Clariant grows sales and improves underlying profitability in 2019

- **Sales from continuing operations grew by 3 % in local currency to CHF 4.399 billion**
- **Continuing operations EBITDA before exceptional items unchanged at CHF 740 million, corresponding to a 16.8 % margin**
- **Continuing operations EBITDA (excl. European Commission provision) rose to CHF 692 million, corresponding to a 15.7 % margin**
- **Net result for the total Group at CHF 38 million**
- **Operating cash flow declined to CHF 509 million**
- **Proposed unchanged dividend of CHF 0.55 per share**
- **Outlook: Focused portfolio to achieve above-market growth, higher profitability and stronger cash generation, supported in 2020 by selective efficiency measures in the businesses**

“In 2019, we made a significant step forward in our strategy to focus on our specialty businesses. We reshaped our portfolio and, in a difficult environment, achieved a further increase in sales and a solid margin improvement, which clearly proves the resilience of our businesses,” said Hariolf Kottmann, Executive Chairman of Clariant. “Given that we expect the sluggish economic environment to continue in 2020, we have launched selective efficiency measures in all our businesses to further support the increase in profitability.”

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Key Financial Data

Continuing operations	Fourth Quarter				Full Year			
in CHF million	2019	2018	% CHF	% LC	2019	2018	% CHF	% LC
Sales	1 127	1 126	0	3	4 399	4 404	0	3
EBITDA before exceptional items	216	206	5		740	739	0	
- margin	19.2 %	18.3 %			16.8 %	16.8 %		
EBITDA after exceptional items	208	124	68		461 (1)	607	-24	
- margin	18.5 %	11.0 %			10.5 %	13.8 %		
EBIT					165 (1)	348		
Net result from continuing operations					-34 (1)	213		
Net result (2)					**38 (1)**	**356**		
Operating cash flow (2)					509	530		
Number of employees (2)					17 223 (3)	17 901 (3)		
Discontinued operations								
Sales	490	503	-3	0	2 127	2 219	-4	-2
Net result from discontinued operations					72	143		

(1) including a CHF 231 million provision for an ongoing competition law investigation by the European Commission
Excluding provision: EBITDA after exceptional items at CHF 692 million (+14 % CHF), EBITDA margin 15.7 %
(2) total Group including discontinued operations
(3) as of 31 December

Full Year 2019 – Sales progression in local currency and clearly improved underlying EBITDA after exceptional items

Muttenz, February 13, 2020 – Clariant, a focused and innovative specialty chemical company, today announced full year 2019 continuing operations sales of CHF 4.399 billion, compared to CHF 4.404 billion in 2018. This corresponds to organic growth of 3 % in local currency and is a stable development in Swiss francs due to unfavorable currency fluctuations. The sales increase in local currency was driven by the Business Areas Catalysis and Natural Resources and was supported by both higher volumes and pricing.

For the full year, almost all regions contributed to the sales growth in local currency. Sales expansion was most pronounced in Latin America with 13 % growth, followed by an 8 % increase in Asia. Sales in the Middle East & Africa rose by a solid 3 % and Europe grew by 1 %. Only North America reported a contraction of 5 %.

Catalysis and Natural Resources both reported continued sales growth in local currency throughout 2019. Sales in Catalysis improved by 9 % in local currency as a result of positive contributions from both Petrochemicals and Syngas. Natural Resources sales rose by 4 % in local currency, underpinned by the strong progression in Oil and Mining Services and a slight improvement in Functional Minerals. Additives sales were negatively impacted by the softer electrical and electronics sectors as well as the weak automotive market.

Care Chemicals sales declined a minor 1 % in local currency. The good sales progression in Consumer Care could not fully absorb the softened development in Industrial Applications, which primarily resulted from a continued cautious demand environment and a weaker Aviation business.

Continuing operations EBITDA after exceptional items was negatively impacted by the one-off CHF 231 million provision, 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 full year 2019 EBITDA after exceptional items decreased significantly to CHF 461 million, compared to CHF 607 million in the previous year.

Excluding the effect of this provision, the continuing operations EBITDA after exceptional items rose by 14 % to CHF 692 million, supported by strong profitability improvements in both Catalysis and Natural Resources, which more than offset the softer margin in Care Chemicals. Catalysis benefited from solid top-line expansion throughout the year and a margin improvement underpinned by an increasing proportion of Petrochemical sales. Natural Resources' profitability was positively influenced by sales growth together with an intensified focus on more value-added applications supported by a more streamlined cost base. One-off effects in the second quarter and lower Industrial Applications sales were the primary reasons for the EBITDA decline at Care Chemicals. The corresponding continuing operations EBITDA margin after exceptional items, excluding this provision, increased to 15.7 % versus 13.8 % in the previous year.

The net result for the total Group declined to CHF 38 million from CHF 356 million in full year 2018. This decrease is largely attributable to the above-mentioned one-off provision, the weaker operational performance in the discontinued operations, the carve-out costs of the discontinued operations and higher income taxes.

Operating cash flow for the total Group declined to CHF 509 million from CHF 530 million in the previous year. This decrease was primarily attributable to a lower net result and slightly increased working capital.

Net debt for the total Group remained nearly unchanged at CHF 1.372 billion versus CHF 1.374 billion recorded at the end of 2018, despite the inclusion of CHF 246 million attributable to the adoption of IFRS 16 (Leases) in 2019.

Despite the difficult economic environment, the solid performance allows the Board of Directors to propose an unchanged dividend of CHF 0.55 per share to the Annual General Meeting, following a 10 % dividend increase the year earlier. This distribution is proposed to be made from a capital decrease by way of a par value reduction.

This distribution is in addition to the proposal of an extraordinary cash distribution of CHF 3.00 per share linked to the completion of the divestment of Masterbatches as announced on December 19, 2019.

Fourth Quarter 2019 – Sales growth and solid profitability improvement

In the fourth quarter of 2019, sales from continuing operations of CHF 1.127 billion rose by 3 % in local currency and remained stable in Swiss francs due to the unfavorable currency development. This positive development was driven by higher volumes in all Business Areas.

Sales in Latin America grew by 22 % in local currency, while Asia progressed by 20 % with a notable improvement observed in China. In contrast, sales were 4 % lower in Europe and down 6 % in North America because of the continuing economic weakness. Middle East & Africa, the smallest region, reported a contraction of 11 % in the fourth quarter.

Catalysis sales improved by 5 % in local currency, mainly attributable to higher Petrochemicals demand. Natural Resources sales rose by 4 %, despite a tough comparison base, driven by a strong improvement in Oil and Mining Services and growth in Functional Minerals, which compensated for the weaker Additives business. Sales in Care Chemicals improved by 2 % as both Consumer Care and Industrial Applications reported small advances.

The continuing operations EBITDA after exceptional items increased by 68 % in Swiss francs to CHF 208 million in 2019 on the back of both higher operating profitability and notably lower exceptional costs. The profitability advanced significantly in Catalysis as a result of the more favorable product mix. Natural Resources' profitability rose due to local currency sales expansion and the margin improvement in Oil Services. Care Chemicals reported an unchanged EBITDA in the fourth quarter and a margin improvement despite a less favorable product mix, notably a softer Aviation business in Europe. The continuing operations EBITDA margin after exceptional items on the Group level increased to 18.5 % from 11.0 % in the previous year.

Discontinued operations

For the full year 2019, sales in discontinued operations (Masterbatches and Pigments) declined by 2 % in local currency and by 4 % in Swiss francs, negatively impacted by the global economic slowdown. In the fourth quarter, sales remained unchanged in local currency and declined by a mere 3 % in Swiss francs despite the continued weak economic environment.

The EBITDA after exceptional items decreased in absolute value in the full year 2019 due to the sales contraction and one-time costs caused by the carve-out of the discontinued operations. In the fourth quarter, the absolute EBITDA after exceptional items remained unchanged compared to the previous year as carve-out costs were offset by the gain on the disposal of Healthcare Packaging.

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

Clariant is a focused and innovative specialty chemical company that aims to grow above the market to achieve higher profitability through innovation and sustainability. The Group has significantly reshaped its portfolio through the divestment of Healthcare Packaging in 2019, the announced sale of Masterbatches and the planned divestment of Pigments in 2020.

Clariant expects its continuing businesses to achieve above-market growth, higher profitability and stronger cash generation based on our focused, high value specialty portfolio. For 2020, given the current sluggish economic environment and continued adverse foreign exchange conditions, growth will be more limited and additional efficiency measures have been defined for each of the businesses to support the margin increase. These measures will lead to a workforce reduction of approximately 500 to 600 positions over the next two years and imply a cost base reduction of approximately CHF 50 million.

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Business Discussion

Business Area Care Chemicals

	Fourth Quarter				Full Year			
in CHF million	**2019**	**2018**	**% CHF**	**% LC**	**2019**	**2018**	**% CHF**	**% LC**
Sales	388	396	-2	2	1 600	1 665	-4	-1
EBITDA before exceptional items	70	70	0		285	316	-10	
- margin	18.0 %	17.7 %			17.8 %	19.0 %		
EBITDA after exceptional items	70	70	0		282	314	-10	
- margin	18.0 %	17.7 %			17.6 %	18.9 %		

Sales

For the full year 2019, sales in the Care Chemicals Business Area slightly decreased by 1 % in local currency and were 4 % lower in Swiss francs. Consumer Care sales increased in a mid-single-digit range due to a solid progression in Personal Care and expansion in Crop Solutions. Industrial Applications sales developed less favorably, decreasing in a mid-single-digit range due to continued cautious demand and softer Aviation business.

Sales in Asia and Latin America reflected solid progress in local currency, while sales in Europe also grew slightly. The development in North America was negatively affected by the Force Majeure of a key supplier in the second quarter, which has since been resolved.

In the fourth quarter of 2019, sales in Care Chemicals increased by 2 % in local currency and were 2 % lower in Swiss francs. Both Consumer Care as well as Industrial Applications contributed to this positive development in local currency.

EBITDA Margin

The EBITDA margin after exceptional items for the full year 2019 softened to 17.6 % from 18.9 % due in part to the temporary negative impact from the raw material disruptions in North America, mainly in the second quarter. Volume reductions in Industrial Applications resulting from weaker end-market demand also negatively impacted the cost coverage.

In the fourth quarter of 2019, the EBITDA margin after exceptional items advanced to 18.0 % from 17.7 % due to sales expansion in local currency but was hampered by a less favorable product mix, notably a softer Aviation business in Europe.

Clariant Insight

With standard detergents, soiled clothing must often be washed at higher temperatures to become completely clean. This is an inefficient use of water as well as energy, and it also wears out clothes faster. Clariant's solution to these challenges, TexCare®, combines superior washing performance with improved resource usage. The product is biodegradable and 70 % of the raw materials used are bio-based, making it very sustainable. At the same time, it effectively removes stains while preventing clothing from turning gray from outdoor pollution. Consequently, both clothing and resources are protected, benefitting not only the end customer but also the environment.

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Business Area Catalysis

	Fourth Quarter				Full Year			
in CHF million	2019	2018	% CHF	% LC	2019	2018	% CHF	% LC
Sales	266	258	3	5	925	861	7	9
EBITDA before exceptional items	85	75	13		218	199	10	
- margin	32.0 %	29.1 %			23.6 %	23.1 %		
EBITDA after exceptional items	84	64	31		212	185	15	
- margin	31.6 %	24.8 %			22.9 %	21.5 %		

Sales

For the full year 2019, sales in the Catalysis Business Area rose by a substantial 9 % in local currency and by 7 % in Swiss francs. Sales expansion was driven by a good progression in Petrochemicals and a solid increase in Syngas.

The sales development benefited from double-digit growth in Asia and Europe and resilient demand in North America.

In the fourth quarter of 2019, sales exceeded the high levels reported in the previous year by 5 % in local currency and by 3 % in Swiss francs and surpassed expectations partially due to some forward product shifts from the first quarter of 2020. This expansion is mainly attributable to the continued sales growth in Petrochemicals.

EBITDA Margin

The EBITDA margin after exceptional items for the full year 2019 increased to 22.9 % from 21.5 %. Solid top-line growth throughout the year as well as an increasing proportion of Petrochemicals sales contributed to the EBITDA margin improvement.

In the fourth quarter, typically the strongest quarter of the year, the EBITDA margin after exceptional items increased significantly to an excellent 31.6 % from 24.8 % due to a more favorable product mix.

Clariant Insight

Clariant is significantly expanding the production capacity of its SynDane™ maleic anhydride catalysts facility in Panjin, China. Maleic anhydride is a fundamental component of polymers and coatings used in the construction, automotive, marine and energy industries, where global demand is growing dynamically. Clariant's SynDane™ catalysts enable the cost-efficient production of maleic anhydride, offering higher yields and minimal by-products. With this double-digit million Swiss franc investment in Panjin, Clariant will optimize its existing facilities and create a new state-of-the-art production line for this product. This investment will allow Clariant to grow in one of its core high-value specialty businesses and will strengthen its leading position in this key growth market.

Business Area Natural Resources (including Additives)

	Fourth Quarter				Full Year			
in CHF million	**2019**	**2018**	**% CHF**	**% LC**	**2019**	**2018**	**% CHF**	**% LC**
Sales	473	472	0	4	1 874	1 878	0	4
EBITDA before exceptional items	87	68	28		308	293	5	
- margin	18.4 %	14.4 %			16.4 %	15.6 %		
EBITDA after exceptional items	86	63	37		305	271	13	
- margin	18.2 %	13.3 %			16.3 %	14.4 %		

Sales

Sales in the Business Area Natural Resources increased by 4 % in local currency and remained unchanged in Swiss francs for the full year 2019.

The Oil and Mining Services business delivered low double-digit sales growth in local currency. Oil Services and Mining Solutions both reported robust expansion while the development in Refinery remained largely unchanged. The sales progression was most pronounced in the Middle East & Africa, Latin America and Asia.

Sales in Functional Minerals grew at a low single-digit rate in local currency, driven by the Purification business. The growth of the Purification business for edible oils compensated for the weakness in the Foundry activities, which was attributable to a subdued automotive sector.

Sales in Additives decreased at a high single-digit rate in local currency for the full year 2019 against a record 2018. The softer demand resulted from a lackluster automotive market as well as the continued weakness in the electrical and electronics sectors, despite strong new business generation.

In the fourth quarter of 2019, sales in Natural Resources progressed by 4 % in local currency and remained unchanged in Swiss francs, despite a strong comparison base. Sales in Oil and Mining Services rose in a high single-digit range, while Functional Minerals advanced at a slower pace. The Additives business was hampered by unchanged cautious demand in the consumer electronics market, paired with a soft automotive sector.

EBITDA Margin

For the full year 2019, the EBITDA margin after exceptional items rose to 16.3 % from 14.4 % due to sales growth in tandem with a continued focus on more value-added applications in Oil Services, which is also supported by a more streamlined cost base. Additives partially mitigated the negative margin impact from lower volumes due to rapid and stringent cost control measures.

In the fourth quarter, the EBITDA margin after exceptional items increased significantly to 18.2 % from 13.3 % last year, owing to sales expansion and the margin improvement in Oil Services.

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Clariant Insight

Clariant's Exolit® OP flame retardants provide tailor-made fire protection for (thermo)plastics in ignition-prone environments. Clariant's Exolit® grades show less toxic smoke development compared to conventional halogenated solutions and often have a smaller impact on mechanical properties due to their relatively low dosage. Several of Clariant's Exolit® OP flame retardant grades carry the sustainability label Ecotain® and are available as renewable carbon-based types, the so-called Exolit® OP Terra. These innovative, halogen-free flame retardants are based on renewable feedstocks, are produced at a site consuming 100% renewable energy and are the first flame retardants with stable protection after multiple recycling processes.

Discontinued Operations

	Fourth Quarter				Full Year			
in CHF million	**2019**	**2018**	**% CHF**	**% LC**	**2019**	**2018**	**% CHF**	**% LC**
Sales	490	503	-3	0	2 127	2 219	-4	-2
EBITDA before exceptional items	27	47	-43		203	279	-27	
- margin	5.5 %	9.3 %			9.5 %	12.6 %		
EBITDA after exceptional items	43	43	0		158	264	-40	
- margin	8.8 %	8.5 %			7.4 %	11.9 %		

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, were restated for 2018 and reclassified to discontinued operations beginning with the First Half Year Results 2019.

On October 31, 2019, Clariant sold its Healthcare Packaging business to Arsenal Capital Partners. The total consideration of the sale amounted to CHF 310 million and the proceeds net of cash amounted to CHF 295 million. On December 19, 2019, Clariant announced that it had agreed to sell its Masterbatches business for USD 1.56 billion to PolyOne. This deal is expected to be closed by the third quarter of 2020.

Sales

In the full year 2019, sales in discontinued operations decreased by 2 % in local currency and by 4 % 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 fourth quarter of 2019, sales in discontinued operations remained unchanged in local currency and declined by 3 % in Swiss francs, a resilient result considering the continued weak economic environment.

EBITDA

For the full year 2019, the EBITDA after exceptional items decreased in absolute value year-on-year due to the sales contraction and higher one-time costs required by the carve-out of the discontinued operations.

In the fourth quarter, the absolute EBITDA after exceptional items remained unchanged compared to the previous year as carve-out costs were offset by the gain on the disposal of Healthcare Packaging.

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Clariant is a focused 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.