Clariant

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# *Quarterly Report*
# **August 2, 2007**

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# Clariant Reports Good Sales Growth for the First Half of 2007

- > **Sales up 5% in local currency; 6% in Swiss Francs**
- > **Prices up 1% with additional price increases announced**
- > **Lower SG&A costs and supply chain improvements due to progress on strategic initiatives**
- > **Unfavorable currency effects as well as rising raw material and energy costs impacted profitability**
- > **Measures to reduce net working capital on track, positive effect on inventories**
- > **Outlook for 2007 confirmed—company on course to meet strategic goals**

## Key Financial Group Figures

| | First Half | | | | Second Quarter | | | |
|---|---|---|---|---|---|---|---|---|
| **Continuing operations:** | **2007** CHF mn | **2007** % of sales | 2006 CHF mn | 2006 % of sales | **2007** CHF mn | **2007** % of sales | 2006 CHF mn | 2006 % of sales |
| Sales | 4 336 | 100.0 | 4 081 | 100.0 | 2 180 | 100.0 | 2 033 | 100.0 |
| | | | | | | | | |
| Local currency growth (LC): | 5% | | | | 4% | | | |
| *Organic growth*[1] | *4%* | | | | *3%* | | | |
| *Acquisitions/Divestitures* | *1%* | | | | *1%* | | | |
| Currencies | 1% | | | | 3% | | | |
| | | | | | | | | |
| Gross profit | 1 297 | 29.9 | 1 285 | 31.5 | 626 | 28.7 | 650 | 32.0 |
| EBITDA before exceptionals* | 430 | 9.9 | 426 | 10.4 | 211 | 9.7 | 201 | 9.9 |
| EBITDA* | 406 | 9.4 | 397 | 9.7 | 196 | 9.0 | 178 | 8.8 |
| Operating income before exceptionals* | 294 | 6.8 | 298 | 7.3 | 142 | 6.5 | 138 | 6.8 |
| Operating income | 266 | 6.1 | 225 | 5.5 | 127 | 5.8 | 71 | 3.5 |
| Net income from continuing operations | 174 | 4.0 | 122 | 3.0 | 88 | 4.0 | 26 | 1.3 |
| Operating cash flow (total operations) | 12 | | 53 | | 7 | | 62 | |
| | | | | | | | | |
| **Discontinued operations:** | | | | | | | | |
| Sales | 81 | | 225 | | 35 | | 112 | |
| Net loss from discontinued operations | - 101 | | - 107 | | - 99 | | - 105 | |
| | | | | | | | | |
| **Other key figures:** | **30.06.2007** | | 31.12.2006 | | | | | |
| Net debt | 1 655 | | 1 556 | | | | | |
| Equity (including minorities) | 2 546 | | 2 433 | | | | | |
| Gearing | 65% | | 64% | | | | | |
| Number of employees | 21 338 | | 21 748 | | | | | |

1 Throughout this statement the term "organic growth" is being used. It means volume and price effects excluding the impacts of changes in FX rates and acquisitions/divestitures.

* See Definitions of Terms of Financial Measurement on page 11.

MUTTENZ, Switzerland – August 2, 2007
**Clariant announced a rise in sales in the First Half of 2007, with growth of 5% in local currency terms and 6% in Swiss Franc terms, compared with the First Half of 2006. Sales rose to CHF 4.336 billion from CHF 4.081 billion a year earlier, with continued strong demand across all divisions.**

The gross margin decreased to 29.9% from 31.5 % due to an increase in energy costs and a 4% rise in raw material prices. While Clariant managed to increase prices by 1%, the company was adversely affected by a sharp increase in raw materials costs, which affected the Pigment & Additives and the Textile, Leather & Paper Chemicals divisions in particular. Currency effects also negatively impacted Clariant's gross profit.

The company's efforts to sustainably reduce sales, general and administrative expenses (SG&A) helped mitigate an erosion in margins. SG&A costs, as a percentage of sales, were lowered to 20.9% from 22.1%. Operating income before exceptional items reached CHF 294 million and remained stable compared to First Half of 2006 (CHF 298 million). The adverse currency effect on EBIT in the First Half of 2007 was approximately CHF 35 million. The EBIT margin before exceptionals declined to 6.8% from 7.3%. Net income from continuing operations increased to CHF 174 million from CHF 122 million in the same period of 2006.

The focus on cash flow improvement resulted in a decrease of inventories to 97 days from 106 days over the past 12 months. This had an effect on profitability as it led to expected lower capacity utilization. Other measures to decrease net working capital are on track with further improvements expected for the Second Half of the year.

## STRATEGIC INITITATIVES ON TRACK

In line with the company's short and mid term targets, the strategic initiatives that were announced in November 2006 have started to bear fruit. SG&A cost reductions, product pruning and site review activities are well underway.

- SG&A costs were decreased mainly thanks to supply chain improvements and lower corporate project costs. In the businesses, cost reductions are on track, the benefits of which will be seen in the Second Half. One example of this was the closure of 5 out of 7 textile laboratories in Europe in the First Half of 2007.

- Furthermore, the site restructuring measures that were announced at the end of 2006 are on track. As one example, two sites in France were closed and one further closure announced.

- Clariant's strong focus on prices has resulted in a 1% selling price increase in the First Half of 2007. Further increases have been announced and are expected to show results in the Second Half of the year.

- The disposal of the Custom Manufacturing Business to International Chemical Investors Group has been completed. This highlights Clariant's strategy to focus on its core competencies in colors, surfaces and performance chemicals. As announced last quarter, the transaction has led to a book loss of CHF 79 million in the Second Quarter.

"We achieved strong top-line growth with increased prices, but profitability clearly remains disappointing," said Jan Secher, Clariant's chief executive officer. "At the beginning of 2007 we said that our priorities for the year would be to reduce our SG&A costs and our net working capital. It is encouraging to see that the measures taken in these areas are starting to bear fruit. We expect this to continue in the Second Half of the year, a clear evidence of our commitment to deliver both on our short and mid-term targets," Mr. Secher said.

## STEADY GROWTH FOR ALL DIVISIONS

**Integration of the Ciba masterbatches business fully completed**
Masterbatches generated sales growth of 10%, equivalent to organic growth of 4%. Demand for plastics remained robust, although sales slowed down in the Second Quarter from the First Quarter. Margins before exceptionals dropped to 9.3% from 10.0%, due to the now completed integration of the Ciba masterbatches business. The related costs were in line with expectations but were realized ahead of schedule due to the accelerated integration. Consequently profitability already began to recover in the Second Quarter. The business remained resilient in the US and was strong in Latin America. The division has expanded capacity in Asia and at the same time tackled non performing units in this region.

### Pigments & Additives sees continued growth

The Pigments & Additives Division reported organic growth of 3% for the First Half. The Coating as well as the Plastics business saw solid demand whereas the Printing business continued to face a challenging business climate. Operating margins before exceptionals fell to 9.2% from 13.0% mainly due to the strongest negative currency effects within the Group and a sharp increase in raw material prices. Under the leadership of Okke Koo, who assumed his role as division head on August 1, Pigments & Additives will implement further measures to improve performance, raise prices and reduce costs.

### Paper Business drives Textile, Leather & Paper

The Textile, Leather & Paper Chemicals Division posted organic growth of 3% in the First Half. The profitability of the division was strongly impacted by raw material price increases. The Paper business continued to see strong volume growth with increased demand for paper dyes and chemicals, while the Textile business saw moderate growth. The markets for Clariant's Leather business weakened significantly. Operating margins before exceptionals were steady at a low level of 6.9%. As announced previously, Philippe Royer assumed his role as new head of the division on July 1. He will have a strong focus on implementing further price increases and cost reductions.

### Functional Chemicals further increases its capabilities in oilfield services

Functional Chemicals achieved a 5% rise in organic growth in the First Half, with a strong performance, in particular from oilfields services and crop protection chemicals. The division was able to offset higher raw material costs with price increases. However, operating margins before exceptionals fell to 7.2% from 7.8%, mainly driven by the low performance in the Specialty Intermediate business as well as the Detergents business. In line with the Group strategy these two product driven businesses have been combined effective August 1, 2007 in an effort to reduce complexity and create a leaner cost structure.

### Strong growth in Asia

Asia continued to post the strongest organic growth, up 9% in the First Half, driven by a 23% increase from China. Europe achieved a steady 1% organic growth in the First Half. Germany accounted for 2% growth, while the southern part of Europe saw a decline. The Americas posted a 4% increase in First Half growth. While Latin America grew solidly, the U.S. market – as expected - declined 1% due to continued lower demand from the housing, automotive and plastic industries.

## OUTLOOK FOR FULL YEAR MAINTAINED

Clariant confirmed its outlook for the Full Year. The company anticipates a broadly stable macroeconomic climate, continued high raw material and energy costs and a stabilized exchange rate environment.

Clariant expects higher sales in local currency terms in 2007 with an increase in operating income before exceptional items from continuing operations, with margins remaining stable. Clariant also expects higher cash flow from operations before exceptional items - driven by further net working capital reduction - as well as an improvement in recurring net income.

"Our priority for the rest of the year will be to improve the cash flow, further implement price increases and continue to reduce SG&A costs," Mr. Secher said. "We are fully committed to delivering on our 2007 goals with a clear focus on reaching our ROIC targets in the medium term."

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# Financial Review
## Financial Discussion Second Quarter

### Economic Environment
The global economy continues to enjoy what is a strong period of sustained growth, mainly owing to the very strong performance from the emerging markets. The US economy, affected by the sharp correction in housing market activity, showed improved growth in selected areas of the economy. Europe continues to deliver solid growth, and the Japanese economy is showing signs of a sustainable recovery. The global economic trend is the main driver of the strong demand for energy. The oil price has approached record levels and, given the latest price movements, is set to remain high.
Currencies continued to trend in the same direction as they did during the First Quarter. Compared to the average exchange rate in the Second Quarter of 2006, the euro and sterling continued to appreciate against the Swiss franc whereas the Japanese yen and the US dollar weakened considerably against the Swiss currency.

### Sales and Operating Results
Consolidated sales from continuing operations increased by a robust 7% in Swiss franc terms and 4% in local currency terms compared to the Second Quarter of the previous year. Stripping out the effect of the acquisition of Ciba's Masterbatches unit, organic growth was 3% in local currency. Minor price increases were implemented during the quarter.

The **gross margin** decreased to 28.7% in the Second Quarter of 2007 compared with 32.0% in the same period a year earlier. This decline was attributable mainly to sharp increases in raw material (4% year on year) and energy costs as well as to further inventory devaluations in Latin America due to the strengthening of the local currencies.

**Selling, general and administrative expenses (SG&A)** amounted to 20.0% of sales compared to 22.9% in the Second Quarter of 2006. This improvement in overhead costs was driven by cost-cutting initiatives, lower supply chain related project costs compared to the previous year, and a one-time gain from the sale of a production plant in the UK.

**Research and development costs** rose to CHF 54 million in the Second Quarter of 2007, from CHF 53 million in the previous year.

**Income from associates** amounted to CHF 7 million in the Second Quarter of 2007 and therefore remained stable compared to the prior-year period.

**Restructuring costs and impairment** losses in the amount of CHF 16 million primarily reflect restructuring activities in France, the USA, Spain, and Portugal.

**Net financial result** stood at CHF 1 million in the Second Quarter of 2007, an improvement of CHF 26 million compared with the prior-year period. This was driven mainly by foreign exchange gains, which were a positive CHF 25 million compared to a positive CHF 3 million in 2006. In addition, the net interest result improved by CHF 4 million year on year despite higher interest rates globally. This improvement was chiefly attributable to an optimized mix of net debt throughout the First and Second Quarters of 2007.

**Tax expenses** in the second quarter of 2007 were affected by a decline in the proportion of profits being generated in low-tax countries and by impairment and restructuring costs that were only partly tax-effective.

**Net income from continuing operations** amounted to CHF 88 million in the Second Quarter of 2007, up from CHF 26 million in the same period of 2006.

The **loss from discontinued operations** amounted to CHF 99 million in the Second Quarter of 2007, including a 79 million Swiss Franc book loss on the disposal of the Custom Manufacturing business. The prior-year figure included the book loss on the disposal of the pharmaceutical fine chemicals business.

### Balance Sheet Key Figures
**Total assets** increased from CHF 7.188 billion at the end of 2006 (March 2007: CHF 7.429 billion) to CHF 7.750 billion as of June 30, 2007. Moderate increases in inventories and trade receivables, a payment to the pension plan assets, and the investment of a large part of the proceeds of the newly launched Swiss franc bond into short-term finanical assets were all contributing factors.

**Cash and cash equivalents** increased from CHF 443 million at the end of 2006 to CHF 461 million as of June 30, 2007.

**Current financial debt** increased from CHF 623 million at the end of 2006 to CHF 1.028 billion as of June 30, 2007, whereas non-current financial debt decreased from CHF 1.376 billion at the end of 2006 to CHF 1.268 billion as of June 30, 2007. This was the result of a CHF 384 million bond due in March 2008 being reclassified from non-current to current debt and the launch of a bond in the amount of CHF 250 million.

**Equity** increased from CHF 2.433 billion at the end of 2006 to CHF 2.546 billion as of June 30, 2007. This was due to a net income of CHF 73 million during the reporting period and the positive impact of FX movements. The euro and the Brazilian real in particular were contributing factors. These positive impacts were partly offset by a CHF 57 million reduction in the nominal share capital.

**Net debt** increased from CHF 1.556 billion at the end of 2006 to CHF 1.655 billion as of June 30, 2007. On March 31 2007, net debt was CHF 1.544 billion.

**Gearing**, which reflects net financial debt in relation to equity including minorities, increased from 64% at the end of 2006 to 65% as of June 30, 2007.

## Cash Flow

**Cash flow from operating activities before changes in working capital** was CHF 102 million for the Second Quarter of 2007 compared to CHF 120 million for the prior quarter and CHF 186 million for the same period a year earlier. In 2006 Clariant benefited from a one-time tax refund in Germany in the amount of CHF 17 million.
Operating cash flow for the first six months of 2007 was CHF 222 million compared to CHF 315 million for the first six months of 2006. Cash flow was negatively impacted by the weakening performance of the Discontinued Operations, namely the Custom Manufaturing business.

**Working capital** increased by CHF 95 million during the Second Quarter of 2007, compared to an increase of CHF 124 million for the same period in 2006. In the first six months of 2007, working capital increased by CHF 210 million, compared to an increase of CHF 262 million for the same period a year earlier. The working capital requirements were influenced by lower inventory levels and to a lower extent by higher trade receivables. As a result of the change of the operating model and thus changed procedures in the VAT clearance Clariant saw a substantial increase in VAT receivables, an effect that is expected to come to a halt in the near future. Changes in other current assets further includes a CHF 38 million non-recurring payment into the pension plan in the UK, which resulted in an increase in pension plan assets.

**Cash flow from operating activities** stood at CHF 7 million for the Second Quarter of 2007 compared to CHF 5 million for the prior quarter and CHF 62 million for the same period of 2006. For the first six months of 2007, cash flow from operating activities amounted to CHF 12 million compared to CHF 53 million for the same period a year earlier.

**Capital expenditure (PPE)** stood at CHF 75 million for the Second Quarter compared to CHF 57 million for the First Quarter of 2007 and CHF 102 million for the same period a year earlier. For the first six months of 2007, capital expenditure amounted to CHF 132 million compared to CHF 164 million for the first six months of 2006. Other significant divestment activities in 2007 included the disposal of the DMS business in Germany which was reported in the First Quarter. This formed part of the Custom Manufacturing business and had been classified as a Discontinued Operations. On June 29, 2007, Clariant completed the disposal of the remainder of its Custom Manufacturing activities to International Chemical Investors Group (ICIG). Both transactions resulted in a cash outflow from the Group totaling CHF 9 million.

# Business Discussion Second Quarter

## Textile, Leather & Paper Chemicals

| | First Half | | | | Second Quarter | | | |
|---|---|---|---|---|---|---|---|---|
| | 2007 | | 2006 | | 2007 | | 2006 | |
| | CHF mn | % of sales | CHF mn | % of sales | CHF mn | % of sales | CHF mn | % of sales |
| Sales | 1 198 | | 1 155 | | 618 | | 591 | |
| EBITDA before exceptionals | 119 | 9.9 | 113 | 9.8 | 67 | 10.8 | 61 | 10.3 |
| Operating income before exceptionals | 83 | 6.9 | 78 | 6.8 | 49 | 7.9 | 44 | 7.4 |
| Operating income | 74 | 6.2 | 78 | 6.8 | 41 | 6.6 | 45 | 7.6 |

See Definitions of Terms of Financial Measurements on page 11.

In the Second Quarter of the year, the **Textile, Leather & Paper Chemicals** division increased sales by a further 1% in organic terms and 5% in Swiss franc terms. This growth was achieved in an environment of still-solid but slightly lower demand and price pressures. Growth within the business segments varied, however: while sales in the Paper Business continued to be robust, and the Textile Business also delivered good rates of growth, there were clear signs that, in the Leather Business, the cycle was starting to turn down. In regional terms, growth was underpinned mainly by business in Asia, Latin America, and the emerging markets.
Despite higher raw material costs, partially caused by scarcity of raw materials, and unfavorable currency effects, profitability improved slightly due to a lower cost base and the aforementioned volume growth.

In the **Textile Business**, all units achieved a further increase in sales compared with the prior-year period. In Technical Textiles, demand remained high, while in Finishing, the demand trend showed further improvement, driven mainly by China. Technical Textiles launched a new product line in C6 fluorochemistry. A further highlight within this business was the positive trend in Textile Dyes resulting from the focused product portfolio.
Regionally, core textile markets such as Asia and the emerging markets continued to grow, whereas Europe and especially North America showed further weakness.

The **Paper Business** delivered strong volume growth in the Second Quarter. Demand for optical brightening agents remained high and made a key contribution to growth. Paper dyes and paper chemicals in particular experienced an increase in demand. Growth was driven by Asia, the emerging markets, and, to a lesser extent, Latin America. The Emulcoat® product range (barrier paper coatings), which is being progressively rolled out among customers, generated its first sales revenue during the Second Quarter.

The **Leather Business** achieved only low growth year-on-year, although price increases were accompanied by slightly higher volumes. Demand for leather chemicals dwindled across all business; with the exception of Asia, all regions showed the same negative trend.
The downturn in Finishing and wet-end dyes had the biggest impact on the financial result.

## Pigments & Additives

| | First Half | | | | Second Quarter | | | |
|---|---|---|---|---|---|---|---|---|
| | 2007 | | 2006 | | 2007 | | 2006 | |
| | CHF mn | % of sales | CHF mn | % of sales | CHF mn | % of sales | CHF mn | % of sales |
| Sales | 1 061 | | 1 016 | | 538 | | 517 | |
| EBITDA before exceptionals | 138 | 13.0 | 172 | 16.9 | 59 | 11.0 | 85 | 16.4 |
| Operating income before exceptionals | 98 | 9.2 | 132 | 13.0 | 39 | 7.2 | 65 | 12.6 |
| Operating income | 97 | 9.1 | 130 | 12.8 | 38 | 7.1 | 64 | 12.4 |

See Definitions of Terms of Financial Measurements on page 11.

The **Pigments & Additives** division continued to grow in the Second Quarter of the year, with organic growth of 1% year on year. The exchange rate effect was positive, leading to 4% top-line growth in Swiss franc terms. All businesses achieved positive growth in an environment of persistent price pressures. While the businesses in North America turned down after showing strong growth in the prior-year period, Europe, the emerging markets, and, to a lesser extent, Asia continued to be the Division's main growth drivers.
Profitability was depressed primarily by higher raw material costs, unfavorable currency effects and anticipated lower capacity utilization.

Healthy growth continues in the **Coating industry**. All regions with the exception of the US showed solid growth. The positive trend also continued in the markets comprising the automotive, construction, and paint industries.
Europe, the main growth driver, was very stable, while China and Latin America produced double-digit growth rates.

Chemicals for the **Plastic industry** generated strong sales, driven mainly by volumes. The positive demand in the various end-user industries showed a slight downward trend. In particular, waxes and antioxidants were in very strong demand. Regionally, the trend was the same as at division level.

Competition in the **Printing industry** remains a challenge. Volume growth more than offset the decline in prices. In the market for pigments for publication inks, competitive pressures are increasing as the insourcing trend among major ink manufacturers intensifies. Meanwhile, demand for specialties such as non-impact printing in the important Japanese market showed strong, single-digit growth.

Products in **Specialties business** continued to deliver high rates of growth. This positive trend was driven mainly by products containing the Exolit® halogen-free flame retardants and by the Licocene® waxes. Growth is underpinned mainly by Germany and Europe.

## Masterbatches

| | First Half | | | | Second Quarter | | | |
|---|---|---|---|---|---|---|---|---|
| | 2007 | | 2006 | | 2007 | | 2006 | |
| | CHF mn | % of sales | CHF mn | % of sales | CHF mn | % of sales | CHF mn | % of sales |
| Sales | 722 | | 643 | | 363 | | 319 | |
| EBITDA before exceptionals | 84 | 11.6 | 80 | 12.4 | 43 | 11.8 | 37 | 11.6 |
| Operating income before exceptionals | 67 | 9.3 | 64 | 10.0 | 35 | 9.6 | 29 | 9.1 |
| Operating income | 49 | 6.8 | 61 | 9.5 | 32 | 8.8 | 29 | 9.1 |

See Definitions of Terms of Financial Measurements on page 11.

In the Second Quarter of the year, the **Masterbatches Division** again showed stable sales growth, underpinned by the effects of acquisitions. Together with the newly integrated Ciba Masterbatches business, it achieved growth of 10% in local currencies and 14% in Swiss franc terms. Organic growth was 3% in local currency terms. The positive sales trend was driven mainly by higher sales volumes as well as by price increases. Weaker sales in North America, further increases in raw material prices, and operating costs resulting from the accelerated integration of the Ciba Masterbatches business on the other hand weighed on profitability. Altogether, operating income before exceptionals increased by 21% to CHF 35 million compared to the Second Quarter of 2006.

In the end-user segments, the picture was unchanged versus the First Quarter of the year. Demand in the packaging, resins and textile segments remained solid. The plastics market as a whole continues to show good growth, albeit at a slower pace, especially in the US.

At a regional level, the picture varied considerably. Sales in North America declined, mainly owing to weaker demand in the housing and automotive industries. Rising sales, in Germany in particular, resulted in good growth for Europe. In France, two production plants were closed during the quarter and the products successfully transferred to other European sites. Asia also showed a strong rise in sales, underpinned mainly by double-digit growth rates in China. As Clariant completed the announced sale of its Australian business during the Second Quarter, this business only contributed to the Division's results in April. The net effect on sales in 2007 is estimated to be a decrease of CHF 15 million. The businesses in New Zealand were successfully strengthened and expanded on the same scale. In Latin America, sales growth remained above-average across all sectors.

## Functional Chemicals

| | First Half | | | | Second Quarter | | | |
|---|---|---|---|---|---|---|---|---|
| | 2007 | | 2006 | | 2007 | | 2006** | |
| | CHF mn | % of sales | CHF mn | % of sales | CHF mn | % of sales | CHF mn | % of sales |
| Sales | 1 355 | | 1 267 | | 661 | | 606 | |
| EBITDA before exceptionals | 132 | 9.7 | 130 | 10.3 | 56 | 8.5 | 56 | 9.2 |
| Operating income before exceptionals | 98 | 7.2 | 99 | 7.8 | 39 | 5.9 | 41 | 6.8 |
| Operating income | 99 | 7.3 | 77 | 6.1 | 37 | 5.6 | 19 | 3.1 |

** Restated to include Life Science Chemicals Division, a separate division in 2006, which has become a part of Functional Chemical Division in 2007.
See Definitions of Terms of Financial Measurements on page 11.

In the Second Quarter of the year, the **Functional Chemicals Division** further increased its sales compared with the previous year. Organic growth was up 5% from a year earlier and was driven by higher selling prices and better volumes. Foreign exchange effects were positive, amounting to 9% growth in Swiss franc terms. Regionally, Asia and America showed a strong growth pattern, whereas Europe experienced slightly lower levels of demand. The division was able to offset higher raw material costs through price increases. The operational result was hindered by Detergents and Specialty Intermediates.

**Detergents** continued to show good volume growth across all regions. The increase in sales is attributable to both solid demand among consumers and newly acquired businesses. Although selling prices were also increased year on year, this was not enough to compensate for the ongoing rises in raw material and energy costs. Growth was achieved across all regions.

**Performance Chemicals** showed a solid performance in the Second Quarter, achieving slightly higher selling prices and increases in volumes. As in the previous quarter, the Crop Protection business continued its positive seasonal trend and improved sales year on year. In addition, the positive demand for Construction Chemicals continued. Only Specialty Intermediates (glyoxylic acid derivative products) showed some weakness and has so far been unable to compensate for the recent raw material price increases. Latin America stood out as a particularly strong growth region.

**Process Chemicals** expanded its sales in comparison with the prior-year period. In what is traditionally the weakest quarter of the year, both sales volumes and selling prices increased year on year. Growth was particularly driven by Clariant's Oil Services, Metal Working and Mining Chemicals businesses. Latin and North America, as well as Special Markets, performed especially well.

## Regions

| Sales | | | | | | First Half | | | | | | Second Quarter |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| CHF mn | **2007** | % of sales | **2006** | % of sales | CHF % | LC % | **2007** | % of sales | **2006** | % of sales | CHF % | LC % |
| Europe | 2 151 | 49.6 | 2014 | 49.3 | 7 | 2 | 1 063 | 48.8 | 999 | 49.1 | 6 | 1 |
| *of which Germany* | *630* | | *589* | | 7 | 2 | *309* | | *288* | | 7 | 2 |
| *of which Switzerland* | *75* | | *76* | | - 1 | - 5 | *37* | | *38* | | - 3 | - 5 |
| Americas | 1 182 | 27.3 | 1 157 | 28.4 | 2 | 4 | 591 | 27.1 | 560 | 27.6 | 6 | 4 |
| *of which USA* | *523* | | *547* | | - 4 | - 1 | *251* | | *257* | | - 2 | - 1 |
| Asia / Australia / Africa | 1 003 | 23.1 | 910 | 22.3 | 10 | 11 | 526 | 24.1 | 474 | 23.3 | 11 | 10 |
| **Total continuing operations** | **4 336** | 100.0 | **4 081** | 100.0 | 6 | 5 | **2 180** | 100.0 | **2 033** | 100.0 | 7 | 4 |
| Discontinued operations | 81 | | 225 | | | | 35 | | 112 | | | |

**Europe**

European sales accounted for 49% of the Group total in the Second Quarter of 2007. Organic growth (excluding the impact of the acquisition of Ciba's Masterbatches business) in the Second Quarter of 2007 was flat compared with the same quarter of previous year. While Turkey (+14%) and Eastern European countries (+14%) delivered a positive performance, Southern European countries in particular slipped into negative territory (Italy -6%, Spain -5%). Germany – Clariant's most important market by far – reported selective growth, contributing a solid 2% and showing above-average improvements in the Paper, Coatings, Detergents, and Process Chemicals segments. In France, the integration of the Ciba's Masterbatches business is on track.

**Americas**

Sales in the Americas accounted for 27% of the Group total. The regional picture showed a clear split. North American sales declined by 1% while Latin America, led by Argentina (+20%), Venezuela (+20%), and Brazil (+9%), recorded strong sales growth compared with the Second Quarter of 2006.

**Asia, Africa, Australia**

This region delivered organic growth of 8% and accounted for 24% of Group sales in the Second Quarter of 2007. China continued to be the main growth engine, contributing 20% thanks to double-digit growth across all divisions. Japan moved into positive territory and in the Second Quarter of 2007 delivered year-on-year growth of 2% in local currency terms.

## 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, plus impairment of PPE/Goodwill and amortization of intangibles and can be reconciled from the Condensed Financial Statements as follows:

### EBITDA (Continuing)

| | First Half | | Second Quarter | |
|---|---|---|---|---|
| CHF mn | **2007** | 2006 | **2007** | 2006 |
| Operating income | 266 | 225 | 127 | 71 |
| + Depreciation of PPE | 133 | 125 | 68 | 62 |
| + Impairment of PPE / Goodwill | 4 | 44 | – | 44 |
| + Amortization of other intangibles | 3 | 3 | 1 | 1 |
| **EBITDA** | **406** | **397** | **196** | **178** |

**EBITDA before exceptional items**

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

### EBITDA before exceptionals (Continuing)

| | First Half | | Second Quarter | |
|---|---|---|---|---|
| CHF mn | **2007** | 2006 | **2007** | 2006 |
| EBITDA | 406 | 397 | 196 | 178 |
| + Restructuring and impairment | 29 | 73 | 16 | 67 |
| - Impairment of PPE / Goodwill (reported under Restructuring and impairment) | - 4 | - 44 | – | - 44 |
| - Gain on disposals of subsidiaries and associates | - 1 | – | - 1 | – |
| **EBITDA before exceptionals** | **430** | **426** | **211** | **201** |

**Operating income before exceptional items**

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

### Operating income before exceptionals (Continuing)

| | First Half | | Second Quarter | |
|---|---|---|---|---|
| CHF mn | **2007** | 2006 | **2007** | 2006 |
| Operating income | 266 | 225 | 127 | 71 |
| + Restructuring and Impairment | 29 | 73 | 16 | 67 |
| - Gain on disposals of subsidiaries and associates | - 1 | – | - 1 | – |
| **Operating income before exceptionals** | **294** | **298** | **142** | **138** |

**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 | **30.06.2007** | 31.12.2006 |
|---|---|---|
| Non-current financial debt | 1 268 | 1 376 |
| + Current financial debt | 1 028 | 623 |
| - Cash and cash equivalents | - 461 | - 443 |
| - Current deposits 90 to 365 days | - 180 | – |
| **Net Debt** | **1 655** | **1 556** |

# Condensed Financial Statement of the Clariant Group

**at June 30, 2007**

## Consolidated balance sheets (unaudited)

| Assets | 30.06.2007 CHF mn | % | 31.12.2006 CHF mn | % |
|---|---|---|---|---|
| **Non-current assets** | | | | |
| Property, plant and equipment | 2 498 | | 2 422 | |
| Intangible assets | 337 | | 335 | |
| Investments in associates | 274 | | 288 | |
| Financial assets | 55 | | 63 | |
| Prepaid pension assets | 127 | | 90 | |
| Deferred income tax assets | 116 | | 89 | |
| **Total non-current assets** | **3 407** | 44.0 | **3 287** | 45.7 |
| **Current assets** | | | | |
| Inventories | 1 564 | | 1 513 | |
| Trade receivables | 1 618 | | 1 446 | |
| Other current assets [1] | 673 | | 378 | |
| Cash and cash equivalents | 461 | | 443 | |
| Current income tax receivables | 22 | | 24 | |
| **Total current assets** | **4 338** | 56.0 | **3 804** | 52.9 |
| **Non-current assets held for sale** | **5** | 0.0 | **97** | 1.4 |
| **Total assets** | **7 750** | 100.0 | **7 188** | 100.0 |

| Equity and liabilities | 30.06.2007 CHF mn | % | 31.12.2006 CHF mn | % |
|---|---|---|---|---|
| **Capital and reserves attributable to Clariant shareholders** | | | | |
| Share capital | 978 | | 1 035 | |
| Treasury shares (par value) | - 10 | | - 16 | |
| Other reserves | 719 | | 648 | |
| Retained earnings | 796 | | 706 | |
| | **2 483** | | **2 373** | |
| Minority interests | 63 | | 60 | |
| **Total equity** | **2 546** | 32.9 | **2 433** | 33.8 |
| **Liabilities** | | | | |
| **Non-current liabilities** | | | | |
| Financial debts | 1 268 | | 1 376 | |
| Deferred income tax liabilities | 227 | | 183 | |
| Retirement benefit obligations | 511 | | 495 | |
| Provision for non-current liabilities | 297 | | 244 | |
| **Total non-current liabilities** | **2 303** | 29.7 | **2 298** | 32.0 |
| **Current liabilities** | | | | |
| Trade payables | 1 290 | | 1 207 | |
| Financial debts | 1 028 | | 623 | |
| Current income tax liabilities | 223 | | 215 | |
| Provision for current liabilities | 360 | | 351 | |
| **Total current liabilities** | **2 901** | 37.4 | **2 396** | 33.3 |
| **Liabilities directly associated with non-current assets held for sale** | – | 0.0 | **61** | 0.9 |
| **Total liabilities** | **5 204** | 67.1 | **4 755** | 66.2 |
| **Total equity and liabilities** | **7 750** | 100.0 | **7 188** | 100.0 |

[1] Includes short-term deposits of CHF180 million (2006: CHF 0)

## Consolidated income statements (unaudited)

| | First Half | | | | Second Quarter | | | |
|---|---|---|---|---|---|---|---|---|
| | 2007 | | 2006 | | 2007 | | 2006 | |
| | CHF mn | % | CHF mn | % | CHF mn | % | CHF mn | % |
| Sales | 4 336 | 100.0 | 4 081 | 100.0 | 2 180 | 100.0 | 2 033 | 100.0 |
| Costs of goods sold | - 3 039 | 70.1 | - 2 796 | 68.5 | - 1 554 | 71.3 | - 1 383 | 68.0 |
| **Gross profit** | **1 297** | 29.9 | **1 285** | 31.5 | **626** | 28.7 | **650** | 32.0 |
| Marketing and distribution | - 708 | 16.3 | - 662 | 16.2 | - 361 | 16.5 | - 335 | 16.5 |
| Administration and general overhead costs | - 200 | 4.6 | - 239 | 5.9 | - 76 | 3.5 | - 131 | 6.4 |
| Research and development | - 107 | 2.5 | - 102 | 2.5 | - 54 | 2.5 | - 53 | 2.6 |
| Income from associates | 12 | 0.3 | 16 | 0.4 | 7 | 0.3 | 7 | 0.3 |
| Gain from the disposal of subsidiaries and associates | 1 | 0.0 | – | 0.0 | 1 | 0.0 | – | 0.0 |
| Restructuring and impairment | - 29 | 0.7 | - 73 | 1.8 | - 16 | 0.7 | - 67 | 3.3 |
| **Operating income** | **266** | 6.1 | **225** | 5.5 | **127** | 5.8 | **71** | 3.5 |
| Finance income | 13 | 0.3 | 14 | 0.3 | 8 | 0.4 | 9 | 0.4 |
| Finance costs[1] | - 32 | 0.7 | - 70 | 1.7 | - 7 | 0.3 | - 34 | 1.6 |
| **Income before taxes** | **247** | 5.7 | **169** | 4.1 | **128** | 5.9 | **46** | 2.3 |
| Taxes | - 73 | 1.7 | - 47 | 1.1 | - 40 | 1.9 | - 20 | 1.0 |
| **Net income from continuing operations** | **174** | 4.0 | **122** | 3.0 | **88** | 4.0 | **26** | 1.3 |
| **Discontinued operations:** | | | | | | | | |
| Income from discontinued operations | - 101 | | - 107 | | - 99 | | - 105 | |
| **Net income** | **73** | | **15** | | **- 11** | | **- 79** | |
| **Attributable to:** | | | | | | | | |
| Shareholders of Clariant Ltd | 68 | | 11 | | - 13 | | - 81 | |
| Minority interests | 5 | | 4 | | 2 | | 2 | |
| **Net income** | **73** | 1.7 | **15** | 0.4 | **- 11** | 0.5 | **- 79** | 3.9 |
| **Basic earnings per share attributable to the shareholders of Clariant Ltd (CHF/share):** | | | | | | | | |
| Continuing operations | 0.74 | | 0.52 | | 0.38 | | 0.11 | |
| Discontinued operations | - 0.44 | | - 0.47 | | - 0.43 | | - 0.46 | |
| **Total** | **0.30** | | **0.05** | | **- 0.05** | | **- 0.35** | |
| **Diluted earnings per share attributable to the shareholders of Clariant Ltd (CHF/share):** | | | | | | | | |
| Continuing operations | 0.74 | | 0.52 | | 0.38 | | 0.11 | |
| Discontinued operations | - 0.44 | | - 0.47 | | - 0.43 | | - 0.46 | |
| **Total** | **0.30** | | **0.05** | | **- 0.05** | | **- 0.35** | |

[1] Currency impact YTD 2007 of CHF +30 mn vs YTD June 2006 of CHF -8 mn.

## Consolidated statements of cash flows (unaudited)

| | First Half | | Second Quarter | |
|---|---|---|---|---|
| CHF mn | **2007** | 2006 | **2007** | 2006 |
| Net income | 73 | 15 | - 11 | - 79 |
| Depreciation of property, plant and equipment (PPE) | 133 | 135 | 68 | 66 |
| Impairment and reversal of impairment | 11 | 44 | 3 | 44 |
| Amortization of intangible assets | 3 | 3 | 1 | 2 |
| Changes in provisions and taxes | 79 | 76 | 51 | 72 |
| Interest paid | - 74 | - 36 | - 51 | - 9 |
| Income taxes paid | - 49 | - 12 | - 17 | - 14 |
| Loss from the disposal of discontinued operations | 75 | 92 | 88 | 92 |
| Gain before taxes from the disposal of subsidiaries and associates | - 1 | – | - 1 | – |
| Other non-cash items | - 28 | - 2 | - 29 | 12 |
| **Cash flow before changes in working capital** | **222** | **315** | **102** | **186** |
| Changes in inventories | - 38 | - 159 | 26 | - 55 |
| Changes in trade receivables | - 96 | - 87 | - 21 | - 59 |
| Changes in trade payables | - 25 | - 64 | - 19 | 25 |
| Changes in other current assets and liabilities | - 51 | 48 | - 81 | - 35 |
| **Cash flow from operating activities** | **12** | **53** | **7** | **62** |
| Investments in PPE | - 132 | - 164 | - 75 | - 102 |
| Investments in financial assets and associates | - 7 | - 4 | - 3 | – |
| Investments in other intangible assets | - 1 | - 1 | – | - 1 |
| Sale of PPE and intangible assets | 11 | 1 | 9 | – |
| Acquisition of companies, businesses and participations | – | - 18 | – | – |
| Proceeds from the disposal of discontinued operations | - 9 | 54 | - 22 | 54 |
| Proceeds from the disposal of subsidiaries and associates | 8 | – | 8 | – |
| Dividends received | 26 | 19 | 7 | 19 |
| Interest received | 16 | 6 | 3 | 4 |
| **Cash flow from investing activities** | **- 88** | **- 107** | **- 73** | **- 26** |
| Reduction of share capital to shareholders of Clariant Ltd | - 57 | - 58 | - 57 | - 58 |
| Treasury share transactions | 18 | 6 | 1 | - 16 |
| Proceeds from financial debts | 289 | 1 016 | 222 | 796 |
| Repayments of financial debts | - 154 | - 452 | - 115 | - 333 |
| Dividends paid to minority shareholders | - 9 | - 2 | - 9 | - 2 |
| **Cash flow from financing activities** | **87** | **510** | **42** | **387** |
| Currency translation effect on cash and cash equivalents | 7 | - 1 | 5 | - 2 |
| **Net change in cash and cash equivalents** | **18** | **455** | **- 19** | **421** |
| **Cash and cash equivalents at the beginning of the period** | **443** | **223** | **480** | **257** |
| **Cash and cash equivalents at the end of the period** | **461** | **678** | **461** | **678** |

## Consolidated statements of recognized income and expense (unaudited)

| | First Half | |
|---|---|---|
| | **2007** CHF mn | 2006 CHF mn |
| Cash flow hedges: Transferred to net income | | |
| Net investment hedge | - 47 | 7 |
| Currency translation differences | 125 | - 41 |
| **Net income recognized directly in equity** | **78** | **- 34** |
| Profit for the period | 73 | 15 |
| **Total recognized income and expense for the period** | **151** | **- 19** |
| **Attributable to:** | | |
| Shareholders of Clariant Ltd | 139 | - 18 |
| Minority interests | 12 | - 1 |
| | **151** | **- 19** |

This statement shows only changes in equity other than those arising from capital transactions with owners and distributions to owners. For a comprehensive presentation on equity, see note 11.

# Notes to the 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 2007 (hereafter "the Group"). They are prepared in accordance with the International Accounting Standard 34 (IAS 34 "Interim Financial Reporting") and were approved on 26 July 2007 by the Board of Directors. These interim financial statements should be read in conjunction with the Consolidated Financial Statements for the year ended 31 December 2006 (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 restructuring expenses in the amount of CHF 25 million, which were mainly incurred in the Masterbatch division in France and in the Textile and Paper activities in the United States, Portugal and France. Impairment charges amounted to CHF 4 million in Continuing Operations. They arose mainly on the write-off of assets of the Masterbatch activities in Australia upon their reclassification to assets held for sale. These assets were sold in May 2007.

### 4. Bond Issue

On 21 March 2007 Clariant announced the launch of a five-year CHF 250 million CHF-bond. The bond pays a coupon of 3.125% and was issued at a price of 100.354%. The main purpose of this bond is to refinance financial liabilities with upcoming maturities.

### 5. Discontinued Operations

In September 2006 Clariant launched a project to sell its Custom Manufacturing Business. On June 29, 2007 these activities were transferred to International Chemical Investors Group (ICIG). 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. Consideration for the disposal is given in the form of Vendor Loan Note in the amount of CHF 11 million. Clariant will also extend a Loan Note to the buyer in the amount of CHF 15 million for restructuring expenses. The transaction resulted in a provisional book loss of CHF 79 million net of tax.

Discontinued Operations in the first half of 2007 also contain the gain on the disposal of the DMS business in Germany in the amount of CHF 8 million net of tax. This activity had been part of Custom Manufacturing and was sold in March 2007.

Sales and operating result of the Custom Manufacturing business for the first six months of 2007 and 2006 were as follows:

| CHF million | 2007 | 2006 |
|---|---|---|
| Sales | 81 | 111 |
| Operating loss before restructuring and impairment | -29 | -12 |
| Net income/loss | -33 | -12 |
| Systematic depreciation | 0 | 5 |

For the first six months in 2006, Discontinued Operations additionally comprise the activities of the Pharmaceutical Fine Chemicals business, which was sold on 30 June 2006.

Sales and operating result of the Pharmaceutical Fine Chemicals business for the first six months of 2007 and 2006 were as follows:

| CHF million | 2007 | 2006 |
|---|---|---|
| Sales | 0 | 114 |
| Operating result before restructuring and impairment | 0 | 2 |
| Net loss | 0 | -2 |
| Systematic depreciation | 0 | 5 |

### 6. Non-current Assets Held for Sale

Clariant has launched a project to sell off its shares in the Turkish Company, Kemoks Kimya Sanayi ve Ticaret A.S.. The value of these shares is reported in non-current assets held for sale.

### 7. Nominal Value Reduction

On 2 April 2007 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 4.50 to 4.25 per registered share. The pay-out reduced the share capital by CHF 57 540 000 and took place on 14 June 2007.

## 8. Divisional Figures

| **First Half** | **Sales to 3rd parties** | | | | **EBITDA before exceptionals** | | | | **EBITDA** | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| CHF mn | **2007** | 2006 | % CHF | % LC | **2007** | 2006 | % CHF | % LC | **2007** | 2006 | % CHF | % LC |
| Textile, Leather, Paper | 1 198 | 1 155 | 4 | 3 | 119 | 113 | 5 | 4 | 110 | 114 | - 4 | - 4 |
| Pigments & Additives | 1 061 | 1 016 | 4 | 3 | 138 | 172 | - 20 | - 21 | 137 | 170 | - 19 | - 20 |
| Masterbatches | 722 | 643 | 12 | 10 | 84 | 80 | 5 | 2 | 70 | 76 | - 8 | - 11 |
| Functional Chemicals** | 1 355 | 1 267 | 7 | 5 | 132 | 130 | 2 | - 2 | 132 | 111 | 19 | 16 |
| **Divisions Total** | **4 336** | 4 081 | | | **473** | 495 | | | **449** | 471 | | |
| Corporate | – | – | | | - 43 | - 69 | | | - 43 | - 74 | | |
| **Total continuing** | **4 336** | 4 081 | 6 | 5 | **430** | 426 | 1 | - 1 | **406** | 397 | 2 | - 3 |

| | **Operating income before exceptionals** | | | | **Operating Income** | | | | **Systematic Depreciation of PPE** | |
|---|---|---|---|---|---|---|---|---|---|---|
| CHF mn | **2007** | 2006 | % CHF | % LC | **2007** | 2006 | % CHF | % LC | **2007** | 2006 |
| Textile, Leather, Paper | 83 | 78 | 6 | 7 | 74 | 78 | - 5 | - 6 | 36 | 36 |
| Pigments & Additives | 98 | 132 | - 26 | - 26 | 97 | 130 | - 25 | - 26 | 40 | 39 |
| Masterbatches | 67 | 64 | 5 | 2 | 49 | 61 | - 20 | - 21 | 16 | 15 |
| Functional Chemicals ** | 98 | 99 | - 1 | - 3 | 99 | 77 | 29 | 24 | 33 | 31 |
| **Divisions Total** | **346** | 373 | | | **319** | 346 | | | **125** | 121 |
| Corporate | - 52 | - 75 | | | - 53 | - 121 | | | 8 | 4 |
| **Total continuing** | **294** | 298 | - 1 | - 3 | **266** | 225 | 18 | 11 | **133** | 125 |

| **Second Quarter** | **Sales to 3rd parties** | | | | **EBITDA before exceptionals** | | | | **EBITDA** | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| CHF mn | **2007** | 2006 | % CHF | % LC | **2007** | 2006 | % CHF | % LC | **2007** | 2006 | % CHF | % LC |
| Textile, Leather, Paper | 618 | 591 | 5 | 1 | 67 | 61 | 10 | 5 | 59 | 63 | - 6 | - 10 |
| Pigments & Additives | 538 | 517 | 4 | 1 | 59 | 85 | - 31 | - 33 | 58 | 84 | - 31 | - 33 |
| Masterbatches | 363 | 319 | 14 | 10 | 43 | 37 | 16 | 12 | 41 | 36 | 14 | 7 |
| Functional Chemicals** | 661 | 606 | 9 | 5 | 56 | 56 | – | - 6 | 53 | 37 | 43 | 39 |
| **Divisions Total** | **2 180** | 2 033 | | | **225** | 239 | | | **211** | 220 | | |
| Corporate | – | – | | | - 14 | - 38 | | | - 15 | - 42 | | |
| **Total continuing** | **2 180** | 2 033 | 7 | 4 | **211** | 201 | 5 | 1 | **196** | 178 | 10 | - 2 |

| | **Operating income before exceptionals** | | | | **Operating Income** | | | | **Systematic Depreciation of PPE** | |
|---|---|---|---|---|---|---|---|---|---|---|
| CHF mn | **2007** | 2006 | % CHF | % LC | **2007** | 2006 | % CHF | % LC | **2007** | 2006 |
| Textile, Leather, Paper | 49 | 44 | 11 | 7 | 41 | 45 | - 9 | - 15 | 18 | 18 |
| Pigments & Additives | 39 | 65 | - 40 | - 42 | 38 | 64 | - 41 | - 42 | 20 | 19 |
| Masterbatches | 35 | 29 | 21 | 14 | 32 | 29 | 10 | 8 | 8 | 7 |
| Functional Chemicals ** | 39 | 41 | - 5 | - 8 | 37 | 19 | 95 | 81 | 16 | 15 |
| **Divisions Total** | **162** | 179 | | | **148** | 157 | | | **62** | 59 |
| Corporate | - 20 | - 41 | | | - 21 | - 86 | | | 6 | 3 |
| **Total continuing** | **142** | 138 | 3 | - 1 | **127** | 71 | 79 | 54 | **68** | 62 |

** Restated to include Life Science Chemicals Division, a separate division in 2006, which has become a part of Functional Chemical Division in 2007.

## 9. Divisional Margins

| First Half | Sales to 3rd parties | | EBITDA before exceptionals | | EBITDA | |
|---|---|---|---|---|---|---|
| in % | **2007** | 2006 | **2007** | 2006 | **2007** | 2006 |
| Textile, Leather, Paper | 27.6 | 28.3 | 9.9 | 9.8 | 9.2 | 9.9 |
| Pigments & Additives | 24.5 | 24.9 | 13.0 | 16.9 | 12.9 | 16.7 |
| Masterbatches | 16.7 | 15.8 | 11.6 | 12.4 | 9.7 | 11.8 |
| Functional Chemicals ** | 31.2 | 31.0 | 9.7 | 10.3 | 9.7 | 8.8 |
| **Total continuing** | **100.0** | **100.0** | **9.9** | **10.4** | **9.4** | **9.7** |

| | Operating income b. exceptionals | | Operating Income | |
|---|---|---|---|---|
| in % | **2007** | 2006 | **2007** | 2006 |
| Textile, Leather, Paper | 6.9 | 6.8 | 6.2 | 6.8 |
| Pigments & Additives | 9.2 | 13.0 | 9.1 | 12.8 |
| Masterbatches | 9.3 | 10.0 | 6.8 | 9.5 |
| Functional Chemicals ** | 7.2 | 7.8 | 7.3 | 6.1 |
| **Total continuing** | **6.8** | **7.3** | **6.1** | **5.5** |

** Restated to include Life Science Chemicals Division, a separate division in 2006, which has become a part of Functional Chemical Division in 2007.

| Second Quarter | Sales to 3rd parties | | EBITDA before exceptionals | | EBITDA | |
|---|---|---|---|---|---|---|
| in % | **2007** | 2006 | **2007** | 2006 | **2007** | 2006 |
| Textile, Leather, Paper | 28.3 | 29.1 | 10.8 | 10.3 | 9.6 | 10.7 |
| Pigments & Additives | 24.7 | 25.4 | 11.0 | 16.4 | 10.8 | 16.2 |
| Masterbatches | 16.7 | 15.7 | 11.8 | 11.6 | 11.3 | 11.3 |
| Functional Chemicals ** | 30.3 | 29.8 | 8.5 | 9.2 | 8.0 | 6.1 |
| **Total continuing** | **100.0** | **100.0** | **9.7** | **9.9** | **9.0** | **8.8** |

| | Operating income b. exceptionals | | Operating Income | |
|---|---|---|---|---|
| in % | **2007** | 2006 | **2007** | 2006 |
| Textile, Leather, Paper | 7.9 | 7.4 | 6.6 | 7.6 |
| Pigments & Additives | 7.2 | 12.6 | 7.1 | 12.4 |
| Masterbatches | 9.6 | 9.1 | 8.8 | 9.1 |
| Functional Chemicals ** | 5.9 | 6.8 | 5.6 | 3.1 |
| **Total continuing** | **6.5** | **6.8** | **5.8** | **3.5** |

** Restated to include Life Science Chemicals Division, a separate division in 2006, which has become a part of Functional Chemical Division in 2007.

## 10. Regional developments

| Sales | | | | | | First Half | | | | | | Second Quarter |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| CHF mn | **2007** | % of sales | 2006 | % of sales | CHF % | LC % | **2007** | % of sales | 2006 | % of sales | CHF % | LC % |
| Europe | 2 151 | 49.6 | 2014 | 49.3 | 7 | 2 | 1 063 | 48.8 | 999 | 49.1 | 6 | 1 |
| *of which Germany* | *630* | | *589* | | 7 | 2 | *309* | | *288* | | 7 | 2 |
| *of which Switzerland* | *75* | | *76* | | - 1 | - 5 | *37* | | *38* | | - 3 | - 5 |
| Americas | 1 182 | 27.3 | 1 157 | 28.4 | 2 | 4 | 591 | 27.1 | 560 | 27.6 | 6 | 4 |
| *of which USA* | *523* | | *547* | | - 4 | - 1 | *251* | | *257* | | - 2 | - 1 |
| Asia / Australia / Africa | 1 003 | 23.1 | 910 | 22.3 | 10 | 11 | 526 | 24.1 | 474 | 23.3 | 11 | 10 |
| **Total continuing operations** | **4 336** | 100.0 | **4 081** | 100.0 | 6 | 5 | **2 180** | 100.0 | **2 033** | 100.0 | 7 | 4 |
| Discontinued operations | 81 | | 225 | | | | 35 | | 112 | | | |

## 11. Consolidated statement of changes in equity

| | | | | | Other reserves | | | | | First Half |
|---|---|---|---|---|---|---|---|---|---|---|
| CHF mn | Total share capital | Treasury shares (par value) | Share premium reserves | Hedging reserves | Cumulative translation reserves | Total other reserves | Retained earnings | Total attributable to equity holders | Minority interests | Total equity |
| **Balance 31 December 2005** | **1 093** | **- 18** | **767** | **–** | **- 104** | **663** | **793** | **2 531** | **60** | **2 591** |
| **Total recognized income and expense for the period** | | | | | **- 29** | **- 29** | **11** | **- 18** | **- 1** | **- 19** |
| Dividends to third parties | | | | | | | | | | |
| Share capital reduction | - 58 | | | | | | | - 58 | | - 58 |
| Treasury share transactions and share based payments | | 2 | | | | | 4 | 6 | | 6 |
| **Balance 30 June 2006** | **1 035** | **- 16** | **767** | **–** | **- 133** | **634** | **808** | **2 461** | **59** | **2 520** |
| **Balance 31 December 2006** | **1 035** | **- 16** | **767** | **–** | **- 119** | **648** | **706** | **2 373** | **60** | **2 433** |
| **Total recognized income and expense for the period** | | | | | 71 | 71 | 68 | 139 | 12 | 151 |
| Dividends to third parties | | | | | | | | | - 9 | - 9 |
| Share capital reduction | - 57 | | | | | | | - 57 | | - 57 |
| Treasury share transactions and share based payments | | 6 | | | | – | 22 | 28 | | 28 |
| **Balance 30 June 2007** | 978 | - 10 | 767 | – | - 48 | 719 | 796 | 2 483 | 63 | 2 546 |

## 12. Foreign Exchange Rates

| Rates used to translate the consolidated balance sheets (closing rate) | 30.06.2007 | 31.12.2006 | Change % |
|---|---|---|---|
| 1 USD | 1.23 | 1.22 | 1 |
| 1 EUR | 1.66 | 1.61 | 3 |
| 1 GBP | 2.46 | 2.39 | 3 |
| 100 JPY | 1.00 | 1.02 | - 2 |

| | | | First Half |
|---|---|---|---|
| **Average sales-weighted rates used to translate the income statements and consolidated statements of cash flows** | **2007** | **2006** | **Change %** |
| 1 USD | 1.23 | 1.27 | - 3 |
| 1 EUR | 1.63 | 1.56 | 4 |
| 1 GBP | 2.42 | 2.27 | 7 |
| 100 JPY | 1.02 | 1.10 | - 7 |

## 13. Condensed Earnings Per Share Data

| | | First Half |
|---|---|---|
| CHF mn | **2007** | 2006 |
| Number of shares outstanding at 30.06.2007 and 30.06.2006 respectively | 230 160 000 | 230 160 000 |
| Weighted average, number of shares outstanding | 227 707 458 | 226 894 816 |
| Weighted average, diluted number of shares outstanding * | 228 834 757 | 228 407 356 |
| **Basic earnings per share attributable to the shareholders of Clariant Ltd (CHF/share):** | | |
| Continuing operations | 0.74 | 0.52 |
| Discontinued operations | - 0.44 | - 0.47 |
| **Total** | **0.30** | **0.05** |
| | | |
| **Diluted earnings per share attributable to the shareholders of Clariant Ltd (CHF/share):** | | |
| Continuing operations | 0.74 | 0.52 |
| Discontinued operations | - 0.44 | - 0.47 |
| **Total** | **0.30** | **0.05** |

* Restated for shares for members of management as at 30 June 2006 of 206 000 shares issued as part of a relocation program in 2005, which were accidentally not reported in this presentation.

## 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 21,000 people. Headquartered in Muttenz near Basel, it generated sales of around CHF 8.1 billion in 2006.

Clariant's businesses are organized in five divisions: Textile, Leather & Paper Chemicals, Pigments & Additives, Functional 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

### Calendar of Corporate Events

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| November 7, 2007 | Nine Month 2007 Results |
| February 14, 2008 | Full Year 2007 Results |
| April 10, 2008 | Annual General Meeting |

### Your Clariant Contacts


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