

# Financial Review

## **FULL YEAR 2020**

11 February 2021

CLARIANT INTERNATIONAL LTD

Rothausstrasse 61  
4132 Muttenz  
Switzerland

what is precious to you?

**CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

Full Year 2020 (unaudited)

11 February 2021

Page 1 of 17

**Key Financial Group Figures**

Continuing operations	2020		Full year 2019	
	CHF m	% of sales	CHF m	% of sales
Sales	3 860	100.0	4 399	100.0
Local currency growth (LC):	-5%			
<i>Organic growth</i> <sup>1</sup>	-5%			
<i>Acquisitions/divestitures</i>	0%			
Currencies	-7%			
Gross profit	1 173	30.4	1 375	31.3
EBITDA*	578	15.0	461	10.5
EBITDA before exceptional items*	619	16.0	740	16.8
Operating result	298	7.7	165	3.9
Operating income before exceptional items*	350	9.1	444	10.1
Net result from continuing operations	116	3.0	-34	-0.7
Basic earnings per share (CHF/share)	0.28		-0.17	
Adjusted earnings per share (CHF/share)*	0.65		0.87	
Net result total <sup>2</sup>	799		38	
Operating cash flow <sup>2</sup>	369		509	
<b>Discontinued operations:</b>				
Sales	1 330		2 127	
Net result from discontinued operations	683		72	
<b>Other key figures total Group:</b>		<b>31.12.2020</b>		<b>31.12.2019</b>
Net debt	1 040		1 372	
Equity (including non-controlling interests)	2 381		2 677	
Gearing	44%		51%	
Return on invested capital (ROIC)**	7%		3%	
Return on invested capital (ROIC) before exceptional items**	8%		9%	
Number of employees	13 235		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

\*\* Clariant calculates ROIC by dividing NOPLAT before or after exceptional items by the average net capital employed. NOPLAT is calculated by taking the operating income before or after exceptional items adjusted by the expected tax rate. Net capital employed also considers operating cash and lease liabilities.

**CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

Full Year 2020 (unaudited)

11 February 2021

Page 2 of 17

**FINANCIAL DISCUSSION – FULL YEAR****Continuing operations Sales and Net Results 2020**

In 2019, Clariant decided to sell the Masterbatches and Pigments businesses in the continuing effort to upgrade the Group's portfolio to a higher degree of specialization. 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 directly associated with assets held for sale". The sale of Clariant's Masterbatches business to Avient Corporation (formerly PolyOne Corporation) was completed on 1 July, 2020.

**Sales** decreased by 5 % organically in local currency. In Swiss francs, sales decreased by 12 %.

**Gross margin** for the full year of 2020 was 30.4 % of sales, compared to 31.3 % recorded in the prior-year period, due to higher restructuring costs in 2020 as well as a slightly less favorable product mix.

**Selling, general and administrative costs** decreased in 2020 to 19.4 % of sales, driven by the provision reversal of CHF 55 million for the competition law investigation by the European Commission, compared to 24.3 % recorded in the prior-year period, driven by the provision for the competition law investigation by the European Commission in the amount of CHF 231 million in 2019.

**Research and development costs** remained at CHF 170 million in the full year of 2020, slightly below the level of the previous year at CHF 173 million.

**Income from associates and joint ventures** of CHF 42 million in the full year of 2020 was above the CHF 33 million recorded in the corresponding period of the previous year.

**Net financial result** improved to CHF -86 million in the full year of 2020, compared to CHF -94 million in 2019, given a decrease in interest expenses on third-party financing and on retirement benefit obligations, which were partially offset by slightly decreased interest income and increased foreign exchange losses.

**Tax expense** of CHF 96 million decreased in 2020, compared to CHF 105 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 an increased profitability in high-tax jurisdictions, by currency and tax

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

**Net result** amounted to CHF 116 million in the full year of 2020 versus a CHF 34 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 683 million was recorded in 2020, which was positively impacted by the gain on the disposal of the Masterbatches business, compared to CHF 72 million reported in the same period of 2019.

**Balance Sheet Key Figures – December 2020**

**Total assets** decreased to CHF 6.933 billion as of 31 December 2020 from CHF 7.979 billion at the end of 2019 mainly due to the disposal of the Business Unit Masterbatches and the subsequent distribution from equity in the amount of CHF 989 million.

**Property, plant and equipment** decreased to CHF 1.628 billion from CHF 1.649 billion at the end of 2019 mainly due to exchange rate differences, depreciation and disposals. This effect was partially offset by investments in a cellulosic ethanol plant in Romania.

**Intangible assets** decreased to CHF 1.238 billion from CHF 1.351 billion at the end of 2019 mainly due to the amortization and exchange rate differences.

**Deferred tax assets** decreased to CHF 160 million from CHF 234 million in the prior year primarily because of the use in disposal transactions of tax assets capitalized on losses carried forward.

**Short-term deposits** decreased to CHF 267 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 797 million and CHF 263 million, respectively, as of 31 December 2020. This mainly pertains to the Business Unit Pigments, which continues to be classified as discontinued operations. Additionally, one shareholding valued at equity was reclassified to "assets held for sale".

**CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

Full Year 2020 (unaudited)

11 February 2021

Page 3 of 17

**Non-current financial debts** decreased to CHF 1.424 billion at the end of December 2020 from CHF 1.485 billion at the end of December 2019 and **current financial debts** decreased to CHF 398 million at the end of December 2020 from CHF 587 million at the end of December 2019. The decrease in non-current financial debts and in current financial debts are mainly due to the combined effect of several transactions and reclassifications. There were the repayments of the EUR 150 million certificates of indebtedness maturing on 17 April 2020 and of the EUR 212 million certificates of indebtedness maturing on 26 October 2020. New certificates of indebtedness totaling CHF 272 million were launched in May 2020. Certificates of indebtedness in the amount of EUR 55 million and USD 277 million will mature in 2021 and were therefore reclassified from non-current to current financial debts.

**Equity** decreased to CHF 2.381 billion at the end of December 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 145 million, a distribution subsequent to the disposal of the Masterbatches business in the amount of CHF 989 million, dividends paid to non-controlling interests amounting to CHF 42 million and the effect of the fair value adjustment on financial assets amounting to CHF 9 million, net of deferred tax. These effects were complemented by the net profit for the period of CHF 799 million; by the positive net impact of CHF 68 million, net of deferred tax, of an actuarial loss on retirement benefit obligations and a gain on return on pension plan assets; and by the positive effect of the cash flow hedge and the net investment hedge amounting to CHF 25 million.

**Net debt** decreased to CHF 1.040 billion at the end of December 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, decreased to 44 % from 51 % at the end of 2019 as a result of the decrease in net debt.

**Cash Flow**

**Cash flow** from operating activities before changes in working capital and provisions for 2020 increased to CHF 541 million, compared to CHF 534 million for 2019.

**Working capital and provisions** increased by CHF 57 million in 2020, compared to a decrease of CHF 96 million in 2019. Changes in provisions were marked by the payment of the fine to the European Commission in the amount of CHF 166 million in the fourth quarter of 2020.

**Net cash generated from operating activities** was at CHF 369 million in 2020, compared to CHF 509 million for 2019.

**Investments in PPE and investments in intangible assets** were CHF 288 million and CHF 11 million, respectively, in 2020, compared to CHF 273 million and CHF 16 million, respectively, for 2019. Proceeds from the disposal of discontinued operations in the amount of CHF 1.305 billion concern the disposal of the Masterbatches business.

**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. Distributions to the shareholders of Clariant Ltd in the amount of CHF 989 million were made as a result of the disposals of Healthcare Packaging in 2019 and the Masterbatches business in 2020, but also in view of the impending disposal of the Pigments business, which is expected to be completed by the end of 2021.

**CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

Full Year 2020 (unaudited)

11 February 2021

Page 4 of 17

**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>Full year</b>	
	<b>2020</b>	<b>2019</b>
Operating result	298	165
+ Depreciation of PPE	162	175
+ Impairment	11	–
+ Depreciation of Right-of-use assets	50	54
+ Amortization of intangible assets	57	67
<b>EBITDA</b>	<b>578</b>	<b>461</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>Full year</b>	
	<b>2020</b>	<b>2019</b>
EBITDA	578	461
+ Restructuring, impairment and transaction-related costs*	119	50
+ Provision for EU investigation	–55	231
– Impairment (reported under Restructuring, impairment and transaction-related costs)	–11	–
+ Gain/ Loss from the disposal of activities not qualifying as discontinued operations**	–12	–2
<b>EBITDA before exceptional items</b>	<b>619</b>	<b>740</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>Full year</b>	
	<b>2020</b>	<b>2019</b>
Operating result	298	165
+ Restructuring, impairment and transaction-related costs*	119	50
+ Provision for EU investigation	–55	231
+ Gain/ Loss from the disposal of activities not qualifying as discontinued operations**	–12	–2
<b>Operating income before exceptional items</b>	<b>350</b>	<b>444</b>

\* Restructuring, impairment and transaction-related costs 2020: CHF 119 million (2019: CHF 50 million), of which: Cost of goods sold CHF 31 million (2019: CHF 9 million); Selling, general and administrative costs CHF 75 million (2019: CHF 43 million); Research and development expenses CHF 13 million (2019: CHF 2 million income). Selling, general and administrative costs includes a one-off provision in 2020 partial reversal of CHF 55 million (2019: CHF 231 million cost).

\*\* Gain/ Loss from the disposal of activities not qualifying as discontinued operations 2020: CHF 12 million gain (2019: CHF 2 million gain) reported under Selling, general and administrative costs.

**CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

Full Year 2020 (unaudited)

11 February 2021

Page 5 of 17

**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>Full year</b>	
<i>CHF m</i>	<b>2020</b>	<b>2019</b>
Operating income before exceptional items	350	444
+ Amortization of intangible assets	57	67
+ Finance income	15	23
– Finance costs	–101	–117
Adjusted income before taxes	321	417
– Adjusted income taxes	–83	–108
Adjusted net result	238	309
Thereof attributable to non-controlling interests	24	23
Thereof attributable to shareholders of Clariant Ltd	214	286
Weighted average number of shares outstanding	329517644	329594997
<b>Adjusted earnings per share attributable to shareholders of Clariant Ltd (CHF/share)</b>	<b>0.65</b>	<b>0.87</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>31.12.2020</b>	<b>31.12.2019</b>
Non-current financial debt	1424	1485
+ Lease liabilities	200	217
+ Current financial debt	398	587
– Cash and cash equivalents	–737	–638
– Short-term deposits	–267	–304
– Financial instruments with positive fair values	–5	–4
+ Net debt reported as held for sales	27	29
<b>Net debt</b>	<b>1040</b>	<b>1372</b>

## CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Full Year 2020 (unaudited)

11 February 2021

Page 6 of 17

## CONDENSED FINANCIAL STATEMENTS OF THE CLARIANT GROUP

## Consolidated balance sheets

ASSETS	31.12.2020		31.12.2019	
	CHF m	%	CHF m	%
<b>Non-current assets</b>				
Property, plant and equipment	1628		1649	
Right-of-use assets	204		219	
Intangible assets	1238		1351	
Investments in associates and joint ventures	153		248	
Financial assets	202		218	
Prepaid pension assets	57		41	
Deferred income tax assets	160		234	
<b>Total non-current assets</b>	<b>3642</b>	<b>52.5</b>	<b>3960</b>	<b>49.6</b>
<b>Current assets</b>				
Inventories	534		651	
Trade receivables	577		680	
Other current assets	312		337	
Current income tax receivables	67		104	
Short-term deposits	267		304	
Cash and cash equivalents	737		638	
<b>Total current assets</b>	<b>2494</b>	<b>36.0</b>	<b>2714</b>	<b>34.0</b>
Assets held for sale	797	11.5	1305	16.4
<b>Total assets</b>	<b>6933</b>	<b>100.0</b>	<b>7979</b>	<b>100.0</b>
<b>EQUITY AND LIABILITIES</b>				
	CHF m	%	CHF m	%
<b>Equity</b>				
Share capital	1228		1228	
Treasury shares (par value)	-9		-10	
Other reserves	-1100		-431	
Retained earnings	2123		1719	
<b>Total capital and reserves attributable to Clariant shareholders</b>	<b>2242</b>		<b>2506</b>	
Non-controlling interests	139		171	
<b>Total equity</b>	<b>2381</b>	<b>34.3</b>	<b>2677</b>	<b>33.6</b>
<b>Liabilities</b>				
<b>Non-current liabilities</b>				
Financial debts	1424		1485	
Deferred income tax liabilities	18		43	
Retirement benefit obligations	630		673	
Lease non-current liabilities	159		172	
Provision for non-current liabilities	202		164	
Other liabilities	60		68	
<b>Total non-current liabilities</b>	<b>2493</b>	<b>36.0</b>	<b>2605</b>	<b>32.6</b>
<b>Current liabilities</b>				
Trade and other payables	817		875	
Financial debts	398		587	
Current income tax liabilities	262		238	
Lease current liabilities	41		45	
Provision for current liabilities	278		393	
<b>Total current liabilities</b>	<b>1796</b>	<b>25.9</b>	<b>2138</b>	<b>26.8</b>
Liabilities directly associated with assets held for sale	263	3.8	559	7.0
<b>Total liabilities</b>	<b>4552</b>	<b>65.7</b>	<b>5302</b>	<b>66.4</b>
<b>Total equity and liabilities</b>	<b>6933</b>	<b>100.0</b>	<b>7979</b>	<b>100.0</b>

**CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

Full Year 2020 (unaudited)

11 February 2021

Page 7 of 17

**Consolidated income statements**

	<b>Full year</b>			
	<i>CHF m</i>	<b>2020</b> %	<i>CHF m</i>	<b>2019</b> %
Sales	3 860	100.0	4 399	100.0
Costs of goods sold	-2 687	69.6	-3 024	68.7
<b>Gross profit</b>	<b>1 173</b>	<b>30.4</b>	<b>1 375</b>	<b>31.3</b>
Selling, general and administrative costs	-747	19.4	-1 070	24.3
Research and development	-170	4.4	-173	3.9
Income from associates and joint ventures	42	1.1	33	0.8
<b>Operating result</b>	<b>298</b>	<b>7.7</b>	<b>165</b>	<b>3.9</b>
Finance income	15	0.4	23	0.5
Finance costs	-101	2.6	-117	2.7
<b>Income before taxes</b>	<b>212</b>	<b>5.5</b>	<b>71</b>	<b>1.7</b>
Taxes	-96	2.5	-105	2.4
<b>Net result from continuing operations</b>	<b>116</b>	<b>3.0</b>	<b>-34</b>	<b>-0.7</b>
<b>Attributable to:</b>				
Shareholders of Clariant Ltd	92		-57	
Non-controlling interests	24		23	
<b>Net result from discontinued operations</b>	<b>683</b>		<b>72</b>	
<b>Attributable to:</b>				
Shareholders of Clariant Ltd	666		67	
Non-controlling interests	17		5	
<b>Net result total</b>	<b>799</b>		<b>38</b>	
<b>Attributable to:</b>				
Shareholders of Clariant Ltd	758		10	
Non-controlling interests	41		28	
<b>Basic earnings per share attributable to the shareholders of Clariant Ltd (CHF/ share):</b>				
Continuing operations	0.28		-0.17	
Discontinued operations	2.02		0.20	
<b>Total</b>	<b>2.30</b>		<b>0.03</b>	
<b>Diluted earnings per share attributable to the shareholders of Clariant Ltd (CHF/ share):</b>				
Continuing operations	0.28		-0.17	
Discontinued operations	2.01		0.20	
<b>Total</b>	<b>2.29</b>		<b>0.03</b>	



**CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

Full Year 2020 (unaudited)

11 February 2021

Page 8 of 17

**Consolidated statements of comprehensive income**

<i>CHF m</i>	<b>2020</b>	<b>2019</b>
<b>Net result</b>	<b>799</b>	<b>38</b>
<b>Other comprehensive result:</b>		
<i>Remeasurements:</i>		
Actuarial gain/loss on retirement benefit obligations	-38	-316
Return on retirement benefit plan assets, excluding amount included in interest expense	124	219
Fair value adjustment on financial assets	-10	16
<b>Total items that will not be reclassified subsequently to the income statement, gross</b>	<b>76</b>	<b>-81</b>
Deferred tax on remeasurements and fair value adjustment on financial assets	-17	35
<b>Total items that will not be reclassified subsequently to the income statement, net</b>	<b>59</b>	<b>-46</b>
Net investment hedge	26	35
Cash flow hedges	-1	-2
Currency translation differences	-275	-120
Share of other comprehensive income of associates and joint ventures	1	-9
Effect of the reclassification of foreign exchange differences on previously held net investments in foreign entities	130	19
<b>Total items that may be reclassified subsequently to the income statement</b>	<b>-119</b>	<b>-77</b>
Deferred tax effect	-	-
<b>Total items that may be reclassified subsequently to the income statement, net</b>	<b>-119</b>	<b>-77</b>
<b>Other comprehensive result for the period, net of tax</b>	<b>-60</b>	<b>-123</b>
<b>Total comprehensive result for the period</b>	<b>739</b>	<b>-85</b>
<b>Attributable to:</b>		
Shareholders of Clariant Ltd	715	-106
Non-controlling interests	24	21
<b>Total comprehensive result for the period</b>	<b>739</b>	<b>-85</b>
<b>Total comprehensive result attributable to shareholders of Clariant Ltd arising from:</b>		
Continuing operations	-27	-142
Discontinued operations	742	36
<b>Total comprehensive result attributable to shareholders of Clariant Ltd</b>	<b>715</b>	<b>-106</b>

## CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Full Year 2020 (unaudited)

11 February 2021

Page 9 of 17

## Consolidated statement of changes in equity

	Other reserves						Full year			
	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						-	10	10	28	38
Cash flow hedge				-2		-2		-2		-2
Net investment hedge					35	35		35		35
<i>Remeasurements:</i>										
Actuarial gain/ loss retirement benefit obligations						-	-316	-316		-316
Return on retirement benefit plan assets, excluding amount included in interest expense						-	219	219		219
Deferred tax on remeasurements						-	37	37		37
Currency translation differences					-113	-113		-113	-7	-120
Fair value adjustment on financial assets						-	14	14		14
Share of other comprehensive income of associates and joint ventures						-	-9	-9		-9
Effect of the reclassification of foreign exchange differences on previously held net investments in foreign entities					19	19		19		19
<b>Total comprehensive result for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-2</b>	<b>-59</b>	<b>-61</b>	<b>-45</b>	<b>-106</b>	<b>21</b>	<b>-85</b>
Distributions			-181			-181		-181		-181
Dividends to non-controlling interests						-		-	-20	-20
Transaction with non-controlling interests						-	1	1	-2	-1
<i>Employee share &amp; option scheme:</i>										
Effect of employee services						-	-1	-1		-1
Treasury share transactions		-2				-	-4	-6		-6
<b>Balance 31 December 2019</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						-	758	758	41	799
Cash flow hedge				-1		-1		-1		-1
Net investment hedge					26	26		26		26
<i>Remeasurements:</i>										
Actuarial gain/ loss retirement benefit obligations						-	-38	-38		-38
Return on retirement benefit plan assets, excluding amount included in interest expense						-	124	124		124
Deferred tax on remeasurements						-	-18	-18		-18
Currency translation differences					-258	-258		-258	-17	-275
Fair value adjustment on financial assets						-	-9	-9		-9
Share of other comprehensive income of associates and joint ventures						-	1	1		1
Effect of the reclassification of foreign exchange differences on previously held net investments in foreign entities					130	130		130		130
<b>Total comprehensive result for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-1</b>	<b>-102</b>	<b>-103</b>	<b>818</b>	<b>715</b>	<b>24</b>	<b>739</b>
Reclassification to reserves			220			220	-220	-		-
Distributions			-786			-786	-203	-989		-989
Dividends to non-controlling interests						-		-	-42	-42
Effect on disposal						-		-	-14	-14
<i>Employee share &amp; option scheme:</i>										
Effect of employee services						-	6	6		6
Treasury share transactions		1				-	3	4		4
<b>Balance 31 December 2020</b>	<b>1228</b>	<b>-9</b>	<b>259</b>	<b>1</b>	<b>-1360</b>	<b>-1100</b>	<b>2123</b>	<b>2242</b>	<b>139</b>	<b>2381</b>

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

**CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

Full Year 2020 (unaudited)

11 February 2021

Page 10 of 17

**Consolidated statements of cash flows**

	<b>Full year</b>	
<i>CHF m</i>	<b>2020</b>	<b>2019</b>
Net result	799	38
<b>Adjustment for:</b>		
Depreciation and amortization	269	330
Impairment and reversal of impairment	11	–
Impairment of working capital	26	21
Income from associates and joint ventures	–63	–52
Tax expense	174	140
Net financial income and costs	66	85
Gain / Loss from the disposal of activities not qualifying as discontinued operations	–12	–2
Gain / Loss on disposal of discontinued operations	–768	–48
Other non-cash items	20	9
<b>Total reversal of non-cash items</b>	<b>–277</b>	<b>483</b>
Dividends received from associates and joint ventures	44	42
Payments for restructuring	–25	–29
<b>Cash flow before changes in working capital and provisions</b>	<b>541</b>	<b>534</b>
Changes in inventories	84	–13
Changes in trade receivables	47	–23
Changes in trade payables	–58	–19
Changes in other current assets and liabilities	–15	–66
Changes in provisions (excluding payments for restructuring)	–115	217
<b>Cash generated from operating activities</b>	<b>484</b>	<b>630</b>
Income taxes paid	–115	–121
<b>Net cash generated from operating activities</b>	<b>369</b>	<b>509</b>
Investments in property, plant and equipment	–288	–273
Investments in intangible assets	–11	–16
Investments in financial assets, associates and joint ventures	–2	–4
Sale of property, plant and equipment and intangible assets	22	14
Changes in short-term deposits	34	–283
Changes in other financial assets	14	–2
Business acquisitions	–9	–
Proceeds from the disposal of associates and financial assets	5	4
Proceeds from the disposal of discontinued operations	1305	295
Proceeds associated to disposals of activities not qualifying as discontinued operations	13	11
<b>Net cash provided by/used in investing activities</b>	<b>1083</b>	<b>–254</b>
Purchase of treasury shares	–1	–10
Distributions to the shareholders of Clariant Ltd	–989	–181
Dividends paid to non-controlling interest	–42	–20
Proceeds/ payments associated to transactions with non-controlling interests	–	–1
Proceeds from financial debts	288	268
Repayments of financial debts	–472	–370
Repayments of lease liabilities	–55	–58
Interest paid	–60	–79
Interest paid for leases	–11	–12
Interest received	16	23
<b>Net cash provided by/used in financing activities</b>	<b>–1326</b>	<b>–440</b>
Currency translation effect on cash and cash equivalents	–27	–10
<b>Net change in cash and cash equivalents</b>	<b>99</b>	<b>–195</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>737</b>	<b>638</b>

**CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

Full Year 2020 (unaudited)

11 February 2021

Page 11 of 17

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

These financial statements are the condensed consolidated financial statements (hereafter “the consolidated financial statements”) of Clariant Ltd, a company registered in Switzerland, and its subsidiaries (hereafter “the Group”) for the twelve-month period ended on 31 December 2020. The condensed consolidated financial statements, which do not contain all the information that International Financial Reporting Standards (IFRS) would require for a full set of financial statements, have been prepared in accordance with IFRS and with the accounting policies set out in the Clariant Financial Report for the year ended 2020. The accounting policies applied are consistent with the ones applied at year-end 2019.

The consolidated financial statements were approved on 9 February 2021 by the Board of Directors.

The preparation of the condensed 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 consolidated financial statements. If, in the future, such estimates and assumptions, which are based on management’s best judgment at the date of the 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. Revenue recognized over a period of time**

Revenue recognized over a period of time incurred in 2020 amounted to CHF 83 million, compared to CHF 100 million in the prior year. It arose almost exclusively in the Business Area Natural Resources.

**4. 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 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 198 million at 31 December 2020, compared to CHF 209 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 December 2020 and resulted in a decrease of CHF 10 million. The loss on the revaluation, amounting to CHF 9 million net of tax, was recognized in other comprehensive income.

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

**CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

Full Year 2020 (unaudited)

11 February 2021

Page 12 of 17

hierarchy) and amounted to CHF 561 million at the end of 2020, compared to their carrying value of CHF 535 million.

There were no transfers between the levels in 2019 or 2020.

**5. Discontinued operations**

In 2019, Clariant announced its intention to sell the Business Units Pigments and Masterbatches and the Business Line Health Care 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 to “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 312 million including CHF 2 million received in 2020; the proceeds net of cash amounted to CHF 297 million and the after-tax gain to CHF 54 million.

On 1 July 2020, Clariant sold the Business Unit Masterbatches to the US-based Avient Corporation (formerly PolyOne Corporation). The total consideration of the sale net of cash transferred amounted to CHF 1.308 billion; the gain on disposal before tax amounted to CHF 765 million and the after-tax gain amounted to CHF 723 million.

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

Sales from discontinued operations amounted to CHF 1.330 billion in 2020, compared to CHF 2.127 billion in the previous year. The 2020 net result from discontinued operations was a gain in the amount of CHF 683 million resulting mainly from the disposal of Masterbatches, compared to CHF 72 million in the previous year, resulting mainly from the disposal of Healthcare Packaging. In 2020, discontinued operations comprised Pigments for twelve months and Masterbatches for six months, while in 2019 they comprised both Pigments and Masterbatches for twelve months and Healthcare Packaging for ten months.

**6. 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. 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 contributed strongly to 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. Customers 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. In the course of 2021 and thereafter, it is expected that the global economy will return to the growth path implied in the Group’s mid-term plans. Despite an increased level of uncertainty under the given circumstances, Clariant’s balance sheet and liquidity are strong, based on a consistent and prudent financing policy with sufficient financial flexibility. The annual impairment testing procedure revealed no need for impairments.

**7. 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. Additional measures are implemented to rightsize regional organizations and service units to the reduced size of the Group to avoid remnant costs post the expiration of transitory

**CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

Full Year 2020 (unaudited)

11 February 2021

Page 13 of 17

service agreements following the closing of the divestitures of the Masterbatches and Pigments businesses. The rightsizing program foresees a reduction or transfer of approx. 1,000 positions in service and regional structures. An efficiency program was also launched for the Pigments business to reduce above 200 positions and the cost basis, thus enhancing the intrinsic value of the business.

A provision for the efficiency program for continuing operations has been booked in the amount of CHF 49 million and booked to the Business Areas as follows: CHF 12 million to Care Chemicals, CHF 6 million to Catalysis, CHF 19 million to Natural Resources and CHF 12 million to Corporate. In addition, in discontinued operations a provision for the efficiency program has been booked for the Pigments business in the amount of CHF 24 million. For the rightsizing program, a provision of CHF 68 million has been booked to discontinued operations.

In 2020, Clariant recorded restructuring expenses for the continuing operations in the amount of CHF 49 million, impairments in the amount of CHF 11 million and transaction-related costs in the amount of CHF 59 million.

During the same period in the previous year, restructuring, impairment and transaction-related costs pertaining to the continuing operations, amounted to CHF 50 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 in 2020 for CHF 55 million. Please see Note 8.

## **8. 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 and the liability was settled in the fourth quarter of 2020.

## **9. Repayments of financial liabilities**

On 17 April 2020, the certificates of indebtedness issued in 2015 in the amount of EUR 150 million (CHF 162 million) reached maturity and were repaid. On 26 October 2020, certificates of indebtedness issued in 2016 in the amount of EUR 212 million (CHF 229 million) reached maturity and were repaid.

## **10. 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.

## **11. Events subsequent to the balance sheet date**

On 1 February 2020, Clariant announced that the Board of Directors recommends to the shareholders of the Company a regular distribution of CHF 0.70 per share. This includes CHF 0.55 per share for fiscal year 2019 and CHF 0.15 per share for 2020. By agreeing to the agenda items of the Board of Directors, the anchor shareholder SABIC withdraws its own proposals for the agenda of the Annual General Meeting, which it sent to the Company at the end of December 2020, which included a special dividend distribution to the shareholders of an amount up to CHF 2.00 per share.

## CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Full Year 2020 (unaudited)

11 February 2021

Page 14 of 17

## 12. Business Area figures (Continuing Operations)

Full year	Sales to 3rd parties				EBITDA before exceptionals			EBITDA		
	2020	2019	% CHF	% LC	2020	2019	% CHF	2020	2019	% CHF
<i>CHF m</i>										
Care Chemicals	1411	1600	-12	-5	274	285	-4	267	282	-5
Catalysis	879	925	-5	1	178	218	-18	168	212	-21
Natural Resources	1570	1874	-16	-8	244	308	-21	218	305	-29
<b>Business Areas total</b>	<b>3860</b>	<b>4399</b>			<b>696</b>	<b>811</b>		<b>653</b>	<b>799</b>	
Corporate	-	-			-77	-71		-75	-338	
<b>Total</b>	<b>3860</b>	<b>4399</b>	<b>-12</b>	<b>-5</b>	<b>619</b>	<b>740</b>	<b>-16</b>	<b>578</b>	<b>461</b>	<b>25</b>

	Operating income before exceptionals			Operating income			Systematic depreciation of PPE and right-of-use assets	
	2020	2019	% CHF	2020	2019	% CHF	2020	2019
<i>CHF m</i>								
Care Chemicals	206	214	-4	199	211	-6	61	64
Catalysis	108	146	-26	95	140	-32	56	57
Natural Resources	155	211	-27	122	208	-41	64	71
<b>Business Areas total</b>	<b>469</b>	<b>571</b>		<b>416</b>	<b>559</b>		<b>181</b>	<b>192</b>
Corporate	-119	-127		-118	-394		31	37
<b>Total</b>	<b>350</b>	<b>444</b>	<b>-21</b>	<b>298</b>	<b>165</b>	<b>81</b>	<b>212</b>	<b>229</b>

## 13. Business Area margins (Continuing Operations)

Full year	Sales to 3rd parties (Share of Total)		EBITDA before exceptionals		EBITDA	
	2020	2019	2020	2019	2020	2019
<i>in %</i>						
Care Chemicals	36.5	36.4	19.4	17.8	18.9	17.6
Catalysis	22.8	21.0	20.3	23.6	19.1	22.9
Natural Resources	40.7	42.6	15.5	16.4	13.9	16.3
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>16.0</b>	<b>16.8</b>	<b>15.0</b>	<b>10.5</b>

	Operating income b. exceptionals		Operating income	
	2020	2019	2020	2019
<i>in %</i>				
Care Chemicals	14.6	13.4	14.1	13.2
Catalysis	12.3	15.8	10.8	15.1
Natural Resources	9.9	11.3	7.8	11.1
<b>Total</b>	<b>9.1</b>	<b>10.1</b>	<b>7.7</b>	<b>3.8</b>

## 14. Discontinued Operations

	Full year			
	2020	2019	% CHF	% LC
<i>CHF m</i>				
Sales	1330	2127	-37	-32
EBITDA	770	158	n.m.	
- margin	57.9%	7.4%		
EBITDA before exceptional items	141	203	-31	
- margin	10.6%	9.5%		
<b>Net income</b>	<b>683</b>	<b>72</b>		

**CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

Full Year 2020 (unaudited)

11 February 2021

Page 15 of 17

**15. Condensed earnings per share data**

	<b>Full year</b>	
	<b>2020</b>	<b>2019</b>
<b>Net result attributable to shareholders of Clariant Ltd (CHF m)</b>		
Continuing operations	92	-57
Discontinued operations	666	67
<b>Total</b>	<b>758</b>	<b>10</b>
<b>Shares</b>		
<b>Number of registered shares at 31.12.2020 and 31.12.2019 respectively</b>	<b>331 939 199</b>	<b>331 939 199</b>
<b>Weighted average number of shares outstanding</b>	<b>329 517 644</b>	<b>329 594 997</b>
Adjustment for granted Clariant shares	1 507 123	882 428
<b>Weighted average diluted number of shares outstanding</b>	<b>331 024 767</b>	<b>330 477 425</b>
<b>Basic earnings per share attributable to shareholders of Clariant Ltd (CHF/share)</b>		
Continuing operations	0.28	-0.17
Discontinued operations	2.02	0.20
<b>Total</b>	<b>2.30</b>	<b>0.03</b>
<b>Diluted earnings per share attributable to shareholders of Clariant Ltd (CHF/share)</b>		
Continuing operations	0.28	-0.17
Discontinued operations	2.01	0.20
<b>Total</b>	<b>2.29</b>	<b>0.03</b>

**16. Finance income and costs**

	<b>Full year</b>	
	<b>2020</b>	<b>2019</b>
<b>Finance income</b>		
<i>in CHF m</i>		
Interest income	13	15
Other financial income	2	8
<b>Total finance income</b>	<b>15</b>	<b>23</b>
<b>Finance costs</b>		
<i>in CHF m</i>		
Interest expense	-72	-96
<i>thereof effect of discounting of non-current provisions</i>	-4	-4
<i>thereof interest component of pension provisions</i>	-10	-18
<i>thereof interest on lease liabilities</i>	-11	-12
Other financial expenses	-9	-12
<b>Total finance costs before currency result</b>	<b>-81</b>	<b>-108</b>
Currency result, net	-28	-26
<b>Total finance costs</b>	<b>-109</b>	<b>-134</b>
thereof reported under discontinued operations	-8	-17
<b>Total finance costs continuing operations</b>	<b>-101</b>	<b>-117</b>



**CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

Full Year 2020 (unaudited)

11 February 2021

Page 16 of 17

**17. Foreign exchange rates**

<b>Rates used to translate the consolidated balance sheets (closing rates)</b>	<b>31.12.2020</b>	<b>31.12.2019</b>	<b>Change %</b>
1 USD	0.88	0.97	-9
1 EUR	1.08	1.08	-
1 BRL	0.17	0.24	-29
1 CNY	0.13	0.14	-7
100 INR	1.21	1.35	-10
100 JPY	0.85	0.89	-4

			<b>Full year</b>
<b>Average sales-weighted rates used to translate the consolidated income statements and consolidated statements of cash flows</b>	<b>2020</b>	<b>2019</b>	<b>Change %</b>
1 USD	0.94	0.99	-5
1 EUR	1.07	1.11	-4
1 BRL	0.18	0.25	-28
1 CNY	0.14	0.14	-
100 INR	1.26	1.41	-11
100 JPY	0.88	0.91	-3

**CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

Full Year 2020 (unaudited)

11 February 2021

Page 17 of 17

**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 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.

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**

07 April 2021	Annual General Meeting
29 April 2021	First Quarter 2021 Reporting
29 July 2021	First Half Year 2021 Reporting
28 October 2021	Nine Months 2021 Reporting

**Your Clariant Contacts****Investor Relations**

Andreas Schwarzwälder	Tel. +41 61 469 63 73
Maria Ivek	Tel. +41 61 469 63 73
Alexander Kamb	Tel. +41 61 469 63 73

**Media Relations**

Jochen Dubiel	Tel. +41 61 469 63 63
Thijs Bouwens	Tel. +41 61 469 63 63

**Disclaimer**

This document contains certain statements that are neither reported financial results nor other historical information. This document also includes forward-looking statements. Because these forward-looking statements are subject to risks and uncertainties, actual future results may differ materially from those expressed in or implied by the statements. Many of these risks and uncertainties relate to factors that are beyond Clariant's ability to control or estimate precisely, such as future market conditions, currency fluctuations, the behavior of other market participants, the actions of governmental regulators and other risk factors such as: the timing and strength of new product offerings; pricing strategies of competitors; the Company's ability to continue to receive adequate products from its vendors on acceptable terms, or at all, and to continue to obtain sufficient financing to meet its liquidity needs; and changes in the political, social, and regulatory framework in which the Company operates or in economic or technological trends or conditions, including currency fluctuations, inflation, and consumer confidence, on a global, regional, or national basis. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of this document. Clariant does not undertake any obligation to publicly release any revisions to these forward-looking statements to reflect events or circumstances after the date of these materials.