

News Release

Clariant Achieves Solid First Half Performance; Strong Financial Base Re-established

- Sales increased 7% to CHF 4.419 billion; 9% volume growth
- Net income rose sharply to CHF 126 million, from a loss of CHF 74 million
- Net debt cut in half from a year ago, to CHF 1.840 billion
- Operating cash flow surged to CHF 320 million, from minus CHF 53 million
- Growth especially robust in Asia and U.S.; Europe still sluggish
- Transformation Program continuing to make good progress

Key Financial Group Figures (in CHF mn)

First Half Year	2004	% of sales	2003 (reported)	2003 ¹ (like-for-like)	% of sales	% Change vs. like-for-like	
						CHF	LC
Sales	4,419		4,273	4,118		+7	+6
Gross profit	1,459	33.0%	1,412	1,362	33.1%	+7	+6
EBITDA	501	11.3%	513	482	11.7%	+4	+4
EBITDA before exceptional items	545	12.3%	549	518	12.6%	+5	+5
Operating income before exceptional items and amortization of goodwill	387	8.7%	370	345	8.4%	+12	+12
Operating income	317	7.2%	213	188	4.6%	+69	+69
Net income/ loss	126		-49	-74		-	-
Operating Cash Flow	320		-53				

as per	June 04	Dec 03	June 03
Net debt	1,840	2,905	3,686
Equity	2,128	1,176	1,061
Gearing	82%	234%	326%
Number of employees	26,178	27,008	27,771

Second Quarter	2004	% of sales	2003 (reported)	2003 ¹ (like-for-like)	% of sales	% Change vs. like-for-like	
						CHF	LC
Sales	2,213		2,167	2,083		+6	+7
Gross profit	729	32.9%	700	671	32.2%	+9	+9
EBITDA	238	10.8%	301	284	13.6%	-16	-16
EBITDA before exceptional items	265	12.0%	337	320	15.4%	-17	-17
Operating income before exceptional items and amortization of goodwill	188	8.5%	249	234	11.2%	-20	-20
Operating income	150	6.8%	100	85	4.1%	+76	+76
Net income/ loss	54		-51	-66		-	-
Operating Cash Flow	216		99				

¹ The figures for 2003 were like-for-like to account for the sales of business activities in 2003. Sales in 2003: Cellulose Ethers of the division Functional Chemicals and AP Chemicals, UK, of the division Life Science and Electronic Chemicals. All activities were sold effective as per the end of 2003.

MUTTENZ, Switzerland – Aug. 5, 2004 – Clariant achieved a solid performance in the first half of the year, with sales on a like-for-like basis rising 7% in Swiss Franc terms as well as net income and operating cash flow improving significantly compared to the same period a year earlier.

Operating income rose 69%, to CHF 317 million on a like-for-like basis from CHF 188 million. Operating margins rose to 7.2%, from 4.6% in 2003. Net income climbed to CHF 126 million, from a net loss of CHF 74 million in the first half of 2003.

The company was particularly successful during the period in reducing net debt, which now stands at CHF 1.840 billion, down from CHF 3.686 billion a year ago. Gearing, which reflects net debt in relation to equity capital, declined sharply to 82%, from 326% a year earlier. The equity ratio improved to 24.6%, from 12.1%. Operating cash flow increased substantially, to CHF 320 million in the first half, from minus CHF 53 million a year earlier.

“Our growth rate and operating results give us a lot to be proud of,” said Clariant Chief Executive Roland Loesser. “The company is now back on a strong financial footing thanks to hard work and the support of our shareholders. The Transformation Program we initiated a year ago is beginning to bear fruit, particularly in the areas of cost reduction and improved cash flow.”

Volume Growth Strong

Sales in the first half were CHF 4.419 billion, up from CHF 4.118 billion in the first half of 2003 on a like-for-like basis. Volume growth-- at 9% --was particularly strong. The value of overall sales was limited by price erosion of 3%. Nevertheless, the company was able to increase prices in several product lines and generally speaking, pressure on prices weakened slightly during the period. Sales growth was strong across all regions with the exception of Europe, which remained sluggish.

Operating income before exceptional items rose to CHF 387 million, from CHF 345 million a year ago, on a like-for-like basis, yielding an operating margin before exceptional items of 8.7%, from 8.4% in 2003 despite charges related to the Transformation Program.

Financial expenses dropped substantially, mainly due to currency effects and to lower interest charges. Meanwhile, tax expenses were lower than a year ago. During the period, the company successfully completed a capital increase amounting to CHF 920 million.

Clariant’s raw material costs were largely unaffected by higher oil prices in the second quarter. Mr. Loesser noted that Clariant’s performance now is less impacted by the movements on the petroleum market than in previous years thanks to the sale of several business units that are relatively large consumers of petroleum derivatives.

Transformation Program Making Good Progress

Progress on Clariant’s Transformation Program, which features cost-cutting, asset sales and a refocusing on core activities, was good during the first half. Among the most significant achievements of the first half was a reduction in net working

capital-- despite sales growth during the period --by over CHF 200 million, from a total reduction of CHF 600 million targeted by 2007.

The company confirmed it is on track to reduce costs by CHF 100 to 120 million this year, with CHF 40 million already achieved in the first half.

“The Transformation Program has now moved into Phase Two, where it is fully operational and positively affecting every corner of our company,” Mr. Loesser said. “I am pleased by the level of commitment and the energy shown by our employees at all levels. The pace of the performance improvements being carried out means that we are well on the way to restoring Clariant’s status as a leader in the specialty chemicals sector.”

Asset Sales: Priority on Price Rather Than Speed

Clariant announced last month agreements to sell two businesses: AZ Electronic Materials, for CHF 518 million to The Carlyle Group, and Lancaster Synthesis for CHF 32 million to Johnson Matthey. Both transactions are expected to close in the coming months. Proceeds from the sales will be used to further reduce debt and fund the Transformation Program.

The company remains committed to selling additional assets that no longer constitute Clariant’s core portfolio. Mr. Loesser said: “Our priority in these sales processes is to achieve the best possible prices. Given our stronger financial position, we can take as much time as required to obtain positive results.”

Mr. Loesser expects Clariant to perform satisfactorily for the remainder of 2004, but noted that because of seasonal factors, the second half of the year tends to be weaker than the first half for specialty chemical companies.

-end of release-

Financial Review

Financial Discussion

Economic Environment

Market conditions improved on a global scale, particularly in the USA, China and Asia, where economies gained momentum. China continued to grow strongly, while the economy in Japan was in recovery mode. Europe's drive to economic recovery was still in low gear and mainly export driven. Geopolitical risks remained. Raw material prices increased further.

Exchange rates of major countries continued to appreciate against the Swiss Franc compared to the same period a year earlier. However, the U.S. Dollar and currencies in Asia and Latin America declined against the Swiss Franc.

Compared to the sales-weighted average exchange rates of the second three months of the previous year, the most important currencies that were significantly higher against the Swiss Franc included the British Pound (up 7%), the Japanese Yen (up 3%) and the Euro (up 2%), whereas the Brazilian, Chinese and U.S. currencies depreciated by 5% over the same period. Besides that, most Latin American and Asian currencies lost value against the Swiss Franc (Argentina -7%, Mexico -12 %, Indonesia -8%).

Overall, the revaluation difference of major currencies was almost offset by only a slight negative impact on group sales from exchange rate changes by -0.5 % on a year-on-year basis.

Sales and Operating Result

Sales for the group from continuing operations in the second quarter of 2004 were 4% higher in local currency terms and 5% higher in Swiss Francs. The corresponding figures on a like-for-like basis were 7% higher in local currencies and 6% higher in Swiss Francs. Growth from higher volumes was 10% on a like-for-like basis (8% for continuing operations) compared with the second quarter of the previous year. A 3% decline in average prices was more than offset by volume growth. All divisions increased sales in both local and group currencies, reinforcing the trend observed in the previous quarter. This represents a good result in a slightly improving trading environment.

In the second quarter, **cost of goods sold** was mainly influenced by volume growth, which also led to higher capacity utilization. Additionally, raw material costs in the second quarter of 2004 were lower than in the same period a year earlier. Those developments more than offset the lower selling prices and the effect of the stronger Euro on currency conversion costs. This explains the increase of the gross margin from 32.3%, recorded in the second quarter of 2003, to 32.9%.

Marketing and distribution costs in relation to sales decreased compared to the second quarter of the previous year (to 14.5% from 14.8%). Variable costs in percentage of sales terms declined and fixed costs remained stable in absolute terms.

Administration and general overheads in the second quarter increased as a percentage of sales to 7.0%, from 6.4% in the first quarter this year. This development was mainly due to non-recurring costs in connection with the Transformation Program. In the second quarter 2003, administration and general overhead costs of 2.9% of sales were lower because of the reclassification of a provision of CHF 38 million, which was built-up in the first three months of 2003, and specific cost saving measures, including cuts in bonuses, which reduced expenses.

Restructuring expenses of CHF 41 million in the second quarter mainly refer to activities in the divisions Textile, Leather and Paper and Life Science and Electronic Materials. The corresponding expenses in the same period of last year of CHF 142 million include the total termination costs of the large-scale bleach activating plant in the U.S.

Financial expenses were cut significantly, mainly due to lower **Interest Expenses** from the reduction of average gross financial debt to CHF 3.5 billion in the second quarter of 2004 from CHF 4.3 billion in the second quarter of 2003.

Tax expenses in the second quarter 2004 were particularly influenced by a large proportion of profits generated in countries with high tax rates. In addition the tax rate increased because running restructuring costs generated losses for which no tax assets were capitalised. On the other side, the improvement of the operating performance helped to reduce the tax rate compared to 2003. In addition, tax planning measures contributed to a reduction of the overall tax expenses.

The **net income** for the second quarter of 2004 was CHF 54 million, compared to a loss of CHF 51 million as reported in the same period a year earlier.

Balance Sheet Key Figures

Total assets increased from CHF 8.003 billion in December 2003 to CHF 8.641 billion at the end of June. The main factor contributing to this development was the capital increase that took place at the end of April. Net of all related costs, this transaction contributed CHF 874 million to the Group's equity. A part of the proceeds were used to pay back financial debt, while CHF 400 million was temporarily invested in short-term deposits, thus substantially increasing Other Current Assets. Apart from this, assets and liabilities remained fairly stable compared to December 2003. Inventories were reduced during the second quarter of 2004, while trade accounts receivable increased due to the good sales performance of the reporting period. Equity was affected negatively by currency trends during the second quarter. While a positive effect of changes in FX rates in the first quarter of 2004 amounted to CHF 45 million, for the first six month this figure was a negative CHF 27 million. The currencies most heavily contributing to this development were the Euro and the Brazilian Real. Together with the capital increase and the result of the reporting period, this increased equity from CHF 1.176 billion at the end of 2003 to CHF 2.128 billion at the end of June 2004.

Net debt on June 30 declined to CHF 1.840 billion from CHF 2.905 billion as a result mainly of the capital increase, but also of the improved operating cash flow performance.

Gearing, which reflects net financial debt in relation to equity capital, including minorities, declined substantially from 234% on December 31, 2003 to 82% at the end of June 2004. The calculation of this figure takes into account short and long-term financial debt less cash and cash equivalents, as well as CHF 400 million of short-term deposits that are reported in Other Current Assets in the Balance Sheet.

Cash Flow

Cash flow (from operating activities before changes in working capital) was CHF 124 million for the second quarter of 2004 compared to CHF 116 million for the second quarter of 2003 and CHF 269 million for the first quarter of 2004. The operating cash flow of the first six months of 2004 was CHF 393 million, compared with CHF 319 million for first six months of 2003. The increased operating cash flow was mainly the result of the improved performance of the reporting period.

Working capital decreased by CHF 92 million during the second quarter of 2004, comparing to an increase of 165 million in the first quarter of 2004 and an increase of 17 million for the second quarter of 2003. Despite substantially higher sales volumes in the current half-year compared to last year, working capital was significantly reduced. This good performance was mainly the result of measures taken in connection with the Performance Improvement Program and confirmed the already good working capital development in the first quarter 2004.

Cash flow from operating activities was CHF 216 million in the second quarter of 2004, compared with CHF 99 million for the same period of the previous year. For the first six months of 2004, an operating cash flow of CHF 320 million was achieved, compared to a negative CHF 53 million for the same period of the previous year.

Capital expenditure remained constrained at CHF 111 million for the first six months, slightly less than the CHF 125 million reported for the same period last year and considerably below the depreciation of fixed assets.

Financing activities were marked by the capital increase, which took place at the end of April. It resulted in net proceeds of CHF 874 million. The proceeds were used in part to pay back financial debt, while CHF 400 million was temporarily invested in short-term deposits.

Business Discussion

The divisional information given below refers to continuing operations only. On August 5, 2003, Clariant announced that the business unit Electronic Materials of the LSE Division would be sold. As a consequence, Electronic Materials is disclosed as Discontinuing Operations for both 2004 and 2003. The business unit Cellulose Ethers of the FUN Division was sold in 2003.

Textile, Leather & Paper Chemicals (Continuing operations)

First Half	2004	% of sales	2003	% of sales	Change in %	
					CHF	LC
CHF mn						
Sales	1,123		1,082		+4	+3
EBITDA bef. exceptional items*	124	11.0	126	11.6	-2	-1
Operating income bef. exceptional items and amortization of goodwill*	90	8.0	100	9.2	-10	-10
Operating income	50	4.5	88	8.1	-43	-43
Systematic depreciation on tangible fixed assets	34	3.0	26	2.4	+31	+30
Second Quarter	2004	% of sales	2003	% of sales	Change in %	
CHF mn					CHF	LC
Sales	570		555		+3	+3
EBITDA bef. exceptional items*	61	10.7	75	13.5	-19	-17
Operating income bef. exceptional items and amortization of goodwill*	45	7.9	62	11.2	-27	-26
Operating income	24	4.2	56	10.1	-57	-56
Systematic depreciation on tangible fixed assets	16	2.8	13	2.3	+23	+23

* See Definitions of Terms of Financial Measurements on page 13

In the **Textile, Leather & Paper Chemicals Division** all businesses showed ongoing improvement except for textile dyes. Sales continued with a growth in local currency terms of 3% as a result of strong volumes offsetting the price pressure. North America and Asia were especially characterized by sustainable positive developments, whereas Europe showed a slight decline in sales during the second quarter. Better cost management and good volumes resulted in better operating income. However, operating income was negatively affected by additional restructuring charges and the ongoing price pressure mainly coming from commodities.

Constant price pressure especially in the area of disperse and reactive dyes and a worsening picture in the European business characterized the negative development in the area of **Textile Dyes**. The decline could not be offset by double-digit growth in China and Latin America. Clariant responded to changing market conditions with substantial job cuts. Ongoing positive demand for **Textile Chemicals** resulted in stable sales and earnings in Europe. Asia and emerging markets acted as a growth engine for this business, leading to an improved performance. Losses in the traditional textile industry were partially offset by new products in technical textiles as well as the introduction of new products for dyeing and printing.

Easing price pressure and very strong volumes driven by a robust demand across all business segments characterized the **Leather Business**. Price increases were passed onto customers to some extent. Healthy trends in the automotive industry for upholstery leather seats was one example of the ongoing positive demand, especially for leather finishing products.

Ongoing price pressure in the commodities was balanced out by healthy volume growth for **Paper Chemicals**. An increased trend for whiteners especially in the U.S. and the release for several new paper dyes during the second quarter resulted in stable growth across all business lines.

Pigments & Additives

First Half	2004	% of sales	2003	% of sales	Change in %	
					CHF	LC
CHF mn						
Sales	956		900		+6	+5
EBITDA bef. exceptional items*	159	16.6	145	16.1	+10	+9
Operating income bef. exceptional items and amortization of goodwill*	123	12.9	112	12.4	+10	+9
Operating income	91	9.5	110	12.2	-17	-16
Systematic depreciation on tangible fixed assets	36	3.8	33	3.7	+9	+9

Second Quarter	2004	% of sales	2003	% of sales	Change in %	
					CHF	LC
CHF mn						
Sales	482		451		+7	+7
EBITDA bef. Exceptional items*	83	17.2	77	17.1	+8	+8
Operating income bef. exceptional items and amortization of goodwill*	65	13.5	61	13.5	+7	+7
Operating income	61	12.7	60	13.3	+2	+2
Systematic depreciation on tangible fixed assets	18	3.7	17	3.8	+6	+6

* See Definitions of Terms of Financial Measurements on page 13

Easing price pressure for the **Pigments & Additives Division** combined with a strong volume growth resulted in a sales increase of 5% in local currencies. Margins improved due to a significantly lower fixed cost-base, notably due to excellent inventory management as well as good capacity utilization. Operating margins after exceptional items were mainly burdened by restructuring charges from the first quarter.

Strong sales especially in North America and Asia as well as some price increases led to a good performance in the **Coatings business**. Volumes were very strong, with the positive trend particularly evident in decorative paints as well as continuing good demand from the automotive industry.

Price pressure for **Printing Industry** chemicals was offset by volume growth. Europe continued to experience moderate growth, while competition from China increased.

Additives and antioxidants for **Plastic Industries** were main contributors to improved sales and performance across all businesses. The U.S. and Japan were notably strong whereas European business was mainly steady.

Products for **Specialized Industries** saw better sales and market conditions compared to a year ago. Performance Polymers were well-received in the adhesive market.

Masterbatches

First Half	2004	% of sales	2003	% of sales	Change in %	
					CHF	LC
CHF mn						
Sales	570		525		+9	+7
EBITDA bef. Exceptional items*	73	12.8	61	11.6	+20	+18
Operating income bef. exceptional items and amortization of goodwill*	59	10.4	49	9.3	+20	+19
Operating income	54	9.5	47	9.0	+15	+14
Systematic depreciation on tangible fixed assets	13	2.3	13	2.5	--	--
Second Quarter	2004	% of sales	2003	% of sales	Change in %	
CHF mn					CHF	LC
Sales	284		262		+8	+9
EBITDA bef. Exceptional items*	36	12.7	29	11.1	+24	+24
Operating income bef. exceptional items and amortization of goodwill*	29	10.2	23	8.8	+26	+26
Operating income	26	9.2	21	8.0	+24	+21
Systematic depreciation on tangible fixed assets	6	2.1	7	2.7	-14	-14

* See Definitions of Terms of Financial Measurements on page 13

The **Masterbatches Division** showed strong growth in most regions above market averages. The plastic market began to respond to the improving global economic conditions. Stable prices and healthy volume growth resulted in a rise of 7% in local currency terms. Sales were favorably impacted by increasing demand in the U.S as well as double-digit growth in Greater China. Growth in Europe meanwhile was moderate.

Operating performance increased mainly as a result of a healthy volume development and strong capacity utilization. All five ColorWorks design centers located around the world were fully operational.

Functional Chemicals (Continuing operations)

First Half CHF mn	2004	% of sales	2003 Restated ¹	% of sales	Change in %	
					CHF	LC
Sales	988		866		+14	+13
EBITDA bef. Exceptional items*	129	13.1	106	12.2	+22	+20
Operating income bef. exceptional items and amortization of goodwill*	104	10.5	82	9.5	+27	+24
Operating income	116	11.7	-60	-	-	-
Systematic depreciation on tangible fixed assets	25	2.5	24	2.8	+4	+4

Second Quarter CHF mn	2004	% of sales	2003 Restated ¹	% of sales	Change in %	
					CHF	LC
Sales	468		420		+11	+13
EBITDA bef. Exceptional items*	56	12.0	55	13.1	+2	+2
Operating income bef. exceptional items and amortization of goodwill*	45	9.6	44	10.5	+2	+2
Operating income	55	11.8	-60	-	-	-
Systematic depreciation on tangible fixed assets	11	2.4	11	2.6	0	0

¹ In 2003 the business unit Cellulose Ethers pertaining to the division Functional Chemicals was sold.

* See Definitions of Terms of Financial Measurements on page 13

Functional Chemicals Division showed the strongest volume growth in the group. Stable or increased prices across most of the businesses led to a growth of 13% in local currency terms. Margins increased because of good capacity utilization and healthy volume growth, but were also helped by a one-time effect related to the sale of the Cellulose Ether business.

Price pressure in the **Detergent** business was partly offset by additional volumes and good capacity utilization. Several new products were successfully launched into the market. Demand overall was positive, especially in North America.

All businesses with **Performance Chemicals** improved their sales against previous year. Higher demand particularly in the agrochemicals and construction sectors supported the overall business growth. Good demand in Europe and double-digit growth in Asia and Latin America resulted in the overall positive performance of this business unit.

Increasing sales in all businesses for **Process Chemicals** resulted in a stable performance. The oilfield service business in particular saw strong demand in the U.S., Latin America and the Far East.

Life Science & Electronic Chemicals (Continuing operations)

First Half	2004	% of sales	2003	% of sales	Change in %	
					CHF	LC
CHF mn			Restated ¹			
Sales	528		554		-5	-7
EBITDA bef. Exceptional items*	42	7.9	40	7.2	+5	+4
Operating income bef. exceptional items and amortization of goodwill*	18	3.4	3	0.5	--	--
Operating income	20	3.8	3	0.5	-	-
Systematic depreciation on tangible fixed assets	24	4.5	37	6.7	-35	-35

Second Quarter	2004	% of sales	2003	% of sales	Change in %	
					CHF	LC
CHF mn			Restated ¹			
Sales	275		294		-6	-6
EBITDA bef. Exceptional items*	25	9.1	22	7.5	+14	+14
Operating income bef. exceptional items and amortization of goodwill*	15	5.4	3	1.0	--	--
Operating income	1	0.4	3	1.0	-67	-66
Systematic depreciation on tangible fixed assets	10	3.6	18	6.1	-44	-44

¹ On August 5, 2003, Clariant announced that the business unit Electronic Materials pertaining to the division LSE would be sold. As a consequence, Electronic Materials is now disclosed as Discontinuing Operations for both 2004 and 2003.

* See Definitions of Terms of Financial Measurements on page 13

The ongoing difficult market environment overall led to a drop in sales in the **Life Science & Electronic Chemicals Division**, resulting in a decline of 7% in local currency terms. Notably, the operating performance before exceptional items increased slightly, while price pressure was partially be offset by higher volumes and lower raw material costs.

Custom Synthesis continued to experience some price pressure but this was largely offset by higher volumes. Agro industry chemicals in particular saw positive developments in the second quarter. The reduction of capacity by closing plants in Germany and the U.S. initiated a year ago, showed the first improvements in the business unit's performance. Asia continued to build up with technological capabilities and in market acceptance.

The relatively sluggish demand in **Specialty Fine Chemicals**, which started to become visible at the beginning of the year, continued, but there was good profitability of the main businesses lines.

In **Pharma**, sales were weak as a result of price pressure, negative currency effects and lowered volumes. But promising developments in the generics area continued to be seen.

Discontinuing Operations

In **Electronic Materials**, the flat panel displays in mainstream applications gained acceptance and electronics in general recovered. Increasing market acceptance for new 193nm technology products, as well as high capacity utilization led to a strong performance of this business.

Regional Developments

Europe

In the second quarter of 2004, European sales of group companies accounted for 51% of continuing operations (48% of total) of Group turnover. On a continuing basis, sales increased by 5% in Swiss Franc terms (1% higher in local currency terms). The picture was mixed on a country basis. Sales developments in Germany were rather flat, while sales in various other countries were above last year. In Britain and Italy, sales were lower on a continuing basis.

Americas

Group companies' sales in the Americas contributed 27% of continuing operations (25% of total) of Group turnover for the second quarter of 2004. Sales increased by 7% in local currency terms and by 3% in Swiss Franc terms. In the U.S., the breadth of sales development remained strong in nearly all businesses. In Latin America, sales growth was particularly strong in both Swiss Franc and local currency terms.

Asia, Africa, Australia

In the second quarter of 2004, group companies' sales in Asia, Australia and Africa contributed 22% of continuing operations (21% of total) of group sales. Sales grew by 8% both in Swiss Franc terms and in local currency terms. Substantial sales growth in Swiss Franc terms (as well as in local currency terms) was achieved in particular in China and Taiwan.

Definition of Terms of Financial Measurements

The following financial measurements are supplementary financial indicators. Those 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 on fixed assets and on intangibles and amortization of goodwill and could be reconciled from the Condensed Financial Statements as follows:

CHF mn	First Half		Second Quarter	
	2004	2003	2004	2003
Operating Income	317	213	150	100
+ Depreciation of fixed assets	164	281	77	192
+ Amortization of Goodwill	15	15	7	7
+ Amortization of other intangibles	5	4	3	2
EBITDA	501	513	237	301

EBITDA before exceptional items – is calculated as EBITDA plus restructuring and impairment and gain/ loss on disposal

CHF mn	First Half		Second Quarter	
	2004	2003	2004	2003
EBITDA	501	513	237	301
+ Restructuring and Impairment	65	142	41	142
- Depreciation of fixed assets (reported under Restructuring and impairment)	-11	-106	-4	-106
+/- Gain/ Loss on Disposals	-10	0	-10	0
EBITDA before exceptional items	545	549	264	337

Operating income before exceptional items and amortization of goodwill – is calculated as Operating Income before restructuring and disposals plus amortization of goodwill and could be reconciled from the Condensed Financial Statements as follows:

CHF mn	First Half		Second Quarter	
	2004	2003	2004	2003
Operating Income	317	213	150	100
+ Restructuring and Impairment	65	142	41	142
+/- Gain/ Loss on Disposals	-10	0	-10	0
+ Amortization of Goodwill	15	15	7	7
Operating Income before exceptional items and Amortization of Goodwill	387	370	188	249

EBITDA margin – is EBITDA expressed as a percentage of third party sales

Operating margin – is operating income expressed as percentage of third party sales

Net debt – is the sum of long-term and short-term financial debt less cash and cash equivalents and short-term deposits (CHF 400 million) reported in other current assets.

Condensed Financial Statement of the Clariant Group at June 30 2004

unaudited, all amounts in CHF millions

Condensed Income Statements (unaudited)

Income Statements of the Group	First Half				Second Quarter			
	2004 CHF mn	%	2003 CHF mn	%	2004 CHF mn	%	2003 CHF mn	%
Sales	4,419	100.0	4,273	100.0	2,213	100.0	2,167	100.0
Cost of goods sold	-2,960	67.0	-2,861	67.0	-1,484	67.1	-1,467	67.7
Gross profit	1,459	33.0	1,412	33.0	729	32.9	700	32.3
Marketing and distribution	-644	14.6	-645	15.1	-321	14.5	-322	14.8
Research and development	-145	3.3	-152	3.5	-72	3.3	-74	3.4
Income from affiliated companies	15	0.3	15	0.3	8	0.4	7	0.3
Administration and general overhead costs	-298	6.7	-260	6.1	-156	7.0	-62	2.9
Gain / Loss on Disposal	10		0		10	0.5	0	
Restructuring and impairment	-65		-142		-41	1.9	-142	
Amortization of goodwill	-15		-15		-7	0.3	-7	
Operating income	317	7.1	213	5.0	150	6.8	100	4.6
Financial result ^{1a,1b}	-98		-144		-38		-85	
Income before taxes And minority interests	219	4.9	69	1.6	112	5.1	15	0.7
Taxes	-88		-113		-54		-63	
Income before minority interests	131	3.0	-44	-1.0	58	2.6	-48	-2.2
Minority interests	-5		-5		-4		-3	
Net income of the Group	126	2.9	-49	-1.1	54	2.4	-51	-2.4
Earnings per share (CHF) ^{2,4}	0.65		-0.28		0.23		-0.29	
Diluted earnings per share (CHF) ^{3,4}	0.65		-0.28		0.23		-0.29	

^{1a} of which currency losses in the half year 2004 of CHF 15 million, currency losses in the half year 2003 of CHF 50 million

^{1b} of which currency gains in the second quarter 2004 of CHF 2 million, currency losses in the second quarter 2003 of CHF 38 million.

² calculated with average, weighted number of shares outstanding (dilution factor 1.15)

³ calculated with average, weighted, diluted number of shares outstanding (dilution factor 1.15)

⁴ For 2003, restated for impact of capital increase (dilution factor 1.15)

Condensed Divisional Figures (unaudited)

Sales of Divisions to 3 rd parties	First Half				Second Quarter			
	2004	2003 Restated ¹	Change in % in CHF in LC		2004	2003 Restated ¹	Change in % in CHF in LC	
Textile, Leather & Paper Chemicals	1,123	1,082	+4	+3	570	555	+3	+3
Pigments & Additives	956	900	+6	+5	482	451	+7	+7
Masterbatches	570	525	+9	+7	284	262	+8	+9
Functional Chemicals	988	866	+14	+13	468	420	+11	+13
Life Science & Electronic Chemicals	528	554	-5	-7	275	294	-6	-6
Total continuing operations	4,165	3,927	+6	+5	2,079	1,982	+5	+4
Discontinuing operations	254	346			134	185		
Total Group	4,419	4,273	+3	+3	2,213	2,167	+2	+2

EBITDA*	First Half				Second Quarter			
	2004	2003 Restated ¹	Change in % in CHF in LC		2004	2003 Restated ¹	Change in % in CHF in LC	
Textile, Leather & Paper Chemicals	95	126	-25	-24	46	75	-39	-37
Pigments & Additives	135	146	-8	-7	79	78	+1	+1
Masterbatches	71	61	+16	+13	35	29	+20	+18
Functional Chemicals	141	68	--	--	66	55	+20	+20
Life Science & Electronic Chemicals	48	40	+20	+19	15	22	-32	-32
Total Divisions	490	441	+11	+11	241	259	-7	-7
Corporate	-33	11			-27	7		
Total continuing operations	457	452	+1	+1	214	266	-20	-20
Discontinuing operations	44	61			24	35		
Total Group	501	513	-2	-2	238	301	-21	-21

Operating Income	First Half				Second Quarter			
	2004	2003 Restated ¹	Change in % in CHF in LC		2004	2003 Restated ¹	Change in % in CHF in LC	
CHF mn								
Textile, Leather & Paper Chemicals	50	88	-43	-43	24	56	-57	-56
Pigments & Additives	91	110	-17	-16	61	60	+2	+2
Masterbatches	54	47	+15	+14	26	21	+24	+21
Functional Chemicals	116	-60	--	--	55	-60	--	--
Life Science & Electronic Chemicals	20	3	--	--	1	3	-67	-66
Total Divisions	331	188	+76	+76	167	80	--	--
Corporate	-45	-14			-35	-4		
Total continuing operations	286	174	+64	+63	132	76	+74	+74
Discontinuing operations	31	39			18	24		
Total Group	317	213	+49	+48	150	100	+50	+50

¹ On August 5, 2003, Clariant announced that the business unit Electronic Materials pertaining to the division LSE would be sold. As a consequence, Electronic Materials is now disclosed as Discontinuing Operations for both 2004 and 2003. In 2003 the business unit Cellulose Ethers pertaining to the division FUN was sold.

* See Definitions of Terms of Financial Measurements on page 13

Condensed Divisional Figures (unaudited)

EBITDA margin *	First Half				Second Quarter			
	2004	% of sales	2003 Restated ¹	% of sales	2004	% of sales	2003 Restated ¹	% of sales
CHF mn								
Textile, Leather & Paper Chemicals	95	8.4	126	11.6	46	8.1	75	13.5
Pigments & Additives	135	14.1	146	16.2	79	16.4	78	17.3
Masterbatches	71	12.4	61	11.6	35	12.3	29	11.1
Functional Chemicals	141	14.3	68	7.9	66	14.1	55	13.1
Life Science & Electronic Chemicals	48	9.1	40	7.2	15	5.4	22	7.5
Corporate	-33		11		-27		7	
Total continuing operations	457	11.0	452	11.5	214	10.3	266	13.4
Discontinuing operations	44		61		24		35	
Total Group	501	11.3	513	12.0	238	10.8	301	13.9

Operating Income margin*	First Half				Second Quarter			
	2004	% of sales	2003 Restated ¹	% of sales	2004	% of sales	2003 Restated ¹	% of sales
CHF mn								
Textile, Leather & Paper Chemicals	50	4.5	88	8.1	24	4.2	56	10.1
Pigments & Additives	91	9.5	110	12.2	61	12.7	60	13.3
Masterbatches	54	9.5	47	9.0	26	9.2	21	8.0
Functional Chemicals	116	11.7	-60	--	55	11.8	-60	--
Life Science & Electronic Chemicals	20	3.8	3	0.5	1	0.4	3	1.0
Corporate	-45		-14		-35		-4	
Total continuing operations	286	6.9	174	4.4	132	6.3	76	3.8
Discontinuing operations	31		39		18		24	
Total Group	317	7.2	213	5.0	150	6.8	100	4.6

¹ On August 5, 2003, Clariant announced that the business unit Electronic Materials pertaining to the division LSE would be sold. As a consequence, Electronic Materials is now disclosed as Discontinuing Operations for both 2004 and 2003. In 2003 the business unit Cellulose Ethers pertaining to the division FUN was sold.

* See Definitions of Terms of Financial Measurements on page 13

Condensed Statement of Sales by Regions (unaudited)*Allocated by region of third-party's sales destination*

First Half	2004	% of sales	2003 Restated¹	% of sales	Change in % CHF	Change in % LC
CHF mn						
Europe	2,172	49.2	2,041	47.8	+6	+2
<i>of which Germany</i>	633	14.3	585	13.7	+8	0
Americas	1,097	24.8	1,050	24.6	+4	+9
<i>of which USA</i>	580	13.1	585	13.7	-1	+6
Asia / Australia / Africa	896	20.3	836	19.5	+7	+8
Total continuing operations	4,165		3,927		+6	+5
Discontinuing operations	254	5.7	346	8.1		
Total Group	4,419	100.0	4,273	100.0	+3	+3

Second Quarter	2004	% of sales	2003 Restated¹	% of sales	Change in % CHF	Change in % LC
CHF mn						
Europe	1,066	48.2	1,016	46.9	+5	+1
<i>of which Germany</i>	306	13.8	288	13.3	+6	-2
Americas	551	24.9	537	24.8	+3	+7
<i>of which USA</i>	291	13.1	300	13.8	-3	+4
Asia / Australia / Africa	462	20.9	429	19.8	+8	+8
Total continuing operations	2,079		1,982		+5	+4
Discontinuing operations	134	6.0	185	8.5		
Total Group	2,213	100.0	2,167	100.0	+2	+2

¹ On August 5, 2003, Clariant announced that the business unit Electronic Materials pertaining to the division LSE would be sold. As a consequence, Electronic Materials is now disclosed as Discontinuing Operations for both 2004 and 2003. In 2003 the business unit Cellulose Ethers pertaining to the division FUN was sold.

Condensed Balance Sheets (unaudited)

Assets						
CHF mn	30.06.04	%	31.12.03	%	30.06.03	%
Long-term assets						
Tangible fixed assets	2,689		2,776		3,012	
Intangible assets	437		451		472	
Financial assets	396		419		416	
Deferred taxes	309		291		435	
Total long-term assets	3,831	44.3	3,937	49.2	4,335	49.3
Current assets						
Inventories	1,536		1,569		1,842	
Trade accounts receivable	1,336		1,259		1,477	
Other current assets ¹	821		309		460	
Cash and cash equivalents	1,117		929		677	
Total current assets	4,810	55.7	4,066	50.8	4,456	50.7
Total assets	8,641	100.0	8,003	100.0	8,791	100.0
Equity and liabilities						
in CHF mn	30.06.04	%	31.12.03	%	30.06.03	%
Equity						
Share capital	1,151		767		767	
Treasury shares (par value)	-18		-18		-18	
Reserves	995		427		312	
Total equity	2,128	24.6	1,176	14.7	1,061	12.1
Minority interests	67	0.8	64	0.8	67	0.8
Liabilities						
Long-term liabilities						
Financial debts	2,421		2,620		3,119	
Deferred taxes	408		384		640	
Other long-term liabilities	957		893		850	
Total long-term liabilities	3,786		3,897		4,609	
Short-term liabilities						
Financial debts	936		1,214		1,244	
Trade accounts payable	628		632		617	
Other short-term liabilities	1,096		1,020		1,193	
Total short-term liabilities	2,660		2,866		3,054	
Total liabilities	6,446	74.6	6,763	84.5	7,663	87.1
Total equity and liabilities	8,641	100.0	8,003	100.0	8,791	100.0

¹ thereof CHF 400 million cash / short-term deposits

Condensed Cash Flow Statements (unaudited)

CHF mn	First Half		Second Quarter	
	30.06. 2004	30.06. 2003	30.06. 2004	30.06. 2003
Net Result	126	-49	54	-51
Depreciation of fixed assets	164	281	77	192
Depreciation of goodwill	15	15	7	7
Depreciation of intangibles	5	4	3	2
Changes in long-term liabilities	87	12	19	-71
Gain / Loss on disposal before taxes	-10	0	-10	0
Other non-cash items	6	56	-26	37
Operating Cash Flow before changes in working capital	393	319	124	116
Changes in inventory	-23	-123	17	-13
Changes in trade receivables	-94	-51	-30	-20
Changes in trade payables	4	-117	21	-22
Changes in short-term liabilities and other current assets	40	-81	84	38
Operating Cash Flow	320	-53	216	99
Investments in tangible fixed assets	-111	-125	-58	-65
Investments in financial fixed assets	0	0	0	0
Investments in other intangibles	-6	-1	-6	-1
Disposals of tangible and intangible fixed assets	6	1	4	1
Acquisitions	0	-3	0	-3
Disposal of business activities and financial assets	10	0	10	0
Dividends from associated companies	29	27	9	10
Total cash flow from investing activities	-72	-101	-41	-58
Cash Flow before financing activities	248	-154	175	41
Capital increase	874	0	874	0
Treasury share transactions	5	3	4	3
Changes in short- and long-term financial debts and short-term deposits	-907	110	-558	100
Dividends paid to minorities	-3	-2	-3	0
Dividends paid	-30	0	-30	-1
Cash Flow from financing activities	-61	111	287	102
Currency translation effect on cash and cash equivalents	1	2	-4	3
Change in cash and cash equivalents	188	-41	458	146
Cash and cash equivalents on 1.1.2003 / 2002	929	718	659	531
Cash and cash equivalents at the end of period	1,117	677	1,117	677

Condensed Statement of Changes in Equity (unaudited)

CHF mn	Share Premium	Retained earnings	Cumulative Translation Differences	Total reserves	Total share capital	Treasury shares par value	Total equity
Balance 31.12.2002	1,888	-1,378	-344	166	767	-19	914
Capital increase							
Dividends to 3 rd parties							
Dividends on treasury shares							
Valuation of cash flow hedges			-2	-2			-2
Treasury shares transactions						1	1
Translation effects			197	197			197
Net income		-49		-49			-49
Balance 30.06.2003	1,888	-1,427	-149	312	767	-18	1,061
Balance 31.12.2003	274	396	-243	427	767	-18	1,176
Capital increase	490			490	384		874
Dividends to 3 rd parties		-30		-30			-30
Dividends on treasury shares		1		1			1
Valuation of cash flow hedges		3		3			3
Treasury shares transactions		5		5			5
Translation effects			-27	-27			-27
Net income		126		126			126
Balance 30.06.2004	764	501	-270	995	1,151	-18	2,128

Condensed Earnings Per Share Data

First Half	2004	2003 ³
Number of shares outstanding at 30.06.2004 resp. 30.06.2003	230,160,000	153,440,000
Average, weighted number of shares outstanding	193,875,406	172,679,594
Average, weighted, diluted number of shares outstanding	195,042,898	172,679,594
Earnings per share (in CHF)	0.65	-0.28
Diluted earnings per share (in CHF) ²	0.65	-0.28

¹ calculated with average, weighted number of shares outstanding (dilution factor 1.15)

² calculated with average, weighted, diluted number of shares outstanding (dilution factor 1.15)

³ restated for impact of capital increase (dilution factor 1.15)

Condensed Financial Statements (unaudited)

1. Basis of preparation of financial statements (reference IAS 34.16 lit a)

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 30 June 2004 (hereafter “the Group”). They are prepared in accordance with the International Accounting Standard 34 (IAS 34 “Interim Financial Reporting”) and were approved on August 2, 2004. These interim financial statements should be read in conjunction with the Consolidated Financial Statements for the year ended 31 December 2003 (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 judgement 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. Capital increase

On April 2, 2004 the Annual General Meeting of Clariant Ltd approved a capital increase amounting to CHF 920.6 million. For each two existing shares a new share was issued. In total 76 720 000 shares were issued at the price of CHF 12. The net proceeds from the capital increase after the deduction of all fees, taxes and transaction-related costs was CHF 874 million.

4. Repayments of debt

During the reporting period a syndicated loan in the amount of CHF 164 million and loan notes in the amount of CHF 195 million were paid back

5. Dividends paid

On April 2, 2004 the Annual General Meeting approved the distribution of a dividend of CHF 0.20 per share in respect of the business year 2003. The distribution to holders of outstanding shares totaled CHF 30 million and has been recorded against retained earnings in 2004. No dividend was distributed in the prior year.

6. Restructuring and Impairment

During the reporting period the Clariant group recorded expenses for restructuring and impairment in the amount of CHF 65 million. The most important measures comprised by this amount are site closures in Germany and the UK.

7. Material events subsequent to the end of the interim period that have not been reflected in the financial statements for the interim period

On July 23, 2004 Clariant announced the sale of its Electronic Materials activities to the US based Carlyle group. Clariant expects to realize a substantial gain from this transaction, which will be recorded as soon as the deal becomes effective. The activities of Electronic Materials have been reported as a discontinuing activity since Clariant announced its intention to dispose of these activities.

On July 28, 2004 a fire occurred in one of Clariant's subsidiaries in the UK, damaging a warehouse and a pilot plant. Clariant estimates the impact of this incident on the income statement not to exceed the amount of CHF 15 million.

Rates

Rates used to translate the consolidated balance sheets (closing rate)	30.06.2004	31.12.2003	% Change
1 USD	1.26	1.24	+2
1 EUR	1.53	1.56	-2
1 GBP	2.27	2.20	+3
100 JPY	1.16	1.16	0
Average sales-weighted rates used to translate the income statements and consolidated statements of cash flow	Half-year 2004	Half-year 2003	% Change
1 USD	1.27	1.35	-6
1 EUR	1.55	1.49	+4
1 GBP	2.31	2.18	+6
100 JPY	1.17	1.14	+3

CALENDAR OF CORPORATE EVENTS

November 9, 2004
March 8, 2005
April 7, 2005
May 10, 2005
August 4, 2005

Nine Months 2004 Results
Full Year 2004 Results
AGM
First Quarter 2005 Results
First Half 2005 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 26,500 people. Headquartered in Muttenz near Basel, it generated sales of around CHF 8.5 billion in 2003.

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

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.

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