CLARIANT

Clariant improves profitability in the first half of 2020 despite a difficult economic environment

- **Sales from continuing operations decreased by 5 % in local currency to CHF 1.945 billion**
- **EBITDA margin improved to 15.0 % compared to an operational performance of 14.9 % in the first half of 2019**
- **Net result for the total Group improved to CHF 90 million**
- **Operating cash flow at CHF 89 million**
- **Outlook: 2020 results will be impacted by the COVID-19 pandemic; focus will therefore be on mitigation and cash generation**

"In the first half of the year, our continuing operations were particularly resilient and showed a strong performance in an admittedly challenging environment. Particularly the second quarter was negatively affected by influences attributable to the COVID-19 pandemic. In this difficult economic environment, our continuing operations even showed an improvement in margins. This clearly confirms the validity of our strategic decision to focus on Clariant's three core specialty Business Areas," said Hariolf Kottmann, Executive Chairman ad interim of Clariant. "Despite the uncertainties surrounding the current economic environment, the growth profile of our core portfolio remains undiminished. We will continue to focus on mitigating the impact of this pandemic and will progress with Clariant's transformation program. This will enable Clariant to realize above-market growth, higher profitability and stronger cash generation."

CLARIANT

Key Financial Data

Continuing operations	Second Quarter				First Half Year			
in CHF million	**2020**	**2019**	**% CHF**	**% LC**	**2020**	**2019**	**% CHF**	**% LC**
Sales	926	1 065	-13	-4	1 945	2 229	-13	-5
EBITDA	*135*	-82 (1)	n.m.		*292*	102 (1)	186	
- margin	14.6 %	--			15.0 %	4.6 %		
EBITDA before exceptional items	*146*	*162*	*-10*		*309*	*355*	*-13*	
- margin	*15.8 %*	*15.2 %*			*15.9 %*	*15.9 %*		
EBIT					154	-47 (1)		
Net result from continuing operations					75	-133 (1)		
Net result (2)					**90**	**-101** (1)		
Operating cash flow (2)					89	113		
Number of employees (2)					17 007	17 790		
Discontinued operations								
Sales	456	558	-18	-11	941	1 109	-15	-9
Net result from discontinued operations					15	32		

(1) including CHF 231 million provision for a competition law investigation by the European Commission
Excluding provision: 2019 Second Quarter EBITDA at CHF 149 million, EBITDA margin 14.0 %
Excluding provision: 2019 First Half Year EBITDA at CHF 333 million, EBITDA margin 14.9 %
(2) total Group including discontinued operations

First Half Year 2020 – Improvement in EBITDA margin

Muttenz, July 30, 2020 - Clariant, a focused, sustainable and innovative specialty chemical company, today announced first half year 2020 continuing operations sales of CHF 1.945 billion, compared to CHF 2.229 billion in the first half year 2019. This corresponds to a decrease of 5 % in local currency due to lower demand and 13 % in Swiss francs, attributable to unfavorable currency developments.

The Group was confronted by a significantly lower demand environment in several segments in the first half year 2020 as a result of the COVID-19 pandemic. Therefore, these results are noteworthy and underpin the fact that measures to minimize the impact of this pandemic are fully in place based on a strong balance sheet and liquidity position. Clariant continues to ensure employee safety first while concurrently running business continuity programs and implementing cash as well as cost measures.

In the first half year, the Middle East & Africa as well as Asia remained resilient, with China and Southeast Asia demonstrating solid growth. Sales in Latin America increased in local currency, while Europe and North America weakened more significantly due to demand declines across all Business Areas.

In the first half 2020, Care Chemicals sales declined by 6 % in local currency due to weather-related weak Aviation demand in the first quarter, which could not be compensated for by the strong expansion in Consumer Care in the second quarter. The Catalysis Business Area's top line declined by 4 % in local currency amid the temporarily muted demand environment in the chemical industry, whereas the second quarter improved over the first. Natural Resources was impacted by the weakening end-market demand and pressure on volumes in Oil and Mining Services in the second quarter in particular. This resulted in a sales decline of 5 % in local currency in the first half of 2020.

As a consequence of this economic development, Clariant will resume its efficiency program, originally announced in February 2020. As previously disclosed, these measures will lead to a workforce reduction of approximately 600 positions and a cost base reduction in excess of CHF 50 million for the continuing business over the next two years. A corresponding provision totaling CHF 58 million was made in the continuing Business Areas in the second quarter 2020 for the cost associated with the execution of this program. The second quarter results also include a provision reversal of CHF 55 million at the Corporate level for the reversal of the excess of the CHF 231 million provision set up in 2019 for the competition law investigation by the European Commission as Clariant received a EUR 156 million fine in July 2020.

The continuing operations EBITDA increased to CHF 292 million and the businesses successfully defended underlying margins despite a weaker top-line development. The EBITDA margin improved to 15.0 % from 14.9 % (reported 4.6 %) in the previous year when excluding the one-off CHF 231 million provision, which was booked in the second quarter of 2019. Excluding the provision for the efficiency program, the underlying profitability in Care Chemicals advanced due to a higher proportion of Consumer Care sales while underlying margins in Natural Resources improved as a result of the stringent implementation of cost control measures in all three Business Units. The EBITDA margin in Catalysis declined as the result of lower volumes due to project timing, which developed more positively in the second quarter.

The net result for the total Group increased to CHF 90 million profit versus a CHF 101 million loss in the first half of 2019. Excluding the above-mentioned one-off provision of CHF 231 million, the net result in the first half of 2020 was 31 % lower than the previous year due to volume-driven weaker absolute profit and negative currency effects.

Operating cash flow for the total Group, which is typically lower in the first half of the year, declined to CHF 89 million from CHF 113 million in the previous year despite a considerable improvement in the second quarter. This is mainly due to the timing of net working capital adjustments in the course of the COVID-19 development.

Net debt for the total Group increased to CHF 1.426 billion versus CHF 1.372 billion as of the end of 2019 following the normal seasonal cash flow pattern.

Second Quarter 2020 – Notable improvement in underlying profitability despite weaker top-line development

In the second quarter 2020, sales from continuing operations decreased by 4 % in local currency to CHF 926 million. This corresponds to a 13 % decline in Swiss francs due to unfavorable currency effects. Robust growth in Care Chemicals' Consumer Care business partially compensated for weaker sales in Natural Resources.

On a regional basis, strong growth in China compensated for the decline in other subregions for an almost flat development in Asia. Latin America increased local currency sales in double digits. Sales in Europe declined in single digits, followed closely by the Middle East & Africa, while the more notable decrease in North America is largely attributable to lower volumes in Natural Resources.

In the second quarter, Care Chemicals increased sales by 3 % in local currency, supported by a double-digit expansion in Consumer Care. The sales development in Catalysis weakened only by a slight 2 % while exceeding the first quarter 2020 result. Natural Resources sales declined by 11 % in local currency, due to lower volumes in Oil Services and weakening demand in Functional Minerals and Additives.

The continuing operations EBITDA increased to CHF 135 million and a corresponding margin of 14.6 %, outperforming the 14.0 % in the previous year, excluding the above-mentioned effect of the one-off provision booked in the second quarter of 2019. Excluding the provision for the efficiency program, the underlying profitability advanced significantly in Care Chemicals due to strong margin management, based on strong top-line growth in Consumer Care and also in Catalysis as a result of a higher proportion of Petrochemical sales. In Natural Resources, the underlying margin reduction is attributable to lower volumes in especially COVID-19-exposed segments such as oil and automotive, which could not fully be compensated for by internal performance measures.

Discontinued Operations

For the first half year 2020, sales in discontinued operations (Masterbatches and Pigments) declined by 9 % in local currency and by 15 % in Swiss francs. However, on a like-for-like basis, excluding Healthcare Packaging sales from the first half of 2019, as this business was divested in October 2019, sales weakened only by a slight 3 % in local currency. In the second quarter, like-for-like sales weakened by 4 % in local currency despite the weak economic environment and by 13 % in Swiss francs due to unfavorable currency fluctuations.

The EBITDA in the first half year 2020 as well as in the second quarter decreased in absolute value partly due to the sale of the Healthcare Packaging business and one-off costs for the efficiency program in Pigments as well as for the carve-out of the discontinued operations. The underlying operational performance, however, increased in both businesses as the result of effective cost management.

Outlook – Third quarter challenged by COVID-19 while performance measures lift portfolio to achieve above-market growth, higher profitability and stronger cash generation in the mid-term

Clariant anticipates a continued negative impact on sales and profitability from the COVID-19 pandemic in the third quarter of 2020. The Group has swiftly installed task forces focusing on employee safety, community support, assuring business continuity and cash generation. Clariant’s three core specialty Business Areas are executing performance programs to generate resilient results during these times and to achieve above-market growth, higher profitability and stronger cash generation in the mid-term.

In addition, the Group is significantly reshaping its portfolio through the divestment of Healthcare Packaging in October 2019, the sale of Masterbatches in July 2020 and is preparing the planned divestment of Pigments. The transformed Clariant will be a sustainable and innovative specialty chemical company that aims to grow above the market to achieve higher profitability based on its three core specialty Business Areas.

Business Discussion

Business Area Care Chemicals

	Second Quarter				First Half Year			
in CHF million	2020	2019	% CHF	% LC	2020	2019	% CHF	% LC
Sales	347	370	-6	3	734	850	-14	-6
EBITDA	51	56	-9		120	150	-20	
- margin	14.7 %	15.1 %			16.3 %	17.6 %		
EBITDA before exceptional items	*63*	*60*	*5*		*133*	*154*	*-14*	
- margin	*18.2 %*	*16.2 %*			*18.1 %*	*18.1 %*		

Sales

In the first half year 2020, sales in the Business Area Care Chemicals decreased by 6 % in local currency and by 14 % in Swiss francs. Consumer Care sales increased in a high single-digit range underpinned by double-digit growth in Personal Care and robust expansion in Crop Solutions. Industrial Applications sales were significantly lower, primarily due to the feeble demand environment in the wake of the COVID-19 pandemic and the particularly weak Aviation business in the first quarter.

In Asia, sales rose in single digits, supported by China. Latin America reported sales growth in the high-teen range in local currency. Sales in Europe and North America benefitted from good Consumer Care demand plus a positive base effect in North America in the second quarter but were hampered by the weakness in Aviation in the first quarter.

In the second quarter, Care Chemicals sales grew by 3 % in local currency and were 6 % lower in Swiss francs. Consumer Care sales rose at a double-digit rate, strongly supported by increased demand for hygiene-related products. As expected, Industrial Applications sales were notably weaker because of the curbed and, in some cases, ceased activities across many end-markets due to the unprecedented COVID-19 lockdown measures.

EBITDA Margin

The EBITDA margin in the first half year 2020 decreased to 16.3 % from 17.6 %. Excluding the efficiency program provision, the underlying profitability remained resilient as the weak Aviation in the first quarter was offset by a more attractive product mix with a higher proportion of sales contribution from Consumer Care in the second quarter.

In the second quarter, the EBITDA margin softened to 14.7 % from 15.1 % due to the efficiency program provision. However, the underlying profitability improved significantly due to a more favorable product mix effect and the temporary negative impact of the Force Majeure in the second quarter of 2019.

Clariant Insight

Clariant's award winning Rootness™ Energize is a new active ingredient obtained from plant roots containing bryonolic acid, a potent antioxidant and anti-inflammatory molecule. Clariant extracts this rare molecule in cooperation with its partner Plant Advanced Technologies (PAT) by using the innovative and highly sustainable Plant Milking technology, which significantly increases the production of bryonolic acid. The skin cell recharger Rootness™ Energize visibly increases skin elasticity, reduces age-related slackness and can therefore be used in various skincare and cosmetic products.

Business Area Catalysis

	Second Quarter				First Half Year			
in CHF million	**2020**	**2019**	**% CHF**	**% LC**	**2020**	**2019**	**% CHF**	**% LC**
Sales	210	229	-8	-2	392	432	-9	-4
EBITDA	44	40	10		68	84	-19	
- margin	21.0 %	17.5 %			17.3 %	19.4 %		
EBITDA before exceptional items	*50*	*44*	*14*		*75*	*88*	*-15*	
- margin	*23.8 %*	*19.2 %*			*19.1 %*	*20.4 %*		

Sales

In the first half year 2020, sales in the Business Area Catalysis declined by 4 % in local currency and by 9 % in Swiss francs against a strong comparison base. The double-digit growth in Petrochemicals could not entirely compensate for weaker sales in Syngas and Specialty Catalysts, which were impacted by the muted demand environment in the chemical industry.

From a regional perspective, sales in North America and Asia were solid, with an increase in China. Sales in Europe and the Middle East & Africa remained comparatively volatile throughout the first half 2020, reflecting the project nature of the business as well as negative COVID-19 pandemic impacts.

As anticipated, sales in the second quarter improved quarter-on-quarter and weakened slightly by 2 % in local currency, compared to a strong previous year. Clariant's diversified Catalysis portfolio successfully mitigated the negative impacts from COVID-19 pandemic-related restrictions. Strong sales expansion in Petrochemicals partially absorbed lower demand in Syngas and Specialty Catalysts.

EBITDA Margin

In the first half year 2020, the EBITDA margin weakened to 17.3 % from 19.4 % in the previous year as a result of the efficiency program provision as well as lower volumes that could not fully be compensated for by a more favorable product mix in the second quarter.

In the second quarter, the EBITDA margin increased significantly to 21.0 % from 17.5 % due to a higher proportion of Petrochemical sales, which are margin accretive.

Clariant Insight

Clariant's next-generation PolyMax® 600 Series performance catalyst for polypropylene is a new offering that answers the increasing need for safer polypropylene solutions. The catalysts were developed in partnership with Lummus Novolen® Technology and are designed to meet a broad range of process requirements in applications ranging from food packaging to engineered automotive parts. Being phthalate-free, the new PolyMax® 600 Series catalyst meets the most demanding toxicity requirements and its innovative technology also increases catalyst activity up to 25 % compared to phthalate-based catalysts. Consequently, higher productivity rates and superior polymer properties allow customers to meet increasing demand as well as stricter regulations.

CLARIANT

Business Area Natural Resources

	Second Quarter				First Half Year			
in CHF million	**2020**	**2019**	**% CHF**	**% LC**	**2020**	**2019**	**% CHF**	**% LC**
Sales	369	466	-21	-11	819	947	-14	-5
EBITDA	30	73	-59		116	148	-22	
- margin	8.1 %	15.7 %			14.2 %	15.6 %		
EBITDA before exceptional items	*52*	*73*	*-29*		*138*	*149*	*-7*	
- margin	*14.1 %*	*15.7 %*			*16.8 %*	*15.7 %*		

Sales

Sales in the Business Area Natural Resources decreased by 5 % in local currency and by 14 % in Swiss francs in the first half year 2020.

Oil and Mining Services sales nearly reached last year's level in local currency. Oil Services sales were slightly weaker, while Mining Solutions and Refinery grew in mid-single digits in local currency. The sales expansion was most pronounced in Europe and Latin America, supported by solid growth in the Middle East & Africa and Asia. North America reported a contraction in the mid-teen range, driven by weaker Oil Services demand in the second quarter.

Functional Minerals sales declined at a mid-single-digit rate in local currency as a result of the weaker Foundry business. This decline was primarily due to the shutdown of the European automobile industry and reduced levels of construction activity amid the COVID-19 pandemic.

Additives sales decreased at a high single-digit rate in local currency in the first half year 2020. This decline was largely due to the continuingly weak fibers and automotive market paired with curtailed coatings sector demand, which was attributable to the pandemic-induced economic downturn.

In the second quarter 2020, Natural Resources sales declined by 11 % in local currency. As anticipated, Oil and Mining Services sales were hampered by the lower consumption of oil and oil-derived products during the global COVID-19 pandemic-related lockdown. Functional Minerals was confronted with a continued weakness in the Foundry business. Despite a demand pickup in Asia in the second quarter, Additives sales decreased due to weaker end-markets, which were impacted by the COVID-19 pandemic.

EBITDA Margin

In the first half year 2020, the EBITDA margin decreased to 14.2 % from 15.6 % year-on-year. Excluding the efficiency program provision, the underlying profitability reflected a substantial improvement which was mainly due to higher sales in value added applications in Oil and Mining Services and stringent cost management in all three Business Units.

In the second quarter, the EBITDA margin fell to 8.1 % from 15.7 % due to the efficiency program provision and lower volumes, which resulted from the weaker demand environment and could not be fully compensated for by internal measures.

CLARIANT

Clariant Insight

Clariant's Licocare® RBW 102 Vita, a multifunctional natural wax, was awarded the "OK compost INDUSTRIAL" certificate for its more than 98 % renewable content. Licocare® RBW 102 Vita can be utilized to enhance agricultural coatings for applications such as fertilizers and seeds. It was awarded the "OK biodegradable SOIL" certificate as its biodegradable feature helps decrease the negative environmental impact of coatings on the soil. Licocare® RBW 102 Vita also carries Clariant's sustainability label EcoTain® in recognition of its proven excellent environmental and health profile.

Discontinued Operations

	Second Quarter				First Half Year			
in CHF million	**2020**	**2019**	**% CHF**	**% LC**	**2020**	**2019**	**% CHF**	**% LC**
Sales	456	558	-18	-11	941	1 109	-15	-9
EBITDA	33	38	-13		67	91	-26	
- margin	7.2 %	6.8 %			7.1 %	8.2 %		
EBITDA before exceptional items	*48*	*56*	*-14*		*117*	*117*	*0*	
- margin	*10.5 %*	*10.0 %*			*12.4 %*	*10.6 %*		

As part of Clariant's portfolio optimization, the Business Units Pigments and Masterbatches and the Business Line Healthcare Packaging, which operated as a part of the Business Unit Masterbatches, have been reclassified to discontinued operations since the first half year 2019.

On October 31, 2019, Clariant sold its Healthcare Packaging business to Arsenal Capital Partners. The sale of Clariant's Masterbatches business to Avient (formerly PolyOne) was completed on July 1, 2020.

Sales

In the first half year 2020, sales in discontinued operations decreased by 9 % in local currency and by 15 % in Swiss francs. However, on a like-for-like basis, excluding Healthcare Packaging sales from the first half of 2019, sales weakened by only a slight 3 % in local currency and by 13 % in Swiss francs, despite the weak economic environment. In the second quarter 2020, like-for-like sales in discontinued operations declined by 4 % in local currency.

EBITDA

In the first half year 2020, as well as in the second quarter, the EBITDA decreased in absolute value year-on-year due in part to the divestment of the Healthcare Packaging business and one-off costs for the efficiency program in Pigments as well as for the carve-out of the discontinued operations. However, the profitability of the underlying operational performance of both businesses improved due to continued, effective cost management.

CLARIANT

CORPORATE MEDIA RELATIONS

JOCHEN DUBIEL

Phone +41 61 469 63 63
jochen.dubiel@clariant.com

CLAUDIA KAMENSKY

Phone +41 61 469 63 63
claudia.kamensky@clariant.com

THIJS BOUWENS

Phone +41 61 469 63 63
thijs.bouwens@clariant.com

INVESTOR RELATIONS

MARIA IVEK

Phone +41 61 469 63 73
maria.ivek@clariant.com

ALEXANDER KAMB

Phone +41 61 469 63 73
alexander.kamb@clariant.com

Follow us on Twitter, Facebook, LinkedIn, Instagram.

www.clariant.com

Clariant is a focused, sustainable and innovative specialty chemical company based in Muttenz, near Basel/Switzerland. On 31 December 2019, the company employed a total workforce of 17 223. In the financial year 2019, Clariant recorded sales of CHF 4.399 billion for its continuing businesses. The company reports in three business areas: Care Chemicals, Catalysis and Natural Resources. Clariant's corporate strategy is based on five pillars: focus on innovation and R&D, add value with sustainability, reposition portfolio, intensify growth, and increase profitability.