CLARIANT

# Media Release



## Clariant with positive sales momentum and sustained profitability

- **Robust Q2 2012 result in a difficult environment, first half-year performance as expected**
- **Q2 2012 sales increased 8% in local currencies and 6% in CHF, to CHF 1.978 billion from CHF 1.870 billion in Q2 2011**
- **EBITDA before exceptionals at CHF 233 million vs. CHF 241 million in Q2 2011, up 2% in local currencies and down 3% in Swiss francs; EBITDA margin before exceptionals at 11.8%, on sustainably good level despite difficult market conditions, especially in Europe**
- **Net income of CHF 70 million compared to CHF 40 million in Q2 2011**
- **Guidance confirmed: Clariant expects further sales growth in local currencies and a sustained profitability for the full-year 2012 compared to 2011, assuming the global economy stabilizes at current levels in the second half-year**

*CEO Hariolf Kottmann: "In the first half of 2012 Clariant delivered a solid performance as expected at the beginning of the year, driven by good growth in the non-cyclical part of the portfolio, offsetting lower volumes in the more cyclical businesses. While the future path of the global economy is tainted with a high degree of uncertainty, we continue to implement our strategy. Based on this we confirm our expectation of an increasing profitability in the second half-year compared to the second half of 2011."*

## Key Financial Data

| | Second quarter | | | | First half-year | | | |
|---|---|---|---|---|---|---|---|---|
| In CHF Million | 2012 | 2011 | %CHF | %LC | 2012 | 2011 | %CHF | %LC |
| Sales | 1'978 | 1'870 | 6 | 8 | 3'923 | 3'587 | 9 | 13 |
| EBITDA before exceptional items | 233 | 241 | -3 | 2 | 469 | 518 | -9 | -4 |
| - margin | 11.8% | 12.9% | | | 12.0% | 14.4% | | |
| EBIT before exceptional items | 158 | 178 | -11 | -5 | 318 | 408 | -22 | -16 |
| - margin | 8.0% | 9.5% | | | 8.1% | 11.4% | | |
| EBIT | 125 | 163 | -23 | -17 | 248 | 364 | -32 | -26 |
| Net income | 70 | 40 | | | 90 | 160 | | |
| Operating cash flow* | -3 | -35 | | | 3 | -13 | | |
| Number of employees | 21 536[1] | 22 149[2] | | | | | | |

* Starting 2012 interest paid and interest received are reported as part of financing cash flow.
Prior year information has been reclassified accordingly.
[1] as of June 30, 2012 [2] as of December 31, 2011

## Clariant Q2 2012 Performance

Muttenz, July 26, 2012 – Clariant, a world leader in specialty chemicals, today announced sales of CHF 1.978 billion in the second quarter 2012, up 6% compared to CHF 1.870 billion in the previous-year period. Sales in local currencies were 8% higher as reported and rose 2% excluding acquisitions. Overall, the performance of the company is as expected at the beginning of the year.

The slow-down in global economic growth and the crisis in Europe did not materially impact the non-cyclical Business Units Catalysis & Energy, Functional Materials, Industrial & Consumer Specialties and Oil & Mining Services. In contrast, the cyclical businesses were impacted by lower volumes, leading to a volume decline of -1% at the group level. Sequentially volumes grew 2% compared to the first quarter 2012. The structurally challenged businesses partly recovered from the weakness in the last few quarters and stabilized at low levels, with Textile Chemicals achieving single-digit sales growth in local currencies after the plant in Switzerland has been closed.

At the regional level, Asia/Pacific and Latin America outperformed the other regions with sales growth of 18% respectively 17%. North America and Europe, Middle East & Africa (EMEA) grew in the low to mid-single digit range. EMEA growth benefitted from strong growth in MEA while Europe was weak, mainly in the southern part of the continent.

Resulting from lower production costs and sales price increases, the gross margin increased to 28.7% compared to 27.5% reported in the prior-year period. The sales price increase of 3% fully compensated for the 1% increase in raw material costs year-on-year. Sequentially sales prices were marginally up, while raw material costs rose 3%.

The EBITDA before exceptional items rose 2% in local currencies but fell 3% to CHF 233 million from CHF 241 million in Q2 2011, resulting in an EBITDA margin before exceptionals of 11.8% compared to 12.9% in the previous-year period. The lower margin was the result of higher SG&A costs for the Business Units Catalysis & Energy and Functional Materials, higher project-related Corporate Costs as well as the absence of a one-time benefit from a land sale in the previous-year quarter. Restructuring and impairment costs of CHF 33 million versus CHF 15 million were almost exclusively related to the integration of Süd-Chemie and the site closure in Switzerland. Net income rose to CHF 70 from CHF 40 million in the second quarter of 2011. This reflects a lower negative currency impact on the financial result and lower taxes.

Operating cash flow was minus CHF 3 million in the quarter but improved from the minus CHF 35 million one year-ago. The normal seasonality in cash flow is due to a build-up in inventories in the first half of the year followed by a reduction in inventories and therefore cash flow generation in the second half-year.

Net debt increased to CHF 1.984 billion from CHF 1.740 billion at year-end 2011. The gearing, which reflects net financial debt in relation to equity, increased to 67% as of 30 June 2012, from 58% at the end of 2011.

## Süd-Chemie integration

As of 2 July 2012 the legal integration of the largest former Süd-Chemie entity – Süd-Chemie AG in Germany – has been completed. The accelerated integration is progressing ahead of schedule, resulting in a headcount reduction at headquarters and also in some production entities. Until end 2013, an EBITDA improvement of CHF 90–115 million from synergies is confirmed. The acquisition is expected to be accretive in 2013, i.e. in the second year after the acquisition.

## Outlook

The European economy continued to weaken during the second quarter, especially in Southern Europe. However, growth in the rest of the world has fully offset the decrease in Europe so far.

In this challenging market environment, profitability in the second half-year will be supported by cost benefits from the finalization of the GANO projects in Switzerland and the UK, the integration of Süd-Chemie, as well as by additional sales from new production capacities in growing segments.

Consequently, Clariant expects further sales growth in local currencies and a sustained profitability for the full-year 2012 compared to 2011, assuming the global economy stabilizes at current levels in the second half-year. Raw material costs are expected to increase in the low-single digit range while exchange rates should remain stable compared to the beginning of the year.

# Business Discussion Second Quarter

## BU Industrial & Consumer Specialties

| | Second quarter | | | | First half year | | | |
|---|---|---|---|---|---|---|---|---|
| **In CHF Million** | **2012** | **2011** | **%CHF** | **%LC** | **2012** | **2011** | **%CHF** | **%LC** |
| Sales | 346 | 353 | -2 | -1 | 738 | 753 | -2 | 2 |
| EBITDA before exceptional items | 58 | 53 | 9 | 12 | 121 | 132 | -8 | -4 |
| - margin | 16.8% | 15.0% | | | 16.4% | 17.5% | | |
| EBIT before exceptional items | 47 | 45 | 4 | 10 | 101 | 115 | -12 | -7 |
| - margin | 13.6% | 12.7% | | | 13.7% | 15.3% | | |
| EBIT | 47 | 47 | 0 | 6 | 99 | 115 | -14 | -9 |

Sales in Industrial & Consumer Specialties (ICS) declined 1% in local currencies and 2% in Swiss francs compared to the same period of 2011. Sales growth was negatively impacted by weak demand in Europe particularly for some of the BUs base products.

In all other regions high growth rates have been achieved. Demand was particularly strong in Latin America, mainly due to strength in Brazil and a new cooperation with a major account in the hair product segment.

The Personal Care and Crop Protection businesses continued to experience strong growth, while there was weak demand from the industrial businesses such as Construction and Paints & Coatings.

The EBITDA margin before exceptional items was above the previous year's level as the Business Unit has further improved its cost structure. In addition, margins were supported by lower raw material costs while sales prices remained nearly stable.

ICS will continue to provide innovative and high value-added solutions. Among other products, new developments in hand-dishwashing excellence were presented at the HPCI Congress Middle East and Eurasia in Istanbul, Turkey. These products can boost performance and allow a reduction in the total amount of surfactant used, adding to an excellent toxicological and ecological profile.

For the remainder of 2012, ICS expects high volatility in raw material costs and continued good growth in the Personal Care and Crop Protection business, whereas the outlook for the industrial businesses is muted. The Base Products business should benefit from higher fiber consumption in Asia which already started to materialize in June.

CLARIANT

## BU Masterbatches

| | Second quarter | | | | First half year | | | |
|---|---|---|---|---|---|---|---|---|
| **In CHF Million** | **2012** | **2011** | **%CHF** | **%LC** | **2012** | **2011** | **%CHF** | **%LC** |
| Sales | 292 | 298 | -2 | -3 | 588 | 607 | -3 | -1 |
| EBITDA before exceptional items | 36 | 34 | 6 | 4 | 76 | 78 | -3 | -1 |
| - margin | 12.3% | 11.4% | | | 12.9% | 12.9% | | |
| EBIT before exceptional items | 29 | 28 | 4 | 2 | 62 | 65 | -5 | -3 |
| - margin | 9.9% | 9.4% | | | 10.5% | 10.7% | | |
| EBIT | 24 | 26 | -8 | -9 | 59 | 61 | -3 | -2 |

In the Masterbatches Business Unit, sales were 3% lower in local currencies and 2% in Swiss francs. Compared to the year-ago period, sales improved in all regions with the exception of Europe. Robust demand in Latin America, in Asia/Pacific, North America and Middle East & Africa was not enough to compensate for the weak underlying demand in Europe.

The EBITDA margin increased by nearly one percentage point as on-going productivity measures could more than outweigh the negative impact from lower volumes.

For the third quarter, Masterbatches will target sales at the level of the first half-year 2012 and an improved performance compared to the period one year ago. The second half of 2011 was markedly affected by declining demand combined with destocking activities.

Europe is expected to continue to stabilize with good order income from Eastern Europe already present. Masterbatches will benefit from the growth in the region via a recently announced double-digit million Swiss francs investment in a high-tech masterbatch plant in Poland. This plant will be the future hub for Eastern Europe. In addition, the Business Unit will continue to invest in high growth regions. Latest investments include a doubling of capacity in Turkey and an investment in Brazil.

CLARIANT

## BU Pigments

| | Second quarter | | | | First half year | | | |
|---|---|---|---|---|---|---|---|---|
| **In CHF Million** | **2012** | **2011** | **%CHF** | **%LC** | **2012** | **2011** | **%CHF** | **%LC** |
| Sales | 241 | 277 | -13 | -13 | 471 | 536 | -12 | -10 |
| EBITDA before exceptional items | 43 | 56 | -23 | -17 | 83 | 120 | -31 | -26 |
| - margin | 17.8% | 20.2% | | | 17.6% | 22.4% | | |
| EBIT before exceptional items | 36 | 49 | -27 | -20 | 70 | 106 | -34 | -30 |
| - margin | 14.9% | 17.7% | | | 14.9% | 19.8% | | |
| EBIT | 36 | 41 | -12 | -5 | 67 | 89 | -25 | -20 |

Sales in Pigments were down 13% in local currencies and in Swiss francs compared to the same period of the previous year. The decline in sales was mainly due to lower overall demand in all regions excluding Latin America and a high base in the previous-year period. On a sequential basis, however, demand has stabilized in Europe while North America, Asia/Pacific and Middle East & Africa experienced good growth.

All business lines were impacted by the softer demand, although there have been some pockets of growth like in North America, where good demand for pigments for decorative coatings continued. In the Plastics segment North and Latin America remained strong as well while Europe and Asia stabilized sequentially though still below previous year’s level. Sales in Latin America were further buoyed by the launch of a proprietary colorant technology used in a large consumer product application.

In the Printing business, the process color market remained subdued whereas the higher value non-impact printing (NIP) market rebounded in the reporting period and it is trending back towards previous year’s level. The Business Unit will continue to focus on increasing its share in the NIP market by providing innovation solutions and color effects that help its customers to differentiate.

The EBITDA margin improved sequentially, but declined compared to the high basis of the previous year. Higher unabsorbed production costs, linked to lower sales volumes and inventories control, overcompensated for the effect of a stringent price management and an improved cost structure.

Going forward, Pigments expects stable demand in Europe and some growth in the other regions. The Business Unit will focus on improving its market position, leveraging lower costs and improved processes, obtained through the consequent execution of Clariant Excellence programs. Pigments will also focus on providing innovative solutions such as its novel Low Halogen Controlled product range, developed for customers serving the electric and electronics industries and helping them meet new stringent halogen reduction requirements in many consumer products.

## BU Textile Chemicals

| | Second quarter | | | | First half year | | | |
|---|---|---|---|---|---|---|---|---|
| **In CHF Million** | **2012** | **2011** | **%CHF** | **%LC** | **2012** | **2011** | **%CHF** | **%LC** |
| Sales | 180 | 177 | 2 | 4 | 342 | 366 | -7 | -3 |
| EBITDA before exceptional items | 16 | 10 | 60 | 86 | 22 | 29 | -24 | -17 |
| - margin | 8.9% | 5.6% | | | 6.4% | 7.9% | | |
| EBIT before exceptional items | 11 | 4 | 175 | 221 | 12 | 18 | -33 | -23 |
| - margin | 6.1% | 2.3% | | | 3.5% | 4.9% | | |
| EBIT | 11 | 2 | 450 | 701 | 8 | 13 | -38 | -26 |

Quarterly sales in Textile Chemicals were 4% above last year's level in local currencies and up 2% in Swiss francs. There was good sales growth in Asia/Pacific, Middle East & Africa and Latin America, which more than overcompensated for declining demand in Europe and North America.

As in the previous quarters the demand for technical textiles especially in the automotive sector remained robust. Demand from the apparel industry was weak in Europe and North America but rebounded in all other regions.

The EBITDA margin before exceptionals increased compared to the same period of theprevious year as a result of higher volumes and sales prices that overcompensated for higher raw material costs. Additionally the first benefits from the relocation of the production from Switzerland to China and India were visible, resulting in lower fixed costs. The Business Unit expects that this positive effect will accelerate during 2012 and becoming fully effective in 2013.

Textile Chemicals is committed to supply its customers with high quality products and to assure supply safety to the customers. Therefore the highest priority of the Business Unit is currently supply chain excellence. A clear focus will also be placed on developing innovative products that help the customer to differentiate, such as Arkophob® FFR, a fluorine-free water repellent agent that was launched in the reporting period and is complementary to the existing range of C6-based PFOA-free Nuva® N fluorocarbon solutions.

CLARIANT

## BU Oil & Mining Services

| | Second quarter | | | | First half year | | | |
|---|---|---|---|---|---|---|---|---|
| **In CHF Million** | **2012** | **2011** | **%CHF** | **%LC** | **2012** | **2011** | **%CHF** | **%LC** |
| Sales | 156 | 141 | 11 | 11 | 329 | 289 | 14 | 18 |
| EBITDA before exceptional items | 14 | 11 | 27 | 26 | 34 | 29 | 17 | 21 |
| - margin | 9.0% | 7.8% | | | 10.3% | 10.0% | | |
| EBIT before exceptional items | 12 | 10 | 20 | 23 | 31 | 27 | 15 | 19 |
| - margin | 7.7% | 7.1% | | | 9.4% | 9.3% | | |
| EBIT | 12 | 10 | 20 | 23 | 31 | 27 | 15 | 19 |

In the Oil & Mining Services (OMS) Business Unit, sales grew by 11% both in local currencies and in Swiss francs compared to the same period of the previous year. Demand for products and services in the Oil Services business was strong while Mining Services continued to recover from the weaker first quarter 2012. The underlying sales growth rate was similar to the performance of Q1 2012.

Growth was especially strong in the Americas, while Asia/Pacific and Middle East & Africa also contributed double-digit growth, the main reason being new contract wins in the Oil Services business in Nigeria (deep water) and in North America.

The EBITDA margin was higher compared to the same period of the previous year driven by higher volumes and a sensible sales prices management.

Oil & Mining Services will continue to focus on adding value for the customer with new technical solutions for the mining and oil exploration industry. In June, Oil Services announced the opening of a new Application Development Center in Rio de Janeiro, Brazil, specializing in pre-salt exploratory frontiers in deep waters. The new center will closely collaborate with the other regional Oil Services Centers around the globe in order to maximize the innovation rate. Those centers are located in the United States, the United Kingdom and in Germany.

Going forward, OMS expects the strong growth pattern based on new contracts and new technologies to continue.

## BU Leather Services

| | Second quarter | | | | First half year | | | |
|---|---|---|---|---|---|---|---|---|
| **In CHF Million** | **2012** | **2011** | **%CHF** | **%LC** | **2012** | **2011** | **%CHF** | **%LC** |
| Sales | 70 | 73 | -4 | -1 | 132 | 145 | -9 | -5 |
| EBITDA before exceptional items | 8 | 7 | 14 | 35 | 12 | 16 | -25 | -19 |
| - margin | 11.4% | 9.6% | | | 9.1% | 11.0% | | |
| EBIT before exceptional items | 7 | 6 | 17 | 40 | 10 | 14 | -29 | -22 |
| - margin | 10.0% | 8.2% | | | 7.6% | 9.7% | | |
| EBIT | 7 | 6 | 17 | 40 | 10 | 14 | -29 | -22 |

Year-on-year, sales in Leather Services declined 1% in local currencies and 4% in Swiss francs. In a sequential view, sales in the Business Unit have significantly improved. Demand from the luxury goods and the automotive industries remained robust, whereas demand in the shoe and upholstery industries was still below previous year's level.

North America and in particular Latin America showed an excellent sales progress compared to the same period of the previous year, while sales in all other regions were lower. Compared to the preceding quarter however, sales in Asia/Pacific and in EMEA improved but at different speed.

The EBITDA margin increased compared to the previous year as the effect of slightly lower volumes was over-compensated by the benefits of an improved cost structure achieved applying functional excellence measures and on stringent price management.

The Business Unit expects a growing demand for its eco-friendly tanning technology Easy White Tan and for its water-based coating systems. Leather Services will continue to focus on innovation, high value-added segments, and the introduction of new services.

A robust order intake suggests a further stabilization of sales in the second half-year. Additionally, the Business Unit expects that adverse currency effects that still slightly impacted the business in the second quarter will reverse in the next few quarters.

CLARIANT

**Performance Chemicals** - includes the business units: Additives; Emulsions, Detergents & Intermediates; Paper Specialties.

| | Second quarter | | | | First half year | | | |
|---|---|---|---|---|---|---|---|---|
| **In CHF Million** | **2012** | **2011** | **%CHF** | **%LC** | **2011** | **2012** | **%CHF** | **%LC** |
| Sales | 312 | 335 | -7 | -6 | 633 | 675 | -6 | -3 |
| EBITDA before exceptional items | 41 | 50 | -18 | -11 | 87 | 109 | -20 | -15 |
| - margin | 13.1% | 14.9% | | | 13.7% | 16.1% | | |
| EBIT before exceptional items | 33 | 41 | -20 | -14 | 70 | 91 | -23 | -18 |
| - margin | 10.6% | 12.2% | | | 11.1% | 13.5% | | |
| EBIT | 33 | 41 | -20 | -14 | 70 | 91 | -23 | -18 |

Sales in Performance Chemicals were 6% lower in local currencies and 7% lower in Swiss francs compared to the previous-year period.

In the Business Unit Additives, demand for flame retardants continued to be strong in Asia/Pacific as growth rates in China were excellent. Demand for Waxes increased in Asia/Pacific and Latin America but was impacted by the weak pattern in Europe. The new plant for non-halogenated flame retardants in Knapsack, Germany, is nearing completion and will generate its first sales in the third quarter of 2012.

Sales in local currencies in Emulsions Detergents & Intermediates (ED&I) declined compared to the same period one year ago as demand softened and some business lines were impacted by strong competitive pressure, e.g. in the TAED or the intermediates business for agrochemicals and pharmaceuticals. Sales in Emulsions increased in its major markets Latin America and Middle East & Africa, the business still benefitting from the successful introduction of a new generation of terpolymers.

Sales for the BU Paper Specialties improved sequentially but were still slightly below previous-year's levels as improved demand in Asia/Pacific and Latin America could not compensate for decreasing sales in North America and Europe. Going forward the BU expects stable or slightly better business conditions based on good demand in Latin America for paper and pulp chemicals but as well based on an arising business opportunity in the United States.

CLARIANT

## BU Catalysis & Energy

| | Second quarter | | | | First half year | | | |
|---|---|---|---|---|---|---|---|---|
| **In CHF Million** | **2012** | **2011*** | **%CHF** | **%LC** | **2012** | **2011*** | **%CHF** | **%LC** |
| Sales | 211 | 93 | - | - | 342 | 93 | - | - |
| EBITDA before exceptional items | 46 | 15 | - | - | 64 | 15 | - | - |
| - margin | 21.8% | 16.1% | | | 18.7% | 16.1% | | |
| EBIT before exceptional items | 29 | 7 | - | - | 30 | 7 | - | - |
| - margin | 13.7% | 7.5% | | | 8.8% | 7.5% | | |
| EBIT | 29 | 7 | - | - | 30 | 7 | - | - |

* consolidated for two months (May/June)

Sales in the second quarter of 2012 for Catalysis & Energy were strong and significantly above the previous year's level. There was particular strong growth in the Middle East, while also Asia/Pacific, Latin America and Europe contributed positively to the results. Sales in North America were somewhat lower.

Demand was strong for process catalysts. Environmental catalysts demand was seasonally lower, but sales accelerated already during the second quarter of 2012 and are on schedule to achieve 2012 targets.

Additionally, the Business Unit will benefit from first sales of the highly innovative cathode material LFP (lithium iron phosphate) produced in the recently opened plant in Candiac, Canada. The response from customers has been positive and the material has been successfully tested for a variety of different materials applications. Sales of the material will continuously gain momentum to year-end.

The EBITDA margin in the second quarter of 2012 benefitted from higher volumes and a positive product mix effect.

For the following quarters, the BU expects continuing sales growth year-on-year. Order intake and backlog are strong and significantly above the previous year.

CLARIANT

## BU Functional Materials

| | Second quarter | | | | First half year | | | |
|---|---|---|---|---|---|---|---|---|
| **In CHF Million** | **2012** | **2011*** | **%CHF** | **%LC** | **2012** | **2011*** | **%CHF** | **%LC** |
| Sales | 170 | 123 | - | - | 348 | 123 | - | - |
| EBITDA before exceptional items | 23 | 25 | - | - | 53 | 25 | - | - |
| - margin | 13.5% | 20.3% | | | 15.2% | 20.3% | | |
| EBIT before exceptional items | 13 | 18 | - | - | 32 | 18 | - | - |
| - margin | 7.6% | 14.6% | | | 9.2% | 14.6% | | |
| EBIT | 1 | 18 | - | -- | 20 | 18 | - | -- |

* consolidated for two months (May/June)

Functional Materials achieved sales of CHF 170 million and an EBITDA margin of 13.5%. At the regional level there was strong demand from Latin America and Asia/Pacific, the latter driven by China, Indonesia and India. Demand in North America was almost stable while Europe and the Middle East declined.

Demand was differentiated from business to business. Adsorbents continued to experience good growth on strong demand for food and feed additives. The performance packaging business benefitted from the sustained strong demand in diagnostic and pharmaceuticals packaging. The water business line, however, was below the same period of previous year based on less demand and unfavorable weather conditions in South Africa.

The Business Unit is currently in the process of applying Clariant Excellence measures to improve its cost platform and its operational footprint. Amongst other measures two sites in France and South Africa have been closed or earmarked for closure.

Additionally, the BU will continue to focus on a stringent price management and will apply selective sales price increases as necessary to compensate for higher raw material and transportation costs.

**CORPORATE MEDIA RELATIONS**

**KAI ROLKER**

Phone +41 61 469 6363
kai.rolker@clariant.com

**STEFANIE NEHLSEN**

Phone +41 61 469 6363
stefanie.nehlsen@clariant.com

**INVESTOR RELATIONS**

**ULRICH STEINER**

Phone +41 61 469 6745
ulrich.steiner@clariant.com

**SIEGFRIED SCHWIRZER**

Phone +41 61 469 6749
siegfried.schwirzer@clariant.com