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Clariant preserves profitability in first nine months of 2020 despite difficult economic environment

- **Sales from continuing operations decreased by 6 % in local currency to CHF 2.838 billion**
- **Continuing operations EBITDA at CHF 419 million**
- **EBITDA margin resilient at 14.8 % compared to an operational performance of 14.8 % in the first nine months of 2019**
- **Outlook: in a continued difficult environment amid COVID-19 resurgence, focus on impact mitigation and performance improvement in 2020**

"Over the first nine months of 2020, we successfully upheld the profitability of our continuing operations despite an exceedingly challenging environment. Although the COVID-19 pandemic had a significant negative impact on several of Clariant's key end markets in the third quarter, the performance resilience clearly validates the success of our strategic focus on the three core specialty Business Areas," said Hariolf Kottmann, Executive Chairman ad interim of Clariant. "The growth profile of our core portfolio remains intact despite the current economic environment and uncertain outlook. We will continue to focus on both mitigating the impact of this pandemic as well as executing our transformation program. We therefore continue to anticipate above-market growth, higher profitability and stronger cash generation."

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Key Financial Data

Continuing operations	**Third Quarter**				**Nine Months**			
in CHF million	**2020**	**2019**	**% CHF**	**% LC**	**2020**	**2019**	**% CHF**	**% LC**
Sales	893	1 043	-14	-7	2 838	3 272	-13	-6
EBITDA	127	151	-16		419	253 (1)	66	
- margin	14.2 %	14.5 %			14.8 %	7.7 %		
EBITDA before exceptional items	137	169	-19		446	524	-15	
- margin	15.3 %	16.2 %			15.7 %	16.0 %		

(1) Including a provision of CHF 231 million for a competition law investigation by the European Commission
Excluding provision: EBITDA after exceptional items at CHF 484 million, EBITDA margin 14.8 %

Nine Months 2020 – Steady EBITDA margin development despite notably softer environment

Muttenz, October 29, 2020 - Clariant, a focused, sustainable and innovative specialty chemical company, today announced continuing operations sales of CHF 2.838 billion in the first nine months of 2020, compared to CHF 3.272 billion in the first nine months of 2019. This corresponds to a decrease of 6 % in local currency due to lower demand and 13 % in Swiss francs attributable to unfavorable currency developments.

As a result of the COVID-19 pandemic, the Group was confronted with a significantly lower demand environment in several segments in the first nine months of 2020. These buoyant profitability results are therefore noteworthy, as they clearly reflect the effectiveness of Clariant's business continuity programs, as well as cash and cost measures, which have been implemented to minimize the impact of this pandemic and improve the performance in the midterm.

In the first nine months, Asia remained resilient, with China and India reporting double-digit growth. Sales in Latin America increased in local currency, while sales in Europe, North America and the Middle East & Africa softened due to demand declines in most Business Areas.

In the first nine months of 2020, Care Chemicals sales declined by 5 % in local currency due to weather-related weak Aviation demand in the first quarter and lower Industrial Applications sales amid the COVID-19 pandemic in the second and third quarters, which could not be offset by the growth in Consumer Care. The Catalysis Business Area's top line declined by a modest 3 % in local currency due to both the strong comparison base as well as the subdued environment in the chemical industry. Natural Resources sales decreased by 8 % in local currency, impacted by the notably softer economic environment resulting from the decline in oil demand and the COVID-19 pandemic.

The nine months 2020 continuing operations EBITDA reached CHF 419 million and the Group successfully defended margins despite a weaker top-line development. The 14.8 % EBITDA margin remained unchanged versus 14.8 % (reported 7.7 %) in the previous year when excluding the one-off CHF 231 million provision, which was booked in the second quarter of 2019. Care Chemicals profitability improved due to growth in Consumer Care sales and stringent margin and cost management. The Catalysis EBITDA margin declined as a result of lower volumes, a less favorable product mix and the efficiency program provision. Excluding the efficiency program provision in Natural Resources in the second quarter, the underlying profitability remained largely unchanged, underpinned by stringent cost management in all three Business Units.

Third Quarter 2020 – Comparatively stable profitability despite weaker top-line development

As expected, the third quarter 2020 saw the most pronounced sales decline of the first three quarters in 2020 with a 7 % decrease in local currency in continuing operations sales to CHF 893 million. This corresponds to a 14 % decline in Swiss francs due to unfavorable currency effects. The main driver was the sales decline in Natural Resources, where all three businesses were negatively impacted by the oversupply in the oil markets and the global COVID-19 pandemic, while sales in Care Chemicals and Catalysis softened only slightly.

On a regional basis, the positive development in Asia in local currency was underpinned by very strong sales growth in China and India in the third quarter of 2020. Sales in Latin America decreased slightly, while Europe declined in high single digits, followed by the Middle East & Africa. The more notable decrease in North America is ascribable to lower volumes in Natural Resources.

In the third quarter, Care Chemicals sales softened by a mere 1 % in local currency, supported by higher Consumer Care sales. Catalysis sales also slowed by 1 % compared to a particularly strong previous year. Natural Resources sales declined by 14 % in local currency primarily because Oil and Mining Services sales were hampered by the lower consumption of oil and oil-derived products.

The continuing operations EBITDA declined to CHF 127 million and a corresponding margin of 14.2 %, slightly below the 14.5 % in the previous year. The profitability advanced in both Care Chemicals and Catalysis due to more favorable product mixes, cost mitigation and efficiency improvement. In Natural Resources, the margin reduction is attributable to lower volumes in COVID-19-exposed segments such as automotive, textile and in particular oil, which could not be counterbalanced by internal performance measures.

Discontinued Operations

For the first nine months, sales in discontinued operations declined by 25 % in local currency and by 31 % in Swiss francs. However, on a like-for-like basis, excluding Healthcare Packaging sales from the first nine months of 2019 and Masterbatches from the third quarter of 2019, as these businesses were divested, sales weakened by only a slight 4 % in local currency and by 11 % in Swiss francs as a result of the weak economic environment.

In the first nine months of 2020, the discontinued operations EBITDA was positively impacted by the gain on the disposal of the Masterbatches business in the third quarter and negatively impacted by one-off costs for the efficiency program in Pigments in the second quarter as well as for the carve out of the discontinued operations.

Outlook – Continued COVID-19 impact anticipated in the fourth quarter 2020 with small improvement versus the third quarter, while performance measures lift portfolio to achieve above-market growth, higher profitability and stronger cash generation in the mid-term

Clariant anticipates that the COVID-19 pandemic will have a continued, but slightly less negative impact on sales and profitability in the fourth quarter of 2020 compared to the third quarter.

The Group’s task forces will continue to focus on the safety of our employees, support to our communities, business continuity to our customers and cash generation. Clariant’s three core specialty Business Areas will continue to execute 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 and the sale of Masterbatches in July 2020. The Group is also progressing with the planned divestment of Pigments while preparing the rightsizing of the organization. The transformed Clariant will be a focused, 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

	Third Quarter				Nine Months			
in CHF Million	**2020**	**2019**	**% CHF**	**% LC**	**2020**	**2019**	**% CHF**	**% LC**
Sales	330	362	-9	-1	1 064	1 212	-12	-5
EBITDA	72	62	16		192	212	-9	
- margin	21.8 %	17.1 %			18.0 %	17.5 %		
EBITDA before exceptional items	63	61	3		196	215	-9	
- margin	19.1 %	16.9 %			18.4 %	17.7 %		

Sales

For the first nine months of 2020, sales in the Business Area Care Chemicals decreased by 5 % in local currency and by 12 % in Swiss francs. Consumer Care sales rose in a high single-digit range underpinned by double-digit growth in Personal Care as well as in Crop Solutions. Industrial Applications sales were negatively impacted by the weak economic environment resulting from the COVID-19 pandemic and, as anticipated, were therefore lower in the first nine months of 2020.

In Asia, sales rose in low single digits, supported by China. Latin America reported sales growth in a mid-teen range in local currency. Sales in Europe and North America came under pressure due to the softer economic environment as well as the weather-related weakness in Aviation in the first quarter.

In the third quarter, Care Chemicals sales declined only by a slight 1 % in local currency and by 9 % in Swiss francs. Consumer Care sales grew in a mid-single-digit range, yet at a slower pace than in the second quarter, propelled by strong demand for Crop Solutions. Although the sales development in Industrial Applications improved sequentially, sales were lower versus the third quarter of 2019 because of the negative COVID-19 pandemic-related impact on relevant end-markets.

EBITDA Margin

The EBITDA margin in the first nine months of 2020 increased to 18.0 % from 17.5 %. The weak Aviation business in the first quarter was offset by stringent margin and cost management and a more attractive product mix with a higher proportion of sales contribution from Consumer Care in the second and third quarters.

In the third quarter, the EBITDA margin rose to 21.8 % from 17.1 % due to a more favorable product mix effect and the temporary negative impact of the inventory devaluation in the third quarter of 2019.

Clariant Insight

BeautyForward® Edition 4 is Clariant's latest trend guide for the Personal Care industry, connecting emerging beauty trends with cutting-edge formulations. Working together with influencers and marketers, Clariant continues to identify global beauty trends to offer product developers inspirational formulations and enable the consumer experience to be maximized with the use of Clariant’s innovative ingredients. With BeautyForward® Edition 4, Clariant demonstrates how its ingredients address trends like embracing aging, active beauty as well as environmentally friendly solutions.

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Business Area Catalysis

	Third Quarter				Nine Months			
in CHF Million	**2020**	**2019**	**% CHF**	**% LC**	**2020**	**2019**	**% CHF**	**% LC**
Sales	207	227	-9	-1	599	659	-9	-3
EBITDA	42	44	-5		110	128	-14	
- margin	20.3 %	19.4 %			18.4 %	19.4 %		
EBITDA before exceptional items	43	45	-4		118	133	-11	
- margin	20.8 %	19.8 %			19.7 %	20.2 %		

Sales

In the first nine months of 2020, sales in the Business Area Catalysis waned by a modest 3 % in local currency and by 9 % in Swiss francs against a strong comparison base. The sales development in Petrochemicals outpaced demand in Syngas and Specialty Catalysts, though all areas were negatively influenced by the subdued demand environment in the chemical industry.

From a regional perspective, sales in Asia grew in a mid-single-digit range, with clear improvements in China and India. Sales in Europe, North America and the Middle East & Africa remained comparatively volatile throughout the first nine months of 2020, reflecting the project nature of the business as well as negative COVID-19 pandemic-related market weakness.

Sales in the third quarter declined only by a slight 1 % in local currency and by 9 % in Swiss francs, compared to a particularly strong previous year. Once again, Clariant's comprehensive Catalysis portfolio successfully mitigated the negative influences attributable to the COVID-19 pandemic.

EBITDA Margin

For the first nine months of 2020, the EBITDA margin weakened to 18.4 % from 19.4 % in the previous year due to the efficiency program provision, lower volumes and a less favorable product mix in the first quarter. Excluding the efficiency program provision, the EBITDA margin was closer to prior-year levels.

In the third quarter, the EBITDA margin increased to 20.3 % from 19.4 % due to cost mitigation and efficiency improvement.

Clariant Insight

With its new state-of-the-art catalyst production site at the Dushan Port Economic Development Zone in Jiaxing, China, Clariant is investing in its most digitized catalyst facility to date for the production of CATOFIN™ catalysts. Following the groundbreaking in September 2020, Clariant expects the plant to reach its full production capacity by 2022. Once it is in operation, the plant will significantly enhance Clariant's ability to support customers in the country's thriving petrochemicals industry. Thanks to its excellent reliability and productivity, CATOFIN™ delivers superior production output compared to alternative technologies, resulting in increased overall profitability.

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Business Area Natural Resources

	Third Quarter				Nine Months			
in CHF Million	2020	2019	% CHF	% LC	2020	2019	% CHF	% LC
Sales	356	454	-22	-14	1 175	1 401	-16	-8
EBITDA	44	71	-38		160	219	-27	
- margin	12.4 %	15.6 %			13.6 %	15.6 %		
EBITDA before exceptional items	45	72	-38		183	221	-17	
- margin	12.6 %	15.9 %			15.6 %	15.8 %		

Sales

Sales in the Business Area Natural Resources decreased by 8 % in local currency and by 16 % in Swiss francs in the first nine months of 2020. As anticipated, demand declined due to the feebler economic environment resulting from the oversupply in the oil market and the COVID-19 pandemic.

Oil and Mining Services sales were hampered by lower oil production due to weakened demand in the third quarter in particular. As a result, Oil Services sales decreased by low double digits in the first nine months of 2020, while Mining Solutions remained unchanged in local currency. Sales in Europe, the Middle East & Africa and Latin America expanded slightly. North America reported a double-digit contraction, driven by weaker Oil Services demand in the second and third quarters.

Functional Minerals sales declined at a mid-single-digit rate in local currency primarily as a result of the weaker Foundry business in the second quarter. Demand in the European automobile industry as well as in the construction sector clearly weakened due to the COVID-19 pandemic.

Additives sales decreased at a high single-digit rate in local currency in the first nine months of 2020. This decline was largely due to the continuingly weak fibers market, while the coatings and automotive sector demand also remained under pressure. These developments were again attributable to the pandemic-induced economic feebleness.

In the third quarter 2020, Natural Resources sales declined by 14 % in local currency and by 22 % in Swiss francs. Oil and Mining Services sales were hampered by the lower oil demand and production, amplified by hurricanes in the Gulf of Mexico and the decline of Mining activities in Latin America. Functional Minerals was confronted with a continued weakness in the Foundry business. Despite continued stronger demand in Asia, Additives sales decreased due to weaker end markets in most other regions.

EBITDA Margin

For the first nine months of 2020, the EBITDA margin decreased to 13.6 % from 15.6 %. Excluding the efficiency program provision in the second quarter, the underlying profitability remained largely unchanged, which was mainly due to a higher sales contribution from value-added applications in Oil and Mining Services and stringent cost management in all three Business Units.

In the third quarter, the EBITDA margin fell to 12.4 % from 15.6 % due to lower volumes in COVID-19-exposed segments such as automotive, textile and in particular oil, which could not be counterbalanced by internal performance measures.

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Clariant Insight

Global pressure to reduce the use of tailings ponds in mining operations is driving mine operators to seek more selective collectors, which optimize mineral recoveries and reduce the load on tailings ponds. Clariant's FLOTIGAM™ 7848 was developed to increase collector selectivity and thereby provide tangible sustainability benefits, including generating fewer tailings, reducing CO2 emissions, lowering energy consumption per ton of mineral produced, and decreasing the overall amount of water used in the entire mining process. In addition, FLOTIGAM™ 7848 is produced using both sustainable and renewable raw materials.

Discontinued Operations

	Third Quarter				Nine Months			
in CHF Million	**2020**	**2019**	**% CHF**	**% LC**	**2020**	**2019**	**% CHF**	**% LC**
Sales	189	528	n.m.	n.m.	1 130	1 637	-31	-25
EBITDA	762	24	n.m.		829	115	n.m.	
- margin	n.m.	4.5 %			n.m.	7.0 %		
EBITDA before exceptional items	11	59	n.m.		128	176	-27	
- margin	5.8 %	11.2 %			11.3 %	10.8 %		

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 June 30, 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 nine months of 2020, sales in discontinued operations decreased by 25 % in local currency and by 31 % in Swiss francs. However, on a like-for-like basis, excluding Healthcare Packaging sales from the first nine months of 2019 and Masterbatches from the third quarter of 2019, sales decreased by 4 % in local currency and by 11 % in Swiss francs as a result of the weak economic environment.

EBITDA

In the first nine months of 2020, the EBITDA was positively impacted by the gain on the disposal of the Masterbatches business in the third quarter.

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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.