

Financial Review

FIRST HALF YEAR 2021

29 July 2021

CLARIANT INTERNATIONAL LTD

Rothausstrasse 61
4132 Muttenz
Switzerland

what is precious to you?

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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Key Financial Group Figures

Continuing operations	2021		First Half 2020	
	CHF m	% of sales	CHF m	% of sales
Sales	2034	100.0	1945	100.0
Local currency growth (LC):	7%			
<i>Organic growth</i> ¹	7%			
<i>Acquisitions/divestitures</i>	0%			
Currencies	-2%			
Gross profit	640	31.5	624	32.1
EBITDA*	337	16.6	292	15.0
EBITDA before exceptional items*	346	17.0	309	15.9
Operating result	206	10.1	154	7.9
Operating income before exceptional items*	215	10.6	172	8.8
Net result from continuing operations	107	5.3	75	3.9
Basic earnings per share (CHF/share)	0.28		0.19	
Net result total ²	157		90	
Return on invested capital (ROIC)* ³	8.0%		7.0%	
Operating cash flow ²	15		89	
Discontinued operations:				
Sales	449		941	
Net result from discontinued operations	50		15	
Other key figures total Group:		30.06.2021		31.12.2020
Net debt	1290		1040	
Equity (including non-controlling interests)	2419		2381	
Gearing	53%		44%	
Number of employees	13057		13235	

¹ 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.

² Total Group, including discontinued operations

³ 30.06.2021 (12-month rolling) vs. 31.12.2020 (FY)

* 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 2021**

In 2019, Clariant decided to sell the Healthcare Packaging, 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". On 31 October 2019, Clariant sold its Healthcare Packaging business to Arsenal Capital Partners, a private equity firm located in New York, USA. The sale of Clariant's Masterbatches business to Avient Corporation (formerly PolyOne Corporation) was completed on 1 July 2020. On 14 June 2021, Clariant announced that definitive agreements have been signed with Heubach Group and SK Capital Partners to divest its Pigments business, with closing expected to take place in the first half of 2022.

Sales increased by 7 % organically in local currency. In Swiss francs, sales increased by 5 %.

Gross margin in the first half of 2021 was 31.5 % of sales, compared to 32.1 % recorded in the prior-year period.

Selling, general and administrative costs decreased in the first half of 2021 to 18.3 % of sales, compared to 21.1 % recorded in the prior-year period, driven by lower absolute selling, general and administrative costs supported by cost reductions from the restructuring and other efficiency measures as announced in 2020 as well as a positive impact from higher sales.

Research and development costs of CHF 77 million in the first half of 2021 were slightly below the CHF 80 million recorded a year ago.

Income from associates and joint ventures of CHF 15 million in the first half of 2021 was below the CHF 20 million recorded in the corresponding period of the previous year.

Net financial result improved to CHF -39 million in the first half of 2021, compared to CHF -48 million in the first half of 2020, given a decrease in interest expenses on third-party financing and a decrease in foreign exchange losses, which were partially offset by lower interest income.

Tax expense of CHF 60 million increased in the first half of 2021, compared to CHF 31 million tax expense recorded in the prior-

year period. The effective tax rate for the period was negatively impacted by an increased profitability in high-tax jurisdictions, by tax losses on which no deferred tax assets were recognized, and by the impact of the US BEAT tax.

Net result amounted to CHF 107 million in the first half of 2021 versus CHF 75 million reported in the same period of 2020.

Net result from discontinued operations of CHF 50 million was recorded in the first half of 2021, compared to CHF 15 million reported in the same period of 2020.

Balance Sheet Key Figures – June 2021

Total assets increased to CHF 7.312 billion as of 30 June 2021 from CHF 6.933 billion at the end of 2020 mainly due to an increase in current assets, financial assets, and property, plant, and equipment.

Property, plant and equipment increased to CHF 1.706 billion from CHF 1.628 billion at the end of 2020 mainly due to newly capitalized assets.

Intangible assets at CHF 1.251 billion remained at a level comparable to the CHF 1.238 billion at the end of 2020.

Deferred tax assets increased to CHF 174 million from CHF 160 million at the end 2020.

Investments in associates and joint ventures at CHF 150 million remained at a level comparable to CHF 153 million at the end of 2020.

Financial assets increased to CHF 260 million from CHF 202 million at the end of 2020 mainly due to a payment of CHF 56 million made to India Glycols Limited (IGL) for an acquisition, which was closed on 1 July 2021 (see Note 10).

Short-term deposits decreased to CHF 49 million from CHF 267 million at the end of 2020. 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 888 million and CHF 288 million respectively, as of 30 June 2021. This mainly pertains to the Business Unit Pigments, which continues to be classified as discontinued operations. Additionally, two shareholdings valued at equity are classified as assets held for sale.

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Non-current financial debts decreased to CHF 1.272 billion at the end of June 2021 from CHF 1.424 billion at the end of December 2020, and **current financial debts** increased to CHF 594 million at the end of June 2021 from CHF 398 million at the end of December 2020. Certificates of indebtedness in the amount of EUR 115 million and CHF 37 million will reach maturity in 2022 and were therefore reclassified from non-current to current financial debts.

Equity increased to CHF 2.419 billion at the end of June 2021 from CHF 2.381 billion at the end of 2020. This was due to the combined effect of the net profit for the period of CHF 157 million, the positive currency translation effect of CHF 118 million, and the positive net impact of CHF 34 million of the revaluation of pension obligations, consisting of a positive return on pension plan assets and an actuarial loss on retirement benefit obligations, net of deferred tax. These effects were largely offset by the reduction of share capital in the amount of CHF 232 million, the dividends paid to non-controlling interests amounting to CHF 16 million, the negative effect of the net investment hedge amounting to CHF 18 million, and treasury share transactions amounting to CHF 10 million.

Net debt increased to CHF 1.290 billion at the end of June 2021, compared to CHF 1.040 billion at the end of 2020, mainly from growth-related increase in net working capital. 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 53 % from 44 % at the end of 2020 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 2021 increased to CHF 397 million, compared to CHF 358 million in the first half of 2020.

Working capital and provisions increased by CHF 320 million in the first half of 2021, compared to an increase of CHF 221 million in the first half year of 2020.

Net cash generated from operating activities was at CHF 15 million in the first half of 2021, compared to CHF 89 million in the first half of 2020.

Investments in PPE and **investments in intangible assets** were CHF 130 million and CHF 3 million respectively, in the first half of 2021, compared to CHF 96 million and CHF 5 million respectively, in the first half of 2020.

Payments for business acquisitions consist of a payment made for the acquisition of a joint venture with India Glycols Limited (IGL), which becomes effective as of 1 July 2021 and which will be fully consolidated by Clariant.

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)

CHF m	First Half	
	2021	2020
Operating result	206	154
+ Depreciation of PPE	84	81
+ Impairment	–	1
+ Depreciation of Right-of-use assets	25	26
+ Amortization of intangible assets	22	30
EBITDA	337	292

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)

CHF m	First Half	
	2021	2020
EBITDA	337	292
+ Restructuring, impairment and transaction-related costs ¹	9	72
+ Provision for EU investigation	–	–55
– Impairment (reported under Restructuring, impairment and transaction-related costs)	–	–1
+ Gain/ Loss from the disposal of activities not qualifying as discontinued operations ²	–	1
EBITDA before exceptional items	346	309

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)

CHF m	First Half	
	2021	2020
Operating result	206	154
+ Restructuring, impairment and transaction-related costs ¹	9	72
+ Provision for EU investigation	–	–55
+ Gain/ Loss from the disposal of activities not qualifying as discontinued operations ²	–	1
Operating income before exceptional items	215	172

¹ Restructuring, impairment and transaction-related costs 2021: CHF 9 million (2020: CHF 72 million), of which: Cost of goods sold CHF 1 million (2020: CHF 1 million); Selling, general and administrative costs CHF 8 million (2020: CHF 68 million); Research and development expenses CHF 0 million (2020: CHF 3 million). Selling, general and administrative costs includes a one-off provision in 2020 partial reversal of CHF 55 million.

² Gain/ Loss from the disposal of activities not qualifying as discontinued operations 2021: CHF 0 million (2020: CHF 1 million loss) reported under Selling, general and administrative costs.

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Return on invested capital (Continuing)

– is calculated by dividing NOPLAT after exceptional items by the average net capital employed. NOPLAT is calculated by taking the operating income after exceptional items adjusted by the expected tax rate. Net capital employed also considers operating cash and lease liabilities.

Return on invested capital (Continuing)

CHF m	30.06.2021	31.12.2020
Operating result ¹	350	298
– Adjusted by the expected tax rate (26%)	–91	–78
Net operating profit less adjusted taxes	259	220
Total equity	2419	2381
– Cash, cash equivalents and Short-term deposits	–826	–1004
– Assets held for sale	–888	–797
+ Current and non-current financial debts	1866	1822
+ Lease current and non-current liabilities	223	200
+ Liabilities directly associated with assets held for sale	288	263
+ Operating cash (2% of sales) ²	79	77
Net invested capital	3 161	2 942
Average net invested capital ³	3 224	3 154
Return of invested capital	8.0%	7.0%

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

CHF m	30.06.2021	31.12.2020
Non-current financial debt	1272	1424
+ Lease liabilities	224	200
+ Current financial debt	594	398
– Cash and cash equivalents	–777	–737
– Short-term deposits	–49	–267
– Financial instruments with positive fair values	–4	–5
+ Net debt reported as held for sales	30	27
Net debt	1 290	1 040

¹ operating result 12-month rolling

² operating cash 12-month rolling

³ average net invested capital per 30.06.2021 is calculated as an average of balance sheets values per 30.06.2021 and per 30.06.2020

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CONDENSED FINANCIAL STATEMENTS OF THE CLARIANT GROUP

Consolidated balance sheets

ASSETS	30.06.2021		31.12.2020	
	CHF m	%	CHF m	%
Non-current assets				
Property, plant and equipment	1 706		1 628	
Right-of-use assets	218		204	
Intangible assets	1 251		1 238	
Investments in associates and joint ventures	150		153	
Financial assets	260		202	
Prepaid pension assets	69		57	
Deferred income tax assets	174		160	
Total non-current assets	3 828	52.4	3 642	52.5
Current assets				
Inventories	717		534	
Trade receivables	677		577	
Other current assets	311		312	
Current income tax receivables	65		67	
Short-term deposits	49		267	
Cash and cash equivalents	777		737	
Total current assets	2 596	35.5	2 494	36.0
Assets held for sale	888	12.1	797	11.5
Total assets	7 312	100.0	6 933	100.0
EQUITY AND LIABILITIES				
	CHF m	%	CHF m	%
Equity				
Share capital	996		1 228	
Treasury shares (par value)	-10		-9	
Other reserves	-1 003		-1 100	
Retained earnings	2 295		2 123	
Total capital and reserves attributable to Clariant shareholders	2 278		2 242	
Non-controlling interests	141		139	
Total equity	2 419	33.1	2 381	34.3
Liabilities				
Non-current liabilities				
Financial debts	1 272		1 424	
Deferred income tax liabilities	16		18	
Retirement benefit obligations	601		630	
Lease non-current liabilities	179		159	
Provision for non-current liabilities	178		202	
Other liabilities	61		60	
Total non-current liabilities	2 307	31.6	2 493	36.0
Current liabilities				
Trade payables and other liabilities	1 097		817	
Financial debts	594		398	
Current income tax liabilities	283		262	
Lease current liabilities	45		41	
Provision for current liabilities	279		278	
Total current liabilities	2 298	31.4	1 796	25.9
Liabilities directly associated with assets held for sale	288	3.9	263	3.8
Total liabilities	4 893	66.9	4 552	65.7
Total equity and liabilities	7 312	100.0	6 933	100.0

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Consolidated income statements

	First Half			
	2021		2020	
	<i>CHF m</i>	%	<i>CHF m</i>	%
Sales	2 034	100.0	1 945	100.0
Costs of goods sold	-1 394	68.5	-1 321	67.9
Gross profit	640	31.5	624	32.1
Selling, general and administrative costs	-372	18.3	-410	21.1
Research and development	-77	3.8	-80	4.1
Income from associates and joint ventures	15	0.7	20	1.0
Operating result	206	10.1	154	7.9
Finance income	6	0.3	8	0.4
Finance costs	-45	2.2	-56	2.9
Income before taxes	167	8.2	106	5.4
Taxes	-60	2.9	-31	1.6
Net result from continuing operations	107	5.3	75	3.9
Attributable to:				
Shareholders of Clariant Ltd	93		64	
Non-controlling interests	14		11	
Net result from discontinued operations	50		15	
Attributable to:				
Shareholders of Clariant Ltd	48		11	
Non-controlling interests	2		4	
Net result total	157		90	
Attributable to:				
Shareholders of Clariant Ltd	141		75	
Non-controlling interests	16		15	
Basic earnings per share attributable to the shareholders of Clariant Ltd (CHF/ share):				
Continuing operations	0.28		0.19	
Discontinued operations	0.15		0.03	
Total	0.43		0.22	
Diluted earnings per share attributable to the shareholders of Clariant Ltd (CHF/ share):				
Continuing operations	0.28		0.19	
Discontinued operations	0.14		0.03	
Total	0.42		0.22	

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Consolidated statements of comprehensive income

<i>CHF m</i>	2021	2020
Net result	157	90
Other comprehensive result:		
<i>Remeasurements:</i>		
Actuarial gain/loss on retirement benefit obligations	-23	65
Return on retirement benefit plan assets, excluding amount included in interest expense	70	-10
Fair value adjustment on financial assets	1	-4
Total items that will not be reclassified subsequently to the income statement, gross	48	51
Deferred tax on remeasurements and fair value adjustment on financial assets	-13	-14
Total items that will not be reclassified subsequently to the income statement, net	35	37
Net investment hedge	-18	17
Cash flow hedges	-	10
Currency translation differences	118	-197
Total items that may be reclassified subsequently to the income statement	100	-170
Deferred tax effect	-	-
Total items that may be reclassified subsequently to the income statement, net	100	-170
Other comprehensive result for the period, net of tax	135	-133
Total comprehensive result for the period	292	-43
Attributable to:		
Shareholders of Clariant Ltd	273	-48
Non-controlling interests	19	5
Total comprehensive result for the period	292	-43
Total comprehensive result attributable to shareholders of Clariant Ltd arising from:		
Continuing operations	207	-17
Discontinued operations	67	-31
Total comprehensive result attributable to shareholders of Clariant Ltd	274	-48

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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
<i>CHF m</i>										
Balance 1 January 2020	1228	-10	825	2	-1258	-431	1719	2506	171	2677
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
Total comprehensive result for the period	-	-	-	10	-170	-160	112	-48	5	-43
Dividends to non-controlling interests						-			-13	-13
<i>Employee share & option scheme:</i>										
Effect of employee services						-	2	2		2
Treasury share transactions		1				-	3	4		4
Balance 30 June 2020	1228	-9	825	12	-1428	-591	1836	2464	163	2627
Balance 1 January 2021	1228	-9	259	1	-1360	-1100	2123	2242	139	2381
Net result						-	141	141	16	157
Cash flow hedge						-				-
Net investment hedge					-18	-18		-18		-18
<i>Remeasurements:</i>										
Actuarial gain/ loss retirement benefit obligations						-	-23	-23		-23
Return on retirement benefit plan assets, excluding amount included in interest expense						-	70	70		70
Deferred tax on remeasurements						-	-13	-13		-13
Currency translation differences					115	115		115	3	118
Fair value adjustment on financial assets						-	1	1		1
Total comprehensive result for the period	-	-	-	-	97	97	176	273	19	292
Reduction in Share capital	-232					-		-232		-232
Dividends to non-controlling interests						-			-16	-16
Acquisition of non-controlling interests									-1	-1
<i>Employee share & option scheme:</i>										
Effect of employee services						-	5	5		5
Treasury share transactions		-1				-	-9	-10		-10
Balance 30 June 2021	996	-10	259	1	-1263	-1003	2295	2278	141	2419

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Consolidated statements of cash flows

	First Half	
<i>CHF m</i>	2021	2020
Net result	157	90
Adjustment for:		
Depreciation and amortization	131	137
Impairment and reversal of impairment	–	1
Impairment of working capital	13	12
Income from associates and joint ventures	–26	–30
Tax expense	70	78
Net financial income and costs	30	34
Gain / Loss from the disposal of activities not qualifying as discontinued operations	–	1
Gain / Loss on disposal of discontinued operations	–2	–3
Other non-cash items	12	18
Total reversal of non-cash items	228	248
Dividends received from associates and joint ventures	37	31
Payments for restructuring	–25	–11
Cash flow before changes in working capital and provisions	397	358
Changes in inventories	–218	–56
Changes in trade receivables	–116	39
Changes in trade payables	43	–182
Changes in other current assets and liabilities	–2	–34
Changes in provisions (excluding payments for restructuring)	–27	12
Cash generated from operating activities	77	137
Income taxes paid	–62	–48
Net cash generated from operating activities	15	89
Investments in property, plant and equipment	–130	–96
Investments in intangible assets	–3	–5
Investments in financial assets, associates and joint ventures	–	–2
Sale of property, plant and equipment and intangible assets	29	14
Changes in short-term deposits	218	288
Changes in other financial assets	–1	5
Business acquisitions	–56	–9
Proceeds from the disposal of associates and financial assets	3	2
Proceeds from the disposal of discontinued operations	–	2
Net cash provided by/used in investing activities	60	199
Purchase of treasury shares	–10	–1
Dividends paid to non-controlling interest	–16	–13
Proceeds/ payments associated to transactions with non-controlling interests	–1	–
Proceeds from financial debts	39	344
Repayments of financial debts	–15	–218
Repayments of lease liabilities	–25	–27
Interest paid	–17	–22
Interest paid for leases	–5	–6
Interest received	4	8
Net cash provided by/used in financing activities	–46	65
Currency translation effect on cash and cash equivalents	11	–27
Net change in cash and cash equivalents	40	326
Cash and cash equivalents at the beginning of the period	737	638
Cash and cash equivalents at the end of the period	777	964

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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 2021. 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 27 July 2021. These interim consolidated financial statements should be read in conjunction with the Consolidated Financial Statements for the year ended 31 December 2020 (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 2020.

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 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 following standards, interpretations, and amendments are effective from 1 January 2021:

- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4, and IFRS 16 – Interest rate benchmark (IBOR) reform

The amendments listed above did not have any impact on the Group’s financial accounts.

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 2021 amounted to CHF 25 million, compared to

CHF 46 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 2021 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 204 million at 30 June 2021, compared to CHF 202 million at the end of 2020, and are reported as part of financial assets. The change in value was mainly driven by the fair value estimation performed in June 2021 and resulted in an increase of CHF 1 million. The profit on the revaluation, amounting to CHF 1 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 hierarchy) and amounted to CHF 556 million at the end of June 2021, compared to their carrying value of CHF 535 million. There were no transfers between the levels in 2020 as well as in the half year ended 30 June 2021.

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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 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.

On 1 July 2020, Clariant sold the Business Unit Masterbatches to the US-based Avient Corporation (formerly PolyOne Corporation).

On 14 June 2021, Clariant announced that definitive agreements have been signed with Heubach Group and SK Capital Partners to divest its Pigments business, with closing expected to take place in the first half of 2022. Assets and liabilities reclassified as “held for sale” as of 30 June 2021 amount to CHF 888 million and CHF 288 million respectively. This also includes two participations accounted for at equity, which are not part of this transaction in the amount of about CHF 160 million.

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 through stringent safety and contingency measures that allow for very minimal disruption despite temporary production site closures, as well as through close cooperation with customers and suppliers along the value chains. In the reporting period, most Businesses Units have recovered in a satisfactory manner from the COVID-19 pandemic, which inflicted decreases on business activities. Management, together with the Business Units, is continuously modeling and assessing the situation and executing stringent cash and cost programs.

8. Restructuring, impairment and transaction-related costs

The implementation of the restructuring measures determined and provided for in 2020 is proceeding according to plan. During the first half of 2021, Clariant recorded restructuring, impairment and transaction-related costs pertaining to its continuing operations 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 72 million.

9. Contingencies

A Clariant subsidiary in the United States has been named along with many other defendants in lawsuits involving per- and poly-fluoroalkyl substances (PFAS). Clariant is monitoring the development of these cases, which relate to the respective business divested in 2013, and is defending all litigation matters related to PFAS. As of this point in time, Clariant cannot assess if these litigations will have a material impact on Clariant's financial results.

10. Events subsequent to the balance sheet date

Effective 1 July 2021, Clariant and India Glycols Limited (IGL), a leading company in the manufacturing of green technology-based chemicals, established a 51-49% joint venture for renewable ethylene oxide (EO) derivatives. The joint venture will operate under the name Clariant IGL Specialty Chemicals Private Limited and will be fully consolidated by Clariant. It is expected that the transaction will lead to additional sales in Clariant's Business Area Care Chemicals in the range of CHF 50 million for the FY 2021. Total consideration will comprise both a cash payment and the contribution of business activities to the new joint venture and will amount to about CHF 100 million.

On 7 April 2021, the Annual General Meeting agreed to a capital reduction by way of a par value reduction of the nominal value from CHF 3.70 to CHF 3.00 per share, resulting in a reduction of the share capital in the amount of CHF 232 million. As a consequence, on 2 July 2021, Clariant made a cash distribution of CHF 0.70 per share to its shareholders, which resulted in a total payout of CHF 230 million. In the balance sheet as of 30 June 2021, this amount is recorded as a payable.

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12. Business Area figures (Continuing Operations)

First Half	Sales to 3rd parties				EBITDA before exceptionals			EBITDA		
	2021	2020	% CHF	% LC	2021	2020	% CHF	2021	2020	% CHF
<i>CHF m</i>										
Care Chemicals	788	734	7	9	157	133	18	157	120	31
Catalysis	414	392	6	9	81	75	8	80	68	18
Natural Resources	832	819	2	4	140	138	1	140	116	21
Business Areas total	2034	1945			378	346		377	304	
Corporate	–	–			–32	–37		–40	–12	
Total	2034	1945	5	7	346	309	12	337	292	15

	Operating income before exceptionals			Operating income			Systematic depreciation of PPE	
	2021	2020	% CHF	2021	2020	% CHF	2021	2020
<i>CHF m</i>								
Care Chemicals	122	99	23	122	86	42	32	30
Catalysis	47	40	18	46	33	39	28	28
Natural Resources	95	93	2	95	70	36	34	32
Business Areas total	264	232		263	189		94	90
Corporate	–49	–60		–57	–35		15	17
Total	215	172	25	206	154	34	109	107

13. Business Area margins (Continuing Operations)

First Half	Sales to 3rd parties (Share of Total)		EBITDA before exceptionals		EBITDA	
	2021	2020	2021	2020	2021	2020
<i>in %</i>						
Care Chemicals	38.7	37.7	19.9	18.1	19.9	16.3
Catalysis	20.4	20.2	19.6	19.1	19.3	17.3
Natural Resources	40.9	42.1	16.8	16.8	16.8	14.2
Total	100.0	100.0	17.0	15.9	16.6	15.0

	Operating income b. exceptionals		Operating income	
	2021	2020	2021	2020
<i>in %</i>				
Care Chemicals	15.5	13.5	15.5	11.7
Catalysis	11.4	10.2	11.1	8.4
Natural Resources	11.4	11.4	11.4	8.5
Total	10.6	8.8	10.1	7.9

14. Discontinued Operations

	First Half			
	2021	2020	% CHF	% LC
<i>CHF m</i>				
Sales	449	941	–52	–52
EBITDA	58	67	–13	
- margin	12.9%	7.1%		
EBITDA before exceptional items	68	117	–42	
- margin	15.1%	12.4%		
Net income	50	15		

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15. Condensed earnings per share data

	First Half	
	2021	2020
Net result attributable to shareholders of Clariant Ltd (CHF m)		
Continuing operations	93	64
Discontinued operations	48	11
Total	141	75
Shares		
Number of registered shares at 30.06.2021 and 30.06.2020 respectively	331 939 199	331 939 199
Weighted average number of shares outstanding	329 500 230	329 481 202
Adjustment for granted Clariant shares	2 094 908	1 332 202
Weighted average diluted number of shares outstanding	331 595 138	330 813 404
Basic earnings per share attributable to shareholders of Clariant Ltd (CHF/share)		
Continuing operations	0.28	0.19
Discontinued operations	0.15	0.03
Total	0.43	0.22
Diluted earnings per share attributable to shareholders of Clariant Ltd (CHF/share)		
Continuing operations	0.28	0.19
Discontinued operations	0.14	0.03
Total	0.42	0.22

16. Finance income and costs

	First Half	
	2021	2020
Finance income		
<i>in CHF m</i>		
Interest income	5	7
Other financial income	1	1
Total finance income	6	8
Finance costs		
<i>in CHF m</i>		
Interest expense	-32	-38
<i>thereof effect of discounting of non-current provisions</i>	-1	-5
<i>thereof interest component of pension provisions</i>	-4	-1
<i>thereof interest on lease liabilities</i>	-5	-6
Other financial expenses	-4	-5
Total finance costs before currency result	-36	-43
Currency result, net	-7	-18
Total finance costs	-43	-61
thereof reported under discontinued operations	2	-5
Total finance costs continuing operations	-45	-56

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17. Foreign exchange rates

Rates used to translate the consolidated balance sheets (closing rates)	30.06.2021	31.12.2020	Change %
1 USD	0.92	0.88	5
1 EUR	1.10	1.08	2
1 BRL	0.19	0.17	12
1 CNY	0.14	0.13	8
100 INR	1.24	1.21	2
100 JPY	0.83	0.85	-2

			First Half
Average sales-weighted rates used to translate the consolidated income statements and consolidated statements of cash flows	2021	2020	Change %
1 USD	0.91	0.97	-6
1 EUR	1.09	1.06	3
1 BRL	0.17	0.20	-15
1 CNY	0.14	0.14	-
100 INR	1.24	1.31	-5
100 JPY	0.84	0.89	-6

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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 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

Calendar of Corporate Events

28 October 2021	Third Quarter/Nine Months 2021 Reporting
23 November 2021	Clariant Capital Market Day 2021
16 February 2022	Full Year 2021 Reporting
01 April 2022	Annual General Meeting

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Disclaimer

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