

# Financial Review

## **FIRST HALF YEAR 2020**

30 July 2020

CLARIANT INTERNATIONAL LTD

Rothausstrasse 61  
4132 Muttenz  
Switzerland

what is precious to you?

**CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

First Half Year 2020 (unaudited)

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**Key Financial Group Figures**

Continuing operations	2020		First Half	
	CHF m	% of sales	CHF m	2019 % of sales
Sales	1945	100.0	2229	100.0
Local currency growth (LC):	-5%			
<i>Organic growth</i> <sup>1</sup>	-5%			
<i>Acquisitions/divestitures</i>	0%			
Currencies	-8%			
Gross profit	624	32.1	696	31.2
EBITDA before exceptional items*	309	15.9	355	15.9
EBITDA*	292	15.0	102	4.6
Operating result	154	7.9	-47	-2.1
Operating income before exceptional items*	172	8.8	206	9.2
Net result from continuing operations	75	3.9	-133	-6.0
Basic earnings per share (CHF/share)	0.19		-0.43	
Adjusted earnings per share (CHF/share)*	0.31		0.41	
Net result total <sup>2</sup>	90		-101	
Operating cash flow <sup>2</sup>	89		113	
<b>Discontinued operations:</b>				
Sales	941		1109	
Net result from discontinued operations	15		32	
<b>Other key figures total Group:</b>		<b>30.06.2020</b>		<b>31.12.2019</b>
Net debt	1426		1372	
Equity (including non-controlling interests)	2627		2677	
Gearing	54%		51%	
Number of employees	17 007		17 223	

<sup>1</sup> Throughout this statement the term "organic growth" is used to mean volume and price effects excluding the impacts of changes in FX rates and acquisitions/divestitures.

<sup>2</sup> Total Group, including discontinued operations

\* See Definition of Terms of Financial Measurements on pages 4 and 5.

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**FINANCIAL DISCUSSION – FIRST HALF YEAR****Continuing operations Sales and Net Results  
First Half Year 2020**

In 2019, Clariant decided to sell the Masterbatches and Pigments businesses in the continuing effort to optimize the Group's portfolio. Hence, these activities were reclassified to discontinued operations and the assets and liabilities pertaining to the two Business Units were reclassified to Assets held for Sale and Liabilities pertaining to Assets held for Sale.

**Sales** decreased by 5 % organically in local currency. In Swiss francs, sales decreased by 13 %.

**Gross margin** in the first half of 2020 was 32.1 % of sales, compared to 31.2 % recorded in the prior-year period.

**Selling, general and administrative costs** decreased in the first half of 2020 to 21.1 % of sales, compared to 29.9 % in the first half of 2019, due to the one-off provision booked in 2019 in the amount of CHF 231 million for the competition law investigation by the European Commission. On 14 July, 2020 Clariant was informed by the European Commission that the fine would amount to EUR 156 million or CHF 166 million. As a consequence, the provision was partially reversed for an amount of CHF 55 million in June 2020. Also, as a result of the most recent economic developments, Clariant has decided to resume its efficiency program and a provision in the amount of CHF 58 million has therefore been booked in the second quarter of 2020.

**Research and development costs** of CHF 80 million in the first half of 2020 were below the CHF 88 million recorded a year ago.

**Income from associates and joint ventures** of CHF 20 million in the first half of 2020 was above the CHF 12 million recorded in the corresponding period of the previous year.

**Net financial result** decreased to CHF -48 million in the first half of 2020, compared to CHF -46 million in 2019, given increased foreign exchange losses and decreased interest income, which were partially offset by lower interest expenses as a result of bond repayments.

**Tax expense** of CHF 31 million decreased in the first half of 2020, compared to CHF 40 million tax expense recorded in the prior-year period. The effective tax rate for the period was positively impacted by the partial release of the provision for the competition law investigation by the European Commission without tax effect. However, the effective tax rate for the period was negatively

impacted by tax losses on which no deferred tax assets were recognized and the impact of the US BEAT tax.

**Net result** amounted to CHF 75 million in the first half of 2020 versus a CHF 133 million loss reported in the same period of 2019, whereby the 2019 loss included a CHF 231 million provision for the competition law investigation by the European Commission.

**Net result from discontinued operations** of CHF 15 million was recorded in the first half of 2020, compared to CHF 32 million reported in the same period of 2019.

**Balance Sheet Key Figures – June 2020**

**Total assets** decreased to CHF 7.730 billion as of 30 June 2020 from CHF 7.979 billion at the end of 2019 mainly due to the decrease in non-current assets driven by property, plant and equipment, intangible assets and deferred income tax.

**Property, plant and equipment** decreased to CHF 1.572 billion from CHF 1.649 billion at the end of 2019 mainly due to exchange rate differences, depreciation and disposals.

**Intangible assets** decreased to CHF 1.298 billion from CHF 1.351 billion at the end of 2019 mainly due to the amortization and exchange rate differences.

**Deferred income tax assets** decreased to CHF 200 million from CHF 234 million at the end of 2019 mainly due to the decrease of temporary differences on remeasurements of post-employment benefits.

**Short-term deposits** decreased to CHF 12 million from CHF 304 million at the end of 2019. They include short-term deposits with an original maturity between 90 and 365 days.

**Assets held for sale and liabilities directly associated with assets held for sale** amounted to CHF 1.308 billion and CHF 515 million, respectively, as of 30 June 2020. This mainly concerns the assets and liabilities pertaining to the activities of the discontinued operations.

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**Non-current financial debts** increased to CHF 1.746 billion at the end of June 2020 from CHF 1.485 billion at the end of December 2019 and **current financial debts** decreased to CHF 385 million at the end of June 2020 from CHF 587 million at the end of December 2019. The increase in non-current financial debts and the decrease in current financial debts are mainly due to the combined effect of the repayment of the EUR 150 million certificates of indebtedness, which matured on 17 April 2020 and the new certificates of indebtedness totaling CHF 272 million launched in May 2020.

**Equity** decreased to CHF 2.627 billion at the end of June 2020 from CHF 2.677 billion at the end of 2019. This was due to the combined effect of the negative currency translation effect of CHF 197 million, dividends paid to non-controlling interests amounting to CHF 13 million and the effect of the fair value adjustment on financial assets amounting to CHF 4 million, net of deferred tax. These effects were complemented by the net profit for the period of CHF 90 million; by the positive net impact of CHF 41 million, net of deferred tax, of actuarial gains on retirement benefit obligations and a negative return on pension plan assets; and by the positive effect of the cash flow hedge and the net investment hedge amounting to CHF 27 million.

**Net debt** increased to CHF 1.426 billion at the end of June 2020, compared to CHF 1.372 billion at the end of 2019. This figure includes current and non-current financial debts, lease liabilities, cash and cash equivalents, short-term deposits and financial instruments with positive fair values reported under other current assets, including the part reported under liabilities directly associated with assets held for sale.

**Gearing**, which reflects net financial debt in relation to equity, including non-controlling interests, increased to 54 % from 51 % at the end of 2019 as a result of the increase in net debt.

**Cash Flow**

**Cash flow** from operating activities before changes in working capital and provisions in the first half of 2020 increased to CHF 358 million, compared to CHF 182 million in the first half of 2019.

**Working capital and provisions** increased by CHF 221 million in the first half of 2020, compared to an increase of CHF 2 million in the first half of 2019.

**Net cash generated from operating activities** was at CHF 89 million in the first half of 2020, compared to CHF 113 million in the first half of 2019.

**Investments in PPE** and **investments in intangible assets** were CHF 96 million and CHF 5 million, respectively, in the first half of 2020, compared to CHF 87 million and CHF 9 million, respectively, in the first half of 2019.

**Financing activities** mainly include proceeds from and repayments of financial debts and lease liabilities, along with the related interest paid and received as well as the distribution to non-controlling interests.

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**DEFINITION OF TERMS OF FINANCIAL MEASUREMENTS (UNAUDITED)**

The following financial measurements are supplementary financial indicators. They should be considered in addition to, not as a substitute for, operating income, net income, operating cash flow and other measures of financial performance and liquidity reported in accordance with International Financial Reporting Standards (IFRS).

**EBITDA**

– (Earnings Before Interest, Taxes, Depreciation and Amortization) is calculated as operating income plus depreciation of PPE, plus impairment and amortization of intangible assets, and can be reconciled from the Condensed Financial Statements as follows:

**EBITDA (Continuing)**

<i>CHF m</i>	<b>First Half</b>	
	<b>2020</b>	<b>2019</b>
Operating result	154	–47
+ Depreciation of PPE	81	88
+ Impairment	1	–
+ Depreciation of Right-of-use assets	26	27
+ Amortization of intangible assets	30	34
<b>EBITDA</b>	<b>292</b>	<b>102</b>

**EBITDA before exceptional items**

– is calculated as EBITDA plus expenses for restructuring, impairment and transaction-related costs, less impairment and gain/loss on disposals.

**EBITDA before exceptional items (Continuing)**

<i>CHF m</i>	<b>First Half</b>	
	<b>2020</b>	<b>2019</b>
EBITDA	292	102
+ Restructuring, impairment and transaction-related costs*	72	24
+ Provision for EU investigation	–55	231
– Impairment (reported under Restructuring, impairment and transaction-related costs)	–1	–
+ Loss/gain from the disposal of activities not qualifying as discontinued operations**	1	–2
<b>EBITDA before exceptional items</b>	<b>309</b>	<b>355</b>

**Operating income before exceptional items**

– is calculated as operating income plus restructuring, impairment and transaction-related costs and gain/loss on disposals.

**Operating income before exceptional items (Continuing)**

<i>CHF m</i>	<b>First Half</b>	
	<b>2020</b>	<b>2019</b>
Operating result	154	–47
+ Restructuring, impairment and transaction-related costs*	72	24
+ Provision for EU investigation	–55	231
+ Loss/gain from the disposal of activities not qualifying as discontinued operations**	1	–2
<b>Operating income before exceptional items</b>	<b>172</b>	<b>206</b>

\* Restructuring, impairment and transaction-related costs 2020: CHF 72 million (2019: CHF 24 million), of which: Cost of goods sold CHF 1 million (2019: CHF 0 million); Selling, general and administrative costs CHF 68 million (2019: CHF 22 million); Research and development expenses CHF 3 million (2019: CHF 2 million). Selling, general and administrative costs includes a one-off provision in 2020 partial reversal of CHF 55 million (2019: CHF 231 million cost).

\*\* Loss/gain from the disposal of activities not qualifying as discontinued operations 2020: CHF 1 million loss (2019: CHF 2 million gain) reported under Selling, general and administrative costs.

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**Adjusted earnings per share**

– is the earnings per share adjusted for the impact of exceptional items, assuming an adjusted income tax rate of 26% for the period.

**Adjusted earnings per share**

	<b>First Half</b>	
<i>CHF m</i>	<b>2020</b>	<b>2019</b>
Operating income before exceptional items	172	206
+ Amortization of intangible assets	30	34
+ Finance income	8	12
– Finance costs	–56	–58
Adjusted income before taxes	154	194
– Adjusted income taxes	–40	–50
Adjusted net result	114	144
Thereof attributable to non-controlling interests	11	10
Thereof attributable to shareholders of Clariant Ltd	103	134
Weighted average number of shares outstanding	329481202	329803045
<b>Adjusted earnings per share attributable to shareholders of Clariant Ltd (CHF/share)</b>	<b>0.31</b>	<b>0.41</b>

**Net debt**

– is the sum of current and non-current financial debt less cash and cash equivalents, short-term deposits and financial derivatives with positive fair values.

**Net debt**

<i>CHF m</i>	<b>30.06.2020</b>	<b>31.12.2019</b>
Non-current financial debt	1746	1485
+ Lease liabilities	215	217
+ Current financial debt	385	587
– Cash and cash equivalents	–964	–638
– Short-term deposits	–12	–304
– Financial derivatives with positive fair values	–21	–4
+ Net debt reported as held for sales	77	29
<b>Net debt</b>	<b>1426</b>	<b>1372</b>

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## CONDENSED FINANCIAL STATEMENTS OF THE CLARIANT GROUP

## Consolidated balance sheets

ASSETS	30.06.2020		31.12.2019	
	CHF m	%	CHF m	%
<b>Non-current assets</b>				
Property, plant and equipment	1 572		1 649	
Right-of-use assets	215		219	
Intangible assets	1 298		1 351	
Investments in associates and joint ventures	246		248	
Financial assets	208		218	
Prepaid pension assets	54		41	
Deferred income tax assets	200		234	
<b>Total non-current assets</b>	<b>3 793</b>	<b>49.1</b>	<b>3 960</b>	<b>49.6</b>
<b>Current assets</b>				
Inventories	669		651	
Trade receivables	592		680	
Other current assets	330		337	
Current income tax receivables	62		104	
Short-term deposits	12		304	
Cash and cash equivalents	964		638	
<b>Total current assets</b>	<b>2 629</b>	<b>34.0</b>	<b>2 714</b>	<b>34.0</b>
Assets held for sale	1 308	16.9	1 305	16.4
<b>Total assets</b>	<b>7 730</b>	<b>100.0</b>	<b>7 979</b>	<b>100.0</b>
<b>EQUITY AND LIABILITIES</b>				
	CHF m	%	CHF m	%
<b>Equity</b>				
Share capital	1 228		1 228	
Treasury shares (par value)	-9		-10	
Other reserves	-591		-431	
Retained earnings	1 836		1 719	
<b>Total capital and reserves attributable to Clariant shareholders</b>	<b>2 464</b>		<b>2 506</b>	
Non-controlling interests	163		171	
<b>Total equity</b>	<b>2 627</b>	<b>34.0</b>	<b>2 677</b>	<b>33.6</b>
<b>Liabilities</b>				
<b>Non-current liabilities</b>				
Financial debts	1 746		1 485	
Deferred income tax liabilities	29		43	
Retirement benefit obligations	674		673	
Lease non-current liabilities	173		172	
Provision for non-current liabilities	137		164	
Other liabilities	66		68	
<b>Total non-current liabilities</b>	<b>2 825</b>	<b>36.5</b>	<b>2 605</b>	<b>32.6</b>
<b>Current liabilities</b>				
Trade and other payables	726		875	
Financial debts	385		587	
Current income tax liabilities	231		238	
Lease current liabilities	42		45	
Provision for current liabilities	379		393	
<b>Total current liabilities</b>	<b>1 763</b>	<b>22.8</b>	<b>2 138</b>	<b>26.8</b>
Liabilities directly associated with assets held for sale	515	6.7	559	7.0
<b>Total liabilities</b>	<b>5 103</b>	<b>66.0</b>	<b>5 302</b>	<b>66.4</b>
<b>Total equity and liabilities</b>	<b>7 730</b>	<b>100.0</b>	<b>7 979</b>	<b>100.0</b>

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**Consolidated income statements**

	<b>First Half</b>			
	<b>2020</b>		<b>2019</b>	
	<i>CHF m</i>	%	<i>CHF m</i>	%
Sales	1945	100.0	2229	100.0
Costs of goods sold	-1321	67.9	-1533	68.8
<b>Gross profit</b>	<b>624</b>	<b>32.1</b>	<b>696</b>	<b>31.2</b>
Selling, general and administrative costs	-410	21.1	-667	29.9
Research and development	-80	4.1	-88	3.9
Income from associates and joint ventures	20	1.0	12	0.5
<b>Operating result</b>	<b>154</b>	<b>7.9</b>	<b>-47</b>	<b>-2.1</b>
Finance income	8	0.4	12	0.5
Finance costs	-56	2.9	-58	2.6
<b>Income before taxes</b>	<b>106</b>	<b>5.4</b>	<b>-93</b>	<b>-4.2</b>
Taxes	-31	1.6	-40	1.8
<b>Net result from continuing operations</b>	<b>75</b>	<b>3.9</b>	<b>-133</b>	<b>-6.0</b>
<b>Attributable to:</b>				
Shareholders of Clariant Ltd	64		-141	
Non-controlling interests	11		8	
<b>Net result from discontinued operations</b>	<b>15</b>		<b>32</b>	
<b>Attributable to:</b>				
Shareholders of Clariant Ltd	11		30	
Non-controlling interests	4		2	
<b>Net result total</b>	<b>90</b>		<b>-101</b>	
<b>Attributable to:</b>				
Shareholders of Clariant Ltd	75		-111	
Non-controlling interests	15		10	
<b>Basic earnings per share attributable to the shareholders of Clariant Ltd (CHF/ share):</b>				
Continuing operations	0.19		-0.43	
Discontinued operations	0.03		0.09	
<b>Total</b>	<b>0.22</b>		<b>-0.34</b>	
<b>Diluted earnings per share attributable to the shareholders of Clariant Ltd (CHF/ share):</b>				
Continuing operations	0.19		-0.43	
Discontinued operations	0.03		0.09	
<b>Total</b>	<b>0.22</b>		<b>-0.34</b>	

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**Consolidated statements of comprehensive income**

	<b>First Half</b>	
<i>CHF m</i>	<b>2020</b>	<b>2019</b>
<b>Net result</b>	<b>90</b>	<b>-101</b>
<b>Other comprehensive result:</b>		
<i>Remeasurements:</i>		
Actuarial gain/loss on retirement benefit obligations	65	-175
Return on retirement benefit plan assets, excluding amount included in interest expense	-10	122
Fair value adjustment on financial assets	-4	14
<b>Total items that will not be reclassified subsequently to the income statement, gross</b>	<b>51</b>	<b>-39</b>
Deferred tax on remeasurements	-14	9
<b>Total items that will not be reclassified subsequently to the income statement, net</b>	<b>37</b>	<b>-30</b>
Net investment hedge	17	14
Cash flow hedges	10	-2
Currency translation differences	-197	-36
Share of other comprehensive income of associates and joint ventures	-	2
Effect of the reclassification of foreign exchange differences on previously held net investments in foreign entities	-	4
<b>Total items that may be reclassified subsequently to the income statement</b>	<b>-170</b>	<b>-18</b>
Deferred tax effect	-	-
<b>Total items that may be reclassified subsequently to the income statement, net</b>	<b>-170</b>	<b>-18</b>
<b>Other comprehensive result for the period, net of tax</b>	<b>-133</b>	<b>-48</b>
<b>Total comprehensive result for the period</b>	<b>-43</b>	<b>-149</b>
<b>Attributable to:</b>		
Shareholders of Clariant Ltd	-48	-159
Non-controlling interests	5	10
<b>Total comprehensive result for the period</b>	<b>-43</b>	<b>-149</b>
<b>Total comprehensive result attributable to shareholders of Clariant Ltd arising from:</b>		
Continuing operations	-17	-168
Discontinued operations	-31	9
<b>Total comprehensive result attributable to shareholders of Clariant Ltd</b>	<b>-48</b>	<b>-159</b>

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## Consolidated statement of changes in equity

	First Half									
			Other reserves							
	Total share capital	Treasury shares (par value)	Share premium reserves	Hedging reserves	Cumulative translation reserves	Total other reserves	Retained earnings	Total attributable to equity holders	Non- controlling interests	Total equity
CHF m										
<b>Balance 31 December 2018</b>	<b>1228</b>	<b>-8</b>	<b>1006</b>	<b>4</b>	<b>-1199</b>	<b>-189</b>	<b>1767</b>	<b>2798</b>	<b>172</b>	<b>2970</b>
Changes in accounting policy <sup>1</sup>						-	1	1	-	1
<b>Balance 1 January 2019</b>	<b>1228</b>	<b>-8</b>	<b>1006</b>	<b>4</b>	<b>-1199</b>	<b>-189</b>	<b>1768</b>	<b>2799</b>	<b>172</b>	<b>2971</b>
Net result						-	-111	-111	10	-101
Cash flow hedge				-2		-2		-2		-2
Net investment hedge					14	14		14		14
<i>Remeasurements:</i>										
Actuarial gain/ loss retirement benefit obligations						-	-175	-175		-175
Return on retirement benefit plan assets, excluding amount included in interest expense						-	122	122		122
Deferred tax on remeasurements						-	9	9		9
Currency translation differences					-36	-36		-36	-	-36
Fair value adjustment on financial assets						-	14	14		14
Share of other comprehensive income of associates and joint ventures						-	2	2		2
Effect of the reclassification of foreign exchange differences on previously held net investments in foreign entities					4	4		4		4
<b>Total comprehensive result for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-2</b>	<b>-18</b>	<b>-20</b>	<b>-139</b>	<b>-159</b>	<b>10</b>	<b>-149</b>
Distributions			-181			-181		-181		-181
Dividends to non-controlling interests						-		-	-16	-16
<i>Employee share &amp; option scheme:</i>										
Effect of employee services						-	3	3		3
Treasury share transactions						-	1	1		1
<b>Balance 30 June 2019</b>	<b>1228</b>	<b>-8</b>	<b>825</b>	<b>2</b>	<b>-1217</b>	<b>-390</b>	<b>1633</b>	<b>2463</b>	<b>166</b>	<b>2629</b>
<b>Balance 1 January 2020</b>	<b>1228</b>	<b>-10</b>	<b>825</b>	<b>2</b>	<b>-1258</b>	<b>-431</b>	<b>1719</b>	<b>2506</b>	<b>171</b>	<b>2677</b>
Net result						-	75	75	15	90
Cash flow hedge				10		10		10		10
Net investment hedge					17	17		17		17
<i>Remeasurements:</i>										
Actuarial gain/ loss retirement benefit obligations						-	65	65		65
Return on retirement benefit plan assets, excluding amount included in interest expense						-	-10	-10		-10
Deferred tax on remeasurements						-	-14	-14		-14
Currency translation differences					-187	-187		-187	-10	-197
Fair value adjustment on financial assets						-	-4	-4		-4
<b>Total comprehensive result for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>10</b>	<b>-170</b>	<b>-160</b>	<b>112</b>	<b>-48</b>	<b>5</b>	<b>-43</b>
Dividends to non-controlling interests						-		-	-13	-13
<i>Employee share &amp; option scheme:</i>										
Effect of employee services						-	2	2		2
Treasury share transactions		1				-	3	4		4
<b>Balance 30 June 2020</b>	<b>1228</b>	<b>-9</b>	<b>825</b>	<b>12</b>	<b>-1428</b>	<b>-591</b>	<b>1836</b>	<b>2464</b>	<b>163</b>	<b>2627</b>

<sup>1</sup> The impact of change in accounting policy includes CHF 1 million related to the implementation of IFRS 16.

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**Consolidated statements of cash flows**

	<b>First Half</b>	
<i>CHF m</i>	<b>2020</b>	<b>2019</b>
Net result	90	-101
<b>Adjustment for:</b>		
Depreciation and amortization	137	184
Impairment and reversal of impairment	1	-
Impairment of working capital	12	9
Income from associates and joint ventures	-30	-24
Tax expense	78	56
Net financial income and costs	34	42
Loss/(gain) from the disposal of activities not qualifying as discontinued operations	1	-2
Loss on disposal of discontinued operations	-3	-
Other non-cash items	18	-
<b>Total reversal of non-cash items</b>	<b>248</b>	<b>265</b>
Dividends received from associates and joint ventures	31	34
Payments for restructuring	-11	-16
<b>Cash flow before changes in working capital and provisions</b>	<b>358</b>	<b>182</b>
Changes in inventories	-56	-62
Changes in trade receivables	39	-43
Changes in trade payables	-182	-84
Changes in other current assets and liabilities	-34	-20
Changes in provisions (excluding payments for restructuring)	12	207
<b>Cash generated from operating activities</b>	<b>137</b>	<b>180</b>
Income taxes paid	-48	-67
<b>Net cash generated from operating activities</b>	<b>89</b>	<b>113</b>
Investments in property, plant and equipment	-96	-87
Investments in intangible assets	-5	-9
Investments in financial assets, associates and joint ventures	-2	-1
Sale of property, plant and equipment and intangible assets	14	12
Changes in short-term deposits	288	-41
Changes in other financial assets	5	6
Business acquisitions	-9	-
Proceeds from the disposal of associates and financial assets	2	2
Proceeds from the disposal of discontinued operations	2	-
Proceeds associated to disposals of activities not qualifying as discontinued operations	-	10
<b>Net cash provided by/used in investing activities</b>	<b>199</b>	<b>-108</b>
Purchase of treasury shares	-1	-1
Distributions from the reserves to the shareholders of Clariant Ltd	-	-181
Dividends paid to non-controlling interest	-13	-16
Proceeds from financial debts	344	268
Repayments of financial debts	-218	-335
Repayments of lease liabilities	-27	-29
Interest paid	-22	-35
Interest paid for leases	-6	-6
Interest received	8	11
<b>Net cash provided by/used in financing activities</b>	<b>65</b>	<b>-324</b>
Currency translation effect on cash and cash equivalents	-27	-5
<b>Net change in cash and cash equivalents</b>	<b>326</b>	<b>-324</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>638</b>	<b>833</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>964</b>	<b>509</b>

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**NOTES TO THE CONDENSED FINANCIAL STATEMENTS (UNAUDITED)****1. Basis of preparation of financial statements**

These financial statements are the interim condensed consolidated financial statements (hereafter “the interim consolidated financial statements”) of Clariant Ltd, a company registered in Switzerland, and its subsidiaries (hereafter “the Group”) for the six-month period ended on 30 June 2020. They are prepared in accordance with the International Accounting Standard 34 (IAS 34 Interim Financial Reporting) and were approved by the Board of Directors on 28 July 2020. These interim consolidated financial statements should be read in conjunction with the Consolidated Financial Statements for the year ended 31 December 2019 (hereafter “the annual financial statements”) as they provide an update of information reported previously. The accounting policies applied are consistent with the ones applied at year-end 2019.

The preparation of the interim consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of revenues, expenses, assets, liabilities, and disclosure of contingent liabilities at the date of the interim consolidated financial statements. If, in the future, such estimates and assumptions, which are based on management's best judgment at the date of the interim consolidated financial statements, deviate from the actual circumstances, the original estimates and assumptions will be modified as appropriate in the year in which the circumstances change.

**2. New accounting standards**

The Group has applied the following standards and amendments for the first time:

- Amendment to IFRS 3 – Definition of a business
- Amendments to IFRS 9, IAS 39 and IFRS 7 – Interest rate benchmark reform
- Amendments to IAS 1 and IAS 8 – Definition of material
- Conceptual Framework for Financial Reporting (revised 2018)

The amendments listed above did not have any impact on the amounts recognized in prior periods and are not expected to significantly affect the current or future periods.

**3. Seasonality of operations**

The Group operates in industries where significant seasonal or cyclical variations in total sales are not experienced during the financial year.

**4. Revenue recognized over a period of time**

Revenue recognized over a period of time incurred in the first six months of 2020 amounted to CHF 46 million, compared to CHF 48 million for the same period of the prior year. It arose almost exclusively in the Business Area Natural Resources.

**5. Fair value measurement**

IFRS 13, Fair Value Measurement, requires the disclosure of fair value measurements for financial instruments measured at fair value in the balance sheets in accordance with the fair value measurement hierarchy. The fair value hierarchies are defined as follows:

- **Level 1:** Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- **Level 2:** Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
- **Level 3:** Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

All derivative financial instruments held by the Group at the end of June 2020 are classified as “Level 2” as defined by IFRS 13 Fair Value Measurement. The valuation of forward exchange rate contracts is based on the discounted cash flow model, using observable inputs such as interest curves and spot rates. FX options are valued based on a Black-Scholes model, using major observable inputs such as volatility and exercise prices.

Clariant is also the owner of a number of small-scale participations in companies engaged in activities closely related to those of Clariant. These shareholdings are valued at fair value through other comprehensive income using “Level 3” methods to determine the fair value. Their valuation is based on multiples of projected earnings and discounted cash flows. The participations amounted to a total value of CHF 208 million at 30 June 2020, compared to CHF 218 million at the end of 2019 and are reported as part of financial assets. The change in value was mainly driven by the fair value estimation performed in June 2020 and resulted in a decrease of CHF 4 million. The loss on the revaluation, amounting to CHF 4 million net of tax, was recognized in other comprehensive income. The key unobservable inputs used in the fair value estimation of the most material participation, which constitutes 89 % of these shareholdings are as follows: long-term revenue growth rate of 1 %, long-term pre-tax operating margin of 14.8 % and weighted average cost of capital of 7.7 %. The sensitivity analysis shows that if the long-term growth rate had been higher/

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lower by 1 % with all other variables held constant, the fair value would have been CHF 12 million higher/CHF 11 million lower. If the long-term pre-tax operating margin had been higher/lower by 1 % with all other variables held constant, the fair value would have been CHF 12 million higher/lower. If the weighted average cost of capital had been higher/lower by 0.5 % with all other variables held constant, the fair value would have been CHF 16 million lower/CHF 19 million higher.

There are no long-term financial liabilities valued at fair value. The fair value of financial liabilities approximates their carrying value, except for the straight bonds. Fair values of straight bonds are determined by quoted market prices (level 1 in the fair value hierarchy) and amounted to CHF 560 million at the end of June 2020, compared to their carrying value of CHF 535 million. There were no transfers between the levels in 2019 as well as in the half year ended 30 June 2020.

**6. Discontinued operations**

In 2019, Clariant announced its intention to sell the Business Units Pigments and Masterbatches and the Business Line Healthcare Packaging, which operated as a part of the Business Unit Masterbatches. As a result, these activities were reclassified to discontinued operations in June 2019. Income and expenses of the activities concerned have been reclassified to “discontinued operations” in the consolidated income statement and the assets and liabilities pertaining to these activities have been reclassified as “assets held for sale” and “liabilities directly associated with assets held for sale” in the consolidated balance sheet, according to IFRS 5, Non-current assets held for sale and discontinued operations.

On 31 October 2019, Clariant sold its Healthcare Packaging business to Arsenal Capital Partners, a private equity firm located in New York, USA. The final total consideration of the sale amounted to CHF 310 million; the proceeds net of cash amounted to CHF 295 million and the after-tax gain to CHF 51 million.

In December 2019, a contract was signed with the US-based PolyOne Corporation, since renamed Avient, to sell the Business Unit Masterbatches. The disposal was consummated on 1 July 2020. For further information, please see Note 12, Events subsequent to the balance sheet date.

Clariant considers it highly probable that the Business Unit Pigments will be sold within the next twelve months.

Assets and liabilities reclassified as “held for sale” in the context of this repositioning as of 30 June 2020 amount to CHF 1 308 million and CHF 515 million, respectively.

Sales from discontinued operations amounted to CHF 941 million in the first half of 2020, compared to CHF 1 109 million in the previous year. The net result from discontinued operations was a gain in the amount of CHF 15 million for the first six months of 2020, compared to CHF 32 million in the corresponding period of the previous year.

**7. COVID-19**

The outbreak of the COVID-19 pandemic has affected the world economy deeply and, as a consequence, also the environment of Clariant and the company itself. Clariant has taken early measures to minimize the COVID-19 impact by ensuring people safety first while supporting its communities and concurrently running business continuity, cash and cost programs. Business continuity could be preserved by stringent safety and contingency measures that allow for very minimal disruption caused by temporary production site closures while cooperating closely with customers and suppliers along the value chains.

Given the overall decline in demand in various industries as a result of the COVID-19 pandemic, Clariant has been negatively impacted by slumps in sales to a varying degree between the Business Units. Generally, the most significant negative impacts in the sales development were registered in May. Management, together with the Business Units, is continuously modeling and assessing the situation and executing stringent cash and cost programs. These cash programs are centrally run and focus on optimizing net working capital efficiency, spend avoidance, cost reductions and operational flexibility. Supply and production plans are quickly adjusted to assure efficient inventory levels. The recoverability of inventories is also assessed to be unchanged compared to the time prior to the COVID-19 crisis due to tight inventory management. Creditors are prudently managed and so far, no increase in overdues or defaults was recorded.

The economic development is continuously monitored together with the Business Units and assessed to determine a potential need to adjust the business plans. Currently, the Business Units are expecting a slow economic recovery in the later months of the year. For 2021 and thereafter, it is expected that the global economy will return to the growth path implied in the Group’s mid-term plans. Interim impairment testing was conducted for all Business Units and did not reveal any need for an impairment. Despite an increased level of uncertainty under the given circumstances, Clariant’s

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balance sheet and liquidity are strong, based on a consistent and prudent financing policy with sufficient financial flexibility.

**8. Restructuring, impairment and transaction-related costs**

As a result of the most recent economic developments, Clariant has decided to resume its efficiency program. Measures to increase efficiency have been defined, leading to a work force reduction of approximately 600 positions and a reduction of the cost basis in excess of CHF 50 million for the continuing operations over the next two years. For this purpose, a provision in the amount of CHF 58 million has been booked in the second quarter and allocated to the Business Areas as follows: CHF 13 million to Care Chemicals, CHF 5 million to Catalysis, CHF 21 million to Natural Resources and CHF 19 million to Corporate. CHF 22 million were already recorded for discontinued operations in the first quarter of 2020.

During the first half year of 2020, Clariant recorded restructuring expenses in continuing operations in the amount of CHF 62 million, impairments in the amount of CHF 1 million and transaction-related costs in the amount of CHF 9 million.

During the same period in the previous year, restructuring, impairment and transaction-related costs pertaining to the continuing operations amounted to CHF 24 million.

Additionally, in 2019, a one-off provision of CHF 231 million was made for the competition law investigation by the European Commission which was partially reversed for CHF 55 million. Please see Note 9.

**9. Competition law investigation by the European Commission**

In 2017, the European Commission initiated an investigation in the ethylene purchasing sector. Based on the information then available and the resulting assessment of the expected outcome of the investigation, Clariant booked a provision of CHF 231 million for this case in 2019. On 14 July 2020, Clariant was informed by the European Commission that the fine would amount to EUR 156 million or CHF 166 million. As a consequence, the provision was partially reversed for an amount of CHF 55 million in June 2020.

**10. Repayments of financial liabilities**

On 17 April 2020, the certificates of indebtedness issued in 2015 in the amount of EUR 150 million reached maturity and were repaid.

**11. Launch of new certificates of indebtedness**

On 22 May 2020, Clariant issued five certificates of indebtedness with the total amount of EUR 197.5 million and CHF 62.5 million. These certificates have terms of 2 years expiring on 23 May 2022 (EUR 114.5 million and CHF 37.5 million) and 5 years expiring on 22 May 2025 (EUR 83 million and CHF 25 million). While a tranche of CHF 62.5 million has a variable interest of 3 months CHF-LIBOR plus spread that ranges between 1.50 % and 1.80 % and a tranche in the amount of EUR 110.5 million has a variable interest rate of 6 months EURIBOR plus spread that ranges between 1.45 % and 1.90 %, the fixed interest rate is 1.45 % for a tranche in the amount of EUR 87 million.

**12. Events subsequent to the balance sheet**

On 1 July 2020, Clariant completed the sale of its global Masterbatches business to US based PolyOne, since renamed Avient, for a cash consideration of CHF 1.41 billion. The disposal result is estimated to amount to around CHF 700 million. The final purchase price is still subject to the customary post-closing adjustments.

As a consequence of the completed divestment of the Masterbatches business, as well as the anticipated divestment of the Pigments business, on 8 July 2020, Clariant made an extraordinary cash distribution of CHF 3.00 per share to its shareholders, which resulted in a total payout of approximately CHF 990 million.

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## 13. Business Area figures (Continuing Operations)

First Half	Sales to 3rd parties				EBITDA before exceptionals			EBITDA		
	2020	2019	% CHF	% LC	2020	2019	% CHF	2020	2019	% CHF
<i>CHF m</i>										
Care Chemicals	734	850	-14	-6	133	154	-14	120	150	-20
Catalysis	392	432	-9	-4	75	88	-15	68	84	-19
Natural Resources	819	947	-14	-5	138	149	-7	116	148	-22
<b>Business Areas total</b>	<b>1945</b>	<b>2229</b>			<b>346</b>	<b>391</b>		<b>304</b>	<b>382</b>	
Corporate	-	-			-37	-36		-12	-280	
<b>Total</b>	<b>1945</b>	<b>2229</b>	<b>-13</b>	<b>-5</b>	<b>309</b>	<b>355</b>	<b>-13</b>	<b>292</b>	<b>102</b>	<b>186</b>

	Operating income before exceptionals			Operating income			Systematic depreciation of PPE	
	2020	2019	% CHF	2020	2019	% CHF	2020	2019
<i>CHF m</i>								
Care Chemicals	99	118	-16	86	114	-25	30	32
Catalysis	40	52	-23	33	48	-31	28	28
Natural Resources	93	98	-5	70	97	-28	32	37
<b>Business Areas total</b>	<b>232</b>	<b>268</b>		<b>189</b>	<b>259</b>		<b>90</b>	<b>97</b>
Corporate	-60	-62		-35	-306		17	18
<b>Total</b>	<b>172</b>	<b>206</b>	<b>-17</b>	<b>154</b>	<b>-47</b>		<b>107</b>	<b>115</b>

## 14. Business Area margins (Continuing Operations)

First Half	Sales to 3rd parties (Share of Total)		EBITDA before exceptionals		EBITDA	
	2020	2019	2020	2019	2020	2019
<i>in %</i>						
Care Chemicals	37.7	38.1	18.1	18.1	16.3	17.6
Catalysis	20.2	19.4	19.1	20.4	17.3	19.4
Natural Resources	42.1	42.5	16.8	15.7	14.2	15.6
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>15.9</b>	<b>15.9</b>	<b>15.0</b>	<b>4.6</b>

	Operating income b. exceptionals		Operating income	
	2020	2019	2020	2019
<i>in %</i>				
Care Chemicals	13.5	13.9	11.7	13.4
Catalysis	10.2	12.0	8.4	11.1
Natural Resources	11.4	10.3	8.5	10.2
<b>Total</b>	<b>8.8</b>	<b>9.2</b>	<b>7.9</b>	<b>-2.1</b>

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**15. Discontinued Operations**

<i>CHF m</i>	<b>First Half</b>			
	<b>2020</b>	<b>2019</b>	<b>% CHF</b>	<b>% LC</b>
Sales	941	1 109	-15	-9
EBITDA	67	91	-26	
- margin	7.1%	8.2%		
EBITDA before exceptional items	117	117	-	
- margin	12.4%	10.6%		
<b>Total</b>	<b>15</b>	<b>32</b>		

**16. Condensed earnings per share data**

	<b>First Half</b>	
	<b>2020</b>	<b>2019</b>
<b>Net result attributable to shareholders of Clariant Ltd (CHF m)</b>		
Continuing operations	64	-141
Discontinued operations	11	30
<b>Total</b>	<b>75</b>	<b>-111</b>

**Shares**

<b>Number of registered shares at 30.06.2020 and 30.06.2019 respectively</b>	<b>331 939 199</b>	<b>331 939 199</b>
<b>Weighted average number of shares outstanding</b>	<b>329 481 202</b>	<b>329 803 045</b>
Adjustment for granted Clariant shares	1 332 202	1 069 744
<b>Weighted average diluted number of shares outstanding</b>	<b>330 813 404</b>	<b>330 872 789</b>

**Basic earnings per share attributable to shareholders of Clariant Ltd (CHF/share)**

Continuing operations	0.19	-0.43
Discontinued operations	0.03	0.09
<b>Total</b>	<b>0.22</b>	<b>-0.34</b>

**Diluted earnings per share attributable to shareholders of Clariant Ltd (CHF/share)**

Continuing operations	0.19	-0.43
Discontinued operations	0.03	0.09
<b>Total</b>	<b>0.22</b>	<b>-0.34</b>

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**17. Finance income and costs**

<b>Finance income</b>	<b>First Half</b>	
<i>in CHF m</i>	<b>2020</b>	<b>2019</b>
Interest income	7	8
Other financial income	1	4
<b>Total finance income</b>	<b>8</b>	<b>12</b>
<b>Finance costs</b>		
<i>in CHF m</i>	<b>2020</b>	<b>2019</b>
Interest costs	-38	-49
<i>thereof effect of discounting of non-current provisions</i>	-5	-2
<i>thereof effect of lease liabilities</i>	-1	-6
<i>thereof interest component of pension provisions</i>	-6	-8
Other financial expenses	-5	-5
<b>Total finance costs before currency result</b>	<b>-43</b>	<b>-54</b>
Currency result, net	-18	-13
<b>Total finance costs</b>	<b>-61</b>	<b>-67</b>
thereof reported under discontinued operations	-5	-9
<b>Total finance costs continuing operations</b>	<b>-56</b>	<b>-58</b>

**18. Foreign exchange rates**

<b>Rates used to translate the consolidated balance sheets (closing rates)</b>	<b>30.06.2020</b>	<b>31.12.2019</b>	<b>Change %</b>
1 USD	0.95	0.97	-2
1 EUR	1.06	1.08	-2
1 BRL	0.18	0.24	-25
1 CNY	0.13	0.14	-7
100 INR	1.26	1.35	-7
100 JPY	0.88	0.89	-1

<b>Average sales-weighted rates used to translate the consolidated income statements and consolidated statements of cash flows</b>	<b>First Half</b>		
	<b>2020</b>	<b>2019</b>	<b>Change %</b>
1 USD	0.97	1.00	-3
1 EUR	1.06	1.13	-6
1 BRL	0.20	0.26	-23
1 CNY	0.14	0.15	-7
100 INR	1.31	1.43	-8
100 JPY	0.89	0.91	-2

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**CLARIANT – WHAT IS PRECIOUS TO YOU?**

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.

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.

The company reports in three Business Areas: Care Chemicals, Catalysis, and Natural Resources.

[www.clariant.com](http://www.clariant.com)

**Calendar of Corporate Events**

29 October 2020	Nine Months 2020 Reporting
11 February 2021	Full Year 2020 Reporting
07 April 2021	Annual General Meeting

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**Disclaimer**

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