	-1	1 035	49.7	1 046	51.3	-1	-2
<i>of which Germany</i>	638		649		-2	-3	309		320		-4	-5
<i>of which Switzerland</i>	84		86		-2	-3	44		53		-17	-19
Americas	1 176	28.0	1 047	26.2	12	3	568	27.3	538	26.4	6	2
<i>of which USA</i>	565		510		11	5	265		257		3	1
Asia / Australia / Africa	926	22.1	863	21.7	7	4	480	23.0	456	22.3	5	5
<b>Total continuing operations</b>	<b>4 192</b>	<b>100.0</b>	<b>3 991</b>	<b>100.0</b>	<b>5</b>	<b>1</b>	<b>2 083</b>	<b>100.0</b>	<b>2 040</b>	<b>100.0</b>	<b>2</b>	<b>-</b>
Discontinued operations	114		96				62		55			

\*\* Restated for Discontinued operations (see Note 6)

### Europe

Sales in Europe accounted for approximately 50% of total sales, with a slight decline to CHF 1.035 billion in 2006 from 1.046 billion in 2005. Considering the disposal of the CABB business in Germany, organic sales growth in Europe was 1% and 2% in Swiss franc terms in the period under review. Italy with 7% sales growth in local currency again achieved the highest growth in Europe. Throughout Europe sales remained positive with the exception of the UK.

### Americas

Sales to the Americas amounted to 27% of total sales. The US recorded positive sales growth of 4% in local currency. Organic growth was robust in the Second Quarter, with 3% growth in local currency. Most countries in Latin America recorded positive sales growth. Argentina with 14% sales growth in local currency was again among the most positive developing countries. Brazil, where sales were flat compared to last year, continued to suffer from the appreciation of the Brazilian real.

### Asia, Africa, Australia

Regional sales contributed 23% of group company sales, up from 21% in the previous quarter. Especially positive sales were recorded in China, India and Pakistan, with double-digit sales growth in the Second Quarter. China saw an increased sales momentum by growing 15% organically. In accordance with continuous economic betterment, sales in the Second Quarter in Japan were 5% above previous year in local currency. With the exception of Australia and Thailand, all main countries recorded positive sales growth.

## Definition of Terms of Financial Measurements

The following financial measurements are supplementary financial indicators. They should be considered in addition to, not as a substitute for, operating income, net income, operating cash flow and other measures of financial performance and liquidity reported in accordance with International Financial Reporting Standards (IFRS).

**EBITDA** – (Earnings Before Interest, Taxes, Depreciation and Amortization) is calculated as operating income plus depreciation of PPE and amortization of intangibles and can be reconciled from the Condensed Financial Statements as follows:

### EBITDA (Continuing)

CHF mn	First Half		Second Quarter	
	2006	2005**	2006	2005**
Operating income	213	227	62	115
+ Depreciation of PPE	130	128	64	64
+ Impairment of PPE	44	13	44	9
+ Amortization of intangibles	3	7	2	5
<b>EBITDA</b>	<b>390</b>	<b>375</b>	<b>172</b>	<b>193</b>

### EBITDA before exceptional items

– is calculated as EBITDA plus expenses for restructuring and impairment less impairment of PPE and gain/ loss on disposals.

### EBITDA before exceptionals (Continuing)

CHF mn	First Half		Second Quarter	
	2006	2005**	2006	2005**
EBITDA	390	375	172	193
+ Restructuring and Impairment	73	59	67	30
- Impairment of PPE (reported under Restructuring and impairment)	- 44	- 13	- 44	- 9
<b>EBITDA before exceptionals</b>	<b>419</b>	<b>421</b>	<b>195</b>	<b>214</b>

### Operating income before exceptional items

– is calculated as operating income before restructuring and impairment and gain/loss on disposals

### Operating income before exceptionals (Continuing)

CHF mn	First Half		Second Quarter	
	2006	2005**	2006	2005**
Operating income	213	227	62	115
+ Restructuring and Impairment	73	59	67	30
<b>Operating income before exceptionals</b>	<b>286</b>	<b>286</b>	<b>129</b>	<b>145</b>

### Net debt

– is the sum of current and non-current financial debt less cash and cash equivalents and current deposits reported in other current assets.

### Net Debt

CHF mn	30.06.2006	31.12.2005
Non-current financial debt	1 523	599
+ Current financial debt	729	1 137
- Cash and cash equivalents	- 678	- 223
- Current deposits 90 to 365 days	-	- 5
<b>Net Debt</b>	<b>1 574</b>	<b>1 508</b>

\*\* Restated for Discontinued operations (see Note 6)



## Consolidated income statements (unaudited)

	First Half				Second Quarter			
	2006		2005**		2006		2005**	
	CHF mn	%	CHF mn	%	CHF mn	%	CHF mn	%
Sales	4 192	100.0	3 991	100.0	2 083	100.0	2 040	100.0
Costs of goods sold	- 2 900	69.2	- 2 758	69.1	- 1 433	68.8	- 1 412	69.2
<b>Gross profit</b>	<b>1 292</b>	<b>30.8</b>	<b>1 233</b>	<b>30.9</b>	<b>650</b>	<b>31.2</b>	<b>628</b>	<b>30.8</b>
Marketing and distribution	- 671	16.0	- 641	16.1	- 339	16.3	- 325	15.9
Administration and general overhead costs	- 245	5.8	- 217	5.5	- 134	6.4	- 115	5.6
Research and development	- 106	2.5	- 101	2.5	- 55	2.6	- 50	2.5
Income from associates	16	0.3	10	0.3	7	0.3	5	0.2
Gain/loss from the sale of subsidiaries and associates	-	0.0	2	0.1	-	0.0	2	0.1
Restructuring and impairment	- 73	1.7	- 59	1.5	- 67	3.2	- 30	1.5
<b>Operating income</b>	<b>213</b>	<b>5.1</b>	<b>227</b>	<b>5.7</b>	<b>62</b>	<b>3.0</b>	<b>115</b>	<b>5.6</b>
Interest expense	- 50	1.2	- 72	1.8	- 31	1.5	- 40	1.9
Other financial income and expenses <sup>1</sup>	- 6	0.2	41	1.0	6	0.3	26	1.3
<b>Income before taxes</b>	<b>157</b>	<b>3.7</b>	<b>196</b>	<b>4.9</b>	<b>37</b>	<b>1.8</b>	<b>101</b>	<b>5.0</b>
Taxes	- 48	1.1	- 52	1.3	- 21	1.0	- 30	1.5
<b>Net income from continuing operations</b>	<b>109</b>	<b>2.6</b>	<b>144</b>	<b>3.6</b>	<b>16</b>	<b>0.8</b>	<b>71</b>	<b>3.5</b>
<b>Discontinued operations:</b>								
Income from discontinued operations	- 94		2		- 95		3	
<b>Net income</b>	<b>15</b>		<b>146</b>		<b>- 79</b>		<b>74</b>	
<b>Attributable to:</b>								
Equity holders of the company	11		142		- 81		72	
Minority interests	4		4		2		2	
<b>Net income</b>	<b>15</b>	<b>0.4</b>	<b>146</b>	<b>3.7</b>	<b>- 79</b>	<b>3.8</b>	<b>74</b>	<b>3.6</b>
<b>Basic earnings per share attributable to the company's equity holders (in CHF):</b>								
Continuing operations	0.46		0.61		0.07		0.29	
Discontinued operations	- 0.41		0.01		- 0.42		0.01	
<b>Total</b>	<b>0.05</b>		<b>0.62</b>		<b>- 0.35</b>		<b>0.30</b>	
<b>Diluted earnings per share attributable to the company's equity holders (in CHF):</b>								
Continuing operations	0.46		0.61		0.07		0.29	
Discontinued operations	- 0.41		0.01		- 0.42		0.01	
<b>Total</b>	<b>0.05</b>		<b>0.62</b>		<b>- 0.35</b>		<b>0.30</b>	

<sup>1</sup> Currency impact YTD 2006 of CHF -8 mn vs YTD Jun 2005 of CHF +35 mn.

\*\* Restated for Discontinued operations (see Note 6)

## Consolidated statements of cash flows (unaudited)

	First Half		Second Quarter	
CHF mn	2006	2005	2006	2005
Net income	15	146	- 79	74
Depreciation of property, plant and equipment (PPE)	135	134	66	67
Impairment and reversal of impairment of PPE	44	13	44	9
Depreciation of intangibles	3	7	2	5
Changes in provisions and taxes	76	80	72	27
Interest paid	- 36	- 55	- 9	- 28
Income taxes paid	- 12	- 37	- 14	- 14
Loss (gain) from the sale of discontinued operations	92	- 2	92	- 2
Loss (gain) before taxes from the sale of subsidiaries and associates	-	2	-	2
Other non-cash items	- 2	- 53	12	- 33
<b>Cash flow before changes in working capital</b>	<b>315</b>	<b>235</b>	<b>186</b>	<b>107</b>
Changes in inventories	- 159	- 157	- 55	- 69
Changes in trade receivables	- 87	- 50	- 59	- 68
Changes in trade payables	- 64	- 28	25	- 5
Changes in other current assets and liabilities	48	- 43	- 35	- 30
<b>Cash flow from operating activities</b>	<b>53</b>	<b>- 43</b>	<b>62</b>	<b>- 65</b>
Investments in PPE	- 164	- 151	- 102	- 81
Investments in financial assets and associates	- 4	-	-	-
Investments in intangible assets	- 1	- 2	- 1	- 1
Sale of PPE and intangible assets	1	7	-	5
Acquisition of companies, businesses and participations	- 18	- 11	-	- 11
Proceeds from the sale of discontinued operations	54	5	54	5
Dividends received	19	22	19	10
Interest received	6	34	4	31
<b>Cash flow from investing activities</b>	<b>- 107</b>	<b>- 96</b>	<b>- 26</b>	<b>- 42</b>
Reduction of share capital	- 58	- 58	- 58	- 58
Treasury share transactions	6	- 10	- 16	- 8
Changes in financial debts	564	- 190	463	- 44
Dividends paid	- 2	- 2	- 2	- 2
<b>Cash flow from financing activities</b>	<b>510</b>	<b>- 260</b>	<b>387</b>	<b>- 112</b>
Currency translation effect on cash and cash equivalents	- 1	14	- 2	7
<b>Net change in cash and cash equivalents</b>	<b>455</b>	<b>- 385</b>	<b>421</b>	<b>- 212</b>
Cash and cash equivalents at the beginning of the period	223	1 477	257	1 304
Cash and cash equivalents at the end of the period	678	1 092	678	1 092

**Consolidated statement of changes in equity (unaudited)**

	Total share capital	Treasury shares (par value)	Other reserves				Retained earnings	Total attributable to equity holders	Minority interests	Total equity
			Share premium reserves	Hedging reserves	Cumulative translation reserves	Total other reserves				
CHF mn										
<b>Balance 31 December 2004</b>	<b>1 151</b>	<b>- 17</b>	<b>767</b>	<b>- 5</b>	<b>- 233</b>	<b>529</b>	<b>595</b>	<b>2 258</b>	<b>56</b>	<b>2 314</b>
<b>Net income recognized directly in equity</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>119</b>	<b>119</b>	<b>-</b>	<b>119</b>	<b>9</b>	<b>128</b>
Net income						-	142	142	4	146
<b>Total recognized income and expense for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>119</b>	<b>119</b>	<b>142</b>	<b>261</b>	<b>13</b>	<b>274</b>
Repayment of share capital	- 58					-		- 58		- 58
Dividends to third parties						-		-	- 2	- 2
Treasury share transactions and share based payments		- 2				-	- 4	- 6		- 6
<b>Balance 30 June 2005</b>	<b>1 093</b>	<b>- 19</b>	<b>767</b>	<b>- 5</b>	<b>- 114</b>	<b>648</b>	<b>733</b>	<b>2 455</b>	<b>67</b>	<b>2 522</b>
<b>Balance 31 December 2005</b>	<b>1 093</b>	<b>- 18</b>	<b>767</b>	<b>-</b>	<b>- 104</b>	<b>663</b>	<b>793</b>	<b>2 531</b>	<b>60</b>	<b>2 591</b>
<b>Net income recognized directly in equity</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>- 29</b>	<b>- 29</b>	<b>-</b>	<b>- 29</b>	<b>- 5</b>	<b>- 34</b>
Net income						-	11	11	4	15
<b>Total recognized income and expense for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>- 29</b>	<b>- 29</b>	<b>11</b>	<b>- 18</b>	<b>- 1</b>	<b>- 19</b>
Repayment of share capital	- 58					-		- 58		- 58
Treasury share transactions and share based payments		2				-	4	6		6
<b>Balance 30 June 2006</b>	<b>1 035</b>	<b>- 16</b>	<b>767</b>	<b>-</b>	<b>- 133</b>	<b>634</b>	<b>808</b>	<b>2 461</b>	<b>59</b>	<b>2 520</b>

# Condensed Financial Statements (unaudited).

## 1. Basis of preparation of financial statements

These financial statements are the interim condensed financial statements of Clariant Ltd (hereafter "the interim financial statements"), a company registered in Switzerland, and its subsidiaries for the six-month period ended on 30 June 2006 (hereafter "the Group"). They are prepared in accordance with the International Accounting Standard 34 (IAS 34 "Interim Financial Reporting") and were approved by the Board of Directors at the meeting from July 26-27 2006. These interim financial statements should be read in conjunction with the Consolidated Financial Statements for the year ended 31 December 2005 (hereafter "the annual financial statements") as they provide an update of previously reported information.

The accounting policies used are consistent with those used in the annual financial statements. Where necessary, the comparatives have been reclassified or extended from the previously reported interim results to take into account any presentational changes made in the annual financial statements or in these interim financial statements.

The preparation of the interim financial statements requires management to make estimates and assumptions that affect the reported amounts of revenues, expenses, assets, liabilities and disclosure of contingent liabilities at the date of the interim financial statements. If in the future such estimates and assumptions, which are based on management's best judgment at the date of the interim financial statements, deviate from the actual circumstances, the original estimates and assumptions will be modified as appropriate in the year in which the circumstances change.

## 2. Seasonality of Operations

The Group operates in industries where significant seasonal or cyclical variations in total sales are not experienced during the financial year.

## 3. Restructuring and Impairment

During the reporting period, the Clariant Group recorded expenses for restructuring and impairment in the amount of CHF 73 million. This mainly concerned projects in Germany and small projects in France and Spain where the headcount is being further reduced and fixed assets that were made redundant were written off.

## 4. Nominal Value Reduction

On April 7, 2006 the ordinary General Meeting of shareholders approved the repayment of CHF 0.25 of the nominal value of each registered share, resulting in the reduction of the nominal value from CHF 4.75 to CHF 4.50 per registered share. The pay-out reduced the share capital by CHF 57 540 000 and took place on 22 June 2006.

## 5. Bond Issue

On 7 April 2006 Clariant launched a seven-year EUR 600 million Euro-bond. The bond pays a coupon of 4.375% and was issued at a price of 99.628%. The main purpose of this bond is to refinance financial liabilities with maturities of a shorter term and less favorable conditions.

## 6. Discontinued Operations

On June 30, 2006 Clariant sold its Pharmaceutical Fine Chemicals business to TowerBrook Capital Partners. As a result, these activities are now reported as Discontinued Operations in accordance with IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations". The transaction resulted in cash proceeds of CHF 54 million and a book loss of CHF 92 million net of tax. The deal comprised the sale of companies in Germany, France, England and the US and an asset deal in Italy.

Sales and operating result of the Pharmaceutical Fine Chemicals business for the first six months of 2006 and 2005 were as follows:

CHF mn	2006	2005
Sales	114	96
Operating income	-1	-2
Net income/loss	-2	4
Systematic depreciation	5	6

The line net income/loss from discontinued operations in the Income Statement comprises the net result of the Pharmaceutical Fine Chemicals business for the first six months for each year reported. For 2005 this line comprises the net result of the disposal of Pharmaceutical Fine Chemicals, as well as a final settlement amount of CHF 2 million resulting from the disposal of Electronic Materials which took place in 2004.

## 7. Non-current Assets Held for Sale

In non-current assets held for sale Clariant reports assets and associated liabilities of the activities Site Services, Energy Supply, ESHA Services and Enterprise Functions of the subsidiary Industriepark Gersthofen Servicegesellschaft in Germany. Group Management intends to sell these activities at the earliest date possible. On reclassification to non-current assets held for sale these balance sheet items were revalued to the lower of book value or fair value less costs to sell. This revaluation caused an impairment devaluation of CHF 43 million, which is reported in the Income Statement line Restructuring and Impairment.

## 9. Divisional Figures

First Half	Sales to 3rd parties				EBITDA before exceptionals				EBITDA			
	CHF mn	2006	2005**	% CHF	% LC	2006	2005**	% CHF	% LC	2006	2005**	% CHF
Textile, Leather, Paper	1 155	1 061	9	4	113	111	2	-3	114	104	10	4
Pigments & Additives	1 016	955	6	3	172	133	29	26	170	124	37	33
Masterbatches	643	570	13	9	80	58	38	33	76	54	41	37
Functional Chemicals	1 127	1 026	10	6	114	127	-10	-13	95	122	-22	-25
Life Science Chemicals	251	379	-34	-36	8	37	-78	-60	8	31	-74	-55
<b>Divisions Total</b>	<b>4 192</b>	<b>3 991</b>			<b>487</b>	<b>466</b>			<b>463</b>	<b>435</b>		
Corporate	-	-			-68	-45			-73	-60		
<b>Total continuing</b>	<b>4 192</b>	<b>3 991</b>	<b>5</b>	<b>1</b>	<b>419</b>	<b>421</b>	<b>-0</b>	<b>-3</b>	<b>390</b>	<b>375</b>	<b>4</b>	<b>2</b>

CHF mn	Operating income before exceptionals				Operating Income				Systematic Depreciation of PPE	
	2006	2005**	% CHF	% LC	2006	2005**	% CHF	% LC	2006	2005**
Textile, Leather, Paper	78	75	4	-2	78	68	15	9	36	36
Pigments & Additives	132	98	35	31	130	83	57	52	39	35
Masterbatches	64	42	52	46	61	38	61	55	15	15
Functional Chemicals	91	103	-12	-14	70	98	-29	-31	23	24
Life Science Chemicals	-5	23	-	-	-5	12	-	-	13	13
<b>Divisions Total</b>	<b>360</b>	<b>341</b>			<b>334</b>	<b>299</b>			<b>126</b>	<b>123</b>
Corporate	-74	-55			-121	-72			4	5
<b>Total continuing</b>	<b>286</b>	<b>286</b>	<b>-</b>	<b>-4</b>	<b>213</b>	<b>227</b>	<b>-6</b>	<b>-10</b>	<b>130</b>	<b>128</b>

Second Quarter	Sales to 3rd parties				EBITDA before exceptionals				EBITDA			
	CHF mn	2006	2005**	% CHF	% LC	2006	2005**	% CHF	% LC	2006	2005**	% CHF
Textile, Leather, Paper	591	555	6	4	61	58	5	3	63	55	15	10
Pigments & Additives	517	495	4	3	85	73	16	14	84	67	25	22
Masterbatches	319	290	10	8	37	28	32	30	36	25	44	45
Functional Chemicals	537	499	8	6	46	60	-23	-23	27	59	-54	-56
Life Science Chemicals	119	201	-41	-41	1	22	-95	-	1	18	-94	-77
<b>Divisions Total</b>	<b>2 083</b>	<b>2 040</b>			<b>230</b>	<b>241</b>			<b>211</b>	<b>224</b>		
Corporate	-	-			-35	-27			-39	-31		
<b>Total continuing</b>	<b>2 083</b>	<b>2 040</b>	<b>2</b>	<b>-</b>	<b>195</b>	<b>214</b>	<b>-9</b>	<b>-10</b>	<b>172</b>	<b>193</b>	<b>-11</b>	<b>-11</b>

CHF mn	Operating income before exceptionals				Operating Income				Systematic Depreciation of PPE	
	2006	2005**	% CHF	% LC	2006	2005**	% CHF	% LC	2006	2005**
Textile, Leather, Paper	44	40	10	7	45	37	22	18	18	18
Pigments & Additives	65	55	18	15	64	47	36	34	19	18
Masterbatches	29	20	45	42	29	17	71	67	7	7
Functional Chemicals	35	47	-26	-28	14	47	-70	-72	11	12
Life Science Chemicals	-4	15	-	-72	-4	5	-	-	5	6
<b>Divisions Total</b>	<b>169</b>	<b>177</b>			<b>148</b>	<b>153</b>			<b>60</b>	<b>61</b>
Corporate	-40	-32			-86	-38			4	3
<b>Total continuing</b>	<b>129</b>	<b>145</b>	<b>-11</b>	<b>-13</b>	<b>62</b>	<b>115</b>	<b>-46</b>	<b>-47</b>	<b>64</b>	<b>64</b>

\*\* Restated for Discontinued operations (see Note 6)

### 10. Divisional Margins

First Half	Sales to 3rd parties		EBITDA before exceptionals		EBITDA	
	2006	2005**	2006	2005**	2006	2005**
in %						
Textile, Leather, Paper	27.6	26.6	9.8	10.5	9.9	9.8
Pigments & Additives	24.2	23.9	16.9	13.9	16.7	13.0
Masterbatches	15.3	14.3	12.4	10.2	11.8	9.5
Functional Chemicals	26.9	25.7	10.1	12.4	8.4	11.9
Life Science Chemicals	6.0	9.5	3.2	9.8	3.2	8.2
<b>Total continuing</b>	<b>100.0</b>	<b>100.0</b>	<b>10.0</b>	<b>10.5</b>	<b>9.3</b>	<b>9.4</b>

	Operating income b. exceptionals		Operating Income			
	2006	2005**	2006	2005**		
in %						
Textile, Leather, Paper	6.8	7.1	6.8	6.4		
Pigments & Additives	13.0	10.3	12.8	8.7		
Masterbatches	10.0	7.4	9.5	6.7		
Functional Chemicals	8.1	10.0	6.2	9.6		
Life Science Chemicals	- 2.0	6.1	- 2.0	3.2		
<b>Total continuing</b>	<b>6.8</b>	<b>7.2</b>	<b>5.1</b>	<b>5.7</b>		

Second Quarter	Sales to 3rd parties		EBITDA before exceptionals		EBITDA	
	2006	2005**	2006	2005**	2006	2005**
in %						
Textile, Leather, Paper	28.4	27.2	10.3	10.5	10.7	9.9
Pigments & Additives	24.8	24.2	16.4	14.7	16.2	13.5
Masterbatches	15.3	14.2	11.6	9.7	11.3	8.6
Functional Chemicals	25.8	24.5	8.6	12.0	5.0	11.8
Life Science Chemicals	5.7	9.9	0.8	10.9	0.8	9.0
<b>Total continuing</b>	<b>100.0</b>	<b>100.0</b>	<b>9.4</b>	<b>10.5</b>	<b>8.3</b>	<b>9.5</b>

	Operating income b. exceptionals		Operating Income			
	2006	2005**	2006	2005**		
in %						
Textile, Leather, Paper	7.4	7.2	7.6	6.7		
Pigments & Additives	12.6	11.1	12.4	9.5		
Masterbatches	9.1	6.9	9.1	5.9		
Functional Chemicals	6.5	9.4	2.6	9.4		
Life Science Chemicals	- 3.4	7.5	- 3.4	2.5		
<b>Total continuing</b>	<b>6.2</b>	<b>7.1</b>	<b>3.0</b>	<b>5.6</b>		

\*\* Restated for Discontinued operations (see Note 6)

### 11. Regional developments

CHF mn	First Half						Second Quarter					
	2006	% of sales	2005**	% of sales	CHF %	LC %	2006	% of sales	2005**	% of sales	CHF %	LC %
Europe	2 090	49.9	2 081	52.1	-	-1	1 035	49.7	1 046	51.3	-1	-2
of which Germany	638		649		-2	-3	309		320		-4	-5
of which Switzerland	84		86		-2	-3	44		53		-17	-19
Americas	1 176	28.0	1 047	26.2	12	3	568	27.3	538	26.4	6	2
of which USA	565		510		11	5	265		257		3	1
Asia / Australia / Africa	926	22.1	863	21.7	7	4	480	23.0	456	22.3	5	5
<b>Total continuing operations</b>	<b>4 192</b>	<b>100.0</b>	<b>3 991</b>	<b>100.0</b>	<b>5</b>	<b>1</b>	<b>2 083</b>	<b>100.0</b>	<b>2 040</b>	<b>100.0</b>	<b>2</b>	<b>-</b>
Discontinued operations	114		96				62		55			

\*\* Restated for Discontinued operations (see Note 6)

### 12. Foreign Exchange Rates

Rates used to translate the consolidated balance sheets (closing rate)	30.06.2006	31.12.2005	Change %
1 USD	1.23	1.31	-6
1 EUR	1.57	1.56	1
1 GBP	2.26	2.27	-0
100 JPY	1.07	1.12	-4

Average sales-weighted rates used to translate the income statements and consolidated statements of cash flow	2006	2005	Change %
1 USD	1.27	1.20	6
1 EUR	1.56	1.55	1
1 GBP	2.27	2.25	1
100 JPY	1.10	1.13	-3

### 13. Condensed Earnings Per Share Data

CHF mn	2006	2005
Number of shares outstanding at 30.06.06 and 30.06.05 respectively	230 160 000	230 160 000
Weighted average, number of shares outstanding	226 894 816	226 858 343
Weighted average, diluted number of shares outstanding	228 201 356	228 014 377
<b>Basic earnings per share attributable to the company's equity holders (in CHF):</b>		
Continuing operations	0.46	0.61
Discontinued operations	-0.41	0.01
<b>Total</b>	<b>0.05</b>	<b>0.62</b>
<b>Diluted earnings per share attributable to the company's equity holders (in CHF):</b>		
Continuing operations	0.46	0.61
Discontinued operations	-0.41	0.01
<b>Total</b>	<b>0.05</b>	<b>0.62</b>

## Restated Figures for First Quarter

## Consolidated income statements (unaudited)

	First Quarter			
	2006		2005	
	CHF mn	%	CHF mn	%
Sales	2 109	100.0	1 951	100.0
Costs of goods sold	- 1 467	69.6	- 1 346	69.0
<b>Gross profit</b>	<b>642</b>	<b>30.4</b>	<b>605</b>	<b>31.0</b>
Marketing and distribution	- 332	15.7	- 316	16.2
Administration and general overhead costs	- 111	5.2	- 102	5.3
Research and development	- 51	2.4	- 51	2.6
Income from associates	9	0.4	5	0.3
Restructuring and impairment	- 6	0.3	- 29	1.5
<b>Operating income</b>	<b>151</b>	<b>7.2</b>	<b>112</b>	<b>5.7</b>
Interest expense	- 19	0.9	- 32	1.6
Other financial income and expenses <sup>1</sup>	- 12	0.6	15	0.8
<b>Income before taxes</b>	<b>120</b>	<b>5.7</b>	<b>95</b>	<b>4.9</b>
Taxes	- 27	1.3	- 22	1.1
<b>Net income from continuing operations</b>	<b>93</b>	<b>4.4</b>	<b>73</b>	<b>3.8</b>
<b>Discontinued operations:</b>				
Income from discontinued operations	1		- 1	
<b>Net income</b>	<b>94</b>		<b>72</b>	
<b>Attributable to:</b>				
Equity holders of the company	92		70	
Minority interests	2		2	
<b>Net income</b>	<b>94</b>	<b>4.5</b>	<b>72</b>	<b>3.7</b>
<b>Basic earnings per share attributable to the company's equity holders (in CHF):</b>				
Continuing operations	0.39		0.32	
Discontinued operations	0.01		0.00	
<b>Total</b>	<b>0.40</b>		<b>0.32</b>	
<b>Diluted earnings per share attributable to the company's equity holders (in CHF):</b>				
Continuing operations	0.39		0.32	
Discontinued operations	0.01		0.00	
<b>Total</b>	<b>0.40</b>		<b>0.32</b>	

<sup>1</sup> Currency impact YTD 2006 of CHF -11 mn vs YTD Jun 2005 of CHF +14 mn.

## Regional developments

CHF mn	First Quarter					
	2006	% of sales	2005	% of sales	CHF %	LC %
Europe	1 055	50.0	1 035	53.0	2	1
<i>of which Germany</i>	329		329		-	- 1
<i>of which Switzerland</i>	40		33		23	21
Americas	608	28.9	509	26.1	19	4
<i>of which USA</i>	300		253		19	8
Asia / Australia / Africa	446	21.1	407	20.9	9	3
<b>Total continuing operations</b>	<b>2 109</b>	<b>100.0</b>	<b>1 951</b>	<b>100.0</b>	<b>8</b>	<b>2</b>
Discontinued operations	52		41			

## Divisional Figures

First Quarter CHF mn	Sales to 3rd parties				EBITDA before exceptionals				EBITDA			
	2006	2005	% CHF	% LC	2006	2005	% CHF	% LC	2006	2005	% CHF	% LC
Textile, Leather, Paper	564	506	11	4	52	53	-2	-9	51	49	4	-2
Pigments & Additives	499	460	8	4	87	60	45	41	86	57	51	46
Masterbatches	324	280	16	10	43	30	43	35	40	29	38	30
Functional Chemicals	590	527	12	7	68	67	1	-3	68	63	8	3
Life Science Chemicals	132	178	-26	-29	7	15	-53	-34	7	13	-46	-24
<b>Divisions Total</b>	<b>2 109</b>	<b>1 951</b>			<b>257</b>	<b>225</b>			<b>252</b>	<b>211</b>		
Corporate	-	-			-33	-18			-34	-29		
<b>Total continuing</b>	<b>2 109</b>	<b>1 951</b>	<b>8</b>	<b>2</b>	<b>224</b>	<b>207</b>	<b>8</b>	<b>5</b>	<b>218</b>	<b>182</b>	<b>20</b>	<b>16</b>

CHF mn	Operating income before exceptionals				Operating Income				Systematic Depreciation of PPE	
	2006	2005	% CHF	% LC	2006	2005	% CHF	% LC	2006	2005
Textile, Leather, Paper	34	35	-3	-13	33	31	6	-2	18	18
Pigments & Additives	67	43	56	52	66	36	83	75	20	17
Masterbatches	35	22	59	49	32	21	52	44	8	8
Functional Chemicals	56	56	-	-3	56	51	10	6	12	12
Life Science Chemicals	-1	8	-	-	-1	7	-	-	8	7
<b>Divisions Total</b>	<b>191</b>	<b>164</b>			<b>186</b>	<b>146</b>			<b>66</b>	<b>62</b>
Corporate	-34	-23			-35	-34			0	2
<b>Total continuing</b>	<b>157</b>	<b>141</b>	<b>11</b>	<b>6</b>	<b>151</b>	<b>112</b>	<b>35</b>	<b>28</b>	<b>66</b>	<b>64</b>

## Divisional Margins

First Quarter in %	Sales to 3rd parties		EBITDA before exceptionals		EBITDA	
	2006	2005	2006	2005	2006	2005
Textile, Leather, Paper	26.7	25.9	9.2	10.5	9.0	9.7
Pigments & Additives	23.7	23.6	17.4	13.0	17.2	12.4
Masterbatches	15.3	14.4	13.3	10.7	12.3	10.4
Functional Chemicals	28.0	27.0	11.5	12.7	11.5	12.0
Life Science Chemicals	6.3	9.1	5.3	8.4	5.3	7.3
<b>Total continuing</b>	<b>100.0</b>	<b>100.0</b>	<b>10.6</b>	<b>10.6</b>	<b>10.3</b>	<b>9.3</b>

in %	Operating income b. exceptionals		Operating Income	
	2006	2005	2006	2005
Textile, Leather, Paper	6.0	6.9	5.9	6.1
Pigments & Additives	13.4	9.3	13.2	7.8
Masterbatches	10.8	7.9	9.9	7.5
Functional Chemicals	9.5	10.6	9.5	9.7
Life Science Chemicals	-0.8	4.5	-0.8	3.9
<b>Total continuing</b>	<b>7.4</b>	<b>7.2</b>	<b>7.2</b>	<b>5.7</b>

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 22,500 people. Headquartered in Muttenz near Basel, it generated sales of around CHF 8.2 billion in 2005.

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

Clariant is committed to sustainable growth springing from its own innovative strength. Clariant's innovative products play a key role in its customers' manufacturing and treatment processes or else add value to their end products. The company's 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.

[www.clariant.com](http://www.clariant.com)

### **Calendar of Corporate Events**

November 7, 2006

Nine Month 2006 Results

February 20, 2007

Full Year 2006 Results

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# Clariant – The Way Forward

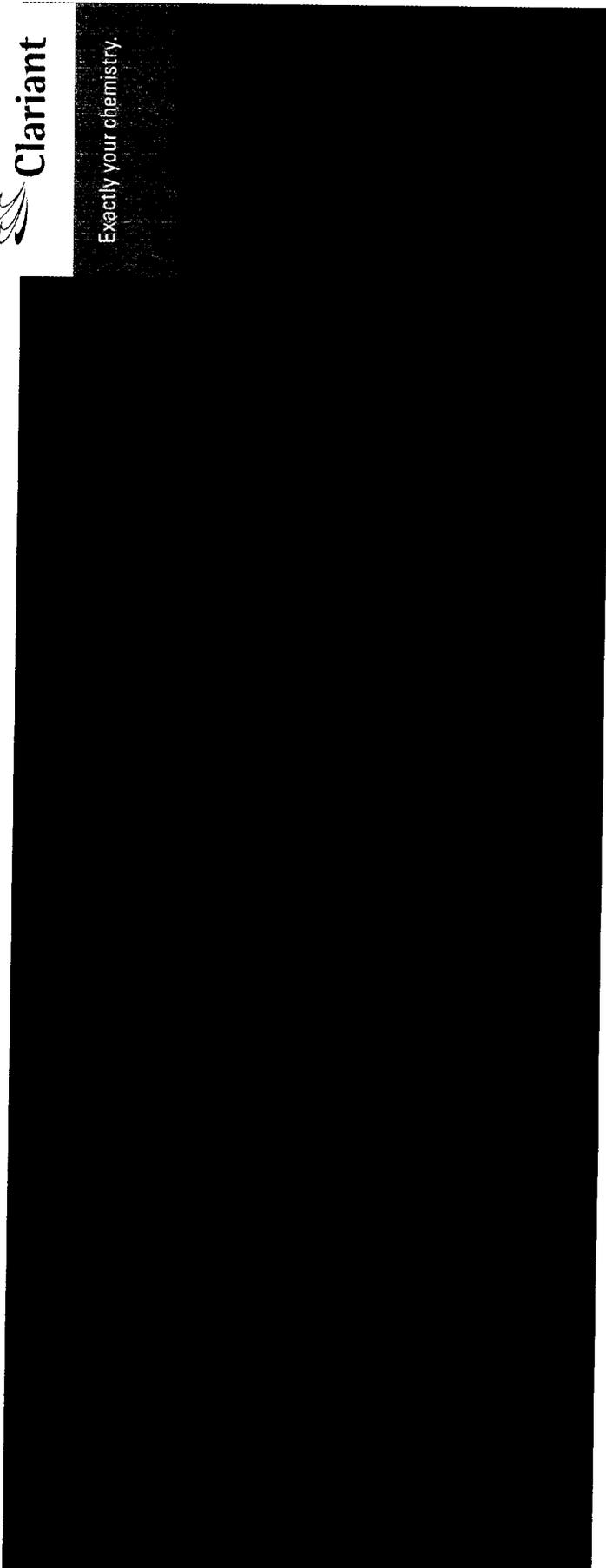
**First Half Results  
August 2, 2006**

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CORPORATE FINANCE



**Clariant**

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# *Content*

Key Factors – First Half Results 2006

Financial Review

Business Review

Outlook



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# *Key Factors First Half 2006*

# *First Half 2006 – Key factors*

- Good organic growth of 4%, driven by solid demand
- Prices steady compared to a year earlier
- Raw material costs rose modestly (1% y-on-y)
- Significant rise in energy costs (17% y-on-y)
- Gross margin maintained at 2005 level
- Higher corporate costs, including continued supply chain investments
- EBIT margin before exceptionals at 6.8%, down from 7.2% (y-on-y)
- Operating cash flow improved to CHF 53 million from CHF -43 million
- Net income from continued operations declined to CHF 109 million from CHF 144 million mainly from higher restructuring costs

**Good growth but unsatisfactory profitability**



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**Key Factors**  
First Half Results

Financial Review

Business Review

Outlook

First Half Results 2006

Slide 4



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**First Half Results**

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## *First Half 2006 – Business achievements*

- Masterbatches achieved excellent growth, particularly in the U.S.
- Pigments & Additives grew strongly in volumes with strongest margin improvement in the Group
- Textile, Leather & Paper posted good growth compared to previous year with excellent growth in paper and encouraging developments in leather and textile
- Strong volumes for most businesses in Functional Chemicals, lower results in detergents and crop protection
- Sizeable volume losses in Speciality Fine Chemicals, notably in fungicides for crop protection
- Pharmaceutical chemicals continued excellent growth

**➔ Satisfactory performance across most businesses**

**➔ Challenges in a few businesses being addressed**

# Challenges and actions



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Key Factors  
First Half Results

Financial Review

Business Review

Outlook

## Challenges

- Higher raw material and energy costs continue to weigh on results
- Performance erosion in Specialty Fine Chemicals (SFC)
- FUN impacted by unsatisfactory results in detergents
- Higher corporate costs, largely from supply chain investments

## Actions

- ↑ Strategic price management initiative launched
- ↑ Improved sourcing, increased efficiency
- ↑ Strategic options of SFC under review
- ↑ Cost cutting including closure of detergent plant in Germany underway
- ↑ Increased focus on implementation, resulting in additional short-term costs
- ↑ Sale of site infrastructure in Germany in process

## *Additional initiatives launched*

- Proactive cost reduction measures in place across the company
- Operational effectiveness review underway
- Shift from CPIP to Continuous Improvement Process (CIP)
- Clariant Academy focusing on leadership development and building excellence on sales, marketing and CIP
- Review of strategic focus and updated targets to be presented in November



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First Half Results

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# *Financial Review*



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# First Half 2006 –

## Key financial group figures

	First Half	
	2006	2005**
Continuing operations:	CHF mn	CHF mn
Sales	4,192	3,991
Local currency growth (LC)	100%	100%
- Organic growth	1%	
- Acquisitions/Divestitures*	4%	
Currencies	-3%	
Gross profit	4%	
EBITDA before exceptionals	1,292	1,233
EBITDA	419	421
Operating income before exceptionals	390	375
Operating income	286	286
Net income from continuing operations	213	227
Operating cash flow (total operations)	109	144
Discontinued operations:	53	-43
Sales	114	96
Net income/loss from discontinued operations	-94	2

\* Divestments included Clariant Acetyl Building Blocks, Germany, of the Life Science Chemicals Division, sold July 2005

\*\*2005 is restated to exclude the discontinued operations of the Pharmaceutical Fine Chemical Business, sold June 2006



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# Second Quarter 2006 – Key financial group figures

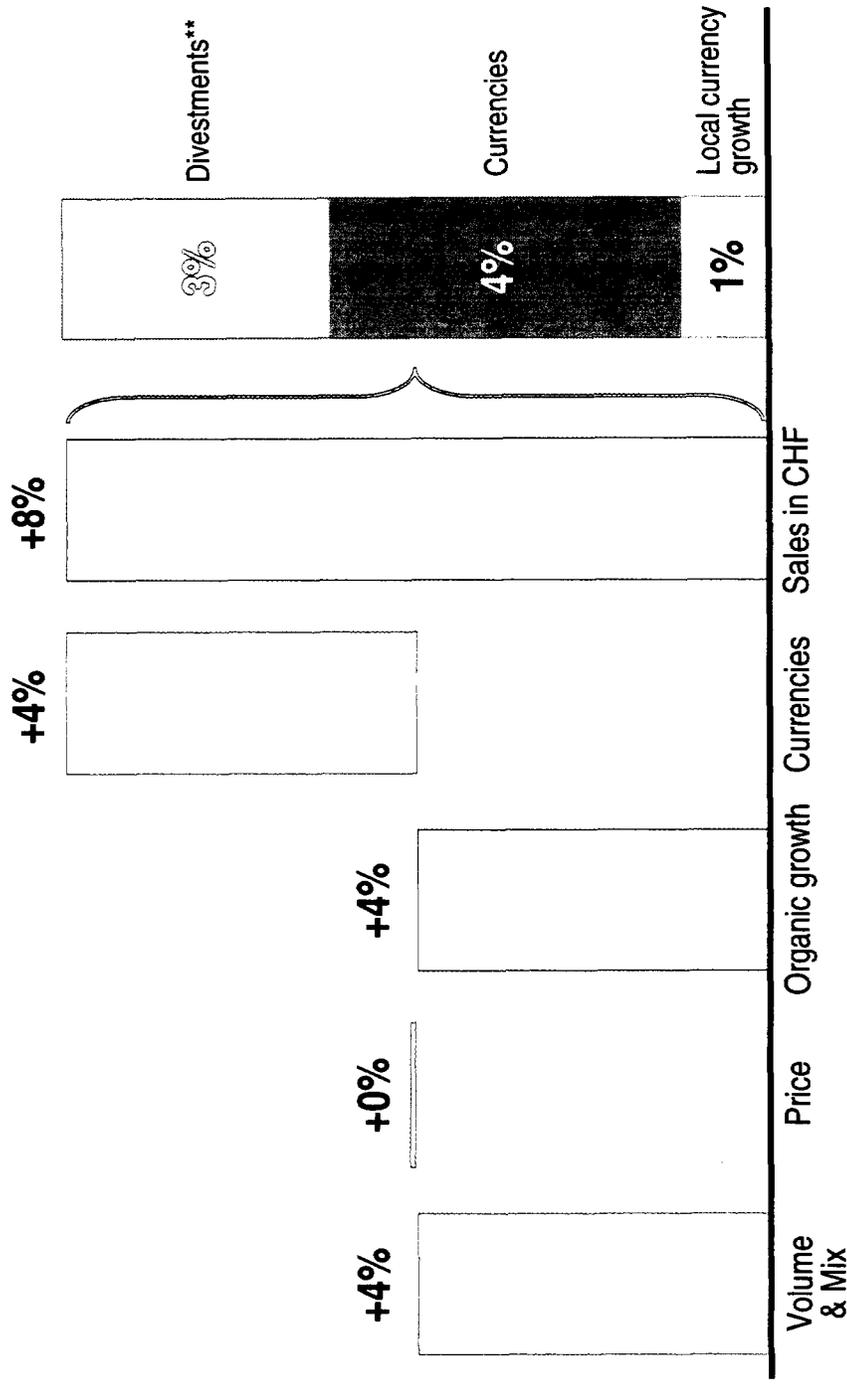
	2 <sup>nd</sup> Quarter	
	2006	2005**
Continuing operations:	CHF mn	CHF mn
Sales	2,083	2,040
Local currency growth (LC)	100%	100%
- Organic growth	0%	
- Acquisitions/Divestitures*	2%	
Currencies	-2%	
Gross profit	2%	
EBITDA before exceptionals	650	628
EBITDA	195	214
Operating income before exceptionals	172	193
Operating income	129	145
Net income from continuing operations	62	115
Operating cash flow (total operations)	16	71
Discontinued operations	62	-65
Sales		
Net income/loss from discontinued operations	62	55
	-95	3
	% of sales	% of sales
	31.2%	30.8%
	9.4%	10.5%
	8.3%	9.5%
	6.2%	7.1%
	3.0%	5.6%

\* Divestments included Clariant Acetyl Building Blocks, Germany, of the Life Science Chemicals Division, sold July 2005

\*\*2005 is restated to exclude the discontinued operations of the Pharmaceutical Fine Chemical Business, sold June 2006

# Sales growth driven by strong volume

## First Half 2006 versus First Half 2005\*



\* Continuing operations

\*\*Divestments included Clariant Acetyl Building Blocks, Germany, of the Life Science Chemicals Division, sold July 2005



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- Financial Review
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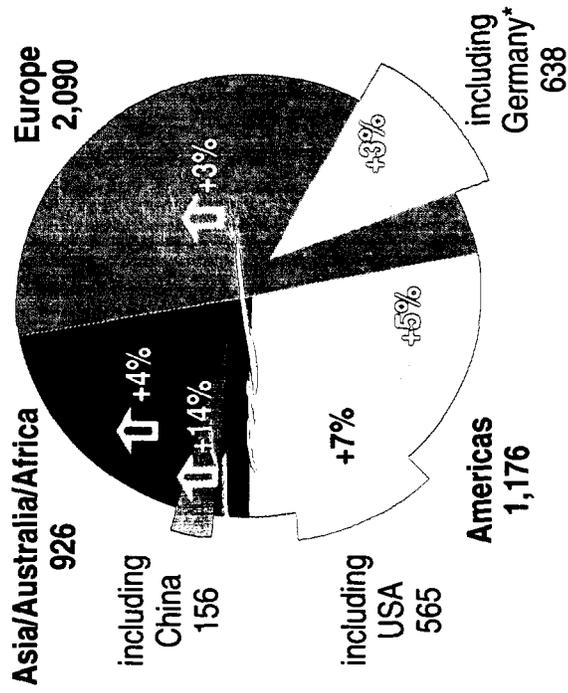
# Regional sales First Half 2006



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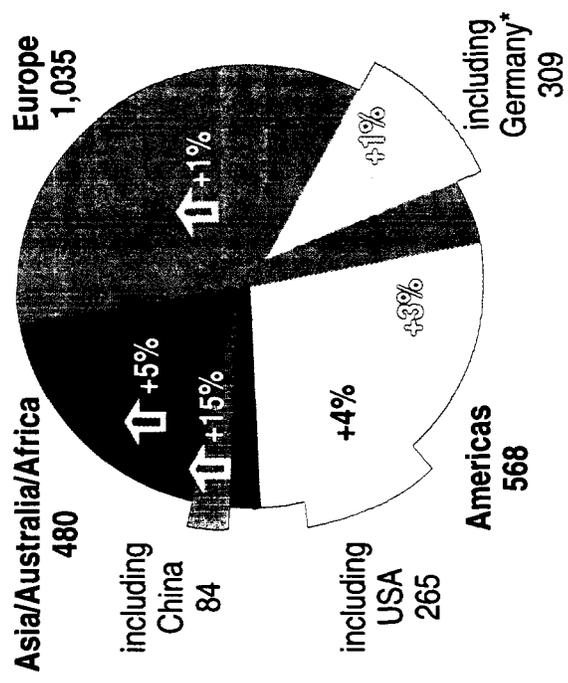
- Key Factors
- First Half Results
- Financial Review
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## First Half 2006



Total Sales: 4,192  $\uparrow$  +4%

## Second Quarter 2006



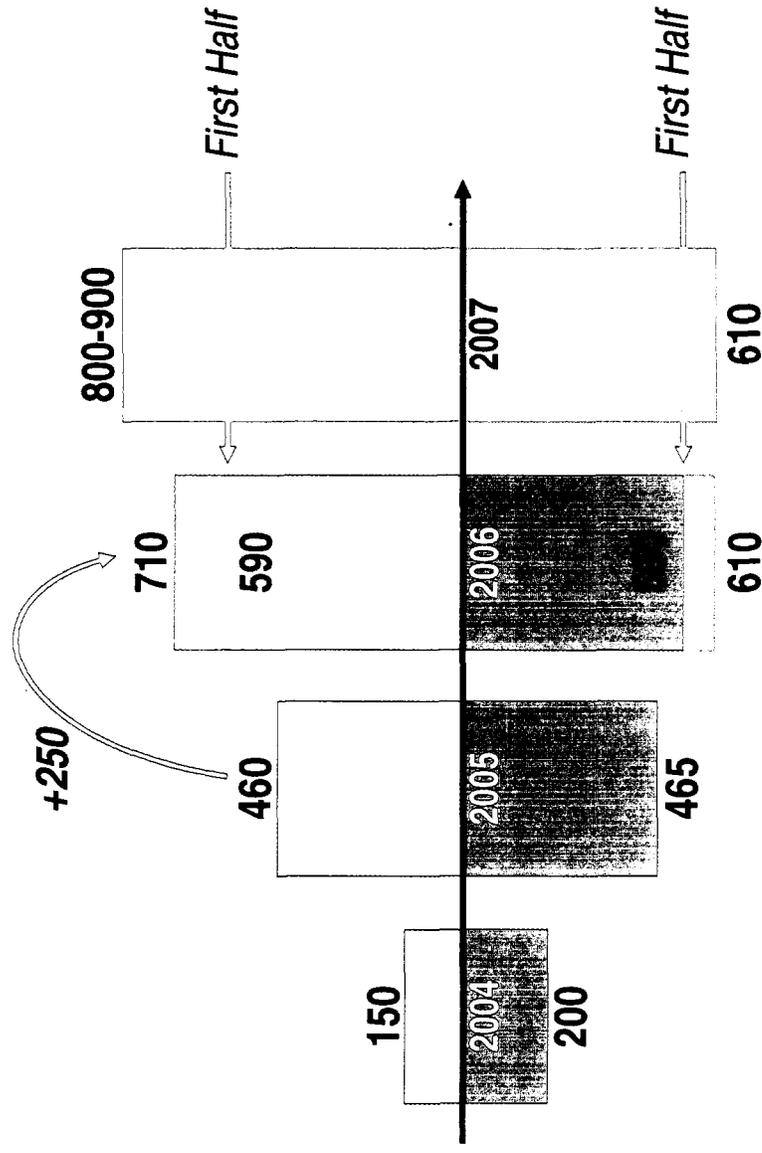
Total Sales: 2,083  $\uparrow$  +2%

Sales in mn CHF,  $\uparrow$  Organic growth in %

\* excluding divestments of Clariant Acetyl Building Blocks (Germany) of the Life Science Chemicals Division, sold July 2005

# Performance improvements to deliver strongly in 2006

## EBIT impact of measures\*



in mn CHF

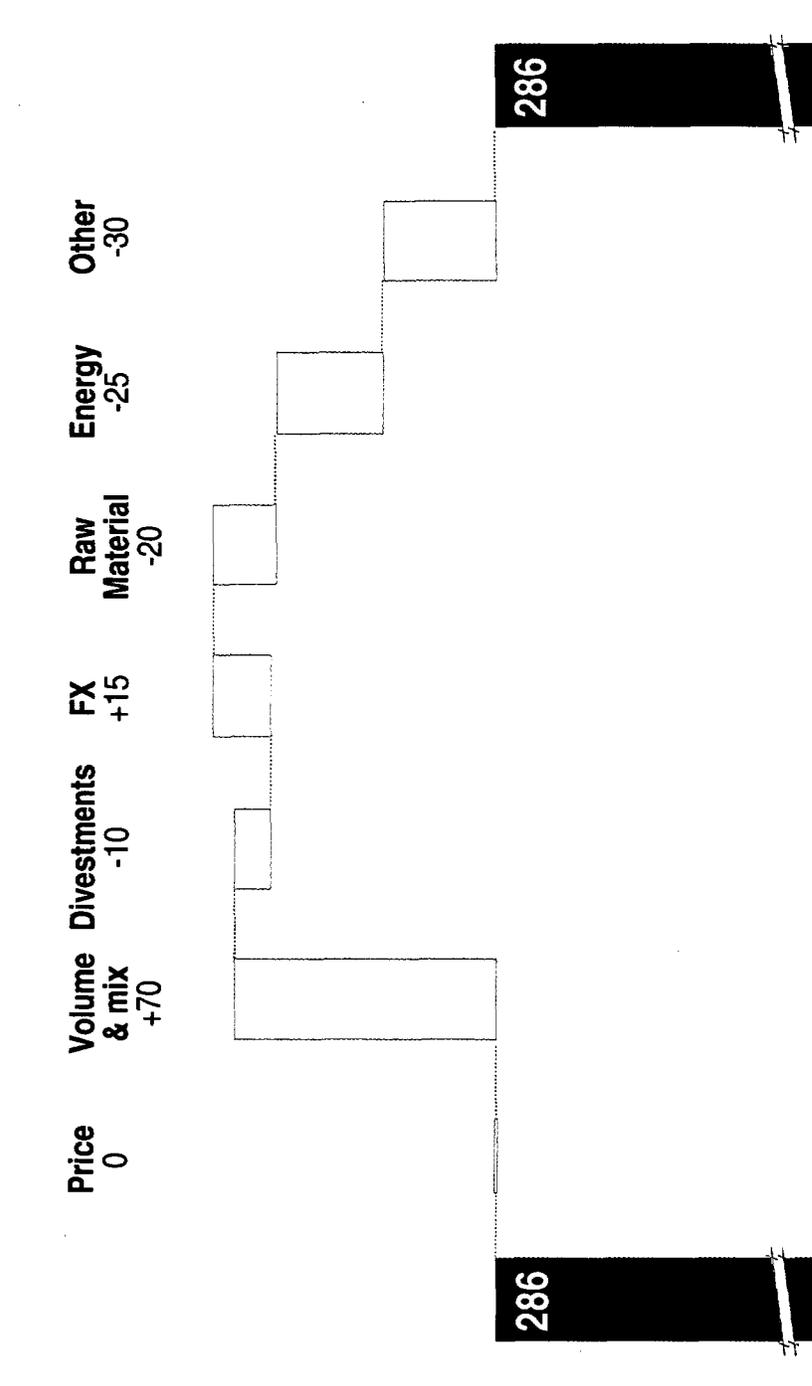
- performance improvement measures
  - performance improvement costs, restructuring costs, other CPIP costs
- \* before price erosion, FX, raw material impact and others, all figures cumulative



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# Key drivers of operating income before exceptionals in First Half 2006



EBIT\* HY 2005: 286

EBIT\* HY 2006: 286

**CPIP benefits on:**

- Price + 25 million
- Volume + 50 million
- Raw Materials +15 million
- Other +40 million

in mn CHF

\* Continuing operations



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# Financial result First Half 2006



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- First Half Results
- Financial Review**
- Business Review
- Outlook

	First Half	
	2006 CHF mn	2005* CHF mn
<b>Interest expense</b>	-50	-72
Other financial expenses	-12	-15
Financial income	+14	+21
Currency result, net	-8	+35
<b>Other financial income and expenses</b>	-6	+41
<b>Total financial result</b>	<b>-56</b>	<b>-31</b>

- Lower interest charges
- Negative currency result

\* 2005 is restated to exclude the discontinued operations of the Pharmaceutical Fine Chemical Business, sold June 2006

# Cash flow First Half 2006



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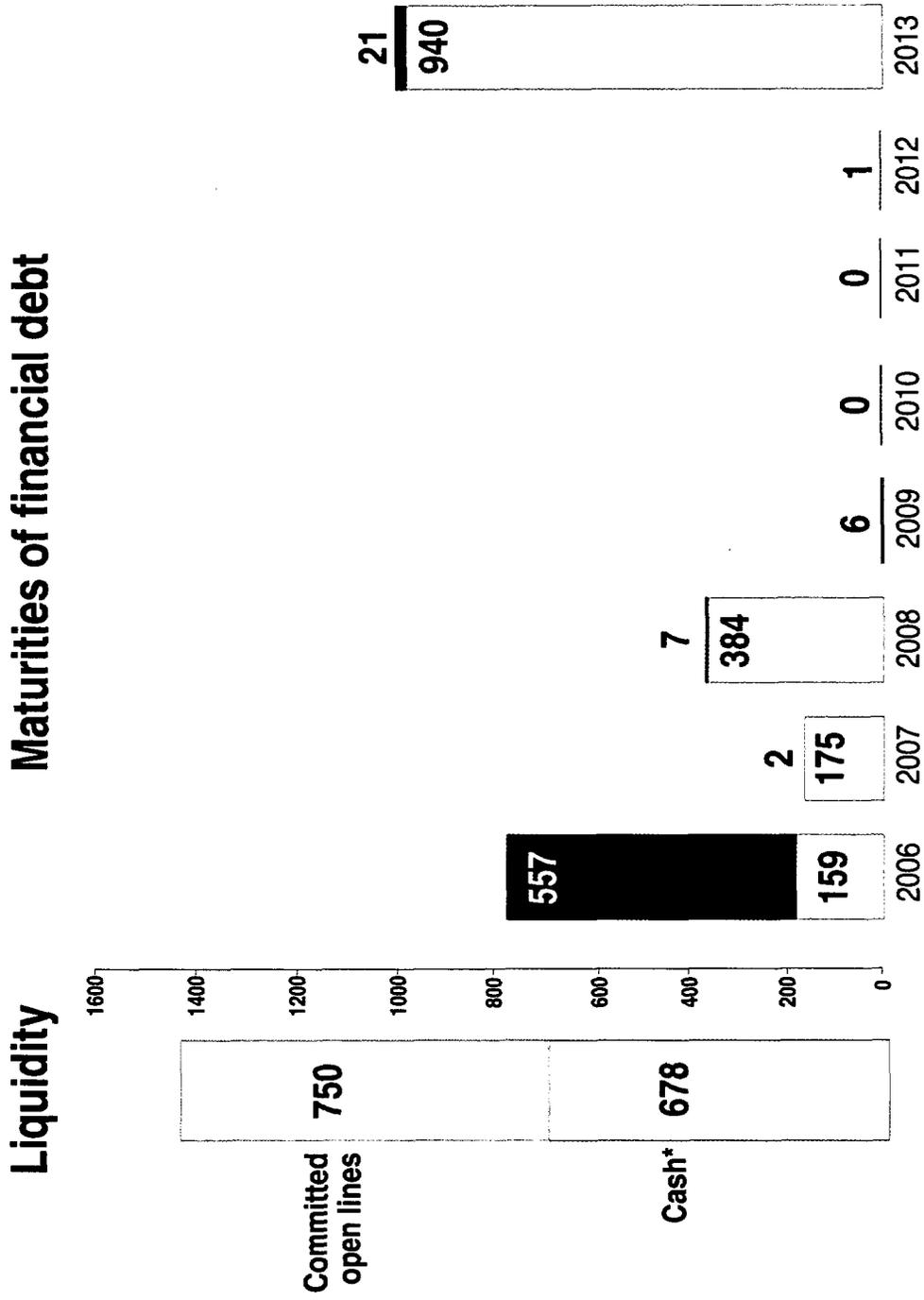
- Key Factors
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	First Half	
	2006 CHF mn	2005 CHF mn
Net result	15	146
Depreciation & amortization	182	154
Other	118	-65
<b>Operating cash flow before working capital</b>	<b>315</b>	<b>235</b>
Change in working capital	-262	-278
<b>Operating cash flow</b>	<b>53</b>	<b>-43</b>
Capital expenditure	-169	-153
Acquisitions, disposals and other	62	57
<b>Cash flow before financing</b>	<b>-54</b>	<b>-139</b>

- High restructuring cash outflows
- Net working capital still at high level due to introduction of new supply chain system

# Debt maturity profile on June 30, 2006

## Maturities of financial debt



in mn CHF

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

□ maturities ■ uncommitted & other loans\*\*



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# *Business Review & Outlook*



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# Divisional sales and margins – First Half 2006

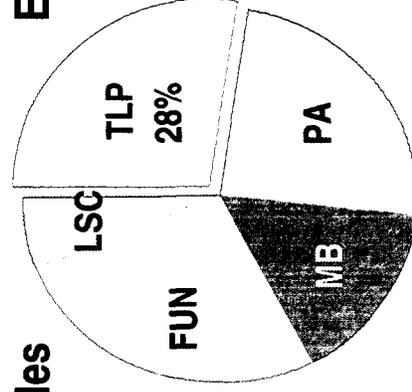
	First Half			
	CHF mn	Sales % Organic Growth*	% LC	EBITDA Margin in %**
	2006	2006	2005***	2006
Textile, Leather & Paper Chemicals	1,155	+4	+4	9.8
Pigments & Additives	1,016	+3	+3	16.9
Masterbatches	643	+9	+9	12.4
Functional Chemicals	1,127	+6	+6	10.1
Life Science Chemicals	251	-13	-36	3.2
<b>Total Group</b>	<b>4,192</b>	<b>+4</b>	<b>+1</b>	<b>10.0</b>

\* Divestments included Clariant Acetyl Building Blocks, Germany, of the Life Science Chemicals Division, sold July 2005  
 \*\* EBITDA-Margin before exceptionals  
 \*\*\* 2005 is restated to exclude the discontinued operations of the Pharmaceutical Fine Chemical Business, sold June 2006

# Textile, Leather & Paper Chemicals

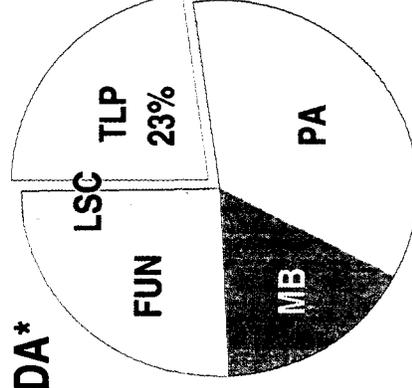
- Good growth across the division mainly from increased volumes
- Competitive environment prevented price increases
- Optical brighteners continued to drive excellent Paper results
- Textile growth driven by chemicals for finishing and dyes
- Leather products recovered steadily from a weak start
- Turkey, India and Pakistan showed strong growth

**Sales**



**First Half 2006**

**EBITDA\***



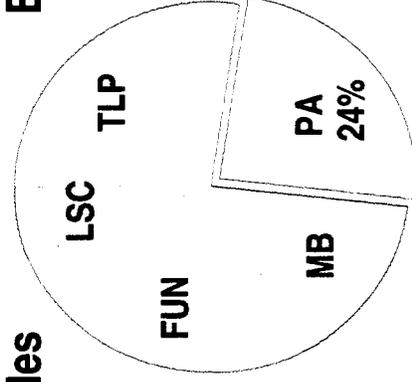
\* before exceptionals



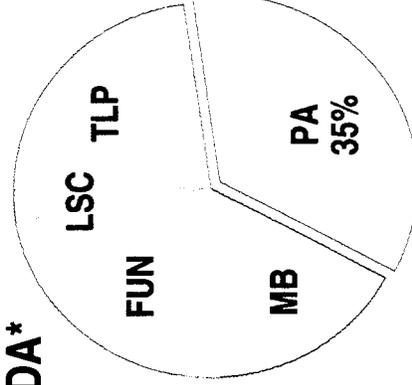
# Pigments & Additives

- Increased overall demand for colorants as well as additives
- Volume growth led to significant margin improvement
- High volumes, but pressure on prices in challenging market conditions
- Satisfactory printing performance amid industry consolidation
- Strong performance for products in the plastic markets
- Market for coatings developed well, particularly in automobile sector

Sales

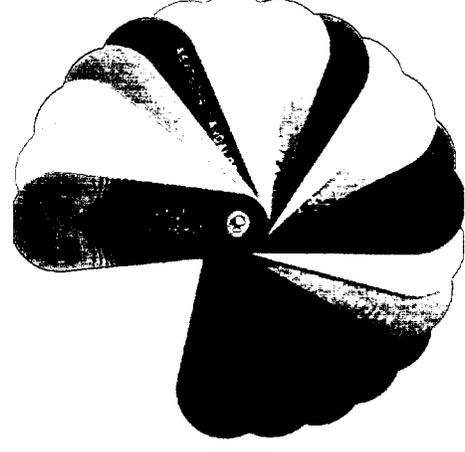


EBITDA\*



First Half 2006

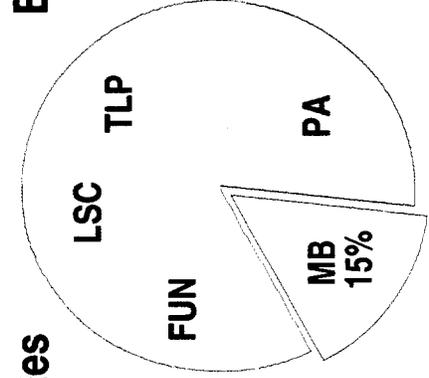
\* before exceptionals



# Masterbatches

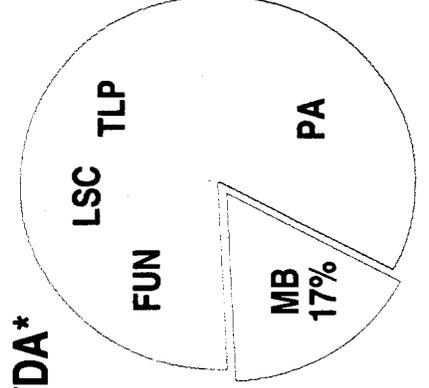
- Continued strong growth with price increases achieved in a highly competitive environment
- Raw material costs remain volatile
- Overall excellent performance in the plastic markets
- Further robust growth in North America
- Good results in Europe; recovery in Asia and Latin America

**Sales**

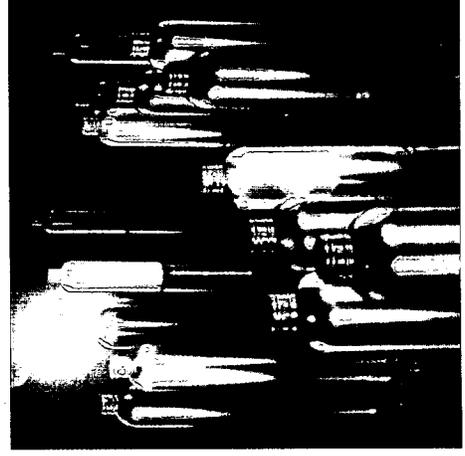


**First Half 2006**

**EBITDA\***



\* before exceptionals





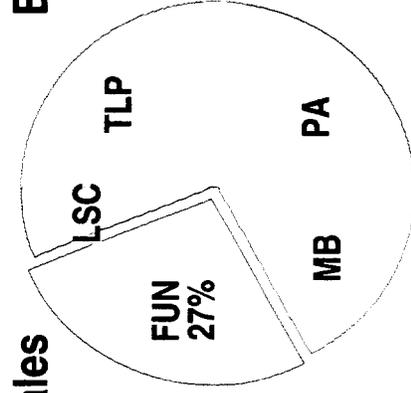
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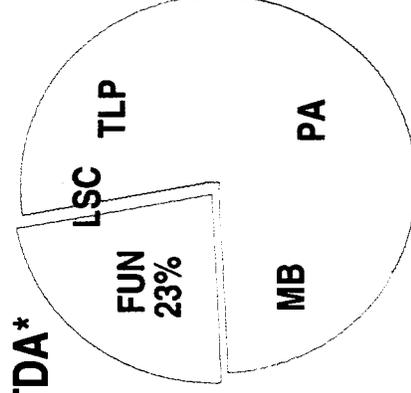
# Functional Chemicals

- Solid demand across most businesses
- Lower profitability; higher prices unable to offset increased raw material costs
- Higher volumes in personal care, oilfield services and construction chemicals
- Increased pressure on detergent producers led to drop in volumes
- Sharp deterioration in agro business stemming for low demand for fungicides

Sales

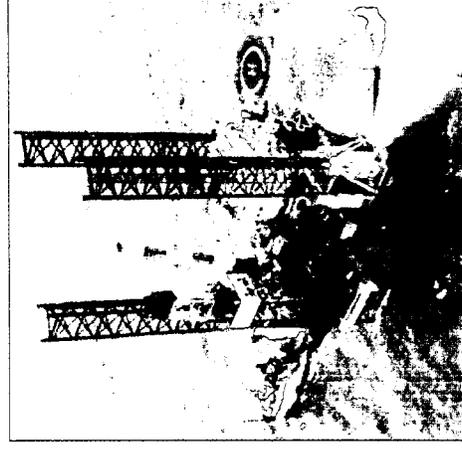


EBITDA\*



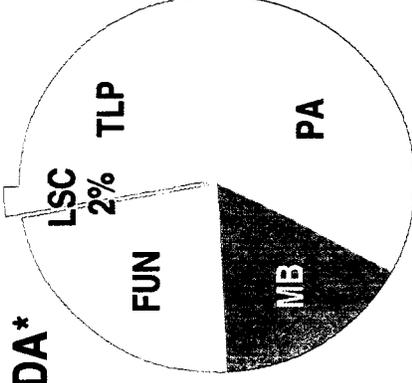
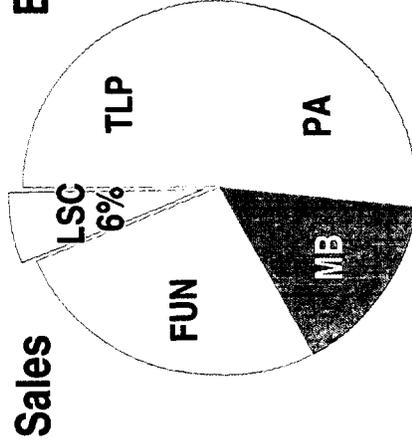
First Half 2006

\* before exceptionals



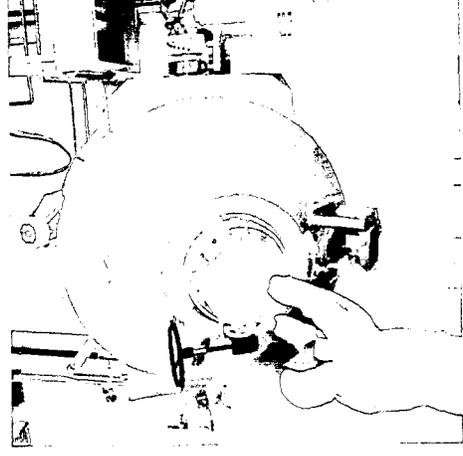
# Life Science Chemicals

- **Pharmaceutical Fine Chemical Business:**
  - Sale to TowerBrook Capital Partners completed
  - Good continued growth in volumes and prices
  - Expected sales in 2006 of approx. CHF 250 million and positive EBIT contribution of approx. CHF 13-18 million
- **Specialty Fine Chemical Business:**
  - Growth driven by glyoxal area
  - Margin declined considerably due to sharp deterioration in agrochemicals
  - Investment bank appointed to review strategic options

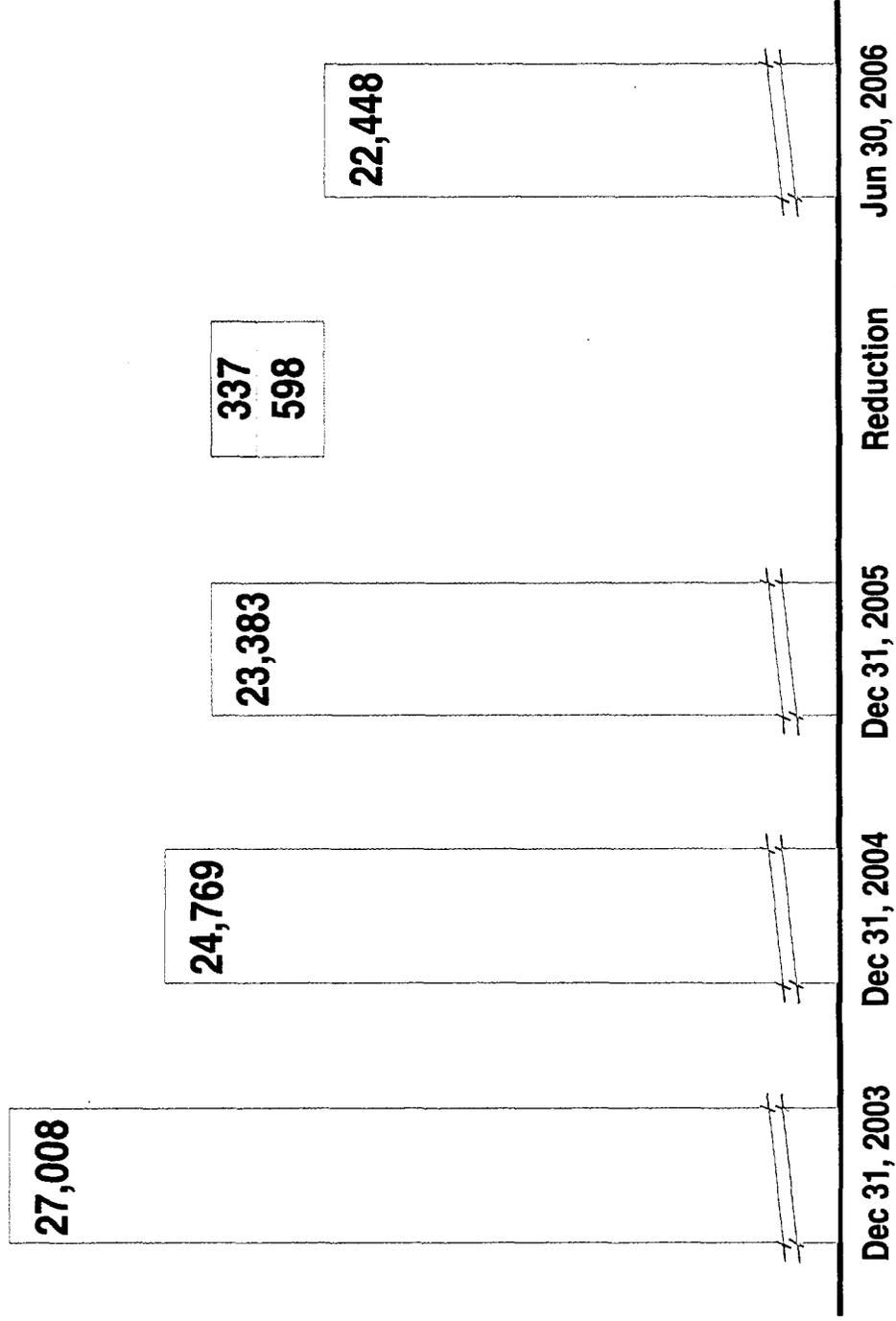


First Half 2006

\* before exceptionals



# Personnel reduction



Number of employees, reported     Reduction     Disposals and consolidation in India



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# Outlook for 2006

- Good sales growth in local currency terms above last year
- Raw material and energy prices to remain at high levels
- Limited scope to raise prices
- EBIT before exceptional items for continuing operations to improve by approximately CHF 60 million
- Tax rate approximately 30%
- Satisfactory net income for continuing operations
- Review of strategy to be announced in November

# *Calendar of upcoming corporate events*

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**November 7, 2006**

**Nine Month 2006 Results**

---

**November 14-15, 2006**

**“Clariant meets Investors,” Basel**

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**November 29-30, 2006**

**Merrill Lynch Conference, London**

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**February 20, 2007**

**Full Year 2006 Results**

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**April 2, 2007**

**Annual General Meeting, Basel**



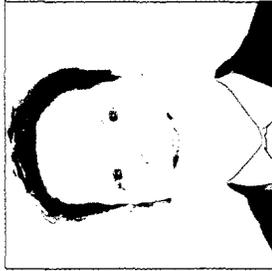
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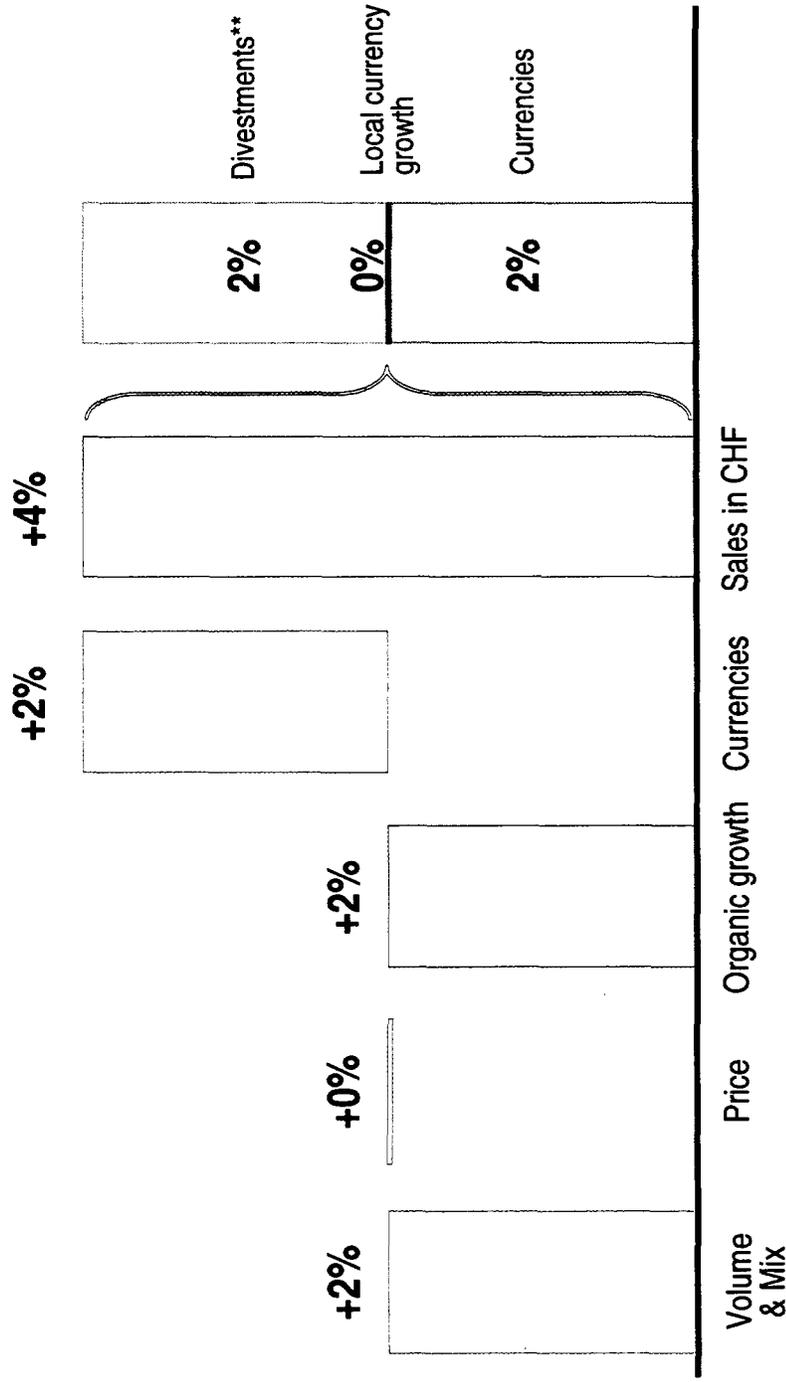


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Backup Information

# Lower growth momentum in Second Quarter 2006

## 2nd Quarter 2006 versus 2nd Quarter 2005\*



First Half Results 2006

Slide 29

\* Continued operations

\*\*Divestments included Clariant Acetyl Building Blocks, Germany, of the Life Science Chemicals Division, sold July 2005

# Divisional sales and margins – Second Quarter 2006

	2 <sup>nd</sup> Quarter		EBITDA Margin in %**	
	CHF mn	% Organic Growth*	2006	2005***
Textile, Leather & Paper Chemicals	591	+4	10.3	10.5
Pigments & Additives	517	+3	16.4	14.7
Masterbatches	319	+8	11.6	9.7
Functional Chemicals	537	+6	8.6	12.0
Life Science Chemicals	119	-24	0.9	10.9
<b>Total Group</b>	<b>2,083</b>	<b>+2</b>	<b>9.4</b>	<b>10.5</b>

\* Divestments included Clariant Acetyl Building Blocks, Germany, of the Life Science Chemicals Division, sold July 2005

\*\* EBITDA-Margin before exceptionals

\*\*\* 2005 is restated to exclude the discontinued operations of the Pharmaceutical Fine Chemical Business, sold June 2006

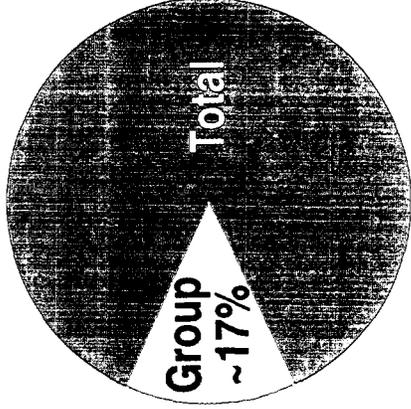


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# Top 5 products in percentage of total raw material costs

Ranking	Product
1	Ethylene & Ethylenoxide
2	Vinylacetate
3	Polyethylene
4	Titanium Dioxide
5	Acrylates



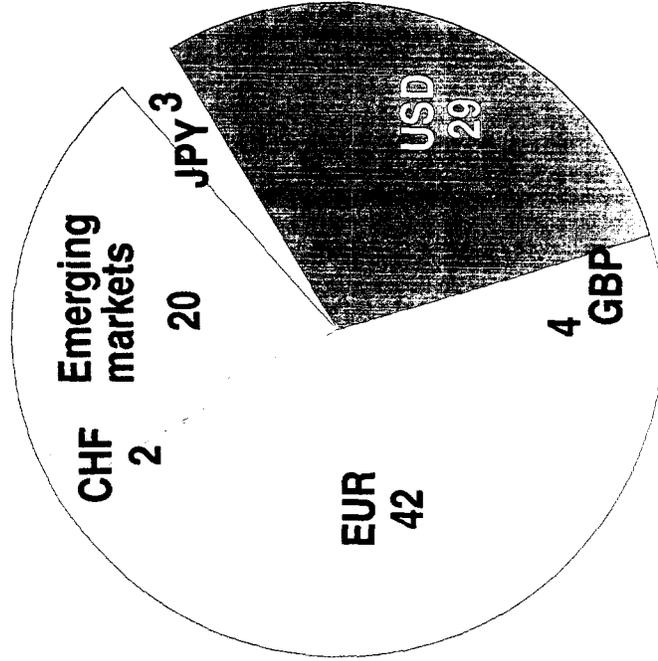
# Sales and cost structure – Full Year 2005



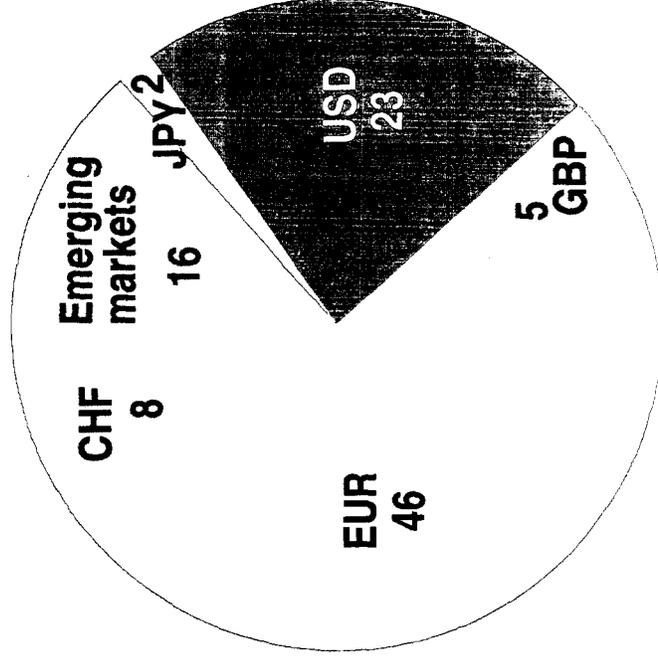
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Global sales distribution in %



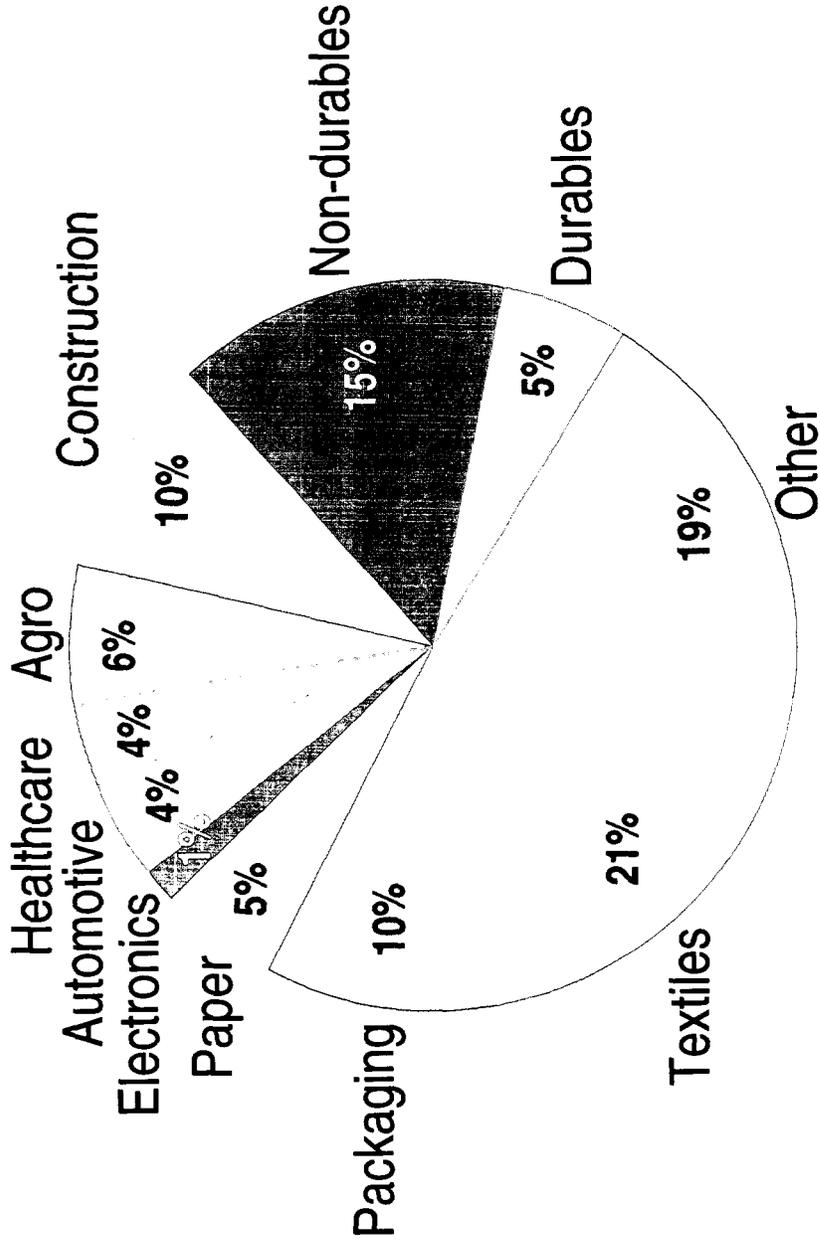
Global cost distribution in %



in mn CHF

These distributions represent an approximation to total cash in- and outflows and are closely linked to transaction exposures.

# Divisional sales Full Year 2005 in end-user markets



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First Half Results 2006

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This presentation contains certain statements that are neither reported financial results nor other historical information. This presentation also includes forward-looking statements.

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