Financial
REPORT

CONSOLIDATED BALANCE SHEETS

at 31 December 2016 and 2015

	Notes[1]	31.12.2016 in CHF m	in %	31.12.2015 in CHF m	in %
Assets					
Non-current assets					
Property, plant and equipment	5	2 205		2 083	
Intangible assets	6	1 700		1 350	
Investments in associates and joint ventures	7	516		586	
Financial assets	8	71		77	
Prepaid pension assets	19	36		47	
Deferred tax assets	9	298		256	
Total non-current assets		**4 826**	**57.7**	**4 399**	**59.0**
Current assets					
Inventories	10	816		811	
Trade receivables	11	1 011		934	
Other current assets	12	344		328	
Current income tax receivables		41		46	
Near-cash assets	13	277		152	
Cash and cash equivalents	14	1 043		789	
Total current assets		**3 532**	**42.2**	**3 060**	**41.0**
Assets held for sale	**25**	**7**	**0.1**	**2**	**–**
Total assets		**8 365**	**100.0**	**7 461**	**100.0**
Equity and liabilities					
Equity					
Share capital	16	1 228		1 228	
Treasury shares (par value)	16	–29		–34	
Other reserves		229		382	
Retained earnings		1 033		841	
Total capital and reserves attributable to Clariant shareholders		**2 461**		**2 417**	
Non-controlling interests		85		77	
Total equity		**2 546**	**30.4**	**2 494**	**33.4**
Liabilities					
Non-current liabilities					
Financial debts	17	1 908		1 859	
Deferred tax liabilities	9	33		71	
Retirement benefit obligations	19	918		829	
Provision for non-current liabilities	20	157		157	
Total non-current liabilities		**3 016**	**36.1**	**2 916**	**39.1**
Current liabilities					
Trade and other payables	21	1 228		1 093	
Financial debts	22	957		394	
Current income tax liabilities		305		276	
Provision for current liabilities	20	313		288	
Total current liabilities		**2 803**	**33.5**	**2 051**	**27.5**
Total liabilities		**5 819**	**69.6**	**4 967**	**66.6**
Total equity and liabilities		**8 365**	**100.0**	**7 461**	**100.0**

[1] The notes form an integral part of the consolidated financial statements.

CONSOLIDATED INCOME STATEMENTS

for the years ended 31 December 2016 and 2015	Notes[1]	**2016** in CHF m	in %	2015[2] in CHF m	in %
Sales	23	5 847	100.0	5 807	100.0
Costs of goods sold		–4 077		–4 022	
Gross profit		**1 770**	**30.2**	**1 785**	**30.7**
Selling, general and administrative costs		–1 138		–1 159	
Research and development costs		–206		–206	
Income from associates and joint ventures	7	86		76	
Operating income		**512**	**8.8**	**496**	**8.5**
Finance income	28	12		14	
Finance costs	28	–186		–210	
Income before taxes		**338**	**5.8**	**300**	**5.2**
Taxes	9	–75		–73	
Net result from continuing operations		**263**	**4.5**	**227**	**3.9**
Attributable to:					
Shareholders of Clariant Ltd		253		217	
Non-controlling interests		10		10	
Net result from discontinued operations	**24**	**–**		**12**	
Attributable to:					
Shareholders of Clariant Ltd		–		12	
Non-controlling interests		–		–	
Net income		**263**		**239**	
Attributable to:					
Shareholders of Clariant Ltd		253		229	
Non-controlling interests		10		10	
Basic earnings per share attributable to the shareholders of Clariant Ltd (CHF/share)					
Continuing operations	29	0.78		0.67	
Discontinued operations	29	–		0.04	
Total		**0.78**		**0.71**	
Diluted earnings per share attributable to the shareholders of Clariant Ltd (CHF/share)					
Continuing operations	29	0.78		0.67	
Discontinued operations	29	–		0.04	
Total		**0.78**		**0.71**	

[1] The notes form an integral part of the consolidated financial statements.

[2] Reclassified. »Gains from disposals not qualifying as discontinued operations« and »Restructuring, impairment and transaction-related costs« are presented in the functions. For information regarding »Gains from disposal not qualifying as discontinued operations« refer to note 25. For information regarding »Restructuring, impairment and transaction-related costs« refer to note 27.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

for the years ended 31 December 2016 and 2015

	Notes[1]	**2016** in CHF m	2015 in CHF m
Net income		**263**	**239**
Other comprehensive income:			
Remeasurements:			
Actuarial gain/loss on retirement benefit obligations	19	–261	39
Return on retirement benefit plan assets, excluding amount included in interest expense	19	146	–32
Total items that will not be reclassified subsequently to the income statement, gross		**–115**	**7**
Deferred tax effect	9	26	–6
Total items that will not be reclassified subsequently to the income statement, net		**–89**	**1**
Net investment hedge	30	–6	66
Cash flow hedge		5	—
Currency translation differences		–24	–404
Share in other comprehensive income of associates and joint ventures	7	–4	1
Effect of the reclassification of foreign exchange differences on previously held net investments in foreign entities		3	–2
Total items that will be reclassified subsequently to the income statement, gross		**–26**	**–339**
Deferred tax effect		—	—
Total items that will be reclassified subsequently to the income statement, net		**–26**	**–339**
Other comprehensive income for the period, net of tax		**–115**	**–338**
Total comprehensive income for the period		**148**	**–99**
Attributable to:			
Shareholders of Clariant Ltd		136	–110
Non-controlling interests		12	11
Total comprehensive income for the period		**148**	**–99**

[1] The notes form an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY in CHF m

at 31 December 2016 and 2015

			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
Balance 31 December 2014	**1 228**	**–45**	**1 577**	**—**	**–725**	**852**	**574**	**2 609**	**124**	**2 733**
Net income						–	229	229	10	239
Net investment hedge					66	66		66		66
Remeasurements:										
Actuarial gain/loss on retirement benefit obligations (see note 19)						–	39	39		39
Return on retirement benefit plan assets, excluding amount included in interest expense (see note 19)						–	–32	–32		–32
Deferred tax on remeasurements (see note 9)						–	–6	–6		–6
Currency translation differences					–405	–405		–405	1	–404
Share in other comprehensive income of associates and joint ventures (see note 7)						–	1	1		1
Effect of the reclassification of foreign exchange differences on previously held net investments in foreign entities					–2	–2		–2		–2
Total comprehensive income for the period	**—**	**—**	**—**	**—**	**–341**	**–341**	**231**	**–110**	**11**	**–99**
Distributions			–129			–129		–129		–129
Dividends to non-controlling interests						–		–	–37	–37
Share buyback of non-controlling interests by Clariant Chemicals (India) Ltd (see note 16)						–		–	–21	–21
Employee share & option scheme:										
Effect of employee services						–	13	13		13
Treasury share transactions		11				–	23	34		34
Balance 31 December 2015	**1 228**	**–34**	**1 448**	**—**	**–1 066**	**382**	**841**	**2 417**	**77**	**2 494**
Net income						–	253	253	10	263
Cash flow hedge				5		5		5		5
Net investment hedge					–6	–6		–6		–6
Remeasurements:										
Actuarial gain/loss on retirement benefit obligations (see note 19)						–	–261	–261		–261
Return on retirement benefit plan assets, excluding amount included in interest expense (see note 19)						–	146	146		146
Deferred tax on remeasurements (see note 9)						–	26	26		26
Currency translation differences					–26	–26		–26	2	–24
Share in other comprehensive income of associates and joint ventures (see note 7)						–	–4	–4		–4
Effect of the reclassification of foreign exchange differences on previously held net investments in foreign entities					3	3		3		3
Total comprehensive income for the period	**—**	**—**	**—**	**5**	**–29**	**–24**	**160**	**136**	**12**	**148**
Distributions			–129			–129		–129		–129
Dividends to non-controlling interests						–		–	–17	–17
Transaction with non-controlling interests (see note 16)						–	16	16	13	29
Employee share & option scheme:										
Effect of employee services						–	–3	–3		–3
Treasury share transactions		5				–	19	24		24
Balance 31 December 2016	**1 228**	**–29**	**1 319**	**5**	**–1 095**	**229**	**1 033**	**2 461**	**85**	**2 546**

The notes form an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

for the years ended 31 December 2016 and 2015

	Notes[1]	2016 in CHF m	2015 in CHF m
Cash flow from operating activities	**15**	**646**	**502**
Investments in property, plant and equipment	5	–297	–374
Investments in financial assets, associates and joint ventures		–8	–
Investments in intangible assets	6	–39	–27
Changes in current financial assets and near-cash assets		–116	7
Sale of property, plant and equipment and intangible assets		43	7
Business acquisitions	26	–421	–22
Proceeds from equity repayment of associates and financial assets		69	–
Proceeds/payments associated to disposals of activities not qualifying as discontinued operations	25	–3	74
Cash flow from investing activities		**–772**	**–335**
Purchase of treasury shares		–15	–21
Sale of treasury shares		22	55
Distribution from the reserves to the shareholders of Clariant Ltd	16	–129	–129
Dividends paid to non-controlling interests		–17	–37
Proceeds/payments associated to transactions with non-controlling interests	16	29	–21
Proceeds from financial debts		794	497
Repayments of financial debts		–188	–350
Interest paid		–97	–90
Interest received		12	12
Cash flow from financing activities		**411**	**–84**
Currency translation effect on cash and cash equivalents		–31	–42
Net change in cash and cash equivalents		**254**	**41**
Cash and cash equivalents at the beginning of the period	**14**	**789**	**748**
Cash and cash equivalents at the end of the period	**14**	**1 043**	**789**

[1] The notes form an integral part of the consolidated financial statements.

Notes to the consolidated financial statements

1. Accounting policies

1.01 – General information

Clariant Ltd (the »Company«) and its consolidated subsidiaries (together the »Group«) are a global leader in the field of specialty chemicals. The Group develops, manufactures, distributes and sells a broad range of specialty chemicals which play a key role in its customers' manufacturing and treatment processes or add value to their end products. The Group has manufacturing plants around the world and sells mainly in countries within Europe, the Americas and Asia.

Clariant Ltd is a limited liability company incorporated and domiciled in Switzerland. The address of its registered office is Rothausstrasse 61, CH-4132 Muttenz, Switzerland. The Company is listed on the SIX Swiss Exchange.

The Board of Directors approved the consolidated financial statements for issue on 14 February 2017. They will be subject to approval by the Annual General Meeting of Shareholders scheduled for 20 March 2017.

1.02 – Basis of preparation

The consolidated financial statements of the Clariant Group have been prepared in accordance with the International Financial Reporting Standards (IFRS) and the IFRIC interpretations applicable to companies reporting under IFRS, and with the significant accounting policies set out below.

The consolidated financial statements have been prepared under the historical cost convention as modified by the revaluation of certain financial assets and liabilities (including derivative instruments) at fair value through profit or loss.

The preparation of financial statements in conformity with the IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. These estimates and judgment affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements as well as the reported amounts of revenues and expenses during the reporting period. Although these are based on management's best knowledge of current events and circumstances, actual outcomes may ultimately differ from those estimates. The areas involving a higher degree of judgment or complexity, or areas where estimates are significant to the consolidated financial statements, are disclosed under note 4.

1.03 – Standards, interpretations and amendments effective in 2016

In 2016 amendments to the following accounting standards became effective:

- IFRS 10, Consolidated Financial Statements
- IFRS 11, Joint Arrangements
- IFRS 12, Disclosure of Interests in Other Entities
- IFRS 14, Regulatory Deferral Accounts
- IAS 16 and 38, Clarification of Acceptable Methods of Depreciation and Amortization
- IAS 28, Investments in Associates and Joint Ventures
- Annual improvements to IFRS 2012 to 2014 cycle – various standards

None of these amendments had an impact on Clariant's consolidated financial accounts.

1.04 – Standards, interpretations and amendments not yet effective

The following standards, interpretations and amendments already issued but not yet effective will be adopted by the Group as they become effective.

IFRS 9, Financial Instruments, addresses the classification, measurement and derecognition of financial assets and financial liabilities and introduces new rules for hedge accounting and a new impairment model. The complete version of IFRS 9 was issued in July 2014. It replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments. The standard is effective for accounting periods beginning on or after 1 January 2018. The Group is in the process of assessing the full impact of IFRS 9 on its consolidated financial statements. Currently it is estimated that the impact of the new standard will primarily be the valuation of certain financial assets.

IFRS 15, Revenue from contracts with customers, deals with revenue recognition and establishes principles for disclosing useful information about revenue and cash flows arising from these contracts. This standard replaces IAS 18, Revenue, and IAS 11, Construction Contracts, and related interpretations. It is effective for accounting periods beginning on or after 1 January 2018. The Group is in the process of assessing the impact of IFRS 15 on its consolidated financial statements. Currently it is estimated that the application of the recognition and valuation rules required by IFRS 15 will not have any material impact on the financial statements of the Group.

In January 2016, the IASB published the new lease standard. IFRS 16, Leases, introduces a new lessee accounting approach by which the lessee will be required to recognize its leases on the balance sheet, by way of the recognition of a »right of use« asset and a lease liability. It also provides new guidance on sale and lease back accounting and requires new and different disclosures. This new standard will replace the guidance of IAS 17, Leases, and is effective for accounting periods beginning on or after 1 January 2019. It is expected that the application of IFRS 16 will entail a substantial increase of Clariant's total assets and liabilities as well as an increase of its operating result and a decrease of its financial result.

There are no other standards, interpretations or amendments already issued but not yet effective that would be expected to have a material impact for the Group.

1.05 – Scope of consolidation

- **Subsidiaries:** Subsidiaries are those entities over which the Group has control. This is the case when it is exposed to, or has rights to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group and they are deconsolidated from the date the control ceases.

- **Associates:** Associates are entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method.

- **Joint arrangements:** The Group applies IFRS 11, Joint Arrangements, to all joint arrangements. Under IFRS 11, investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor. Clariant has assessed the nature of its joint arrangements and determined them to be joint ventures. Joint ventures are accounted for using the equity method.

All associates and joint ventures apply the same accounting principles as the Group.

1.06 – Principles and methods of consolidation

The annual closing date of the individual financial statements is 31 December. The consolidated financial statements are prepared applying uniform presentation and valuation principles.

The results of non-controlling interests are separately disclosed in the income statement and in the balance sheet.

1.07 – Revenue recognition

Sales of goods, interest income and dividends are recognized in line with the requirements of IAS 18, Revenue.

1.08 – Exchange rate differences

Exchange rate differences are recognized in line with the requirements of IAS 21, The Effect of Changes in Foreign Exchange Rates. The consolidated financial statements are presented in Swiss francs, which is the functional and presentation currency of the parent company.

Income statements and cash flow statements of foreign entities are translated into the Group's presentation currency at sales-weighted average exchange rates for the year and their balance sheets are translated at the exchange rates prevailing on 31 December.

1.09 – Property, plant and equipment

Property, plant and equipment, except for the ones pertaining to mining activities, are valued at historical acquisition or production costs and depreciated on a straight-line basis to the income statement, using the following estimated useful lives in accordance with the Group guidelines:

· Buildings	15 to 40 years
· Machinery and equipment	10 to 16 years
· Furniture, vehicles, computer hardware	3 to 10 years
· Land is not depreciated	

Property, plant and equipment pertaining to mining activities are valued at historical costs and depreciated over their useful lives to the income statement using the units of production method.

When the entity has a present legal or constructive obligation to dismantle an item of property, plant and equipment or restore a site, its initial costs include an estimate of the costs of dismantling and removing the item and restoring the site on which it is located. A corresponding provision is recorded for the amount of the asset component.

Financing costs directly associated with the acquisition, construction or production of qualifying property, plant and equipment are capitalized as a part of the costs of these assets.

1.10 – Intangible assets

Goodwill is recognized as per the requirements of IFRS 3, Business Combinations, IAS 38, Intangible Assets and IFRS 11, Joint arrangements. Goodwill is not amortized, but tested annually for impairment as required by IAS 36, Impairment of Assets.

Trademarks and licenses are capitalized at historical costs and amortized on a straight-line basis to the income statement over their estimated useful lives, with a maximum of ten years.

Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and bring to use the specific software. They are amortized on a straight-line basis to the income statement over their estimated useful lives (three to five years).

Costs directly associated with the production of identifiable and unique software products controlled by the Group, that will probably generate economic benefits beyond one year, are recognized as intangible assets and depreciated over their useful life of three years. Direct costs include software development costs, personnel costs and advisory costs directly related to the software development and an appropriate portion of the relevant overheads. Costs associated with developing and maintaining common software programs are recognized as an expense when incurred.

Intangibles acquired in a business combination with the exception of mining rights are amortized using a straight-line method over their remaining useful lives as follows:

· Technology	3 to 15 years
· Customer relationships	6 to 20 years
· Tradenames	10 years
· Order backlog	2 years

Mining rights are depreciated over their useful lives using the units of production method.

On 1 June 2007, a European Union regulation on chemicals and their safe use came into effect. It deals with the Registration, Evaluation, Authorization and Restriction of Chemical Substances (REACH). REACH applies to all substances manufactured, placed on the market and used in the European Union, either on their own, in mixtures or in products. REACH requires the registration of certain substances, with annual volumes exceeding a consumption of 1000 metric tons, by 2010 and various other substances depending on their category by 2018.

As a company active in the chemical industry, Clariant has incurred costs in connection with REACH. Due to their nature, these costs are considered within the context of IAS 38, Intangible Assets, and those qualifying for capitalization are reported as intangible assets. As the initial two phases of the registration were completed in 2010 and 2013 respectively, the corresponding costs capitalized as intangible assets are amortized since 2011 for the first phase and since January 2014 for the second phase on a straight-line basis to the income statement over their estimated useful lives of twelve years.

1.11 – Impairment of assets

Impairment of assets is recognized and disclosed as per the requirements of IAS 36, Impairment of Assets.

1.12 – Non-current assets and disposal groups held for sale

Non-current assets and disposal groups are classified as held for sale when their carrying amount is to be recovered through a sale transaction and a sale is considered highly probable. They are stated at the lower of the carrying amount and fair value less costs of disposal, as per the requirements of IFRS 5, Non-current Assets Held for Sale and Discontinued Operations.

1.13 – Inventories

Purchased goods are valued at acquisition costs, while self-manufactured products are valued at manufacturing costs including related production overhead costs. Inventory held at the balance sheet date is primarily valued at standard costs, which approximates actual costs on a weighted average basis. This valuation method is also used for valuing the costs of goods sold in the income statement. Adjustments are made for inventories with a lower net realizable value. Unsaleable inventories are fully written off. These adjustments are recorded as valuation allowances, which are deducted directly from the inventory value in the balance sheet. The allowances are reversed when the inventories concerned are either sold or destroyed and as a consequence are removed from the balance sheet.

1.14 – Trade receivables

Trade receivables are recognized in accordance with IAS 39, Financial Instruments: Recognition and Measurement.

1.15 – Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, deposits and calls with banks, as well as short-term investment instruments with an initial lifetime of 90 days or less. Bank overdrafts are shown within financial debt in current liabilities on the balance sheet.

1.16 – Derivative financial instruments and hedging

Derivative financial instruments and hedges are recognized in accordance with IAS 39, Financial Instruments: Recognition and Measurement.

1.17 – Leasing

The Group classifies leases into finance and operating leases and recognizes them based on the requirements of IAS 17, Leases.

1.18 – Current income tax

The taxable profits (losses) of Group companies are calculated in accordance with the rules established by the taxation authorities of the countries in which they operate. They are the basis for the determination of income tax payments (reimbursements) for the reporting period in accordance with the prevailing local income tax rates. Current income tax is accounted for in accordance with the requirements of IAS 12, Income Taxes.

1.19 – Deferred income tax

Deferred income tax is calculated using the comprehensive liability method as per the requirements of IAS 12, Income Taxes.

No deferred income tax is calculated for the temporary differences on investments in Group companies, provided that the investor (parent company) is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

1.20 – Employee benefits

Group companies operate various post-employment schemes, including both defined benefit and defined contribution pension plans, post-employment health care plans and other benefits. Obligations for employee benefits are determined and recorded in line with the requirements of IAS 19, Employee Benefits.

Defined contribution plans: Contributions to defined contribution plans are recorded in the income statement in the period to which they relate.

Defined benefit plans: For defined benefit plans, the amount to be recognized in the provision is determined using the projected unit credit method. Independent actuaries perform the actuarial valuations for the defined benefit plans on a regular basis. For the larger plans these valuations take place annually. For the smaller ones valuations are performed at least every three years, with systematic roll-forwards in the years in between.

The retirement benefit obligations recognized in the balance sheet represent the present value of the obligations at the end of the reporting period less the fair value of the plan assets.

Actuarial gains and losses are charged or credited to equity in other comprehensive income in the period in which they arise. Past service costs are recognized immediately in the income statement.

Some Group companies **provide post-employment health care benefits** to their retirees. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment using an accounting method similar to that for the defined benefit pension plans. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise.

The charges for defined benefit plans, defined contribution plans and termination benefits are included in personnel expenses and reported in the income statement under the corresponding functions of the related employees or in restructuring expenses.

Other **long-term employee benefits** are employee benefits (other than post-employment benefits and termination benefits) which do not fall wholly due within twelve months after the end of the period in which the employees render the related service. These include long-term compensated absences such as long-service or sabbatical leave and jubilee or other long-service benefits. The accounting policy for other long-term employee benefits is equal to that for post-employment benefits, with the exception that actuarial gains and losses are recognized immediately in the income statement.

Short-term employee benefits are employee benefits (other than termination benefits) which fall due wholly within twelve months after the end of the period in which the employees render the related service.

1.21 – Provisions

Provisions are recognized as per the requirements of IAS 37, Provisions, Contingent Liabilities and Contingent Assets.

1.22 – Research and development

Development expenses are capitalized to the extent that the recognition criteria set up by IAS 38, Intangible Assets, are met.

Considering the uncertainties inherent to the development of new key products, Clariant does not capitalize the associated development costs. Experience has proven that the structure of research and development in the industries that Clariant engages in makes it difficult to demonstrate how single intangible assets (patents) will generate probable future economic benefits.

Laboratory buildings and equipment included in property, plant and equipment are depreciated over their estimated useful lives in accordance with the Group guidelines of note 1.09.

1.23 – Segment reporting

Segment information is presented in the same manner as in the internal reporting on behalf of the chief operating decision maker. The chief operating decision maker, responsible for strategic decisions, for the assessment of the segments' performance and for the allocation of resources to the segments, is the Executive Committee.

On 28 February 2015 Clariant sold its Energy Storage activities pertaining to the Business Area Catalysis & Energy to British-based Johnson Matthey. The assets and liabilities pertaining to that activity were reclassified to held for sale during the fourth quarter of 2014 and removed from the balance sheet on the disposal date.

Clariant has seven Business Units (BU) for external reporting purposes, grouped into four Business Areas (BA) (reportable segments), in accordance with IFRS 8, Operating Segments:

- Care Chemicals (BU ICS)
- Catalysis (BU Catalysts, Energy Storage activities sold in 2015)
- Natural Resources (BU Oil & Mining Services, BU Functional Minerals)
- Plastics & Coatings (BU Additives, BU Masterbatches, BU Pigments)

These four business areas have full responsibility for their operating results. The BUs were grouped into the business areas as a consequence of the common traits regarding products, markets, technologies and cyclicality, as described hereafter:

The Business Area **Care Chemicals** comprises the Industrial & Consumer Specialties (ICS) BU, food additives as well as the future Industrial Biotechnology business. It demonstrates a clear focus on highly attractive, high-margin, and low-cyclicality segments. The BA follows a lifestyle-driven megatrend and strengthens Clariant's image of being a supplier of green and sustainable products.

The Business Area **Catalysis** develops, manufactures, and sells a wide range of catalyst products for the chemical, fuel and automotive industries. The Energy storage activities were divested in 2015. This BA is the smallest within Clariant but is highly profitable with a low cyclicality in line with the investment cycle of the petrochemical industry.

The Business Area **Natural Resources** comprising BUs Oil & Mining Services and Functional Minerals, is characterized by high growth and low cyclicality as well as strong megatrend orientation. Main drivers are the rising demand for high-value added specialty chemicals used in the oil, mining, food and packaging industries, and increased consumption of oil, gas and base metals, driven by the fast-growing economies.

The Business Area **Plastics & Coatings** comprises the BUs Additives, Pigments and Masterbatches. The Business Area has a large exposure to Europe and, as such, is subject to lower growth and to economic cycles. Main drivers are the increasing use of plastics with tailor-made properties in applications such as mobile phones, cars, construction, as well as the rising consumption of plastics in line with increasing wealth.

Corporate: Income and expenses relating to Corporate include the costs of the Corporate headquarters and some of corporate coordination functions in major countries. In addition, Corporate includes certain items of income and expenses, which are not directly attributable to specific business areas, like central R&D costs.

The Group's business areas are segments offering different products. These segments are managed separately because they manufacture, distribute and sell distinct products, which require differing technologies and marketing strategies. These products are also subject to risks and returns that are different from those of other segments.

Segment sales are sales reported in the Group's income statement directly attributable to a segment and the relevant portion of the company income that can be allocated on a reasonable basis to a segment, whether from sales to external customers or from transactions with other segments.

Segment operating expenses are expenses resulting from the operating activities of a segment directly attributable to the segment and the relevant portion of an expense that can be allocated on a reasonable basis, including expenses relating to sales to external customers and expenses relating to transactions with other segments.

Inter-segment transactions are entered into under the normal circumstances and terms and conditions that would also be available to unrelated third parties.

The segment net assets consist of segment assets, primarily property, plant and equipment, intangible assets, inventories and receivables, less segment liabilities. Usually no allocation of Corporate items is made to the segments. Corporate assets and liabilities principally consist of net liquidity (cash, cash equivalents and other current financial assets less financial debts) and deferred and current income taxes.

The Executive Committee assesses the performance of the operating segments based on income statement parameters like third-party sales, EBITDA, operating result and cashflow. Interest income, interest expense and taxes are not allocated to the segments. The return on the capital invested in each segment is measured by the Return on Invested Capital (ROIC).

1.24 – Share capital and other reserves

All issued shares are ordinary shares and as such are classified as equity. Incremental costs, directly attributable to the issue of new shares or options, are shown in equity as a deduction, net of tax, from the proceeds.

Written put options, where Clariant Ltd shares are the underlying, are reported as obligations to purchase Clariant Ltd shares if the number of shares is fixed and physical settlement for a fixed amount of cash is required, in case the option is exercised. At inception, the obligation is recorded at the present value of the settlement amount of the option and the corresponding effect is recognized in shareholders' equity.

The liability is measured subsequently at amortized costs using the effective interest method. Upon settlement of such written put options, the liability is extinguished and the charge to equity is reclassified to the treasury shares.

Clariant Ltd shares, subject to such put options, are not considered to be outstanding for the purpose of basic earnings per share calculations, but are considered for the dilutive earnings per share calculations to the extent that they are dilutive.

Other reserves comprise the following items:

- **Share premium:** The share premium comprises the excess price paid over the par value of the share at the time of issuance of the share capital.

- **Cumulative translation reserves:** The translation reserves comprise the foreign exchange differences arising on the translation of the financial statements of the foreign subsidiaries stated in a currency other than the Group's functional currency. In addition, the cumulative translation reserves comprise the foreign exchange differences arising on the translation of financial liabilities denominated in a currency other than the functional currency of the parent company Clariant Ltd, which are at the same time designated as a hedge of a net investment in a foreign entity.

1.25 – Treasury shares

Treasury shares are deducted from equity at their par value of CHF 3.70 per share. Differences between this amount and the amount paid for acquiring, or received for disposing of treasury shares are recorded in retained earnings.

1.26 – Financial debt

Financial debt is recognized based on the requirements of IAS 39, Financial Instruments: Recognition and Measurement.

1.27 – Financial assets

Financial assets are classified, recognized, measured and, if necessary, impaired based on the requirements of IAS 39, Financial Instruments: Recognition and Measurement. Purchases and sales of financial assets are recognized on settlement date, which is the date on which the Group receives or delivers the assets.

1.28 – Business combinations

The Group applies the acquisition method to account for business combinations in accordance with IFRS 3, Business Combinations, and recognizes any non-controlling interests in the acquiree at fair value (full goodwill method). Acquisition-related costs are expensed as incurred.

2. Enterprise Risk Management Identification, Assessment and Management

Under the Enterprise Risk Management Policy, based on the risk management standard of the Institute of Risk Managers, a tool is used to prepare risk assessments every year by Business Units, Service Units and Regions assessing threats and opportunities that will impact the objectives set for Clariant overall. These objectives are a result of the overall strategy of the Group as set by the Board of Directors and implemented by the Executive Committee.

The Executive Committee is responsible for monitoring the risk management assessments for relevance and consistency.

The objectives are set in the fourth quarter of the year. These objectives together with the threats and opportunities to them are subject to scrutiny by the Executive Committee during meetings with each Business Unit. Also reviewed and discussed are the measures proposed to maximize opportunities and reduce or contain threats. In that context, mitigation measures are defined and responsibilities are assigned.

All stakeholders are required to report significant changes to existing identified risks and new threats and opportunities as they arise.

Risk registers are maintained using financial, operational, reputational impact and probability assessements to score and rank all identified risks. The assessments also address the measures in place to manage the risk identified with dates for completion of the measures. Effectiveness of the measures is also assessed.

When threats and opportunities have been identified and quantified, they are delegated to qualified individuals who are required to deliver effective risk management. Depending on the nature of the risks identified, specific skill sets may be required for the management of those particular risks. The assessments are shared between the stakeholders on a regular basis.

A consolidated risk assessment is submitted to the Executive Committee, the Audit Committee and the Board of Directors for review. In the case of new or changed risks, the reporting procedure is accelerated. Summaries of Business Units, Regions and Services risk assessments are shared with key managers.

To support functional responsibility, certain functions have access to risk assessments to assist them in their roles. Examples of such functions are Environmental Safety & Health Affairs (ESHA) to identify key sites for their property risk survey program, internal audit and group procurement.

Examples of identified risks included in the Risk Register:

2.1 – Regulation & Compliance: Environmental and product risks

Clariant is subject to many rules and regulations as well as compliance standards. These include chemical industry, country, government and customer requirements as well as the European Union's (EU) Regulations on Registration, Evaluation, Authorization and Restriction of Chemical substances (REACH). Corporate Product Stewardship is responsible for the management of this risk.
Certain specific matters are delegated to Legal, ESHA and Logistics functions.

2.2 – Site and location

This includes manufacturing plants and equipment important for the production of Clariant products for sale to customers. Also addressed are country and culture issues that could create threats and opportunities to business objectives. The aim is to maintain high-quality production facilities. ESHA and Regional Services are responsible for the management of the associated risks.

2.3 – Economic development

The achievement of targets depends on the economic development, which is therefore continuously monitored in all markets.
Should a market not develop in line with expectations, the organization will be adjusted accordingly.

3. Financial risk management

3.1 – Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk, liquidity risk, counterparty risk, (re-)financing and funding risk, and also settlement risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to reduce potential adverse effects on the Group's financial performance at reasonable hedging costs. The Group uses derivative financial instruments, non-derivative financial instruments and operating strategies to hedge certain risks.

Financial risk management is carried out by the central treasury department (Corporate Treasury) under policies approved by the Executive Committee and the Board of Directors. Corporate Treasury identifies, evaluates and hedges financial risks in close cooperation with the Group's operating units and functions. Written principles for the management of overall foreign exchange risk, credit risk for the use of derivative financial instruments, non-derivative financial instruments and investing excess liquidity (counterparty risk) are in place.

Market risk

Foreign exchange risk

- **Exposure to foreign exchange risk:** The Group operates internationally and is exposed to foreign exchange risks arising from various currency exposures, primarily with respect to the euro and the US-dollar and to some extent the currencies of emerging countries. Foreign exchange risks arise from future commercial transactions, recognized assets and liabilities and net investments in foreign operations, when they are denominated in a currency that is not the respective subsidiary's functional currency.

- **Foreign exchange risk management:** To manage the foreign exchange risk arising from future commercial transactions and recognized assets and liabilities, entities in the Group use spot transactions, FX forward contracts, FX options and FX swaps according to the Group's foreign exchange risk policy. Corporate Treasury is responsible, in close coordination with the Group's operating units, for managing the net position in each foreign currency and for putting in place the appropriate hedging actions.

  The Group's foreign exchange risk management policy is to selectively hedge net transaction exposures in major foreign currencies.

  Currency exposures arising from the net assets of the Group's foreign operations are managed primarily through borrowings denominated in the relevant foreign currency.

  Detailed information regarding foreign exchange management is provided in note 30.

- **Foreign exchange risk sensitivity:** The estimated percentage change of the following foreign exchange rates used in this calculation is based on the historical foreign exchange rate volatility for a term of 360 days.

  At 31 December 2016, if the euro had strengthened/weakened by 6 % (2015: 22 %) against the Swiss franc with all other variables held constant, pre-tax profit for the year would have been CHF 26 million higher/lower (2015: CHF 32 million lower/higher), mainly as a result of foreign exchange gains/losses on translation of the euro-denominated financing, cash and cash equivalents, intragroup financing and third-party trade receivables and payables. Equity would have been CHF 42 million lower/higher (2015: CHF 194 million lower/higher), arising mainly from foreign exchange gains/losses on translation of the euro-denominated hedging instruments.

At 31 December 2016, if the US-dollar had strengthened/weakened by 8% (2015: 23%) against the Swiss franc with all other variables held constant, pre-tax profit for the year would have been CHF 32 million higher/lower (2015: CHF 121 million higher/lower) mainly as a result of foreign exchange gains/losses on translation of US-dollar denominated cash and cash equivalents, intragroup financing and trade receivables. Equity would have been CHF 24 million lower/higher, arising mainly from foreign exchange gains/ losses on the translation of the USD-denominated hedging instruments.

Interest rate risk

- **Exposure to interest rate risk:** Financial debt issued at variable rates and cash and cash equivalents expose the Group to cash-flow interest rate risk; the net exposure as per 31 December 2016 was not significant. Financial debt issued at fixed rates does not expose the Group to fair value interest rate risk because it is recorded at amortized costs. At the end of 2016 and 2015, 100% of the net financial debt was at fixed rates.

- **Interest rate risk management:** It is the Group's policy to manage the costs of interest using fixed and variable rate debt and interest-related derivatives. Corporate Treasury monitors the net debt fix-to-float mix on an ongoing basis.

- **Interest rate risk sensitivity:** To calculate the impact of a potential interest rate shift on profit and loss, a weighted average interest rate change was determined, based on the terms of the financial debt issued at variable rates, fix term deposits and the movements of the corresponding interest rates (interest rates comparison between end of 2016 and end of 2015).

  At 31 December 2016, if the euro interest rates on net current financial debt issued at variable interest rates had been 19 basis points higher/lower with all other variables held constant, pre-tax profit for the year would have been CHF 0.8 million higher/lower (2015: CHF 0.3 million lower/higher for a euro interest rate shift of 24 basis points).

Other price risks

With regard to the financial statements as per 31 December 2016 and 2015, the Group was not exposed to other price risks in the sense of IFRS 7, Financial Instruments: Disclosures.

Credit risk

- **Exposures to credit risk:** Credit risk arises from deposits of cash and cash equivalents, from entering into derivative financial instruments and from deposits with banks and financial institutions, as well as from credit exposures to wholesale and retail customers, including outstanding receivables and committed transactions with suppliers. Customer credit risk exposure is triggered by customer default risk and country risk. As per 31 December 2016, the Group had a diversified portfolio with more than 30 000 active credit accounts (2015: more than 28 000), with no significant concentration neither due to size of customers nor due to country risk.

- **Credit risk management:** Clariant has a Group credit risk policy in place to ensure that sales are made to customers only after an appropriate credit risk rating and credit line allocation process. Procedures are standardized within a customer credit risk policy and supported by the IT system with respective credit management tools. Credit lines are partially backed by credit risk insurance.

Ageing balance of trade receivables	31.12.2016	31.12.2015
Not due yet	89%	87%
Total overdue	11%	13%
– less than 30 days	8%	9%
– more than 30 days	3%	4%

Net trade receivables per Group - internal risk category	31.12.2016	31.12.2015
A – low credit risk	27%	21%
B – low to medium credit risk	32%	30%
C – medium to above-average risk	30%	32%
D – high credit risk	11%	16%
N – customers awaiting rating	0%	1%

Financial instruments contain an element of risk that the counterparty may be unable to either issue securities or to fulfill the settlement terms of a contract. Clariant therefore – whenever possible – only cooperates with counterparties or issuers that are at least rated »BB« when it comes to entering into deposits with such counterparties. The cumulative exposure to these counterparties is constantly monitored by Corporate Treasury. There is no expectation of a material loss due to counterparty risk.

The Group maintains a large cash pooling structure with a leading European bank, over which most European subsidiaries execute their cash transactions denominated in euro. As a result of this cash pool the Group at certain times has substantial current financial assets and at other times substantial current financial liabilities. In view of the bank being rated »A+« by the most important rating agencies, Clariant does not consider this to pose any particular counterparty risk.

At the balance sheet date 75% (2015: 79%) of the total cash and cash equivalents and near-cash assets were held with five (2015: four) banks, each with a position between CHF 74 million and CHF 494 million (2015: between CHF 75 million and CHF 351 million). All of these banks are rated »A« (2015: »A«) and better.

The table below shows in percentage of total cash and cash equivalents the share deposited with each of the three major counterparties at the balance sheet date (excluding the bank managing the euro cash pool):

Counterparty	Rating	31.12.2016
Bank 1	A	13%
Bank 2	A	9%
Bank 3	A+	9%

Counterparty	Rating	31.12.2015
Bank A	AA	18%
Bank B	A	16%
Bank C	A	8%

Liquidity risk

- **Liquidity risk management:** Cash flow forecasting is performed in the subsidiaries of the Group and in aggregate by Corporate Treasury. Corporate Treasury monitors the forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet its operational needs while maintaining sufficient headroom on its undrawn borrowing facilities. At all times the Group aims to meet the requirements set by the covenants of any of its borrowing facilities. Corporate Management therefore takes into consideration the Group's debt financing plans and financing options.

Cash which is not needed in the operating activities of the Group is invested in short-term money market deposits or marketable securities, if an interest income higher than the one on a regular bank deposit can be achieved. At 31 December 2016, the Group held money market funds of CHF 627 million (2015: CHF 373 million), thereof CHF 277 million with an initial tenor of more than 90 days (2015: CHF 152 million).

The following table analyzes the maturity profile of the Group's financial liabilities. The amounts disclosed are the contractual undiscounted cash flows and therefore do not reconcile with the financial liabilities presented in the consolidated balance sheets.

At 31 December 2016 CHF m	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Borrowings	955	251	1 014	643
Interest on borrowings	74	41	81	26
Finance lease liabilities	1	1	4	17
Trade and other payables	1 228	–	–	–
Derivative financial instruments	2	–	–5	–

At 31 December 2015 CHF m	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Borrowings	394	654	697	508
Interest on borrowings	68	63	65	33
Finance lease liabilities	2	1	4	19
Trade and other payables	1 093	–	–	–
Derivative financial instruments	1	–	–	–

The Group covers its liabilities out of generated operating cash flow, liquidity reserves in form of cash and cash equivalents including money market deposits (31 December 2016: CHF 1 320 million vs. 31 December 2015: CHF 941 million), out of uncommitted open cash pool limits and bank credit lines (31 December 2016: CHF 132 million vs. 31 December 2015: CHF 173 million), as well as out of additional uncommitted net working capital facilities and through issuance of capital market instruments.

On 16 December 2016, Clariant Ltd signed an agreement for a new CHF 500 million five-year multi-currency revolving credit facility (RCF) with two one-year extension options. The RCF is structured as a club deal with ten key relationship banks with equal stakes and contains an accordion option for an increase up to CHF 600 million. The RCF is structured as a »back-stop« facility for rating purposes to maintain Clariant's liquidity headroom. It contains customary covenants such as negative pledge, cross default, ownership change and restriction on disposals, mergers and subsidiary debt. The Group is required to maintain one financial covenant (debt leverage) that is tested at the end of each financial half year.

3.2 – Fair value measurement

IFRS 13, Fair Value Measurement, requires the disclosure of fair value measurements for financial instruments that are 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).

Valuation methods

As per 31 December 2016, the open derivative financial instruments held were valued using the following valuation methods:

Forward exchange rate contracts: The valuation of forward exchange rate contracts are based on the discounted cash flow model, using observable inputs such as interest curves and spot rates.

Exchange rate Options: FX Options are valued based on a Black-Scholes model, using major observable inputs such as volatility and exercise prices.

The financial instruments measured at fair value through profit or loss were all classified as Level 2 (see note 30). There were no transfers between the levels in 2016 and 2015.

3.3 – Capital risk management

The Group's objectives when managing capital are to safeguard the ability to continue as a going concern in order to provide returns for the shareholders and benefits for other stakeholders and to maintain a capital structure suitable to optimize the cost of capital. This includes aspects of the credit rating.

In order to maintain or adjust the capital structure, the Group may adjust the amount of payouts to the shareholders, return capital to the shareholders, issue new shares, or sell assets to reduce debt.

The Group monitors capital on the basis of invested capital as part of the return on invested capital concept. Invested capital is calculated as the sum of total equity as reported in the consolidated balance sheets plus current and non-current financial liabilities as reported in the consolidated balance sheets plus estimated liabilities from operating leases, plus estimated cash needed for operating purposes, less cash and cash equivalents and near-cash assets not needed for operating purposes.

Invested capital for the Group was as follows on 31 December 2016 and 2015 respectively:

CHF m	**2016**	2015
Total equity	2 546	2 494
Total current and non-current financial liabilities	2 865	2 253
Estimated operating lease liabilities	460	421
Less cash and cash equivalents and near-cash assets*	–1 320	–941
Cash needed for operating purposes	117	116
Invested capital	**4 668**	**4 343**

* Near-cash assets represent deposits over 90 days.

At the end of 2016, Clariant considers the invested capital to be adequate.

4. Critical accounting estimates and judgments

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations on future events that are believed to be reasonable under the circumstances.

The Group makes estimates and takes assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

4.1 – Estimated impairment of goodwill, intangibles and property, plant and equipment

The Group tests annually whether goodwill has suffered any impairment in accordance with the requirements of IAS 36, Impairment of Assets. The recoverable amounts of all cash generating units have been determined based on value-in-use calculations.

The recoverable value of intangibles and property, plant and equipment is also assessed applying value-in-use calculations. These calculations require the use of estimates, in particular in relation to the expected growth of sales, the discount rates, the development of raw material prices and the success of restructuring measures implemented (see notes 5 and 6).

4.2 – Environmental liabilities

The Group is exposed to environmental regulations in numerous jurisdictions. Significant judgment is required in determining the worldwide provision for environmental remediation. The Group constantly monitors its sites to ensure compliance with legislative requirements and to assess the liability arising from the need to adapt to changing legal demands. The Group recognizes liabilities for environmental remediation based on the latest assessment of the environmental situation of the individual sites and the most recent requirements of the respective legislation. Where the final remediation results in expenses that differ from the amounts previously recorded, such differences impact the income statement in the period in which such determination is made (see notes 20 and 34).

4.3 – Income tax and other taxes

The Group is subject to income tax and other taxes in numerous jurisdictions. Significant judgment is required in determining the worldwide provision for income tax and other taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain at the time a liability must be recorded. The Group recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts initially recorded, such differences impact the income tax and deferred tax provisions in the period in which such determination is made (see note 9).

As a substantial part of Clariant's activities are based in Germany, this is where the largest tax risks arise.

Some subsidiaries generate tax losses. Often these can be used to offset taxable gains of subsequent periods. The Group constantly monitors the development of such tax loss situations. Based on the business plans for the subsidiaries concerned, the recoverability of such tax losses is determined. In the case that a tax loss is deemed to be recoverable, the capitalization of a deferred tax asset for such a tax loss is then decided. The time horizon for such a calculation is in line with the mid-term planning scope of the Group.

4.4 – Estimates for the accounting for employee benefits

IAS 19, Employee Benefits, requires that certain assumptions are made in order to determine the amount to be recorded for retirement benefit obligations and pension plan assets, in particular for defined benefit plans. These are mainly actuarial assumptions such as expected future salary increases, long-term increase in health care costs, average life expectancy and discount rates. Substantial changes in the assumed development of any of these variables may significantly change the Group's retirement benefit obligation and pension assets (see note 19).

5. Property, plant and equipment

in CHF m	Land	Buildings	Machinery and equipment	Furniture, vehicles, computer hardware	Assets under construction	**Total 2016**
Cost						
As per 1 January	408	1 722	2 673	340	427	5 570
Additions	–	11	56	15	215	297
Acquired in business combinations (see note 26)	4	17	20	28	1	70
Reclassified to held for sale (see note 25)	–6	–	–	–	–	–6
Disposals	–13	–17	–27	–22	–	–79
Reclassifications	11	54	114	42	–221	–
Exchange rate differences	–	–2	–90	–7	5	–94
At 31 December	**404**	**1 785**	**2 746**	**396**	**427**	**5 758**
Accumulated depreciation and impairment						
As per 1 January	–108	–1 142	–1 975	–262	–	–3 487
Reclassified to held for sale (see note 25)	1	–	–	–	–	1
Disposals	1	7	26	21	–	55
Depreciation	–	–47	–133	–30	–	–210
Impairment (see note 27)	–	–3	–6	–	–	–9
Reclassifications	–	1	16	–17	–	–
Exchange rate differences	1	4	84	8	–	97
At 31 December	**–105**	**–1 180**	**–1 988**	**–280**	**–**	**–3 553**
Net book value	**299**	**605**	**758**	**116**	**427**	**2 205**

in CHF m	Land	Buildings	Machinery and equipment	Furniture, vehicles, computer hardware	Assets under construction	**Total 2015**
Cost						
As per 1 January	452	1 936	3 005	369	161	5 923
Additions	2	13	38	19	302	374
Acquired in business combinations	—	4	5	—	—	9
Disposals	–2	–72	–133	–24	—	–231
Reclassifications	1	23	13	14	–22	29
Exchange rate differences	–45	–182	–255	–38	–14	–534
At 31 December	**408**	**1 722**	**2 673**	**340**	**427**	**5 570**
Accumulated depreciation and impairment						
As per 1 January	–125	–1 292	–2 107	–282	–13	–3 819
Disposals	—	72	133	22	—	227
Depreciation	—	–47	–128	–28	—	–203
Impairment (see note 27)	—	–1	–1	—	—	–2
Reclassifications	7	13	–60	–2	13	–29
Exchange rate differences	10	113	188	28	—	339
At 31 December	**–108**	**–1 142**	**–1 975**	**–262**	**—**	**–3 487**
Net book value	**300**	**580**	**698**	**78**	**427**	**2 083**

Impairments recognized in 2016 and 2015 arose as a result of restructuring measures entailing site closures.

In 2016 Clariant sold office buildings in Germany and in China realizing a gain of CHF 23 million.

As at 31 December 2016, commitments for the purchase of property plant and equipment concerned various projects mainly in Germany, Saudi Arabia and in the United States and totalled CHF 49 million (2015: CHF 105 million).

As per 31 December 2016, property, plant and equipment acquired by way of finance lease, with costs of CHF 18 million (2015: CHF 24 million) and a net book value of CHF 9 million (2015: CHF 11 million) were recorded.

In a number of cases Clariant companies act as lessors in operating lease arrangements. This concerns exclusively land and buildings, mainly in Germany and Switzerland. The net book value of land and buildings subject to such arrangements amounted to CHF 167 million (gross book value of CHF 651 million, accumulated depreciation and impairment of CHF 484 million) on 31 December 2016 (2015: gross book value of CHF 667 million, accumulated depreciation and impairment of CHF 499 million and a net book value of CHF 168 million). Leasing income in the reporting period amounted to CHF 15 million (2015: CHF 16 million). Expected minimum lease income varies between CHF 8 million and CHF 13 million (2015: CHF 10 million and CHF 15 million) per annum for the next five years and amounts to CHF 107 million for later periods (2015: CHF 116 million).

6. Intangible assets

in CHF m	Goodwill	Technology	Customer relationships	Trade names	Other	**Total 2016**
Cost						
As per 1 January	1 263	192	270	108	330	2 163
Additions	—	—	—	—	39	39
Acquired in business combinations (see note 26)	176	31	114	2	22	345
Disposals	–7	—	–2	—	–10	–19
Exchange rate differences	5	—	7	—	–2	10
At 31 December	**1 437**	**223**	**389**	**110**	**379**	**2 538**
Accumulated amortization and impairment						
As per 1 January	–244	–121	–174	–69	–205	–813
Disposals	7	—	2	—	10	19
Amortization	—	–15	–10	–9	–21	–55
Exchange rate differences	10	—	–2	—	3	11
At 31 December	**–227**	**–136**	**–184**	**–78**	**–213**	**–838**
Net book value	**1 210**	**87**	**205**	**32**	**166**	**1 700**

in CHF m	Goodwill	Technology	Customer relationships	Trade names	Other	**Total 2015**
Cost						
As per 1 January	1 324	187	187	74	259	2 031
Additions	—	—	—	—	27	27
Acquired in business combinations (see note 26)	4	2	1	—	9	16
Disposals	—	–30	—	–3	–3	–36
Reclassifications	30	42	87	37	63	259
Exchange rate differences	–95	–9	–5	—	–25	–134
At 31 December	**1 263**	**192**	**270**	**108**	**330**	**2 163**
Accumulated amortization and impairment						
As per 1 January	–210	–86	–51	–38	–159	–544
Disposals	—	30	—	3	3	36
Amortization	—	–15	–8	–7	–24	–54
Impairment (see note 27)	–7	—	—	—	–4	–11
Reclassifications	–30	–53	–115	–27	–34	–259
Exchange rate differences	3	3	—	—	13	19
At 31 December	**–244**	**–121**	**–174**	**–69**	**–205**	**–813**
Net book value	**1 019**	**71**	**96**	**39**	**125**	**1 350**

Amortization is allocated to the line in the income statement, which represents the function to which the intangible asset pertains.

In 2016 no impairments were recognized. Impairments recognized in 2015 arose as a result of the restructuring measures and the disposal projects.

As per end of 2016, other intangible assets include costs in the amount of CHF 49 million (2015: CHF 44 million) capitalized in connection with the REACH regulation and CHF 46 million (2015: CHF 23 million) of capitalized internally generated intangibles.

Impairment test for goodwill. Goodwill is allocated to the Group's cash generating units (CGU). Cash generating units consist of Business Units which are for external reporting purposes reported under the corresponding business areas (reportable segments, see note 1.23).

Goodwill is allocated to the following CGUs:

in CHF m	**31.12.2016**	31.12.2015
Industrial & Consumer Specialties	70	46
Masterbatches	175	174
Pigments	18	18
Functional Minerals	143	143
Catalysis	628	622
Oil & Mining Services	176	16
Total net book value	**1 210**	**1 019**

The recoverable amount for all CGUs is determined based on their value-in-use. The value-in-use calculations use cash flow projections based on financial budgets approved by the Board of Directors covering a four-year period. Beyond this four-year period growth in accordance with market growth (2 %) is assumed. The main assumptions used for cash flow projections are EBITDA in percent of sales and sales growth. The assumptions regarding these two variables are based on Management's past experience and future expectations of business performance. The pre-tax discount rates used are based on the Group's weighted average cost of capital. The assumed pre-tax discount rate was 10.27 % for all cash generating units (2015: 11.31 %).

For all CGUs it was assumed that they achieve sales growth in line with or higher than market growth based on the specific strategic plans for the respective CGUs. It was also assumed that the EBITDA in percent of sales will improve over present performance as a result of the continuous improvement measures implemented. The conclusion was that the net present value of the expected cash flows exceeds the carrying amount of the net assets allocated on a value-in-use basis of all CGUs.

The estimated recoverable amount of the CGU Catalysts exceeds its carrying amount including goodwill by CHF 247 million. The recoverable amount would be equal to the carrying amount if the assumed average annual sales growth rate during the planning period were reduced by 2.0 %, or alternatively, if the operating margin was reduced by 2.6 % of sales.

7. Investments in associates and joint ventures

in CHF m	**2016**	2015
As per 1 January	**586**	**635**
Change in the scope of consolidation	–6	–13
Additions	5	7
Impairment (see note 27)	1	–1
Share in profit	85	77
Equity repayment	–64	–
Share in other comprehensive income of associates and joint ventures	–4	1
Dividends received	–85	–57
Exchange rate differences	–2	–63
At 31 December	**516**	**586**
Thereof joint ventures	185	177

The key financial data of the Group's principal associates is as follows:

INVESTMENTS IN ASSOCIATES:

	Stahl Lux 2 SA		Infraserv GmbH & Co. Höchst KG		Infraserv GmbH & Co. Gendorf KG		Infraserv GmbH & Co. Knapsack KG		Others	
	Luxembourg		Germany		Germany		Germany			
in CHF m	**2016**	2015	**2016**	2015	**2016**	2015	**2016**	2015	**2016**	2015
Summarized financial information										
Interest held %	24%	24%	33%	32%	50%	50%	21%	21%	–	–
Revenue	661	619	1 030	1 112	240	231	202	193	329	289
Total comprehensive income	78	56	72	75	13	17	16	13	26	9
Net income	78	56	78	77	18	14	16	13	26	9
Other comprehensive income	–	–	–6	–2	–5	3	–	–	–	–
Current assets	367	342	295	300	67	57	58	57	253	214
Non-current assets	262	348	623	653	159	147	108	98	145	146
Current liabilities	–132	–143	–221	–220	–63	–37	–45	–41	–164	–150
Non-current liabilities	–607	–313	–417	–417	–64	–71	–29	–29	–97	–100
Net assets	**–110**	**234**	**280**	**316**	**99**	**96**	**92**	**85**	**137**	**110**
Reconciliation of book value										
Book value beginning of period	**180**	**187**	**104**	**123**	**51**	**50**	**17**	**19**	**57**	**66**
Additions	–	–	–	–	–	–	–	–	5	7
Change in the scope of consolidation	–	–	–	–	–	–	–	–	–6	–13
Impairment	–	–	–	–	–	–	–	–	1	–1
Share in profit for the period	18	11	26	26	9	10	4	3	16	10
Share in other comprehensive income	–	–	–2	–1	–2	2	–	–	–	–
Equity repayment	–64	–	–	–	–	–	–	–	–	–
Dividends received	–33	–	–30	–32	–6	–6	–3	–3	–8	–5
Foreign exchange rate differences	–1	–18	-	–12	–2	–5	–	–2	–	–7
Book value end of the period	**100**	**180**	**98**	**104**	**50**	**51**	**18**	**17**	**65**	**57**
Group's Share in net assets	**–26**	**54**	**93**	**101**	**50**	**48**	**19**	**18**	**65**	**57**
Fair value adjustment/Goodwill	124	124	–	–	–	–	–	–	–	–
Taxes, Minorities and other adjustments	2	2	5	3	–	3	–1	–1	–	–
Book value at the end of the period	**100**	**180**	**98**	**104**	**50**	**51**	**18**	**17**	**65**	**57**

In 2014 Clariant sold its Leather Service Business to the Netherlands-based Stahl group for a cash consideration and a 24 % stake in the acquiring group. Stahl is a producer of high-quality chemicals, dyes and coatings for leather and other applications and has about 1 700 employees.

The Infraserv companies were set up by the former Hoechst group to cater to the infrastructure needs of its subsidiaries in Germany prior to 1997. The shareholdings in associates summarized under »Others« concern mainly companies specializing in selling Clariant products.

On 31 December 2016, accumulated unrecognized losses amounted to CHF 12 million (2015: CHF 18 million).

The key financial data of the Group's principal joint ventures is as follows:

INVESTMENTS IN JOINT VENTURES:

	Scientific Design Company Inc.		Süd-Chemie India Pvt Ltd.	
	USA		India	
in CHF m	**2016**	2015	**2016**	2015
Summarized financial information				
Interest held %	50%	50%	50%	50%
Revenue	80	85	81	98
Total comprehensive income	8	8	15	21
Net income	8	8	15	23
Other comprehensive income	–	–	–	–2
Current assets	76	84	179	172
Non-current assets	30	29	13	14
Current liabilities	–19	–20	–87	–82
Non-current liabilities	–8	–8	–5	–5
Net assets	**79**	**85**	**100**	**99**
Reconciliation of book value				
Book value beginning of period	**95**	**108**	**82**	**82**
Share in profit for the period	4	5	8	12
Dividends received	–	–7	–5	–4
Foreign exchange rate differences	1	–11	–	–8
Book value end of the period	**100**	**95**	**85**	**82**
Group's Share in net assets at the end of the period	**39**	**42**	**50**	**49**
Fair value adjustment/Goodwill	66	66	28	28
Taxes, Minorities and other adjustments	–5	–13	7	5
Book value at the end of the period	**100**	**95**	**85**	**82**

Scientific Design Company Inc. is a producer of ethylene and oxide catalysts headquartered in the United States and has around 140 employees. Co-owner is the Saudi Arabia-based Sabic group.

Süd-Chemie India Pvt Ltd is a producer of syngas, air purification and refinery catalysts. It has around 400 employees and is headquartered in India. It is co-owned by private investors based in India.

8. Financial assets

in CHF m	2016	2015
As per 1 January	77	44
Additions	9	2
Reclassified to/from other current assets (see note 12)	–	38
Repayments and disposals	–17	–4
Exchange rate differences	2	–3
At 31 December	**71**	**77**

Financial assets include loans to joint ventures, loans arising on disposals and a number of small-scale participations in companies, mostly in Germany and in Switzerland, engaged in activities closely related to the ones of Clariant.

In 2016, Clariant acquired a 17 % stake in BioSpectrum Inc, a South Korean leading developer and supplier of specialty active cosmetics' ingredients derived from Asia's diverse flora. The purchase price amounted to CHF 8 million.

Loans are carried at amortized cost.

Financial assets are mostly denominated in euros, US-dollars and in Swiss francs.

9. Taxes

in CHF m	2016	2015
Current income taxes	–119	–76
Deferred income taxes	44	2
Total taxes	**–75**	**–74**
Thereof reported under discontinued operations	–	1
Total continuing operations	**–75**	**–73**

The main elements contributing to the difference between the Group's overall expected tax expense/rate and the effective tax expense/rate are:

	2016 in CHF m	in %	2015 in CHF m	in %
Income before taxes from continuing operations	338		300	
Income before taxes from discontinued operations	–		13	
Income before taxes total	**338**		**313**	
Expected tax expense/rate [1]	**–55**	**16.3**	**–62**	**19.8**
Effect of taxes on items not tax-deductible	–35	10.4	–24	7.7
Effect of utilization and changes in recognition of tax losses and tax credits	3	–0.9	13	–4.2
Effect of tax losses and tax credits of current year not recognized	–10	3.0	–8	2.6
Effect of adjustments to taxes recognized in prior periods	–13	3.8	–2	0.6
Effect of tax-exempt income	32	–9.5	14	–4.5
Effect of other items	3	–0.9	–5	1.6
Effective tax expense/rate	**–75**	**22.2**	**–74**	**23.6**
Thereof reported under discontinued operations	–	–	1	–0.3
Effective tax expense/rate continuing operations	**–75**	**22.2**	**–73**	**23.3**

[1] Calculated based on the income before tax of each subsidiary (weighted average).

In 2016, the effective tax rate compared to the expected tax rate was adversely impacted by the non-recognition of deferred tax asset on tax losses incurred by subsidiaries mainly in China and Canada and more expenses being considered as not tax deductible due to changes in legislation. On the other hand, the effective tax rate was positively influenced by the utilization of previously unrecognized tax losses/tax credits by subsidiaries in particular in Switzerland and newly recognized tax losses/tax credits in the United States.

The movement of the net deferred income tax balance is as follows:

in CHF m	PPE and intangible assets	Retirement benefit obligations	Tax losses and tax credits	Other accruals and provisions	**Total**	Thereof offset within the same jurisdiction	**Total**
Deferred tax assets at 31 December 2014	50	173	135	112	470	–199	271
Deferred tax liabilities at 31 December 2014	–253	—	—	–18	–271	199	–72
Net deferred tax balance at 1 January 2015	**–203**	**173**	**135**	**94**	**199**	**—**	**199**
Charged/credited to income from continuing operations	101	–11	–3	–86	1		
Effect of disposals	1	—	—	—	1		
Total charged/credited to income statement	**102**	**–11**	**–3**	**–86**	**2**		
Charged/credited to other comprehensive income	—	–6	—	—	–6		
Exchange rate differences	16	–10	–5	–11	–10		
Net deferred tax balance at 31 December 2015	**–85**	**146**	**127**	**–3**	**185**	**—**	**185**
Deferred tax assets at 31 December 2015	88	148	128	—	364	–108	256
Deferred tax liabilities at 31 December 2015	–173	–2	–1	–3	–179	108	–71
At 1 January 2016	**–85**	**146**	**127**	**–3**	**185**	**—**	**185**
Charged/credited to income statement	77	–2	–16	–5	54		
Effect of disposals	2	–8	—	–4	–10		
Total charged/credited to income statement	**79**	**–10**	**–16**	**–9**	**44**		
Charged/credited to other comprehensive income	—	26	—	—	26		
Effect of business combinations	—	—	—	1	1		
Exchange rate differences	–1	1	—	9	9		
Net deferred tax balance at 31 December 2016	**–7**	**163**	**111**	**–2**	**265**	**—**	**265**
Deferred tax assets at 31 December 2016	156	163	111	6	436	–138	298
Deferred tax liabilities at 31 December 2016	–163	—		–8	–171	138	–33
Net deferred tax balance at 31 December 2016	**–7**	**163**	**111**	**–2**	**265**	**—**	**265**

Of the deferred tax assets capitalized on tax losses, CHF 68 million refer to tax losses of the US subsidiaries (2015: CHF 76 million), CHF 8 million to tax losses of the Spanish subsidiaries (2015: CHF 10 million), CHF 6 million to tax losses of the Italian subsidiaries (2015: CHF 8 million). The capitalized tax losses of the Swiss subsidiaries (2015: CHF 4 million) were utilized in 2016. Clariant considers it is highly probable that these tax losses can be recovered.

Deferred income tax liabilities have not been established for withholding tax and other taxes that would be payable on the unremitted earnings of certain foreign subsidiaries, as such amounts are currently regarded as permanently reinvested. These unremitted earnings totaled CHF 2 317 million at the end of 2016 (2015: CHF 1 734 million). The change compared to the prior year is essentially the result of Group-internal transactions.

The tax losses on which no deferred tax assets are recognized are reviewed for recoverability at each balance sheet date. The largest part of these tax losses arose in Switzerland (with a weighted average tax rate of 20.7 %), in France (with a tax rate of 33.3 %), in China (with a tax rate of 25 %) and in Luxembourg (with a tax rate of 27.1 %). At present their recoverability is not considered probable.

Tax losses on which no deferred tax assets were recognized are as follows:

in CHF m	31.12.2016	31.12.2015
EXPIRY BY:		
2016	–	71
2017	56	60
2018	25	22
2019	32	32
2020	47	–
after 2020 (2015: after 2019)	291	260
Total	**451**	**445**

Tax credits amounting to CHF 16 million were entirely recognized in 2016. They expire in and after 2021.

Temporary differences on which no deferred tax was recognized amount to CHF 1 038 million in 2016 (2015: CHF 953 million).

10. Inventories

in CHF m	31.12.2016	31.12.2015
Raw material, consumables, work in progress	322	343
Finished products	494	468
Total	**816**	**811**

in CHF m	2016	2015
Movements in write-downs of inventories		
As per 1 January	–32	–35
Additions	–15	–21
Reversals	10	19
Exchange rate differences	–	5
At 31 December	**–37**	**–32**

As at 31 December 2016 and 2015, no inventories were pledged as collateral for liabilities.

The costs for raw materials and consumables recognized as an expense and included in »Costs of goods sold« amounted to CHF 2 454 million (2015: CHF 2 400 million).

11. Trade receivables

in CHF m	31.12.2016	31.12.2015
Gross accounts receivable – trade	1 032	949
Gross accounts receivable – associates and joint ventures	9	13
Less: provision for doubtful accounts receivable	–30	–28
Total	**1 011**	**934**

The following summarizes the movement in the provision for doubtful accounts receivable:

in CHF m	2016	2015
As per 1 January	–28	–31
Charged to the income statement	–13	–21
Amounts used	3	10
Acquired in business combinations	–2	–
Unused amounts reversed	9	8
Effect of disposals	–	1
Exchange rate differences	1	5
At 31 December	**–30**	**–28**

Of the total provision for doubtful accounts receivable, the following amounts concern trade receivables that were individually impaired:

in CHF m	31.12.2016	31.12.2015
Trade receivables aged up to six months	–4	–2
Trade receivables aged over six months	–15	–9
Total provision for individual impairment	**–19**	**–11**

There is no concentration of credit risk with respect to trade receivables, as the Group has a large number of internationally dispersed customers.

The Group recognizes the impairment of trade receivables in »Selling, general and administrative costs« in the income statement.

The maximum credit risk on trade receivables is equal to their fair value.

Collaterals are only required in rare cases (2016: CHF 2 million, 2015: CHF 1 million).

The carrying amounts of the Group's trade receivables are denominated in the following currencies:

in CHF m	**31.12.2016**	31.12.2015
EUR	347	360
USD	320	268
CNY	70	61
BRL	51	40
JPY	35	37
INR	23	22
Other	165	146
Total	**1 011**	**934**

As of 31 December 2016, »Total trade receivables – net« include an amount of CHF 143 million (2015: CHF 138 million) past due, but not impaired. These relate to a number of customers for whom there is no recent history of default.

The ageing analysis of these trade receivables is as follows:

in CHF m	**31.12.2016**	31.12.2015
Up to three months past due, but not impaired	120	119
Three to six months past due, but not impaired	10	10
More than six months past due, but not impaired	13	9
Total	**143**	**138**

12. Other current assets

Other current assets include the following:

in CHF m	**31.12.2016**	31.12.2015
Other receivables	238	228
Current financial assets	47	48
Prepaid expenses and accrued income	59	52
Total	**344**	**328**

Other receivables include, among others, staff loans and advances, VAT and sales tax receivables.

Other receivables are recognized at amortized cost in the balance sheet.

Current financial assets are mainly made up of notes receivables and short-term loans. These are classified as loans and receivables and recognized at amortized cost in the balance sheet.

The book value of current financial assets, recognized at amortized cost, equals their fair value.

There was no impairment of current financial assets in 2016 and 2015.

Other receivables are denominated in the following currencies:

in CHF m	**31.12.2016**	31.12.2015
CHF	34	23
EUR	70	77
USD	14	9
JPY	17	17
BRL	23	13
CNY	10	9
INR	9	13
Other	61	67
Total	**238**	**228**

Current financial assets are denominated in the following currencies:

in CHF m	**31.12.2016**	31.12.2015
CHF	29	29
USD	11	7
CNY	6	9
EUR	1	1
INR	–	2
Total	**47**	**48**

The maximum exposure to credit risk of other current assets at the reporting date is their fair value.

13. Near-cash assets

Near-cash assets include short-term deposits with an original maturity between 90 and 365 days.

Near-cash assets are denominated in the following currencies:

in CHF m	**31.12.2016**	31.12.2015
EUR	209	133
CHF	40	4
GBP	28	15
Total	**277**	**152**

14. Cash and cash equivalents

in CHF m	**31.12.2016**	31.12.2015
Cash at bank and on hand	693	568
Short-term bank deposits	350	221
Total	**1 043**	**789**

Cash and cash equivalents are denominated in the following currencies:

in CHF m	**31.12.2016**	31.12.2015
EUR	510	176
USD	174	300
CHF	182	108
GBP	47	96
CNY	30	32
JPY	10	8
INR	19	7
BRL	7	4
Other	64	58
Total	**1 043**	**789**

The effective average annual interest rate on short-term bank deposits in Swiss francs was 0.00 % (2015: 0.04 %); these deposits have an average maturity of 4 days (2015: 66 days).

The effective average annual interest rate on short-term bank deposits in euros was 0.05 % (2015: 0.05 %); these deposits have an average maturity of 53 days (2015: 90 days).

The effective average annual interest rate on short-term bank deposits in US-dollars was 0.73 % (2015: 0.28 %); these deposits have an average maturity of 30 days (2015: 38 days).

The effective average annual interest rate on short-term bank deposits in British pounds was 0.52 % (2015: 0.48 %); these deposits have an average maturity of 48 days (2015: 50 days).

There were no short-term bank deposits denominated in currencies other than the Swiss franc, the euro, the US-dollar and the British pound at the end of the reporting period.

The maximum exposure to credit risk on cash and cash equivalents is equal to their book value.

15. Cash flow from operating activities

for the years ended 31 December 2016 and 2015	Notes		**2016** in CHF m		2015 in CHF m
Net income			**263**		**239**
Adjustment for:					
Depreciation of property, plant and equipment	5	210		203	
Impairment	27	8		14	
Depreciation of intangible assets	6	55		54	
Impairment of working capital		24		52	
Income from associates and joint ventures	7	–85		–77	
Tax expense	9	75		74	
Net financial income and costs	28	109		100	
Gain/loss from disposals not qualifying as discontinued operations	25	3		–15	
Loss on disposals of discontinued operations	24	–		2	
Other non-cash items		20		41	
Total reversal of non-cash items			**419**		**448**
Dividends received from associates and joint ventures	7		85		57
Income taxes paid			–66		–96
Payments for restructuring	27		–37		–78
Cash flow before changes in net working capital and provisions			**664**		**570**
Changes in inventories			–20		–28
Changes in trade receivables			–80		–79
Changes in trade payables			17		39
Changes in other current assets and liabilities			12		–7
Changes in provisions (excluding payments for restructuring)			53		7
Cash flow from operating activities			**646**		**502**

16. Changes in share capital and treasury shares and changes in non-controlling interests

Registered shares each with a par value of CHF 3.70 (2015: CHF 3.70)	Number of shares 2016	Par value 2016 in CHF m	Number of shares 2015	Par value 2015 in CHF m
Share capital as per 1 January	**331 939 199**	**1 228**	**331 939 199**	**1 228**
Share capital at 31 December	**331 939 199**	**1 228**	**331 939 199**	**1 228**
Treasury shares	–7 887 728	–29	–9 195 810	–34
Outstanding share capital at 31 December	**324 051 471**	**1 199**	**322 743 389**	**1 194**

Treasury shares (number of shares)	2016	2015
Holdings as per 1 January	9 195 810	12 087 920
Shares purchased at market value	819 813	1 016 761
Shares sold to counterparty out of options (management options 2010)	—	–2 077 650
Shares sold at market value	–1 240 318	–1 016 741
Shares transferred to employees	–887 577	–814 480
Holdings at 31 December	**7 887 728**	**9 195 810**

All shares are duly authorized and fully paid in.

Dividends are paid out as and when declared equally on all shares, excluding treasury shares. The information concerning payments per share to the shareholders are disclosed in the notes to the financial statements of Clariant Ltd.

In accordance with article 5 of the company's Articles of Incorporation, no limitations exist with regard to the registration of shares which are acquired in one's own name and on one's own account. Special rules exist for nominees.

In accordance with article 13 of the company's Articles of Incorporation, each share has the right to one vote.

Significant shareholdings of 3% or more of total share capital

Based on the notifications received by Clariant and published by SIX Exchange Regulation, as at 31 December 2016 the following shareholders held more than 3% of voting rights in Clariant Ltd:

Shareholders	Voting rights
Group of former shareholders of Süd-Chemie AG[1]	13.89%
Thereof (as a separate sub-group): Blue Beteiligungsgesellschaft mbH, Am Holzmaierfeld, 82064 Grossdingharting (Germany) and Maple Beteiligungsgesellschaft mbH, Am Holzmaierfeld, 82064 Grossdingharting (Germany)[2]	3.73%
APG Asset Management N.V., Amsterdam, Netherlands	5.01%
BlackRock Inc., New York	3.08%
Cymbria, Canada EdgePoint Global Portfolio, Canada EdgePoint Canadian Growth and Income Portfolio, Canada EdgePoint Canadian Portfolio, Canada EdgePoint Global Growth and Income Portfolio, Canada St. James Place Global Equity Unit Trust, UK	3.06%
Citadel Multi-Strategy Equities Sàrl Citadel Global Equities Fund Sàrl Citadel Securities (Europe) Limited	3.02%
Norges Bank (the Central Bank of Norway)	3.003%
UBS Funds Management (Switzerland) AG	3.001%

[1] The following former shareholders of Süd-Chemie AG form a group:
Wilhelm, Dr. Winterstein, Germany
Dolf, Dr. Stockhausen, Switzerland
Axel, Dr. Schweighart, Germany
Rosemarie Schweighart, Germany
Dominique Kraus, Germany
Karl, Dr. Wamsler, Germany
Irene W. Banning, USA
Susanne Wamsler-Singer, Austria
Caroline A., Dr. Wamsler, USA
Amelie Ratjen, Germany
Christof Ratjen, Germany
Christopher Weithauer, Germany
Johanna Bechtle, Germany
Kaspar Bechtle, Germany
Luisa Redetzki, Germany
Karl T. Banning, USA
Schuyler H. Joerger, USA
Konstantin Alfred Winterstein, Germany
Max-Theodor, Dr. Schweighart, Germany
Peter, Dr. Schweighart, Germany
Moritz Ostenrieder, Germany
Christian Ratjen, Germany
Bettina Wamsler, Germany
Pauline Joerger, USA
Marianne Kunisch, Germany
Maximilian Ratjen, Germany
Julius Ratjen, Germany
Elisabeth Prinzessin zu Sayn-Wittgenstein, Germany
Georg A. Weithauer, Germany
Charlotte Bechtle, Germany
Clara Redetzki, Germany
Marie Redetzki, Germany
Sophia P. Joerger, USA

[2] According to a disclosure notification published on 18 January 2013, a group consisting of Konstantin Winterstein, 80333 München, Germany and Elisabeth Prinzessin zu Sayn-Wittgenstein, 80333 München, Germany holds 3.73% partially through Blue Beteiligungsgesellschaft mbH, Grossdingharting (Germany) and partially through Maple Beteiligungsgesellschaft mbH, Grossdingharting (Germany). The 3.73% held by this group are included in the 13.89% mentioned under footnote 1, but build a separate sub-group.

Disclosure notifications during the financial year 2016 reported to the Stock Exchange Disclosure Office pursuant to Art. 120 of the Financial Markets Infrastructure Act (FMIA) as well as further information in relation to disclosure notifications can be found on the SIX Swiss Exchange reporting platform: www.six-exchange-regulation.com/en/home/publications/significant-shareholders.html

As of 31 December 2016, former shareholders of Süd-Chemie AG, who had exchanged their shares against Clariant shares in April 2011, held a total of 13.89 % of the share capital of Clariant Ltd. These shareholders are related to each other for family or other reasons (especially the Wamsler, Winterstein, Schweighart and Stockhausen families).

In addition, at 31 December 2015, the following shareholders held a participation of 3 % or more of the total share capital:
Group of former shareholders of Süd-Chemie AG: 13.89 %, thereof (as a separate sub-group): Blue Beteiligungsgesellschaft mbH, Am Holzmaierfeld, 82064 Grossdingharting (Germany) and Maple Beteiligungsgesellschaft mbH, Am Holzmaierfeld, 82064 Grossdingharting (Germany): 3.73 %); APG Asset Management N.V., Amsterdam, Netherlands: 5.01 %; Cymbria, (Canada): 3.06 %, Black Rock Inc., New York: 3.05 %.

At 31 December 2016, Clariant AG itself held 7 887 728 shares in treasury, corresponding to 2.38 % of the share capital.

Distribution to shareholders

On 21 April 2016 the Annual General Meeting of Clariant Ltd approved a distribution from the confirmed capital contribution reserves of CHF 0.40 per share. This was paid out on 28 April 2016 reducing the capital contribution reserves by CHF 129 million.

Non-controlling interests

In December 2016 Clariant sold shares of Clariant Chemicals (India) Ltd in the stock market for an amount of CHF 29 million. As a result the percentage of non-controlling interests in this company increased from 35.8 % to 49 %. The transaction resulted in a gain of CHF 16 million, which was recognized in equity.

In October 2015 Clariant Chemicals (India) Ltd engaged in a share buyback. This resulted in the amount of CHF 21 million being paid out to minority shareholders and CHF 29 million to Group-internal parent companies. As a consequence the percentage of non-controlling interests in this company decreased from 36.6 % to 35.8 %.

At 31 December 2016, non-controlling interests reported are primarily made up of those of the three following companies. They amount to more than 65 % of the minority shares reported:

Clariant Huajin Catalysts (Panjin) Ltd, reported sales in the amount of CHF 28 million in the reporting period and total assets in the amount of CHF 35 million as per 31 December 2016. The non-controlling interests of 40 % of the shares outstanding is held by Northern Huajin Chemical Industry Group Co. Ltd.

Clariant Chemicals (India) Ltd reported sales in the amount of CHF 140 million in the reporting period and CHF 135 million of total assets as per 31 December 2016. The non-controlling interests of 49 % of the shares outstanding is traded on the Bombay Stock Exchange (BSE) in Mumbai.

Clariant Catalysts (Japan) K.K. reported sales in the amount of CHF 148 million in the reporting period and CHF 96 million of total assets as per 31 December 2016. The non-controlling interests of 38.6 % of the shares outstanding are held by Nissan Chemicals Industries Ltd.

17. Non-current financial debts

in CHF m	Interest rate in %	Term	**Notional amount**	**Net amount 31.12.2016**	Net amount 31.12.2015
Certificate of indebtedness	mixed	2011–2016	123 EUR m	–	134
Straight bond	5.625	2012–2017	500 EUR m	537	540
Straight bond	3.125	2011–2017	100 CHF m	100	100
Straight bond	2.500	2012–2018	250 CHF m	250	249
Straight bond	3.250	2012–2019	285 CHF m	285	285
Certificate of indebtedness	mixed	2015–2020	150 EUR m	161	162
Certificate of indebtedness	1.012	2016–2020	157 EUR m	169	–
Certificate of indebtedness	6 m EURIBOR +1.05	2016–2020	55 EUR m	59	–
Certificate of indebtedness	0.779	2016–2021	55 EUR m	59	–
Certificate of indebtedness	3 m LIBOR + 1.5	2016–2021	166 USD m	169	–
Certificate of indebtedness	2.618	2016–2021	111 USD m	112	–
Straight bond	3.500	2012–2022	175 CHF m	174	174
Certificate of indebtedness	mixed	2015–2023	150 EUR m	161	162
Certificate of indebtedness	6 m EURIBOR +1.1	2016–2023	13 EUR m	14	–
Certificate of indebtedness	1.137	2016–2023	27 EUR m	28	–
Certificate of indebtedness	1.501	2016–2023	73 EUR m	79	–
Straight bond	2.125	2014–2024	160 CHF m	160	160
Certificate of indebtedness	2.010	2016–2026	15 EUR m	16	–
Total straight bonds and certificates of indebtedness				**2 533**	**1 966**
Liabilities to banks and other financial institutions				**1**	**16**
Obligations under finance leases				**11**	**11**
Subtotal				**2 545**	**1 993**
Less: current portion (see note 22)				**–637**	**–134**
Total				**1 908**	**1 859**
Breakdown by maturity					
			2017	–	654
			2018	251	250
			2019	285	285
			2020	389	162
			2021	341	–
			after 2021 (2015: after 2020)	642	508
Total				**1 908**	**1 859**
Breakdown by currency			CHF	869	968
			EUR	756	888
			USD	281	–
			Others	2	3
Total				**1 908**	**1 859**
Fair value comparison (including current portion)					
Straight bonds				1 569	1 600
Certificates of indebtedness				1 026	458
Others				12	27
Total				**2 607**	**2 085**

On 21 April 2016, the certificate of indebtedness in 2011 with a notional amount of EUR 123 million reached maturity and was repaid.

On 26 April 2016, Clariant issued four certificates of indebtedness with a total amount of EUR 300 million. These certificates have a term of 4 years (EUR 212 million), 7 years (EUR 73 million) and 10 years (EUR 15 million) respectively. The interest varies between 1.012 % and 2.010 %.

On 5 August 2016 Clariant issued five certificates of indebtedness with total amounts of EUR 95 million and USD 277 million. These certificates have terms of 5 years (EUR 55 million and USD 277 million) and 7 years (EUR 40 million). The interest varies between 0.779 % and 2.618 %, while a tranche of EUR 13 million has a variable interest of 6 months EURIBOR plus 1.1 % and a tranche in the amount of USD 166 million has a variable interest of 3 months LIBOR plus 1.5 %.

On 17 April 2015, Clariant issued four certificates of indebtedness with a total amount of EUR 300 million. These certificates have a term of 5 years (EUR 150 million) and 8 years (EUR 150 million) respectively. For each term there is one certificate with a fixed (based on mid-swap) and one with a floating (based on six months EURIBOR) coupon.

On 9 December 2015, the straight bond issued in 2011 with a notional amount of CHF 200 million reached maturity and was repaid.

Valuation. Non-current financial debt is recognized initially at fair value, net of transaction costs incurred. Financial debt is subsequently stated at amortized cost. There are no long-term financial liabilities valued at fair value through profit and loss.

Fair values of straight bonds are determined by quoted market prices (Level 1 in the fair value hierarchy).

Certificates of indebtedness and other financial debts are recorded at notional amounts, which are a reasonable approximation of the fair values.

Covenants. For the covenants please refer to note 3.1 Financial risk factors.

Exposure of the Group's borrowings to interest rate changes

- Bonds: the interest rates of all bonds are fixed.
- Certificates of indebtedness: the major part of the existing certificates of indebtedness has a fixed coupon.
- Liabilities to banks and other financial institutions consist of bank loans with fixed interest rates mainly.

Collateral. In 2016 and 2015, no assets were pledged as collateral.

18. Reconciliation of net debt

CHF m	31.12.2015	Movements in cash flow	Exchange rate differences	Other non-cash movements	31.12.2016
Cash and cash equivalents	789	285	–31	–	1 043
Near-cash assets	152	127	–2	–	277
Financial instruments with positive fair values	–	5	–	–	5
Total cash and liquid investments	**941**	**417**	**–33**	**–**	**1 325**
Non-current financial debt	–1 859	–700	14	637	–1 908
Current financial debt	–394	94	–20	–637	–957
Borrowings and other financial liabilities	**–2 253**	**–606**	**–6**	**–**	**–2 865**
Net debt	**–1 312**	**–189**	**–39**	**–**	**–1 540**

CHF m	31.12.2014	Movements in cash flow	Exchange rate differences	Other non-cash movements	31.12.2015
Cash and cash equivalents	748	84	–43	–	789
Near-cash assets	180	–23	–5	–	152
Total cash and cash equivalent	**928**	**61**	**–48**	**–**	**941**
Non-current financial debt	–1 761	–311	79	134	–1 859
Current financial debt	–430	164	6	–134	–394
Borrowings and other financial liabilities	**–2 191**	**–147**	**85**	**–**	**–2 253**
Net debt	**–1 263**	**–86**	**37**	**–**	**–1 312**

19. Retirement benefit obligations

Apart from the legally required social security schemes, the Group has numerous independent pension plans. The assets are principally held externally. For certain Group companies however, no independent assets exist for the pension and other non-current employee benefit obligations. In these cases the related liability is included in the balance sheet as part of the non-current liabilities.

Defined benefit post-employment plans. Defined benefit pensions and termination plans cover the majority of the Group's employees. Future obligations and the corresponding assets of those plans considered as defined benefit plans under IAS 19 (revised) are reappraised annually and reassessed at least every three years by independent actuaries. Assets are valued at fair value.

Pension assets for funded defined benefit pension plans are managed according to local rules and legislation in each country.

The actual asset allocation is determined by current and expected economic and market conditions and in consideration of specific asset class risks in the risk profile. For this purpose Asset Liability Matching studies are conducted by third-party experts on a regular basis to ensure that investment strategies for pension assets are in line with the structure of the plan members of the pension plan concerned.

In all countries with funded defined benefit plans the body governing the investment policy is constituted in accordance with local legal requirements. To the extent legally permitted Clariant Corporate exercises influence to ensure that the investment policy is set in a way to serve best the needs of the pension plan and its members.

The largest defined benefit plans are operated in Switzerland, the United Kingdom, the United States and Germany. These plans make up 94 % of the total defined benefit obligation.

The most important German plan is unfunded and covers the supplementary pension liabilities for plan members whose salaries exceed the level of the German mandatory social security coverage. Contributions are made primarily by the employer and vary depending on the salary level of the plan members. Employees contribute to the plan up to 2 % of pensionable earnings on a voluntary basis, to which the employer contributes an equal amount on top of the regular contributions. Benefits are paid out as annual pensions amounting to 20 % of total contributions. Lump sum payments to employees are possible to the extent of the voluntary contributions. In addition there exists a smaller, similarly structured funded defined benefit plan for former employees of the Süd-Chemie group, acquired in 2011. All other pension liabilities regarding German staff members are covered by a funded multi-employer plan which is accounted for as a defined contribution plan.

The defined benefit obligation in the United Kingdom is a funded plan covering the pension liabilities of UK employees who joined the company before 31 December 2001 and was closed to further accruals in April 2016. All staff members are now covered by a defined contribution plan. The defined benefit pension plan is fully funded according to legal requirements. Yet, in view of the high number of non-active plan members, additional contributions may be necessary in future years.

In the United States Clariant operates a funded defined benefit pension plan covering the pension liabilities of employees who joined the company before 31 December 2000. Contributions are paid by the employer exclusively. Benefits are paid out as lifetime pensions determined on the basis of a final/career average calculation. Staff members who joined on 1 January 2001 or later are covered by a defined contribution plan. For members of Management whose annual salaries exceed the amount of CHF 265 000 an additional pension scheme is in place in the form of an unfunded defined benefit obligation, which covers the part exceeding this amount. The US pension plan is currently underfunded according to local legal requirements. Additional funding measures in the amount of up to CHF 51 million are scheduled over the next six years. US- employees transferred to Clariant with the Hoechst Specialty Chemicals business remain insured with Hoechst for their pension claims incurred prior to 30 June 1997.

In Switzerland, Clariant operates a funded defined benefit pension plan that covers the pension liabilities of all employees of the Swiss Clariant companies up to a salary level of CHF 200 000.

Both the employer and the employees contribute to the plan, the employer paying two thirds of the total contributions. The pension plan provides lifetime pensions determined based on cumulative savings of the individual plan member and converted into an annual pension at a fixed conversion rate. Lump sum payments are possible up to 40 % of the total individual cumulative savings.

The Swiss pension plan is marked by a shrinking operating basis, and as a result, an increasing share of retired members. Additional funding measures in the amount of CHF 38 million are therefore scheduled over the next nine years.

For members of Management whose annual salaries exceed the amount of CHF 200 000, an additional pension scheme is in place in the form of a funded defined benefit obligation.

Any shortfalls in funded provisions for pension commitments to members of the Executive Committee are accounted for as an unfunded defined benefit obligation.

Post-employment medical benefits. The Group operates a number of post-employment medical benefit schemes in the United States, Canada and France. The method of accounting for the liabilities associated with these plans is largely equal to the one used for defined benefit pension schemes. These plans are not externally funded, but are recognized as provisions in the balance sheets of the Group companies concerned.

Expenses for net benefits are recorded in the same line and function in which the personnel costs are recorded.

Changes in the present value of defined benefit obligations are as follows:

in CHF m	Pension plans (funded and unfunded)		Post-employment medical benefits (unfunded)	
	2016	2015	**2016**	2015
As per 1 January	2 551	2 714	81	88
Current service cost	38	39	1	1
Past service cost/gain including curtailments	5	–22	–	–
Gain/loss on settlements	–2	–	–	–
Interest costs on obligation	54	58	3	3
Contributions to plan by employees	11	11	–	–
Benefits paid out to personnel in reporting period	–121	–113	–4	–5
Remeasurements:				
Actuarial gain/loss arising from changes in demographic assumptions	37	–6	2	–1
Actuarial gain/loss arising from changes in financial assumptions	188	–27	2	–2
Actuarial gain/loss due to experience adjustments	33	–1	–1	–2
Effect of disposals	–	–1	–	–
Effect of settlements	–1	–7	–	–
Exchange rate differences	–64	–94	3	–1
At 31 December	**2 729**	**2 551**	**87**	**81**

Changes in the fair value of plan assets are as follows:

in CHF m	**2016**	2015
As per 1 January	1 850	1 896
Interest income on plan assets	38	43
Contributions to plan by employees	11	11
Contributions to plan by employer	56	59
Benefits paid out to personnel in reporting period	–100	–90
Remeasurements:		
Return on plan assets (excluding amount included in interest expense)	146	–32
Effect of settlements	–1	–5
Effect of disposals	–	–1
Exchange rate differences	–66	–31
At 31 December	**1 934**	**1 850**

As at 31 December 2016 and 2015, the pension plan assets did not include any directly held registered shares or bonds issued by Clariant Ltd.

The amounts recognized in the balance sheets are as follows:

in CHF m	Defined benefit pension plans		Post-employment medical benefits			Total
	31.12.2016	31.12.2015	**31.12.2016**	31.12.2015	**31.12.2016**	31.12.2015
Present value of funded obligations	–2 123	–1 988	–	–	–2 123	–1 988
Fair value of plan assets	1 934	1 850	–	–	1 934	1 850
Overfunding/Deficit	**–189**	**–138**	**–**	**–**	**–189**	**–138**
Present value of unfunded obligations	–606	–563	–87	–81	–693	–644
Net liabilities in the balance sheet	**–795**	**–701**	**–87**	**–81**	**–882**	**–782**

Thereof recognized in:

in CHF m	**31.12.2016**	31.12.2015	**31.12.2016**	31.12.2015	**31.12.2016**	31.12.2015
Retirement benefit obligations	–831	–748	–87	–81	–918	–829
Prepaid pension assets	36	47		–	36	47
Net liabilities in the balance sheet for defined benefit plans	**–795**	**–701**	**–87**	**–81**	**–882**	**–782**

The amounts recognized in the income statement and in other comprehensive income are as follows:

in CHF m	Defined benefit pension plans		Post-employment medical benefits			Total
	2016	2015	**2016**	2015	**2016**	2015
Current service cost	–38	–39	–1	–1	–39	–40
Net interest cost	–16	–15	–3	–3	–19	–18
Past service cost/gain including curtailments	–5	22	–	–	–5	22
Gain/loss on settlements	2	–	–	–	2	–
Components of defined benefit expense reported in the income statement	**–57**	**–32**	**–4**	**–4**	**–61**	**–36**
Actuarial gain/loss arising from changes in demographic assumptions	–37	6	–2	1	–39	7
Actuarial gain/loss arising from changes in financial assumptions	–188	27	–2	2	–190	29
Actuarial gain/loss due to experience adjustments	–33	1	1	2	–32	3
Return on plan assets (excluding amount included in net interest expense)	146	–32	–	–	146	–32
Components of defined benefit expense reported in other comprehensive income	**–112**	**2**	**–3**	**5**	**–115**	**7**
Total defined benefit expense	**–169**	**–30**	**–7**	**1**	**–176**	**–29**

The fair value of the plan assets is split into the major assets categories as follows:

in CHF m	31.12.2016	31.12.2015
Equities	533	541
thereof based on quoted market prices	*523*	*541*
Bonds	627	611
thereof based on quoted market prices	*613*	*499*
Cash	66	64
thereof based on quoted market prices	*66*	*64*
Property	295	290
thereof based on quoted market prices	*207*	*280*
Alternative investments	413	344
thereof based on quoted market prices	*237*	*299*
Total fair value of plan assets	**1 934**	**1 850**

The principal actuarial assumptions at the balance sheet dates in percent are as follows:

		2016 in %					2015 in %				
		Group	Most important countries				Group	Most important countries			
		Weighted average	Switzerland	United Kingdom	United States	Germany	Weighted average	Switzerland	United Kingdom	United States	Germany
Discount rate		1.7	0.5	2.9	4.1	1.8	2.2	0.8	3.8	4.2	2.3
Future salary increases		1.7	1.5	–	3.0	2.5	2.5	1.5	4.5	3.0	2.5
Long-term increase in health care costs		6.5	–	–	7.5	–	7.3	–	–	8.0	–
Current average life expectancy for a 65 year old male	in years	19	22	23	21	19	19	20	22	21	19
Current average life expectancy for a 65 year old female	in years	22	23	25	23	23	21	22	24	23	23

A one percentage-point change in health care cost trend rates would have the following effects on the obligation for post-employment medical benefits:

2016 in CHF m	One percentage-point increase	One percentage-point decrease
Effect on the aggregate of the service cost and interest cost	1	–1
Effect on defined benefit obligation	7	–6

2015 in CHF m	One percentage-point increase	One percentage-point decrease
Effect on the aggregate of the service cost and interest cost	1	–1
Effect on defined benefit obligation	7	–6

A 25 basis-point change in discount rate would have the following effects on the obligation for pension plans:

in CHF m	25 basis-point increase		25 basis-point decrease	
	2016	2015	**2016**	2015
Effect on defined benefit obligation	–83	–85	99	90

Would life expectancy increase by one year, the defined benefit obligation would increase by CHF 104 million (2015: CHF 71 million).

Defined contribution post-employment plans. In 2016, CHF 24 million were charged to the income statement as contributions to defined contribution plans (2015: CHF 21 million).

In Germany, approximately 4 900 Clariant employees are insured in a defined benefit plan which is a multi-employer plan and as such is accounted for as a defined contribution plan. The reason for this accounting practice is that the plan exposes the participating Clariant companies to actuarial risks associated with the current and former employees of other companies which are members of the same pension plan. There is no consistent or reliable basis for allocating the obligation, plan assets and cost to individual companies participating in the plan.

Based on the statutory actuarial calculation of 2016, the pension fund's obligations are fully funded. Also for 2017, it is anticipated that the pension plan liabilities are covered by the respective assets.

In the case where the multi-employer plan faces a situation in which the pension plan liabilities exceed the assets, this can be remedied either by increasing the employer's contributions to the pension plan or by reducing the benefits paid out to the entitled parties. In the case of a reduction of the benefits this must be compensated by the employer according to German legislation. If the pension plan were unwound the remaining funds would be distributed among the plan members. In case there are no plan members left, the remaining funds would be transferred to social institutions.

If Clariant withdrew from the pension fund, all rights and obligations of the employer against the pension plan would remain in force as long as the pension plan continues to render pension services to the group's plan members. Based on the number of plan members (active and passive) Clariant's share in the pension plan amounts to approximately 8 percent.

Clariant's contribution to this pension plan amounted to CHF 16 million in 2016 (CHF 15 million in 2015) and is expected to be CHF 16 million in 2017.

The multi-employer plan originates in the pension plan scheme of the German companies of the former Hoechst group, to which a part of the activities of Clariant pertained until 1997. Several of the companies which were formerly part of the Hoechst Group continue to participate in this multi-employer plan.

in CHF m	Pension plans		Post-employment medical benefits	
	2016	2015	**2016**	2015
Clariant Group regular and supplemental contributions (employer's contributions):				
Actual contributions in 2015		59		–
Actual contributions in 2016 (2015: estimated)	56	59	–	–
Estimated contributions in 2017	53	53	–	–
Estimated contributions in 2018	53	53	–	–
Estimated contributions in 2019	37	45	–	–
Estimated contributions in 2020	47	45	–	–
Estimated contributions in 2021	37	–	–	–
Payments to beneficiaries:				
Actual payments in 2015		–113		–5
Actual payments in 2016 (2015: estimated)	–121	–112	–4	–5
Estimated payments in 2017	–114	–110	–5	–5
Estimated payments in 2018	–113	–113	–6	–5
Estimated payments in 2019	–114	–114	–6	–5
Estimated payments in 2020	–116	–117	–6	–5
Estimated payments in 2021	–117	–	–6	–
Allocation of defined benefit obligation to plan members (in CHF m):				
Active members	824	764	40	34
Deferred members	349	286	6	4
Retired members	1 556	1 501	41	43
Total funded and unfunded obligations at 31 December	**2 729**	**2 551**	**87**	**81**
Weighted average duration of the defined benefit obligation at the end of reporting period (in years):				
At 31 December	14.9	14.1	11.0	10.9

20. Movements in provisions

in CHF m	Environmental provisions	Personnel provisions	Restructuring provisions	Other provisions	**Total provisions 2016**	Total provisions 2015
As per 1 January	105	157	62	121	445	525
Additions	16	163	53	65	297	385
Effect of business combinations	–	3	–	–	3	–
Amounts used	–17	–139	–37	–33	–226	–361
Unused amounts reversed	–	–16	–5	–26	–47	–47
Changes due to the passage of time and changes in discount rates	3	–	–	1	4	4
Exchange rate differences	2	–1	–1	–6	–6	–61
At 31 December	**109**	**167**	**72**	**122**	**470**	**445**
Of which						
– Current portion	30	146	58	79	313	288
– Non-current portion	79	21	14	43	157	157
Total provisions	**109**	**167**	**72**	**122**	**470**	**445**
Expected outflow of resources						
Within 1 year	30	146	58	79	313	288
Between 1 and 3 years	26	2	11	22	61	81
Between 3 and 5 years	11	3	3	5	22	19
Over 5 years	42	16	–	16	74	57
Total provisions	**109**	**167**	**72**	**122**	**470**	**445**

Environmental provisions. Provisions for environmental liabilities are made when there is a legal or constructive obligation for the Group which will result in an outflow of economic resources. It is difficult to estimate the action required by Clariant in the future to correct the effects on the environment of prior disposal or release of chemical substances by Clariant or other parties and the associated costs, pursuant to environmental laws and regulations.

The material components of the environmental provisions consist of the costs to fully clean and refurbish contaminated sites and to treat and contain contamination at sites where the environmental exposure is less severe. The Group's future remediation expenses are affected by a number of uncertainties which include, but are not limited to, the method and extent of remediation and the percentage of material attributable to Clariant at the remediation sites relative to that attributable to other parties.

The environmental provisions reported in the balance sheet concern a number of different obligations, mainly in Switzerland, the United States, Germany, Brazil and Italy.

Provisions are made for remedial work where there is an obligation to remedy environmental damage, as well as for containment work where required by environmental regulations. All provisions relate to environmental liabilities arising in connection with activities that occurred prior to the date when Clariant took control of the relevant site. At each balance sheet date, Clariant critically reviews all provisions and makes adjustments where required.

Personnel provisions. Personnel provisions include holiday entitlements, compensated absences such as sabbatical leave, jubilee, annual leave or other long-service benefits, profit sharing and bonuses. Such provisions are established in proportion to the services rendered by the employee concerned.

Restructuring provisions. Restructuring provisions are established where there is a legal or constructive obligation for the Group that will result in the outflow of economic resources. The term restructuring refers to the activities that have as a consequence staff redundancies and the shutdown of production lines or entire sites.

When the Group has approved a formal plan and has either started to implement the plan or announced its main features to the public, a restructuring provision is created. The restructuring provisions newly added in 2016 concern site closures and headcount reductions in various countries with the largest amounts incurred in Germany, China and Switzerland.

For further information regarding restructuring measures refer to note 27.

Other provisions. Other provisions include provisions for obligations relating to tax (other than income tax) and legal cases and other items in various countries for which the amount can be reliably estimated.

All non-current provisions are discounted to reflect the time value of money where material. Discount rates reflect current market assessments of the time value of money and the risk specific to the provisions in the respective countries.

21. Trade and other payables

in CHF m	**31.12.2016**	31.12.2015
Trade payables	683	670
Payables to associates and joint ventures	57	48
Accruals	304	253
Other payables	184	122
Total	**1 228**	**1 093**

The amount recognized for trade payables is equal to their fair value.

22. Current financial debts

in CHF m	**31.12.2016**	31.12.2015
Banks and other financial institutions	320	260
Current portion of non-current financial debts (see note 17)	637	134
Total	**957**	**394**
Breakdown by maturity:		
in CHF m	**31.12.2016**	31.12.2015
Up to three months after the balance sheet date	812	203
Three to six months after the balance sheet date	122	150
Six to twelve months after the balance sheet date	23	41
Total	**957**	**394**

Current financial debt is recognized initially at fair value, net of transaction costs incurred. Financial debt is subsequently stated at amortized cost. Except for the derivatives, there are no current financial liabilities valued at fair value through profit and loss.

A bond issued in 2012 with a nominal value of EUR 500 million and a book value of CHF 537 million per end of 2016 and a bond issued in 2011 with a nominal value of CHF 100 million, will fall due in 2017 and as a consequence were reclassified to current financial debt.

A Certificate of Indebtedness with a nominal value of EUR 123 million and a book value of CHF 134 million, reported as current portion of non-current financial debts in 2015, reached maturity in April 2016 and was repaid.

The fair value of financial debt at banks and other financial institutions approximates its carrying amount due to the short-term nature of these instruments.

23. Segment information

Clariant has grouped its activities into four Business Areas (reportable segments): Care Chemicals (BU ICS), Catalysis (BU Catalysts), Natural Resources (BU Oil & Mining Services, BU Functional Minerals) and Plastics & Coatings (BU Additives, BU Masterbatches, BU Pigments). The Energy Storage business which pertained to the BA Catalysis was sold in 2015.

Intersegment transactions are entered into under the normal circumstances and terms and conditions that would also be available to unrelated third parties.

Segment assets consist of property, plant and equipment, goodwill, intangible assets, inventories, receivables and investments in associates. They exclude deferred tax assets, financial assets and operating cash. Segment liabilities comprise trade payables. They exclude items such as tax liabilities, provisions, pension liabilities and corporate borrowings. Capital expenditure comprises additions to property, plant and equipment and intangibles.

SEGMENTS in CHF m	Care Chemicals		Catalysis		Natural Resources		Plastics & Coatings		Corporate		Total Group	
	2016	2015	**2016**	2015	**2016**	2015	**2016**	2015	**2016**	2015	**2016**	2015
Segment sales	1 473	1 446	673	704	1 190	1 219	2 547	2 458	—	—	5 883	5 827
Sales to other segments	–8	–1	—	—	–6	–2	–22	–17	—	—	–36	–20
Total sales	**1 465**	**1 445**	**673**	**704**	**1 184**	**1 217**	**2 525**	**2 441**	**—**	**—**	**5 847**	**5 807**
Operating expenses	–1 254	–1 225	–571	–565	–1 039	–1 044	–2 256	–2 230	–215	–247	–5 335	–5 311
Thereof:												
Income from associates and joint ventures	9	9	13	18	12	9	34	30	17	11	85	77
Gain/loss from disposals not qualifying as discontinued operations	—	—	—	12	—	3	–2	—	–1	—	–3	15
Restructuring, impairment and transaction-related costs	–10	–6	–11	—	–14	–1	–18	–23	–54	–85	–107	–115
Operating income	**211**	**220**	**102**	**139**	**145**	**173**	**269**	**211**	**–215**	**–247**	**512**	**496**
Net financial expenses and taxes											–249	–269
Net result from continuing operations											**263**	**227**
Result from discontinued operations											—	12
Net income											**263**	**239**
Segment assets	1 096	982	1 673	1 631	1 296	872	1 693	1 700			5 758	5 185
Segment liabilities	–206	–200	–95	–123	–135	–109	–249	–228			–685	–660
Net operating assets	**890**	**782**	**1 578**	**1 508**	**1 161**	**763**	**1 444**	**1 472**	**—**	**—**	**5 073**	**4 525**
Net assets held for sale	**—**	**—**	**5**	**—**	**—**	**—**	**2**	**2**	**—**	**—**	**7**	**2**
Corporate assets without cash									1 275	1 333	1 275	1 333
Corporate liabilities without financial liabilities									–2 269	–2 054	–2 269	–2 054
Net debt (see note18)									–1 540	–1 312	–1 540	–1 312
Total net assets	**890**	**782**	**1 583**	**1 508**	**1 161**	**763**	**1 446**	**1 474**	**–2 534**	**–2 033**	**2 546**	**2 494**
Thereof:												
Investments in PPE and intangibles for the period	79	97	87	148	40	33	82	78	48	45	336	401
Investments in associates and joint ventures at the end of the period	56	57	193	187	14	15	148	143	105	184	516	586
Reconciliation of key figures												
Operating income	211	220	102	139	145	173	269	211	–215	–247	512	496
Add: systematic depreciation of PPE	49	42	30	33	27	24	69	68	35	36	210	203
Add: impairment	—	—	5	—	—	—	3	13	—	1	8	14
Add: amortization of intangible assets	6	4	17	17	14	11	10	11	8	11	55	54
EBITDA[1]	**266**	**266**	**154**	**189**	**186**	**208**	**351**	**303**	**–172**	**–199**	**785**	**767**
Add: restructuring, impairment and transaction-related costs	10	6	11	—	14	1	18	23	54	85	107	115
Less: impairment	—	—	–5	—	—	—	–3	–13	—	–1	–8	–14
Less: gain/loss from disposals not qualifying as discontinued operations	—	—	—	–12	—	–3	2	—	1	—	3	–15
EBITDA before exceptional items	**276**	**272**	**160**	**177**	**200**	**206**	**368**	**313**	**–117**	**–115**	**887**	**853**
Operating income	211	220	102	139	145	173	269	211	–215	–247	512	496
Add: restructuring, impairment and transaction-related costs	10	6	11	—	14	1	18	23	54	85	107	115
Less: gain/loss from disposals not qualifying as discontinued operations	—	—	—	–12	—	–3	2	—	1	—	3	–15
Operating income before exceptional items	**221**	**226**	**113**	**127**	**159**	**171**	**289**	**234**	**-160**	**-162**	**622**	**596**

[1] EBITDA is earning before interest, tax, depreciation and amortization.

Reconciliation of segment assets to total assets in CHF m	**31.12.2016**	31.12.2015
Segment assets	5 758	5 185
Segment assets reported as assets held for sale	7	2
Corporate assets without cash	1 275	1 333
Cash	1 043	789
Near-cash assets	277	152
Financial instruments with positive fair values	5	–
Total Assets	**8 365**	**7 461**

Geographic information in CHF m		Sales[1]		Non-current assets[2]
	2016	2015	**31.12.2016**	31.12.2015
EMEA	2 423	2 336	2 368	2 484
of which Germany	*672*	*654*	*1 470*	*1 559*
of which Switzerland	*36*	*38*	*512*	*574*
of which MEA	*419*	*405*	*74*	*71*
North America	1 120	1 077	1 321	893
of which USA	*1 030*	*981*	*1 299*	*872*
Latin America	846	1 021	253	224
of which Brazil	*327*	*336*	*156*	*110*
Asia/Pacific	1 458	1 373	550	495
of which China	*474*	*450*	*185*	*217*
of which India	*182*	*159*	*103*	*63*
Total	**5 847**	**5 807**	**4 492**	**4 096**

[1] Allocated by region of third-party sale's destination.
[2] Non-current assets exclude deferred tax assets and pension plan assets.

All of the Group's segments generate their revenues to the largest extent from the sale of products. These come in such a great variety that a meaningful grouping below the segment information is not possible.

For a description of the Business Units see note 1.23.

24. Discontinued operations

The amounts reported under discontinued operations in 2015 concerned final adjustments, primarily reversals of provisions no longer needed associated to the sales of the Leather Services business and of the Detergents & Intermediates business that took place in 2014. These did not result in any cash flow impact for the Group.

DISCONTINUED OPERATIONS in CHF m	2015
Restructuring and impairment	15
Operating result	**15**
Financial result and taxes	–1
Result from discontinued operations after taxes	**14**
Loss on the disposal of discontinued operations	–2
Net result from of discontinued operations	**12**

25. Disposals

Activities not qualifying as discontinued operations

In this section, disposals of subsidiaries, associates and activities are reported that do not qualify as discontinued operations in the sense of IFRS 5. The following disposals took place in 2016 and 2015:

On 31 October 2016 Clariant sold its POS tinter colorants business pertaining to the Business Unit Pigments to the Canada-based ICTC Group. The transaction comprised assets in Italy and India mainly. The transaction price amounted to less than CHF 1 million and resulted in a loss of CHF 2 million.

On 30 December 2016 Clariant sold its 100% shareholding in Clariant Insurance Ltd (Liechtenstein) to R&Q Insurance (Malta) Ltd for a total consideration of CHF 9 million. The purchase price was received in January 2017. Therefore per end of 2016 an open receivable exists for this transaction in the consolidated accounts. A loss of CHF 1 million was realized on the transaction.

On 28 February 2015 Clariant sold its Energy Storage Activities pertaining to the Business Area Catalysis & Energy to the UK-based Johnson Matthey for a total consideration of CHF 73 million. After the impairment charge of CHF 30 million recorded in 2014, the pertaining net assets sold, including the costs of disposal, amounted to CHF 62 million. Therefore, the after-tax profit recorded on the transaction in 2015 amounts to CHF 12 million. In 2016, the final purchase price settlement was made by Clariant to Johnson Matthey for an amount of CHF 3 million which had been fully provided for in 2015.

The result of the disposal of activities not qualifying as discontinued operations in 2015 was as follows:

in CHF m	2015
Total consideration received, from the disposal of activities not qualifying as discontinued operations, as of 31 December 2015	78
Cash transferred in the transaction	–4
Total cash proceeds received from the disposal of activities not qualifying as discontinued operations	**74**
Net assets sold, after impairment, including disposal-related expenses and accumulated amounts in equity recycled through the income statement upon disposal	–59
Profit before taxes on the disposal of activities not qualifying as discontinued operations	**15**
Taxes (current and deferred)	–1
After tax profit on disposal	**14**

The result from disposals not qualifying as discontinued operations is reported under »Selling, general and administrative costs« in the income statement.

Other assets held for sale

An amount of CHF 7 million relates to property, plant and equipment held for sale in Italy and in China (2015: CHF 2 million).

26. Acquisitions

Acquisition of Kel-Tech Inc.

On 1 October 2016 Clariant acquired from Arsenal Capital Partners 100% of the shares of Kel-Tech Inc. for a total consideration of CHF 224 million, out of which CHF 203 million were paid in 2016 and CHF 21 million are considered as contingent consideration. If certain sales goals are met in 2017, an earn-out up to a maximum of CHF 35 million will become payable in 2018. The acquired company is based in Midland, Texas, USA and is a manufacturer and supplier of specialty chemicals for production, field stimulation and drilling applications in the oil-service business throughout onshore United States. This acquisition pertains to the Business Unit Oil & Mining Services. Since its acquisition, Kel-Tech Inc. is fully consolidated in Clariant's financial statements. The summary of the financial impact of consolidating Kel-Tech Inc. in the accounts at the acquisition date, using the provisional fair values of identified assets and liabilities is as reported below. The acquired intangible assets comprise mainly customer relationships, developed technology, know-how and the trade name. As some of the allocated values are still under assessment, this overview should be considered as preliminary.

in CHF m	2016 (at fair value)
Total cash outflow for the acquisition in 2016	203
Contingent consideration/allocated earn-out payable in 2018	21
Total consideration for purchase	**224**
Recognized amounts of identifiable assets and liabilities assumed:	
Property, plant and equipment	28
Intangible assets	52
Inventories	10
Receivables	10
Other assets and liabilities	–9
Fair value of net assets acquired	**91**
Goodwill	**133**

For this acquisition, costs of CHF 2 million, comprising M&A, legal costs, tax advisory and consulting charges, were recognized in »Selling, general and administrative costs« in the year 2016.

From the acquisition date up to the end of the year 2016, Kel-Tech Inc. reported net sales of CHF 20 million and a breakeven operating result including CHF 2 million of depreciation and amortization. This result includes the above-mentioned items of a one-time nature which were incurred in connection with the takeover by Clariant. If the acquisition had occurred on 1 January 2016, Group sales would have been CHF 59 million higher and the operating result would have been CHF 5 million higher.

Acquisition of X-Chem LLC

On 1 October 2016 Clariant acquired from NCH Corporation the activities of X-Chem LLC in a combined asset and share deal for a total consideration of CHF 140 million. The acquired company is based in Irving, Texas, USA and is a provider of specialty oilfield chemicals for the production, completion and stimulation of oil wells, gas wells and pipelines focused on land and offshore United States. This acquisition pertains to the Business Unit Oil & Mining Services.

Since its acquisition, X-Chem LLC is fully consolidated in Clariant's financial statements. The summary of the financial impact of consolidating X-Chem LLC in the accounts at the acquisition date, using the provisional fair values of identified assets and liabilities is as reported below. The acquired intangible assets comprise mainly customer relationships, developed technology, know-how and the trade name. As some of the allocated values are still under assessment, this overview should be considered as preliminary.

in CHF m	**2016 (at fair value)**
Total cash outflow for the acquisition in 2016	140
Total consideration for purchase	**140**
Recognized amounts of identifiable assets and liabilities assumed:	
Property, plant and equipment	24
Intangible assets	76
Inventories	13
Receivables	17
Other assets and liabilities	–4
Fair value of net assets acquired	**126**
Goodwill	**14**

For this acquisition costs of CHF 3 million, comprising M&A, legal costs, tax advisory and consulting charges, were recognized in »Selling, general and administrative costs« in the year 2016.

From the acquisition date up to the end of the year 2016, X-Chem LLC reported net sales of CHF 20 million and a breakeven operating result including CHF 2 million of depreciation and amortization. This result includes the above-mentioned items of a one-time nature which were incurred in connection with the takeover by Clariant. If the acquisition had occurred on 1 January 2016, Group sales would have been CHF 64 million higher and the operating result would have remained at the same level.

The goodwill arising from the acquisition of Kel-Tech Inc. and X-Chem LLC is attributable to a number of factors such as future growth potential in line with historical levels, significant cost synergies and the acquired workforce.

Acquisition of Vivimed personal care portfolio

On 8 January 2016 Clariant acquired the specialty chemicals segment of Vivimed Labs Ltd, India. This acquisition complements Clariant's personal care portfolio in India with actives to formulate broader solutions within the sun, skin, hair and oral care range as well as antimicrobial preservatives. It will expand Clariant footprint in the region of the Business Unit Industrial & Consumer Specialties (ICS) .

Since its acquisition by Clariant India Ltd, the acquired business is fully consolidated in its financial statements. The summary of the financial impact at the acquisition date on Clariant consolidated accounts, using the fair values of identified assets and liabilities, is as reported below. The intangible assets acquired consist of customer relationships, technical know-how and in-process research and development projects.

in CHF m	2016 (at fair value)
Total cash outflow for the acquisition in 2016	53
Total consideration for purchase	**53**
Recognized amounts of identifiable assets and liabilities assumed:	
Property, plant and equipment	9
Intangible assets	19
Inventories	2
Receivables	4
Other assets and liabilities	–2
Fair value of net assets acquired	**32**
Goodwill	**21**

For this acquisition costs of CHF 0.5 million, comprising M&A and consulting charges, were recognized in »Selling, general and administrative costs« in the year 2016.

The goodwill resulting from this acquisition is attributable to a number of factors such as future growth potential, cost synergies and the acquired workforce.

Acquisition of the remaining shares in the Consortium with Carboflex

On 13 June 2016 Clariant acquired the Carboflex 50 % stake in the consortium that built and operates a plant in Rio de Janeiro in Brazil. The facility produces chemicals used in oil and gas wells. The purchase price for the remaining 50 % shares totals CHF 11 million, out of which CHF 8 million were paid in June 2016 and the remaining CHF 3 million are held back for potential indemnifications by Clariant on behalf of Carboflex. The assets acquired mainly consist of customer relationships and property, plant and equipment.

The transaction was treated as a two-step acquisition. The 50 % shares already held were remeasured to fair value, which led to an income of CHF 7 million, recognized in Income from associates and joint ventures. No material goodwill arose on the acquisition. This acquisition pertains to the Business Unit Oil & Mining Services.

Acquisition of SQE Olivene S.r.l.

On 1 March 2016 Clariant acquired 100 % of the shares of SQE Olivene S.r.l., Italy from a private owner. The company specializes in the manufacture of squalenes and squalanes used in the cosmetics industry. The purchase price amounted to CHF 3 million. The assets acquired mainly consist of intangibles (customer lists, tradenames and a non-compete clause) and inventories. The generated goodwill amounts to CHF 1 million. This acquisition pertains to the Business Unit Industrial & Consumer Specialties (ICS).

Acquisition of the Mining Service Business of Flomin Inc.

On 31 October 2016 Clariant purchased from Flomin Inc., Delaware, USA, the Mining Service activities consisting of customer relationships, developed technology and inventories. The business consists of the manufacture and sale of specialty reagents including collectors, frothers and solvent extractants for the global mining industry. The purchase price amounted to CHF 11 million and resulted in a goodwill of CHF 5 million. This acquisition pertains to the Business Unit Oil & Mining Services.

Acquisition of Chemical & Mining Services Pty Ltd

On 1 November 2016 Clariant purchased 100 % of the shares of Chemical & Mining Services Pty Ltd, Australia, from private investors. The company is a supplier of flotation reagents and technical services relating to base and precious metals flotation to the mineral processing industry. The purchase price totals CHF 5 million out of which CHF 3 million were paid in 2016 and the remaining CHF 2 million represent a contingent consideration that will be due if certain sales targets are met in 2017 and 2018. The purchase price allocation is still in progress and should be finalized in the first quarter of 2017. No goodwill is expected to arise from this acquisition. This acquisition pertains to the Business Unit Oil & Mining Services.

Acquisition of remaining shares of Companhia Brasileira de Bentonita

On 1 July 2015 Clariant acquired the remaining 50 % shares of Companhia Brasileira de Bentonita (CBB) from the Brazilian-based company Geosol. This transaction was treated as a two-step acquisition and therefore, according to IFRS 3, the 50 % shares already held were remeasured to fair value which resulted in a CHF 4 million gain recorded as income from associates and joint ventures in the income statement.

The acquisition of the remaining 50 % shares for an amount of CHF 5 million paid in cash resulted in a gain on a bargain purchase in the amount of CHF 3 million, mainly from a remeasurement of mining rights, which was recognized in the income statement. This acquisition pertains to the Business Unit Functional Minerals.

Acquisition of the de-icing activities from Kilfrost Ltd

On 30 September 2015 Clariant acquired from the British-based Kilfrost Ltd the de-icing activities in the United States, China and Korea, consisting mainly of customer relationships, know-how and inventories. Total consideration paid was CHF 10 million and the goodwill amounts to CHF 3 million. This acquisition pertains to the Business Unit Industrial & Consumer Specialties (ICS).

Various smaller acquisitions were made in 2015 totalling a purchase price of CHF 7 million and generating a goodwill of CHF 1 million.

27. Restructuring, impairment and transaction-related costs

in CHF m	2016	2015
Restructuring expenses	**–53**	**–51**
Payments for restructuring	–37	–78
Impairment loss	**–8**	**–14**
thereof charged to PPE (see note 5)	*–9*	*–2*
thereof charged to intangible assets (see note 6)	*—*	*–11*
thereof credited/charged to investments in associates and joint ventures (see note 7)	*1*	*–1*
Transaction-related costs	**–46**	**–35**
Total restructuring, impairment and transaction-related costs	**–107**	**–100**
thereof reported under discontinued operations (see note 24)	—	–15
Total continuing operations	**–107**	**–115**

In order to increase profitability over a sustained period, Clariant implements measures designed to improve the Group's performance. The aim of these efforts is to increase the Group's operating result and to reduce net working capital. The changes made to the processes and structures result in a loss of jobs across the Group.

Restructuring. In 2016, Clariant recorded expenses for restructuring in the amount of CHF 53 million (2015: CHF 51 million). This concerned restructuring measures mainly in Germany, China and Switzerland.

Impairment. The impairment loss recorded in 2016 concerned site closures in China. The one recognized in 2015 relates to disposal projects.

Transaction-related costs comprise expenses incurred in connection with acquisition or disposal projects and also costs incurred in connection with the implementation of internal reorganizational measures.

The total amount of CHF 107 million of Restructuring, impairment and transaction-related costs (2015: CHF 115 million) is reported in the income statement as follows: CHF 28 million in Costs of goods sold (2015: 2 million), CHF 73 million in Selling, general and administrative costs (2015: 110 million), CHF 7 million in Research & Development costs (2015: CHF 2 million) and an income of CHF 1 million in Income from associates and joint ventures (2015: CHF 1 million expense).

28. Finance income and costs

FINANCE INCOME

in CHF m	**2016**	2015
Interest income	9	11
thereof interest on loans, receivables and deposits	*9*	*11*
Other financial income	3	3
Total finance income	**12**	**14**

FINANCE COSTS

in CHF m	**2016**	2015
Interest expense	–109	–104
thereof effect of discounting of non-current provisions	*–4*	*–4*
thereof net interest component of pension provisions	*–19*	*–18*
Other financial expenses	–12	–10
Currency result, net	–65	–96
Total finance costs	**–186**	**–210**

Other financial expenses include bank charges and miscellaneous financial expenses.

In 2016 and 2015, no foreign exchange gains pertaining to the ineffective part of hedges on net investments were recognized in the income statement.

Interest expense, other than the effect of discounting non-current provisions and the interest component of pension provisions, pertain to financial debts measured at amortized cost.

Interest costs capitalized on qualifying assets for 2016 was CHF 7 million (2015: CHF 1 million).

29. Earnings per share (EPS)

Earnings per share are calculated by dividing the Group net income by the average number of outstanding shares (issued shares less treasury shares).

	2016	2015
Net income attributable to shareholders of Clariant Ltd undiluted and diluted (CHF m)		
Continuing operations	253	217
Discontinued operations	–	12
Total	**253**	**229**
Weighted average number of shares outstanding		
As per 1 January	322 202 845	319 689 210
Effect of transactions with treasury shares on weighted average number of shares outstanding	1 509 693	2 513 635
Weighted average number of shares outstanding at 31 December	**323 712 538**	**322 202 845**
Adjustment for granted Clariant shares	1 645 919	2 089 675
Adjustment for dilutive share options	16 322	90 692
Weighted average diluted number of shares outstanding at 31 December	**325 374 779**	**324 383 212**
Basic earnings per share attributable to shareholders of Clariant Ltd (CHF/share)		
Continuing operations	0.78	0.67
Discontinued operations	–	0.04
Total	**0.78**	**0.71**
Diluted earnings per share attributable to shareholders of Clariant Ltd (CHF/share)		
Continuing operations	0.78	0.67
Discontinued operations	–	0.04
Total	**0.78**	**0.71**

The dilution effect is triggered by two different items. One is the effect of Clariant shares granted as part of the share-based payment plan, which have not yet vested. To calculate this dilutive potential it is assumed that they had vested on 1 January of the respective period.

The second item is the effect of options granted as part of the share-based payment plan, which have not yet vested. To calculate this dilutive potential, it is assumed that all options which were in the money at the end of the respective period had been exercised on 1 January of the same period.

The effect of the services still to be rendered during the vesting period were taken into consideration.

Diluted earnings per share are calculated adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares.

In 2016, a payout of CHF 0.40 per share was made out of the capital contribution reserves (see note 16).

30. Derivative financial instruments

Risk management (hedging) instruments and off-balance sheet risks. Clariant uses forward foreign exchange rate and option contracts, currency options as well as other financial instruments to hedge the Group's risk exposure to volatility in interest rates, currencies and prices and to manage the return on cash and cash equivalents. Risk exposures from existing assets and liabilities as well as anticipated transactions are managed centrally.

Interest rate management. It is the Group's policy to manage the costs of interest using fixed and variable rate debt and interest-related derivatives.

Foreign exchange management. To manage the exposure to the fluctuations in foreign currency exchange rates, the Group follows a strategy of hedging both balance sheet and revenue risk, partially through the use of forward contracts and currency swaps in various currencies. In order to contain costs, the Group does not hedge the entire exposure.

The following tables show the contract or underlying principal amounts and the respective fair value of derivative financial instruments by type at year-end.

The contract or underlying principal amounts indicate the volume of business outstanding at the balance sheet date and do not represent the amount at risk.

DERIVATIVE FINANCIAL INSTRUMENTS

in CHF m	Contract or underlying principal amount		Positive fair values		Negative fair values	
	31.12.2016	31.12.2015	**31.12.2016**	31.12.2015	**31.12.2016**	31.12.2015
Interest-related instruments						
Interest rate swaps	169	–	5	–	–	–
Currency-related instruments						
Forward foreign exchange rate contracts	98	76	–	2	–2	–1
Currency options	–	20	–	–	–	–
Total derivative financial instruments	**267**	**96**	**5**	**2**	**–2**	**–1**

The fair value of these derivative financial instruments is recorded in Other current assets in the balance sheet in the case of a positive value or as Current financial debts in the case of a negative value and if the instruments expire within the next twelve months. If the remaining lifetime exceeds twelve months, the value is recorded in Financial assets in case it is positive and in Non-current financial debts in case it is negative.

DERIVATIVE FINANCIAL INSTRUMENTS BY MATURITY

in CHF m	31.12.2016	31.12.2015
Breakdown by maturity:		
Up to one month after the balance sheet date	28	44
More than one and up to three months after the balance sheet date	53	48
More than three and up to twelve months after the balance sheet date	17	4
More than one and up to five years after the balance sheet date	169	–
Total derivative financial instruments	**267**	**96**

DERIVATIVE FINANCIAL INSTRUMENTS BY CURRENCY

in CHF m	31.12.2016	31.12.2015
USD	260	95
EUR	1	1
JPY	6	–
Total derivative financial instruments	**267**	**96**

FINANCIAL INSTRUMENTS EFFECTIVE FOR HEDGE-ACCOUNTING PURPOSES

in CHF m	31.12.2016	31.12.2015
Interest rate swaps	5	–
Borrowings denominated in foreign currencies	–1 027	–998

In 2012, Clariant issued a bond in the amount of EUR 500 million (see note 17), which was designated as a hedge of a net investment in some of Clariant's European subsidiaries in that same year. In the course of 2016 the whole bond was de-designated. The unrealized foreign exchange rate loss resulting from the translation of the bond into Swiss francs as per the de-designation date amounted to CHF 3 million (2015: CHF 60 million loss) and remains frozen in the cumulative translation difference in shareholders' equity.

In 2015, Clariant issued four certificates of indebtedness amounting to EUR 300 million (see note 17). They were designated as a hedge of a net investment in some of Clariant's European subsidiaries. The unrealized foreign exchange rate gain resulting from the translation of the new certificates of indebtedness into Swiss francs amounted to CHF 2 million for 2016 (2015: CHF 15 million loss) and is recorded in the cumulative translation difference in shareholders' equity.

In 2016, Clariant issued seven more certificates of indebtedness amounting to EUR 395 million and two certificates of indebtedness amounting to USD 277 million (see note 17). These certificates were also designated as a hedge of a net investment in some of Clariant's European and US-American subsidiaries. The unrealized foreign exchange rate result calculated from the translation of the new certificates of indebtedness into Swiss francs amounted to a gain of CHF 7 million for the EUR positions and to a loss of CHF 12 million for the USD positions and is recorded in the cumulative translation difference in shareholders' equity.

Clariant is hedging the interest rate risk resulting from the certificates of indebtedness in the amount of USD 166 million issued at a variable interest rate. For this purpose interest rate swaps amounting to USD 166 million have been established in 2016. Their clean price amounted to a positive CHF 5 million for 2016. They are accounted for as a cash flow hedge and as a consequence the result was recorded in other comprehensive income.

31. Employee participation plans

Under the Group Senior Management – Long Term Incentive Plan (GSM-LTIP) a certain percentage of the actual bonus is granted to the plan participants in the form of registered shares of Clariant Ltd (investment shares). These shares vest immediately upon grant, but are subject to a three-year blocking period. The plan participants receive an additional share free of cost (matching share) for each investment share held at the end of the blocking period.

These shares were granted for the first time in 2011, based on the performance achieved in the base year 2010. Similar plans were launched in all subsequent years. The number of shares not yet vested and thus disclosed are the matching shares already granted.

The options granted under the Clariant Executive Stock Option Plan (CESOP) established in 1999 entitle the holder to acquire registered shares of Clariant Ltd (one share per option) at a predetermined strike price. They become vested and are exercisable after three years and expire after ten years. This stock option plan expired at the end of 2015.

In April 2008, Clariant established a stock option plan for members of management and the Board of Directors. Options granted under this plan entitle the holder to acquire registered shares of Clariant Ltd (one share per option) at a predetermined strike price. Clariant contracted a third-party bank to issue tradable options to the plan participants in accordance with the rules of the plan. The plan participants can sell the options back to this bank after they have vested. The bank in return has the right to claim a share from Clariant at the pre-determined strike price for each option that is sold to it by plan participants. The options become vested and are exercisable after two years and expire after five years. The last grant of the stock option plan to members of Management and the Board of Directors took place in April 2012.

The Restricted Plan for members of the Board of Directors replacing the Option Plan had its first grant date in early 2014.

For the first time in 2013, the Performance Share Unit (PSU) Plan was introduced for all senior managers to replace the former Tradable Option Plan. The term of Clariant's Performance Share Unit Plan is a three-year vesting period. The vesting is conditional upon achievement of the performance targets at the end of the vesting period. If the performance targets are achieved, each PSU will be converted into one Clariant share.

A new grant took place in September 2016. The review of the target achievements (vesting criteria) for this plan will be held in summer 2019 and vesting is scheduled to take place in September 2019.

The expense recorded in the income statement spreads the costs of each grant over the measurement period and the vesting period. Assumptions are made concerning the forfeiture rate which is adjusted during the vesting period so that at the end of the vesting period there is only a charge for the vested amounts.

During 2016, CHF 9 million (2015: CHF 15 million) were charged to the income statement for equity-settled share-based payments exclusively. The expense for 2016 is lower than the one of the prior year because the goals determined for the PSU plan of 2013 were not achieved and the shares did not vest. All expenses recorded through equity for this plan were reversed.

As of 31 December 2016, the total carrying value of liabilities arising from equity-settled share-based payments, entirely recognized in equity, is CHF 25 million (2015: CHF 29 million).

OPTIONS FOR BOARD OF DIRECTORS (NON-EXECUTIVE MEMBERS)[1]

Granted	Exercisable from	Expiry date	Exercise price	Share price at grant date	**Number 31.12.2016**	Number 31.12.2015
2011	2013	2016	18.00	15.02	–	138 553
					–	**138 553**

[1] Past and current members.

OPTIONS FOR MEMBERS OF MANAGEMENT AND EXECUTIVE COMMITTEE[1]

Base year	Granted	Exercisable from	Expiry date	Exercise price	Share price at grant date	**Number 31.12.2016**	Number 31.12.2015
2011	2011	2013	2016	18.00	15.02	–	230 775
2012	2012	2014	2017	16.50	12.59	660 243	864 343
Total						**660 243**	**1 095 118**

[1] Past and current members.

As per 31 December 2016, the weighted average remaining contractual life of all share options was 0.24 years (2015: 0.94 years).

SHARES FOR MEMBERS OF MANAGEMENT AND THE EXECUTIVE COMMITTEE

Base year	Granted	Vesting in		Share price at grant date	**Number 31.12.2016**	Number 31.12.2015
2012	2012	2016		9.49	–	32 000
2012	2013	2016		13.12	–	556 414
2013	2013	2016		13.74	–	637 242
2013	2013	2016		15.61	–	5 000
2013	2014	2017		17.24	221 607	247 707
2014	2014	2017		17.35	489 798	517 000
2014	2014	2017		17.35	2 741	2 741
2014	2015	2018		19.71	186 848	201 060
2015	2015	2018		19.70	5 000	5 000
2015	2015	2018		17.39	13 813	13 813
2015	2015	2018		19.08	–	3 000
2015	2015	2018		19.10	441 847	464 926
2015	2016	2019		16.98	250 325	–
2016	2016	2019		16.84	556 798	–
2016	2016	2019		16.87	5 000	–
Total					**2 173 777**	**2 685 903**

	Weighted average exercise price	**Options 2016**	**Shares 2016**	Weighted average exercise price	Options 2015	Shares 2015
Shares/options outstanding at 1 January	16.95	1 233 671	2 685 903	16.85	4 376 973	2 673 860
Granted			1 122 258			967 522
Exercised/distributed*	17.23	–303 414	–887 577	19.21	–2 997 065	–814 480
Cancelled/forfeited		–270 014	–746 807		–146 237	–140 999
Outstanding at 31 December	**16.50**	**660 243**	**2 173 777**	**16.95**	**1 233 671**	**2 685 903**
Exercisable at 31 December	16.50	660 243		16.95	1 233 671	
Fair value of shares/options outstanding in CHF		921 038	38 193 253		3 201 355	51 059 007

* Options exercised include 215 648 options (2015: 2 267 276) pertaining to the 2011 and 2012 Option Plans, which were sold by the plan participants in the market and are currently held by third parties. Total outstanding options of these plans sold in the market at 31 December 2016 are 3 373 700 (31 December 2015: 4 723 048) with a fair value at 31 December 2016 of CHF 4 706 312 (31 December 2015: CHF 12 141 634).

The fair value of shares granted during 2016 is CHF 19 million (2015: CHF 19 million) calculated based on market value of shares at grant date.

No options were granted in 2016 and 2015.

32. Personnel expenses

in CHF m	**2016**	**2015**
Wages and salaries	–1 062	–1 036
Social welfare costs	–246	–255
Shares and options granted to directors and employees	–9	–15
Pension costs – defined contribution plans	–24	–21
Pension costs – defined benefit plans	–41	–17
Other post-employment benefits	–1	–1
Total personnel expenses	**–1 383**	**–1 345**

33. Related party transactions

Clariant maintains business relationships with related parties. One group consists of the associates and joint ventures, of which the most important ones are described in note 7. The most important business with these companies is the purchase of services by Clariant (e.g. energy and rental of land and buildings) in Germany, the rendering of services to the Stahl group following the disposal of the Leather Business and the rendering of services to Global Amines.

The second group of related parties is key management comprising the Board of Directors and the Executive Committee. The information required by the ordinance against excessive compensation in stock exchange-listed companies regarding the emoluments for the members of the Board of Directors and the Executive Committee is disclosed in the Compensation Report on pages 139 to 152 of this report.

More information on the relationship with the Board of Directors is given in the chapter **Corporate Governance** (non-audited).

The third group of related parties are the pension plans of major subsidiaries. Clariant provides services to its pension plans in Switzerland, the United Kingdom, and the United States. These services comprise mainly administrative and trustee services. The total costs in 2016 of these services is CHF 1 million (2015: CHF 1 million), of which approximately half is charged back to the pension plans. The number of full-time employees corresponding to these is approximately four (2015: approximately five).

TRANSACTIONS WITH RELATED PARTIES		
in CHF m	**2016**	2015
Income from the sale of goods to related parties	35	36
thereof to joint ventures	*6*	*2*
thereof to associates	*29*	*34*
Income from the rendering of services to related parties	48	50
thereof to associates	*48*	*50*
Expenses from the purchase of goods from related parties	–56	–114
thereof from joint ventures	*–15*	*–13*
thereof from associates	*–41*	*–101*
Expenses from services rendered by related parties	–208	–205
thereof by associates	*–208*	*–205*
Expense from the purchase of property, plant and equipment from related parties	–3	–5
thereof from associates	*–3*	*–5*
Expense from lease contracts with related parties	–7	–7
thereof with associates	*–7*	*–7*

PAYABLES AND RECEIVABLES WITH RELATED PARTIES		
in CHF m	**31.12.2016**	12.31.2015
Receivables from related parties	9	13
thereof from joint ventures	*2*	*2*
thereof from associates	*7*	*11*
Allowance for amounts overdue from joint ventures	-2	—
Payables to related parties	57	48
thereof to joint ventures	*5*	*3*
thereof to associates	*52*	*45*
Loans to related parties	55	67
thereof to associates	*55*	*67*
Guarantees to third parties on behalf of related parties [1]	77	75
thereof on behalf of joint ventures	*77*	*75*

[1] The guarantee extended on behalf of a related party concerns a bank loan to a US joint venture.

TRANSACTIONS WITH KEY MANAGEMENT		
in CHF m	**2016**	2015
Salaries and other short-term benefits	11	10
Post-employment benefits	3	3
Share-based payments	3	3
Total	**17**	**16**

There are no outstanding loans by the Group to any members of the Board of Directors or Executive Committee.

34. Commitments and contingencies

Leasing commitments. The Group leases land, buildings, machinery and equipment, furniture and vehicles under fixed-term agreements. The leases have varying terms, escalation clauses and renewal rights.

Commitments arising from fixed-term operating leases mainly concern buildings in Germany and in the United States. The most important partners for operating leases of buildings in Germany are the Infraserv companies. There exist no particular renewal options other than annual prolongations in case there is no explicit termination of the lease contract.

Expected expenses for operating leases breakdown by maturities as follows:

in CHF m	**31.12.2016**	31.12.2015
2016	—	44
2017	51	30
2018	37	21
2019	24	16
2020	15	12
2021	12	—
Thereafter	25	30
Total	**164**	**153**

Expenses for operating leases were CHF 74 million in 2016 (2015: CHF 73 million).

Guarantees. No guarantees on behalf of third parties were issued in 2016 and 2015.

Purchase commitments. In the regular course of business, Clariant enters into relationships with suppliers whereby the Group commits itself to purchase certain minimum quantities of materials in order to benefit from better pricing conditions. These commitments are not in excess of current market prices and reflect normal business operations.

Clariant is engaged in contracts to buy a minimum quantity of ethylene starting in 2015 for the next years (between four to ten years depending on the contract) and in two contracts to buy a minimum quantity of propylenoxide in the years 2016 – 2018. This implies a total purchase commitment of about CHF 1.26 billion (2015: CHF 1.35 billion).

Contingencies. Clariant operates in countries where political, economic, social, legal, and regulatory developments can have an impact on the operational activities. The effects of such risks on the company's results, which arise during the normal course of business, are not foreseeable and are therefore not included in the accompanying financial statements.

In the aftermath of the procedure to acquire subsequent to the acquisition of Süd-Chemie, the 1.36 % of shares still in possession of third parties (squeeze-out) at the time, several minority shareholders initiated appraisal proceedings to reassess the adequacy of the cash compensation paid to the minority shareholders. Clariant opines that the cash compensation agreed is fair and complies with all legal and economic requirements. At this time it cannot be detemined to what extent these proceedings will lead to additional financial liabilities.

In connection with the dismantlement of a wastewater treatment plant in France Clariant is faced with a claim by the Swiss-based group Novartis in the amount of CHF 15 million. Clariant has the view that this claim is unfounded. The case is currently pending at court.

In the ordinary course of business, Clariant is involved in lawsuits, claims, investigations and proceedings, including product liability, intellectual property, commercial, environmental, and health and safety matters. Although the outcome of any legal proceedings cannot be predicted with certainty, Management is of the opinion that, apart from those cases where a provision has already been recognized, there are no such matters pending which would likely have any material adverse effect in relation to its business, financial position, or results of operations.

Environmental risks. Clariant is exposed to environmental liabilities and risks relating to its past operations, principally in respect of remediation costs. Provisions for non-recurring remediation costs are made when there is a legal or constructive obligation and the costs can be reliably estimated. It is difficult to estimate the action required by Clariant in the future to correct the effects on the environment of prior disposal or release of chemical substances by Clariant or other parties, and the associated costs, pursuant to environmental laws and regulations. The material components of the environmental provisions consist of costs to fully clean and refurbish contaminated sites and to treat and contain contamination at sites where the environmental exposure is less severe.

35. Exchange rates of principal currencies

Rates used to translate the consolidated balance sheets (closing rate):

	31.12.2016	31.12.2015
1 USD	1.02	0.99
1 EUR	1.07	1.08
1 BRL	0.31	0.25
1 CNY	0.15	0.15
100 INR	1.50	1.50
100 JPY	0.87	0.82

Sales-weighted average exchange rates used to translate the consolidated income statements and consolidated statements of cash flows:

	2016	2015
1 USD	0.99	0.96
1 EUR	1.09	1.07
1 BRL	0.28	0.29
1 CNY	0.15	0.15
100 INR	1.47	1.50
100 JPY	0.91	0.80

36. Important subsidiaries

Country	Company name	Currency	Share-/paid in capital (in thousands)	Partici-pation[1] in %	Holding/ Finance/ Service	Sales	Production	Research
Argentina	Clariant (Argentina) SA, Lomas de Zamora	ARS	54 605	100.0		■	■	
	Clariant Plastics & Coatings (Argentina), Lomas de Zamora	ARS	1 090	100.0		■	■	
Australia	Clariant (Australia) Pty. Ltd, Notting Hill	AUD	1 902	100.0	■	■	■	
	Clariant Plastics & Coatings (Australia), Notting Hill	AUD	2 500	100.0	■	■		
Austria	Clariant (Österreich) GmbH, Vienna	EUR	1 000	100.0		■		
Belgium	Clariant Masterbatches Benelux SA, Louvain-La-Neuve	EUR	9 629	100.0		■	■	
Brazil	Clariant S.A., São Paulo	BRL	184 863	100.0	■	■	■	■
	Clariant Administração de Bens Ltda., São Paulo	BRL	7 696	100.0	■			
	Companhia Brasileira de Bentonita Ltd, São Paulo	BRL	17 470	100.0		■	■	
	Consórcio CCPN, Rio de Janeiro	BRL	26 113	100.0		■		
	Clariant Plastics & Coatings Brasil Indústria Química Ltda. São Paulo	BRL	100 850	100.0		■	■	■
British Virgin Islands	Clariant Clearwater Technologies Ltd, Tortola	USD	6	100.0	■			
Canada	Clariant (Canada) Inc., Toronto	CAD	10 415	100.0		■	■	
	Clariant Plastics & Coatings Canada Inc., Toronto	CAD	1	100.0		■	■	
Chile	Clariant Colorquímica (Chile) Ltda., Maipú-Santiago de Chile	CLP	15 000	100.0		■	■	
	Clariant Plastics & Coatings (Chile) Ltd, Maipú-Santiago de Chile	CLP	3 842 000	100.0		■	■	
China	Clariant (China) Ltd, Hong Kong	HKD	93 250	100.0	■	■		
	Clariant Bohai Pigments Preparations (Tianjin) Ltd, Tianjin	CNY	49 176	90.0		■	■	■
	Clariant Catalysts (Nanjing) Ltd, Nanjing	CNY	321 822	100.0		■	■	
	Clariant Chemicals (China) Ltd, Shanghai	CNY	55 407	100.0		■	■	■
	Clariant Chemicals (Guangzhou) Ltd, Guangzhou	CNY	70 345	100.0		■	■	
	Clariant Chemicals (Huizhou) Ltd, Daya Bay, Huizhou	CNY	183 039	100.0		■	■	
	Clariant China Holding Limited, Hong Kong	HKD	67 251	100.0	■			
	Clariant Huajin Catalysts (Panjin) Ltd, Panjin City	CNY	69 511	60.0		■	■	
	Clariant Masterbatches (Beijing) Ltd, Beijing	CNY	9 096	100.0			■	
	Clariant Masterbatches (Shanghai) Ltd, Shanghai	CNY	26 087	100.0		■	■	
	Clariant Redhill Bentonite (Liaoning) Ltd, Jianping	CNY	28 525	100.0		■	■	
	Clariant Specialty Chemicals (Zhenjiang) Co., Ltd, Zhenjiang	CNY	149 503	100.0		■	■	
	Jiangsu Süd-Chemie Chemical Materials Co., Ltd, Zhenjiang	CNY	79 058	100.0		■	■	
	Jiangsu Süd-Chemie Performance Packaging Material Co., Ltd, Changshu	CNY	44 266	100.0		■	■	
	Clariant Coating (Shanghai) Ltd, Shanghai	CNY	17 497	100.0		■	■	
	Clariant Chemicals Technology (Shanghai) Ltd, Shanghai	CNY	6 920	100.0	■			
Colombia	Clariant (Colombia) SA, Cota (Cundinamarca)	COP	2 264 786	100.0		■	■	
	Clariant Plastics & Coatings (Colombia), S.A.S Cota (Cundinamarca)	COP	21 505 618	100.0		■	■	
Finland	Clariant Masterbatches (Finland) Oy, Vantaa	EUR	169	100.0		■		
France	Clariant Masterbatches (France), Choisy-le-Roi	EUR	1 561	100.0		■	■	
	Clariant Production (France), Choisy-le-Roi	EUR	6 273	100.0	■	■	■	■
	Clariant Services (France), Choisy-le-Roi	EUR	21 200	100.0	■			
	CRM International S.A.S., Puget-sur-Argens	EUR	650	100.0		■	■	■
	Clariant Healthcare Packaging , Choisy-le-Roi	EUR	1	100.0		■	■	■
Germany	Clariant Advanced Materials GmbH, Frankfurt a.M.	EUR	102	100.0		■	■	■
	Clariant Plastics & Coatings (Deutschland) GmbH, Frankfurt a.M.	EUR	149	100.0	■	■	■	■
	Clariant Produkte (Deutschland) GmbH, Frankfurt a.M.	EUR	9 348	100.0	■	■	■	■
	Clariant SE, Frankfurt a.M.	EUR	916	100.0	■	■		

Country	Company name	Currency	Share-/paid in capital (in thousands)	Participation[1] in %	Holding/ Finance/ Service	Sales	Production	Research
	Clariant Verwaltungsgesellschaft mbH, Frankfurt a.M.	EUR	2 560	100.0	■			
	Süd-Chemie IP GmbH & Co KG, Munich	EUR	803	100.0	■			
Great Britain	Clariant Distribution UK Limited, Yeadon, Leeds	GBP	500	100.0	■			
	Clariant Horsforth Limited, Yeadon, Leeds	GBP	13	100.0	■			
	Clariant Masterbatches UK Ltd, Yeadon, Leeds	GBP	500	100.0		■		
	Clariant Oil Services UK Ltd, Yeadon, Leeds	GBP	400	100.0		■	■	■
	Clariant Production UK Ltd, Yeadon, Leeds	GBP	500	100.0	■	■	■	
	Clariant Services UK Ltd, Yeadon, Leeds	GBP	500	100.0	■			
Greece	Süd-Chemie Hellas Monoprosopi E.P.E., Adamas, Milos	EUR	555	100.0		■	■	
Guatemala	Clariant (Guatemala) SA, Guatemala City	GTQ	14 000	100.0		■	■	
	Clariant Specialties (Guatemala), S. A.	GTQ	100	100.0		■		
India	Clariant Chemicals (India) Ltd, Thane	INR	230 818	51.0		■	■	
	Clariant India Private Limited, New Delhi	INR	1 500 475	100.0	■	■	■	■
	Clariant Medical Specialties India Limited, New Delhi	INR	500	100.0		■		
Indonesia	PT. Clariant Indonesia, Tangerang	IDR	59 047 000	100.0	■	■	■	
	P.T. Clariant Kujang Süd-Chemie Catalysts, Cikampek	USD	3 447	53.9		■	■	
	P.T. Clariant Plastics & Coatings Indonesia, Cibodas	IDR	96 220 000	100.0		■	■	
	P.T. Clariant Plastics & Coatings, Cibodas	IDR	10 282 000	100.0		■		
	P.T. Clariant Specialties Indonesia, Tangerang	IDR	4 803 000	100.0		■		
	PT. Clariant Adsorbents Indonesia, Cileungsi, Bogor	IDR	12 375 000	100.0		■	■	
Ireland	Clariant Masterbatches Ireland Limited, Naas	EUR	411	100.0		■	■	
Italy	Clariant (Italia) S.p.A., Milano	EUR	36 000	100.0	■			
	Clariant Masterbatches (Italia) S.p.A., Milano	EUR	3 000	100.0		■	■	■
	Clariant Prodotti (Italia) S.p.A., Milano	EUR	1 000	100.0		■	■	■
	Società Sarda di Bentonite S.r.l., Santa Giusta	EUR	2 050	100.0		■	■	
	SQE Olivene srl, Milano	EUR	10	100.0		■	■	
Japan	Clariant (Japan) K.K., Tokyo	JPY	450 000	100.0		■	■	■
	Clariant Catalysts (Japan) K.K., Tokyo	JPY	544 000	61.4	■	■	■	■
	Clariant Plastics & Coatings (Japan) K.K., Tokyo	JPY	250 000	100.0		■	■	■
Korea	Clariant Plastics & Coatings Ltd Pohang, Gyeongbuk	KRW	8 508 660	100.0		■	■	
	Clariant (Korea) Ltd, Pohang	KRW	6 361 000	100.0		■	■	
Luxembourg	Clariant Finance (Luxembourg) S.A., Luxembourg	EUR	52 990	100.0	■			
Malaysia	Clariant (Malaysia) Sdn. Bhd., Kuala Lumpur	MYR	12 347	100.0		■		
	Clariant Masterbatches (Malaysia) Sdn Bhd, Petaling Jaya	MYR	2 000	60.0		■	■	■
	Clariant Oil Services (Malaysia) Sdn Bhd, Selangor	MYR	137	48.9		■		
	Clariant Specialty Chemicals (M) Sdn Bhd, Shah Alam	MYR	3 300	100.0	■	■		
Mexico	Clariant (Mexico) S.A. de C.V., Ecatepec de Morelos	MXN	22 189	100.0	■	■	■	■
	Clariant Productos Químicos S.A. de C.V., Ecatepec de Morelos	MXN	2 475	100.0	■			
	Clariant Plastics & Coatings México, S.A., Ecatepec de Morelos	MXN	916	100.0	■	■	■	■
	Clariant Servicios Integrales México, S.de R.L. de C.V., Ecatepec de Morelos	MXN	3	100.0	■			
Morocco	Clariant (Maroc) S.A., Casablanca	MAD	107 669	100.0		■	■	
Netherlands	Clariant Participations (The Netherlands) B.V., Maastricht	EUR	20	100.0		■	■	
New Zealand	Clariant (New Zealand) Ltd, Auckland	NZD	1 000	100.0	■	■	■	
Norway	Clariant Oil Services Scandinavia AS, Bergen	NOK	4 725	100.0		■		
Pakistan	Clariant Chemicals Pakistan (Pvt) Ltd, Karachi-Korangi	PKR	1 130 226	100.0		■	■	
Peru	Clariant (Perú) SA, Lima	PEN	20 566	100.0	■	■	■	
	Clariant Plastics & Coatings S.A.C., Lima	PEN	2 010	100.0		■	■	
Poland	Clariant Polska Spolka z.o.o., Konstantynów Łódzki	PLN	29 000	100.0		■	■	
	CLARIANT POLAND SPÓŁKA z.o.o., Konstantynów Łódzki	PLN	3 000	100.0		■	■	

Country	Company name	Currency	Share-/paid in capital (in thousands)	Partici-pation[1] in %	Holding/ Finance/ Service	Sales	Production	Research
Qatar	Clariant Qatar W.L.L., Mesaieed	QAR	60 000	65.0		■	■	
Romania	Clariant Products RO SRL, Bucarest	EUR	23 600	100.0	■	■		
Russia	Clariant (RUS) LLC, Moscow	RUB	16 200	100.0		■		
Saudi Arabia	Clariant Masterbatches (Saudi Arabia) Ltd, Riyadh	SAR	50 000	53.0		■	■	
Singapore	Clariant (Singapore) Pte. Ltd, Singapore	SGD	3 500	100.0	■	■	■	■
	Clariant South East Asia Pte. Ltd, Singapore	SGD	1 560	100.0	■	■		
South Africa	Clariant Sasol Catalysts (Proprietary) Limited, Chloorkop, Gauteng	ZAR	1 417	80.0		■	■	
	Clariant Southern Africa (Pty) Ltd. Chloorkop, Gauteng	ZAR	6	100.0	■	■	■	
	Clariant Plastics & Coatings Southern Africa, Chloorkop, Gauteng	ZAR	70 000	100.0		■	■	
Spain	Clariant Ibérica Producción S.A., El Prat de Llobregat	EUR	6 023	100.0	■	■	■	■
	Clariant Ibérica Servicios S.L., El Prat de Llobregat	EUR	358	100.0	■			
	Clariant Masterbatch Ibérica S.A., Sant Andreu de la Barca		2 525	100.0		■	■	■
Sweden	Clariant Masterbatches Norden AB, Malmö	SEK	3 200	100.0		■	■	
	Clariant Production Sweden AB, Mölndal	EUR	500	100.0		■	■	
Switzerland	Clariant Consulting AG, Muttenz	CHF	200	100.0	■			
	Clariant International AG, Muttenz	CHF	150 000	100.0	■	■	■	■
	Clariant Oil Services AG, Muttenz	CHF	300	100.0	■			
	Clariant Reinsurance AG, Muttenz	CHF	3 000	100.0	■			
	EBITO Chemiebeteiligungen AG, Muttenz	CHF	202	100.0	■			
	Infrapark Baselland AG, Muttenz	CHF	5 000	100.0	■		■	
	Clariant Produkte (Schweiz) AG, Muttenz	CHF	5 000	100.0	■	■	■	
	Clariant Plastics&Coatings AG, Muttenz (formerly: Clariant Beteiligungen AG)	CHF	30 804	100.0	■	■	■	■
Taiwan	Clariant Chemicals (Taiwan) Co., Ltd, Taipei	TWD	23 888	100.0		■	■	
	Clariant Specialty Chemicals (Taiwan) Co, Ltd, Taipei	TWD	1 000	100.0		■	■	
Thailand	Clariant (Thailand) Ltd, Klongton, Bangkok	THB	250 000	100.0		■		
	Clariant Masterbatches (Thailand) Ltd, Chonburi	THB	325 000	100.0		■	■	■
Turkey	Clariant (Türkiye) A.S., Gebze	TRY	17 538	100.0		■	■	
	CLARIANT TURKEY PLASTIK BOYA VE KIMYEVI MADDELER SANAYI VE TICARET A.S., Gebze	TRY	8 562	100.0		■	■	
UAE	Clariant (Gulf) FZE, Jebel Ali, Dubai	AED	1 000	100.0		■		
	Clariant Plastics & Coatings (UAE) FZE, Jebel Ali, Dubai	AED	45 000	100.0	■	■		
Ukraine	Clariant Ukraine LLC, Severodonetsk	UAH	28 688	100.0		■	■	
USA	Clariant Corporation, Charlotte, NC	USD	749 499	100.0	■	■	■	■
	Katapullt LLC, Albany, NY	USD	1	100.0				
	Octagon Process, L.L.C., Las Vegas, NV	USD	1	100.0		■	■	
	Clariant Plastics & Coating USA Inc., Charlotte, NC	USD	50	100.0		■	■	■
	Kel-Tech, Inc., Midland	USD	273 192	100.0		■	■	
	X-Chem, LLC, Irving	USD	1	100.0		■		
Venezuela	Clariant Venezuela, S.A., Maracay	VEF	67 085	100.0		■	■	
	Clariant Plastics & Coating Venezuela, S.A., Maracay	VEF	95 100	100.0		■	■	

[1] The participation in % reflects the capital- and voting rights in %.

37. Events subsequent to the balance sheet date

There were no major events subsequent to the balance sheet date.

Report of the statutory auditor to the General Meeting of Clariant Ltd. Muttenz

Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of Clariant Ltd and its subsidiaries (the Group), which comprise the consolidated balance sheet as at 31 December 2016 and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements (pages 156 to 222) give a true and fair view of the consolidated financial position of the Group as at 31 December 2016 and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the International Financial Reporting Standards (IFRS) and comply with Swiss law.

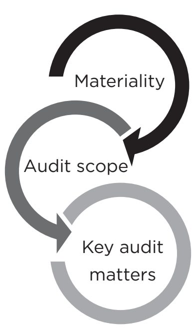
Basis for opinion

We conducted our audit in accordance with Swiss law, International Standards on Auditing (ISAs) and Swiss Auditing Standards. Our responsibilities under those provisions and standards are further described in the »Auditor's responsibilities for the audit of the consolidated financial statements« section of our report.

We are independent of the Group in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession, as well as the IESBA Code of Ethics for Professional Accountants, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

OUR AUDIT APPROACH

OVERVIEW



Overall Group materiality: CHF 30 million

We concluded full scope audit work at 18 reporting units in nine countries and we audited the accounting for the sales and procurement processes in two shared service centers for various other reporting units.

Our full audit scope addressed over 66 % of the Group's revenue and 70 % of the Group's assets; 5 % of the Group's assets were addressed by specified audit procedures.

In addition, we performed analytical procedures on the remaining components.

As key audit matters the following areas of focus have been identified:
- Management's assumptions and estimates used in the impairment test for goodwill
- Cut-off for revenue recognition
- Current income tax payables

Audit scope

We designed our audit by determining materiality and assessing the risks of material misstatement in the consolidated financial statements. In particular, we considered where subjective judgments were made; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates. From the 145 reporting units in 48 countries, we identified 18 reporting units (components) to be the largest contributors to the Group's financial statements (amounting to 66 % of the Group's revenue and 70 % of the Group's assets, addressing all geographical areas of the Group's business). These reporting units were subject to a full scope audit by local PwC network firms. Besides in-person meetings, we held regular calls during all audit phases to discuss material audit topics with the component auditors of the most significant reporting units. Another major part was audited by the central PwC team in Switzerland. 5 % of the Group's assets were addressed by specified audit procedures. In addition, two PwC network firms performed specific audit procedures related to sales and procurement and the financial closing cycle at the Company's shared service centers on behalf of PwC Switzerland and assisting other PwC network firms.

Materiality

The scope of our audit was influenced by our application of materiality. Our audit opinion aims to provide reasonable assurance that the consolidated financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgment, we determined certain quantitative thresholds for materiality, including the overall Group materiality for the consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate, on the consolidated financial statements as a whole.

Overall Group materiality	CHF 30 million
How we determined it	2.5% of the Group's EBITDA, weighted at 75%, and 1% of the Group's total assets weighted at 25%
Rationale for the materiality benchmark applied	We chose EBITDA as the benchmark because the Group assesses its profitability mainly based on this measure of profit and we took the Group's assets into consideration because the chemical industry is highly capital intensive with a lower net profit margin compared with other industries.

We agreed with the Audit Committee that we would report to them misstatements above CHF 1.5 million identified during our audit as well as any misstatements below that amount which, in our view, warranted reporting for qualitative reasons.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

MANAGEMENT'S ASSUMPTIONS AND ESTIMATES USED IN THE IMPAIRMENT TEST FOR GOODWILL

Key audit matter	How our audit addressed the key audit matter
We consider impairment testing of goodwill to be a key audit matter because of the significant scope for judgment with respect to assumptions concerning the future results of the businesses and the discount rates applied to future cash flow forecasts. Specifically, we focused on goodwill relating to the Functional Minerals business unit, which amounts to CHF 143 million, and the Catalysts business unit, which amounts to CHF 628 million, as the risk of impairment is higher for these units compared with other business units. Please refer to page 172 (Critical accounting estimates and judgments, 4.1 Estimated impairment of goodwill, intangibles and property, plant and equipment), and page 178 (Goodwill allocation) in the notes.	We evaluated and challenged management's assumptions as described on pages 172 and 178 of the notes to the consolidated financial statements. Management followed a clearly documented process for forecasting future cash flows, which was subject to timely oversight and challenges by the Board of Directors and which was consistent with the business plans as approved by the Board of Directors. We compared the actual results of the year under review with the figures used to make the forecasts in the prior year in order to assess with hindsight whether any of the assumptions underlying the forecasts might have been too optimistic. In some cases, actual performance was found to be lower than forecast. Management analysed the underlying drivers and considered actual revenue growth rates and operating margins against those in the business plans prepared in the year under review. We discussed with the business unit leaders management's assumptions regarding revenue, long-term growth rates and profit margins. We involved PwC's own valuation specialists to assess the model and the weighted average cost of capital (WACC) used. The WACC was assessed using comparable industry peers and data available from external sources. In addition, we assessed for reasonableness the expectations of movements in working capital and of investments in property, plant and equipment. We found the assumptions to be balanced and reasonable. We reperformed thorough sensitivity analyses on the key assumptions to ascertain the extent of change in those assumptions that either individually or collectively would be required for the goodwill to be impaired. We discussed the results of our audit work as well as the headroom of the sensitivity analyses with management and the Audit Committee. On the basis of the procedures performed and the evidence obtained, we identified no significant issues with respect to the assumptions used in the impairment test for goodwill.

CUT OFF FOR REVENUE RECOGNITION

Key audit matter	How our audit addressed the key audit matter
There is a risk that revenue is not recognized in accordance with the requirements of IFRS, mainly with regard to the timing of revenue recognition, which depends on the transfer of risks and rewards. We consider this to be a key audit matter because a number of large transactions occur close to yearend.	We identified transactions occurring close to the balance sheet date of 31 December 2016 and checked the appropriate timing of revenue recognition by examining the third party documentation and the contractual delivery terms. On the basis of the procedures performed and the evidence obtained, we identified no significant issues with respect to revenue cut-off.

CURRENT INCOME TAX PAYABLES

Key audit matter	How our audit addressed the key audit matter
We consider current income tax payables to be a key audit matter as income tax audits are being carried out currently (particularly in Germany) and the outcome of these audits is uncertain. The Group has estimated the amounts that may be due and made provisions for these estimated amounts. Please refer to page 173 (Critical accounting estimates and judgments, 4.3, Income tax and other taxes).	We involved PwC's own tax specialists to assess the current status of these investigations and to assess the reasonableness of the amounts provided for. We discussed the outcome with management and the Audit Committee. On the basis of procedures performed and the evidence obtained, we identified no significant issues with respect to the Group's assessments of current income tax payables.

Other information in the annual report (integrated report)

The Board of Directors is responsible for the other information in the annual report (integrated report). The other information comprises all information included in the annual report (integrated report), but does not include the consolidated financial statements, the standalone financial statements and the remuneration report of Clariant Ltd and our auditor's reports thereon.

Our opinion on the consolidated financial statements does not cover the other information in the annual report (integrated report) and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information in the annual report (integrated report) and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors for the consolidated financial statements

The Board of Directors is responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRS and the provisions of Swiss law, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors intends either to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law, ISAs and Swiss Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Swiss law, ISAs and Swiss Auditing Standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in

the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors or its relevant committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors or its relevant committee with a statement that we have complied with relevant ethical requirements regarding independence, and communicate to them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors or its relevant committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists which has been designed for the preparation of consolidated financial statements according to the instructions of the Board of Directors.

We recommend that the consolidated financial statements submitted to you be approved.

PricewaterhouseCoopers AG

Rolf Johner	Ruth Sigel
Audit expert	Audit expert
Auditor in charge	

Basel, 14 February 2017

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Review of trends

FIVE-YEAR GROUP OVERVIEW 2012–2016

		2016	2015	2014	2013	2012[2] (restated)	2012
Segment sales	CHF m	**5 883**	**5 827**	**6 142**	**6 113**	**6 073**	**6 073**
Change relative to preceding year							
in Swiss francs	%	1	–5	1	1	8	8
in local currency	%	2	3	5	4	8	8
Group sales[1]	CHF m	**5 847**	**5 807**	**6 116**	**6 076**	**6 038**	**6 038**
Change relative to preceding year							
in Swiss francs	%	1	–5	1	1	8	8
in local currency	%	2	3	5	4	8	8
Operating income before exceptionals	CHF m	**622**	**596**	**585**	**574**	**546**	**531**
Change relative to preceding year	%	4	2	2	5	–13	–15
as a % of sales		10.6	10.3	9.6	9.4	9.0	8.8
Operating income	CHF m	**512**	**496**	**525**	**470**	**411**	**396**
Change relative to preceding year	%	3	–6	12	14	–5	–8
as a % of sales		8.8	8.5	8.6	7.7	6.8	6.6
EBITDA	CHF m	**785**	**767**	**923**	**797**	**690**	**675**
Change relative to preceding year	%	2	–17	16	16	7	5
as a % of sales		13.4	13.2	15.1	13.1	11.4	11.2
EBITDA before exceptionals	CHF m	**887**	**853**	**867**	**858**	**817**	**802**
Change relative to preceding year	%	4	–2	1	5	–2	–4
as a % of sales		15.2	14.7	14.2	14.1	13.5	13.3
Net income	CHF m	**263**	**239**	**217**	**5**	**228**	**238**
Change relative to preceding year	%	10	10	—	–98	–9	–5
as a % of sales		4.5	4.1	3.5	0.1	3.8	3.9
Investment in property, plant and equipment	CHF m	**297**	**374**	**310**	**292**	**311**	**311**
Change relative to preceding year	%	–21	21	6	–6	–16	–16
as a % of sales		5	6	5	5	5	5
Personnel costs	CHF m	**1 383**	**1 345**	**1 435**	**1 407**	**1 434**	**1 452**
Change relative to preceding year	%	3	–6	2	–2	7	8
as a % of sales		24	23	23	23	24	24
Employees at year-end	number	17 442	17 213	17 003	18 099	21 202	21 202
Change relative to preceding year	%	1	1	–6	–15	–4	–4

[1] Including trading.
[2] Restated for the effects of the revised IAS 19 – see note 1.03 of Annual Report 2013.

Financial statements of Clariant Ltd, Muttenz

FINANCIAL STATEMENTS OF CLARIANT LTD, MUTTENZ

Clariant Ltd balance sheets at 31 December 2016 and 2015	Notes	**31.12.2016** in CHF	in %	31.12.2015 in CHF	in %
Assets					
Current assets					
Cash and cash equivalents	3	541 317 980		398 747 988	
Near-cash assets	3	406 293 900		127 215 961	
Other short-term receivables	4	54 209 246		39 215 525	
Accrued income and prepaid expenses		7 573 966		3 898 118	
Total current assets		**1 009 395 092**	**17.7**	**569 077 592**	**11.1**
Non-current assets					
Loans to Group companies		2 856 598 527		2 901 979 563	
Other financial assets		2 571 434		3 060 000	
Shareholdings in Group companies	5	1 830 936 683		1 626 320 473	
Intangible assets		16 754 107		18 338 298	
Total non-current assets		**4 706 860 751**	**82.3**	**4 549 698 334**	**88.9**
Total assets		**5 716 255 843**	**100.0**	**5 118 775 926**	**100.0**
Liabilities and equity					
Liabilities					
Current liabilities					
Other current non-interest-bearing liabilities	6	72 012 820		79 762 703	
Other current interest-bearing liabilities	7	237 477 899		200 053 322	
Current provision		128 487 452		774 057	
Accrued expenses		3 567 719		4 686 179	
Total current liabilities		**441 545 890**	**7.7**	**285 276 261**	**5.6**
Non-current liabilities					
Non-current interest-bearing liabilities to third parties		1 904 429 071		1 328 685 920	
Non-current interest-bearing liabilities to Group companies		7 271 714		177 639 212	
Total non-current interest-bearing liabilities	**12**	**1 911 700 785**	**33.4**	**1 506 325 132**	**29.4**
Total liabilities		**2 353 246 675**		**1 791 601 393**	
Equity	**11**				
Total share capital	**8,11**	**1 228 175 036**		**1 228 175 036**	
Reserves from capital contribution [1]	9,11	2 588 117 282		2 717 619 073	
Reserves from retained earnings [2]	9,11	–1 264 297 991		–1 264 297 991	
Total statutory capital reserves	**11**	**1 323 819 291**		**1 453 321 082**	
Voluntary retained earnings	11	779 629 894		629 186 906	
Total reserves	**9,11**	**2 103 449 185**		**2 082 507 988**	
Profit for the financial year		144 897 331		150 442 988	
Treasury shares against reserves from capital contribution		–		–21 607 230	
Other treasury shares		–113 512 384		–112 344 249	
Total treasury shares	**10,11**	**–113 512 384**		**–133 951 479**	
Total equity		**3 363 009 168**	**58.9**	**3 327 174 533**	**65.0**
Total equity and liabilities		**5 716 255 843**	**100.0**	**5 118 775 926**	**100.0**

[1] In 2012, the Swiss Federal Tax Administration confirmed qualifying capital contribution reserves of approximately CHF 1.7 billion (as per 31 December 2016 due to distributions still amounting of approximately CHF 1.3 billion). For further information see also note 9 to the financial statements of Clariant Ltd.

[2] This amount corresponds to capital contribution reserves formerly offset with losses. For further information see also note 9 to the financial statements of Clariant Ltd.

CLARIANT LTD INCOME STATEMENTS

for the years 2016 and 2015	Notes	**2016** in CHF	2015 in CHF
Income			
Income from shareholdings in Group companies		202 414 298	1 168 811 853
Income from interest on loans to Group companies		69 073 416	58 440 507
Other financial income		6 302 946	9 516 653
Exchange rate gains realized		186 914 543	359 577 182
Reversal of devaluations on shareholdings in Group companies	5	179 500 000	74 600 000
Other income		12 006 741	6 323 014
Total income		**656 211 944**	**1 677 269 209**
Expenses			
Financial expenses		250 869 581	480 145 804
Administrative expenses		61 630 732	76 501 055
Devaluations of shareholdings and other expenses related to Group companies	5	193 300 000	920 600 000
Exceptional expenses	2	—	34 592 993
Other expenses		4 600 974	14 094 907
Taxes		913 326	891 462
Total expenses		**511 314 613**	**1 526 826 221**
Profit for the financial year		**144 897 331**	**150 442 988**

Notes to the financial statements of Clariant Ltd

1. Accounting policies

Introduction. The statutory financial statements of Clariant Ltd comply with the regulations on financial accounting of the Swiss Code of Obligations.

Revenue recognition. Interest income is recognized on a time proportion basis, taking into account the principal outstanding and the effective rate over the period to maturity, when it is determined that such income will accrue to the company. Dividends are recognized when the right to receive payment is established.

Exchange rate differences. Balance sheet items denominated in foreign currencies are converted at year-end exchange rates. Realized exchange gains and losses as well as unrealized exchange losses are recorded in the income statement.

Intangible assets. Patents are capitalized at cost and amortized on a straight-line basis to the income statement over their estimated useful lives with a maximum of 20 years.

Capital increase costs are directly charged to the income statement.

The Board of Directors approved the stand-alone financial statements of Clariant Ltd for issue on 14 February 2017. It will be subject to approval by the Annual General Meeting of Shareholders scheduled for 20 March 2017.

2. Basis of preparation

The statutory financial statements of Clariant Ltd have been prepared according to the provisions of the Swiss Law on Accounting and Financial Reporting (32nd title of the Swiss Code of Obligations).

Exceptional expenses include in the year 2015 the revaluation of treasury shares from the market price to historical purchase price. The losses on disposal of shareholdings are included in this position.

Clariant Ltd has no employees, except the members of the Board of Directors of the Clariant Group.

3. Cash and cash equivalents and near-cash assets

Cash and cash equivalents amount to CHF 541 317 980 at the end of 2016 compared with CHF 398 747 988 at the end of 2015 and comprised cash in hand denominated mainly in euro and to a lesser extent in Swiss francs and British pounds.

Near-cash assets amount to CHF 406 293 900 at the end of 2016 compared to CHF 127 215 961 at the end of 2015 and includes short-term deposits with an original maturity between 90 and 365 days.

4. Other short-term receivables

Other short-term receivables amount to CHF 54 209 246 at the end of 2016 compared to CHF 39 215 525 at the end of 2015. They comprise third-party receivables of CHF 10 574 980 (compared to CHF 1 665 477 at the end of 2015) and intragroup receivables for CHF 43 634 266 (compared with CHF 37 550 048 at the end of 2015).

5. Shareholdings in Group companies

Shareholdings in Group companies are reviewed on a yearly basis to assess their cash generating capabilities by applying either a mixed calculation method based on the equity value and the net result or, alternatively, the discounted cash flow model. In that review, the investments are classified and grouped in terms of sales and Business Areas.

The following shareholdings in Group companies were valued using the discounted cash flow method: Clariant S.A. (Brazil), Clariant South East Asia Pte Ltd, Clariant Southern Africa Pty. and Clariant Finance (Luxembourg) S.A.

At the end of 2016, shareholdings in Group companies amount to CHF 1 830 936 683 compared to CHF 1 626 320 473 at the end of 2015. After this review, the following was recorded in the income statement: A reversal of devaluation of CHF 179 500 000 in »Reversal of devaluations on shareholdings in Group companies« and a devaluation of CHF 65 300 000 and other expenses related to Group companies in »Devaluations of shareholdings and other expenses related to Group companies« in the income statement.

In the year 2016, no hidden reserves were reversed (2015: nil).

The table below shows the shareholdings directly held by Clariant Ltd.

Country	Company name		Capital interest (%)	Voting rights (%)	Capital interest (%)	Voting rights (%)
			2016	2016	2015	2015
Belgium	Clariant Masterbatches Benelux SA	Louvain-la-Neuve	–	–	100.00%	100.00%
Brazil	Clariant S.A.	Sao Paulo	46.32%	46.32%	46.32%	46.32%
Canada	Clariant (Canada) Inc.	Toronto	100.00%	100.00%	100.00%	100.00%
China	Clariant (China) Ltd	Hong Kong	100.00%	100.00%	100.00%	100.00%
Colombia	Clariant (Colombia) SA	Cota	5.13%	5.13%	5.13%	5.13%
Ecuador	Clariant (Ecuador) S.A.	Quito	0.03%	0.03%	0.03%	0.03%
Finland	Clariant Masterbatches (Finland) Oy	Vantaa	–	–	100.00%	100.00%
France	Clariant Services (France)	Choisy-le-Roi	43.00%	43.00%	43.00%	43.00%
Germany	Clariant Verwaltungsgesellschaft mbH	Sulzbach	100.00%	100.00%	100.00%	100.00%
Great Britain	Clariant Horsforth Ltd	Leeds	100.00%	100.00%	100.00%	100.00%
	Clariant Services UK Ltd	Leeds	100.00%	100.00%	100.00%	100.00%
Guatemala	Clariant (Guatemala) SA	Guatemala City	–	–	10.00%	10.00%
	Clariant Specialties (Guatemala) SA	Guatemala City	10.00%	10.00%	–	–
Ireland	Clariant Masterbatches Ireland Ltd	Naas	–	–	100.00%	100.00%
Japan	Clariant (Japan) K.K.	Tokyo	100.00%	100.00%	100.00%	100.00%
	Clariant Catalysts (Japan) K.K.	Tokyo	61.45%	61.45%	61.45%	61.45%
Korea	Clariant Plastics & Coatings Ltd	Pohang, Gyeongbuk	17.50%	17.50%	17.50%	17.50%
	Clariant (Korea) Ltd	Pohang, Gyeongbuk	17.50%	17.50%	–	–
Liechtenstein	Clariant Insurance AG	Triesen	–	–	100.00%	100.00%
Luxembourg	Clariant Finance (Luxembourg) SA	Luxembourg	100.00%	100.00%	100.00%	100.00%
Malaysia	Clariant (Malaysia) Sdn Bhd	Kuala Lumpur	–	–	100.00%	100.00%
Morocco	Clariant (Maroc) SA	Casablanca	0.05%	0.05%	0.05%	0.05%
Mexico	Clariant (Mexico) SA de CV	Ecatepec de Morelos	99.99%	99.99%	99.99%	99.99%
	Clariant Plastics & Coatings Mexico SA de CV	Ecatepec de Morelos	99.99%	99.99%	–	–
New Zealand	Clariant (New Zealand) Ltd	Auckland	–	–	100.00%	100.00%
Norway	Clariant Oil Services Scandinavia AS	Bergen	100.00%	100.00%	100.00%	100.00%
Peru	Clariant (Peru) SA	Lima	0.23%	0.23%	0.23%	0.23%
Singapore	Clariant (Singapore) Pte Ltd	Singapore	–	–	100.00%	100.00%
	Clariant South East Asia Ltd	Singapore	100.00%	100.00%	100.00%	100.00%
South Africa	Clariant Southern Africa Pty	Chloorkop	100.00%	100.00%	–	–
Spain	Clariant Ibérica Servicios S.L.	El Prat de Llobregat	85.03%	85.03%	85.03%	85.03%
Sweden	Clariant Masterbatches Norden AB	Malmö	–	–	100.00%	100.00%
	Clariant Production Sweden	Mölndal	100.00%	100.00%	100.00%	100.00%
Switzerland	Clariant Plastics & Coatings AG (formerly: Clariant Beteiligungen AG)	Muttenz	99.00%	99.00%	99.00%	99.00%
	Clariant Produkte (Schweiz) AG	Muttenz	–	–	100.00%	100.00%
	Clariant Reinsurance AG	Muttenz	100.00%	100.00%	100.00%	100.00%
	Infrapark Baselland AG	Muttenz	–	–	100.00%	100.00%
	Clariant International AG	Muttenz	100.00%	100.00%	100.00%	100.00%
	Clariant Oil Services AG	Muttenz	80.00%	80.00%	20.00%	20.00%
Thailand	Clariant (Thailand) Ltd	Klongton, Bangkok	100.00%	100.00%	100.00%	100.00%
Turkey	Clariant (Türkiye) AS	Gebze	100.00%	100.00%	100.00%	100.00%
UAE	Clariant (Gulf) FZE	Dubai	100.00%	100.00%	100.00%	100.00%
USA	Clariant Corporation	Charlotte	100.00%	100.00%	100.00%	100.00%

For further details on shareholdings indirectly held by Clariant Ltd, see note 36 Important subsidiaries on pages 220 – 222 of this report.

6. Other current non-interest bearing liabilities

Other current non-interest-bearing liabilities amount to CHF 72 012 820 at the end of 2016 compared to CHF 79 762 703 at the end of 2015. They comprise third-party liabilities of CHF 19 187 604 (compared to CHF 20 125 688 at the end of 2015) and intragroup liabilities of CHF 52 825 216 (compared with CHF 59 637 015 at the end of 2015). The intragroup liabilities comprise shareholder costs payable to Clariant International Ltd.

7. Other current interest-bearing liabilities

Other current interest-bearing liabilities amounted to CHF 237 477 899 at the end of 2016 compared to CHF 200 053 322 at the end of 2015. They comprise third-party liabilities of CHF 115 472 542 (compared to CHF 148 058 195 at the end of 2015) and intragroup liabilities of CHF 122 005 357 (compared with CHF 51 995 127 at the end of 2015).

On 21 April 2016, the certificate of indebtedness issued in 2011 with a notional amount of EUR 123 million reached maturity and was repaid.

A bond issued in 2011 with a nominal value of CHF 100 million will fall due in 2017 and as a consequence was reclassified to current financial debt.

On 16 December 2016, Clariant Ltd signed an agreement for a new CHF 500 million five-year multi-currency revolving credit facility (RCF) with two one-year extension options. The RCF is structured as a club deal with ten key relationship banks with equal stakes and contains an accordion option for an increase up to CHF 600 million. The RCF is structured as a »back-stop« facility for rating purposes to maintain Clariant's liquidity headroom. It contains customary covenants such as negative pledge, cross default, ownership change and restriction on disposals, mergers and subsidiary debt. The Group is required to maintain one financial covenant (debt leverage) that is tested at the end of each financial half year.

The intragroup liabilities comprise the cash pool accounts and current accounts between Group companies.

8. Share capital

Capital issued	31.12.2016	31.12.2015
Number of registered shares each with a par value of CHF 3.70 (2015: CHF 3.70)	331 939 199	331 939 199
In CHF	1 228 175 036	1 228 175 036

Conditional capital	31.12.2016	31.12.2015
Number of registered shares each with a par value of CHF 3.70 (2015: CHF 3.70)	3 811 886	3 811 886
In CHF	14 103 978	14 103 978

9. Reserves

General reserves must be at least 20 % of the share capital of Clariant Ltd as this is the minimum amount required by the Swiss Code of Obligations. As from 2011, if certain conditions are met, qualifying capital contributions made to Clariant Ltd by its shareholders since 1997 can be distributed without being subject to Swiss withholding tax. Qualifying capital contribution reserves of approximately CHF 1.7 billion are confirmed by the Swiss Federal Tax Administration (SFTA).

The SFTA is of the opinion that capital contribution reserves which were formerly offset with losses of CHF 1.26 billion will not qualify as capital contribution reserves anymore (even if compensated with newly generated retained earnings). The Swiss Administrative Court confirmed the SFTA's view in a particular case (decision of 4 June 2015, A-6072/2013), whilst the Swiss Supreme Court (as the highest Swiss court level) has up to now not dealt with this question. Clariant Ltd does not unconditionally share the above mentioned opinion. This is why potential capital contribution reserves are also documented as capital contribution reserves in the balance sheet.

10. Treasury shares

	2016	2015
Holdings at 1 January	**9 195 810**	**12 087 920**
Shares purchased at fair market value	819 813	1 016 761
Shares sold to counterparty out of options (management options 2010)	–	–2 077 650
Shares sold at fair market value	–1 240 318	–1 016 741
Shares transferred to employees	–887 577	–814 480
Holdings on 31 December	**7 887 728**	**9 195 810**

Each registered share has a par value of CHF 3.70 (2015: CHF 3.70).

The average price of shares bought in 2016 was CHF 18.26 (2015: CHF 20.69).

The average price of shares sold in 2016 was CHF 18.06 (2015: CHF 17.19).

The profit or loss from the sale of own shares is recorded in the income statement as other income or other expenses.

11. Reconciliation of equity

in CHF	Share capital	Statutory capital reserves		Voluntary retained earnings	Treasury shares		Net income	**Total**
		From capital contribution[1]	From retained earnings[2]		Against reserves from capital contribution	Others		
Balance 31 December 2015	**1 228 175 036**	**2 717 619 073**	**–1 264 297 991**	**629 186 906**	**–21 607 230**	**–112 344 249**	**150 442 988**	**3 327 174 533**
Reclassification of profit carryforward to voluntary retained earnings				150 442 988			–150 442 988	–
Reclassification		–129 501 791		129 501 791				–
Distribution				–129 501 791				–129 501 791
Changes in treasury shares					21 607 230	–1 168 135		20 439 095
Profit for the financial year							144 897 331	144 897 331
Balance 31 December 2016	**1 228 175 036**	**2 588 117 282**	**–1 264 297 991**	**779 629 894**	**–**	**–113 512 384**	**144 897 331**	**3 363 009 168**

[1] In 2012, the Swiss Federal Tax Administration confirmed qualifying capital contribution reserves of approximately CHF 1.7 billion (as per 31 December 2016 due to distributions still amounting of approximately CHF 1.3 billion). For further information see also note 9 to the financial statements of Clariant Ltd.

[2] This amount corresponds to capital contribution reserves formerly offset with losses. For further information see also note 9 to the financial statements of Clariant Ltd.

12. Non-current interest bearing financial liabilities

in CHF	Interest rate	Term	**Amount 31.12.2016**	Amount 31.12.2015
Non-current interest-bearing liabilities to third parties				
Certificate of indebtedness	mixed	2015–2020	160 838 646	181 225 967
Certificate of indebtedness	mixed	2015–2023	160 796 297	164 026 004
Certificate of indebtedness	2.010	2016–2026	15 879 028	–
Certificate of indebtedness	1.137	2016–2023	28 680 394	–
Certificate of indebtedness	mixed	2016–2023	14 069 627	–
Certificate of indebtedness	0.779	2016–2021	60 066 485	–
Certificate of indebtedness	1.501	2016–2023	80 490 247	–
Certificate of indebtedness	1.012	2016–2020	171 383 995	–
Certificate of indebtedness	mixed	2016–2020	60 778 350	–
Certificate of indebtedness	2.618	2016–2021	112 469 944	–
Certificate of indebtedness	mixed	2016–2021	168 976 058	–
Bank loans with fixed interest rates	3.000	2012–2017	–	13 433 949
Straight bond	3.125	2011–2017	–	100 000 000
Straight bond	3.250	2012–2019	285 000 000	285 000 000
Straight bond	2.500	2012–2018	250 000 000	250 000 000
Straight bond	3.500	2012–2022	175 000 000	175 000 000
Straight bond	2.125	2014–2024	160 000 000	160 000 000
Total non-current interest-bearing liabilities to third parties			**1 904 429 071**	**1 328 685 920**
Non-current interest-bearing liabilities to Group Companies				
Financial liabilities to Clariant Produkte (Deutschland) GmbH	5.000	2014–2018	1 570 000	2 355 000
Financial liabilities to Clariant Service (France) SA	5.000	2014–2018	1 490 000	2 235 000
Financial liabilities to Clariant Oil Service Ltd	0.750	–	237 054	424 079
Financial liabilities to Clariant Plastics & Coatings Ltd	mixed	–	3 974 660	172 625 133
Non-current interest-bearing liabilities to Group Companies			**7 271 714**	**177 639 212**
Total non-current interest-bearing liabilities			**1 911 700 785**	**1 506 325 132**
Breakdown by maturity				
one to five years			1 451 785 192	1 171 325 132
more than five years			459 915 593	335 000 000
Total non-current interest-bearing liabilities			**1 911 700 785**	**1 506 325 132**

On 26 April 2016, Clariant Ltd issued four certificates of indebtedness with a total amount of EUR 300 million. These certificates have a term of 4 years (EUR 212 million), 7 years (EUR 73 million) and 10 years (EUR 15 million) respectively. The interest varies between 1.012 % and 2.010 %.

On 5 August 2016 Clariant issued five certificates of indebtedness with total amounts of EUR 95 million and USD 277 million. These certificates have terms of five years (EUR 55 million and USD 277 million) and seven years (EUR 40 million). The interest varies between 0.779 % and 2.618 %, while a tranche of EUR 13 million has a variable interest of six months EURIBOR plus 1.1% and a tranche in the amount of USD 166 million has a variable interest of three months LIBOR plus 1.5%.

On 17 April 2015, Clariant Ltd issued four certificates of indebtedness with a total amount of EUR 300 million. These certificates have a term of five years (EUR 150 million) and eight years (EUR 150 million) respectively. For each term there is one certificate with a fixed (based on mid-swap) and one with a floating (based on six months Euribor) coupon. The interest costs of the tranches range from 0.9 % to 1.6 % per year.

13. Contingent liabilities

in CHF m	**Outstanding liabilities 31.12.2016**	Outstanding liabilities 31.12.2015
Outstanding liabilities as guarantees in favor of Group companies	751	770

Clariant Ltd belongs to the Swiss value-added tax (VAT) group of Clariant, and thus carries joint liability to the Swiss federal tax authority for value-added tax.

In connection with the dismantlement of a waste water treatment plant in France Clariant is faced with a claim by the Swiss-based group Novartis in the amount of EUR 15 million. Clariant has the view that this claim is unfounded. The case is currently pending at court.

14. Shareholdings of members of the Board of Directors and the Executive Committee

1. Board of Directors

SHARES HELD

Name	**Number of shares granted**[1]	**Value of shares granted**[1]	Number of shares granted	Value of shares granted	**Number of privately held shares**	Number of privately held shares
	31.12.2016	**31.12.2016**	31.12.2015	31.12.2015	**31.12.2016**	31.12.2015
Rudolf Wehrli	11 765	200 005	11 541	200 006	66 438	54 897
Günter von Au	8 824	150 008	8 656	150 008	44 212	35 556
Peter Chen	5 883	100 011	5 771	100 011	24 475	18 704
Hariolf Kottmann[2]			See EC Overview			
Eveline Saupper	5 883	100 011	–	–	6 000	–
Carlo G. Soave	5 883	100 011	5 771	100 011	39 575	33 804
Peter Steiner	5 883	100 011	–	–	–	–
Claudia Suessmuth Dyckerhoff	5 883	100 011	–	–	–	–
Susanne Wamsler	5 883	100 011	5 771	100 011	964 182[3]	955 171[3]
Konstantin Winterstein	5 883	100 011	5 771	100 011	6 014 515	6 008 744
Former member	–	–	5 771	100 011	–	116 204
Total	**61 770**	**1 050 090**	**49 052**	**850 069**	**7 159 397**	**7 223 080**

[1] The number of shares granted for the period from annual general meeting to annual general meeting (April to March) as part of the BoD share programm will be determined after the balance sheet date. The number disclosed is based on the amount of an estimated fair value of the shares at the grant date. Therefore corrections for the prior-year period were necessary.

[2] After taking over the function as CEO, no further Board of Directors' compensations are extended. Please refer to the Executive Committee table.

[3] Thereof: 240 271 held by »The Honoré T. Wamsler Trust«

In 2016 no options were held by members of the Board of Directors. At 31 December 2015 Carlo G. Soave and Dominik Koechlin held 24 096 exercisable options each.

For detailed information regarding emoluments of the Board of Directors and the Executive Committee, please refer to the Compensation Report on pages 139 to 152.

2. Executive Committee

SHARES HELD

Name	**Number of shares granted[1]**	**Value of shares granted[1]**	Number of shares granted	Value of shares granted	**Number of shares within vesting period**	Number of shares within vesting period	**Number of privately held shares**	Number of privately held shares
	for 2016	**for 2016**	for 2015	for 2015	**31.12.2016**	31.12.2015	**31.12.2016**	31.12.2015
Hariolf Kottmann	79 482	1 297 996	72 871	1 209 158	152 325	202 731	449 135	473 893
Britta Fuenfstueck	37 020	601 224	–	–	20 784	–	0	–
Patrick Jany	42 432	690 576	36 436	569 611	84 237	107 526	354 196	304 973
Christian Kohlpaintner	42 432	690 576	36 436	569 611	84 237	107 526	280 335	231 112
Former member	–	–	13 090	219 258	–	107 526	–	61 830
Total	**201 366**	**3 280 372**	**158 833**	**2 567 638**	**341 583**	**525 309**	**1 083 666**	**1 071 808**

[1] The number of shares granted as part of the matching share program will be determined after the balance sheet date. The number disclosed is based on a bonus payout of 92%, the amount of variable estimated remuneration accrued and an estimated fair value of the shares at the grant date. Therefore corrections are necessary.

No options were granted to members of the Executive Committee for the years 2016 and 2015, nor did any member of the Executive Committee hold any options in those years.

For detailed information regarding emoluments of the Board of Directors and the Executive Committee, please refer to the Compensation Report on pages 139 to 152.

15. Voting and legal registration limitations

In accordance with article 5 of the Articles of Incorporation, no limitations exist with regard to registration of shares which are acquired in one's own name and on one's own account. Special rules exist for nominees.

In accordance with article 13 of the Articles of Incorporation, each share has the right to one vote.

16. Significant shareholdings of 3% or more of total share capital

Based on the notifications received by Clariant and published by SIX Exchange Regulation, as at 31 December 2016 the following shareholders held more than 3% of voting rights in Clariant Ltd:

Shareholders	Voting rights
Group of former shareholders of Süd-Chemie AG[1]	13.89%
Thereof (as a separate sub-group): Blue Beteiligungsgesellschaft mbH, Am Holzmaierfeld, 82064 Grossdingharting (Germany) and Maple Beteiligungsgesellschaft mbH, Am Holzmaierfeld, 82064 Grossdingharting (Germany)[2]	3.73%
APG Asset Management N.V., Amsterdam, Netherlands	5.01%
BlackRock Inc., New York	3.08%
Cymbria, Canada EdgePoint Global Portfolio, Canada EdgePoint Canadian Growth and Income Portfolio, Canada EdgePoint Canadian Portfolio, Canada EdgePoint Global Growth and Income Portfolio, Canada St. James Place Global Equity Unit Trust, UK	3.06%
Citadel Multi-Strategy Equities Sàrl Citadel Global Equities Fund Sàrl Citadel Securities (Europe) Limited	3.02%
Norges Bank (the Central Bank of Norway)	3.003%
UBS Funds Management (Switzerland) AG	3.001%

[1] The following former shareholders of Süd-Chemie AG form a group:

Wilhelm, Dr. Winterstein, Germany	Konstantin Alfred Winterstein, Germany
Dolf, Dr. Stockhausen, Switzerland	Max-Theodor, Dr. Schweighart, Germany
Axel, Dr. Schweighart, Germany	Peter, Dr. Schweighart, Germany
Rosemarie Schweighart, Germany	Moritz Ostenrieder, Germany
Dominique Kraus, Germany	Christian Ratjen, Germany
Karl, Dr. Wamsler, Germany	Bettina Wamsler, Germany
Irene W. Banning, USA	Pauline Joerger, USA
Susanne Wamsler-Singer, Austria	Marianne Kunisch, Germany
Caroline A., Dr. Wamsler, USA	Maximilian Ratjen, Germany
Amelie Ratjen, Germany	Julius Ratjen, Germany
Christof Ratjen, Germany	Elisabeth Prinzessin zu Sayn-Wittgenstein, Germany
Christopher Weithauer, Germany	Georg A. Weithauer, Germany
Johanna Bechtle, Germany	Charlotte Bechtle, Germany
Kaspar Bechtle, Germany	Clara Redetzki, Germany
Luisa Redetzki, Germany	Marie Redetzki, Germany
Karl T. Banning, USA	Sophia P. Joerger, USA
Schuyler H. Joerger, USA	

[2] According to a disclosure notification published on 18 January 2013, a group consisting of Konstantin Winterstein, 80333 München, Germany and Elisabeth Prinzessin zu Sayn-Wittgenstein, 80333 München, Germany holds 3.73% partially through Blue Beteiligungsgesellschaft mbH, Grossdingharting (Germany) and partially through Maple Beteiligungsgesellschaft mbH, Grossdingharting (Germany). The 3.73% held by this group are included in the 13.89% mentioned under footnote 1, but build a separate sub-group.

Disclosure notifications during the financial year 2016 reported to the Stock Exchange Disclosure Office pursuant to Art. 120 of the Financial Markets Infrastructure Act (FMIA) as well as further information in relation to disclosure notifications can be found on the SIX Swiss Exchange reporting platform: www.six-exchange-regulation.com/en/home/publications/significant-shareholders.html

As of 31 December 2016, former shareholders of Süd-Chemie AG, who had exchanged their shares against Clariant shares in April 2011, held a total of 13.89% of the share capital of Clariant Ltd. These shareholders are related to each other for family or other reasons (especially the Wamsler, Winterstein, Schweighart and Stockhausen families).

In addition, at 31 December 2015, the following shareholders held a participation of 3% or more of the total share capital:
Group of former shareholders of Süd-Chemie AG: 13.89%, thereof (as a separate sub-group): Blue Beteiligungsgesellschaft mbH, Am Holzmaierfeld, 82064 Grossdingharting (Germany) and Maple Beteiligungsgesellschaft mbH, Am Holzmaierfeld, 82064 Grossdingharting (Germany): 3.73%); APG Asset Management N.V., Amsterdam, Netherlands: 5.01%; Cymbria, Canada: 3.06%; Black Rock Inc., New York: 3.05%.

At 31 December 2016, Clariant AG itself held 7 887 728 shares in treasury, corresponding to 2.38% of the share capital.

Appropriation of available earnings

The Board of Directors proposes to appropriate the profit of 2016 of Clariant Ltd in the amount of CHF 144 897 331 as follows.

Annual result	in CHF
Carried forward from previous year	–
Profit for the year 2016	144 897 331
Total available earnings	**144 897 331**

Appropriation	in CHF
Voluntary retained earnings as at Dec. 31, 2016	779 629 894
Transfer to voluntary retained earnings	144 897 331
Voluntary retained earnings as at Jan. 1, 2017	924 527 225
Balance to be carried forward	**–**
Distribution of CHF 0.45 per share from reserves from capital contribution[1]	**145 800 000**

[1] Depending on the number of issued shares on the date of the distribution. Shares held by Clariant Ltd or its subsidiaries are not entitled to a distribution and are not taken into account. The distribution amount is therefore expected to be in the region of CHF 145 800 000.

Distribution of reserves from capital contribution

The Board of Directors proposes a distribution from the confirmed capital contribution reserves of CHF 0.45 per share (following reclassification of the full distribution amount from reserves from capital contribution to voluntary retained earnings).

Report of the statutory auditor to the General Meeting of Clariant Ltd. Muttenz

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Clariant Ltd, which comprise the balance sheet as at 31 December 2016, income statement and notes for the year then ended, including a summary of significant accounting policies.

In our opinion, the financial statements (pages 228 to 238) as at 31 December 2016 comply with Swiss law and the company's articles of incorporation.

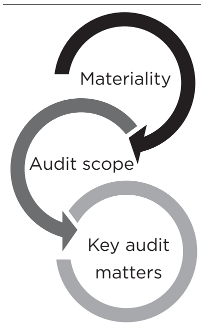
Basis for opinion

We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Our responsibilities under those provisions and standards are further described in the »Auditor's responsibilities for the audit of the financial statements« section of our report.

We are independent of the entity in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

OUR AUDIT APPROACH

Overview



Overall materiality: CHF 22.5 million

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the entity, the accounting processes and controls, and the industry in which the entity operates.

As a key audit matter, the following area of focus was identified:

Valuation of shareholdings in Group companies

Audit scope

We designed our audit by determining materiality and assessing the risks of material misstatement in the financial statements. In particular, we considered where subjective judgements were made; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Materiality

The scope of our audit was influenced by our application of materiality. Our audit opinion aims to provide reasonable assurance that the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall materiality for the financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate, on the financial statements as a whole.

Overall materiality	CHF 22.5 million
How we determined it	0.4% of total assets
Rationale for the materiality benchmark applied	We chose total assets as benchmark because, in our view, it is the most relevant measure for the activities of Clariant AG as holding company.

We agreed with the Audit Committee that we would report to them misstatements above CHF 1.1 million identified during our audit as well as any misstatements below that amount which, in our view, warranted reporting for qualitative reasons.

Report on key audit matters based on the circular 1/2015 of the Federal Audit Oversight Authority

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

VALUATION OF SHAREHOLDINGS IN GROUP COMPANIES

Key audit matter	How our audit addressed the key audit matter
We consider the valuation of shareholdings in Group companies to be a key audit matter due both to the significant scope for judgment involved with respect to the assumptions and the discount rates applied for the valuations, and to the significance of these investments on the balance sheet. Please refer to page 230 (Shareholdings in Group companies, note 5).	We evaluated and challenged management's assumptions and the discount rates applied for valuation purposes. Management followed a clearly documented process to group certain investments and, using generally accepted valuation methods, to calculate their value. We tested the calculation method and we compared the input figures used with the Group's accounting records. We also compared the actual results of the year under review with the figures included in the forecasts in the prior year in order to assess with hindsight whether any of the assumptions underlying the forecasts might have been too optimistic. We assessed the assumptions relating to the forecasts and found them to be consistent with actual developments and reasonable. We involved PwC valuation specialists to assess the discount rate by comparing the rates with market information. We found the assumptions and the discount rates to be appropriate and reasonable.

Responsibilities of the Board of Directors for the financial statements

The Board of Directors is responsible for the preparation of the financial statements in accordance with the provisions of Swiss law and the company's articles of incorporation, and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors is responsible for assessing the entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors intends either to liquidate the entity or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law and Swiss Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Swiss law and Swiss Auditing Standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern.

We communicate with the Board of Directors or its relevant committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors or its relevant committee with a statement that we have complied with relevant ethical requirements regarding independence, and communicate to them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors or its relevant committee, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists which has been designed for the preparation of financial statements according to the instructions of the Board of Directors. We further confirm that the proposed appropriation of available earnings complies with Swiss law and the company's articles of incorporation. We recommend that the financial statements submitted to you be approved.

PricewaterhouseCoopers AG

Rolf Johner	Ruth Sigel
Audit expert	Audit expert
Auditor in charge	

Basel, 14 February 2017

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Forward-looking statements

Forward-looking statements contained herein are qualified in their entirety as there are certain factors that could cause results to differ materially from those anticipated. Investors are cautioned that all forward-looking statements involve risks and uncertainty. In addition to the factors discussed above, among the factors that could cause actual results to differ materially are the following: the timing and strength of new product offerings; pricing strategies of competitors; the company's ability to continue to receive adequate products from its vendors on acceptable terms, or at all, and to continue to obtain sufficient financing to meet its liquidity needs; and changes in the political, social and regulatory framework in which the company operates or in economic or technological trends or conditions, including currency fluctuations, inflation and consumer confidence, on a global, regional, or national basis.