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Quarterly Report
November 4, 2008

Contents	Page
News Release	1
Financial Review	3
Financial Discussion	3
Business Discussion	5
Condensed Financial Statements (unaudited)	9

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CLARIANT IMPROVES OPERATING MARGIN

- **Solid performance in the first nine months**
  - **Sales up 5% in local currency**
  - **Price increases of 6% compensate for a 15% increase in raw material costs**
  - **Operating margin before exceptionals rises to 7.7% from 6.5% in the first nine months of 2007**
  - **Cash flow from operations at CHF 174 million**
  - **Solid debt maturity profile and liquidity position**
- **Full-year outlook confirmed**
  - **Full-year operating margin above 2007 – expected between 6.5% and 6.8%**
  - **Continuing strong operating cash flow**
- **Clariant will further increase profitability and respond to the expected negative macroeconomic environment by accelerating restructuring and focusing on operational excellence**

Hariolf Kottmann, CEO of Clariant commented:

"Clariant has been able to improve its operational performance in a difficult macroeconomic environment by decreasing costs and increasing prices. We have built the momentum to achieve our 2008 outlook."

Key Financial Group Figures

	Nine Months				Third Quarter			
Continuing operations:	**2008**		2007		**2008**		2007	
	CHF mn	% of sales	CHF mn	% of sales	CHF mn	% of sales	CHF mn	% of sales
Sales	6 327	100.0	6 447	100.0	2 094	100.0	2 111	100.0
Local currency growth (LC):	5%				5%			
Organic growth [1]	*4%*				*5%*			
Acquisitions/Divestitures	*1%*				*0%*			
Currencies	–7%				–6%			
Gross profit	1 874	29.6	1 908	29.6	615	29.4	611	28.9
EBITDA before exceptionals	679	10.7	618	9.6	242	11.6	188	8.9
EBITDA*	589	9.3	538	8.3	198	9.5	132	6.3
Operating income before exceptionals*	488	7.7	417	6.5	178	8.5	123	5.8
Operating income	377	6.0	271	4.2	119	5.7	5	0.2
Net income from continuing operations	171	2.7	129	2.0	79	3.8	–45	–2.1
Net income	170	2.7	22	0.3	78	3.7	–51	–2.4
Operating cash flow (total operations)	174		320		147		266	
Discontinued operations:								
Sales	0		81		0		0	
Net loss from discontinued operations	–1		–107		–1		–6	

Other key figures:	***30.09.2008***	*31.12.2007*
Net debt	1 432	1 361
Equity (including minorities)	2 362	2 372
Gearing	61%	57%
Number of employees	20 325	20 931

[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, November 4, 2008 – Clariant, a world leader in specialty chemicals, today announced a 5% increase in sales in local currency. Sales in CHF declined 2% due to adverse currency effects and amounted to CHF 6.3 billion compared to CHF 6.4 billion in the previous year. Towards the end of the reporting period, volume growth was challenged by weaker demand in some businesses and regions that was compensated for by higher selling prices.

Clariant increased prices by 6%, offsetting a 15% increase in raw material costs in the first three quarters. The favorable gross margin development of recent quarters continued, demonstrated by an improvement of 0.4 percentage points compared to Full Year 2007. On a year-on-year basis the gross margin remained stable at 29.6%.

The operating margin before exceptionals reached 7.7%, compared to 6.5% in the first nine months of 2007, mainly due to systematic reduction of SG&A costs that declined to 20.2% from 20.9% on a year-on-year basis. Operating income before exceptionals amounted to CHF 488 million. As a consequence of increased raw material costs, inventories had to be revaluated which had a favorable impact on gross income and operating income of roughly CHF 30 million. Adverse currency effects had a negative impact of approximately CHF 70 million on operating income. Net income rose to CHF 170 million compared to CHF 22 million in the previous year.

Cash flow from operations has developed favorably in recent months and reached CHF 174 million from CHF 27 million in the first half of 2008. It is however still impacted by inventory build-up as a result of supply shortages of some chemical feedstock as well as by the revaluation of inventory. Hence the cash flow was CHF 146 million lower than previous year.

Clariant has favorable debt maturity profile and solid liquidity position

The company's debt maturity profile is excellent. The group does not face maturities in the capital markets (bonds, certificates of indebtedness) for the next three years until 2011 as it has refinanced all mid- and long term needs at favorable conditions between April 2006 and July 2008.

Clariant's liquidity position remains very solid. Local rollover loans - almost all of them net working capital financings - are well diversified based on a large number of banks worldwide. The absolute volume of short-term financings remains at low levels, also seen in the historic context, and the available headroom under existing committed and uncommitted credit facilities exceeds CHF 1 billion.

Restructuring according to plan with further measures to come to address macroeconomic downturn

Restructuring and impairment expenses amounted to CHF 113 million. The activities to reduce SG&A costs as well as the production site closures that were announced previously – namely in Horsforth, Coventry, Selby and Naucalpan - proceeded as planned.

Looking forward the global macroeconomic downturn will adversely impact the demand for Clariant's products and affect top-line growth. At the same time the company has to put all efforts into improving its mid- and long term competitiveness against its peers by placing the progress made in operational excellence on a sustainable platform. Hence restructuring will be accelerated and operational excellence will be improved using a stringent six sigma approach. Clariant will put an even stronger focus on cash generation.

Divisions maintained strong focus on prices

The decisive 'price over volume' approach as well as a strong focus on lowering SG&A costs in all four divisions has been the main reason for the improvement of Clariant's operational performance.

Outlook for 2008 confirmed

Clariant's focus during the remainder of the year will be on continuous cash generation, cost reduction and price increases.

Despite an increasingly unfavorable macroeconomic environment, Clariant expects an improved operating margin before exceptional items of between 6.5% and 6.8% and a strong cash flow from operations.

"Going forward, we will accelerate our restructuring efforts and focus on operational excellence in order to significantly increase profitability and respond to expected negative market developments resulting from an extremely challenging macroeconomic environment", said Hariolf Kottmann.

FINANCIAL REVIEW

FINANCIAL DISCUSSION THIRD QUARTER

Economic Environment

The business environment rapidly deteriorated in the third quarter. The financial crisis that started in the United States spilled over to other regions, most notably to Europe. While economic growth held up reasonably well in many Emerging Markets, a marked slowdown has been observed in most European countries. The uncertainty surrounding the future development of the global economy has been reflected in extremely volatile stock markets and commodity prices.

Crude oil prices have come down at a rapid pace during the third quarter on the back of weakening demand scenarios and reduced interest from financial buyers. The tight supply-demand situation has eased in some but not all commodities, suggesting that the commodity price peak has reached its high in the third quarter.

Compared to its record lows against the major currencies in the first and second quarter, the USD has recovered in the third quarter. However, on a year-on-year basis, the average exchange rates of euro, Japanese yen and pound sterling were weaker against the Swiss franc.

Sales and Operating Results

Consolidated sales from continuing operations increased by 5% in local currency terms and decreased by 1% in Swiss franc terms compared to the third quarter of the previous year. Organic sales growth – excluding the effect of the acquisition of Rite Systems/Ricon Colors – was also 5%. The strong focus on prices over volume resulted in higher selling price increases in all divisions and businesses. Sales prices increased 9%, volumes were down 4%

The **gross margin** increased to 29.4% in the third quarter compared with 28.9% in the same period a year earlier. Sales price increases, efficiency improvements and an inventory revaluation offset the negative impact of rising raw material and energy costs and the unfavorable development of foreign exchange rates.

Marketing, distribution, administration and general overhead accounted for 19.3% of sales compared to 21.1% recorded in the third quarter of 2007. Cost reductions and favorable FX effects contributed to this development.

Research and development costs of CHF 46 million in the third quarter of 2008, is below the level recorded in the same quarter last year (CHF 51 million).

Income from associates increased to CHF 13 million in the third quarter of 2008. This compares to CHF 9 million in the corresponding period of the previous year.

Restructuring costs and impairments in the amount of CHF 60 million include provisions and impairments related to the shutdown of the Horsforth plant in GB. Additional restructuring and impairment charges were booked in France, Spain, USA and Germany.

Net financial expenses The financial result in the third quarter of 2008 fell to CHF –12 million, an improvement of CHF 31 million compared with the prior-year period. This was entirely due to foreign exchange gains of CHF 13 million in the third quarter of 2008 compared with exchange rate losses of CHF –19 million in the previous year. The big swing in foreign currency is almost entirely due to the weakening of all major currencies against the CHF in the third quarter of 2008. This has led to substantial valuation differences of especially intra-group financing positions and operation positions. Net interest result declined by CHF –1 million year-on-year.

Tax expenses in the third quarter of 2008 were negatively influenced by a high proportion of profits being generated in high-tax countries and restructuring and impairment costs that were only partly tax effective. In turn, untaxed foreign exchange gains had a positive effect on the tax rate.

Net income from continuing operations amounted to CHF 79 million in the third quarter of 2008. This compares with a loss of CHF 45 million reported in the same period of 2007. The main reason for this variance lies in the favorable EBIT development, the positive foreign exchange result, and in the lower restructuring and impairment costs.

Net income rose to CHF 78 million from a loss of CHF 51 million in the third quarter 2007.

Balance Sheet Key Figures

Total assets decreased to CHF 6.861 billion as of September 30, 2008, from CHF 7.285 billion at the end of 2007. The main contributors were the repayment of a bond in the amount of CHF 384 million and the issuance of a certificate of indebtedness in the amount of EUR 100 million. In addition share capital in the amount of CHF 57.5 million was paid back. Apart from this, a weakening of most currencies compared to the Swiss franc reduced the amount of total assets.

Cash and cash equivalents decreased to CHF 270 million as of September 30, 2008, from CHF 509 million at the end of 2007. This was the result of the above-mentioned bond repayment, the repayment of additional current financial liabilities and the issuance of the certificate of indebtedness in the amount of EUR 100 million. In addition share capital was paid back in the amount of CHF 57.5 million.

Accordingly, **current financial debt** decreased to CHF 345 million as of September 30, 2008, from CHF 728 million at the end of 2007, whereas non-current financial debt increased to CHF 1.357 billion as of September 30, 2008, from CHF 1.267 billion at the end of 2007.

Equity decreased to CHF 2.362 billion as of September 30, 2008, from CHF 2.372 billion at the end of 2007. This was the result of the net profit of CHF 170 million incurred during the reporting period (including minorities), the payback of share capital in the amount of CHF 57.5 million and the negative impact of the foreign exchange rate movements. In particular the Brazilian real, the euro, pound sterling and the Indian rupee contributed to this effect.

Net debt increased to CHF 1.432 billion as of September 30, 2008 from CHF 1.361 billion at the end of 2007.

Gearing, which reflects net financial debt in relation to equity including minorities, increased to 61% as of September 30, 2008, from 57% at the end of 2007.

Cash Flow

Cash flow from operating activities before changes in working capital was CHF 163 million for the third quarter 2008, compared with CHF 99 million for the previous quarter and CHF 101 million for the same period one year earlier. The operating cash flow before changes in working capital for the first nine months of 2008 was CHF 454 million compared to CHF 439 million for the first nine months of 2007.

Working capital increased by CHF 16 million during the third quarter of 2008, compared to a decrease of CHF 165 million for the same period of 2007. In the first nine months of 2008 working capital increased by CHF 280 million, compared to an increase of CHF 119 million for the same period of the prior year. The development in 2008 was mainly driven by higher purchase prices for raw materials and to a lesser extent also by increases in inventories and trade receivables.

Cash flow from operating activities stood at CHF 147 million for the third quarter of 2008, compared to CHF 33 million for the immediately preceding quarter and 266 million for the same period one year earlier. For the first nine months of 2008, cash flow from operating activities amounted to CHF 174 million compared to CHF 320 million for the same period one year earlier.

Capital expenditure (PPE) stood at CHF 70 million for the third quarter, compared to CHF 60 million for the second quarter of 2008, and CHF 79 million for the same period one year earlier. For the first nine months of 2008 capital expenditure amounted to CHF 177 million compared to CHF 211 million for the first nine months of 2007.

Other important investment activities in 2008 included the acquisition of the combined Masterbatch companies Rite Systems Inc. and Ricon Colors Inc. in the US for an amount of CHF 38 million and investments in a joint venture in China pertaining to the Pigments and Additives division in the amount of CHF 17 million. Also, fixed-term deposits in the amount of about CHF 125 million expired in 2008, which IFRS requires to be reported as an investing activity. The means invested in these notes were subsequently used to repay part of a Swiss franc bond in the amount of CHF 384 million that expired in March. The remainder of the repayment was made out of cash and cash equivalents.

BUSINESS DISCUSSION THIRD QUARTER

Textile, Leather & Paper Chemicals

	Nine Months						Third Quarter					
	2008		2007				2008		2007			
	CHF mn	% of sales	CHF mn	% of sales	% CHF	% LC	CHF mn	% of sales	CHF mn	% of sales	% CHF	% LC
Sales	1 591		1 779		–11	–3	521		581		–10	–3
EBITDA before exceptionals	141	8.9	165	9.3	–15	–7	43	8.3	46	7.9	–7	7
Operating income before exceptionals	92	5.8	111	6.2	–17	–7	26	5.0	28	4.8	–7	15
Operating income	58	3.6	15	0.8	287	349	7	1.3	–59	–10.2	–	–

See Definitions of Terms of Financial Measurements on page 11.

Seasonal weakness intensified by general demand slowdown

In the Textile, Leather & Paper Chemicals division sales fell 3% in local currencies and 10% in Swiss francs. All three businesses suffered from rapidly deteriorating market conditions during the third quarter, reinforcing the usual seasonal weakness during the summer months. Volumes were weak in Textile and Leather and to a lesser extent in Paper. On the divisional level, unprecedented sales price increases could not fully compensate for the steep rise in raw materials costs.

Gross margin unchanged

The gross margin remained stable as higher sales prices and an inventory revaluation offset the weak top-line performance. The operating margin before exceptional items slightly rose as a result of a strict cost control within the division and the reduced headcount number, offsetting the negative currency impact in the third quarter.

Further expansion into growth markets

With the opening of the Gebze plant near Istanbul, Turkey, the division took another step to move its production closer to its customers. The Gebze plant mainly serves the growing Middle East and Turkish markets with textile chemicals and emulsions. Furthermore, expansion projects of existing Textile, Leather & Paper Chemicals facilities in China (Tianjin) and Indonesia have been successfully completed. The closure of the two UK sites in Selby and Horsforth is on track to be completed by the end of 2008 and mid 2009 respectively.

Difficult market conditions in Textiles

The steep downturn in the global textile markets continued as evidenced for example by China not fully using its export quota in the third quarter. In these difficult market conditions local currency sales growth in Latin America was good despite some volume losses. With the exception of Eastern Europe, all other European countries, North America and many important Asian markets suffered from a double-digit volume contraction. However, strong price increases and the implementation of further restructuring measures offset the negative influence of declining volumes on profitability.

Leather affected by automotive and upholstery

With the exception of some smaller, high-growth countries, sales in the Leather business continued to weaken during the third quarter as a direct consequence of the financial crisis in the Western hemisphere. Demand from footwear and leather fashion customers was somewhat better compared to the automotive and upholstery producers. The trend towards smaller and more energy-efficient cars using less leather in their interiors affected the business. From a regional perspective the Americas and Asia had the steepest sales decline. In Europe, a solid business in Germany was not enough to compensate the poor performance in other traditional leather markets such as Italy.

Double-digit sales prices increases in Paper

The Paper business did develop satisfactorily well despite some volume losses in the third quarter. The business unit was successful in implementing double-digit sales price increases to counter the unbroken upward trend in raw material costs for optical brighteners. Although the tight raw material supply situation in that part of the business unwound in the last few weeks, raw materials costs remained at unusually high levels. Local currency sales growth was strong in Latin America, while Europe and Asia were nearly unchanged. Asia, however, was mixed, with China weakening substantially but markets such as Indonesia and India doing very well.

Pigments & Additives

	Nine Months						Third Quarter					
	2008		2007				2008		2007			
	CHF mn	% of sales	CHF mn	% of sales	% CHF	% LC	CHF mn	% of sales	CHF mn	% of sales	% CHF	% LC
Sales	1 578		1 586		–1	6	510		525		–3	3
EBITDA before exceptionals	247	15.7	211	13.3	17	24	91	17.8	73	13.9	25	34
Operating income before exceptionals	189	12.0	151	9.5	25	34	71	13.9	53	10.1	34	45
Operating income	167	10.6	125	7.9	34	41	66	12.9	28	5.3	136	148

See Definitions of Terms of Financial Measurements on page 11.

Continuing growth in a challenging environment

In a slowing demand environment the Pigments & Additives division managed to improve its sales by 3% in local currencies. In Swiss Francs, sales fell 3% in the third quarter. Although demand remained robust in most regions and businesses, the division started to feel the impact of the economic downturn in some of its markets. Driven by India and Brazil, many Emerging Markets continued to grow albeit at a lower pace than in the first six months of the year. Europe showed some signs of weakness despite a good local currency growth in Germany. After the North American business stabilized in the second quarter, renewed weakness was observed in the third quarter. The deteriorating automotive and housing markets left its marks on the region's sales performance.

Profitability improved again

Year-on-year the gross margin has improved by more than one percentage point as a consequence of the continued disciplined implementation of the company's price-over-volume strategy, the resulting improvement in the customer mix and the effects of a inventory revaluation. A lower cost base across all businesses led to an improved operating margin before exceptional items compared to the third quarter 2007.

Slowing demand in Coatings

The performance of the Coatings business developed as expected, with a slowdown in sales during the quarter. The rapidly growing economies in Asia such as the booming Chinese market defended its role as growth engines while demand in Europe and North America weakened significantly. The financial crisis had the expected deceleration effect on the automotive and the paint industry, therefore impacting demand in these two regions. In Latin America, single-digit local currency sales growth was achieved.

Europe drags down the Plastics business

After showing good resilience to the economic downturn in North America and many European countries in the second quarter, the Plastics business weakened substantially in those regions, most notably in Germany and Italy. In Asia and Latin America, demand for colorants, waxes and specialty additives from the Plastics industry remained robust. In these regions, lower volumes but higher sales prices resulted in a moderate local currency sales growth.

Dynamic growth in the Specialties business

The divisions' strategy to focus on niche, application-oriented markets, such as flame retardants, resulted in dynamic growth in its Specialties business unit once again. The business could not escape from the economic downturn in the United States, but all other world regions stood out with strong profitable growth.

Mixed picture in the Printing business

In the Base Products business unit, sales of colorants and additives for a range of printing technologies showed a mixed picture. Latin America and India grew double-digit while Asia and North America recorded significantly lower sales numbers resulting in a negative overall sales growth for the business unit. European sales were stable year-on-year. Despite the unfavorable sales development, the business unit significantly improved its profitability in the third quarter. The strategy of going for price instead of volumes together with the restructuring measures taken earlier this year showed the envisaged positive effect.

Masterbatches

	Nine Months						Third Quarter					
	2008		*2007*				**2008**		*2007*			
	CHF mn	*% of sales*	*CHF mn*	*% of sales*	*% CHF*	*% LC*	*CHF mn*	*% of sales*	*CHF mn*	*% of sales*	*% CHF*	*% LC*
Sales	1 020		1 065		–4	2	338		343		–1	6
EBITDA before exceptionals	114	11.2	121	11.4	–6	1	37	10.9	37	10.8	–	6
Operating income before exceptionals	89	8.7	96	9.0	–7	–1	28	8.3	29	8.5	–3	5
Operating income	76	7.5	77	7.2	–1	6	17	5.0	28	8.2	–39	–33

See Definitions of Terms of Financial Measurements on page 11.

Solid result, but slowdown ahead

In a challenging business environment, sales in the Masterbatches division rose 6% in local currencies. In Swiss franc terms sales fell 1% due to currency effects. The slowdown in the United States has finally spilled over to Europe. Demand in the region was weak with volumes down significantly. The business in North America was positively influenced by the Rite Systems/Ricon Colors acquisition. In most Asian and Latin American countries sales continued to grow dynamically. The broad geographic presence and its diversification into many end-user markets helped the division to dampen the rapidly deteriorating demand situation in some industries, most of all in automotive, construction and textiles. Masterbatches adjusted capacities correspondingly in these end-markets. Meanwhile the Packaging and Consumer Goods business was less impacted by the slowdown in demand.

Gross margin nearly unchanged

Despite the worsening demand situation the gross margin remained nearly unchanged compared to the third quarter 2007. Although smaller competitors placed volumes ahead of margins, Masterbatches was able to selectively adapt selling prices to the still rising raw material costs. In this difficult environment the operating margin only fell slightly.

Successful integration of US-acquisitions

Effective July 1st, Clariant acquired the combined companies of Rite Systems, Inc. and Ricon Colors Inc., leading US masterbatches suppliers with both liquid and solid masterbatches technology. The integration of the companies is well on track with the division's business plan.

Weakness spreading across Europe

In Europe, sales in local currencies were lower compared to the third quarter 2007 due to significantly lower volumes. Despite the volume contraction sales prices could be lifted to compensate for the continuing increase in raw material prices. As in the previous quarter a differentiated picture in the European markets characterized the third quarter. Sales in Germany remained stable. On the other hand the weakness in Southern European countries as well as in the United Kingdom intensified and spread out to Eastern Europe. These countries are especially exposed to the lower textiles and automotive demand in Europe.

Double-digit growth in Latin America

Most Latin American countries did not feel the impact of the global financial turmoil, exhibiting double-digit sales growth. Strong demand was observed predominantly in the respective domestic markets. Despite its dependency on the United States market, Mexico rebounded from the weak performance achieved in the second quarter. Sales in the biggest Latin American market Brazil showed double digit sales and volume growth due to a robust domestic demand.

Middle East and China as growth engines

Many Emerging Markets showed a high degree of autonomy from the Western World and a strong resilience to the economic weakness in the highly industrialized countries. Sales growth in China continued to be strong although first signs of slightly decelerating growth rates have been observed. On the other hand, demand for colors and additives from the plastics industry in the Middle East – most notably in Saudi Arabia – remained buoyant without any signs of weakness so far.

Functional Chemicals

	Nine Months						Third Quarter					
	2008		2007				**2008**		2007			
	CHF mn	% of sales	CHF mn	% of sales	% CHF	% LC	CHF mn	% of sales	CHF mn	% of sales	% CHF	% LC
Sales	2 138		2 017		6	12	725		662		10	15
EBITDA before exceptionals	236	11.0	184	9.1	28	36	84	11.6	52	7.9	62	71
Operating income before exceptionals	185	8.7	133	6.6	39	48	67	9.2	35	5.3	91	105
Operating income	177	8.3	134	6.6	32	41	66	9.1	35	5.3	89	104

See Definitions of Terms of Financial Measurements on page 11.

Unaffected by the economic downturn so far

Sales in the Functional Chemicals division rose 15% in local currencies and 10% in Swiss francs terms and confirmed the positive trend seen in the second quarter. Demand remained robust in all businesses. Slightly better volumes and improved sales prices led to a strong performance in the third quarter 2008. Sales price increases were clearly above the group average and fully compensated the higher raw material costs. On a regional basis, high volume growth and good sales price increases have been achieved in Asia. In Europe and the Americas, volume growth consolidated but higher sales prices led to a solid growth in local currencies.

Efficiency gains positively impacting profitability

Overall the gross margin slightly improved as a result of higher sales prices and a revaluation of inventory. The ongoing cost reduction and efficiency gain initiatives led to a substantial improvement in the operating margin.

Inventories build-up due to cracker maintenance

Clariant purchases Ethylene for its production site in Gendorf, Germany, from a cracker nearby. The cracker has been shut for maintenance and expansion work for several weeks during late September into November. To circumvent any shortage as a consequence of the shutdown, the division had to build up inventories. The reduced supply of ethylene is expected to impact the operating profit in the fourth quarter by CHF 10–15 million.

Chemical Management Solutions growing in North America

Despite the steep fall in crude oil and metal prices the business reported a solid set of numbers. Long-term contracts with its customers helped the business unit to mitigate the impact from the global economic slowdown. In all regions the business recorded double-digit sales growth in local currencies. The strong market position in Europe, Asia and Latin America has been successfully defended while some new contracts in the North American markets have been signed. Many opportunities remain in the oil services business. The growing importance of deepwater drilling and crude oil extraction from oil sands require new solutions. Expanding its product and service offerings will allow the business unit to actively participate in these markets.

Profitable growth in Personal Care

Most businesses in Industrial & Consumer Care saw strong demand for their products in the third quarter. These businesses in general have a lower exposure to the general economic cycle. Similar to the second quarter the positive trend continued in all regions. Asia outperformed the other regions with strong double-digit sales growth. Sales growth in Europe and North America was achieved through improved pricing, giving up some volumes of lower margin products. Among the businesses, Personal Care stood out with above average sales growth and a strong improvement in operating margins. Investments in production capacities in North America and Japan in the last few quarters showed the expected results. To further strengthen its market position, Personal Care has doubled the capacity for skin care specialities in its South Wales facility.

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)

	Nine Months		Third Quarter	
CHF mn	**2008**	2007	**2008**	2007
Operating income	377	271	119	5
+ Depreciation of PPE	184	196	62	63
+ Impairment of PPE / Goodwill	21	66	15	62
+ Amortization of other intangibles	7	5	2	2
EBITDA	**589**	**538**	**198**	**132**

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)

	Nine Months		Third Quarter	
CHF mn	**2008**	2007	**2008**	2007
EBITDA	589	538	198	132
+ Restructuring and impairment	113	149	60	120
– Impairment of PPE / Goodwill (reported under Restructuring and impairment)	–21	–66	–15	–62
– Gain on disposals of subsidiaries and associates	–2	–3	–1	–2
EBITDA before exceptionals	**679**	**618**	**242**	**188**

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

Operating income before exceptionals (Continuing)

	Nine Months		Third Quarter	
CHF mn	**2008**	2007	**2008**	2007
Operating income	377	271	119	5
+ Restructuring and Impairment	113	149	60	120
– Gain on disposals of subsidiaries and associates	–2	–3	–1	–2
Operating income before exceptionals	**488**	**417**	**178**	**123**

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	**30.09.2008**	31.12.2007
Non-current financial debt	1 357	1 267
+ Current financial debt	345	728
– Cash and cash equivalents	–270	–509
– Current deposits 90 to 365 days	–	–125
Net Debt	**1 432**	**1 361**

CONDENSED FINANCIAL STATEMENTS OF THE CLARIANT GROUP

Consolidated balance sheets (unaudited)

ASSETS	30.09.2008 CHF mn	%	31.12.2007 CHF mn	%
Non-current assets				
Property, plant and equipment	2 240		2 401	
Intangible assets	379		339	
Investments in associates	277		294	
Financial assets	22		17	
Prepaid pension assets	132		122	
Deferred income tax assets	89		113	
Total non-current assets	**3 139**	45.8	**3 286**	45.1
Current assets				
Inventories	1 632		1 477	
Trade receivables	1 446		1 449	
Other current assets	357		535	
Cash and cash equivalents	270		509	
Current income tax receivables	17		29	
Total current assets	**3 722**	54.2	**3 999**	54.9
Total assets	**6 861**	100.0	**7 285**	100.0

EQUITY AND LIABILITIES	30.09.2008 CHF mn	%	31.12.2007 CHF mn	%
Capital and reserves attributable to Clariant shareholders				
Share capital	921		978	
Treasury shares (par value)	–14		–16	
Other reserves	527		642	
Retained earnings	873		709	
	2 307		**2 313**	
Minority interests	55		59	
Total equity	**2 362**	34.4	**2 372**	32.6
Liabilities				
Non-current liabilities				
Financial debts	1 357		1 267	
Deferred income tax liabilities	160		179	
Retirement benefit obligations	504		515	
Provision for non-current liabilities	190		231	
Total non-current liabilities	**2 211**	32.2	**2 192**	30.0
Current liabilities				
Trade payables	1 265		1 321	
Financial debts	345		728	
Current income tax liabilities	235		244	
Provision for current liabilities	443		428	
Total current liabilities	**2 288**	33.4	**2 721**	37.4
Total liabilities	**4 499**	65.6	**4 913**	67.4
Total equity and liabilities	**6 861**	100.0	**7 285**	100.0

Consolidated income statements (unaudited)

	Nine Months				***Third Quarter***			
	2008		*2007*		**2008**		*2007*	
	CHF mn	*%*	*CHF mn*	*%*	*CHF mn*	*%*	*CHF mn*	*%*
Sales	6 327	100.0	6 447	100.0	2 094	100.0	2 111	100.0
Costs of goods sold	–4 453	70.4	–4 539	70.4	–1 479	70.6	–1 500	71.1
Gross profit	**1 874**	29.6	**1 908**	29.6	**615**	29.4	**611**	28.9
Marketing and distribution	–928	14.7	–1 047	16.2	–301	14.4	–339	16.0
Administration and general overhead costs	–347	5.5	–307	4.7	–103	4.9	–107	5.1
Research and development	–139	2.2	–158	2.5	–46	2.2	–51	2.4
Income from associates	28	0.4	21	0.3	13	0.6	9	0.4
Gain from the disposal of subsidiaries and associates	2	0.0	3	0.0	1	0.0	2	0.1
Restructuring and impairment	–113	1.8	–149	2.3	–60	2.9	–120	5.7
Operating income	**377**	6.0	**271**	4.2	**119**	5.7	**5**	0.2
Finance income	15	0.2	23	0.3	6	0.3	10	0.5
Finance costs [1]	–113	1.8	–85	1.3	–18	0.9	–53	2.5
Income before taxes	**279**	4.4	**209**	3.2	**107**	5.1	**–38**	–1.8
Taxes	–108	1.7	–80	1.2	–28	1.3	–7	0.3
Net income from continuing operations	**171**	2.7	**129**	2.0	**79**	3.8	**–45**	–2.1
Discontinued operations:								
Loss from discontinued operations	–1		–107		–1		–6	
Net income / loss	**170**		**22**		**78**		**–51**	
Attributable to:								
Shareholders of Clariant Ltd	162		17		75		–51	
Minority interests	8		5		3		–	
Net income / loss	**170**	2.7	**22**	0.3	**78**	3.7	**–51**	–2.4
to the shareholders of Clariant Ltd (CHF/share):								
Continuing operations	0.72		0.54		0.34		–0.20	
Discontinued operations	0.00		–0.47		0.00		–0.03	
Total	**0.72**		**0.07**		**0.34**		**–0.23**	
Diluted earnings per share attributable to the shareholders of Clariant Ltd (CHF/share):								
Continuing operations	0.71		0.54		0.33		–0.20	
Discontinued operations	0.00		–0.47		0.00		–0.03	
Total	**0.71**		**0.07**		**0.33**		**–0.23**	

1 Currency impact YTD 2008 of CHF –35 mn YTD September 2007 of CHF +11 mn.

Consolidated statements of cash flows (unaudited)*

	Nine Months		Third Quarter	
CHF mn	**2008**	2007	**2008**	2007
Net income	170	22	78	–51
Adjustment for:				
Depreciation of property, plant and equipment (PPE)	184	196	62	63
Impairment	21	73	15	62
Amortization of intangible assets	7	5	2	2
Impairment of working capital	52	38	16	–
Income from associates	–28	–21	–13	–9
Tax expense	108	74	28	8
Net financial income and costs	63	73	25	24
Gain from the disposal of activities not qualifying as discontinued operations	–1	–3	–	–2
Gain on disposal of discontinued operations	–1	81	–1	6
Other non-cash items	14	–2	–17	14
Total reversal of non-cash items	**419**	**514**	**117**	**168**
Dividends received from associates	34	29	3	3
Interest paid	–86	–84	–7	–10
Interest received	12	23	3	7
Income taxes paid	–95	–65	–31	–16
Cash flow before changes in working capital and provisions	**454**	**439**	**163**	**101**
Changes in inventories	–278	–20	–138	18
Changes in trade receivables	–92	–51	28	45
Changes in trade payables	–12	–	4	25
Changes in other current assets and liabilities	57	–74	36	18
Changes in provisions	45	26	54	59
Cash flow from operating activities	**174**	**320**	**147**	**266**
Investments in PPE	–177	–211	–70	–79
Investments in financial assets and associates	–22	–8	–5	–1
Investments in other intangible assets	–11	–1	–4	–
Changes in current financial assets	126	56	1	179
Sale of PPE and intangible assets	10	15	4	10
Acquisition of companies, businesses and participations	–41	–	–38	–
Proceeds from the disposal of discontinued operations	–14	–3	–	6
Proceeds from the disposal of subsidiaries and associates	2	22	–1	8
Cash flow from investing activities	**–127**	**–130**	**–113**	**123**
Reduction of share capital to shareholders of Clariant Ltd	–57	–57	–	–
Treasury share transactions	–	–8	–	–26
Proceeds from financial debts	281	322	73	33
Repayments of financial debts	–494	–288	–54	–257
Dividends paid to minority shareholders	–5	–9	–	–
Cash flow from financing activities	**–275**	**–40**	**19**	**–250**
Currency translation effect on cash and cash equivalents	–11	6	2	–1
Net change in cash and cash equivalents	**–239**	**156**	**55**	**138**
Cash and cash equivalents at the beginning of the period	**509**	**443**	**215**	**461**
Cash and cash equivalents at the end of the period	**270**	**599**	**270**	**599**

* Presentation of this statement has been changed and the comparitives have been reclassified. (See note 1.07 of the Annual Report 2007)

Consolidated statements of recognized income and expense (unaudited)

	Nine Months	
	2008 CHF mn	2007 CHF mn
Net investment hedge	46	–32
Currency translation differences	–168	81
Net income recognized directly in equity	**–122**	**49**
Net income	170	22
Total recognized income and expense for the period	**48**	**71**
Attributable to:		
Shareholders of Clariant Ltd	47	62
Minority interests	1	9

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 10.

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 nine-month period ended on 30 September 2008 (hereafter "the Group"). They are prepared in accordance with the International Accounting Standard 34 (IAS 34 "Interim Financial Reporting") and were approved on 30 October 2008 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 2007 (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 92 million, which were mainly incurred in the Textile business in Switzerland, the Leather business in Spain, the Masterbatch division in France, the Pigments & Additives division in Germany and the Detergents & Intermediates business (a part of the Functional Chemicals division) in Germany and France. Also Finance in Germany, Switzerland and France saw restructuring measures. Impairment charges amounted to CHF 21 million. They arose mainly on the Pigments & Additives division in United States.

4. Nominal Value Reduction

On 10 April, 2008 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 4.25 to 4.00 per registered share. The pay-out reduced the share capital by CHF 57 540 000 and took place on 26 June 2008.

5. Acquisition

With effect of 1 July 2008, Clariant acquired 100% of the combined companies of Rite Systems, Inc. and Ricon Colors Inc., leading masterbatch suppliers in the United States. The acquired companies report annual sales of app. CHF 50 million and employ approximately 150 people. The purchase price amounted to CHF 38 million. A goodwill in the amount of CHF 25 million arose on the acquisition.

6. Issue of Certificate of Indebtedness

In the beginning of July 2008 Clariant issued a Certificate of Indebtedness (Schuldscheindarlehen) in the amount of EUR 100 million, which was taken on the books by eight major European banks. The value date of the Certificate was 17 July 2008, final maturity will be on 17 October 2011. The transaction permits Clariant to replace current financial liabilities by non-current ones, thus improving the maturity profile.

7. Divisional Figures

Nine Months	***Sales to 3rd parties***				***EBITDA before exceptionals***				***EBITDA***			
CHF mn	***2008***	*2007*	*% CHF*	*% LC*	***2008***	*2007*	*% CHF*	*% LC*	***2008***	*2007*	*% CHF*	*% LC*
Textile, Leather, Paper	1 591	1 779	–11	–3	141	165	–15	–7	108	124	–13	–4
Pigments & Additives	1 578	1 586	–1	6	247	211	17	24	235	192	22	30
Masterbatches	1 020	1 065	–4	2	114	121	–6	1	103	106	–3	4
Functional Chemicals	2 138	2 017	6	12	236	184	28	36	227	184	23	31
Divisions Total	**6 327**	6 447			**738**	681			**673**	606		
Corporate	–	–			–59	–63			–84	–68		
Total continuing	**6 327**	6 447	–2	5	**679**	618	10	17	**589**	538	9	17

	Operating income before exceptionals				***Operating Income***				***Systematic Depreciation of PPE***	
CHF mn	***2008***	*2007*	*% CHF*	*% LC*	***2008***	*2007*	*% CHF*	*% LC*	***2008***	*2007*
Textile, Leather, Paper	92	111	–17	–7	58	15	287	349	48	54
Pigments & Additives	189	151	25	34	167	125	34	41	57	59
Masterbatches	89	96	–7	–1	76	77	–1	6	24	25
Functional Chemicals	185	133	39	48	177	134	32	41	50	50
Divisions Total	**555**	491			**478**	351			**179**	188
Corporate	–67	–74			–101	–80			5	8
Total continuing	**488**	417	17	26	**377**	271	39	49	**184**	196

Third Quarter	***Sales to 3rd parties***				***EBITDA before exceptionals***				***EBITDA***			
CHF mn	***2008***	*2007*	*% CHF*	*% LC*	***2008***	*2007*	*% CHF*	*% LC*	***2008***	*2007*	*% CHF*	*% LC*
Textile, Leather, Paper	521	581	–10	–3	43	46	–7	7	24	14	71	110
Pigments & Additives	510	525	–3	3	91	73	25	34	89	55	62	75
Masterbatches	338	343	–1	6	37	37	–	6	28	36	–22	–15
Functional Chemicals	725	662	10	15	84	52	62	71	83	52	60	70
Divisions Total	**2 094**	2 111			**255**	208			**224**	157		
Corporate	–	–			–13	–20			–26	–25		
Total continuing	**2 094**	2 111	–1	5	**242**	188	29	40	**198**	132	50	62

	Operating income before exceptionals				***Operating Income***				***Systematic Depreciation of PPE***	
CHF mn	***2008***	*2007*	*% CHF*	*% LC*	***2008***	*2007*	*% CHF*	*% LC*	***2008***	*2007*
Textile, Leather, Paper	26	28	–7	15	7	–59	–	–	16	18
Pigments & Additives	71	53	34	45	66	28	136	148	20	19
Masterbatches	28	29	–3	5	17	28	–39	–33	8	9
Functional Chemicals	67	35	91	105	66	35	89	104	17	17
Divisions Total	**192**	145			**156**	32			**61**	63
Corporate	–14	–22			–37	–27			1	0
Total continuing	**178**	123	45	59	**119**	5	2 280	2 772	**62**	63

8. Divisional Margins

Nine Months	*Sales to 3rd parties*		*EBITDA before exceptionals*		*EBITDA*	
in %	***2008***	*2007*	***2008***	*2007*	***2008***	*2007*
Textile, Leather, Paper	25.2	27.6	8.9	9.3	6.8	7.0
Pigments & Additives	24.9	24.6	15.7	13.3	14.9	12.1
Masterbatches	16.1	16.5	11.2	11.4	10.1	10.0
Functional Chemicals	33.8	31.3	11.0	9.1	10.6	9.1
Total continuing	**100.0**	**100.0**	**10.7**	**9.6**	**9.3**	**8.3**

	Operating income b. exceptionals		*Operating Income*	
in %	***2008***	*2007*	***2008***	*2007*
Textile, Leather, Paper	5.8	6.2	3.6	0.8
Pigments & Additives	12.0	9.5	10.6	7.9
Masterbatches	8.7	9.0	7.5	7.2
Functional Chemicals	8.7	6.6	8.3	6.6
Total continuing	**7.7**	**6.5**	**6.0**	**4.2**

Third Quarter	*Sales to 3rd parties*		*EBITDA before exceptionals*		*EBITDA*	
in %	***2008***	*2007*	***2008***	*2007*	***2008***	*2007*
Textile, Leather, Paper	24.9	27.5	8.3	7.9	4.6	2.4
Pigments & Additives	24.4	24.9	17.8	13.9	17.5	10.5
Masterbatches	16.1	16.2	10.9	10.8	8.3	10.5
Functional Chemicals	34.6	31.4	11.6	7.9	11.4	7.9
Total continuing	**100.0**	**100.0**	**11.6**	**8.9**	**9.5**	**6.3**

	Operating income b. exceptionals		*Operating Income*	
in %	***2008***	*2007*	***2008***	*2007*
Textile, Leather, Paper	5.0	4.8	1.3	–10.2
Pigments & Additives	13.9	10.1	12.9	5.3
Masterbatches	8.3	8.5	5.0	8.2
Functional Chemicals	9.2	5.3	9.1	5.3
Total continuing	**8.5**	**5.8**	**5.7**	**0.2**

9. Regional developments

Sales						Nine Months						Third Quarter
CHF mn	**2008**	% of sales	2007	% of sales	CHF %	LC %	**2008**	% of sales	2007	% of sales	CHF %	LC %
Europe	3 090	48.8	3 155	48.9	–2	1	977	46.7	1 004	47.6	–3	1
of which Germany	*967*		*940*		3	5	*308*		*310*		–1	2
of which Switzerland	*112*		*111*		1	3	*34*		*36*		–6	–1
Americas	1 715	27.1	1 776	27.5	–3	5	604	28.8	594	28.1	2	8
of which USA	*689*		*763*		–10	4	*233*		*240*		–3	9
of which Brazil	*453*		*435*		4	1	*166*		*156*		6	4
Asia / Australia / Africa	1 522	24.1	1 516	23.5	–	12	513	24.5	513	24.3	–	11
of which China	*299*		*286*		5	14	*93*		*97*		–4	2
Total continuing operations	**6 327**	100.0	**6 447**	100.0	–2	5	**2 094**	100.0	**2 111**	100.0	–1	5
Discontinued operations	–		81				–		–			

10. Consolidated statement of changes in equity

										Nine Months
			Other reserves							
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 2006	**1 035**	**–16**	**767**	**–**	**–119**	**648**	**706**	**2 373**	**60**	**2 433**
Total recognized income and expense for the period					**45**	**45**	**17**	**62**	**9**	**71**
Dividends to third parties									–9	–9
Share capital reduction	–57							–57		–57
Treasury share transactions and share based payments							4	4		4
Balance 30 September 2007	**978**	**–16**	**767**	**–**	**–74**	**693**	**727**	**2 382**	**60**	**2 442**
Balance 31 December 2007	**978**	**–16**	**767**	**–**	**–125**	**642**	**709**	**2 313**	**59**	**2 372**
Total recognized income and expense for the period					**–115**	**–115**	**162**	**47**	**1**	**48**
Dividends to third parties									–5	–5
Share capital reduction	–57							–57		–57
Treasury share transactions and share based payments		2				–	2	4		4
Balance 30 September 2008	**921**	**–14**	**767**	**–**	**–240**	**527**	**873**	**2 307**	**55**	**2 362**

11. Foreign Exchange Rates

Rates used to translate the consolidated balance sheets (closing rate)	***30.09.2008***	*31.12.2007*	*Change %*
1 USD	1.10	1.13	–3
1 EUR	1.58	1.66	–5
1 GBP	1.99	2.25	–12
100 JPY	1.05	1.01	4

			Nine Months
Average sales-weighted rates used to translate the income statements and consolidated statements of cash flows	***2008***	*2007*	*Change %*
1 USD	1.06	1.22	–13
1 EUR	1.61	1.63	–1
1 GBP	2.06	2.42	–15
100 JPY	1.00	1.02	–2

12. Condensed Earnings Per Share Data

		Nine Months
CHF mn	***2008***	*2007*
Number of shares outstanding at 30.09.2008 and 30.09.2007 respectively	230 160 000	230 160 000
Weighted average, number of shares outstanding	226 600 473	227 419 036
Weighted average, diluted number of shares outstanding	227 782 162	228 534 062
Basic earnings per share attributable to the shareholders of Clariant Ltd (CHF/share):		
Continuing operations	0.72	0.54
Discontinued operations	0.00	–0.47
Total	**0.72**	**0.07**
Diluted earnings per share attributable to the shareholders of Clariant Ltd (CHF/share):		
Continuing operations	0.71	0.54
Discontinued operations	0.00	–0.47
Total	**0.71**	**0.07**

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 20,000 people. Headquartered in Muttenz near Basel, it generated sales of around CHF 8.5 billion in 2007.

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.

www.clariant.com

Calendar of Corporate Events

February 17, 2009	Full Year 2008 Results
April 2, 2009	Annual General Meeting, Basel
May 6, 2009	First Quarter 2009 Results
July 30, 2009	Half Year 2009 Results
November 4, 2009	Nine Month 2009 Results

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