Clariant

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Quarterly Report
February 14, 2008

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CLARIANT FY RESULTS: GOOD SALES GROWTH AND SUBSTANTIALLY INCREASED CASH FLOW

- **Sales up 4% in local currency and 5% in Swiss francs with prices up 1%**
- **Operating cash flow significantly improved to CHF 540 million (2006: CHF 328 million)**
- **Operating income before exceptional items reached CHF 539 million**
- **Net income of CHF 5 million (2006: loss of CHF 78 million)**
- **Outlook – Improved operating margins before exceptionals and continued strong cash generation**

Jan Secher, CEO of Clariant commented:

“We have progressed in building momentum in operational performance and significantly improved our cash flow, although profitability was impacted by higher raw material and energy costs as well as unfavorable currency movements. We expect our continuing initiatives in increasing prices and striving for cost leadership to deliver improved profitability in 2008. Moving ahead we will focus on businesses where we can optimize value through leveraging strong market positions and selectively participate in the consolidation of these market segments. This will result in a period of active portfolio re-shaping.”

Key Financial Group Figures

	Full Year				Fourth Quarter			
Continuing operations:	**2007**		2006		**2007**		2006	
	CHF mn	% of sales	CHF mn	% of sales	CHF mn	% of sales	CHF mn	% of sales
Sales	8 533	100.0	8 100	100.0	2 086	100.0	2 010	100.0
Local currency growth (LC):	4%				3%			
Organic growth[1]	*3%*				*2%*			
Acquisitions/Divestitures	*1%*				*1%*			
Currencies	1%				1%			
Gross profit	2 488	29.2	2 486	30.7	580	27.8	585	29.1
EBITDA before exceptionals*	812	9.5	855	10.6	194	9.3	202	10.0
EBITDA*	628	7.4	798	9.9	90	4.3	182	9.1
Operating income before exceptionals*	539	6.3	592	7.3	122	5.8	134	6.7
Operating income	278	3.3	385	4.8	7	0.3	112	5.6
Net income from continuing operations	108	1.3	131	1.6	– 21	1.0	23	1.1
Operating cash flow (total operations)	540		328		220		155	
Discontinued operations:								
Sales	82		325		1		55	
Net loss from discontinued operations	– 103		– 209		4		– 24	

Other key figures:	***31.12.2007***	*31.12.2006*
Net debt	1 361	1 556
Equity (including minorities)	2 372	2 433
Gearing	57%	64%
Return on invested capital (ROIC) **	7.8%	8.3%
Number of employees	20 931	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 Measurements on page 11.

** Clariant calculates ROIC by dividing NOPLAT before exceptional items by the average net capital employed. NOPLAT is calculated by taking the operating income before exceptional items adjusted by the expected tax rate. Net capital employed also considers operating cash and capitalized operating leases.

Muttenz, February 14, 2008 – Clariant posted sales growth of 4% in local currencies (5% in Swiss Francs) for Full Year 2007. Sales in 2007 amounted to CHF 8.533 billion compared to CHF 8.100 billion in the previous year. Although sales in the second half of the year were not as strong as in the first half, sales in the fourth quarter recovered after a slower third quarter.

In 2007 Clariant was able to raise its prices by more than 1% with an increasing momentum towards year end. However, higher selling prices were not sufficient to offset a 5% rise in raw material costs. Consequently, the gross margin decreased to 29.2% from 30.7% in 2006.

Clariant's focus on cost reduction delivered results. Sales, General & Administrative (SG&A) costs expressed as a percentage of sales improved to 20.8% in 2007 from 21.3% in 2006, partly mitigating the decline in gross margin. Furthermore unfavorable currency effects adversely impacted Clariant's profitability by CHF 68 million, which led to an operating income before exceptionals of CHF 539 million compared to CHF 592 million in 2006. Operating margin decreased to 6.3%. from 7.3% in 2006. Net income (after exceptional items) increased to CHF 5 million from CHF –78 million in 2006 also due to lower taxes and improved financial results.

Clariant benefited during 2007 from the stabilization of the supply chain and its strong focus on net working capital reduction. Cash flow from operations rose substantially to CHF 540 million compared to CHF 328 million in 2006, mainly driven by inventory reduction and lower trade receivables.

Restructuring efforts progressing

Restructuring efforts progressed in line with Clariant's 2010 goals with restructuring costs reaching CHF 262 million in 2007. Nine smaller sites were closed and three larger ones have been announced for closure. Approximately 800 job positions have been reduced and a further 600 have been announced. This totals more than half of the previously announced reduction of 2,200 job positions. In addition, more than 20% of the product portfolio has been pruned in order to reduce complexity and thus has nearly reached the 2010 target of 25%.

The company has implemented a number of senior management changes during 2007 with the objective of driving a performance-oriented culture at Clariant. These external appointments and internal promotions are already having an impact across the group and the company expects to see the benefits of this fresh approach through the coming years.

Profitable growth in service driven businesses and strong focus on pricing improvements across all divisions

Overall the service driven businesses at Clariant saw profitable growth. For example the Oil Service business increased sales and profitability benefiting from a strong demand for crude oil. The Coatings business could offset a weakening market development in Europe by good sales and profitability growth in Asia and Latin America. Also Masterbatches developed positively in 2007. On the other hand the Leather business suffered from declining demand and overcapacity.

Within the product driven businesses the Detergents and Specialty Intermediates business had a difficult year due to increasing raw material costs.

The efforts on price increases have started to pay off in all divisions with an increasing momentum towards the end of the year. The Pigments and Additives division as well as Textile, Leather and Paper Chemicals reversed the negative trend of declining prices of the recent years and achieved higher selling prices towards the end of the year. Price increases in the Functional Chemicals division also mitigated the margin squeeze towards year end. The Masterbatches division was able to fully compensate the rising raw materials and energy costs by price increases.

Strong growth in Asia and Latin America

Asian markets saw the strongest growth for Clariant in 2007 with growth of 9% in local currencies. Decreasing momentum in the third quarter was partially counterbalanced by increased growth in the fourth quarter. China remained the strongest growth contributor in Asia, while growth in India was affected by a slowdown in the export driven industries.

A 4% rise (local currencies) in sales in the Americas was mainly driven by strong growth in Latin America (+9%). Sales in the US remained firm at +1% with a strong fourth quarter that could offset a weak demand amongst some of Clariant's customer industries in the first nine months.

European sales were up 1% (local currencies) positively influenced by the good economic development in Germany that compensated for the weaker demand in Southern Europe.

Annual General Meeting 2008

Based on the reported full-year results, at the 13th Annual General Meeting on April 10, 2008, Clariant's Board of Directors will propose a payout of CHF 0.25 per share by reducing nominal value from CHF 4.25 to CHF 4.00. The proposed payout remains unchanged from the previous year.

Roland Lösser, Chairman of the Board of Directors, has for personal reasons decided not to stand for reelection as Board member at the Annual General Meeting. The Board of Directors plans to appoint Jürg Witmer as chairman following the Annual General Meeting on April 10. Jürg Witmer joined the Board in April 2007.

Outlook: Improved operating margin before exceptional items and continued strong cash generation

Against a backdrop of an increasingly uncertain global macro economic outlook, Clariant's focus during the coming year will be on the continuing implementation of price increases and cost leadership which will help offset expected further increases in raw material and energy costs.

With the benefits of the operational performance improvements already underway, Clariant expects to show an improved operating margin before exceptional items and continuing strong cash flow from operations in 2008.

Going forward, the company will focus on businesses where it will be able to leverage strong market positions in attractive markets and therefore actively manage its portfolio.

FINANCIAL REVIEW

FINANCIAL DISCUSSION FOURTH QUARTER

Economic Environment

The subprime credit crisis started to influence the labor market and the consumer spending in the United States. With oil prices at high levels, the US economy started to slow while the EU countries showed signs of weaker economic growth.

The pace of economic growth in the emerging markets Brazil, Russia, India and China remained high in the fourth quarter. These countries profited from both strong growth in the domestic markets as well as from exports into the Western world.

The currency pattern is mainly influenced by the weakness of the US Dollar, the Japanese Yen and the British Pound against the Swiss franc. Compared to the average exchange rate of the fourth quarter 2006, the Euro was stronger compared to the Swiss currency.

Sales and Operating Results

Consolidated sales from continuing operations showed a good performance with an increase of 4% in Swiss franc terms and 3% in local currency terms compared to the fourth quarter of the previous year. Organic sales growth (excluding the effect of the acquired MB unit from Ciba and FX effects) was 2%. All divisions recorded price increases during this quarter.

The **gross margin** decreased to 27.8% in the fourth quarter of 2007 compared to 29.1% of sales in 2006 slightly improving on the trend seen in previous quarters. The price increases were more than offset by a 7% rise in raw material costs and by higher energy costs.

Marketing, distribution, administration and general overhead costs accounted for 20.2% of sales compared to 20.5% of sales recorded in the fourth quarter of 2006. This development is in line with the overall positive trend for the year compared to 2006.

Research and development costs of CHF 53 million in the fourth quarter of 2007 remain unchanged from the level recorded in the same quarter of previous year.

Income from associates increased to CHF 16 million in the fourth quarter of 2007. This compares to CHF 15 million in the corresponding period of the previous year.

Restructuring costs and impairments in the amount of CHF 113 million include a provision for the closure of the Coventry Site in the United States, provisions regarding the implementation of restructuring initiatives in Germany, France, Spain,Switzerland and Portugal.

Net financial result in the fourth quarter of 2007 fell to CHF –9 million, an improvement of CHF 21 million compared with the prior-year period. This was mostly due to foreign exchange gains of CHF 12 million in the fourth quarter of 2007 compared with exchange rate losses of CHF 6 million in the previous year. Net interest result improved by CHF 3 million year on year despite higher interest rates globally. This improvement is attributable to an optimized mix of net debt through the whole of 2007.

Tax expenses in the fourth quarter of 2007 were negatively influenced by a declining proportion of profits being generated in low-tax countries and impairments and restructuring costs that were only partly tax effective. The capitalization of tax assets in the UK and the United States in turn had a positive effect on the tax rate.

Net loss from continuing operations amounted to CHF 21 million in the fourth quarter of 2007. This compares with income of CHF 23 million reported in the same period of 2006. The main reason for this negative variance lies in the higher restructuring and impairment costs recorded during the fourth quarter of 2007.

The income from discontinued operations amounted to CHF 4 million in the fourth quarter of 2007. This relates to adjustments for the disposal of the Custom Manufacturing Business.

Balance Sheet Key Figures

Total assets increased to CHF 7.285 billion as of December 31, 2007 from CHF 7.188 billion at the end of 2006. Whereas inventories went down by CHF 36 million, trade receivables remained stable. Moderate increases in other current assets, a payment to the pension plan assets and a substantial increase in cash and cash equivalents contributed to the increase in total assets.

Cash and cash equivalents increased to CHF 509 million as of December 31, 2007 from CHF 443 million at the end of 2006. This was the result of the improved net working capital management in the third and fourth quarter and the repayment of a CHF 48 million vendor loan note received as part of the sale price for the disposal of the Electronic Materials Business, which was sold in 2004 and additional borrowings, the latter two occurring in the first half of 2007. In addition, CHF 125 million of short-term deposits were shown under other current assets.

Current financial debt increased to CHF 728 million as of December 31, 2007 from CHF 623 million at the end of 2006, whereas **non-current financial debt** decreased to CHF 1.267 billion as of December 31, 2007 from CHF 1.376 billion at the end of 2006. This is the net effect of two transactions. First, there was the reclassification from non-current to current of a bond worth CHF 384 million, which will fall due in March 2008. Second, there was the launch of a new bond in the amount of CHF 250 million in April 2007.

Equity decreased to CHF 2.372 billion as of December 31, 2007 from CHF 2.433 billion at the end of 2006. This was mainly the net effect of a net profit of CHF 5 million during the reporting period, the negative impact of FX movements and capital reduction of CHF 57 million.

Net debt decreased to CHF 1.361 billion as of December 31, 2007 from CHF 1.556 billion at the end of 2006 as a result of the changes described above.

Gearing, which reflects net financial debt in relation to equity including minorities, decreased to 57% as of December 31, 2007 from 64% at the end of 2006.

Cash Flow

The presentation of the cash flow statement was changed to provide more relevant information. Comparative information was reclassified accordingly. The new presentation of cash flows was first introduced for the third quarter of 2007.

In the new cash flow statement presentation, all non-cash expenses have again been added back to the net result, including interest and tax expenses. The receipts and payments of interests and payments of taxes are reported separately, as they are in operating activities. Dividends received from associates are classified as cash flows from operating activities, as investments in associates are strictly for operating purposes. In the prior version of the cash flow statement dividends received were classified as cash flows from investing activities.

Cash flow from operating activities before changes in working capital and provisions stood at CHF 66 million for the fourth quarter of 2007. This compares to CHF 86 million in the Fourth Quarter of 2006.

Working capital decreased by CHF 154 million during the Fourth Quarter of 2007, mainly driven by lower trade receivables, higher trade payables and provisions. The CHF 154 million decrease compares to a decrease of CHF 69 million in the fourth quarter of 2006.

Cash flow from operating activities stood at CHF 220 million for the fourth quarter of 2007, compared to CHF 155 million in the Fourth Quarter of 2006. This substantial improvement of operating cash flow could be achieved despite volume growth and increase in raw material prices.

Capital expenditure (PPE) stood at CHF 101 million for the fourth quarter of 2007, compared to CHF 106 million in the fourth quarter of 2006.

BUSINESS DISCUSSION FOURTH QUARTER

Textile, Leather & Paper Chemicals

	Full Year				Fourth Quarter			
	2007		2006		2007		2006	
	CHF mn	% of sales	CHF mn	% of sales	CHF mn	% of sales	CHF mn	% of sales
Sales	2 332		2 303		553		570	
EBITDA before exceptionals	217	9.3	232	10.1	52	9.4	57	10.0
Operating income before exceptionals	145	6.2	161	7.0	34	6.1	39	6.8
Operating income	40	1.7	50	2.2	25	4.5	36	6.3

See Definitions of Terms of Financial Measurements on page 11.

The **Textile, Leather & Paper Chemicals** Division saw a further downturn in sales in the fourth quarter of 3% in local currency terms and Swiss francs. Though prices continued to rise in particular in the Textiles business this could not offset the fall in the volumes. The Leather Business, on the other hand, was hit by further price erosion. At the regional level, the division's European operations suffered from these trends. Sales in India and Turkey were affected by strong currency whereas Asia and Latin America, by contrast, continued to post sales growth in the fourth quarter.

In view of this, profitability for the division was not as high as last year because prices did not increase sufficiently to fully compensate for the rising cost of raw materials and weaker sales volumes. The fourth quarter was marked by additional restructuring costs, linked to the implementation of the new TLP Low Cost Focus Strategy.

Overall, demand for products in the **Textile Business** fell in the fourth quarter. The inauspicious currency situation took its toll on exports from India and Turkey. At the European level, business slowed, mainly due to developments in Southern Europe. In Latin America and Asia, on the other hand, sales rose overall year on year. Demand for textile dyes softened as a whole, but remained at a healthy level. Meanwhile, sales of finishing products and technical textiles grew. The division was able to put up prices in most areas of the business.

Demand for products in the **Paper Business** also weakened in the fourth quarter. After several quarters of extremely high growth, the optical brighteners business is starting to level off. In order to keep prices at their current high level, the focus here has been on qualitative growth. The positive trend in paper dyes is attributable largely to the stronger focus on growing service-oriented products, and the company's market leadership in this business.

The negative trend that has beset the **Leather Business** in previous quarters continued in the last three months of the year. Environmental concerns in China and India in particular led to the closure of several local tanneries, resulting in a certain amount of pressure on product prices. Plans to turn around the wet-end chemicals business are now under way and the closure of a plant in the UK is on track.

Pigments & Additives

	Full Year				Fourth Quarter			
	2007		2006		**2007**		2006	
	CHF mn	% of sales	CHF mn	% of sales	CHF mn	% of sales	CHF mn	% of sales
Sales	2 076		1 981		490		467	
EBITDA before exceptionals	278	13.4	293	14.8	67	13.7	42	9.0
Operating income before exceptionals	192	9.2	216	10.9	41	8.4	22	4.7
Operating income	77	3.7	211	10.7	–48	–9.8	21	4.5

See Definitions of Terms of Financial Measurements on page 11.

Due to strong demand in most areas of the business, sales in the **Pigments & Additives Division** rose by 5% in local currency terms and Swiss Francs in the fourth quarter. Initiatives aimed at increasing prices due to rising cost of raw materials continued to bear fruit. For the first time in 2007, the division was able to increase prices of its products in the fourth quarter. Price increases were implemented in the Specialties and Coatings Businesses in particular, and the division saw sales volumes grow across the board.

At the regional level, sales were up a little on the previous year in Europe, and slightly down in the United States. Once again, the division's main growth markets in this quarter were Asia and Latin America.

Despite this positive trend, profitability was down on the previous year, due mainly to the rising cost of raw materials and adverse developments on the currency front. The scheduled closure of a major plant in the United States and substantial overhead cost reduction measures in the fourth quarter resulted in significantly higher restructuring costs during the period under review.

European sales of **Coatings Industry** products slowed during the year. However, this trend was more than offset by strong growth in Latin America in particular and also in Asia. The higher prices that the business was able to charge for its products are an indication of a turnaround in the trend. The growth in the automotive and construction industry continued, though at a lower level, year on year.

Demand for products in the **Plastic Industry** in the fourth quarter was on a par with the previous year, though the picture differed from region to region. Asia and – to a slightly lesser extent – Latin America were the main engines of sales growth. Within the polymer additives business, sales of antioxidants grew were up.

The increased demand for **Printing Industry** products and the associated growth is due mainly to the acquisition of new customers. In the market, the trend towards greater "commoditization" in this area of the business continued apace. The competitive environment in the traditional printing industry remains difficult, particularly for Publication Inks and the associated products. All the measures to seperate the new Base Chemicals business unit – which will affect Publication Inks in particular – have gone well.

Higher prices and strong demand in the various niche segments helped to boost sales in the **Specialty Industries** in this quarter. The strategy of focusing on environmentally friendly products is bearing fruit, with very good response from the market. As a result, sales of halogen-free flame retardants have soared.

Masterbatches

	Full Year				Fourth Quarter			
	2007		2006		**2007**		2006	
	CHF mn	% of sales	CHF mn	% of sales	CHF mn	% of sales	CHF mn	% of sales
Sales	1 380		1 254		315		296	
EBITDA before exceptionals	153	11.1	152	12.1	32	10.2	32	10.8
Operating income before exceptionals	124	9.0	120	9.6	28	8.9	24	8.1
Operating income	102	7.4	111	8.9	25	7.9	19	6.4

See Definitions of Terms of Financial Measurements on page 11.

Fourth quarter sales in the **Masterbatches Division** matched the previous year's figures with growth of 6% in local currency and Swiss francs terms. Moderate growth in local currency terms was achieved after adjusting for the effects of the acquisition of the Ciba masterbatches business combined with the divestiture in Australia. The weaker sales volumes were more than offset by the rise in the price of the division's products during the period.

Growth in demand for plastic products remained solid, but price pressure remained within the supply chain. On the supply side, both resin manufacturers and pigment suppliers have raised their prices. However, resistance to price increases remains strong in the consumer and retail markets. In spite of these pressures, the division has been able to compensate for input cost increase through price increases.

The vital initial steps in the integration of the recently acquired Ciba masterbatches business were successfully completed by the end of the year. Efficiencies were gained from the closure of two plants in France and reallocation of production to other MB plants in the region. However, duplicate and one-time operating costs associated with production transfers adversely impacted profitability during the period and as a result, the division's profit levels were down slightly when compared to the same quarter last year.

Despite the downturn affecting some end-user industries in **North America,** business improved year on year. Hardest hit were automotive and construction industry products, whereas demand from the packaging industry and the consumer goods sector remained robust. Overall performance in North America remained excellent especially given difficult market conditions. Latin America again posted solid sales growth. The division strengthened our position in this market by exiting the polymer trading business in Brazil, opening a new manufacturing plant in Chile and with an add on acquisition in Colombia.

Demand in the plastics industry in **Europe** began to slow in the final quarter of the year. The Division continued to strengthen its market position with selective portfolio adjustments during the quarter exiting the pigment paste business in France and with a small acquisition in Belgium. Eastern Europe continues to show strong growth, but at a slower pace. Additionally, the division added strength in the high growth Middle East market with the newly acquired Ciba unit in Saudi Arabia.

Growth remained strong in **Asia** adjusting for the impact of divestiture of Australian operations. The division took over a new world class plant in Thailand and continued construction of a new plant in Guangzhou China. Solid sales gains were posted in the main growth markets of China, Asean, and India in particular.

Functional Chemicals

	Full Year				Fourth Quarter			
	2007		2006**		**2007**		2006**	
	CHF mn	% of sales	CHF mn	% of sales	CHF mn	% of sales	CHF mn	% of sales
Sales	2 745		2 562		728		677	
EBITDA before exceptionals	262	9.5	296	11.6	78	10.7	89	13.1
Operating income before exceptionals	194	7.1	232	9.1	61	8.4	73	10.8
Operating income	194	7.1	197	7.7	60	8.2	62	9.2

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

Due to solid demand and higher prices in most areas of the business, the **Functional Chemicals Division** achieved growth of 6% in local currency terms in the fourth quarter. Positive currency effects resulted in sales figures up 8% in Swiss francs. Demand varied from segment to segment, with sales of Detergents and Performance Chemicals falling, while demand for products for the oil industry was generally high, ensuring strong growth in the Process Chemicals Business. At the regional level, sales in Europe were on a par with the previous year. Sales were significantly up in the US as Clariant gained market share. In Latin America and Asia sales grew sharply.

The division's profitability was lower, mainly due to the soaring cost of raw materials, which couldn't be offset by growing sales volumes, rising product prices or the countervailing currency effects.

Demand for **Detergents** fell again in the fourth quarter, and further price rises weren't enough to compensate for the decline in the volume of sales. Looking at the picture as a whole, subdued demand in the end-consumer market and changing formulations on the part of customers in Europe and the United States in particular all played a contributory role. Strong growth in Asia and higher sales in Latin America were not enough to offset the trend.

Sales of **Performance Chemicals** products fell during the quarter in question, against the backdrop of weak demand for key Specialty Intermediates products such as glyoxilic acid. This trend was particularly pronounced in Europe. Demand in other areas of the business was up on the previous year, though growth rates were low. While the Personal Care business was under increased pressure, demand for products for crop protection rose mainly due to the rising demand for crops for biofuels. Following on from previous quarters, the positive sales trend in the construction industry also continued apace.

All areas of the **Process Chemicals** Business posted higher sales, year on year, helped by strong overall demand for Clariant Oil Services products. The integration of the recently acquired Toschem business was successfully completed. High demand for ore, crude oil and gas as a whole also led to an increase in demand in the Mining and Refinery Chemicals industries. Sales of products for the Metal Working industry reached record levels. The de-icing business had a good quarter, due largely to a particularly harsh winter in the United States.

Regions

Sales												
						Full Year						***Fourth Quarter***
CHF mn	***2007***	*% of sales*	***2006***	*% of sales*	*CHF %*	*LC %*	***2007***	*% of sales*	***2006***	*% of sales*	*CHF %*	*LC %*
Europe	4 155	48.7	3 939	48.6	5	1	1 000	47.9	973	48.4	3	–1
of which Germany	*1 252*		*1 173*		*7*	*2*	*312*		*295*		*6*	*2*
of which Switzerland	*147*		*140*		*5*	*1*	*36*		*35*		*3*	*1*
Americas	2 364	27.7	2 292	28.3	3	4	588	28.2	566	28.2	4	6
of which USA	*995*		*1 031*		*–3*	*1*	*232*		*239*		*–3*	*5*
of which Brazil	*589*		*521*		*13*	*6*	*154*		*137*		*12*	*2*
Asia / Australia / Africa	2 014	23.6	1 869	23.1	8	9	498	23.9	471	23.4	6	8
Total continuing operations	**8 533**	100.0	**8 100**	100.0	5	4	**2 086**	100.0	**2 010**	100.0	4	3
Discontinued operations	82		325				1		55			

Europe
European sales accounted for 48% of the Group total in the fourth quarter of 2007. Organic growth (excluding the impact of the masterbatches business acquired from Ciba and FX) is –2% in the fourth quarter of 2007 compared with the same quarter of previous year. The negative development in Southern and Western Europe – especially in Turkey offset a strong performance in Eastern Europe countries. Germany – by far the most important market for Clariant – reported a 2% increase in local currencies, fueled by strong performance in the Process Chemicals and Specialties Businesses.

Americas
Sales in the Americas accounted for 28% of the Group total. Organic growth for this region is a solid 6%, mainly due to a positive performance in most Latin American countries. Despite the economic downturn, the US recorded a strong performance with an increase in organic sales of 5%. This was due to very favourable developments in the Process Chemicals, Detergents and Masterbatches segments.

Asia, Africa, Australia
This region delivered 6% organic growth in the fourth quarter of 2007 and accounts for 24% of group sales. China continued to be the main contributor. Double-digit sales growth was also recorded in South Korea, Pakistan and Indonesia, whereas Japan had another strong showing. Sales in Australia dropped sharply compared with the same quarter a year ago: in two of its four divisions(Masterbatch & Textile Leather & Paper) Clariant has closed its operations in the Australian market.

DEFINITION OF TERMS OF FINANCIAL MEASUREMENTS (UNAUDITED)

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)

	Full Year		Fourth Quarter	
CHF mn	***2007***	*2006*	***2007***	*2006*
Operating income	278	385	7	112
+ Depreciation of PPE	264	256	68	66
+ Impairment of PPE / Goodwill	77	150	11	2
+ Amortization of other intangibles	9	7	4	2
EBITDA	**628**	**798**	**90**	**182**

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)

	Full Year		Fourth Quarter	
CHF mn	***2007***	*2006*	***2007***	*2006*
EBITDA	628	798	90	182
+ Restructuring and impairment	262	211	113	22
– Impairment of PPE / Goodwill (reported under Restructuring and impairment)	–77	–150	–11	–2
– Gain on disposals of subsidiaries and associates	–1	–4	2	–
EBITDA before exceptionals	**812**	**855**	**194**	**202**

Operating income before exceptional items
– is calculated as operating income plus restructuring and impairment and gain/loss on disposals

Operating income before exceptionals (Continuing)

	Full Year		Fourth Quarter	
CHF mn	***2007***	*2006*	***2007***	*2006*
Operating income	278	385	7	112
+ Restructuring and Impairment	262	211	113	22
– Gain on disposals of subsidiaries and associates	–1	–4	2	–
Operating income before exceptionals	**539**	**592**	**122**	**134**

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	***31.12.2007***	*31.12.2006*
Non-current financial debt	1 267	1 376
+ Current financial debt	728	623
– Cash and cash equivalents	–509	–443
– Current deposits 90 to 365 days	–125	–
Net Debt	**1 361**	**1 556**

CONDENSED FINANCIAL STATEMENTS OF THE CLARIANT GROUP

Consolidated balance sheets (unaudited)

ASSETS	31.12.2007		31.12.2006	
	CHF mn	%	CHF mn	%
Non-current assets				
Property, plant and equipment	2 401		2 422	
Intangible assets	339		335	
Investments in associates	294		288	
Financial assets	17		63	
Prepaid pension assets	122		90	
Deferred income tax assets	113		89	
Total non-current assets	**3 286**	45.1	**3 287**	45.7
Current assets				
Inventories	1 477		1 513	
Trade receivables	1 449		1 446	
Other current assets [1]	535		378	
Cash and cash equivalents	509		443	
Current income tax receivables	29		24	
Total current assets	**3 999**	54.9	**3 804**	52.9
Non-current assets held for sale	–	0.0	**97**	1.4
Total assets	**7 285**	100.0	**7 188**	100.0

EQUITY AND LIABILITIES	31.12.2007		31.12.2006	
	CHF mn	%	CHF mn	%
Equity				
Share capital	978		1 035	
Treasury shares (par value)	– 16		– 16	
Other reserves	642		648	
Retained earnings	709		706	
Total capital and reserves attributable to Clariant shareholders	**2 313**		**2 373**	
Minority interests	59		60	
Total equity	**2 372**	32.6	**2 433**	33.8
Liabilities				
Non-current liabilities				
Financial debts	1 267		1 376	
Deferred income tax liabilities	179		183	
Retirement benefit obligations	515		495	
Provision for non-current liabilities	231		244	
Total non-current liabilities	**2 192**	30.0	**2 298**	32.0
Current liabilities				
Trade payables	1 321		1 207	
Financial debts	728		623	
Current income tax liabilities	244		215	
Provision for current liabilities	428		351	
Total current liabilities	**2 721**	37.4	**2 396**	33.3
Liabilities directly associated with non-current assets held for sale	–	0.0	**61**	0.9
Total liabilities	**4 913**	67.4	**4 755**	66.2
Total equity and liabilities	**7 285**	100.0	**7 188**	100.0

[1] Includes short-term deposits of CHF 125 million (2006: CHF 0)

Consolidated income statements (unaudited)

	Full Year				Fourth Quarter			
	2007		2006		**2007**		2006	
	CHF mn	%	CHF mn	%	CHF mn	%	CHF mn	%
Sales	8 533	100.0	8 100	100.0	2 086	100.0	2 010	100.0
Costs of goods sold	–6 045	70.8	–5 614	69.3	–1 506	72.2	–1 425	70.9
Gross profit	**2 488**	29.2	**2 486**	30.7	**580**	27.8	**585**	29.1
Marketing and distribution	–1 384	16.2	–1 328	16.3	–337	16.2	–342	17.0
Administration and general overhead costs	–391	4.5	–394	4.9	–84	4.0	–71	3.5
Research and development	–211	2.5	–207	2.6	–53	2.6	–53	2.6
Income from associates	37	0.4	35	0.4	16	0.8	15	0.7
Gain from the disposal of activities not qualifying as discontinued operations	1	0.0	4	0.0	–2	0.1	–	0.0
Restructuring and impairment	–262	3.1	–211	2.5	–113	5.4	–22	1.1
Operating income	**278**	3.3	**385**	4.8	**7**	0.3	**112**	5.6
Finance income	31	0.3	33	0.4	8	0.4	6	0.3
Finance costs[1]	–102	1.2	–143	1.8	–17	0.8	–36	1.8
Income before taxes	**207**	2.4	**275**	3.4	**–2**	0.1	**82**	4.1
Taxes	–99	1.1	–144	1.8	–19	0.9	–59	3.0
Net income from continuing operations	**108**	1.3	**131**	1.6	**–21**	1.0	**23**	1.1
Discontinued operations:								
Income/loss from discontinued operations	–103		–209		4		–24	
Net income / loss	**5**		**–78**		**–17**		**–1**	
Attributable to:								
Shareholders of Clariant Ltd	–2		–85		–19		–2	
Minority interests	7		7		2		1	
Net income / loss	**5**	0.1	**–78**	1.0	**–17**	0.8	**–1**	0.0
Basic earnings per share attributable to the shareholders of Clariant Ltd (CHF/share):								
Continuing operations	0.44		0.55		–0.10		0.10	
Discontinued operations	–0.45		–0.92		0.02		–0.10	
Total	**–0.01**		**–0.37**		**–0.08**		**0.00**	
Diluted earnings per share attributable to the shareholders of Clariant Ltd (CHF/share):								
Continuing operations	0.44		0.54		–0.10		0.09	
Discontinued operations	–0.45		–0.92		0.02		–0.11	
Total	**–0.01**		**–0.38**		**–0.08**		**–0.02**	

[1] Currency impact YTD 2007 of CHF 23 mn vs YTD 2006 of CHF –11 mn.

Consolidated statements of cash flows (unaudited)*

	Full Year		Fourth Quarter	
CHF mn	**2007**	2006	**2007**	2006
Net loss/income	5	–78	–17	–1
Adjustment for:				
Depreciation of property, plant and equipment (PPE)	264	269	68	67
Impairment	84	231	11	4
Amortization of intangible assets	9	7	4	2
Impairment of working capital	53	57	15	17
Income from associates	–37	–35	–16	–15
Tax expense	99	117	18	47
Net financial income and costs	94	99	21	24
Gain from the disposal of activities not qualifying as discontinued operations	–1	–4	2	–
Loss on disposal of discontinued operations	70	101	–4	8
Other non-cash items	–20	28	–18	–17
Total reversal of non-cash items	**615**	**870**	**101**	**137**
Dividends received from associates	30	22	1	2
Interest paid	–86	–69	–2	–15
Interest received	29	22	6	10
Income taxes paid	–88	–75	–23	–47
Cash flow before changes in working capital and provisions	**505**	**692**	**66**	**86**
Changes in inventories	–39	–156	–19	43
Changes in trade receivables	20	–48	71	40
Changes in trade payables	76	–45	76	49
Changes in other current assets and liabilities	–69	–56	5	5
Changes in provisions	47	–59	21	–68
Cash flow from operating activities	**540**	**328**	**220**	**155**
Investments in PPE	–312	–358	–101	–106
Investments in financial assets and associates	–15	–4	–7	–2
Investments in other intangible assets	–8	–4	–7	2
Changes in current financial assets**	–116	5	–132	–20
Sale of PPE and intangible assets	18	25	3	21
Acquisition of companies, businesses and participations	–8	–45	–8	–29
Proceeds from the disposal of discontinued operations	25	46	–12	–8
Proceeds from the disposal of subsidiaries and associates	23	33	1	5
Cash flow from investing activities	**–393**	**–302**	**–263**	**–137**
Reduction of share capital to shareholders of Clariant Ltd	–57	–58	–	–
Treasury share transactions	–8	–4	–	–11
Proceeds from financial debts	308	1 130	–14	91
Repayments of financial debts	–317	–867	–29	–339
Dividends paid to minority shareholders	–9	–7	–	–
Cash flow from financing activities	**–83**	**194**	**–43**	**–259**
Currency translation effect on cash and cash equivalents	2	–	–4	–
Net change in cash and cash equivalents	**66**	**220**	**–90**	**–241**
Cash and cash equivalents at the beginning of the period	**443**	**223**	**599**	**684**
Cash and cash equivalents at the end of the period	**509**	**443**	**509**	**443**

* Presentation of this statement has been changed and the comparatives have been reclassified.

** This item concerns the investment of cash and cash equivalents earmarked for the bond repayment in March 2008 in short-term deposits over ninety days.

Consolidated statements of recognized income and expense (unaudited)

	Full Year	
	2007 CHF mn	2006 CHF mn
Net investment hedge	–31	–16
Currency translation differences	26	1
Tax on items taken directly to or transferred from equity	–3	
Net income recognized directly in equity	**–8**	**–15**
Net income/loss	5	–78
Total recognized income and expense for the period	**–3**	**–93**
Attributable to:		
Shareholders of Clariant Ltd	–11	–100
Minority interests	8	7

This statement shows only changes in equity other than those arising from capital transactions with owners and distributions to owners.

1. Divisional Figures

Full Year				***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	2 332	2 303	1	–	217	232	–6	–8	167	224	–25	–26
Pigments & Additives	2 076	1 981	5	3	278	293	–5	–7	180	288	–38	–39
Masterbatches	1 380	1 254	10	8	153	152	1	–1	136	143	–5	–7
Functional Chemicals**	2 745	2 562	7	5	262	296	–11	–14	261	265	–2	–4
Divisions Total	**8 533**	8 100			**910**	973			**744**	920		
Corporate	–	–			–98	–118			–116	–122		
Total continuing	**8 533**	8 100	5	4	**812**	855	–5	–7	**628**	798	–21	–25

				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	145	161	–10	–11	40	50	–20	–16	72	71
Pigments & Additives	192	216	–11	–12	77	211	–64	–64	84	76
Masterbatches	124	120	3	1	102	111	–8	–11	29	31
Functional Chemicals **	194	232	–16	–19	194	197	–2	–4	68	64
Divisions Total	**655**	729			**413**	569			**253**	242
Corporate	–116	–137			–135	–184			11	14
Total continuing	**539**	592	–9	–11	**278**	385	–28	–33	**264**	256

Fourth 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	553	570	–3	–3	52	57	–9	–8	43	53	–19	–15
Pigments & Additives	490	467	5	5	67	42	60	54	–12	41	–129	–130
Masterbatches	315	296	6	6	32	32	–	2	30	28	7	7
Functional Chemicals**	728	677	8	6	78	89	–12	–13	77	80	–4	–6
Divisions Total	**2 086**	2 010			**229**	220			**138**	202		
Corporate	–	–			–35	–18			–48	–20		
Total continuing	**2 086**	2 010	4	3	**194**	202	–4	–5	**90**	182	–51	–53

				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	34	39	–13	–14	25	36	31	–20	18	17
Pigments & Additives	41	22	86	84	–48	21	–329	–325	25	19
Masterbatches	28	24	17	19	25	19	32	27	4	8
Functional Chemicals **	61	73	–16	–18	60	62	–3	–4	18	16
Divisions Total	**164**	158			**62**	138			**65**	60
Corporate	–42	–24			–55	–26			3	6
Total continuing	**122**	134	–9	–9	**7**	112	–94	–94	**68**	66

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

2. Divisional Margins

Full Year	***Sales to 3rd parties***		***EBITDA before exceptionals***		***EBITDA***	
in %	***2007***	*2006*	***2007***	*2006*	***2007***	*2006*
Textile, Leather, Paper	27.3	28.4	9.3	10.1	7.2	9.7
Pigments & Additives	24.3	24.4	13.4	14.8	8.7	14.5
Masterbatches	16.2	15.5	11.1	12.1	9.9	11.4
Functional Chemicals **	32.2	31.7	9.5	11.6	9.5	10.3
Total continuing	**100.0**	**100.0**	**9.5**	**10.6**	**7.4**	**9.9**

	Operating income b. exceptionals		***Operating Income***	
in %	***2007***	*2006*	***2007***	*2006*
Textile, Leather, Paper	6.2	7.0	1.7	2.2
Pigments & Additives	9.2	10.9	3.7	10.7
Masterbatches	9.0	9.6	7.4	8.9
Functional Chemicals **	7.1	9.1	7.1	7.7
Total continuing	**6.3**	**7.3**	**3.3**	**4.8**

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

Fourth Quarter	***Sales to 3rd parties***		***EBITDA before exceptionals***		***EBITDA***	
in %	***2007***	*2006*	***2007***	*2006*	***2007***	*2006*
Textile, Leather, Paper	26.5	28.4	9.4	10.0	7.8	9.3
Pigments & Additives	23.5	23.2	13.7	9.0	–2.4	8.8
Masterbatches	15.1	14.7	10.2	10.8	9.5	9.5
Functional Chemicals **	34.9	33.7	10.7	13.1	10.6	11.8
Total continuing	**100.0**	**100.0**	**9.3**	**10.0**	**4.3**	**9.1**

	Operating income b. exceptionals		***Operating Income***	
in %	***2007***	*2006*	***2007***	*2006*
Textile, Leather, Paper	6.1	6.8	4.5	6.3
Pigments & Additives	8.4	4.7	–9.8	4.5
Masterbatches	8.9	8.1	7.9	6.4
Functional Chemicals **	8.4	10.8	8.2	9.2
Total continuing	**5.8**	**6.7**	**0.3**	**5.6**

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

3. Regional developments

Sales						***Full Year***						***Fourth Quarter***
CHF mn	***2007***	*% of sales*	*2006*	*% of sales*	*CHF %*	*LC %*	***2007***	*% of sales*	*2006*	*% of sales*	*CHF %*	*LC %*
Europe	4 155	48.7	3 939	48.6	5	1	1 000	47.9	973	48.4	3	−1
of which Germany	*1 252*		*1 173*		7	2	*312*		*295*		6	2
of which Switzerland	*147*		*140*		5	1	*36*		*35*		3	1
Americas	2 364	27.7	2 292	28.3	3	4	588	28.2	566	28.2	4	6
of which USA	*995*		*1 031*		−3	1	*232*		*239*		−3	5
of which Brazil	*589*		*521*		13	6	*154*		*137*		12	2
Asia / Australia / Africa	2 014	23.6	1 869	23.1	8	9	498	23.9	471	23.4	6	8
Total continuing operations	**8 533**	100.0	**8 100**	100.0	5	4	**2 086**	100.0	**2 010**	100.0	4	3
Discontinued operations	82		325				1		55			

4. Foreign Exchange Rates

Rates used to translate the consolidated balance sheets (closing rate)	***31.12.2007***	*31.12.2006*	*Change %*
1 USD	1.13	1.22	–7
1 EUR	1.66	1.61	3
1 GBP	2.25	2.39	–6
100 JPY	1.01	1.02	–1

Full Year

Average sales-weighted rates used to translate the income statements and consolidated statements of cash flows	***2007***	*2006*	*Change %*
1 USD	1.20	1.26	–5
1 EUR	1.64	1.57	4
1 GBP	2.40	2.31	4
100 JPY	1.02	1.08	–6

5. Condensed Earnings Per Share Data

		Full Year
CHF mn	***2007***	*2006*
Number of shares outstanding at 31.12.2007 and 31.12.2006 respectively	230 160 000	230 160 000
Weighted average, number of shares outstanding	227 153 836	226 767 254
Weighted average, diluted number of shares outstanding	228 367 397	227 870 768
Basic earnings per share attributable to the shareholders of Clariant Ltd (CHF/share):		
Continuing operations	0.44	0.55
Discontinued operations	–0.45	–0.92
Total	**–0.01**	**–0.37**
Diluted earnings per share attributable to the shareholders of Clariant Ltd (CHF/share):		
Continuing operations	0.44	0.54
Discontinued operations	–0.45	–0.92
Total	**–0.01**	**–0.38**

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Clariant's businesses are organized in four 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.

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Calendar of Corporate Events

April 10, 2008	Annual General Meeting
April 30, 2008	First Quarter 2008 Results
July 29, 2008	First Half 2008 Results
November 4, 2008	Nine Month 2008 Results

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