

Clariant – The Way Forward

First Half Results
August 2, 2006



Exactly your chemistry.



Exactly your chemistry.

Content

Key Factors – First Half Results 2006

Financial Review

Business Review

Outlook

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

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

Challenges

Actions

- Higher raw material and energy costs continue to weigh on results



Strategic price management initiative launched



Improved sourcing, increased efficiency

- Performance erosion in Specialty Fine Chemicals (SFC)



Strategic options of SFC under review

- FUN impacted by unsatisfactory results in detergents



Cost cutting including closure of detergent plant in Germany underway

- Higher corporate costs, largely from supply chain investments



Increased focus on implementation, resulting in additional short-term costs



Sale of site infrastructure in Germany in process



Exactly your chemistry.

Key Factors
First Half Results

Financial Review

Business Review

Outlook

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



Exactly your chemistry.

Key Factors
First Half Results

Financial Review

Business Review

Outlook

First Half Results 2006

Slide 7

First Half 2006 – Key financial group figures

	First Half			
	2006		2005**	
	<i>CHF mn</i>	<i>% of sales</i>	<i>CHF mn</i>	<i>% of sales</i>
Continuing operations:				
Sales	4,192	100%	3,991	100%
Local currency growth (LC)	1%			
- Organic growth	4%			
- Acquisitions/Divestitures*	-3%			
Currencies	4%			
Gross profit	1,292	30.8%	1,233	30.9%
EBITDA before exceptionals	419	10.0%	421	10.5%
EBITDA	390	9.3%	375	9.4%
Operating income before exceptionals	286	6.8%	286	7.2%
Operating income	213	5.1%	227	5.7%
Net income from continuing operations	109		144	
Operating cash flow (total operations)	53		-43	
Discontinued operations:				
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

Second Quarter 2006 – Key financial group figures

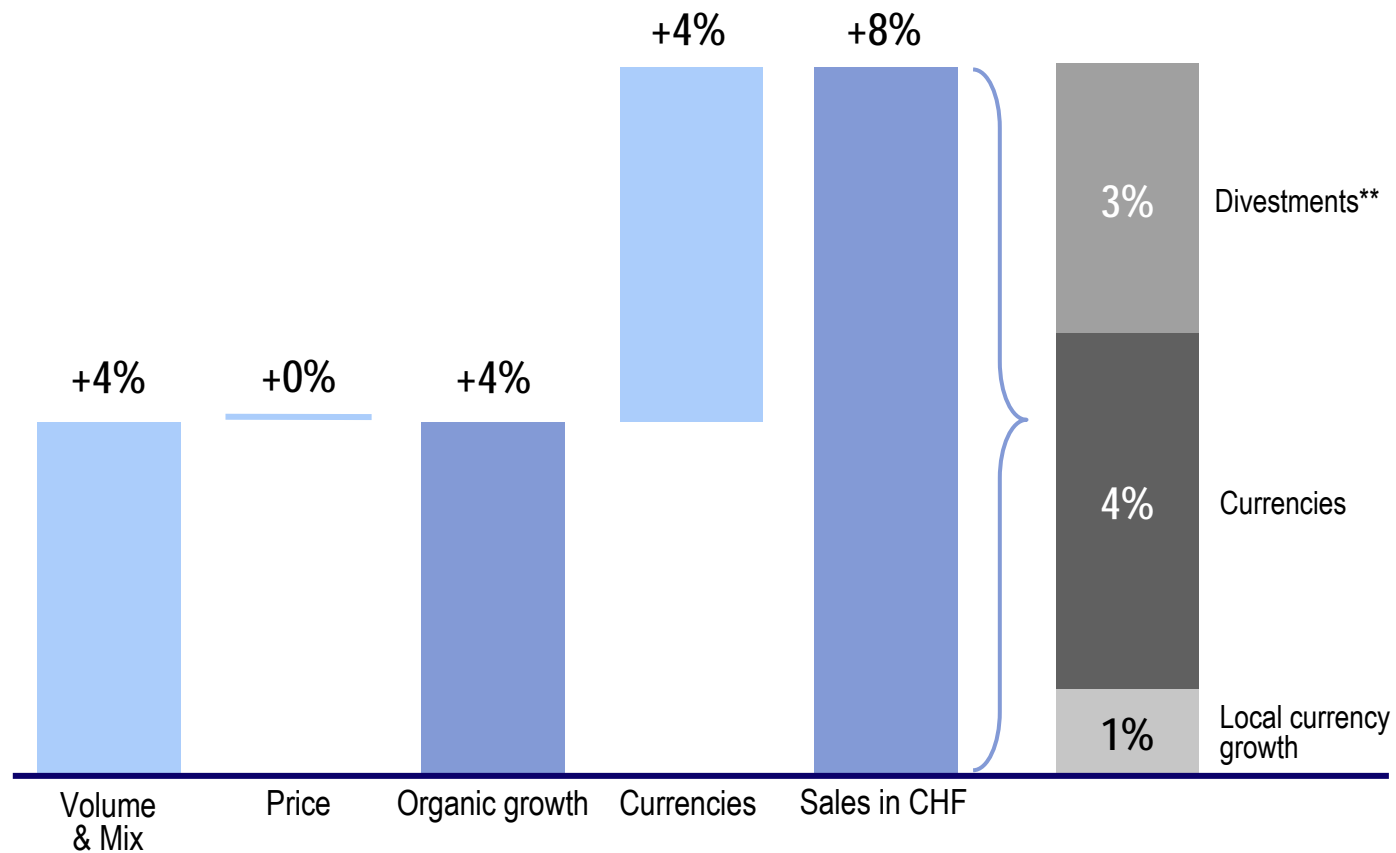
	2 nd Quarter			
	2006		2005**	
	<i>CHF mn</i>	<i>% of sales</i>	<i>CHF mn</i>	<i>% of sales</i>
Continuing operations:				
Sales	2,083	100%	2,040	100%
Local currency growth (LC)	0%			
- Organic growth	2%			
- Acquisitions/Divestitures*	-2%			
Currencies	2%			
Gross profit	650	31.2%	628	30.8%
EBITDA before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

* 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*

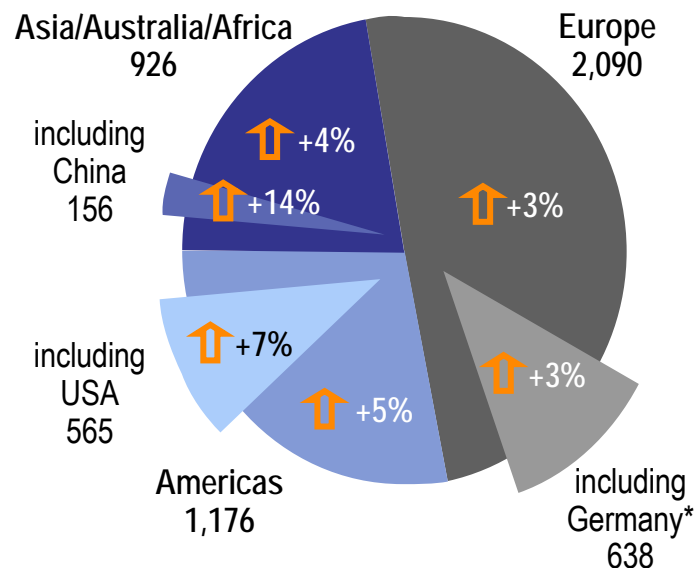


* Continuing operations

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

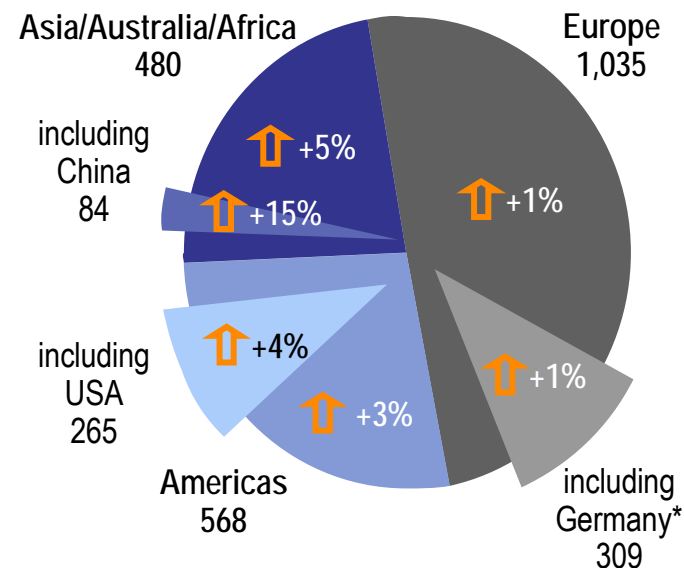
Regional sales First Half 2006

First Half 2006



Total Sales: 4,192 ↑ +4%

Second Quarter 2006



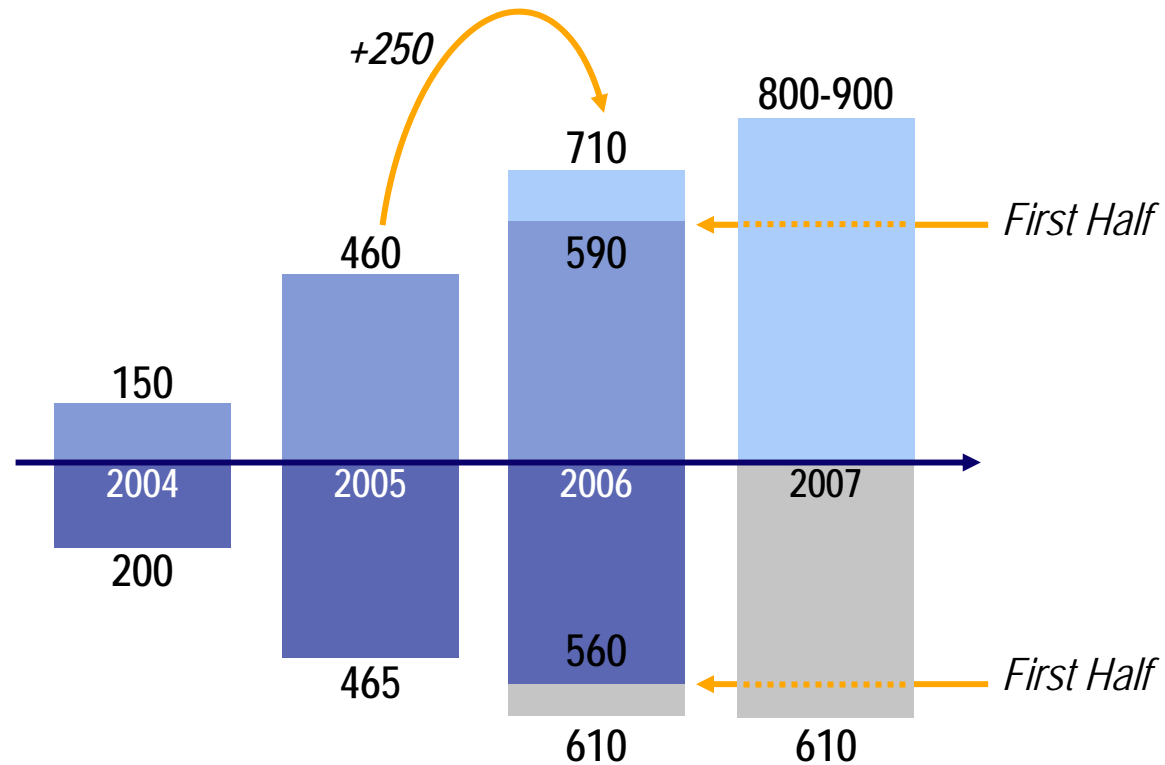
Total Sales: 2,083 ↑ +2%

Sales in mn CHF, ↑ 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*

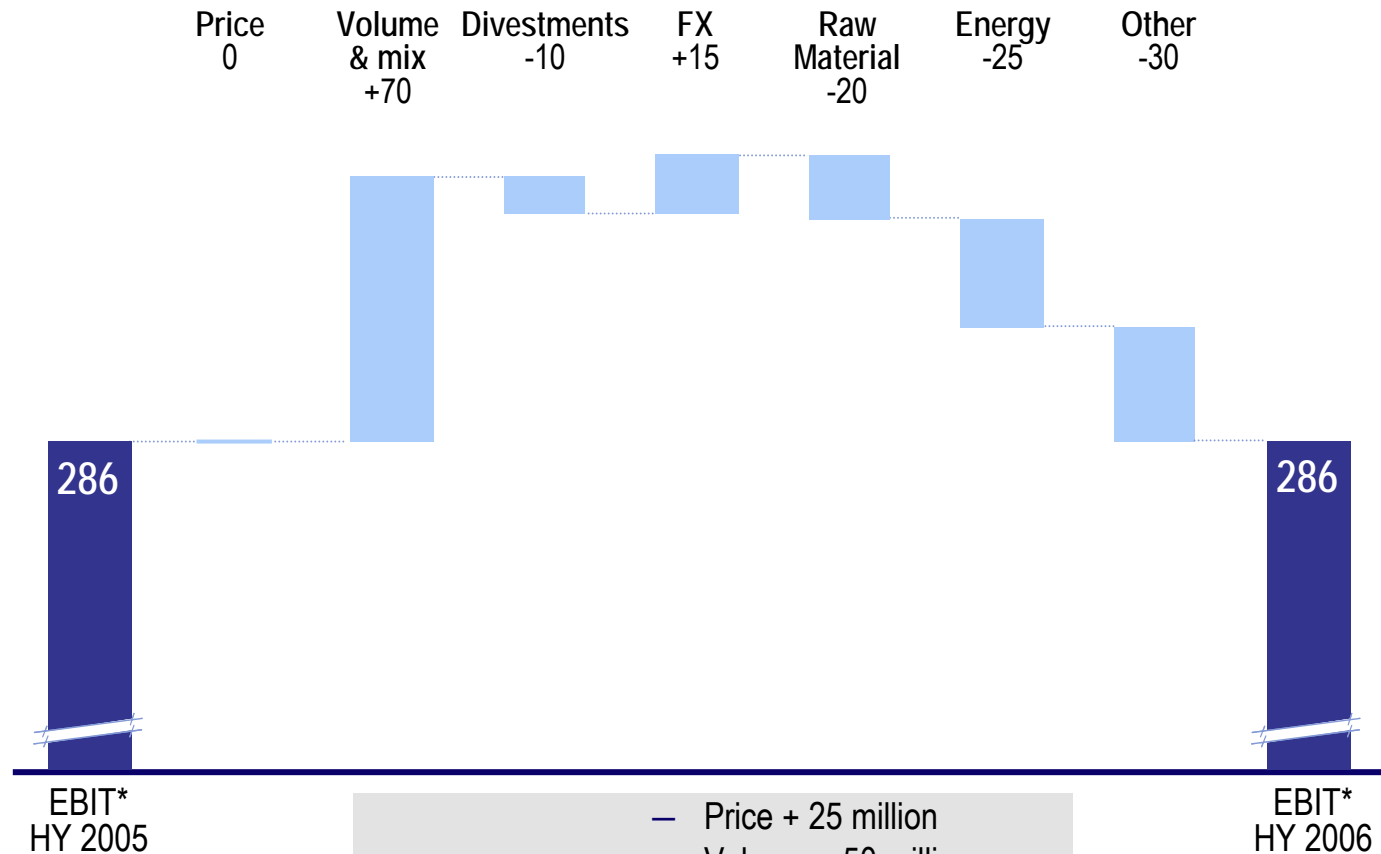


in mn CHF

- performance improvement measures
- performance improvement costs, restructuring costs, other CPIP costs

* before price erosion, FX, raw material impact and others, all figures cumulative

Key drivers of operating income before exceptionals in First Half 2006



CPIP benefits on:

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

in mn CHF
 * Continuing operations

Financial result First Half 2006

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

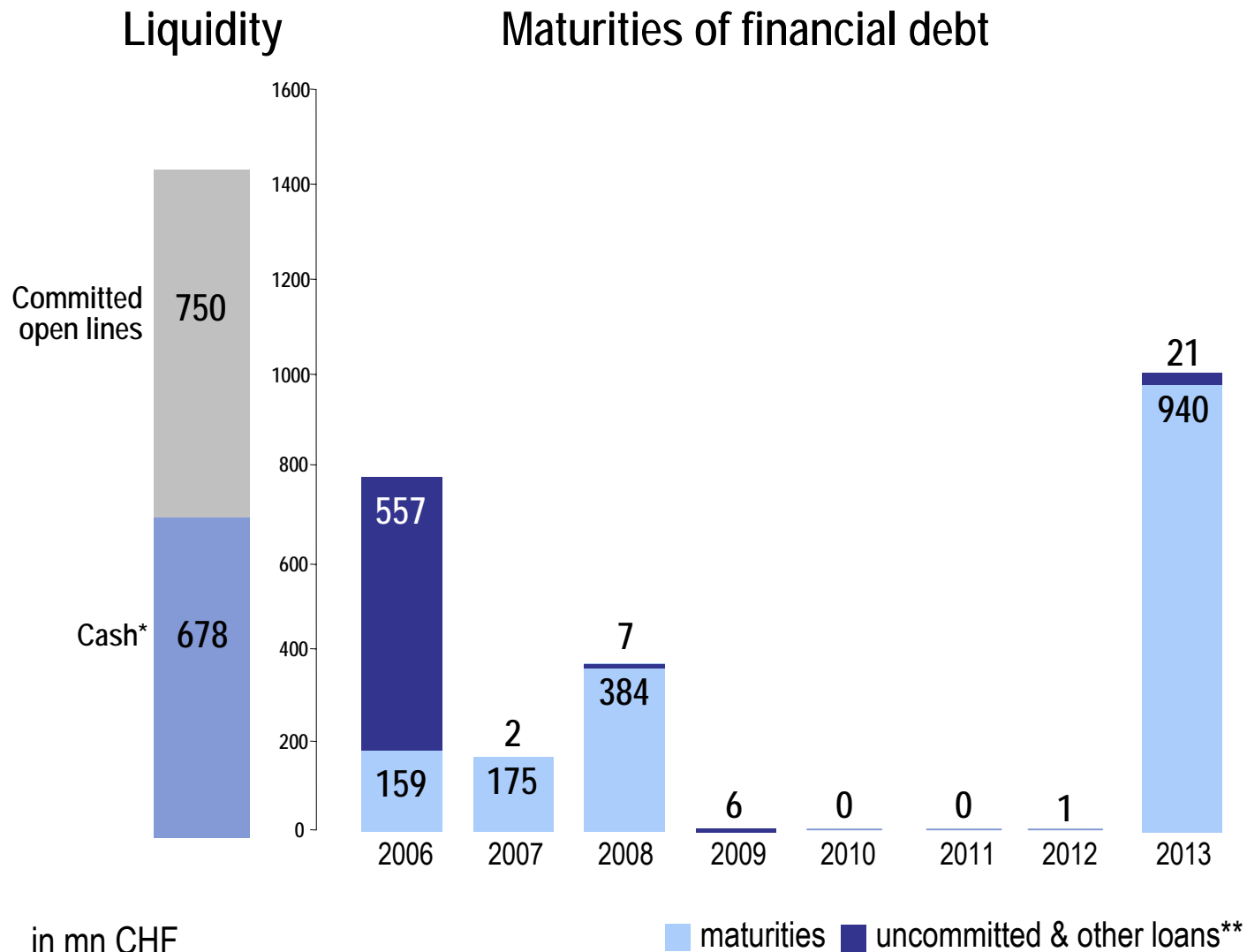
- Lower interest charges
- Negative currency result

Cash flow First Half 2006

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

- 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



Divisional sales and margins – First Half 2006

	First Half				
	CHF mn	Sales % Organic Growth*	% LC	EBITDA Margin in %**	
				2006	2005***
Textile, Leather & Paper Chemicals	1,155	+4	+4	9.8	10.5
Pigments & Additives	1,016	+3	+3	16.9	13.9
Masterbatches	643	+9	+9	12.4	10.2
Functional Chemicals	1,127	+6	+6	10.1	12.4
Life Science Chemicals	251	-13	-36	3.2	9.8
Total Group	4,192	+4	+1	10.0	10.5

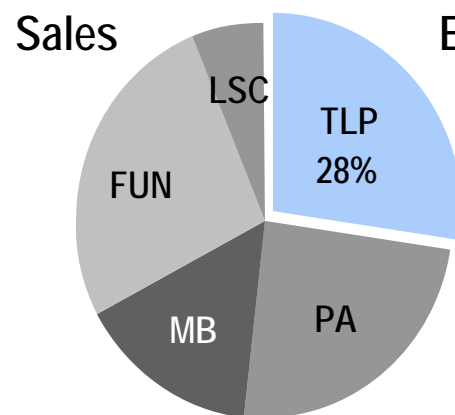
* Divestments included Clariant Acetyl Building Blocks, Germany, of the Life Science Chemicals Division, sold July 2005

** EBITDA-Margin before exceptionals

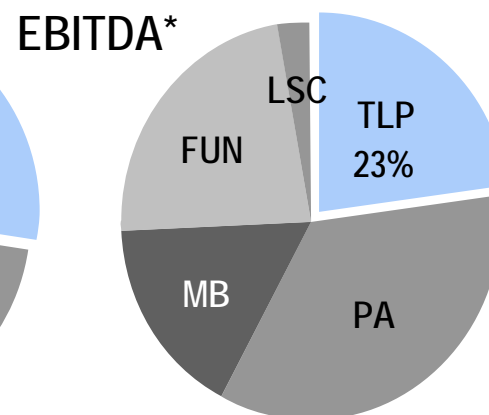
*** 2005 is restated to exclude the discontinued operations of the Pharmaceutical Fine Chemical Business, sold June 2006

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



First Half 2006

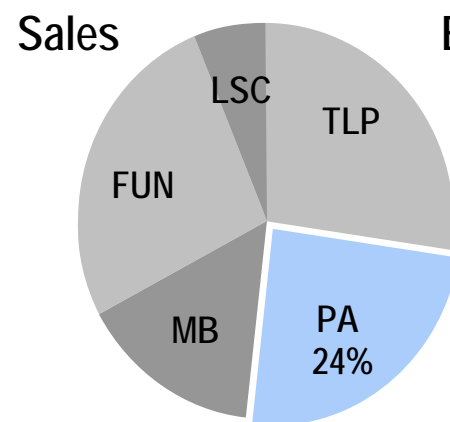


* before exceptionals

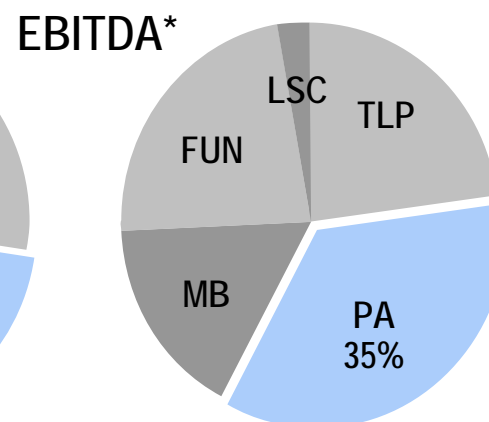


Pigments & Additives

- 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



First Half 2006

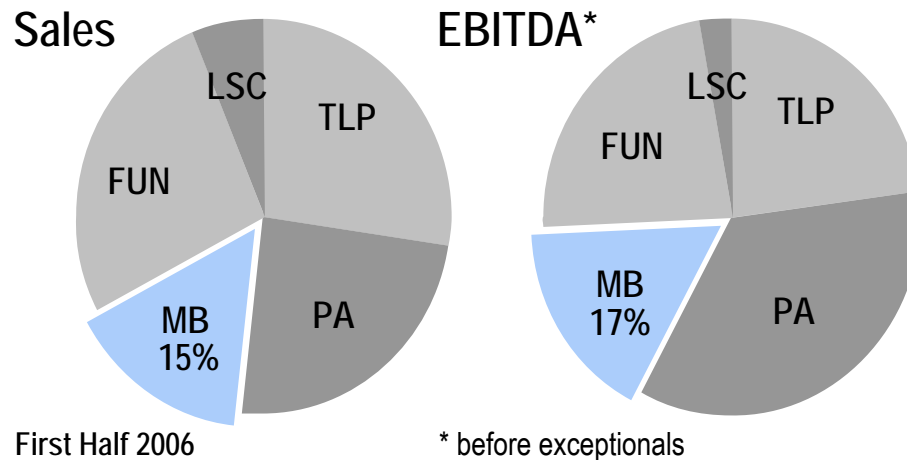


* before exceptionals



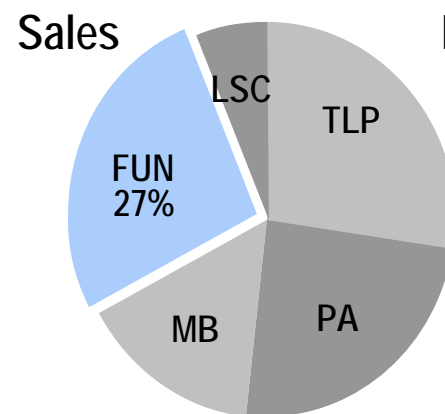
Masterbatches

- 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

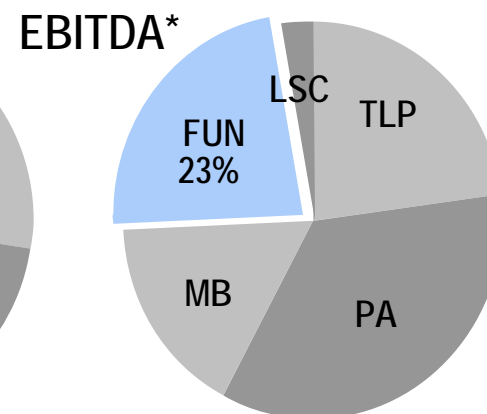


Functional Chemicals

- 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



First Half 2006

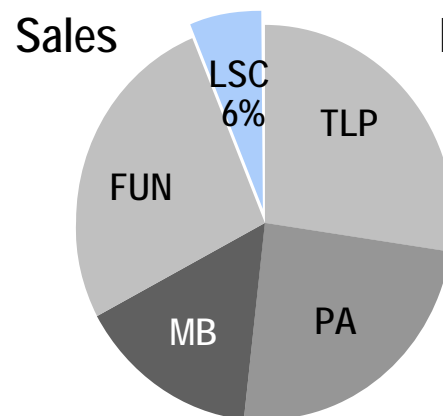


* before exceptionals

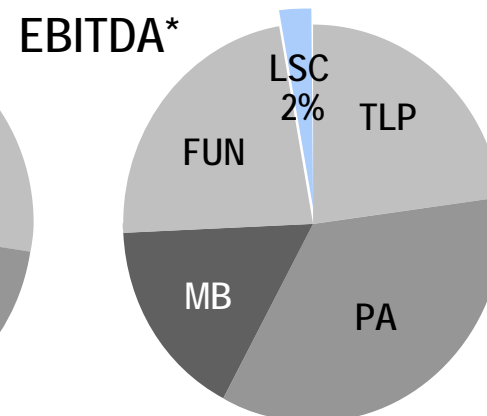


Life Science Chemicals

- **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





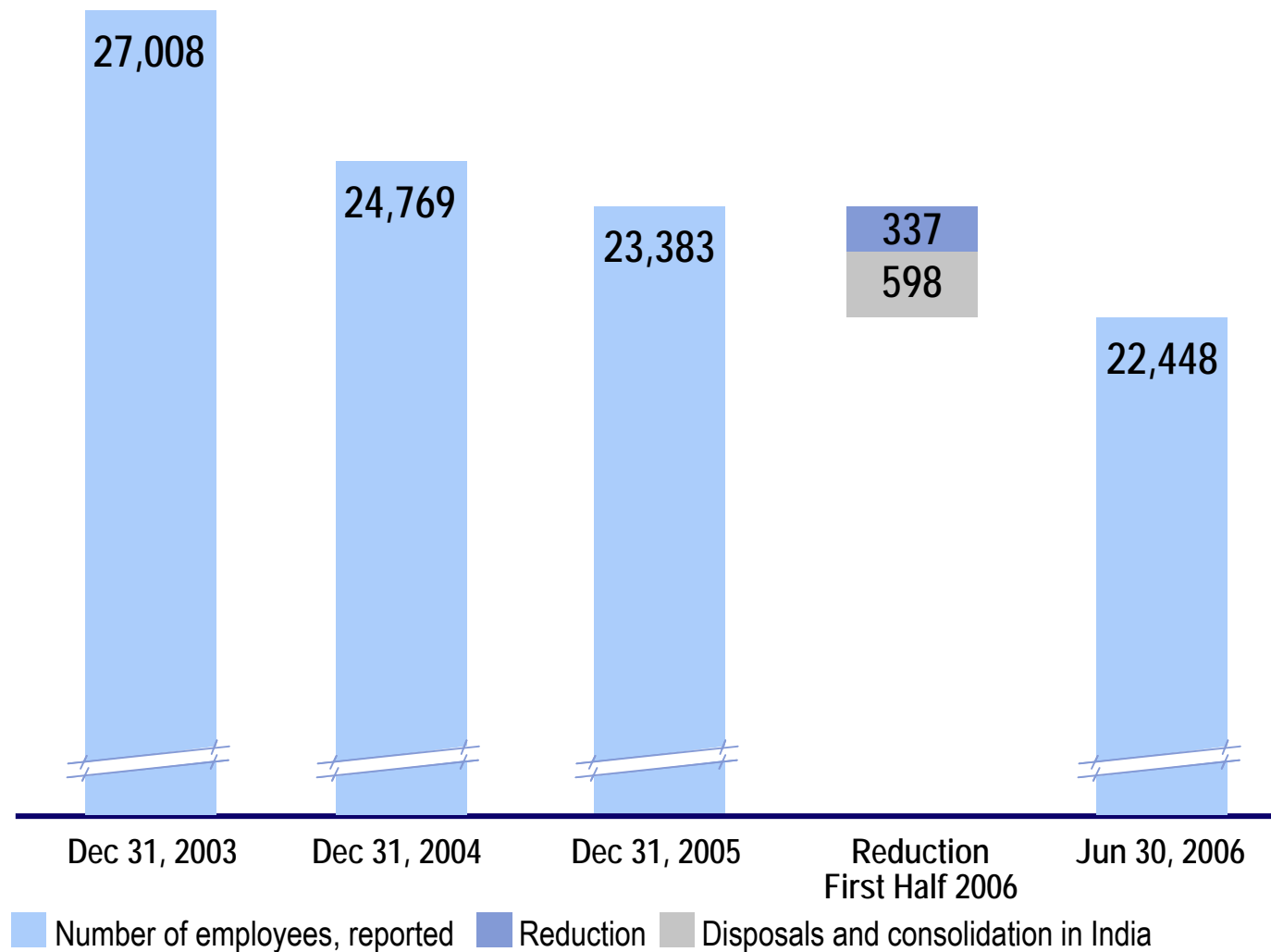
Exactly your chemistry.

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

First Half Results 2006

Slide 22

Personnel reduction



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

2006 – Focus on improving profitability



Exactly your chemistry.

Calendar of upcoming corporate events

November 7, 2006 Nine Month 2006 Results

November 14-15, 2006 "Clariant meets Investors," Basel

November 29-30, 2006 Merrill Lynch Conference, London

February 20, 2007 Full Year 2006 Results

April 2, 2007 Annual General Meeting, Basel



Exactly your chemistry.

Your Investor Relations contacts



Dr. Holger Schimanke
Head Investor Relations

Phone
Mobile
email

+41 (0) 61 469 67 45
+41 (0) 79 343 59 83

holger.schimanke@clariant.com



Fabian Hildbrand, CIIA
Investor Relations Officer

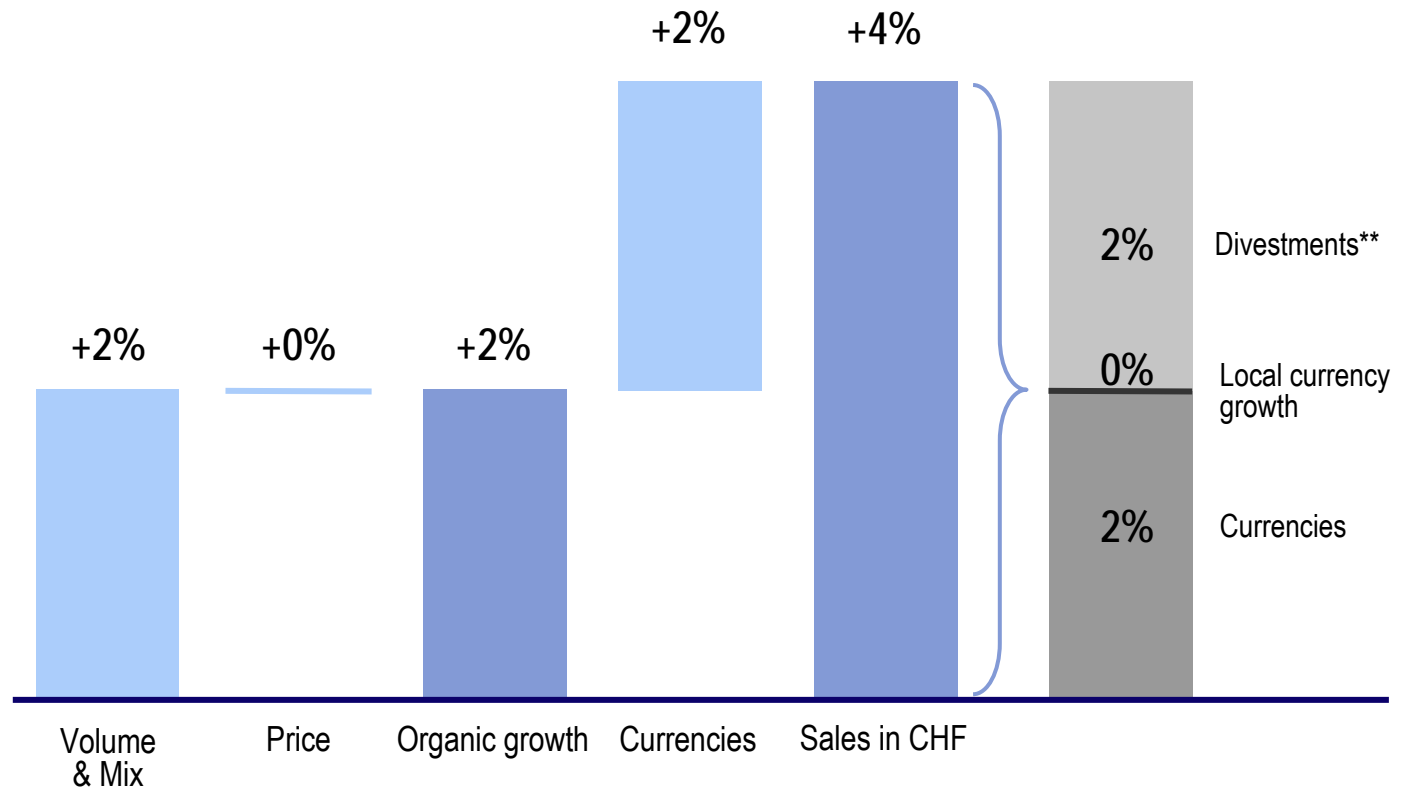
Phone
Mobile
email

+41 (0) 61 469 67 49
+41 (0) 79 763 93 80

fabian.hildbrand@clariant.com

Lower growth momentum in Second Quarter 2006

2nd Quarter 2006 versus 2nd Quarter 2005*



* 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 nd Quarter				
	CHF mn	Sales % Organic Growth*	% LC	EBITDA Margin in %**	
				2006	2005***
Textile, Leather & Paper Chemicals	591	+4	+4	10.3	10.5
Pigments & Additives	517	+3	+3	16.4	14.7
Masterbatches	319	+8	+8	11.6	9.7
Functional Chemicals	537	+6	+6	8.6	12.0
Life Science Chemicals	119	-24	-41	0.9	10.9
Total Group	2,083	+2	0	9.4	10.5

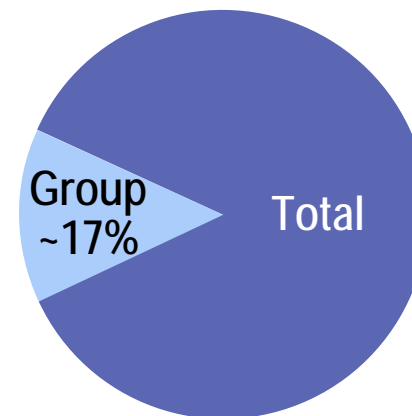
* Divestments included Clariant Acetyl Building Blocks, Germany, of the Life Science Chemicals Division, sold July 2005

** EBITDA-Margin before exceptionals

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

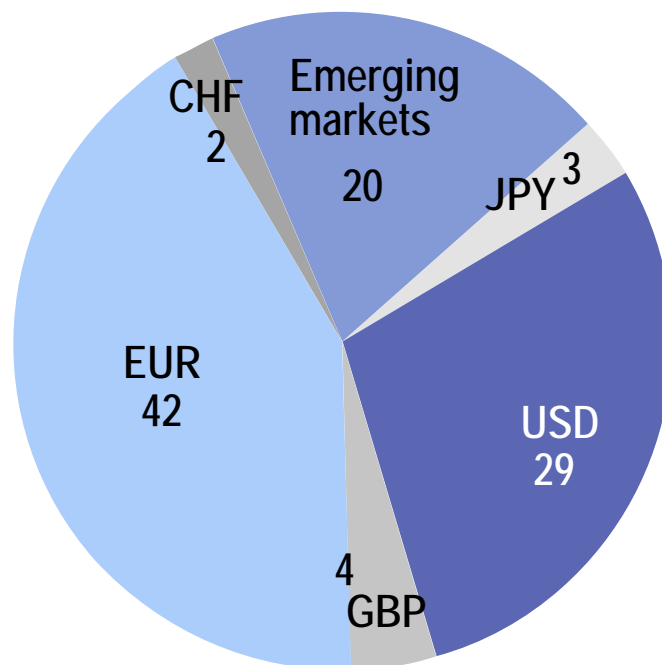
Top 5 products in percentage of total raw material costs

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

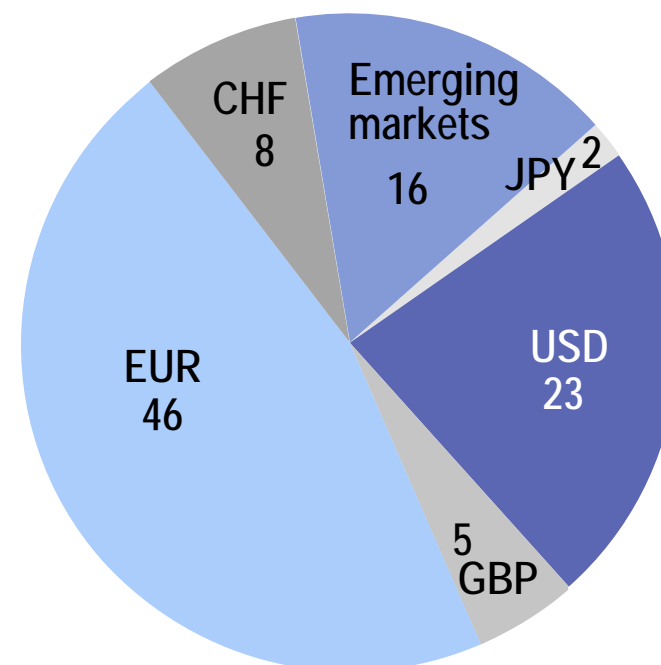


Sales and cost structure – Full Year 2005

Global sales distribution in %



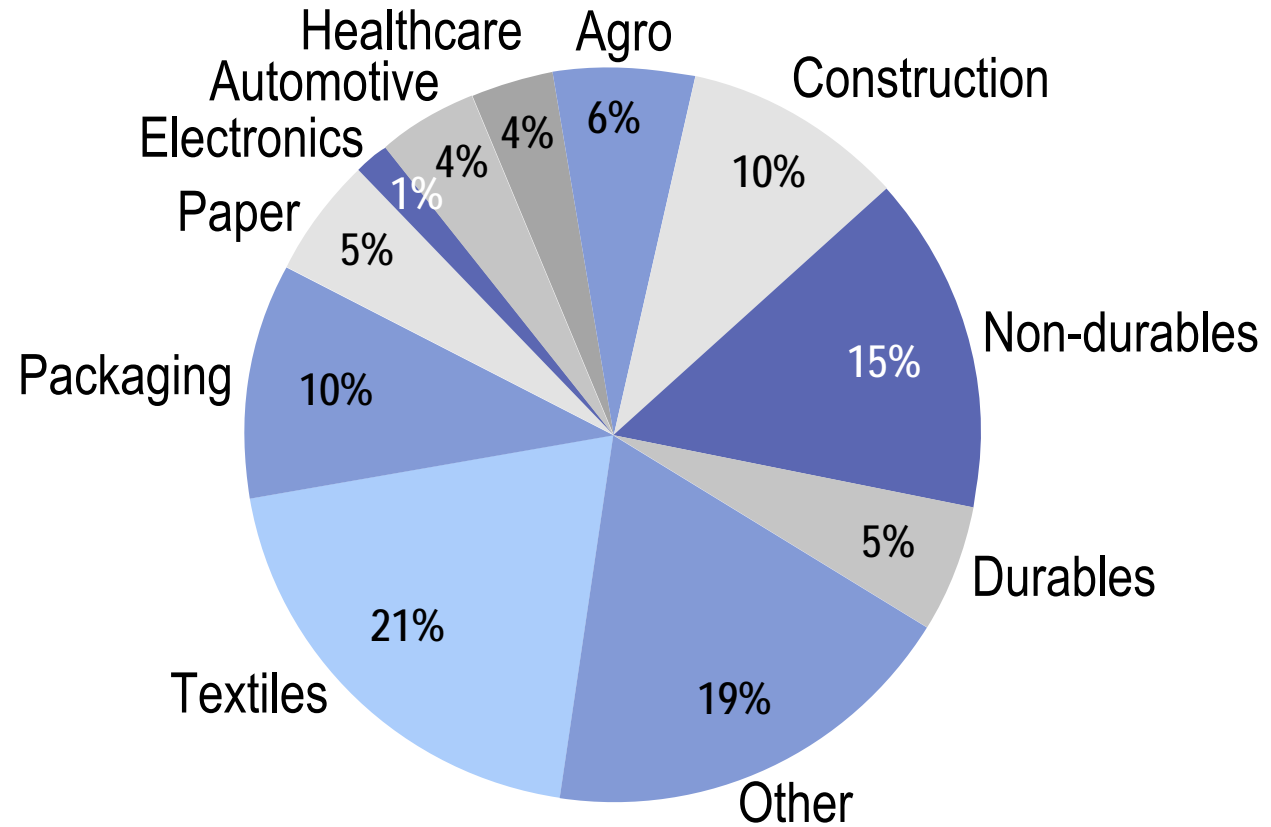
Global cost distribution in %



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





Exactly your chemistry.

Disclaimer

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

Because these forward-looking statements are subject to risks and uncertainties, actual future results may differ materially from those expressed in or implied by the statements. Many of these risks and uncertainties relate to factors that are beyond Clariant's ability to control or estimate precisely, such as future market conditions, currency fluctuations, the behavior of other market participants, the actions of governmental regulators and other risk factors such as: the timing and strength of new product offerings; pricing strategies of competitors; the Company's ability to continue to receive adequate products from its vendors on acceptable terms, or at all, and to continue to obtain sufficient financing to meet its liquidity needs; and changes in the political, social and regulatory framework in which the Company operates or in economic or technological trends or conditions, including currency fluctuations, inflation and consumer confidence, on a global, regional or national basis.

Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of this document. Clariant does not undertake any obligation to publicly release any revisions to these forward-looking statements to reflect events or circumstances after the date of these materials.