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COMPANY REPRESENTATIVES

Conrad Keijzer, Chief Executive Officer

Oliver Rittgen, Chief Financial Officer

Andreas Schwarzwälder, Head, Investor Relations

Operator:
Ladies and gentlemen, welcome to Clariant's call relating to the Third Quarter and Nine Months 2026 Results. I'm Sandra, the Chorus Call operator [Operator Instructions].

At this time, it's my pleasure to hand over to Andreas Schwarzwälder, Head of Investor Relations. Please go ahead, sir.

Andreas Schwarzwälder
Ladies and Gentlemen, good afternoon. My name is Andreas Schwarzwälder and it's my pleasure to welcome you to this Q3 conference call.

Joining me today are Conrad Keijzer, Clariant's CEO, and Oliver Rittgen, Clariant's CFO. Conrad will start today's call by providing a summary of the third quarter developments, followed by Oliver who will guide us through the business unit results. Conrad will then conclude with the outlook for the full year 2026.

There will be a Q&A session following our presentation.

At this time, all participants are in listen-only mode.

I would like to remind all participants that the presentation includes forward-looking statements which are subject to risks and uncertainties. Listeners and readers are therefore encouraged to refer to the disclaimer on slide 2 of today's presentation.

As a reminder, this conference call is being recorded. A replay and a transcript of this call will be available in the Investor section of the Clariant website.

Let me now hand over to Conrad to begin the presentation.

Conrad Keijzer, CEO
Thank you, Andreas.
In the third quarter of 2026, Clariant delivered strong sales growth in local currency.
We delivered sales of 968 million Swiss Francs, representing an increase of 5.6 percent in local currency. Excluding portfolio pruning, sales increased by 6.7 percent in local currency. Strong growth in Care Chemicals and Adsorbents & Additives reflected positive pricing and volumes, while Catalysts volumes remained impacted by the Middle East conflict.

Our EBITDA margin before exceptional items decreased by 230 basis points year on year to 15.6 percent.

The improvement in Adsorbents & Additives was more than offset by the normalization of Corporate costs following a prior-year one-off benefit, and the impact of a less favorable mix and raw-material-related effects.

We increased our free cash flow conversion rate by 9 percentage points on a last twelve-month basis to 48 percent, from 39 percent in the prior year period, due to improved operating cash flow, disciplined capital spending, and effective net working capital management.

Our guidance for the full year 2026 remains unchanged, with continued volatility and uncertainty related to the Middle East conflict. For the final quarter, we have a strong order book, particularly in Catalysts, and expect continued strong business momentum in Care Chemicals and Additives. Margins in the fourth quarter will be driven by topline growth and a positive business mix. This will be supported by our performance improvement programs and continued active cost and pricing management.

Now moving to further detail on our sales performance in the third quarter. Pricing increased by 5.7 percent and was positive across all three Business Units, driven by strong value-based pricing actions to largely offset significant inflationary raw material prices.

Volumes decreased by 0.1 percent, impacted by the Middle East conflict and our portfolio pruning measures. Excluding portfolio pruning, Group volumes grew by 1.0 percent. Volumes grew by 2.1 percent underlying in Care Chemicals and by 1.0 percent in Adsorbents & Additives, while Catalysts volumes declined by 1.9 percent.

The reported revenue figure benefited from a 1.3 percent currency tailwind.

Turning to profitability, EBITDA before exceptional items decreased by 6.5 percent year on year to 151.5 million Swiss Francs. This corresponds to a margin of 15.6 percent, compared to 17.9 percent in the prior year.

Let me provide some more details on the margin development: The 230-basis-point decline reflects two effects of broadly similar magnitude: First, a one-off year-on-year impact of roughly 100 basis-points from the phasing of provisions in Corporate costs. Second, a roughly 100 basis-points effect of volatile raw materials on costs and valuation of inventory in Care Chemicals and Catalysts.

Our performance improvement programs supported margins across the Group, particularly in Adsorbents & Additives. Pricing largely offset 12 % higher raw material, 9 % increased energy and 24 % higher logistics costs across the Group in the third quarter versus prior year.

Looking at the **savings programs** in more detail.

Our performance improvement programs target total run-rate savings of 100 million Swiss Francs by 2027. We continue to expect 90 million Swiss Francs run-rate savings by the end of 2026.

In the third quarter, we achieved savings of 10 million Swiss Francs, which brings the cumulative run-rate savings achieved to 79 million Swiss Francs.

The implementation of the programs resulted in restructuring charges of 6 million Swiss Francs in the Third Quarter, bringing total program restructuring charges to 99 million Swiss Francs.

The key measures announced in the Third Quarter include an additional headcount reduction of around 70 positions, increasing the total announced reduction to around 700 positions. We continue to implement targeted cost management initiatives globally across the Business Units and Corporate functions.

With that, I now hand over to Oliver for further details on our business performance in the Third Quarter.

Oliver Rittgen, CFO
Thank you, Conrad and good afternoon, everyone.

Let us now look at the Third Quarter development by Business Unit.
In Care Chemicals, we recorded strong underlying growth driven by the industrial businesses and Personal & Home Care. Sales increased by 8.7 percent in local currency when excluding our portfolio pruning measures, and by 6.6 percent when including them. Pricing was up 6.5 percent, reflecting increased formula-based prices and the continued implementation of value-based pricing in response to clearly inflationary input costs. Volumes increased by 0.1 percent including the impact of portfolio pruning, while underlying volumes grew by 2.1 percent. Sales in Swiss Francs increased by 8.4 percent, reflecting a 1.8 percent currency tailwind.

Growth was driven by Industrial Applications, Base Chemicals, Mining Solutions and Personal & Home Care, supported by positive pricing and strong volume growth. Sales in Crop Solutions were flat, with slightly lower volumes. Here we expect a volume recovery in Q4. Sales in Oil Services declined due to the portfolio pruning effect behind our exit in Argentina and the impact of the Middle East conflict. We saw an underlying decline at a low single-digit rate over a particularly strong previous year quarter.

We recorded EBITDA before exceptional items of 93.0 million Swiss Francs, representing a 0.3 percent decrease compared to the prior year. This translated into an EBITDA margin before exceptional items of 17.5 percent, a 150-basis-points decline, reflecting business mix, as we saw an over-proportional contribution from industrial businesses, and the effects of volatile raw materials on costs and valuation of inventory.

In Catalysts, sales increased by 1.8 percent in local currency and by 1.3 percent in Swiss Francs. While pricing was up 3.7 percent, volumes declined by 1.9 percent versus the prior-year period due to the significant impact of the conflict in the Middle East, with high-margin orders being delayed.

Sales in Propylene more than doubled against a very low comparison base, while sales in Specialties were flat. Sales in Ethylene decreased at a double-digit percentage rate, especially being affected by the shifts of orders. Syngas & Fuels decreased at a low single-digit rate with good growth in fuel cells behind the investments in data centers, offset by softer demand in Syngas.

EBITDA before exceptional items decreased by 29.4 percent to 23.1 million Swiss Francs, representing a corresponding margin of 13.3 percent compared to 19.1 percent in the prior year.

Half of that decline was driven by the volume impact from the conflict in the Middle East resulting in lower operating leverage, along with a less favorable business mix. The other half results from a negative inventory valuation effect with lower precious metal prices.

Continued delays in orders in the Middle East and other regions remain a factor, as there is still a significant number of force majeures and shutdowns in the industry. However, we are seeing a normalization in Asia and a reduced number regarding our direct customers. This results in a solid order book and favorable business mix, providing confidence for our expectations to deliver a strong final quarter of the year.

Moving to Adsorbents & Additives, we recorded continued strong topline growth driven by Additives. Sales increased by 6.4 percent in local currency and by 7.9 percent in Swiss Francs, with pricing up by 5.4 percent and volumes increasing by 1.0 percent.

In the Adsorbents segments, sales increased modestly, as growth in renewable fuel applications in the United States more than offset lower demand in industrial segments and edible oil purification in EMEA and APAC. In Additives, sales increased at a double-digit percentage rate, driven by strong price and volume growth.

In Polymer Solutions, we saw continued strong demand particularly in flame retardants and waxes, while Coatings & Adhesives benefitted from significant growth in passive fire protection.

EBITDA before exceptional items increased by 15.1 percent to 48.9 million Swiss Francs, while the corresponding margin increased to 18.5 percent versus 17.4 percent in the prior year. The 110-basis-points improvement reflected positive mix effects, active margin management and contributions from our performance improvement programs.

And with this, I close my remarks and hand back to Conrad.

Conrad Keijzer
Thank you, Oliver. Let me conclude with our guidance for 2026.

For the full year 2026, we continue to expect a challenging and volatile market environment with continued geopolitical uncertainties and risks.
The Oxford Economics forecast now assumes global GDP growth of 2.6 percent, broadly in line with their 2.5 percent in July, while expected global chemical industry growth has decreased to negative 0.6 percent from 1.0 percent in July, driven by a prolonged Middle East conflict and related elevated energy price levels. Declines are expected in the Middle East and Africa (- 5.2 percent), the US (- 1.5 percent) and in Europe (- 0.2 percent) while growth in the Chemical industry in China slows down to 1.4 percent in 2026.

The ongoing conflict in the Middle East continues to negatively impact orders in Catalysts and Middle East Oil Services, and puts inflationary pressure on raw material, energy and logistics costs.

To mitigate these effects, we continue to deliver our proven value-based pricing, supported by active cost measures.

Our guidance for 2026 remains unchanged, with sales expected to be around 2025 levels in local currency and an EBITDA margin of around 18 percent before exceptional items. This outlook is supported by the continued strong business momentum in Care Chemicals and Additives and a strong order book for the final quarter of 2026, particularly in Catalysts. We expect a quarter in Catalysts in-line with prior-year and higher margins on a positive business mix. We expect to achieve free cash flow conversion of over 45 percent in 2026.

With that, I turn the call back over to Andreas.

Andreas Schwarzwälder, IR:
Thank you, Conrad and Oliver.
Ladies and Gentlemen, we're now opening the floor for questions. To ensure everyone has a chance to participate, please ask no more than two questions per person. Thank you for your cooperation.

Sandra, please go ahead.

QUESTION & ANSWER

Operator
Our first question comes from Christian Faitz from Kepler Cheuvreux. Please, go ahead.

Faitz Christian
Yes, thank you and good morning. Good afternoon, actually, and congrats on the quite good results in a challenging time. Two questions, please. First of all, your full year guidance. What does support the rather sharp improvement in Q4 that is required to reach the 18% full year EBITDA margin? My calculations suggest something like 21% EBITDA margins in Q4 would be required to get to that.

And then the second question on the Catalysts side, I appreciate your comments on the demand revival in Asia, but how does the Middle East look and do you see any sign of hope that operations in the Middle East/Middle East conflict are stabilizing? What do we hear on the ground? Thanks very much.

Keijzer Conrad
Yeah. Thank you, Christian. The two questions are a bit related because what we basically -- what makes us feel comfortable about the guide is actually Q4 and how it comes in. So we've seen in October actually a good start of the quarter in all business units. All business units are actually up in revenue compared to prior year.
We particularly see a very strong order book in catalyst and not only in terms of revenue, which we think will end in line with prior year, which was quite strong, but also in terms of mix. It should actually be a more favorable mix than prior year.

Maybe specifically on Catalyst to your question, what we see in Catalyst in the Middle East is ongoing shutdowns by customers. In total, we have actually in the industry more than 100 force majeures still globally. But what we are seeing is the number coming down outside the Middle East.

So customers not only affected in the Middle East because they cannot ship finished product, but outside the Middle East, there also were quite some customers that were in force majeure because of lacking feedstock, primarily naphtha but also propane. Customers in China, in Japan, in Korea, and here we actually see that they successfully resourced from other regions now and are starting up again. So that is reflected in our order book. So we expect a very strong quarter for Q4. And you're correct, the year-to-date EBITDA margin is running at 17.1%, so it is built on a strong Q4 that we see in the order books that we expect to finish around 18% EBITDA for the year.

Faitz Christian
Thanks very much. Very helpful, Conrad.

Keijzer Conrad
Thank you.

Operator
The next question comes from Thea Badaro from BNP Paribas. Please, go ahead.

Badaro Thea
Yes, hi. Good afternoon. Two questions, if I may. The first one is on Care Chemicals. Can you give us a bit more color on why the margins were so weak in the quarter, apart from the inventory revaluation?

And the second one is on, maybe a slightly sensitive one, on the litigations. Could you please provide us with a bit more color on what would it take you to settle the case with Shell? Is this a potential scenario you could consider at some point? Thank you.

Keijzer Conrad
Yeah, so on the claims, we can be very short. There is no news on the claims. So as expected, Shell and the Stichting Foundation filed for an appeal and we continue to be very pleased with the clear decision from the Amsterdam District Court in July, who confirmed our view.

With regards to Care Chemicals, and I'll let Oliver provide a bit more detail, but you did see actually a very strong Q2 with 300 basis points up in margins, but that was largely explained by a positive inventory revaluation. So now actually we saw the opposite in Q3, that the cost of this inventory is high and you see that reflected now in lower margins.

So what is important is that we're getting our pricing and sometimes there's a delay, that's primarily on the formula pricing, but we are confident that we are actually getting the full amount of raw material increase also in Care Chemicals, but sometimes there can be a delay. I don't know, Oliver, if you wanted to comment on mix and other factors in Care Chemicals.

Rittgen Oliver

Yeah. Hello, Thea. Maybe to just add to the second component of the margin performance in Care Chemicals, Conrad talked about the quarter-over-quarter and the inventory effect already. The second component is the mix that we saw in Care Chemicals in the third quarter. When you look at the segments, we had a very strong growth and overproportionate growth, I would say, in the industrial segments. So Industrial Applications, the Base Chemicals. And in that sense, it's a bit of a margin question on that side. We also had growth in Personal and Home Care and Mining. But as I said, that was the industrial part of that was over-proportional and hence came with different margins and that in combination with the inventory led to the slightly lower margin versus previous year.

Operator

The next question comes from James Hooper from Bernstein. Please go ahead.

Hooper James

Hi, good afternoon. Thank you for taking my questions. I have two, please. The first is around the medium-term guide. So congratulations on achieving the free cash flow guide. But can you firstly help me bridge how you're expecting to get to the local currency revenue guide and then next year's EBITDA margin? Particularly in the local currency revenue guide, it looks like you need to do a considerable deal to get there and the press have been linking you to Ashland, for example.

And then second question, Conrad, I just want to pick up on your remarks that you made on TV this morning about unfair competition from not just China, but also the US. Can you give us a little bit of context about any measures that you see implemented by Europe and whether they'll be kind of just anti-dumping or in the context of the quotas, please? Thank you.

Keijzer Conrad

Yeah, James, I'll let Oliver comment a bit more specifically on medium-term guide and free cash flow. In terms of the competition, I can mention that, so what was asked this morning was China competition in Europe and what the view is of the chemical industry on that.

And we actually just had our Board meeting for Cefic the other week in Portugal where we came together with all of the representatives from the industry. And by and large, the view is that global trade has always been a positive for Europe. Historically, 35% of production in chemicals in Europe was exported. So export has been a growth driver for the chemical industry in Europe.

What is obviously not good is unfair competition and the point of view in the industry and Cefic point of view is that when people are, when it's about anti-dumping measurements, the US -- sorry, the EU needs to really step that up. That's obviously unfair competition when people sell below their cost.But actually, if you look at general trade with China, it is actually balanced in terms of the duties. There is anywhere between 0% and 5% duty on products going into China, but the reverse is the same actually. What is less balanced is the trade with the US, where we still have about a 12.5% tariff for our products getting into the US and there's no tariff for products from the US going into Europe. And with the increasing difference in energy cost, the gas price is now actually a factor 10 or 12 more expensive in Europe than in the US. This is becoming an issue and there's quite a lot of import of polymers now into Europe.

Yeah, what for Clariant is still an important comment to make is we have 68 factories globally, so tariffs for us are not a significant impact on our results. We produce by and large in a region for a region. Oliver, to you on the medium term.

Rittgen Oliver

Yeah. Hello, James. On the medium-term, I mean, first of all, I share your view on the cash performance. We are also pleased with the above 45% that we are guiding for this year. The medium-term guide on cash performance was 40%. So the cash program that we have launched last year is really taking traction. The discipline on working capital, the discipline on capex and the execution of it is showing good results already this year and parts at the end of last year already. And we are confident that we will also stay on that execution for next year.

In terms of sales and margin, the medium-term guidance is at 4% to 6%. But that is predicated on the market being somewhere in the range of 2% to 4%. And then on margin, we said 19% to 21% with the around 18% that we will finish this year, depending on the market outlook that we take for next year, that is how we look at that medium-term range still. But it's a bit early to talk now already about guidance for next year, on that one we're going to come back in February.

Hooper James
And sorry, just to follow up. Is it -- just on the M&A question as well, is it a route to making that medium-term guidance?

Rittgen Oliver
I mean, on the M&A, there's nothing to add what we what we always say on M&A. We're going to stay disciplined on any M&A execution. We are looking at the opportunities when they post them to us. We are committed to our investment grade rating and yeah, that's pretty much what we can say on M&A strategy.

Hooper James
Thank you very much.

Rittgen Oliver
Thank you, James.

Operator
The next question comes from Julia Winckelmann from Bank of America. Please go ahead.

Winckelmann Julia
Hi, thank you for taking my questions. So the first one would be on the catalyst business. Did I understand correctly you said sales are similar to last year and then the mix is better, so its should EBITDA should be up year-on-year? I think last year was around 60 million or so.

And can you maybe give a bit more color on what contracts are driving this sequential improvement? Is it one big order? Is it multiple orders? And which product is it in, which region? And are these deliveries scheduled for towards the beginning of the quarter or more towards the end? So in other words, is there any risks for delays into 2027?

And then my second question would be on capex. I think you said you expected now in the lower end of the range, while historically it has been more above 200 million. Are there any specific projects or areas where you have decided to reduce capex and if so, why? And is that also the run rate we can expect for 2027 and beyond?

And then the last question would be on your, I guess a follow-up question on M&A.

I think you previously indicated that your preference would be bolt-on acquisitions in the consumer and market space. What target size would you consider a bolt-on and is it still the priority or would you also consider larger ones? Thank you.

Keijzer Conrad

Yeah, okay, thanks for your questions. We'll try to take all three. I think Oliver can comment on capex. Yeah, just to repeat what Oliver just said on M&A. Let's be clear. So our strategy in the company is first and foremost about organic growth and margin improvements. And then we actually have bolt-on acquisitions on top. So we would only do acquisitions if and when they strengthen our core segments and we will be disciplined. We have a quality ambition, not a size ambition.And Oliver mentioned for us very important also to maintain our investment grade. So that I think is the framework on M&A and there's no change there.

As far as catalyst and Q4 and the order book, yeah, so we think overall catalyst will come in around last year in terms of revenue, but with a better mix. The order book is actually above last year, so that gives us really confidence heading into the fourth quarter. We saw a strong start in October and in terms of mix, it's a positive mix and what we mean with that is we see the segments with higher margins, and particularly ethylene, but also propane to polypropylene, our CATOFIN catalysts, we see those orders in the books and that typically means that we see we should see slightly better margins than we had last year.

Rittgen Oliver

Yeah, Julia, on the capex we indicated the range of CHF150 million to CHF175 million and also that we would likely finish this year at the lower end of that range. I mentioned that we have a very good discipline now on how we look at capex and the spending and it's also something that of course we will continue going forward.

That level of CHF150 million, roundabout, is not an unusual level. That was also the level that we saw last year. And you're right in the period of 2020 to 2024, we were on higher capex rates, but those were the heavy investments that we also did like in China in Daya Bay to build up additional capacity and to further strengthen the strategy that Conrad was also mentioning that we produce and source region for region, and that was part of that strategy to significantly extend our China presence, for instance, but that capacity is now built.

We feel that we have sufficient capacity for the growth ambition that we have and hence that level of CHF150 million to CHF175 million is more of a normalized capex level for us.

Winckelmann Julia
Thank you.

Rittgen Oliver
Thank you, Julia.

Operator
The next question comes from Chetan Udeshi from JPMorgan. Please, go ahead.

Udeshi Chetan
Yeah, hi. Thanks for taking my questions. I was just trying to reconcile your comments on strong Q4 order book with what you've reported. It's quite unusual for a company to miss and say, you know, Q4 is like actually looking great after missing Q3 and, you know, when I look at your volumes in Care Chemicals, flat, your volumes in Additives is up like maybe 1%.

It doesn't seem like there is a sort of, you know, broad-based strength in demand as you seem to be just suggesting. So I was saying, you actually seen an acceleration of trends in Q4 and hence you think Q4 will be better. I'm a bit confused in the comments on Q4 versus what you actually have reported for Q3?

And the second question, not I mean, apologies again to come to this M&A topic because I remember I asked this question to you Conrad last conference call around the need for industry consolidation and the role Clariant will play. And I think if I'm not completely mistaken, you said at that point the focus is on bolt-on acquisitions. And since then, we've seen the news flow of Clariant actually looking to buy Ashland with the private equity. So, it's not entirely clear how should we read what your intentions are and like how are you even looking to fund an acquisition of that size if there is one in the pipe? Thank you very much.

Keijzer Conrad
Yeah, Chetan, okay. First on the strong fourth quarter. I think you mentioned flat volumes in Care Chemicals. I think it's important to realize that if you correct for pruning, we're actually running at 2% volume year-on-year in Care Chemicals. In Additives you mentioned 1%, that's actually the combined growth between Additives and Adsorbents and what we're seeing particularly in Adsorbents is a pickup in business especially in the US because of the new renewable fuel incentives.

Additives already is running well above a 1% CAGR and we actually see pockets there, particularly our flame retardants where we're running a double-digit growth. So where we see volume headwinds in the business is actually in Catalyst, the minus 2%, which is entirely related to the Middle East. And what we're also seeing in the Middle East is that actually in the Middle East itself, there still are quite a number of force majeures, but outside the Middle East, we see that actually easing.

So, this is all confirmed in our order book. Q4 is always seasonally strong for Catalyst. That's how the business works. People sort of run out their complete their capex budgets for the end of the year. Many times, it's part of capex. There has been always this seasonality and yeah, so I think we are actually relatively optimistic.

We see growth back in the business, not just in because of pricing. No, we see underlying 2% growth in Care Chemicals. We see more than 1% growth in Additives & Adsorbents, and we see Catalyst starting a recovery.

On the consolidation question that you had of or yeah, you were more or less asking me to speculate on rumors. You know, it's a good tradition in our industry that we don't comment on specific rumors or cases. But I will repeat that for us it is important that we make acquisitions that strengthen core segments in our company. And to your question on funding, the investment grade for us is absolutely an important priority. So whatever we do has to stay within those parameters.

Udeshi Chetan
Got it. Thank you.

Keijzer Conrad
Thank you, Chetan.

Operator
The next question comes from Jaideep Pandya from Onfield Research. Please go ahead.

Pandya Jaideep
Thank you. First question is, again, sorry to ask, but on Catalyst. If you look out the next sort of 12 months to 18 months, very curious to understand the CATOFIN cycle.

And if you have any other new products in the pipeline in terms of CATOFIN's refill demand as well as I guess new plants if there are any? So I just want to understand how would the mix evolve given CATOFIN was such a key driver of your mix in the previous peak basically.

The second question is around, actually it's a same question, but for two businesses. If you zoom into your Personal and Home Care where you did the Lucas Meyer acquisition and then if you look at the Flame Retardants business where you added capacity in China?

I understand both these businesses are higher margin businesses and they've been doing, at least from the outside in, quite well. But the reported margin for the divisions hasn't really progressed much. So can you just give us some color, how are these businesses doing margin-wise and if they're doing well, then what is the offsetting factor where margins have gone down and therefore the true color is not reflected.

And the last question sort of ties into what Chetan was asking really. If we look at Clariant's portfolio today, I mean what areas -- it seems that you want to put more money in Care Chemicals. So to be counter, then what is the strategic relevance of Adsorbents & Additives, like why would you not look at the strategic review for that, if you're getting a good valuation to potentially fund your plans in Care Chemicals if that is the case? Thank you.

Keijzer Conrad

Yeah, thank you, Jaideep. Yeah, the last one, I can be short about. If we would do strategic reviews, we would do them internally and not necessarily on these calls. And yeah, in terms of the M&A, I have not so much to add beyond the prior comments.

With regards to Catalysts, I'll make a few comments and I think Oliver can comment on the margin progression, but it's fair to say that Lucas Meyer and Flame Retardants are actually doing a double-digit growth in the quarter, so we are very pleased indeed with those performances.

On Catalysts, I think what is important if you take a sort of a medium or longer-term perspective on it is that Catalysts has been disproportionately hit by the Middle East this year. So that is actually a significant part of our revenue and we've been hit with force majeures within the Middle East, but also outside the Middle East.

I think what you will see is even in a continued turmoil scenario in the Middle East, you'll see a recovery of those plants that are on force majeure outside the Middle East.

I think there is a second effect that we haven't talked about often, but that is that actually volumes that are out of the market from the Middle East are actually partly absorbed in the US and in Europe. And here you see higher operating rates in the petrochemical industry as well as base chemicals. What it means is that customers delay their shutdown and that means we see also delays in the refill business. That's also something that cannot go on for a long period of time. At some point in time, yields are dropping and companies will need to go for a refill.

So I think with these sort of three elements there, we're not projecting a quick recovery in the Middle East itself based on the current turmoil, but we are seeing increased business for refill outside the Middle East. And I think that that should be reflected in a recovery scenario for next year.

Finally, on new builds, what is encouraging is that we see projects coming in for the longer term. We've just been awarded what is actually the biggest CATOFIN project so far, a 1.2 million tons CATOFIN line in China. Zhejiang Petrochemicals has actually given us that order for new build already that will be more towards the end of 2027 or 2028 in terms of when we record that sales. But you are seeing actually a wave of new build ahead of the 2030 peak carbon year in China that is coming in and that's actually very encouraging. Oliver, if you can comment about the margin progression.

Rittgen Oliver
Yeah, sure. Hello, Jaideep. I mean, it's essentially a question that you're raising on overall Care Chemicals and Additives & Adsorbents margin development. Let me start with Care Chemicals and we alluded to this already a little bit.

On the Personal and Home Care side, we are very pleased with the margins both from the Lucas Meyer side and the acquisition, but also from our other businesses in the segment. Margin development positive for the quarter overall, and also for the nine months that we look into. And the third quarter is particularly impacted by the mix as we said, right? The industrial businesses, they are over-proportional in the sales contribution and with that also from the margin contribution versus the more consumer-related businesses like Personal and Home Care, and Crop Solutions. Crop Solutions was flat in the quarter, but here we expect the Q4 with the volume recovery and with that also with a margin increase in the Crop business, the continuous strong momentum in Personal and Home Care, and with that a continued strong momentum also overall on the margin

side for Care Chemicals. If you look at the nine months for Care Chemicals, margins are up by 30 basis points, so that shows you the direction also how we look at it from a full-year basis.

And then for Additives & Adsorbents, here you are right, Additives is performing really well on the growth side, both volume and price. Margins equally performing well. As you have seen, we are up by 110 basis points in terms of margin year-over-year. So that's a very positive margin performance overall for the quarter, also for Additive and Adsorbents and also for the first nine months we are up. And with that continuous strong momentum that we see in Additives and also in parts of the Adsorbents businesses, we are also positive for the Q4 to land a margin above the prior year, both for Care and for Additives and Adsorbents.

Pandya Jaideep
Can I, if I may, squeeze one follow-up on the Catalysts in the Middle East? Conrad, if you could give us some color what is the product portfolio? Is it a very petrochemical heavy in the Middle East and is the margin profile of Clariant's Middle East Catalyst higher than the average of catalyst?

Keijzer Conrad
Yeah, well, what we have in the Middle East is roughly 15% of our revenue in Catalysts sits in the Middle East. So it's a very sizable piece of the business. It is heavily skewed towards petrochemicals as well as syngas. So it's basically CATOFIN and syngas, and these are, as you would expect, the higher margin products in our portfolio. So that's why you're not only seeing this revenue effect from the Middle East, but also the severe impact that you saw on margins.

Pandya Jaideep
Okay. Thank you.

Keijzer Conrad
You are welcome.

Operator
The last question for today comes from Lisa de Neve from Morgan Stanley. Please go ahead.

de Neve Lisa
Hi, thank you for my questions. I have a number of follow-ups. In the previous question you made a comment around your Crop Solutions segment. And your expectation for better volumes in the

fourth quarter. I mean, can you give a little bit more shed light what you're seeing in the underlying market in terms of the fourth quarter, maybe also into 2027. And how you are seeing the competitive landscape on your customer side? Any thoughts on that would be great. So that's for crop protection.

Secondly, on the A&A segment, I mean, you're seeing better US Adsorbents demand, you're seeing strong demand for Flame Retardants. How should we think about the A&A margins in the fourth quarter? I mean, should we just assume they're significantly up year-on-year or should we actually model them closer to the third quarter?

So any thoughts on that would be great as well. And then finally the follow-up on the ethylene price cartel investigation, litigation, sorry, concerning the appeal of Shell and the Stichting Foundation, I mean, can you share how an appeal process like that will work? I mean, should we see this as a simple retrial of the previously submitted case, or will completely different arguments be brought to the table here? Any thoughts on that would be great as well. Thank you.

Keijzer Conrad

Yeah, okay, Lisa. So starting with the last one and then I will make some comments on Crop and then I think Oliver can talk a bit about the margin progression in A&A. On litigation, how this would basically look like, this appeal, is that there will be hearings first. These will be procedural hearings somewhere into next year.

But I think what's important is actually to look at the first instance decision here by the courts in the Netherlands in July, which was actually an overwhelmingly positive outcome for Clariant and I think confirming all of the statements that the company, that we as Clariant made earlier on in this, about this case.

As far as Crop Solutions and what we expect volume-wise and what we see I think also -- relative to our competitors. I think all Oliver commented on it within overall flat performance in Q3 which was slightly negative on volume and positive on price. We see -- we are seeing increased volumes in Q4. That is more also actually competitor dynamics where we are thinking that we are gaining some business and even our Q3 result which was flat.

If you compare that with some of what our competitors have announced so far, the flat overall performance versus prior year is actually not a bad performance at all in Crop as we speak. Oliver, maybe you can also share some of the comments on margin progression for A&A in Q4.

Rittgen Oliver

Yes, Lisa that was a bit what I mentioned to Jaideep. I mean, for Q4, when you take it together, we are expecting a continuous strong momentum in the Additives business, both in Coatings and Adhesives, but also in Polymer Solutions, where we have seen a very strong performance already year-to-date. So that momentum is going to continue.

And then when you think about the renewable fuels in the US, also that one we expect to continue. And with that overall, when you think about modelling Q4, it's fair to say that margins will likely be on prior year level and higher.

de Neve Lisa

Okay. Thank you very much.

Schwarzwälder Andreas

So this is Andreas speaking. Thank you very much. This concludes today's conference call. A transcript of the call will be available on the Clariant website in due course. And the Investor Relations team is available for any further questions you may have. Once again, thank you for joining the call and goodbye.

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