

# Media Release

**FULL YEAR 2016**

16 February 2017

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## **Clariant again significantly increases operating cash flow whilst growing sales and profitability in 2016**

- **Sales increased by 2 % in local currency to CHF 5.847 billion**
- **EBITDA margin before exceptional items expanded to 15.2 % from 14.7 %**
- **Operating cash flow significantly rose by 29 % to CHF 646 million compared to CHF 502 million in 2015**
- **Net income grew 16 % to CHF 263 million**
- **Proposed dividend increase of 12.5 % to CHF 0.45 per share**
- **2017 outlook: continued progression in profitability and operating cash flow generation**

“Clariant considerably expanded its operating cash flow in 2016 while reporting sales growth and profitability improvement,” said CEO Hariolf Kottmann. “Our good business performance was primarily achieved by means of a continued shift to high margin specialities, the impact of the differentiated steering in Plastics & Coatings as well as good cost management. For 2017, we are confident that we will achieve our targets, i.e. growth in local currency, progression in operating cash flow, absolute EBITDA and EBITDA margin before exceptional items in spite of a continued challenging economic environment.”

## Key Financial Data

Continuing operations:	Fourth Quarter				Full Year			
<i>in CHF million</i>	2016	2015	% CHF	% LC	2016	2015	% CHF	%LC
Sales	1 548	1 526	1	3	5 847	5 807	1	2
EBITDA before exceptional items	235	229	3	4	887	853	4	5
- margin	15.2%	15.0%			15.2%	14.7%		
EBIT before exceptional items					622	596	4	6
- margin					10.6%	10.3%		
EBIT					512	496	3	5
Net income					263	227		
Operating cash flow					646	502		
Number of employees					17 442*	17 213		

\* as of 31 December 2016

## Full Year 2016 – Another significant increase in operating cash flow and continued improvement in sales and margins

Muttenz, February 16, 2017 - Clariant, a world leader in specialty chemicals, today announced full year 2016 sales of CHF 5.847 billion compared to CHF 5.807 billion in 2015. This corresponds to a 2 % growth in local currency driven by higher volumes.

For the full year, local currency growth was strongest in Asia and the Middle East & Africa at 4 %. In Asia the strong growth was mainly supported by China and India. In North America and Europe sales growth was 2 %. Latin America grew at a level of 1 %.

The improved sales performance for the full year resulted from strong growth in Care Chemicals and Plastics & Coatings. In Care Chemicals, sales in local currency increased by 5 % to CHF 1 465 million. In Plastics & Coatings, sales in local currency progressed by 4 % to CHF 2 525 million. The good sales performance in Plastics & Coatings was seen across all regions.

Despite the difficult market environment, sales in Natural Resources grew by 2 % in local currency and amounted to CHF 1 184 million. There was a decline in the Oil and Mining Services business which was compensated by acquisitions and the continued growth in Functional Minerals. Sales in Catalysis declined by 8 % in local currency, reaching CHF 673 million due to portfolio mix effects and lower demand in Asia and North America.

EBITDA before exceptional items increased by 4 % in Swiss francs and reached CHF 887 million, compared to CHF 853 million in the previous year. The profitability improvement was driven by Care Chemicals and Plastics & Coatings.

The corresponding EBITDA margin before exceptional items of 15.2 % was significantly above the previous year's level of 14.7 % mostly due to a sharp increase in Plastics & Coatings. Margins in Care Chemicals and Natural Resources were stable and both delivered at the higher end of the respective margin guidance. As anticipated, Catalysis was below the previous year's level largely due to lower demand in Asia and North America.

Net income climbed to CHF 263 million from CHF 227 million in the previous year. The 16 % increase year-on-year resulted from the continued expansion in absolute EBITDA, lower finance costs and an improvement in the tax rate.

Operating cash flow rose significantly by 29 % to CHF 646 million compared to CHF 502 million in the previous year. This improvement is primarily attributable to higher profit, lower cash out for exceptional items and lower income taxes paid.

Net debt was CHF 1.540 billion compared to CHF 1.312 billion recorded at year-end 2015 as a result of the bolt-on acquisitions in 2016.

The continued improvement in performance that Clariant achieved despite the difficult economic environment, allows the Board of Directors to propose a dividend of CHF 0.45 per share to the Annual General Meeting. This sum reflects an increase of 12.5 % compared to the previous year. The distribution is proposed to be made from the capital contribution reserve which is exempt from Swiss withholding tax.

#### **Fourth Quarter 2016 - Further progress in profitability**

In the fourth quarter of 2016, sales grew by 3 % in local currency to CHF 1.548 billion. Excluding acquisition effects in the Oil and Mining Services business, year-on-year sales were stable.

On a regional level, sales grew at 6 % in Europe driven by volume increases. In the Middle East & Africa, sales were up 7 % in local currency. Asia grew at 4 % in local currency with further improvement in China. Latin America saw a decline of 17 % led by a weakening demand in Brazil, while North America advanced by 14 % in local currency as a result of the bolt-on acquisitions.

Care Chemicals reported sales of CHF 378 million with local currency sales growth of 5 %. In Plastics & Coatings, sales rose by 3 % in local currency to CHF 594 million, with a strong sales performance in each of the three businesses Masterbatches, Pigments and Additives. Sales in Natural Resources were CHF 345 million, up 7 % in local currency. This growth was driven by Functional Minerals and acquisitions in the Oil and Mining Services business. Catalysis sales were 6 % lower in local currency to CHF 231 million, against a high comparable base in the previous year.

EBITDA before exceptional items rose by 3 % in Swiss francs to CHF 235 million driven by the differentiated steering in Plastics & Coatings. As a result, the EBITDA margin before exceptional items increased to 15.2 % in the fourth quarter.

## **Outlook 2017 – Continued progression in profitability and operating cash flow generation**

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

For 2017, in spite of a continued challenging economic environment, Clariant is confident to be able to achieve growth in local currency, as well as progression in operating cash flow, absolute EBITDA and EBITDA margin before exceptional items.

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

## Business Discussion

### Business Area Care Chemicals

	Fourth Quarter				Full year			
<i>in CHF Million</i>	2016	2015	% CHF	% LC	2016	2015	% CHF	% LC
Sales	378	370	2	5	1 465	1 445	1	5
EBITDA before exceptional items	68	67	1	6	276	272	1	2
- margin	18.0%	18.1%			18.8%	18.8%		

#### Full Year

Sales in the Care Chemicals Business Area increased by 5 % in local currency and by 1 % in Swiss francs in the full year 2016.

Most regions had good sales performance, led by Asia and the Middle East & Africa which achieved double-digit growth rates. Europe and North America also showed good growth in the mid-single digit range. Latin America grew in sales but slowed down significantly throughout the year.

Consumer Care delivered high single digit sales growth, supported by strong performance in Personal Care, Home Care as well as in Crop Solutions. The Industrial Application business also delivered good sales growth.

The EBITDA margin before exceptional items for the full year remained stable at 18.8 %, which is at the very high end of the margin guidance for the business area.

#### Fourth Quarter

Sales in Care Chemicals increased by 5 % in local currency and 2 % in Swiss francs in the fourth quarter of 2016. The growth was supported by all business lines.

Most regions achieved good growth in local currency, while only Latin America was weaker against a high comparable base in 2015.

The EBITDA margin before exceptional items decreased slightly to 18.0 % from 18.1 % in the previous year. Ramp up costs for new capacities were almost compensated by a more favorable product mix.

For 2017, Care Chemicals expects continued solid sales growth in both Consumer Care and Industrial Applications. There is still strong market demand for innovative and sustainable solutions that do not compromise performance, which Clariant continues to focus on. Examples of these solutions include natural extracts and organic certified ingredients from Brazil's biodiversity. Clariant, therefore, not only offers new and sustainable active ingredients but also supports local communities in the rainforest.

## Business Area Catalysis

	Fourth Quarter				Full year			
<i>in CHF Million</i>	2016	2015	% CHF	% LC	2016	2015	% CHF	% LC
Sales	231	241	-4	-6	673	704	-4	-8
EBITDA before exceptional items	71	76	-7	-10	160	177	-10	-12
- margin	30.7%	31.5%			23.8%	25.1%		

### Full Year

In this transition year 2016, sales in the Catalysis Business Area were lower by 8 % in local currency and by 4 % in Swiss francs for the full year.

The decline in sales was due to the continued soft demand in Asia as a result of project delays and a lower demand in North America which had a high comparable base against the previous year. The lower demand could not be offset by a good sales development in other regions.

The EBITDA margin before exceptional items of Catalysis decreased to 23.8 % in the full year of 2016 which is slightly below our margin guidance. The decline was due to a slow-down in demand and a lower contribution of Specialty Catalysts.

### Fourth Quarter

In the fourth quarter of 2016, Catalysis sales were lower by 6 % in local currency and by 4 % in Swiss francs compared to the previous year. This decline was driven by weak demand in Asia and a high comparable base in North America. The decline could not be compensated by Europe and the Middle East & Africa which grew year-on-year.

The EBITDA margin before exceptional items was 30.7 % versus 31.5 % in the same period last year. This decline was largely the result of a lower contribution of Specialty Catalysts sales while quarter-on-quarter Petrochemicals stabilized and Syngas showed some improvement.

Even though for 2016 we saw a demand contraction in Catalysis as a result of the weak economic environment, fundamentals in the mid- to long-term remain positive based on Clariant's portfolio strength, innovation capability, global footprint and growing partnerships. Partnerships include the CB&I's Lummus Novolen Technology for polypropylene catalysts. The inauguration of a new plant took place in the fourth quarter of 2016 and first revenues are expected in the first quarter of 2017.

## Business Area Natural Resources

	Fourth Quarter				Full year			
<i>in CHF Million</i>	2016	2015	% CHF	% LC	2016	2015	% CHF	% LC
Sales	345	329	5	7	1 184	1 217	-3	2
EBITDA before exceptional items	62	67	-7	-3	200	206	-3	2
- margin	18.0%	20.4%			16.9%	16.9%		

### Full Year

Sales in the Natural Resources Business Area increased by 2 % in local currency and decreased by 3 % in Swiss francs compared to the full year of 2015. Adjusted for the acquisitions in the Oil and Mining Services business in the fourth quarter of 2016, sales declined 2 % in local currency.

The Oil and Mining Services business, excluding the acquisitions, had a single-digit negative sales performance during the full year, however this was less pronounced than the industry trend.

Functional Minerals experienced good sales growth in local currency. Sales growth was primarily driven by emerging markets. Europe and North America also advanced above the prior year's level. Growth was largely driven by the expansion of the edible oil purification business in emerging markets.

The EBITDA margin before exceptional items was stable at 16.9 %, versus the previous year, which is at the higher end of the margin guidance. This was achieved with disciplined cost management across the business units.

### Fourth Quarter

In the fourth quarter, sales in Natural Resources increased by 7 % in local currency and by 5 % in Swiss francs. This growth was driven by Functional Minerals and acquisitions in the Oil and Mining Business which had a positive impact of 13 % in local currency.

The underlying sales trend in the Oil and Mining Services business of the first nine months continued and showed a further slow-down in the fourth quarter.

Functional Minerals continued to achieve solid sales growth in local currency. The good sales performance was driven mainly by emerging markets and North America.

Following the lower sales pattern in the Oil and Mining Services business, the EBITDA margin before exceptional items declined to 18.0 %.

While Functional Minerals is expected to continue to grow particularly in emerging markets, the weaker oil prices will continue to impact the short-term dynamics in Oil and Mining Services. In 2017, Oil and Mining Services will continue to focus on technologies to improve efficiency, sustainability and safety and expects to extract synergies from its acquisitions, the integration of which are well on track. The increase in oil price suggests a stabilization and a gradual increase in oil and gas activity in 2017.

## Business Area Plastics & Coatings

	Fourth Quarter				Full year			
<i>in CHF Million</i>	2016	2015	% CHF	% LC	2016	2015	% CHF	% LC
Sales	594	586	1	3	2 525	2 441	3	4
EBITDA before exceptional items	68	53	28	27	368	313	18	17
- margin	11.4%	9.0%			14.6%	12.8%		

### Full Year

Sales in the Plastics & Coatings Business Area increased by 4 % in local currency and 3 % in Swiss francs for the full year of 2016.

In Masterbatches, sales increased across all regions. Europe, North America, Latin America, Asia and India contributed most to the growth. Across the segments, the areas of Packaging, Fibers, Engineered Polymers, Additives and Medical Specialties performed particularly well.

In Pigments, all regions had a good sales performance with particular strength in Asia, mainly driven by India and China. Predominantly Plastic Applications as well as Special Applications contributed to the good development year-on-year.

Additives achieved sales growth across all regions, mainly driven by strong demand in Europe and Asia. The good sales development was supported by all business lines.

The EBITDA before exceptional items grew significantly by 17 % in local currency to CHF 368 million year-on-year. This rise largely reflects a better product mix, a higher capacity utilization and the effect of the differentiated business steering implemented at the beginning of 2016.

### Fourth Quarter

Sales in the Plastics & Coatings Business Area rose by 3 % in local currency and 1 % in Swiss francs year-on-year.

In Masterbatches, there was good sales performance in Europe, North America and Asia. In Pigments, growth was most pronounced in Asia and the Middle East & Africa. Additives sales also advanced in the fourth quarter of 2016 reflecting a better development in Europe, North America and Latin America.

The EBITDA before exceptional items grew significantly by 27 % in local currency and increased to CHF 68 million in the fourth quarter compared to a weak quarter in the previous year.

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



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Clariant is a globally leading specialty chemicals company, based in Muttenz near Basel/Switzerland. On 31 December 2016 the company employed a total workforce of 17 442. In the financial year 2016, Clariant recorded sales of CHF 5.847 billion for its continuing businesses. The company reports in four business areas: Care Chemicals, Catalysis, Natural Resources, and Plastics & Coatings. Clariant's corporate strategy is based on five pillars: focus on innovation through R&D, add value with sustainability, reposition portfolio, intensify growth, and increase profitability.