Clariant delivers robust performance in 2020, successfully mitigating COVID-19 pandemic impacts

- **Sales from continuing operations decreased by 5 % in local currency to CHF 3.860 billion**
- **EBITDA margin preserved at 15.0 % in a challenging environment compared to a comparable EBITDA margin of 15.7 % in 2019**
- **Net result for the total Group at CHF 799 million**
- **Strong cash conversion to an operating cash flow of CHF 369 million**
- **Proposed nonrecurring regular distribution of CHF 0.70 per share, taking into consideration the performance of 2019 and 2020**
- **Outlook: Q1 2021 will still be negatively impacted by the COVID-19 pandemic; focus on pandemic mitigation and transformation of portfolio to achieve above-market growth and higher profitability**

"In 2020, Clariant has successfully weathered the effects of the COVID-19 pandemic due to our resilient portfolio and successful execution of our performance improvement programs," said Conrad Keijzer, CEO of Clariant. "The reshaping of our portfolio towards a higher specialty value is progressing well. We will continue to execute Clariant's strategy to differentiate through innovation, sustainability, portfolio, growth, and performance. We are taking a step up in our commitment to sustainability by announcing our new sustainability targets."

CLARIANT

Key Financial Data

Continuing operations	Fourth Quarter				Full Year			
in CHF million	**2020**	**2019**	**% CHF**	**% LC**	**2020**	**2019**	**% CHF**	**% LC**
Sales	1 022	1 127	-9	-2	3 860	4 399	-12	-5
EBITDA	159	208	-24		578	461 (1)	25	
- margin	15.6 %	18.5 %			15.0 %	10.5 %		
EBITDA before exceptional items	173	216	-20		619	740	-16	
- margin	16.9 %	19.2 %			16.0 %	16.8 %		
EBIT					298	165 (1)		
Net result from continuing operations					116	-34 (1)		
Net result (2)					**799**	**38** (1)		
Operating cash flow (2)					369	509		
Number of employees as of 31 December (2)					13 235	17 223		
Discontinued operations (3)								
Sales	200	490	-59	-55	1 330	2 127	-37	-32
Net result from discontinued operations					683	72		

(1) Including a CHF 231 million provision for a competition law investigation by the European Commission; excluding provision: EBITDA after exceptional items at CHF 692 million, comparable EBITDA margin 15.7 %
(2) Total Group including discontinued operations
(3) Healthcare Packaging divested on October 31, 2019, Masterbatches divested on July 1, 2020

Full Year 2020 – Clariant's 2020 robust results due to its focused specialty chemicals portfolio and execution of performance programs

Muttenz, February 11, 2021 – Clariant, a focused, sustainable and innovative specialty chemical company, today announced full year 2020 continuing operations sales of CHF 3.860 billion, compared to CHF 4.399 billion in 2019. This corresponds to a decrease of 5 % in local currency and 12 % in Swiss francs due to depreciating currencies versus the Swiss franc. Pricing had a positive impact on the Group. However, the modest sales increase in Business Area Catalysis could not offset the lower volumes in Care Chemicals due to diminished Aviation activities and in Natural Resources due to depressed Oil demand.

In an unprecedentedly weak environment marked by COVID-19, oil oversupply and adverse currency volatility, the full year 2020 results exhibited a notable robustness. The 15.0 % EBITDA margin in full year 2020 was slightly above the nine month 2020 average of 14.8 %, as anticipated. These results therefore clearly reflect the superiority of Clariant's specialty portfolio as well as the effectiveness of Clariant's business continuity programs and performance measures. Amid the COVID-19 pandemic, Clariant was able to preserve business continuity through stringent safety and contingency measures, thus avoiding disruption while cooperating closely with customers and suppliers along the value chains. Clariant also ran special mitigation programs to assure strong cash flow generation via working capital reduction, non-strategic capex cuts and spend avoidance. In addition, Clariant relaunched its efficiency program in continuing operations with a reduction of approximately 600 positions to generate annual savings of CHF 50 million. In discontinued operations, the efficiency program progressed to reduce an excess of 200 positions for savings of CHF 20 million. Rightsizing measures were also initiated to reduce or transfer approximately 1,000 positions to avoid remnant cost subsequent to the conclusion of the divestments. The efficiency programs already contributed with CHF 20 million in continuing operations and CHF 8 million in discontinued operations in 2020 and are anticipated to be fully implemented by 2022.

From a regional perspective, Asia remained resilient, growing sales by 4 % with notable growth in India while China increased sales by 6 % in local currencies. Latin America also increased revenues by 7 % in local currency. Sales in Europe declined by 8 %, followed by the Middle East & Africa, where sales were down 13 %. The 14 % slowdown in North America was attributable to lower demand in the Aviation business and Oil Services.

Catalysis reported slight sales growth of 1 % in local currency, reflecting a sequential improvement throughout 2020 after a slow start in the first quarter. Resilient Petrochemicals sales and a significantly increased contribution from emission-control catalysts in India contributed positively. Excluding the feeble Aviation business in the first and fourth quarter, Care Chemicals sales reflected a positive development (reported -5 %). The 8 % sales decrease in Natural Resources is attributable in particular to lower volumes in oil and in the industrial applications amid softer demand during the COVID-19 pandemic.

Full year 2020 continuing operations EBITDA reached CHF 578 million due to the weaker sales in COVID-19-exposed segments, but particularly the difficult environment in Aviation and Oil. This development, amplified by weakening currencies, contributed to the absolute EBITDA contraction, resulting in an EBITDA margin decline to 15.0 % from 15.7 % (reported 10.5 %) in the previous year when excluding the one-off CHF 231 million provision, which was booked in the second quarter of 2019.

In Care Chemicals, profitability improved due to growth in Consumer Care in tandem with stringent margin and cost management. The EBITDA margin in Catalysis declined as a result of the less favorable product mix, particularly in the first and fourth quarter, and the efficiency program provision. Natural Resources profitability weakened as a result of the challenging environment but was close to the prior year on an underlying basis.

In 2020, the net result for the total Group increased to CHF 799 million from CHF 38 million in the previous year. The gain on the disposal of the Masterbatches business of CHF 723 million as well as the partial reversal of CHF 55 million of the EU fine provision had a positive impact. The net result was negatively affected by the volume-driven weaker absolute profit, negative currency effects as well as expenses for the efficiency and rightsizing programs. The expenses of these performance improvement programs in 2020 are approximately CHF 141 million which is broken down as CHF 49 million (efficiency) in the continuing operations and CHF 92 million (incl. CHF 68 million for rightsizing and CHF 24 million for efficiency) in the discontinued operations.

Operating cash flow for the Group declined to CHF 369 million from CHF 509 million in the previous year due to the payment of a fine issued by the European Commission of CHF 166 million and due to the absolute contraction from adverse currencies and demand decline. Excluding the payment of this fine, the operating cash flow for the Group rose to CHF 535 million based on a high cash conversion driven by the execution of the performance measures.

Net debt for the total Group decreased to CHF 1.040 billion versus CHF 1.372 billion recorded at the end of 2019, supported by the strong operating cash flow generation as well as the remaining Masterbatches disposal proceeds post the extraordinary dividend. With the latter, Clariant is funding the European Commission fine, the restructuring program and investments in the transformation towards its mid-term targets.

The Board of Directors recommends a regular distribution of CHF 0.70 per share to the Annual General Meeting based on the Group's solid combined performance in 2019 and 2020. This proposal should not be interpreted as a recurring distribution as the proposed amount takes into consideration the Group's performance of the past two fiscal years, the withholding of the ordinary dividend in 2020 as well as all shareholder commitments. The distribution is proposed to be made from a share capital decrease by way of a par value reduction.

Fourth Quarter 2020 – Strongest quarterly results of the year 2020
In the fourth quarter of 2020, sales from continuing operations declined by 2 % in local currency and by 9 % in Swiss francs to CHF 1.022 billion. Care Chemicals and Natural Resources were negatively affected by lower volumes, which were partially mitigated by the strong growth in Catalysis.

On a regional basis, the expansion in Asia was lifted by high double-digit growth in India as well as in South Korea, while revenue growth in Latin America and Europe also progressed in local currency. In contrast, sales in North America declined in double-digits, largely due to a difficult environment in the Oil Services business as well as the feeble Aviation business in Care Chemicals. Sales in the smallest region, the Middle East & Africa also decreased sharply.

Catalysis sales improved by 12 % in local currency, mainly attributable to a profound sales increase in emission-control catalysts in India as well as an improvement in Specialty Catalysts and Petrochemicals. Care Chemicals reported a 4 % sales decrease as a result of the difficult environment for Aviation in the main European and North American markets. Sales in Natural Resources declined by 8 % in local currency as a strong recovery in Additives as well as resilient demand in Functional Minerals could not offset the decline in Oil and Mining Services.

The continuing operations EBITDA decreased by 24 % in Swiss francs to CHF 159 million, including the disadvantageous currency effects, and the margin declined to 15.6 % from 18.5 % given a very high comparison base in the previous year. Nevertheless, the margin run rate in the fourth quarter improved over the 14.8 % generated in the first nine months of 2020. Despite the softer Aviation business, the profitability advanced in Care Chemicals, driven by a more favorable product mix and stringent margin management. The EBITDA declined significantly in Catalysis as a result of the lofty comparison base in the previous year and a proportionally higher sales contribution from lower-margin businesses. Natural Resources' profitability weakened due to the continued difficult environment in Oil Services and Refinery.

Discontinued operations

For the full year 2020, sales in discontinued operations declined by 32 % in local currency and by 37 % in Swiss francs. On a like-for-like basis, excluding Healthcare Packaging sales from the full year 2019 as well as the Masterbatches sales from the second half of 2019, sales in local currency slightly decreased by 3 % as a result of the difficult economic environment amid COVID-19. In the fourth quarter, like-for-like Pigments sales increased by 1 % in local currency.

For the full year 2020, the EBITDA margin was positively impacted by the gain on the disposal of the Masterbatches business in the third quarter of 2020. In the fourth quarter, the EBITDA margin was negatively influenced by the CHF 68 million provision for the rightsizing program. Excluding the effect of this provision, the EBITDA margin increased slightly compared to the previous year.

CLARIANT

Outlook – Focus on specialty portfolio and performance improvement to achieve above-market growth, higher profitability and stronger cash generation in the mid-term

Clariant anticipates that the COVID-19 pandemic will still negatively impact sales, especially in Natural Resources, in the first quarter of 2021 versus the pre-COVID-19 comparable base in the first quarter of 2020. Despite rising feedstock prices Clariant aims to defend its margin levels in the first quarter of 2021 versus the prior year and will continue to focus on the safety of its employees, support to its communities, business continuity to its customers and stringent execution of its performance programs. This will be the fundament for taking the next step in 2021 to achieve above-market growth, higher profitability, and stronger cash generation in the mid-term.

Clariant is executing its five-pillar strategy by focusing on innovation, adding value with sustainability, repositioning the portfolio, intensifying growth – particularly in Asia and China – and improving performance. The Group is strengthening its Environmental, Social and Governance ambitions in order to lead through sustainability and innovation. This becomes particularly evident in the increased ambition of CO_2 reduction from base year 2019 until 2030 by 40 % for scope 1 and 2. In addition, Clariant is introducing the CO_2 reduction by 14 % for scope 3 as a new target. In addition to these targets, Clariant is launching solutions to improve the CO_2 footprint of its customers (handprint), such as the sunliquid® investment. Clariant is committed to reducing climate change and contributing to the United Nations Sustainable Development Goals.

CLARIANT

Business Discussion

Business Area Care Chemicals

	Fourth Quarter				Full Year			
in CHF million	2020	2019	% CHF	% LC	2020	2019	% CHF	% LC
Sales	347	388	-11	-4	1 411	1 600	-12	-5
EBITDA	75	70	7		267	282	-5	
- margin	21.6 %	18.0 %			18.9 %	17.6 %		
EBITDA before exceptional items	78	70	11		274	285	-4	
- margin	22.5 %	18.0 %			19.4 %	17.8 %		

Sales

For the full year 2020, sales in the Care Chemicals Business Area reflected a positive development excluding the Aviation business effect amid COVID-19, yet reported a 5 % decrease in local currency and declined by 12 % in Swiss francs due to depreciating currencies versus the Swiss franc. Consumer Care sales increased in a high single-digit range, attributable to double-digit sales expansion in Crop Solutions and a solid progression in Personal Care as well as Home Care. Industrial Applications sales developed less favorably, primarily due to a severe drop in the Aviation business in the first and fourth quarter given the curtailed air traffic situation.

Sales in Latin America and the Middle East & Africa reflected strong progress in local currency, while sales in Asia also grew slightly. The developments in North America and Europe were negatively impacted by the particularly weak Aviation business.

In the fourth quarter of 2020, sales in Care Chemicals decreased by 4 % in local currency and were 11 % lower in Swiss francs. The positive development in Consumer Care and Coatings was not sufficient to fully offset the decline in Industrial Applications as the Aviation industry was heavily impacted by substantial flight reductions caused by the COVID-19 pandemic.

EBITDA Margin

The EBITDA margin for the full year 2020 increased to 18.9 % from 17.6 %. The weaker top-line development was countered by rigorous margin and cost measures while a more attractive product mix with proportionally more sales in Consumer Care also elevated the margin.

In the fourth quarter of 2020, the EBITDA margin advanced to 21.6 % from 18.0 %, driven by a more favorable product mix and stringent margin management to offset the declining sales, mainly caused by low demand in Aviation.

Clariant Insight

CleanHanced is Clariant's topical Home Care concept, which tackles the following three pertinent trends with key technologies: connectivity, sustainability and individuality. The latter is addressed with the multifunctional Aristocare® Smart, Clariant's best-in-class surface modification polymer, which makes the cleaning of hydrophilic surfaces such as ceramics, glass, and stainless steel more convenient. Aristocare® Smart allows water to drain more quickly, resulting in spotless drying without limescale buildup. In addition, Aristocare® Smart supports homogeneous distribution and guarantees a more brilliant and streak-free surface that stays cleaner for longer and helps to reduce cleaning time.

CLARIANT

Business Area Catalysis

	Fourth Quarter				Full Year			
in CHF million	2020	2019	% CHF	% LC	2020	2019	% CHF	% LC
Sales	280	266	5	12	879	925	-5	1
EBITDA	58	84	-31		168	212	-21	
- margin	20.7 %	31.6 %			19.1 %	22.9 %		
EBITDA before exceptional items	60	85	-29		178	218	-18	
- margin	21.4 %	32.0 %			20.3 %	23.6 %		

Sales

For the full year 2020, sales in the Catalysis Business Area progressed by 1 % in local currency, whereas depreciating currencies led to a 5 % decline in Swiss francs. Most areas were negatively influenced by the generally weak demand environment in the chemical industry, though sales in Petrochemicals were resilient. In the second half of 2020, the sales contribution from emission-control catalysts in India for use with motorized scooters increased significantly due to the COVID-19 pandemic.

The sales development benefited from increased demand in Asia, India in particular and China as well. Catalysis saw solid growth in Europe and Latin America, which compensated for declines in North America and the Middle East & Africa.

In the fourth quarter of 2020, sales exceeded the high levels reported in the previous year by 12 % in local currency and by 5 % in Swiss francs, driven by a profound increase in sales from emission-control catalysts in India as well as higher demand in Specialty Catalysts and a robust development in Petrochemicals.

EBITDA Margin

The EBITDA margin for the full year 2020 decreased to 19.1 % from 22.9 % as a result of the product mix effects in the first and fourth quarter of 2020, as well as the efficiency program provision.

In the fourth quarter, the EBITDA margin decreased to 20.7 % from a particularly high 31.6 % in the previous year due to the proportionally higher sales contribution from lower margin businesses, in particular from emission-control catalysts.

Clariant Insight

In February 2021, Clariant signed its fifth license agreement, its second in China, for its sunliquid® cellulosic ethanol technology with Harbin Hulan Sino-Dan Jianye Bio-Energy, a Chinese green energy company. With a planned annual production capacity of 25,000 tons of cellulosic ethanol, this plant will be one of the first 2G biofuel plants to be built in the Heilongjiang Province. China intends to establish a nationwide mandate to achieve a 10 % renewable ethanol content in transportation fuels with several provinces, such as Heilongjiang, having a binding mandate already in place. Cellulosic ethanol is an advanced, truly sustainable, and carbon-neutral biofuel that can be readily blended into conventional fuel and can be used in today's car infrastructure. This cooperation is another major step towards the commercialization of sunliquid® technology for biofuels.

CLARIANT

Business Area Natural Resources

	Fourth Quarter				Full Year			
in CHF million	**2020**	**2019**	**% CHF**	**% LC**	**2020**	**2019**	**% CHF**	**% LC**
Sales	395	473	-16	-8	1 570	1 874	-16	-8
EBITDA	58	86	-33		218	305	-29	
- margin	14.7 %	18.2 %			13.9 %	16.3 %		
EBITDA before exceptional items	61	87	-30		244	308	-21	
- margin	15.4 %	18.4 %			15.5 %	16.4 %		

Sales

For the full year 2020, sales in the Business Area Natural Resources decreased by 8 % in local currency as a result of the challenging environment attributable to the oversupply in the oil market and the COVID-19 pandemic, and by 16 % in Swiss francs due to depreciating currencies versus the Swiss franc.

The Oil and Mining Services business reported a low double-digit sales decline in local currency. Mining Solutions reflected positive expansion; however, the development in Oil Services and Refinery weakened more significantly. The sales contraction was most pronounced in North America with the other regions reporting single-digit decreases.

Sales in Functional Minerals decreased slightly in local currency. Lower demand in the automotive sector negatively impacted Foundry, which was partially offset by resilient growth in Purification, driven by the edible oils business.

Sales in Additives decreased at a mid-single-digit rate in local currency for the full year 2020 as the business faced lower demand in automotive, coatings and fiber markets amid the COVID-19 pandemic. However, all business lines saw demand pick up towards the end of the year.

In the fourth quarter of 2020, sales in Natural Resources declined by 8 % in local currency and 16 % in Swiss francs. The Additives business reflected a strong recovery, growing at a mid-single-digit rate in local currency, augmented by positive sales expansion in Functional Minerals. Sales in Oil and Mining Services declined in a double-digit range, mainly hampered by a significant drop in Oil Services in North America.

EBITDA Margin

For the full year 2020, the EBITDA margin declined to 13.9 % from 16.3 % as a result of lower volumes attributable to the weaker demand environment resulting from the COVID-19 pandemic and also the efficiency program provision, which was booked in the second quarter of 2020. When excluding exceptional items, the underlying margin was in the range of the previous year’s level due to the strong cost reduction in 2020.

In the fourth quarter, the EBITDA margin decreased to 14.7 % compared to a particularly high comparison base of 18.2 % in the previous year. The decline is largely attributable to the continued difficult environment in Oil Services and Refinery.

CLARIANT

Clariant Insight

Clariant was awarded the Henkel Adhesive Technologies Sustainability Award 2020 for best external partner supporting Henkel Adhesive Technologies in providing higher value, better performance and lower-environmental-footprint products and solutions. In addition, Clariant also won the 'Best Product' ICIS Innovation Award 2020 for its multipurpose additive Licocare® RBW Vita used in Plastics, Coatings and Agriculture, offering a sustainable alternative to fossil-based waxes. The ICIS Innovation Award rewards companies paving the way in product, process and sustainability innovations in the chemical industry. Both awards exemplify Clariant's commitment and ability to enable its business partners to achieve ambitious sustainability targets.

Discontinued Operations

	Fourth Quarter				Full Year			
in CHF million	2020	2019	% CHF	% LC	2020	2019	% CHF	% LC
Sales	200	490	-59	-55	1 330	2 127	-37	-32
EBITDA	-59	43	n.m.		770	158	n.m.	
- margin	n.m.	8.8 %			57.9 %	7.4 %		
EBITDA before exceptional items	13	27	-52		141	203	-31	
- margin	6.5 %	5.5 %			10.6 %	9.5 %		

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 full year 2020, sales in discontinued operations decreased by 32 % in local currency and by 37 % in Swiss francs. On a like-for-like basis, excluding Healthcare Packaging sales from the full year 2019 as well as the Masterbatches sales from the second half of 2019, sales in local currency decreased only slightly by 3 % as a result of the difficult economic environment amid the COVID-19 pandemic.

In the fourth quarter of 2020, sales in discontinued operations decreased by 55 % in local currency. However, on a like-for-like basis, excluding Healthcare Packaging as well as Masterbatches sales from the fourth quarter of 2019, Pigments sales increased by 1 % in local currency, underpinned by solid expansion in Plastics.

EBITDA

For the full year 2020, the EBITDA margin was positively impacted by the gain on the disposal of the Masterbatches business of CHF 765 million (before taxes) in the third quarter of 2020.

In the fourth quarter, the EBITDA margin was negatively influenced by the CHF 68 million provision for the rightsizing program.

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

ANDREAS SCHWARZWÄLDER

Phone +41 61 469 63 73
andreas.schwarzwaelder@clariant.com

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 2020, the company employed a total workforce of 13 235. In the financial year 2020, Clariant recorded sales of CHF 3.860 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.