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# *Quarterly Report* **November 7, 2006**

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# Clariant Reports Healthy Rise in 9-Month Sales

## Positive Pricing Trend; Charges Recorded

- Organic growth of 5% plus 3% positive currency effect, totalling 8% in CHF
- EBIT margin before exceptionals rises year-on-year to 7.5%
- Selling prices stable across most businesses, with positive momentum in the Third Quarter
- Raw material and energy costs still at high level
- Custom Manufacturing (CM) to be sold
- One-off charges relating to CM and Leather totalling CHF 179 million
- Full Year EBIT before exceptionals expected to be approximately CHF 575 million

### Key Financial Group Figures

Continuing operations:	2006		Nine Months				Third Quarter	
	CHF mn	% of sales	CHF mn	% of sales	CHF mn	% of sales	CHF mn	% of sales
<b>Sales</b>	<b>6 090</b>	<b>100.0</b>	<b>5 770</b>	<b>100.0</b>	<b>2 009</b>	<b>100.0</b>	<b>1 906</b>	<b>100.0</b>
Local currency growth (LC):	3%				6%			
Organic growth <sup>1</sup>	5%				7%			
Acquisitions/Divestitures <sup>2</sup>	- 2%				- 1%			
Currencies	3%				- 1%			
Gross profit	1 901	31.2	1 779	30.8	616	30.7	570	29.9
EBITDA before exceptionals*	653	10.7	624	10.8	227	11.3	214	11.2
EBITDA*	616	10.1	554	9.6	219	10.9	190	10.0
Operating income before exceptionals*	458	7.5	428	7.4	160	8.0	149	7.8
Operating income	273	4.5	343	5.9	48	2.4	123	6.5
Net income/ loss from continuing operations	108	1.8	246	4.3	- 14	0.7	110	5.8
Operating cash flow (total operations)	141		195		88		223	
<b>Discontinued operations:</b>								
Sales	270		324		45		101	
Net loss from discontinued operations	- 185	68.5	- 24	7.4	- 78	-	-34	33.7
	<b>30.09.2006</b>		31.12.2005					
Net debt	1 558		1 508					
Equity (including minorities)	2 454		2 591					
Gearing	63%		58%					
Number of employees **	21 685		22 132					

<sup>1</sup> 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.

<sup>2</sup> Acquisitions/Divestitures in 2005 included Clariant Acetyl Building Blocks, Germany, of the Life Science Chemicals Division, sold in July 2005.

\* See Definitions of Terms of Financial Measurement on page 10.

\*\* 2005 is restated to exclude the Discontinued operations of the Pharmaceutical Fine Chemicals business, sold in June 2006. In addition, as a result of the decision of the Board of Directors to sell the business Custom Manufacturing, these activities were also reclassified to Discontinued operations.

MUTTENZ, Switzerland – November 7, 2006

*Clariant posted a rise in sales for the first nine months of the year, with organic growth of 5% in local currency terms and 8% in Swiss franc terms compared with the same period a year earlier. Sales on a continuing basis reached CHF 6.090 billion during the period from CHF 5.770 billion a year earlier.*

Prices remained stable over the year-to-date with positive momentum in the Third Quarter. Gross profit rose to CHF 1.901 billion from CHF 1.779 billion year-on-year. Gross margins increased to 31.2% from 30.8% a year earlier, despite the continued rise in raw material and energy costs during the period. EBIT before exceptionals increased by CHF 30 million to CHF 458 million from CHF 428 million in the same period of 2005. The EBIT margin rose to 7.5% from 7.4%, despite continued high sales and distribution costs.

Jan Secher, Chief Executive of Clariant, said: "Our top-line growth remains solid and our focus on pricing as a priority continues to be strong. We have seen a positive trend in pricing negotiations, enabling us to raise our prices by over half a percentage point in the Third Quarter."

### Addressing underperformance

A review of the strategic options for the underperforming Life Science Chemicals (LSC) Division, started in August, has led to a series of actions, including initiating the process to sell the Custom Manufacturing business, which is now reported under Discontinued operations. The company posted a CHF 79 million impairment charge. As of January 1, 2007, the remaining Speciality Intermediate Business will be integrated into the Functional Chemicals Division and the LSC Division will cease to exist.

Furthermore, a reassessment of growth expectations of the Leather Business has led the company to record a goodwill impairment charge of CHF 100 million, correcting an over-valuation of the business. The company emphasized that Leather is performing satisfactorily and continued its positive trend in the Third Quarter.

"The decision to sell Custom Manufacturing and taking a charge in the Leather Business close the chapter on a very challenging period for Clariant over the past six years since the BTP acquisition," Mr. Secher said.

### Net working capital stabilizing

As a consequence of the impairment charge in the Leather business and further restructuring costs, net income from continuing operations declined to CHF 108 million from CHF 246 million. An additional factor was the currency impact, which amounted to a negative CHF 5 million from positive CHF 44 million a year earlier.

Although net working capital levels continued to be negatively affected by the implementation of the new supply chain system, a stabilization occurred in the Third Quarter, creating an improvement in cash flow of CHF 88 million from the Half Year. Nevertheless, the year-to-date operating cash flow was CHF 141 million, down from CHF 195 million in the same period a year earlier.

### Continued Growth Across Divisions

Increased demand drove top-line growth across most businesses. Functional Chemicals achieved strong organic growth of 8%, helped in part by significantly higher prices. Notably, the division saw continued robust demand for oil chemicals and oil field services, construction chemicals and personal care products. A solid quarter in Detergents with strong volumes and higher prices compensated for a weak first half.

Masterbatches continued to build on a strong first half with 8% organic growth fuelled by good performances in packaging and consumer goods. The business was also supported by higher prices, more than offsetting higher raw material costs. The agreed acquisition of Ciba Specialty Chemicals' masterbatches business – announced in October – is expected to reinforce the division's global market leadership position.

Organic growth across the Pigment & Additives Division was 5% in the first nine months compared to the same period a year earlier. Margins in the business grew strongly, supported in particular by high performance applications and specialties, as well as by increased demand for innovative halogen-free flame retardant and wax products.

The Textile, Leather & Paper Division benefited from relative strength in paper and leather chemicals. After a weak start early in the year, the Leather Business met satisfactory demand during the Third Quarter, particularly for wet-end chemicals. Good growth for optical brighteners continued, while colorants and surface & coating paper chemicals were the subject of strong demand in the Americas and Asia, boosting sales and margins. Textiles suffered from the continued challenging market environments in North America and south-east Asia. The company has appointed a new head of the Division in North America, and will increasingly focus on improving underperforming areas such as carpet, automotive and technical textiles.

Performance in the Life Science Chemicals Division continued to deteriorate significantly. Custom Manufacturing declined further due to the depressed agrochemical environment. The Specialty Intermediates businesses (silicone, glyoxal and glyoxilic acid derivative products) also posted lower results compared to a year earlier, with notably weaker demand than in the same period a year earlier.

Looking at the regional picture during the first nine months of the year, organic sales growth in the Asia Pacific region was 6%, including 21% in Greater China and 12% in India. In the Americas, sales grew 4%, including 5% in the United States, while in Europe sales increased 6%, including 8% in Germany.

### Outlook for Full Year

In the context of a stable macro-economic environment, Clariant confirmed that sales growth in local currency terms will continue to be robust for the Full Year. The company anticipates operating income before exceptional items from continuing operations of approximately CHF 575 million for the Full Year. Raw material and energy prices are expected to remain at high levels. Mr. Secher said: "Clariant is doing well on top-line growth and our gross margins are competitive. We are taking decisive actions with our under-performing units. The core businesses are showing improvements and we are taking further measures to improve the company's overall performance."

## Financial Review

### Financial Discussion Third Quarter

#### Economic Environment

The general macroeconomic environment and outlook for 2007 remains stable, although growth figures are expected to be slightly weaker than for 2006. At a regional level, the U.S. housing market is expected to cool. Europe's economic momentum is likely to be sustained, but the German VAT increase due at the beginning of 2007 constitutes a risk factor. Meanwhile, emerging markets and developing countries should continue to enjoy strong growth. While oil prices have recently been receding, they are still at a high level and remain vulnerable to renewed upward pressure in the event of geopolitical volatility.

#### Sales and Operating Results

In the Third Quarter, **consolidated sales** from continuing operations showed a robust performance, with an increase of 6% in local currencies and 5% in Swiss franc terms compared to the previous year. Currency movements are starting to exert a slightly negative impact on sales. Organic growth – which excludes the CABB business sold in 2005 – totalled 7% in local currency terms. Positive effects from the Clariant Performance Improvement Program and higher fixed costs absorption due to higher sales volume overcompensated for the adverse effects from higher material costs of 3% and increased energy expenses.

The **gross margin** consequently improved to 30.7% of sales in the Third Quarter of 2006 from 29.9% in the same period of 2005.

**Marketing, distribution, administration and general overhead costs** amounted to 20.3% of sales, a slight increase on the Third Quarter of 2005 (20.2%). This is mainly due to ongoing costs relating to supply chain and process improvements.

**Research and development costs** rose to CHF 52 million in the Third Quarter of 2006 from CHF 48 million in the previous year.

**Income from associates** decreased to CHF 4 million in the Third Quarter of 2006. This compares to CHF 11 million in the corresponding period of the previous year.

**Restructuring costs and impairment** in the amount of CHF 116 million include a goodwill write down of CHF 100 million in the Leather business as well as restructuring activities in UK, Germany and the U.S..

**Gains before taxes from the sale of subsidiaries** of CHF 4 million relate to the disposal of the infrastructure service unit in the Gersthofen site, Germany.

**Net financial expenses** increased to CHF 24 million in the Third Quarter of 2006 from CHF 15 million in the Third Quarter of the previous year. This was mainly due to exchange-rate differences, which amounted to a positive CHF 3 million in the Third Quarter of 2006 versus a positive CHF 9 million in the prior-year period. At CHF 27 million, the financial result before exchange rate differences was almost unchanged in Third Quarter 2006 from its Second-Quarter level (CHF 28 million). However, it was slightly higher than the CHF 24 million figure for Third Quarter 2005, which was positively impacted by one-off items. Average gross financial debt amounted to CHF 2.2 billion on September 30, 2006, compared to CHF 2.7 billion a year earlier.

**Tax expenses** in the Third Quarter were positively influenced by a substantial proportion of profits generated in low-tax countries. However restructuring costs and impairments that are mostly tax-ineffective negatively impacted the tax rate.

**Net loss from Continuing operations** for the quarter was CHF 14 million, down from net income of CHF 110 million reported for the same period of the previous year.

The **loss from Discontinued operations** amounted to CHF 78 million and contains a CHF 79 million impairment charge on the Custom Manufacturing fixed assets.

#### Balance Sheet Key Figures

**Total assets** increased to CHF 7.650 billion from CHF 7.324 billion in December 2005 (June 2006: CHF 7.738 billion). The main factor was an increase in cash and cash equivalents. Non-current financial debt and **cash, cash equivalents** increased as a result of the launch of the EUR 600 million Eurobond in April.

**Equity** fell to CHF 2.454 billion at the end of the Third Quarter from CHF 2.591 billion at the end of 2005. This was a result of the net loss and the CHF 58 million reduction in the share capital in June.

**Net debt** amounted to CHF 1.558 billion on September 30, 2006, compared to CHF 1.508 billion on December 31, 2005. The increase was mainly due to higher net working capital and capital expenditure. On June 30, 2006, net debt stood at CHF 1.574 billion.

**Gearing**, which reflects net financial debt in relation to equity including minorities, increased to 63% on September 30, 2006, from 58% on December 30, 2005.

#### Cash Flow

**Cash flow from operating activities before changes in working capital** was CHF 166 million for the Third Quarter of 2006. This compares to CHF 186 million for the Second Quarter, and CHF 118 million for the Third Quarter of 2005. The operating cash flow for the first nine months of 2006 was CHF 481 million, compared to CHF 353 million for the first nine months of 2005.

**Working capital** increased by CHF 78 million during the Third Quarter of 2006, compared to a decrease of CHF 105 million for the same period of 2005. In the first nine months of 2006, working capital increased to CHF 340 million from the CHF 158 million figure for the same period of the prior year. Negative effects related to the implementation of the new supply chain system stabilized in the Third Quarter.

**Cash flow from operating activities** was CHF 88 million in the Third Quarter of 2006, compared to CHF 223 million for the same period a year earlier. For the first nine months of 2006, cash flow from operating activities amounted to CHF 141 million. This compares to CHF 195 million for the same period in the prior year.

**Capital expenditure (PPE)** was CHF 88 million for the Third Quarter of 2006, compared to the CHF 87 million reported for the same period of the previous year. For the first nine months of 2006, capital expenditure amounted to CHF 252 million. This compares to CHF 238 million for the first nine months of 2005.

## Business Discussion Third Quarter

### Textile, Leather & Paper Chemicals

	Nine Months						Third Quarter	
	2006		2005		2006		2005	
	CHF mn	% of sales	CHF mn	% of sales	CHF mn	% of sales	CHF mn	% of sales
<b>Sales</b>	<b>1 733</b>		<b>1 621</b>		<b>578</b>		<b>560</b>	
EBITDA before exceptionals	175	10.1	179	11.0	62	10.7	68	12.1
Operating income before exceptionals	122	7.0	126	7.8	44	7.6	51	9.1
Operating income	14	0.8	115	7.1	- 64	- 11.1	47	8.4

See Definitions of Terms of Financial Measurements on page 10

The Division **Textile, Leather & Paper Chemicals** showed a rise in sales versus the same quarter in 2005, on substantial growth in volumes. Organic growth amounted to 4% and proved strongest in paper and leather chemicals. A negative currency effect of -1% reduced the growth in revenues to 3% in Swiss francs. Prices showed a general stabilization versus the prior quarter, and are slightly negative in year-on-year terms. Operating margins were adversely affected by the change in product mix, coupled with negative currency influences. At a regional level, the strongest growth was recorded in Asia, Latin America and countries such as Turkey, India and Pakistan. By contrast, the level of business in Europe performed moderately. Capacity utilization of production sites was high.

Sales in the **Textile Business** were slightly down on last year's level. The pressure on prices in textile dyes and textile chemicals continues unabated. The market situation in North America and South-east Asia remained under strain compared with the previous year. Cost-cutting measures were introduced in response to this trend. The encouraging growth in Greater China was mitigated by declining sales in other key Asian markets. Adverse currency influences led important production countries such as Indonesia to lose some of their competitiveness. Nevertheless the Textiles Business was successful in increasing sales of dyes in the Third Quarter compared with the Third Quarter of 2005. This increase was in spite of a reduction in the size of its product portfolio during the first half of the year.

In **Paper Chemicals**, the highly positive momentum in optical brighteners continued. Furthermore, all business areas contributed to the impressive sales growth amid stable prices. Optical brighteners, colorants and surface & coating paper chemicals were the subject of strong demand in the Americas and Asia in particular. In the special coatings business, an important milestone was achieved with the FDA approval for "Cartafluor", a food-packaging coating.

Business conditions in the **Leather Business** continued to show an increasingly positive trend in the Third Quarter. A significant expansion of sales in South America and Asia was especially pleasing to note. In a competitive pricing context, prices were held at the previous year's level. Sales in Europe matched the level of the prior year. The growth was most marked in wet-end chemicals and dyes. The market for finishing products proved stable. However as a result of the critical review of the growth prospects, the goodwill pertaining to this business was written off for impairment by the amount of CHF 100 million.

## Pigments & Additives

	Nine Months						Third Quarter	
	2006		2005		2006		2005	
	CHF mn	% of sales	CHF mn	% of sales	CHF mn	% of sales	CHF mn	% of sales
<b>Sales</b>	<b>1 514</b>		<b>1 423</b>		<b>498</b>		<b>468</b>	
EBITDA before exceptionals	251	16.6	202	14.2	79	15.9	69	14.7
Operating income before exceptionals	194	12.8	149	10.5	62	12.4	51	10.9
Operating income	190	12.5	122	8.6	60	12.0	39	8.3

See Definitions of Terms of Financial Measurements on page 10

The **Pigments & Additives** Division reported high single-digit growth rates for the Third Quarter. This encouraging business trend was primarily attributable to strong demand for most of our product lines. Organic growth amounted to 7% on slightly negative currency movements. A notable development was the comparatively solid performance in August, which traditionally suffers from the annual maintenance work that is carried out. However, the competitive environment remains a challenge in an attractive market. Despite the pressure on prices, the operating result improved considerably. This stemmed primarily from improvements in the efficiency of production processes, together with strong scale effects. In regional terms, the division experienced good growth rates in Asia and a stable trend in the highly developed European market.

The **Coating Industry** continued to increase its share of overall sales with strong volume growth. High Performance Applications and Specialties turned in a particularly pleasing performance.

The **Plastics Industry** remained on a growth trajectory, though initial signs of a slowdown in momentum manifested themselves around the end of the quarter. The market pressure on price levels was more than compensated by higher volumes. The importance of Wood Coating, High-Quality Pigments and Antioxidants was further underpinned by constant growth rates.

To meet increasing demand, Clariant in September signed an agreement with a group of Asian industrialists to co-operate in the production and distribution of standard antioxidants.

Business **Printing Industry** stabilized, during what has been a period of intensifying competition, enabling it to post moderate growth in the Third Quarter. As in previous quarters, the technologically sophisticated niche of Non-impact Printing was the primary value driver.

The **Specialties Business** significantly increased its revenue year on year. Innovations such as the Exolit® flame retardant product range and Licocene® wax product family further improved their market penetration.

## Masterbatches

	Nine Months						Third Quarter	
	2006		2005		2006		2005	
	CHF mn	% of sales	CHF mn	% of sales	CHF mn	% of sales	CHF mn	% of sales
<b>Sales</b>	<b>958</b>		<b>866</b>		<b>315</b>		<b>296</b>	
EBITDA before exceptionals	120	12.5	90	10.4	40	12.7	32	10.8
Operating income before exceptionals	96	10.0	67	7.7	32	10.2	25	8.4
Operating income	92	9.6	60	6.9	31	9.8	22	7.4

See Definitions of Terms of Financial Measurements on page 10

The **Masterbatches** Division showed continued growth momentum in the Third Quarter. The comparable sales growth of 7% was clearly above last year's level, while currency movements had a slightly negative effect. Higher sales prices in a competitive environment and robust volumes contributed to a 6% growth in Swiss francs. The EBIT margin improved in the Third Quarter to 10.2% compared to 8.4% the year before thanks to the division's ability to drive through price increases that more than offset rising raw material costs.

Growth in plastic consumption is being driven by the substitution of plastics for other materials (such as glass, metal and wood) because of cost, functionality, and recyclability features. Masterbatches' growth results from the strength of the global plastics market, in combination with gains in market share.

The Masterbatches business grew strongly in the packaging (personal care, cosmetics and food & beverage) and consumer goods (electronics, appliances and sports & leisure) segments. Business was particularly strong in both North and Latin America, as well as in core European markets including Germany and Italy. Growth was especially strong in China. However growth in Asian countries excluding China was adversely impacted by strong domestic currencies.

Clariant continues to grow by focusing on market segments with high differentiation potential and key multinational customers. At the beginning of October, Clariant signed an agreement with Ciba Specialty Chemicals to purchase its masterbatches business with sales of CHF 80 million. The business has production facilities in France, Saudi Arabia, and Malaysia. The acquisition will help the division optimize its service capabilities to European countries and enhance its presence in the fast-growing Middle Eastern and Asia-Pacific markets. The acquisition is on track to close by year end.

## Functional Chemicals

	Nine Months						Third Quarter	
	2006		2005		2006		2005	
	CHF mn	% of sales	CHF mn	% of sales	CHF mn	% of sales	CHF mn	% of sales
<b>Sales</b>	<b>1 677</b>		<b>1 513</b>		<b>550</b>		<b>487</b>	
EBITDA before exceptionals	184	11.0	181	12.0	70	12.7	54	11.1
Operating income before exceptionals	149	8.9	144	9.5	58	10.5	41	8.4
Operating income	125	7.5	122	8.1	55	10.0	24	4.9

See Definitions of Terms of Financial Measurements on page 10

The **Functional Chemicals** Division recorded strong demand across all Businesses. In the quarter under review, the division posted revenues of CHF 550 million, representing organic growth of 13%. This increase was driven by prices as well as volumes, and in particular by the Process Chemicals Business. Currency movements were mildly positive. Significantly higher raw material prices exerted downward pressure on margins. Substantially higher selling prices and greater capacity utilization nevertheless led to an improved result.

Higher price levels and double-digit volume growth allowed **Detergents** to compensate for the weak business levels of the prior quarter. Growth was driven by the high level of orders in North and South America, together with a comparatively strong mid-quarter performance. Following a period of weakness, the detergents industry experienced a backlog of demand in the Third Quarter. Fresh rises in prices for raw materials and energy put downward pressure on the operating result. In structural terms, the industry remains characterized by a high degree of cost awareness. The announced closure of the surfactant facility in Knapsack, Germany, was concluded successfully at the end of September.

As in the previous quarter, **Process Chemicals** showed excellent growth within the division. Volume expansion coupled with significant price improvements, led to broad-based, double-digit growth in revenues. Clariant Oil Services enjoyed strong demand in Asia and North America. Functional Fluids met with strong sales in Europe, especially in heat transfer fluids and specialty solvents.

Further price increases and strong demand combined to produce growth in revenues for **Performance Chemicals**. Growth was driven in particular by a positive business trend for Personal Care and Construction Chemicals. Precursors for specialty plasticizers continued to be well received, and benefited from the favorable situation in the construction sector. To further boost demand for this product category and heighten market penetration in North America, an additional production unit was commissioned in Mexico in July. The key regions of Europe and North America improved relative to the previous year, while Latin America showed a normalization again after a difficult start to the year.



Clariant Acetyl Building Blocks (CABB), part of the Life Science Chemicals Division, was sold effective end of July 2005. Under IFRS, the disposal did not qualify for reporting as Discontinued operations. On June 30, 2006, the Pharmaceutical Fine Chemicals unit was sold, and is

consequently shown under Discontinued activities. Clariant has started the process to dispose of its Custom Manufacturing business. With immediate effect Custom Manufacturing is reported as a Discontinued operation.

## Life Science Chemicals

Continuing operations:	Nine Months						Third Quarter	
	2006		2005**		2006		2005**	
	CHF mn	% of sales	CHF mn	% of sales	CHF mn	% of sales	CHF mn	% of sales
<b>Sales</b>	<b>208</b>		<b>347</b>		<b>68</b>		<b>95</b>	
EBITDA before exceptionals	23	11.1	32	9.2	7	10.3	5	5.3
Operating income before exceptionals	10	4.8	19	5.5	2	2.9	1	1.1
Operating income	10	4.8	35	10.1	3	4.4	27	28.4
<b>Discontinued operations:</b>								
Sales	270		324		45		101	
Operating income	- 102	37.8	- 11	3.4	- 88	-	-14	13.9

\*\* Restated for Discontinued operations (see Note 6)

See Definitions of Terms of Financial Measurements on page 10

The competitive environment for **Life Science Chemicals** remained difficult. The Specialty Intermediates Businesses (silicone, glyoxal and glyoxylic acid derivative products) posted lower results and the Custom Manufacturing business deteriorated further due to the depressed agrochemical environment. Organic growth – adjusted for the disposal of the CABB business on July 31, 2005 – was negative 9% compared with the Third Quarter of 2005. This, combined with a neutral currency effect, led to reduced sales in the Third Quarter.

Higher selling prices in **Specialty Intermediates** were achieved. However, increased input cost for the glyoxylic acid downstream products as well as reduced volumes, weighed on the business performance. Routes to a new class of nutraceuticals (polyhydroxphenols) were established using our unique 2-carbon chemistry.

The decline of **Custom Manufacturing** accelerated, due to very weak demand for agrochemical intermediates, especially fungicides, as a result of overstocking along the entire value chain. The resulting drop in capacity utilization at German and American production sites could not be compensated by other industrial chemical segments and cost savings. Additional restructuring measures to improve efficiency were defined.

## Regions

CHF mn	Nine Months						Third Quarter					
	2006	% of sales	2005**	% of sales	CHF %	LC %	2006	% of sales	2005**	% of sales	CHF %	LC %
Europe	2 966	48.7	2 867	49.7	3	2	952	47.4	889	46.7	7	6
<i>of which Germany</i>	878		851		3	2	289		263		10	8
<i>of which Switzerland</i>	105		96		9	8	29		33		- 12	- 13
Americas	1 726	28.3	1 597	27.7	8	2	569	28.3	565	29.6	1	2
<i>of which USA</i>	792		749		6	3	245		251		- 2	-
Asia / Australia / Africa	1 398	23.0	1 306	22.6	7	6	488	24.3	452	23.7	8	11
<b>Total continuing operations</b>	<b>6 090</b>	<b>100.0</b>	<b>5 770</b>	<b>100.0</b>	<b>6</b>	<b>3</b>	<b>2 009</b>	<b>100.0</b>	<b>1 906</b>	<b>100.0</b>	<b>5</b>	<b>6</b>
Discontinued operations	270		324				45		101			

\*\* Restated for Discontinued operations (see Note 6)

### Europe

European sales accounted for 47% of the group total in the Third Quarter of 2006, and showed an increase to CHF 952 million from CHF 889 million in the same period of 2005. After accounting for the disposal of the CABB business, organic growth in Europe was 7% in local currency and 9% in Swiss francs in the quarter under review.

Sales increased throughout Europe, with Germany seeing organic growth of 11% in local currency and 13% in Swiss francs. France and Eastern Europe also grew strongly, at a rate well above the European average. However, they were outperformed by Turkey, which was one of the top-ranking countries in terms of local growth in the Third Quarter. An exception was the UK, which showed another quarter of negative growth in local currency.

### Americas

Sales in the Americas amounted to 28% of the group total. The U.S. recorded sales of CHF 245 million, unchanged from the same period of the previous year, after stripping out the effect of the CABB disposal. The region matched the previous quarter's trend of 3% organic growth in local currency terms.

Most countries in Latin America once again recorded growth in sales. Argentina confirmed its leading growth status, heading the regional table with a 24% growth rate compared to the same period of the previous year. Despite Brazil's economy being jeopardized by a strengthening local currency, there was a continuation of the positive trend - if at a low rate.

### Asia, Africa, Australia

The Asia, Africa, Australia region – contributing 24% of group sales – showed robust, double-digit growth in the Third Quarter. The region was led by China and India, with local-currency growth rates of 32% and 13% respectively. Japan also reinforced the regional trend with growth of 7% in local currency. However growth in Taiwan, Malaysia and Indonesia lagged behind the regional average.

## Definition of Terms of Financial Measurements

The following financial measurements are supplementary financial indicators. They should be considered in addition to, not as a substitute for, operating income, net income, operating cash flow and other measures of financial performance and liquidity reported in accordance with International Financial Reporting Standards (IFRS).

**EBITDA** – (Earnings Before Interest, Taxes, Depreciation and Amortization) is calculated as operating income plus depreciation of PPE, impairment of PPE/goodwill and amortization of intangibles, and can be reconciled from the Condensed Financial Statements as follows:

### EBITDA (Continuing)

CHF mn	Nine Months		Third Quarter	
	2006	2005**	2006	2005**
Operating income	273	343	48	123
+ Depreciation of PPE	190	187	65	63
+ Impairment of PPE / Goodwill	148	15	104	2
+ Amortization of intangibles	5	9	2	2
<b>EBITDA</b>	<b>616</b>	<b>554</b>	<b>219</b>	<b>190</b>

#### 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)

CHF mn	Nine Months		Third Quarter	
	2006	2005**	2006	2005**
EBITDA	616	554	219	190
+ Restructuring and Impairment	189	113	116	54
- Impairment of PPE / Goodwill (reported under Restructuring and impairment)	- 148	- 15	- 104	- 2
- Gain on Disposals	- 4	- 28	- 4	- 28
<b>EBITDA before exceptionals</b>	<b>653</b>	<b>624</b>	<b>227</b>	<b>214</b>

#### Operating income before exceptional items

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

### Operating income before exceptionals (Continuing)

CHF mn	Nine Months		Third Quarter	
	2006	2005**	2006	2005**
Operating income	273	343	48	123
+ Restructuring and Impairment	189	113	116	54
- Gain on Disposals	- 4	- 28	- 4	- 28
<b>Operating income before exceptionals</b>	<b>458</b>	<b>428</b>	<b>160</b>	<b>149</b>

#### 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	30.09.2006	31.12.2005
Non-current financial debt	1 373	599
+ Current financial debt	869	1 137
- Cash and cash equivalents	- 684	- 223
- Current deposits 90 to 365 days	–	- 5
<b>Net Debt</b>	<b>1 558</b>	<b>1 508</b>

\*\* Restated for Discontinued operations (see Note 6)

**Condensed Financial Statement of the Clariant Group**  
at September 30, 2006

**Consolidated balance sheets (unaudited)**

Assets	30.09.2006		31.12.2005	
	CHF mn	%	CHF mn	%
<b>Non-current assets</b>				
Property, plant and equipment	2 380		2 605	
Intangible assets	334		418	
Investments in associates	273		282	
Other financial assets	131		124	
Deferred income tax assets	261		250	
<b>Total non-current assets</b>	<b>3 379</b>	<b>44.1</b>	<b>3 679</b>	<b>50.2</b>
<b>Current assets</b>				
Inventories	1 569		1 535	
Trade receivables	1 479		1 488	
Other current assets <sup>1</sup>	454		344	
Cash and cash equivalents	684		223	
Current income tax receivables	18		55	
<b>Total current assets</b>	<b>4 204</b>	<b>55.0</b>	<b>3 645</b>	<b>49.8</b>
<b>Non-current assets classified as held for sale</b>	<b>67</b>	<b>0.9</b>	<b>–</b>	
<b>Total assets</b>	<b>7 650</b>	<b>100.0</b>	<b>7 324</b>	<b>100.0</b>
<b>Equity and liabilities</b>				
<b>Capital and reserves attributable to the company's equity holders</b>				
Share capital	1 035		1 093	
Treasury shares (par value)	- 15		- 18	
Other reserves	666		663	
Retained earnings	710		793	
	<b>2 396</b>		<b>2 531</b>	
Minority interests	58		60	
<b>Total equity</b>	<b>2 454</b>	<b>32.1</b>	<b>2 591</b>	<b>35.4</b>
<b>Liabilities</b>				
<b>Non-current liabilities</b>				
Financial debts	1 373		599	
Deferred income tax liabilities	330		390	
Provision for non-current liabilities	735		796	
<b>Total non-current liabilities</b>	<b>2 438</b>	<b>31.9</b>	<b>1 785</b>	<b>24.4</b>
<b>Current liabilities</b>				
Trade payables	1 179		1 205	
Financial debts	869		1 137	
Current income tax liabilities	229		175	
Provision for current liabilities	430		431	
<b>Total current liabilities</b>	<b>2 707</b>	<b>35.4</b>	<b>2 948</b>	<b>40.2</b>
<b>Liabilities directly associated with non-current assets held for sale</b>	<b>51</b>	<b>0.6</b>		
<b>Total liabilities</b>	<b>5 196</b>	<b>67.9</b>	<b>4 733</b>	<b>64.6</b>
<b>Total equity and liabilities</b>	<b>7 650</b>	<b>100.0</b>	<b>7 324</b>	<b>100.0</b>

<sup>1</sup> Includes short-term deposits of 0 (2005: CHF 5 million)

Consolidated income statements (unaudited)

	2006		2005**		2006		2005**	
	CHF mn	%	CHF mn	%	CHF mn	%	CHF mn	%
Sales	6 090	100.0	5 770	100.0	2 009	100.0	1 906	100.0
Costs of goods sold	- 4 189	68.8	- 3 991	69.2	- 1 393	69.3	- 1 336	70.1
<b>Gross profit</b>	<b>1 901</b>	<b>31.2</b>	<b>1 779</b>	<b>30.8</b>	<b>616</b>	<b>30.7</b>	<b>570</b>	<b>29.9</b>
Marketing and distribution	- 986	16.2	- 948	16.4	- 324	16.1	- 315	16.6
Administration and general overhead costs	- 323	5.3	- 280	4.9	- 84	4.2	- 69	3.6
Research and development	- 154	2.5	- 144	2.5	- 52	2.6	- 48	2.5
Income from associates	20	0.3	21	0.4	4	0.2	11	0.6
Gain/loss from the sale of subsidiaries and associates	4	0.1	28	0.5	4	0.2	28	1.5
Restructuring and impairment	- 189	3.1	- 113	2.0	- 116	5.8	- 54	2.8
<b>Operating income</b>	<b>273</b>	<b>4.5</b>	<b>343</b>	<b>5.9</b>	<b>48</b>	<b>2.4</b>	<b>123</b>	<b>6.5</b>
Interest expense	- 86	1.4	- 104	1.8	- 36	1.8	- 32	1.7
Other financial income and expenses <sup>1</sup>	6	0.1	58	1.0	12	0.6	17	0.9
<b>Income before taxes</b>	<b>193</b>	<b>3.2</b>	<b>297</b>	<b>5.1</b>	<b>24</b>	<b>1.2</b>	<b>108</b>	<b>5.7</b>
Taxes	- 85	1.4	- 51	0.8	- 38	1.9	2	0.1
<b>Net income from continuing operations</b>	<b>108</b>	<b>1.8</b>	<b>246</b>	<b>4.3</b>	<b>- 14</b>	<b>0.7</b>	<b>110</b>	<b>5.8</b>
<b>Discontinued operations:</b>								
Income from discontinued operations	- 185		- 24		- 78		- 34	
<b>Net income/loss</b>	<b>- 77</b>		<b>222</b>		<b>- 92</b>		<b>76</b>	
<b>Attributable to:</b>								
Equity holders of the company	- 83		216		- 94		74	
Minority interests	6		6		2		2	
<b>Net income/loss</b>	<b>- 77</b>	<b>1.3</b>	<b>222</b>	<b>3.8</b>	<b>- 92</b>	<b>4.6</b>	<b>76</b>	<b>4.0</b>
<b>Basic earnings per share attributable to the company's equity holders (in CHF):</b>								
Continuing operations	0.45		1.06		- 0.07		0.48	
Discontinued operations	- 0.82		- 0.11		- 0.35		- 0.15	
<b>Total</b>	<b>- 0.37</b>		<b>0.95</b>		<b>- 0.42</b>		<b>0.33</b>	
<b>Diluted earnings per share attributable to the company's equity holders (in CHF):</b>								
Continuing operations	0.45		1.06		- 0.07		0.48	
Discontinued operations	- 0.81		- 0.11		- 0.34		- 0.15	
<b>Total</b>	<b>- 0.36</b>		<b>0.95</b>		<b>- 0.41</b>		<b>0.33</b>	

<sup>1</sup> Currency impact YTD 2006 of CHF -5 mn vs YTD Sep 2005 of CHF +44 mn.

\*\* Restated for Discontinued operations (see Note 6)

Consolidated statements of cash flows (unaudited)

CHF mn	Nine Months		Third Quarter	
	2006	2005	2006	2005
Net income/loss	- 77	222	- 92	76
Depreciation of property, plant and equipment (PPE)	202	202	67	68
Impairment and reversal of impairment of PPE	227	15	183	2
Depreciation of intangibles	5	9	2	2
Changes in provisions and taxes	82	137	6	57
Interest paid	- 54	- 88	- 18	- 33
Income taxes paid	- 28	- 61	- 16	- 24
Loss (gain) from the sale of discontinued operations	93	–	1	2
Loss (gain) before taxes from the sale of subsidiaries and associates	- 4	- 28	- 4	- 30
Other non-cash items	35	- 55	37	- 2
<b>Cash flow before changes in working capital</b>	<b>481</b>	<b>353</b>	<b>166</b>	<b>118</b>
Changes in inventories	- 199	- 181	- 40	- 24
Changes in trade receivables	- 88	39	- 1	89
Changes in trade payables	- 94	- 66	- 30	- 38
Changes in other current assets and liabilities	41	50	- 7	78
<b>Cash flow from operating activities</b>	<b>141</b>	<b>195</b>	<b>88</b>	<b>223</b>
Investments in PPE	- 252	- 238	- 88	- 87
Investments in financial assets and associates	- 2	- 2	2	- 2
Investments in intangible assets	- 6	- 3	- 5	- 1
Sale of PPE and intangible assets	4	9	3	2
Acquisition of companies, businesses and participations	- 16	- 34	2	- 23
Proceeds from the sale of discontinued operations	54	–	–	- 5
Proceeds from the sale of subsidiaries and associates	28	52	28	52
Dividends received	20	24	1	2
Interest received	12	28	6	9
<b>Cash flow from investing activities</b>	<b>- 158</b>	<b>- 164</b>	<b>- 51</b>	<b>- 53</b>
Reduction of share capital	- 58	- 58	–	–
Treasury share transactions	7	- 9	1	1
Changes in financial debts	536	- 482	- 28	- 292
Dividends paid	- 7	- 4	- 5	- 2
<b>Cash flow from financing activities</b>	<b>478</b>	<b>- 553</b>	<b>- 32</b>	<b>- 293</b>
Currency translation effect on cash and cash equivalents	–	15	1	1
Net change in cash and cash equivalents	461	- 507	6	- 122
Cash and cash equivalents at the beginning of the period	223	1 477	678	1 092
Cash and cash equivalents at the end of the period	684	970	684	970

Consolidated statement of changes in equity (unaudited)

	Total share capital	Treasury shares (par value)	Other reserves				Retained earnings	Total attributable to equity holders	Minority interests	Total equity
			Share premium reserves	Hedging reserves	Cumulative translation reserves	Total other reserves				
CHF mn										
<b>Balance 31 December 2004</b>	<b>1 151</b>	<b>- 17</b>	<b>767</b>	<b>- 5</b>	<b>- 233</b>	<b>529</b>	<b>595</b>	<b>2 258</b>	<b>56</b>	<b>2 314</b>
<b>Net income recognized directly in equity</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>130</b>	<b>130</b>	<b>-</b>	<b>130</b>	<b>10</b>	<b>140</b>
Net income						-	216	216	6	222
<b>Total recognized income and expense for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>130</b>	<b>130</b>	<b>216</b>	<b>346</b>	<b>16</b>	<b>362</b>
Repayment of share capital	- 58					-	14	- 44	- 14	- 58
Dividends to third parties						-		-	- 4	- 4
Treasury share transactions and share based payments		- 1				-	- 8	- 9		- 9
<b>Balance 30 September 2005</b>	<b>1 093</b>	<b>- 18</b>	<b>767</b>	<b>- 5</b>	<b>- 103</b>	<b>659</b>	<b>817</b>	<b>2 551</b>	<b>54</b>	<b>2 605</b>
<b>Balance 31 December 2005</b>	<b>1 093</b>	<b>- 18</b>	<b>767</b>	<b>-</b>	<b>- 104</b>	<b>663</b>	<b>793</b>	<b>2 531</b>	<b>60</b>	<b>2 591</b>
<b>Net income recognized directly in equity</b>					<b>3</b>	<b>3</b>	<b>-</b>	<b>3</b>	<b>- 8</b>	<b>- 5</b>
Net income/loss						-	- 83	- 83	6	- 77
<b>Total recognized income and expense for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3</b>	<b>3</b>	<b>- 83</b>	<b>- 80</b>	<b>- 2</b>	<b>- 82</b>
Repayment of share capital	- 58					-		- 58		- 58
Treasury share transactions and share based payments		3				-		3		3
<b>Balance 30 September 2006</b>	<b>1 035</b>	<b>- 15</b>	<b>767</b>	<b>-</b>	<b>- 101</b>	<b>666</b>	<b>710</b>	<b>2 396</b>	<b>58</b>	<b>2 454</b>

## 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 2006 (hereafter "the Group"). They are prepared in accordance with the International Accounting Standard 34 (IAS 34 "Interim Financial Reporting") and were approved on November 3 2006 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 2005 (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 expenses for restructuring and impairment in the amount of CHF 189 million in Continuing operations. After performing impairment tests and as a result of a review of the business and the future outlook, goodwill of the Leather Business was impaired by CHF 100 million. The remaining impairment mainly concerned projects in Germany and smaller projects in France and the UK, where the headcount is being further reduced and fixed assets that were made redundant were written off.

### 4. Nominal Value Reduction

On April 7, 2006 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 4.75 to CHF 4.50 per registered share. The pay-out reduced the share capital by CHF 57 540 000 and took place on June 22 2006.

### 5. Bond Issue

On April 6, 2006 Clariant launched a seven-year EUR 600 million Euro-bond. The bond pays a coupon of 4.375% and was issued at a price of 99.628%. The main purpose of this bond is to refinance financial liabilities with maturities of a shorter term and less favorable conditions.

### 6. Discontinued Operations

On June 30, 2006 Clariant sold its Pharmaceutical Fine Chemicals business to TowerBrook Capital Partners. As a result, these activities are now reported as Discontinued operations in accordance with IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations". The transaction resulted in cash proceeds of CHF 54 million and a book loss of CHF 93 million net of tax. The deal comprised the sale of companies in Germany, France, England and the US and an asset deal in Italy.

Sales and operating result of the **Pharmaceutical Fine Chemicals business** for the first six months of 2006 and nine months of 2005 were as follows:

CHF mn	2006	2005
Sales	114	143
Operating income before restructuring and impairment	2	- 5
Net loss	- 2	- 5
Systematic depreciation	5	9

In September 2006 Clariant launched a project to sell its **Custom Manufacturing Business** pertaining to the division Life Science Chemicals. The business comprises sites in Germany and in the US. It is assumed that it will be sold in its present condition within the next twelve months. As a result, these activities are now reported as Discontinued operations in accordance with IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations". The related assets and liabilities were reclassified to Assets Held for Sale and associated liabilities in the balance sheet. Based on the sale price expected to be realized on the disposal of this business, the assets were depreciated for impairment by the amount of CHF 79 million.

Sales and operating result of the Custom Manufacturing Business for the first nine months of 2006 and 2005 were as follows:

CHF million	2006	2005
Sales	156	181
Operating income before restructuring and impairment	- 22	4
Net loss	- 90	- 17
Systematic depreciation	7	6

The line Income from Discontinued operations in the Income Statement comprises the net result of the Pharmaceutical Fine Chemicals business and the Custom Manufacturing business for the reporting period. As Pharmaceutical Fine Chemicals was sold on June 30, 2006, only six months' activities are reported in 2006. For 2005 this line comprises the net result of Pharmaceutical Fine Chemicals and Custom Manufacturing, as well as a final settlement amount of CHF 2 million resulting from the disposal of Electronic Materials which took place in 2004.

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

In non-current assets held for sale Clariant reports assets and associated liabilities of the Custom Manufacturing activities. The previously reported assets held for sale and related liabilities, pertaining to Site Services, Energy Supply, ESHA Services and Enterprise Functions of the subsidiary Industriepark Gersthofen Servicegesellschaft in Germany were sold on September 30, 2006 at approximately book value. On May 15 2006 Group Management had announced its intention to sell these activities. On reclassification to non-current assets held for sale these balance sheet items were revalued to the lower of book value or fair value less costs to sell. This revaluation caused an impairment devaluation of CHF 43 million, which is reported in the Income Statement line Restructuring and Impairment.

### 8. Events after the balance sheet date

On October 4, 2006 Clariant announced its intention to acquire the Masterbatch business from Ciba Specialty Chemicals. The activities comprise production facilities in France, Malaysia and Saudi Arabia with around 300 employees and sales of approximately CHF 80 million. The transaction is subject to approval of the relevant authorities and is expected to be closed before the end of the year.



## 9. Divisional Figures

Nine Months	Sales to 3rd parties				EBITDA before exceptionals				EBITDA			
	2006	2005**	% CHF	% LC	2006	2005**	% CHF	% LC	2006	2005**	% CHF	% LC
CHF mn												
Textile, Leather, Paper	1 733	1 621	7	4	175	179	- 2	- 5	171	168	2	- 2
Pigments & Additives	1 514	1 423	6	5	251	202	24	22	247	181	36	35
Masterbatches	958	866	11	8	120	90	33	31	115	82	40	37
Functional Chemicals	1 677	1 513	11	8	184	181	2	- 1	162	161	1	- 2
Life Science Chemicals	208	347	- 40	- 42	23	32	- 28	- 37	23	55	- 58	- 64
<b>Divisions Total</b>	<b>6 090</b>	<b>5 770</b>			<b>753</b>	<b>684</b>			<b>718</b>	<b>647</b>		
Corporate	-	-			- 100	- 60			- 102	- 93		
<b>Total continuing</b>	<b>6 090</b>	<b>5 770</b>	<b>6</b>	<b>3</b>	<b>653</b>	<b>624</b>	<b>5</b>	<b>3</b>	<b>616</b>	<b>554</b>	<b>11</b>	<b>9</b>

	Operating income before exceptionals				Operating Income				Systematic Depreciation of PPE	
	2006	2005**	% CHF	% LC	2006	2005**	% CHF	% LC	2006	2005**
CHF mn										
Textile, Leather, Paper	122	126	- 3	- 6	14	115	- 88	- 92	54	53
Pigments & Additives	194	149	30	28	190	122	56	53	57	53
Masterbatches	96	67	43	41	92	60	53	51	23	22
Functional Chemicals	149	144	3	1	125	122	2	-	35	36
Life Science Chemicals	10	19	- 47	- 59	10	35	- 71	-	13	13
<b>Divisions Total</b>	<b>571</b>	<b>505</b>			<b>431</b>	<b>454</b>			<b>182</b>	<b>177</b>
Corporate	- 113	- 77			- 158	- 111			8	10
<b>Total continuing</b>	<b>458</b>	<b>428</b>	<b>7</b>	<b>5</b>	<b>273</b>	<b>343</b>	<b>- 20</b>	<b>- 22</b>	<b>190</b>	<b>187</b>

Third Quarter	Sales to 3rd parties				EBITDA before exceptionals				EBITDA			
	2006	2005**	% CHF	% LC	2006	2005**	% CHF	% LC	2006	2005**	% CHF	% LC
CHF mn												
Textile, Leather, Paper	578	560	3	4	62	68	- 9	- 8	57	64	- 11	- 11
Pigments & Additives	498	468	6	7	79	69	14	16	77	57	35	38
Masterbatches	315	296	6	7	40	32	25	28	39	28	39	37
Functional Chemicals	550	487	13	13	70	54	30	28	67	39	72	72
Life Science Chemicals	68	95	- 28	- 29	7	5	40	35	7	32	- 78	- 80
<b>Divisions Total</b>	<b>2 009</b>	<b>1 906</b>			<b>258</b>	<b>228</b>			<b>247</b>	<b>220</b>		
Corporate	-	-			- 31	- 14			- 28	- 30		
<b>Total continuing</b>	<b>2 009</b>	<b>1 906</b>	<b>5</b>	<b>6</b>	<b>227</b>	<b>214</b>	<b>6</b>	<b>8</b>	<b>219</b>	<b>190</b>	<b>15</b>	<b>17</b>

	Operating income before exceptionals				Operating Income				Systematic Depreciation of PPE	
	2006	2005**	% CHF	% LC	2006	2005**	% CHF	% LC	2006	2005**
CHF mn										
Textile, Leather, Paper	44	51	- 14	- 12	- 64	47	-	-	18	17
Pigments & Additives	62	51	22	21	60	39	54	56	18	18
Masterbatches	32	25	28	32	31	22	41	44	8	7
Functional Chemicals	58	41	41	38	55	24	-	-	12	12
Life Science Chemicals	2	1	-	-	3	27	- 89	-	5	4
<b>Divisions Total</b>	<b>198</b>	<b>169</b>			<b>85</b>	<b>159</b>			<b>61</b>	<b>58</b>
Corporate	- 38	- 20			- 37	- 36			4	5
<b>Total continuing</b>	<b>160</b>	<b>149</b>	<b>7</b>	<b>8</b>	<b>48</b>	<b>123</b>	<b>- 61</b>	<b>- 59</b>	<b>65</b>	<b>63</b>

\*\* Restated for Discontinued operations (see Note 6)

## 10. Divisional Margins

Nine Months	Sales to 3rd parties		EBITDA before exceptionals		EBITDA	
	2006	2005**	2006	2005**	2006	2005**
in %						
Textile, Leather, Paper	28.5	28.1	10.1	11.0	9.9	10.4
Pigments & Additives	24.9	24.7	16.6	14.2	16.3	12.7
Masterbatches	15.7	15.0	12.5	10.4	12.0	9.5
Functional Chemicals	27.5	26.2	11.0	12.0	9.7	10.6
Life Science Chemicals	3.4	6.0	11.1	9.2	11.1	15.9
<b>Total continuing</b>	<b>100.0</b>	<b>100.0</b>	<b>10.7</b>	<b>10.8</b>	<b>10.1</b>	<b>9.6</b>

	Operating income b. exceptionals		Operating Income	
	2006	2005**	2006	2005**
in %				
Textile, Leather, Paper	7.0	7.8	0.8	7.1
Pigments & Additives	12.8	10.5	12.5	8.6
Masterbatches	10.0	7.7	9.6	6.9
Functional Chemicals	8.9	9.5	7.5	8.1
Life Science Chemicals	4.8	5.5	4.8	10.1
<b>Total continuing</b>	<b>7.5</b>	<b>7.4</b>	<b>4.5</b>	<b>5.9</b>

Third Quarter	Sales to 3rd parties		EBITDA before exceptionals		EBITDA	
	2006	2005**	2006	2005**	2006	2005**
in %						
Textile, Leather, Paper	28.8	29.4	10.7	12.1	9.9	11.4
Pigments & Additives	24.8	24.5	15.9	14.7	15.5	12.2
Masterbatches	15.7	15.5	12.7	10.8	12.4	9.5
Functional Chemicals	27.3	25.6	12.7	11.1	12.2	8.0
Life Science Chemicals	3.4	5.0	10.3	5.3	10.3	33.7
<b>Total continuing</b>	<b>100.0</b>	<b>100.0</b>	<b>11.3</b>	<b>11.2</b>	<b>10.9</b>	<b>10.0</b>

	Operating income b. exceptionals		Operating Income	
	2006	2005**	2006	2005**
in %				
Textile, Leather, Paper	7.6	9.1	- 11.1	8.4
Pigments & Additives	12.4	10.9	12.0	8.3
Masterbatches	10.2	8.4	9.8	7.4
Functional Chemicals	10.5	8.4	10.0	4.9
Life Science Chemicals	2.9	1.1	4.4	28.4
<b>Total continuing</b>	<b>8.0</b>	<b>7.8</b>	<b>2.4</b>	<b>6.5</b>

\*\* Restated for Discontinued operations (see Note 6)

## 11. Regional developments

CHF mn	Nine Months						Third Quarter					
	2006	% of sales	2005**	% of sales	CHF %	LC %	2006	% of sales	2005**	% of sales	CHF %	LC %
Europe	2 966	48.7	2 867	49.7	3	2	952	47.4	889	46.7	7	6
of which Germany	878		851		3	2	289		263		10	8
of which Switzerland	105		96		9	8	29		33		- 12	- 13
Americas	1 726	28.3	1 597	27.7	8	2	569	28.3	565	29.6	1	2
of which USA	792		749		6	3	245		251		- 2	-
Asia / Australia / Africa	1 398	23.0	1 306	22.6	7	6	488	24.3	452	23.7	8	11
<b>Total continuing operations</b>	<b>6 090</b>	<b>100.0</b>	<b>5 770</b>	<b>100.0</b>	<b>6</b>	<b>3</b>	<b>2 009</b>	<b>100.0</b>	<b>1 906</b>	<b>100.0</b>	<b>5</b>	<b>6</b>
Discontinued operations	270		324				45		101			

\*\* Restated for Discontinued operations (see Note 6)

## 12. Foreign Exchange Rates

Rates used to translate the consolidated balance sheets (closing rate)	30.09.2006	31.12.2005	Change %
1 USD	1.25	1.31	- 5
1 EUR	1.59	1.56	2
1 GBP	2.34	2.27	3
100 JPY	1.06	1.12	- 5

Average sales-weighted rates used to translate the income statements and consolidated statements of cash flow	2006	2005	Change %
1 USD	1.26	1.23	2
1 EUR	1.57	1.55	1
1 GBP	2.29	2.26	1
100 JPY	1.09	1.14	- 4

## 13. Condensed Earnings Per Share Data

CHF mn	Nine Months	
	2006	2005
Number of shares outstanding at 30.09.06 and 30.09.05 respectively	230 160 000	230 160 000
Weighted average, number of shares outstanding	226 807 738	226 748 868
Weighted average, diluted number of shares outstanding	228 081 554	227 904 902
<b>Basic earnings per share attributable to the company's equity holders (in CHF):</b>		
Continuing operations	0.45	1.06
Discontinued operations	- 0.82	- 0.11
<b>Total</b>	<b>- 0.37</b>	<b>0.95</b>
<b>Diluted earnings per share attributable to the company's equity holders (in CHF):</b>		
Continuing operations	0.45	1.06
Discontinued operations	- 0.81	- 0.11
<b>Total</b>	<b>- 0.36</b>	<b>0.95</b>

## Restated Figures for First and Second Quarters

### Consolidated income statements (unaudited)

	First Quarter			
	2006		2005	
	CHF mn	%	CHF mn	%
Sales	2 048	100.0	1 895	100.0
Costs of goods sold	- 1 413	69.0	- 1 300	68.6
<b>Gross profit</b>	<b>635</b>	<b>31.0</b>	<b>595</b>	<b>31.4</b>
Marketing and distribution	- 327	16.0	- 312	16.5
Administration and general overhead costs	- 108	5.2	- 100	5.3
Research and development	- 49	2.4	- 48	2.5
Income from associates	9	0.4	5	0.3
Restructuring and impairment	- 6	0.3	- 29	1.5
<b>Operating income</b>	<b>154</b>	<b>7.5</b>	<b>111</b>	<b>5.9</b>
Interest expense	- 19	0.9	- 32	1.7
Other financial income and expenses <sup>1</sup>	- 12	0.6	16	0.8
<b>Income before taxes</b>	<b>123</b>	<b>6.0</b>	<b>95</b>	<b>5.0</b>
Taxes	- 27	1.3	- 23	1.2
<b>Net income from continuing operations</b>	<b>96</b>	<b>4.7</b>	<b>72</b>	<b>3.8</b>
<b>Discontinued operations:</b>				
Income from discontinued operations	- 2		-	
<b>Net income</b>	<b>94</b>		<b>72</b>	
<b>Attributable to:</b>				
Equity holders of the company	92		70	
Minority interests	2		2	
<b>Net income</b>	<b>94</b>	<b>4.6</b>	<b>72</b>	<b>3.8</b>
<b>Basic earnings per share attributable to the company's equity holders (in CHF):</b>				
Continuing operations	0.41		0.32	
Discontinued operations	- 0.01		0.00	
<b>Total</b>	<b>0.40</b>		<b>0.32</b>	
<b>Diluted earnings per share attributable to the company's equity holders (in CHF):</b>				
Continuing operations	0.41		0.32	
Discontinued operations	- 0.01		0.00	
<b>Total</b>	<b>0.40</b>		<b>0.32</b>	

<sup>1</sup> Currency impact YTD 2006 of CHF -11 mn vs YTD Mar 2005 of CHF +14 mn.

\*\* All numbers have been restated to report as Discontinued operations Pharmaceutical Fine Chemicals, sold in June 2006, and Custom Manufacturing, reclassified to Discontinued operations in September 2006.

## Restated Figures for First and Second Quarters

## Consolidated income statements (unaudited)

	First Half				Second Quarter			
	2006		2005		2006		2005	
	CHF mn	%	CHF mn	%	CHF mn	%	CHF mn	%
Sales	4 081	100.0	3 864	100.0	2 033	100.0	1 969	100.0
Costs of goods sold	- 2 796	68.5	- 2 655	68.7	- 1 383	68.0	- 1 355	68.8
<b>Gross profit</b>	<b>1 285</b>	<b>31.5</b>	<b>1 209</b>	<b>31.3</b>	<b>650</b>	<b>32.0</b>	<b>614</b>	<b>31.2</b>
Marketing and distribution	- 662	16.2	- 633	16.4	- 335	16.5	- 321	16.3
Administration and general overhead costs	- 239	5.9	- 211	5.5	- 131	6.4	- 111	5.7
Research and development	- 102	2.5	- 96	2.5	- 53	2.6	- 48	2.4
Income from associates	16	0.4	10	0.3	7	0.3	5	0.2
Restructuring and impairment	- 73	1.8	- 59	1.5	- 67	3.3	- 30	1.5
<b>Operating income</b>	<b>225</b>	<b>5.5</b>	<b>220</b>	<b>5.7</b>	<b>71</b>	<b>3.5</b>	<b>109</b>	<b>5.5</b>
Interest expense	- 50	1.2	- 72	1.9	- 31	1.5	- 40	2.0
Other financial income and expenses <sup>1</sup>	- 6	0.1	41	1.1	6	0.3	25	1.3
<b>Income before taxes</b>	<b>169</b>	<b>4.1</b>	<b>189</b>	<b>4.9</b>	<b>46</b>	<b>2.3</b>	<b>94</b>	<b>4.8</b>
Taxes	- 47	1.2	- 53	1.4	- 20	1.0	- 30	1.5
<b>Net income from continuing operations</b>	<b>122</b>	<b>3.0</b>	<b>136</b>	<b>3.5</b>	<b>26</b>	<b>1.3</b>	<b>64</b>	<b>3.3</b>
<b>Discontinued operations:</b>								
Income from discontinued operations	- 107		10		- 105		10	
<b>Net income</b>	<b>15</b>		<b>146</b>		<b>- 79</b>		<b>74</b>	
<b>Attributable to:</b>								
Equity holders of the company	11		142		- 81		72	
Minority interests	4		4		2		2	
<b>Net income</b>	<b>15</b>	<b>0.4</b>	<b>146</b>	<b>3.8</b>	<b>- 79</b>	<b>3.9</b>	<b>74</b>	<b>3.8</b>
<b>Basic earnings per share attributable to the company's equity holders (in CHF):</b>								
Continuing operations	0.52		0.58		0.11		0.26	
Discontinued operations	- 0.47		0.04		- 0.46		0.04	
<b>Total</b>	<b>0.05</b>		<b>0.62</b>		<b>- 0.35</b>		<b>0.30</b>	
<b>Diluted earnings per share attributable to the company's equity holders (in CHF):</b>								
Continuing operations	0.52		0.58		0.11		0.26	
Discontinued operations	- 0.47		0.04		- 0.46		0.04	
<b>Total</b>	<b>0.05</b>		<b>0.62</b>		<b>- 0.35</b>		<b>0.30</b>	

<sup>1</sup> Currency impact YTD 2006 of CHF -8 mn vs YTD Jun 2005 of CHF +35 mn.

\*\* All numbers have been restated to report as Discontinued operations Pharmaceutical Fine Chemicals, sold in June 2006, and Custom Manufacturing, reclassified to Discontinued operations in September 2006.

## Restated Figures for First and Second Quarters

### Regional developments

CHF mn	2006		2005		First Quarter	
	% of sales		% of sales		CHF %	LC %
Europe	1 015	49.5	991	52.3	2	2
<i>of which Germany</i>	301		302		–	- 1
<i>of which Switzerland</i>	38		28		36	38
Americas	597	29.2	501	26.4	19	4
<i>of which USA</i>	290		247		17	7
Asia / Australia / Africa	436	21.3	403	21.3	8	2
<b>Total continuing operations</b>	<b>2 048</b>	<b>100.0</b>	<b>1 895</b>	<b>100.0</b>	<b>8</b>	<b>2</b>
Discontinued operations	113		97			

### Regional developments

CHF mn	2006		2005		First Half		2006		2005**		Second Quarter	
	% of sales		% of sales		CHF %	LC %	% of sales		% of sales		CHF %	LC %
Europe	2 014	49.3	1 978	51.2	2	1	999	49.1	987	50.1	1	–
<i>of which Germany</i>	589		588		–	- 1	288		286		1	- 1
<i>of which Switzerland</i>	76		63		21	19	38		35		9	4
Americas	1 157	28.4	1 032	26.7	12	3	560	27.6	531	27.0	5	1
<i>of which USA</i>	547		498		10	4	257		251		2	1
Asia / Australia / Africa	910	22.3	854	22.1	7	3	474	23.3	451	22.9	5	4
<b>Total continuing operations</b>	<b>4 081</b>	<b>100.0</b>	<b>3 864</b>	<b>100.0</b>	<b>6</b>	<b>2</b>	<b>2 033</b>	<b>100.0</b>	<b>1 969</b>	<b>100.0</b>	<b>3</b>	<b>1</b>
Discontinued operations	225		223				112		126			

## Restated Figures for First and Second Quarters

### Divisional Figures

First Quarter	Sales to 3rd parties				EBITDA before exceptionals				EBITDA			
	2006	2005	% CHF	% LC	2006	2005	% CHF	% LC	2006	2005	% CHF	% LC
CHF mn												
Textile, Leather, Paper	564	506	11	4	52	53	- 2	- 9	51	49	4	- 2
Pigments & Additives	499	460	8	4	87	60	45	41	86	57	51	46
Masterbatches	324	280	16	10	43	30	43	35	40	29	38	30
Functional Chemicals	590	527	12	7	68	67	1	- 3	68	63	8	3
Life Science Chemicals	71	122	- 42	- 45	6	12	- 50	- 51	6	11	- 45	- 48
<b>Divisions Total</b>	<b>2 048</b>	<b>1 895</b>			<b>256</b>	<b>222</b>			<b>251</b>	<b>209</b>		
Corporate	-	-			- 31	- 17			- 32	- 29		
<b>Total continuing</b>	<b>2 048</b>	<b>1 895</b>	<b>8</b>	<b>2</b>	<b>225</b>	<b>205</b>	<b>10</b>	<b>5</b>	<b>219</b>	<b>180</b>	<b>22</b>	<b>16</b>

CHF mn	Operating income before exceptionals				Operating Income				Systematic Depreciation of PPE	
	2006	2005	% CHF	% LC	2006	2005	% CHF	% LC	2006	2005
Textile, Leather, Paper	34	35	- 3	- 13	33	31	6	- 2	18	18
Pigments & Additives	67	43	56	52	66	36	83	75	20	17
Masterbatches	35	22	59	49	32	21	52	44	8	8
Functional Chemicals	56	56	-	- 3	56	51	10	6	12	12
Life Science Chemicals	2	7	- 71	- 74	2	6	- 67	- 73	4	5
<b>Divisions Total</b>	<b>194</b>	<b>163</b>			<b>189</b>	<b>145</b>			<b>62</b>	<b>60</b>
Corporate	- 34	- 23			- 35	- 34			1	4
<b>Total continuing</b>	<b>160</b>	<b>140</b>	<b>14</b>	<b>10</b>	<b>154</b>	<b>111</b>	<b>39</b>	<b>33</b>	<b>63</b>	<b>64</b>

### Divisional Margins

First Quarter	Sales to 3rd parties		EBITDA before exceptionals		EBITDA	
	2006	2005	2006	2005	2006	2005
in %						
Textile, Leather, Paper	27.5	26.7	9.2	10.5	9.0	9.7
Pigments & Additives	24.4	24.3	17.4	13.0	17.2	12.4
Masterbatches	15.8	14.8	13.3	10.7	12.3	10.4
Functional Chemicals	28.8	27.8	11.5	12.7	11.5	12.0
Life Science Chemicals	3.5	6.4	8.5	9.8	8.5	9.0
<b>Total continuing</b>	<b>100.0</b>	<b>100.0</b>	<b>11.0</b>	<b>10.8</b>	<b>10.7</b>	<b>9.5</b>

in %	Operating income b. exceptionals		Operating Income	
	2006	2005	2006	2005
Textile, Leather, Paper	6.0	6.9	5.9	6.1
Pigments & Additives	13.4	9.3	13.2	7.8
Masterbatches	10.8	7.9	9.9	7.5
Functional Chemicals	9.5	10.6	9.5	9.7
Life Science Chemicals	2.8	5.7	2.8	4.9
<b>Total continuing</b>	<b>7.8</b>	<b>7.4</b>	<b>7.5</b>	<b>5.9</b>

## Restated Figures for First and Second Quarters

### Divisional Figures

First Half	Sales to 3rd parties				EBITDA before exceptionals				EBITDA			
	2006	2005	% CHF	% LC	2006	2005	% CHF	% LC	2006	2005	% CHF	% LC
CHF mn												
Textile, Leather, Paper	1 155	1 061	9	4	113	111	2	- 3	114	104	10	4
Pigments & Additives	1 016	955	6	3	172	133	29	26	170	124	37	33
Masterbatches	643	570	13	9	80	58	38	33	76	54	41	37
Functional Chemicals	1 127	1 026	10	6	114	127	- 10	- 13	95	122	- 22	- 25
Life Science Chemicals	140	252	- 44	- 46	16	27	- 41	- 49	16	23	- 30	- 40
<b>Divisions Total</b>	<b>4 081</b>	<b>3 864</b>			<b>495</b>	<b>456</b>			<b>471</b>	<b>427</b>		
Corporate	-	-			- 69	- 46			- 74	- 63		
<b>Total continuing</b>	<b>4 081</b>	<b>3 864</b>	<b>6</b>	<b>2</b>	<b>426</b>	<b>410</b>	<b>4</b>	<b>1</b>	<b>397</b>	<b>364</b>	<b>9</b>	<b>5</b>

	Operating income before exceptionals				Operating Income				Systematic Depreciation of PPE	
	2006	2005	% CHF	% LC	2006	2005	% CHF	% LC	2006	2005
CHF mn										
Textile, Leather, Paper	78	75	4	- 2	78	68	15	9	36	36
Pigments & Additives	132	98	35	31	130	83	57	52	39	35
Masterbatches	64	42	52	46	61	38	61	55	15	15
Functional Chemicals	91	103	- 12	- 14	70	98	- 29	- 31	23	24
Life Science Chemicals	8	18	- 56	- 69	7	8	- 13	- 28	8	9
<b>Divisions Total</b>	<b>373</b>	<b>336</b>			<b>346</b>	<b>295</b>			<b>121</b>	<b>119</b>
Corporate	- 75	- 57			- 121	- 75			4	5
<b>Total continuing</b>	<b>298</b>	<b>279</b>	<b>7</b>	<b>4</b>	<b>225</b>	<b>220</b>	<b>2</b>	<b>- 1</b>	<b>125</b>	<b>124</b>

Second Quarter	Sales to 3rd parties				EBITDA before exceptionals				EBITDA			
	2006	2005	% CHF	% LC	2006	2005	% CHF	% LC	2006	2005	% CHF	% LC
CHF mn												
Textile, Leather, Paper	591	555	6	4	61	58	5	3	63	55	15	10
Pigments & Additives	517	495	4	3	85	73	16	14	84	67	25	22
Masterbatches	319	290	10	8	37	28	32	30	36	25	44	45
Functional Chemicals	537	499	8	6	46	60	- 23	- 23	27	59	- 54	- 56
Life Science Chemicals	69	130	- 47	- 48	10	15	- 33	- 48	10	12	- 17	- 34
<b>Divisions Total</b>	<b>2 033</b>	<b>1 969</b>			<b>239</b>	<b>234</b>			<b>220</b>	<b>218</b>		
Corporate	-	-			- 38	- 29			- 42	- 34		
<b>Total continuing</b>	<b>2 033</b>	<b>1 969</b>	<b>3</b>	<b>1</b>	<b>201</b>	<b>205</b>	<b>- 2</b>	<b>- 4</b>	<b>178</b>	<b>184</b>	<b>- 3</b>	<b>- 5</b>

	Operating income before exceptionals				Operating Income				Systematic Depreciation of PPE	
	2006	2005	% CHF	% LC	2006	2005	% CHF	% LC	2006	2005
CHF mn										
Textile, Leather, Paper	44	40	10	7	45	37	22	18	18	18
Pigments & Additives	65	55	18	15	64	47	36	34	19	18
Masterbatches	29	20	45	42	29	17	71	67	7	7
Functional Chemicals	35	47	- 26	- 28	14	47	- 70	- 72	11	12
Life Science Chemicals	6	11	- 45	- 65	5	2	-	-	4	4
<b>Divisions Total</b>	<b>179</b>	<b>173</b>			<b>157</b>	<b>150</b>			<b>59</b>	<b>59</b>
Corporate	- 41	- 34			- 86	- 41			3	1
<b>Total continuing</b>	<b>138</b>	<b>139</b>	<b>- 1</b>	<b>- 2</b>	<b>71</b>	<b>109</b>	<b>- 35</b>	<b>- 36</b>	<b>62</b>	<b>60</b>



## Restated Figures for First and Second Quarters

### Divisional Margins

First Half	Sales to 3rd parties		EBITDA before exceptionals		EBITDA	
	2006	2005	2006	2005	2006	2005
in %						
Textile, Leather, Paper	28.3	27.4	9.8	10.5	9.9	9.8
Pigments & Additives	24.9	24.7	16.9	13.9	16.7	13.0
Masterbatches	15.8	14.8	12.4	10.2	11.8	9.5
Functional Chemicals	27.6	26.6	10.1	12.4	8.4	11.9
Life Science Chemicals	3.4	6.5	11.4	10.7	11.4	9.1
<b>Total continuing</b>	<b>100.0</b>	<b>100.0</b>	<b>10.4</b>	<b>10.6</b>	<b>9.7</b>	<b>9.4</b>

	Operating income b. exceptionals		Operating Income			
	2006	2005	2006	2005		
in %						
Textile, Leather, Paper	6.8	7.1	6.8	6.4		
Pigments & Additives	13.0	10.3	12.8	8.7		
Masterbatches	10.0	7.4	9.5	6.7		
Functional Chemicals	8.1	10.0	6.2	9.6		
Life Science Chemicals	5.7	7.1	5.0	3.2		
<b>Total continuing</b>	<b>7.3</b>	<b>7.2</b>	<b>5.5</b>	<b>5.7</b>		

Second Quarter	Sales to 3rd parties		EBITDA before exceptionals		EBITDA	
	2006	2005	2006	2005	2006	2005
in %						
Textile, Leather, Paper	29.1	28.2	10.3	10.5	10.7	9.9
Pigments & Additives	25.4	25.1	16.4	14.7	16.2	13.5
Masterbatches	15.7	14.7	11.6	9.7	11.3	8.6
Functional Chemicals	26.4	25.4	8.6	12.0	5.0	11.8
Life Science Chemicals	3.4	6.6	14.5	11.5	14.5	9.2
<b>Total continuing</b>	<b>100.0</b>	<b>100.0</b>	<b>9.9</b>	<b>10.4</b>	<b>8.8</b>	<b>9.3</b>

	Operating income b. exceptionals		Operating Income			
	2006	2005	2006	2005		
in %						
Textile, Leather, Paper	7.4	7.2	7.6	6.7		
Pigments & Additives	12.6	11.1	12.4	9.5		
Masterbatches	9.1	6.9	9.1	5.9		
Functional Chemicals	6.5	9.4	2.6	9.4		
Life Science Chemicals	8.7	8.5	7.2	1.5		
<b>Total continuing</b>	<b>6.8</b>	<b>7.1</b>	<b>3.5</b>	<b>5.5</b>		

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### Calendar of Corporate Events

November 14-15, 2006	Clariant meets Investors, Basel
November 30, 2006	Merrill Lynch Conference, London
January 18-20, 2007	UBS Conference, Gstaad
February 20, 2007	Full Year 2006 Results

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