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Clariant grows sales and improves underlying profitability in the first nine months of 2019

- **Sales from continuing operations grew by 3 % in local currency to CHF 3.272 billion in the first nine months of 2019**
- **Continuing operations EBITDA after exceptional items (excl. European Commission provision) resilient at CHF 484 million**
- **Corresponding EBITDA margin at 14.8 % vs. 14.7 % previous year**
- **Outlook 2021: Focused portfolio to achieve above-market growth, higher profitability and stronger cash generation**

"Our nine months results reflect the resilience and quality of our continuing businesses, in particular in light of the worsening economic environment in the third quarter," said Hariolf Kottmann, Executive Chairman of Clariant. "Looking forward, we will continually improve our performance through further operational improvement initiatives and the systematic implementation of our portfolio strategy to focus on higher value specialty businesses."

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Key Financial Data

Continuing operations	**Third Quarter**				**Nine Months**			
in CHF million	**2019**	**2018**	**% CHF**	**% LC**	**2019**	**2018**	**% CHF**	**% LC**
Sales	1 043	1 054	-1	2	3 272	3 278	0	3
EBITDA before exceptional items	169	171	-1		524	533	-2	
- margin	16.2 %	16.2 %			16.0 %	16.3 %		
EBITDA after exceptional items	151	142	6		253 (1)	483	-48	
- margin	14.5 %	13.5 %			7.7 %	14.7 %		

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

Nine Months 2019 – Higher sales and solid underlying profitability

Muttenz, October 30, 2019 - Clariant, a focused and innovative specialty chemical company, today announced nine months 2019 continuing operations sales of CHF 3.272 billion compared to CHF 3.278 billion in the first nine months of 2018. This corresponds to an organic growth of 3 % in local currency and a stable development in Swiss francs. Both higher volumes and pricing contributed to this expansion.

For the first nine months, most regions contributed to the sales growth in local currency. Sales in Latin America and the Middle East & Africa both grew by 11 %. In Asia, the sales growth was a good 4 % despite a 9 % decrease in China. Sales in Europe grew by 2 % while North America reported a contraction of 4 %.

The improved sales performance in the first nine months of 2019 resulted from growth in the Business Areas Catalysis and Natural Resources. Catalysis sales climbed by 10 % in local currency as a result of positive contributions from both Petrochemicals and Syngas. Natural Resources sales rose by 4 % in local currency with a notable expansion in Oil & Mining Services and a slight progression in Functional Minerals. Additives sales weakened against the background of a lower electrical and electronics sector.

Care Chemicals sales were down a minor 1 % in local currency. The good mid-single-digit sales expansion in Consumer Care could not compensate for the softness in Industrial Applications given a weaker economic environment and some capacity outages earlier in the year.

Continuing operations EBITDA after exceptional items was negatively impacted by the one-off provision of CHF 231 million which was booked in the second quarter as a result of further developments in an ongoing competition law investigation by the European Commission into the ethylene purchasing market. Therefore, the nine months EBITDA after exceptional items decreased significantly to CHF 253 million compared to CHF 483 million in the previous year.

Excluding the effect of this provision, the continuing operations EBITDA after exceptional items matched the previous year and remained resilient at CHF 484 million despite the one-off effects in Care Chemicals and Catalysis in the second quarter. The profitability in Natural Resources increased due to stronger top-line growth at Oil & Mining Services as well as the intensified focus on more value-added applications. The corresponding continuing operations EBITDA margin after exceptional items, excluding this provision, increased to 14.8 % versus 14.7 % in the previous year.

Third Quarter 2019 – Sales growth and profitability improvement

In the third quarter of 2019, sales from continuing operations were 2 % higher in local currency at CHF 1.043 billion, despite the worsened economic environment. Both higher volumes and pricing contributed to this expansion. This also represents a decrease of 1 % in Swiss francs year-on-year. The positive sales development in local currency was driven by strong sales expansion in Catalysis.

While sales in the Middle East & Asia grew by 15 %, Latin America by 13 % and Asia by 4 %, the development in the main markets was more subdued. Sales in Europe weakened by 3 %, North America was down by 5 % and sales in China decreased by 8 %.

Catalysis sales growth accelerated to 15 % in local currency due to higher sales in all segments, as expected. Natural Resources sales remained unchanged in local currency as the positive contribution from Oil & Mining Services was countered by the significantly weaker Additives business. Sales in Care Chemicals declined by 3 % in local currency, against a particularly strong comparison base and a more cautious demand environment in Industrial Applications.

The continuing operations EBITDA after exceptional items increased by 6 % in Swiss francs to CHF 151 million in the third quarter of 2019 on the back of both higher operating profitability and lower exceptional costs. The profitability advanced significantly in Catalysis due to the more favorable product mix. Natural Resources' profitability rose due to targeted growth in higher margin segments in Oil Services. In Care Chemicals, profitability declined due to inventory devaluation, given lower raw material costs and volume reductions in base products negatively impacting the cost coverage. The continuing operations EBITDA margin after exceptional items on the Group level increased to 14.5 % from 13.5 % in the previous year.

Discontinued operations

For the first nine months as well as in the third quarter of 2019, sales in discontinued operations (Masterbatches and Pigments) declined by 2 % in local currency, negatively impacted by the weakened economic environment.

The EBITDA after exceptional items decreased in absolute value year-on-year in both the first nine months as well as in the third quarter, due to the sales contraction and increased one-time costs required by the separation and carve-out of the discontinued businesses.

Outlook 2021 – Focused portfolio to achieve above-market growth, higher profitability and stronger cash generation

Clariant is a focused and innovative specialty chemical company. We aim to provide more than just customer-oriented products. We strive to provide the best customer experience and fast, reliable customer fulfillment in the industry by setting the right priorities.

Despite the current challenging environment, Clariant expects its continuing businesses to achieve above-market growth, higher profitability and stronger cash generation based on our focused, high value specialty portfolio.

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Business Discussion

Business Area Care Chemicals

	Third Quarter				Nine Months			
in CHF Million	2019	2018	% CHF	% LC	2019	2018	% CHF	% LC
Sales	362	385	-6	-3	1 212	1 269	-4	-1
EBITDA before exceptional items	61	83	-27		215	246	-13	
- margin	16.9 %	21.6 %			17.7 %	19.4 %		
EBITDA after exceptional items	62	83	-25		212	244	-13	
- margin	17.1 %	21.6 %			17.5 %	19.2 %		

Sales

For the first nine months of 2019, sales in the Care Chemicals Business Area decreased slightly by 1 % in local currency and 4 % in Swiss francs. Consumer Care sales advanced at a good mid-single-digit range with double-digit expansion in Crop Solutions and a solid progression in Personal Care and Home Care. However, sales in Industrial Applications softened, reflecting more cautious end market demand which is attributable to market headwinds caused by the weak economic environment.

While sales in Latin America, Asia and Europe increased in a low-single-digit range in local currency, the sales development in North America was weak.

In the third quarter of 2019, sales in Care Chemicals decreased by 3 % in local currency and by 6 % in Swiss francs due to the challenging comparison base versus the previous year and a pronounced contraction in Industrial Applications.

EBITDA Margin

The EBITDA margin after exceptional items for the first nine months 2019 softened to 17.5 % from 19.2 % owing in part to the temporary negative impact from the raw material disruptions in North America, mainly in the second quarter and to a continued weaker end-market demand in Industrial Applications.

In the third quarter, the EBITDA margin after exceptional items declined to 17.1 % from 21.6 % due to inventory devaluation, given lower raw material costs and because the volume reduction in base products negatively impacted the cost coverage.

Clariant Insight

With Plantasens® Flash 80, Clariant has successfully introduced a silicone alternative for shampoos, hair conditioners, deodorants, facial cleansers and other skin care applications. The lightweight emollient is the first plant-based alternative to volatile silicones and petroleum-derived constituents, based on environmentally friendly ingredients. Plantasens® Flash 80 is characterized by fast spreading and a satiny after feel. Skin care products formulated with Plantasens® Flash 80 provide a luminous but glossy film and a delightful finish. In deodorants and make-up, but also in hair care products, it combines a superlight feel with ultrafast spreading, absorption and minimal oiliness.

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Business Area Catalysis

	Third Quarter				Nine Months			
in CHF Million	**2019**	**2018**	**% CHF**	**% LC**	**2019**	**2018**	**% CHF**	**% LC**
Sales	227	199	14	15	659	603	9	10
EBITDA before exceptional items	45	36	25		133	124	7	
- margin	19.8 %	18.1 %			20.2 %	20.6 %		
EBITDA after exceptional items	44	34	29		128	121	6	
- margin	19.4 %	17.1 %			19.4 %	20.1 %		

Sales

In the first nine months of 2019, the Catalysis Business Area sales rose by a substantial 10 % in local currency and by 9 % in Swiss francs. The sales increase resulted from growth in both Petrochemicals and Syngas.

The dynamic sales development benefited from good demand in nearly all geographic regions. Sales in Asia, Europe and North America grew in the mid-teen-digit range in the first nine months of 2019.

In the third quarter of 2019, sales growth accelerated to a notable 15 % in local currency and by 14 % in Swiss francs. The improved sales performance resulted from increased demand in Petrochemicals, Specialty Catalysts and Syngas, which all reported significant growth.

EBITDA Margin

For the first nine months of 2019, the EBITDA margin after exceptional items decreased to 19.4 %. The profitability is still recovering from the temporary capacity outages in Asia in the second quarter, which have since been resolved.

In the third quarter, the EBITDA margin after exceptional items increased to 19.4 % from 17.1 % due to a proportionally higher sales growth contribution from Petrochemicals which resulted in a more favorable product mix.

Clariant Insight

Clariant signed its second license agreement for its sunliquid® technology with ORLEN Południe, a member of ORLEN Group. ORLEN Group is a leader in the fuels and energy markets and the largest player in Central and Eastern Europe. This license agreement enables ORLEN Południe to use Clariant's sunliquid® technology for the project development and plant operation it is planning to execute at its Jedlicze site in southeastern Poland. Sunliquid® is an innovative biotechnological method for manufacturing cellulosic ethanol from agricultural residues. In the completely integrated process, highly optimized, customer-specific enzymes are used as biocatalysts to decompose cellulose into fermentable sugar, which offers flexibility and reduces greenhouse gas emissions. This cooperation is another major step towards the commercialization of sunliquid® technology for biofuels.

Business Area Natural Resources (including Additives)

	Third Quarter				Nine Months			
in CHF Million	**2019**	**2018**	**% CHF**	**% LC**	**2019**	**2018**	**% CHF**	**% LC**
Sales	454	470	-3	0	1 401	1 406	0	4
EBITDA before exceptional items	72	75	-4		221	225	-2	
- margin	15.9 %	16.0 %			15.8 %	16.0 %		
EBITDA after exceptional items	71	64	11		219	208	5	
- margin	15.6 %	13.6 %			15.6 %	14.8 %		

Sales

Sales in the Business Area Natural Resources increased by 4 % in local currency and remained unchanged in Swiss francs in the first nine months of 2019.

The Oil & Mining Services business reported double-digit sales growth in local currency. Oil Services and Mining Solutions delivered robust growth while the expansion at Refinery was in the single-digit growth range.

Sales in Functional Minerals rose at a low single-digit rate in local currency, largely due to the continued strong demand in Purification. The growth of the Purification business for edible oils compensated for the weakness encountered by the Foundry activities, which was attributable to the soft automotive sector.

Sales in Additives declined for the first nine months of 2019 against a particularly high base. The more cautious demand largely resulted from the less dynamic automotive as well as electrical and electronics sectors.

In the third quarter of 2019, sales in Natural Resources remained unchanged in local currency against a challenging comparison base. While Oil & Mining Services continued to expand, sales in the Functional Minerals business decreased slightly due to the weak automotive sector. The Additives business retreated significantly due in part to the record-high comparison base, but also because of the difficult business market dynamics.

EBITDA Margin

For the first nine months of 2019, the EBITDA margin after exceptional items rose to 15.6 % from 14.8 % year-on-year, due to stronger top-line growth in Oil & Mining Services as well as the intensified focus on more value-added applications. Additives partly compensated for volume losses via strict cost control measures.

In the third quarter, the EBITDA margin after exceptional items increased significantly to 15.6 % from 13.6 % last year, due to targeted growth in higher margin segments in Oil Services and lower exceptional items.

Clariant Insight

Clariant is taking proactive steps in addressing the problem of plastic pollution with new solutions for diverse industry sectors, from packaging – the main use of plastics – to textile floorings and consumer electronics. The offerings include recyclable additives such as Exolit® OP 1400 which maintains its flame-retardant performance after multiple mechanical recycling steps.

Other launches target recycling aids such as AddWorks® PKG 906 CIRCLE, which supports packaging film producers in successfully recycling their polyolefin post-manufacturing waste without loss of film performance – or the Licocene® Performance Polymers which maximize recyclability and upcycling of textile flooring and artificial turf at lower energy consumption.

Discontinued Operations

	Third Quarter				Nine Months			
in CHF Million	**2019**	**2018**	**% CHF**	**% LC**	**2019**	**2018**	**% CHF**	**% LC**
Sales	528	551	-4	-2	1 637	1 716	-5	-2
EBITDA before exceptional items	59	70	-16		176	232	-24	
- margin	11.2 %	12.7 %			10.8 %	13.5 %		
EBITDA after exceptional items	24	68	-65		115	221	-48	
- margin	4.5 %	12.3 %			7.0 %	12.9 %		

As part of Clariant's portfolio optimization, Clariant is divesting the entire Masterbatches, Pigments and Healthcare Packaging businesses. Hence, beginning with the First Half Year Results 2019 these activities were reclassified to discontinued operations.

On July 22, 2019, an agreement was signed with respect to the sale of Clariant's Healthcare Packaging business. The closing of the deal is expected to take place in the fourth quarter of 2019.

Sales

In the first nine months of 2019, sales in discontinued operations decreased by 2 % in local currency and by 5 % in Swiss francs. The businesses were negatively impacted by the global economic slowdown, mainly by softer demand in China and Europe as well as the weakness in the automotive industry.

In the third quarter of 2019, sales in discontinued operations showed a similar weakening with 2 % lower sales in local currency and a 4 % decline in Swiss francs. This development was also attributable to the unchanged sluggish economic environment.

EBITDA

For the first nine months of 2019 and also in the third quarter, the EBITDA after exceptional items decreased in absolute value year-on-year, due to the sales contraction and increased one-time costs required by the separation and carve-out of the discontinued businesses.

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Clariant is a focused and innovative specialty chemical company, based in Muttenz near Basel/Switzerland. On 31 December 2018 the company employed a total workforce of 17 901. In the financial year 2018, Clariant recorded sales of CHF 4.404 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.