

# Media Release

**FIRST HALF 2016**

28 July 2016

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## **Clariant delivers significantly improved operating cash flow and a higher profitability in the first half of 2016**

- **Sales increased by 3 % in local currency to CHF 2.899 billion**
- **EBITDA margin before exceptional items expanded to 15.3 % from 14.5 %**
- **Operating cash flow significantly improved to CHF 208 million compared to CHF 65 million in the first half of 2015**
- **Net income was CHF 128 million**
- **2016 outlook confirmed**

“Clariant has considerably expanded operating cash flow and also significantly improved its profitability in the first half of the year,” said CEO Hariolf Kottmann. “Our good business performance was primarily achieved by means of a continued shift to high margin specialities, the impact of the differentiated steering in Plastics & Coatings as well as good cost management. For 2016, we are on track to achieve our targets despite the continued challenging economic environment.”

## Key Financial Data

<i>in CHF million</i>	Second quarter				First half year			
	2016	2015	% CHF	% LC	2016	2015	% CHF	% LC
Sales	1'421	1'406	1	2	2'899	2'871	1	3
EBITDA before exceptional items	215	211	2	2	444	417	6	9
- margin	15.1 %	15.0 %			15.3 %	14.5 %		
EBIT before exceptional items					316	290	9	13
- margin					10.9 %	10.1 %		
EBIT					267	272	-2	3
Net income					128	143		
Operating cash flow					208	65		
Number of employees					17 060	17 213*		

\* as of 31 December 2015

### First Half 2016 - Significant increase in operating cash flow and continued improvement in margins

Muttenz, July 28, 2016 - Clariant, a world leader in specialty chemicals, today announced first half 2016 sales of CHF 2.899 billion compared to CHF 2.871 billion in 2015. This corresponds to a 3 % growth in local currency driven by higher volumes.

Growth was strongest in Latin America, where sales grew by 10 % in local currency. In the Middle East & Africa, year-on-year sales were up 7 % in local currency. North America saw a small decline of 2 % coming from a lower demand in Catalysis and Natural Resources, while Asia grew at 2 %, with more stability in China, and Europe at 1 % driven by volume increases.

The improved business performance in the first half year primarily stemmed from higher growth in Care Chemicals and Plastics & Coatings. In Care Chemicals, sales in local currency increased by 5 % to CHF 750 million. Sales in Catalysis showed a decline of 9 % in local currency, reaching CHF 285 million due to a lower demand in different regions particularly in China.

Despite the difficult market environment, sales in Natural Resources were stable in local currency and amounted to CHF 557 million. There was a slight decline in Oil and Mining Services, whereas Functional Minerals continued to grow. In Plastics & Coatings, sales in local currency grew by 5 % to CHF 1.307 billion. The good sales performance in Plastics & Coatings was seen across all regions.

The EBITDA before exceptional items increased by 9 % in local currency and reached CHF 444 million, compared to CHF 417 million in the previous year. Major contributors to the profitability improvement were Care Chemicals and Plastics & Coatings.

The corresponding EBITDA margin before exceptional items of 15.3 % was significantly above the previous year's level of 14.5 %. Care Chemicals, Natural Resources and Plastics & Coatings all substantially improved EBITDA margins before exceptional items year-on-year. Catalysis was below the previous year's level largely due to portfolio mix effects.

Net income amounted to CHF 128 million compared to CHF 143 million in the previous year mainly reflecting higher restructuring costs. When adjusted for the proceeds from the sale of the energy storage business in the first half of 2015, net income was comparable to the previous year figure.

Operating cash flow significantly improved to CHF 208 million versus CHF 65 million in the previous year reflecting Clariant's priority to increase operating cash flow in 2016.

Net debt was CHF 1.526 billion compared to CHF 1.312 billion recorded at year-end 2015. The gearing increased to 65 % from 53 % at the end of 2015 mirroring the usual seasonal increase in the first half of the year.

## **Second quarter 2016 - Maintained progress in margin expansion**

In the second quarter of 2016, sales grew by 2 % in local currency to CHF 1.421 billion. Volumes were up by 2 % compared to the same period last year.

On a regional level, sales growth was led by Latin America which recorded an increase of 8 % in local currency. Asia grew at 5 % in local currency with some improvement in China. In the Middle East & Africa, sales were up 8 % in local currency year-on-year. North America saw a decline of 7 % stemming from a lower demand in Catalysis and Natural Resources. Europe, however, grew at 2 % driven by volume increases.

Care Chemicals reported sales of CHF 339 million with a local currency sales growth of 4 %. In Plastics & Coatings, sales rose by 6 % in local currency to CHF 668 million, with a strong sales performance in each of the three businesses, Masterbatches, Pigments and Additives. Sales in Natural Resources were CHF 265 million up 1 % in local currency. This growth was driven by Functional Minerals. Catalysis sales were lower by 13 % in local currency to CHF 149 million.

EBITDA before exceptional items rose by 2 % in local currency to CHF 215 million.

The EBITDA margin before exceptional items expanded 10 basis points to 15.1 % in the second quarter driven by a favorable product mix and good cost management primarily in Care Chemicals, Natural Resources and Plastics & Coatings.

## **Outlook 2016 – to progress EBITDA margin and operating cash flow**

Clariant expects the uncertain environment, characterized by a high volatility in commodity prices and currencies, to continue. In emerging markets, we anticipate the economic environment to remain challenging and with increased volatility; we expect moderate growth in the United States, while growth in Europe is expected to remain stable but weak.

For 2016, in spite of the increasingly challenging economic environment, Clariant is confident to achieve growth in local currency, as well as progression in operating cash flow and EBITDA margin before exceptional items.

Clariant confirms its mid-term target of reaching a position in the top tier of the specialty chemicals industry. This corresponds to an EBITDA margin before exceptional items in the range of 16 % to 19 % and a return on invested capital (ROIC) above the peer group average.

## Business Discussion

### Business Area Care Chemicals

<i>in CHF Million</i>	Second quarter			First half year				
	2016	2015	% CHF	% LC	2016	2015	% CHF	% LC
Sales	339	336	1	4	750	727	3	5
EBITDA before exceptional items	73	68	7	8	148	138	7	9
- margin	21.5 %	20.2 %			19.7 %	19.0 %		

#### First Half

Sales in the Care Chemicals Business Area increased by 5 % in local currency and by 3 % in Swiss francs in the first six months of 2016.

There was strong double-digit growth in Latin America and the Middle East & Africa, while Asia and Europe experienced single digit growth in local currency. North America was below the previous year's level as the de-icing business was negatively impacted by the unusual mild weather conditions at the beginning of the year.

Growth was most pronounced in Consumer Care products with strong double digit growth in Home Care and excellent growth in Personal Care. The Industrial Application business experienced good underlying demand.

The EBITDA margin before exceptional items for the first half of the current year climbed to 19.7 % from 19.0 % in the previous year. The increase was due to a favorable product mix.

#### Second Quarter

Care Chemicals sales rose by 4 % in local currency and by 1 % in Swiss francs year-on-year with double-digit growth in Latin America and the Middle East & Africa. Asia, Europe and North America experienced single digit growth in local currency. Growth was again most pronounced in Consumer Care products with strong double-digit growth in Personal Care and Home Care.

The EBITDA margin before exceptional items increased to 21.5 % from 20.2 % in the previous year. This increase was primarily driven by a better product mix and new product launches.

For 2016, Care Chemicals expects continued solid sales growth in both Consumer Care and Industrial Applications. New innovative products and sustainable solutions like the GlucoTain® range of innovative sugar-based surfactants will drive growth. In addition, Clariant announced the partnership with BioSpectrum Inc. in South Korea which will enable and strengthen Clariant's Personal Care portfolio by offering a wider product portfolio within the cosmetic range as well as anti-microbial preservatives.

## Business Area Catalysis

<i>in CHF Million</i>	Second quarter				First half year			
	2016	2015	% CHF	% LC	2016	2015	% CHF	% LC
Sales	149	163	-9	-13	285	301	-5	-9
EBITDA before exceptional items	27	39	-31	-33	53	64	-17	-19
- margin	18.1 %	23.9 %			18.6 %	21.3 %		

### First Half

Sales in the Catalysis Business Area were lower by 9 % in local currency and by 5 % in Swiss francs in the first six months of 2016.

The decline in sales was due to the continued lower demand in Asia reflecting project delays. The lower demand could not be offset by other regions, including North America, which had a high comparable base against the previous year.

The EBITDA margin before exceptional items of Catalysis decreased to 18.6 % in the first half of 2016 compared to the same period of the previous year. The decline was due to a different product mix stemming from a lower contribution of Specialty Catalysts and a slow-down in demand.

### Second Quarter

In the second quarter of 2016, Catalysis sales were lower by 13 % in local currency and by 9 % in Swiss francs compared to the previous year. This decline was driven by a very weak demand in Asia as, in line with our expectations, some refill business and several new projects were delayed due to the economic environment. This decline could not be compensated by other regions, including North America which had a high comparable base.

The EBITDA margin before exceptional items decreased to 18.1 % from 23.9 % year-on-year. This decline was largely the result of a different product mix as a consequence from lower contribution of Specialty Catalysts sales and a lower demand.

Even though for 2016 Catalysis only targets stable to low single-digit sales growth as a result of the weak economic environment, fundamentals on the mid- to long-term remain solid based on Clariant's portfolio strength, innovation capability, and global footprint and growing partnerships. Partnerships include the CB&I's Lummus Novolen Technology for polypropylene catalysts, the plant of which is scheduled to be finalized in the third quarter of 2016 with first production expected in the fourth quarter of the current year.

## Business Area Natural Resources

<i>in CHF Million</i>	Second quarter				First half year			
	2016	2015	% CHF	% LC	2016	2015	% CHF	% LC
Sales	265	280	-5	1	557	597	-7	0
EBITDA before exceptional items	39	39	0	3	91	90	1	10
- margin	14.7 %	13.9 %			16.3 %	15.1 %		

### First Half

Sales in the Natural Resources Business Area were stable in local currency and decreased by 7 % in Swiss francs compared to a strong first six months of 2015.

The Oil and Mining Services business had, consistent with the industry trend, a negative sales performance versus a very strong first half 2015. Despite the strong market headwinds Latin America continued with strong growth but could not offset the market decline seen in the other regions.

Functional Minerals experienced good sales growth in local currency. Sales were primarily driven by emerging markets, i.e. Asia, Latin America and the Middle East & Africa. Europe and North America also advanced above prior year's level. Growth was largely driven by the development of the edible oil purification business in emerging markets.

Despite a low top-line level, the EBITDA margin before exceptional items rose to 16.3 % versus 15.1 % in the previous year reflecting strict cost control and disciplined margin management across the business units.

### Second Quarter

In the second quarter, sales in the Natural Resources increased by 1 % in local currency and were down by 5 % in Swiss francs compared to a strong second quarter in the previous year.

The sales trend in the Oil and Mining Services business in the first quarter continued into the second quarter without any significant improvement. The growth in Latin America could not offset the market driven decline seen in the other regions.

Functional Minerals continued to achieve good sales growth in local currency. The good sales performance was driven by North America, Europe and particular in the emerging markets.

EBITDA margin before exceptional items rose to 14.7 % versus 13.9 % in the previous year as a result of strict cost management.

While Functional Minerals is expected to continue to grow particularly in emerging markets, the decline in oil prices will continue to impact the short-term dynamics in Oil and Mining Services.

## Business Area Plastics & Coatings

<i>in CHF Million</i>	Second quarter				First half year			
	2016	2015	% CHF	% LC	2016	2015	% CHF	% LC
Sales	668	627	7	6	1'307	1'246	5	5
EBITDA before exceptional items	104	92	13	12	209	176	19	19
- margin	15.6 %	14.7 %			16.0 %	14.1 %		

### First Half

Sales in the Plastics & Coatings Business Area increased by 5 % in local currency and 5 % in Swiss francs in the first six months of 2016.

In Masterbatches, sales increased across all regions. Europe, North America and Asia contributed most to the growth. Across the segments there was particular growth in areas of Packaging, Consumer Goods and Medical Specialties.

In Pigments, all regions had a good sales performance with particular strength in Latin America and Asia, with India showing a very strong growth and China pointing to a stabilization. In addition, the growth in Plastic Applications as well as in Special Applications contributed to the good development year-on-year.

Additives achieved good sales growth mainly driven by demand in Europe, Latin America and Asia. The good sales performance was mainly reflecting the strong demand in Waxes and Polymer Additives.

The EBITDA before exceptional items grew significantly by 19 % in local currency to CHF 209 million year-on-year. This rise largely reflects a better product mix, a higher capacity utilization and the effect of the differentiated business steering in Plastics & Coatings.

### Second Quarter

Sales in the Plastics & Coatings Business Area rose by 6 % in local currency and 7 % in Swiss francs for the quarter.

In Masterbatches, the good sales performance came from all regions, with Europe, North America and Asia contributing most. In Pigments, most regions contributed to the sales growth led by emerging markets. Additives sales advanced in the second quarter of 2016 year-on-year reflecting a better development in Europe, Asia and Latin America.

The EBITDA before exceptional items grew significantly by 12 % in local currency and increased to CHF 104 million in the second quarter.

Plastics & Coatings continues to develop solutions and products for the needs of its end markets. These in combination with the focus on the differentiated business steering are expected to further enhance growth possibilities in the businesses and to further contribute to the overall performance of Clariant.



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Clariant is a globally leading specialty chemicals company, based in Muttenz near Basel/Switzerland. On 31 December 2015 the company employed a total workforce of 17 213. In the financial year 2015, Clariant recorded sales of CHF 5.807 billion for its continuing businesses. The company reports in four business areas: Care Chemicals, Catalysis, Natural Resources, and Plastics & Coatings. Clariant's corporate strategy is based on five pillars: increase profitability, reposition portfolio, add value with sustainability, foster innovation and R&D, and intensify growth.