CLARIANT

Financial Report
2020

what is precious to you?

CONSOLIDATED BALANCE SHEETS

at 31 December 2020 and 2019

	Notes[1]	31.12.2020 in CHF m	in %	31.12.2019 in CHF m	in %
Assets					
Non-current assets					
Property, plant and equipment	5	1 628		1 649	
Right-of-use assets	7	204		219	
Intangible assets	6	1 238		1 351	
Investments in associates and joint ventures	8	153		248	
Financial assets	9	202		218	
Prepaid pension assets	20	57		41	
Deferred tax assets	10	160		234	
Total non-current assets		**3 642**	**52.5**	**3 960**	**49.6**
Current assets					
Inventories	11	534		651	
Trade receivables	12	577		680	
Other current assets	13	312		337	
Current income tax receivables		67		104	
Short-term deposits	14	267		304	
Cash and cash equivalents	15	737		638	
Total current assets		**2 494**	**36.0**	**2 714**	**34.0**
Assets held for sale	**25**	**797**	**11.5**	**1 305**	**16.4**
Total assets		**6 933**	**100.0**	**7 979**	**100.0**
Equity and liabilities					
Equity					
Share capital	17	1 228		1 228	
Treasury shares (par value)	17	–9		–10	
Other reserves		–1 100		–431	
Retained earnings		2 123		1 719	
Total capital and reserves attributable to Clariant shareholders		**2 242**		**2 506**	
Non-controlling interests		139		171	
Total equity		**2 381**	**34.3**	**2 677**	**33.6**
Liabilities					
Non-current liabilities					
Financial debts	18	1 424		1 485	
Deferred tax liabilities	10	18		43	
Retirement benefit obligations	20	630		673	
Non-current lease liabilities	7	159		172	
Other liabilities	22	60		68	
Provision for non-current liabilities	21	202		164	
Total non-current liabilities		**2 493**	**36.0**	**2 605**	**32.6**
Current liabilities					
Trade payables and other liabilities	22	817		875	
Financial debts	23	398		587	
Current income tax liabilities		262		238	
Current lease liabilities	7	41		45	
Provision for current liabilities	21	278		393	
Total current liabilities		**1 796**	**25.9**	**2 138**	**26.8**
Liabilities directly associated with assets held for sale	**25**	**263**	**3.8**	**559**	**7.0**
Total liabilities		**4 552**	**65.7**	**5 302**	**66.4**
Total equity and liabilities		**6 933**	**100.0**	**7 979**	**100.0**

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

CONSOLIDATED INCOME STATEMENTS

for the years ended 31 December 2020 and 2019

	Notes[1]	**2020** in CHF m	in %	2019 in CHF m	in %
Sales	24	3 860	100.0	4 399	100.0
Costs of goods sold		–2 687		–3 024	
Gross profit		**1 173**	**30.4**	**1 375**	**31.3**
Selling, general and administrative costs		–747		–1 070	
Research and development costs		–170		–173	
Income from associates and joint ventures	24	42		33	
Operating income		**298**	**7.7**	**165**	**3.9**
Finance income	29	15		23	
Finance costs	29	–101		–117	
Income before taxes		**212**	**5.5**	**71**	**1.7**
Taxes	10	–96		–105	
Net result from continuing operations		**116**	**3.0**	**–34**	**–0.7**
Attributable to:					
Shareholders of Clariant Ltd		92		–57	
Non-controlling interests		24		23	
Net result from discontinued operations	**25**	**683**		**72**	
Attributable to:					
Shareholders of Clariant Ltd		666		67	
Non-controlling interests		17		5	
Net income		**799**		**38**	
Attributable to:					
Shareholders of Clariant Ltd		758		10	
Non-controlling interests		41		28	
Basic earnings/loss per share attributable to the shareholders of Clariant Ltd (CHF/share)					
Continuing operations	30	0.28		–0.17	
Discontinued operations	30	2.02		0.20	
Total		**2.30**		**0.03**	
Diluted earnings/loss per share attributable to the shareholders of Clariant Ltd (CHF/share)					
Continuing operations	30	0.28		–0.17	
Discontinued operations	30	2.01		0.20	
Total		**2.29**		**0.03**	

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

for the years ended 31 December 2020 and 2019	Notes[1]	**2020** in CHF m	2019 in CHF m
Net income		**799**	**38**
Other comprehensive income/loss:			
Remeasurements:			
Actuarial gain/loss on retirement benefit obligations	20	–38	–316
Return on retirement benefit plan assets, excluding amount included in interest expense	20	124	219
Fair value adjustment on financial assets	9	–10	16
Total items that will not be reclassified subsequently to the income statement, gross		**76**	**–81**
Deferred tax effect	10	–17	35
Total items that will not be reclassified subsequently to the income statement, net		**59**	**–46**
Net investment hedge	31	26	35
Cash flow hedge		–1	–2
Currency translation differences		–275	–120
Share in other comprehensive income of associates and joint ventures	8	1	–9
Effect of the reclassification of foreign exchange differences on previously held net investments in foreign entities		130	19
Total items that may be reclassified subsequently to the income statement, gross		**–119**	**–77**
Deferred tax effect		—	—
Total items that may be reclassified subsequently to the income statement, net		**–119**	**–77**
Other comprehensive income/loss for the period, net of tax		**–60**	**–123**
Total comprehensive income/loss for the period		**739**	**–85**
Attributable to:			
Shareholders of Clariant Ltd		715	–106
Non-controlling interests		24	21
Total comprehensive income/loss for the period		**739**	**–85**
Total comprehensive income/loss attributable to shareholders of Clariant Ltd arising from:			
Continuing operations		–27	–142
Discontinued operations		742	36
Total comprehensive income/loss attributable to shareholders of Clariant Ltd		**715**	**–106**

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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY in CHF m

at 31 December 2020 and 2019

						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 2018	**1 228**	**–8**	**1 006**	**4**	**–1 199**	**–189**	**1 767**	**2 798**	**172**	**2 970**
Changes in accounting policy [1]						–	1	1		1
Balance 1 January 2019	**1 228**	**–8**	**1 006**	**4**	**–1 199**	**–189**	**1 768**	**2 799**	**172**	**2 971**
Net income						–	10	10	28	38
Cash flow hedge				–2		–2		–2		–2
Net investment hedge					35	35		35		35
Remeasurements:										
Actuarial gain/loss on retirement benefit obligations (see note 20)						–	–316	–316		–316
Return on retirement benefit plan assets, excluding amount included in interest expense (see note 20)						–	219	219		219
Deferred tax on remeasurements (see note 10)						–	37	37		37
Currency translation differences					–113	–113		–113	–7	–120
Fair value adjustment on financial assets						–	14	14		14
Share in other comprehensive income of associates and joint ventures (see note 8)							–9	–9		–9
Effect of the reclassification of foreign exchange differences on previously held net investments in foreign entities					19	19		19		19
Total comprehensive income/loss for the period	**–**	**–**	**–**	**–2**	**–59**	**–61**	**–45**	**–106**	**21**	**–85**
Distributions			–181			–181		–181		–181
Dividends to non-controlling interests						–		–	–20	–20
Transaction with non-controlling interests						–	1	1	–2	–1
Employee share scheme:										
Effect of employee services						–	–1	–1		–1
Treasury share transactions		–2				–	–4	–6		–6
Balance 31 December 2019	**1 228**	**–10**	**825**	**2**	**–1 258**	**–431**	**1 719**	**2 506**	**171**	**2 677**
Net income						–	758	758	41	799
Cash flow hedge				–1		–1		–1		–1
Net investment hedge					26	26		26		26
Remeasurements:										
Actuarial gain/loss on retirement benefit obligations (see note 20)						–	–38	–38		–38
Return on retirement benefit plan assets, excluding amount included in interest expense (see note 20)						–	124	124		124
Deferred tax on remeasurements (see note 10)						–	–18	–18		–18
Currency translation differences					–258	–258		–258	–17	–275
Fair value adjustment on financial assets						–	–9	–9		–9
Share in other comprehensive income of associates and joint ventures (see note 8)						–	1	1		1
Effect of the reclassification of foreign exchange differences on previously held net investments in foreign entities					130	130		130		130
Total comprehensive income/loss for the period	**–**	**–**	**–**	**–1**	**–102**	**–103**	**818**	**715**	**24**	**739**
Reclassification to reserves			220			220	–220	–		–
Distributions			–786			–786	–203	–989		–989
Dividends to non-controlling interests						–		–	–42	–42
Effect on disposal									–14	–14
Employee share scheme:										
Effect of employee services						–	6	6		6
Treasury share transactions		1				–	3	4		4
Balance 31 December 2020	**1 228**	**–9**	**259**	**1**	**–1 360**	**–1 100**	**2 123**	**2 242**	**139**	**2 381**

[1] The impact of the changes in accounting policies include CHF 1 million (net of tax) related to the implementation of IFRS 16.

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

for the years ended 31 December 2020 and 2019	Notes[1]		**2020** in CHF m		2019 in CHF m
Net income			**799**		**38**
Reversal of non-cash income and expenses	16	–277		483	
Dividends received from associates and joint ventures	8	44		42	
Payments for restructuring	28	–25		–29	
Cash flow before changes in net working capital and provisions			**541**		**534**
Changes in net working capital and provisions	16	–57		96	
Cash generated from operating activities			**484**		**630**
Income taxes paid		–115		–121	
Net cash generated from operating activities			**369**		**509**
Cash flows from investing activities:					
Investments in property, plant and equipment	5	–288		–273	
Investments in financial assets, associates and joint ventures		–2		–4	
Investments in intangible assets	6	–11		–16	
Changes in current financial assets and short-term deposits		48		–285	
Sale of property, plant and equipment and intangible assets		22		14	
Business combinations		–9		—	
Proceeds from the disposal of associates and financial assets		5		4	
Proceeds from the disposal of discontinued operations	25	1 305		295	
Proceeds/payments associated to disposals of activities not qualifying as discontinued operations	26	13		11	
Net cash provided by/used in investing activities			**1 083**		**–254**
Cash flows from financing activities:					
Purchase of treasury shares		–1		–10	
Distribution to the shareholders of Clariant Ltd	17	–989		–181	
Dividends paid to non-controlling interests		–42		–20	
Proceeds/payments associated to transactions with non-controlling interests		—		–1	
Proceeds from financial debts		288		268	
Repayments of financial debts		–472		–370	
Repayments of lease liabilities	7	–55		–58	
Interest paid		–60		–79	
Interest paid for leases	7	–11		–12	
Interest received		16		23	
Net cash provided by/used in financing activities			**–1 326**		**–440**
Currency translation effect on cash and cash equivalents			–27		–10
Net change in cash and cash equivalents			**99**		**–195**
Cash and cash equivalents at the beginning of the period	**15**		**638**		**833**
Cash and cash equivalents at the end of the period	**15**		**737**		**638**

[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 9 February 2021. They will be subject to approval by the Annual General Meeting of Shareholders scheduled for 7 April 2021.

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 and other comprehensive income.

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 judgments 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 – Disclosure of Business Units as discontinued operations in accordance with IFRS 5, Non-current Assets held for sale and Discontinued operations

Following the decision of the Board of Directors to dispose the Business Units Masterbatches (including Business Line Healthcare Packaging) and Pigments in June 2019 the two Business Units concerned were reclassified to discontinued operations in 2019 and therefore are presented separately in accordance with IFRS 5. Healthcare Packaging was sold in October 2019 and Masterbatches in July 2020. See also Note 25.

Assets and liabilities pertaining to the discontinued operations are presented as »assets held for sale« and as »liabilities directly associated with assets held for sale« respectively in the balance sheets of 2020 and 2019 as required by IFRS 5.

1.04 – Standards, interpretations and amendments effective in 2020

The Group has applied the following standards and amendments for the first time:

- Definition of Material – amendments to IAS 1 and IAS 8
- Definition of a Business – amendments to IFRS 3
- Interest Rate Benchmark Reform – amendments to IFRS 9, IAS 39 and IFRS 7
- Revised Conceptual Framework for Financial Reporting (revised 2018)

The amendments listed above did not have any impact on the amounts recognized in the reporting period and prior periods and are not expected to significantly affect future periods.

1.05 – Standards, interpretations and amendments not yet effective

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2020 reporting periods and have not been early adopted by the group. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

1.06 – 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.

1.07 – 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.

1.08 – Recognition of revenue from contracts with customers

Sales of goods and services are recognized in line with the requirements of IFRS 15, Revenue from contracts with customers. Revenue is measured based on the consideration the Group expects to receive in exchange for the goods or services. Revenue from sales of goods is recognized in the income statement when control has been transferred to the buyer, which is usually upon delivery, at a fixed or determinable price, and when collectability is reasonably assured. Delivery is defined based on the terms of the sale contract.
Revenue from services is recognized when the respective services have been rendered.
Revenue is reported net of sales taxes, returns, discounts and rebates. Rebates to customers are provided for in the same period that the related sales are recorded based on the contract terms.

Where third parties hold Clariant inventories on a consignment basis, revenue is recognized in the period that inventories are withdrawn from consignment and delivered to customers. Clariant periodically enters into prepayment contracts with customers whereby it receives contract liabilities for products to be delivered in a future period. These contract liabilities are recorded as liabilities and presented as part of Other liabilities. Advance payment liabilities are released and revenues associated with such advance payment transactions are recognized upon delivery of and transfer of title, ownership, and risk of loss of the related products to the customer. Cash rebates and discounts granted to customers are classified as a reduction of revenue.

1.09 – Recognition of revenues from interest and dividends

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 Group. Dividends are recognized when the right to receive the payment is established.

1.10 – 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.

Transactions and balances: Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions.

Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies are recognized in the line »Finance costs« in the income statement, except when deferred in »Other comprehensive income« as qualifying cash flow hedges and net investment hedges.

Translation differences on debt securities and on other monetary financial assets measured at fair value are included in foreign exchange gains and losses in the line »Finance costs« in the income statement.

Group companies: 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.

All resulting exchange rate differences are recognized in Other comprehensive income in the line »Currency translation differences«. Exchange rate differences arising on the translation of the net investment in foreign entities and on borrowings and other currency instruments designated as hedges of such investments are recognized in »Other comprehensive income« in the line »Net investment hedge«. Net investments also include loans for which the settlement is neither planned nor likely to occur in the foreseeable future.

When a foreign operation is disposed of and as a consequence control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as a part of the gain or loss on disposal.

When the Group's interest in a subsidiary that includes a foreign operation changes, while retaining control in the subsidiary, a proportionate part of the cumulative amount of the translation difference that was recognized in other comprehensive income is reclassified to non-controlling interests.

1.11 – 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 13 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. Investment property is valued at cost less depreciation. As all investment property held by Clariant consists of industrial and administrative sites which have been in use for several decades, there is no active market which would give information on possible market prices. The fair values of the investment properties are therefore determined by way of external appraisals and value-in-use calculations.

1.12 – Leases

Clariant accounts for lease contracts in accordance with IFRS 16, Leases.

At the inception of the lease a right-of-use asset and a lease liability are recognized in the balance sheet. The asset is initially measured at the amount of the lease liability plus any initial direct costs incurred.

The lease liability is initially measured at the present value of the lease payments payable over the lease term, including variable lease payments depending on an index at the commencement date and the exercise price of purchase options if it is reasonably certain that the option will be exercised. The lease liability is discounted at the rate implicit in the lease. If that rate cannot readily be determined the incremental borrowing rate is used. Lease liabilities are subsequently re-measured to reflect possible changes in the lease terms.

Right-of-use assets are depreciated over of the duration of the lease contract including contractually agreed optional extension periods, whose exercise are deemed to be reasonably certain. The depreciation is recognized in operating income.

The unwinding of the discounting effect is included in the financial expense. Lease payments are accounted for as a repayment of the lease liability.

Expenses for lease contracts for objects with a value of less than CHF 5 thousand and lease contracts with a duration of up to twelve months are recognized directly in the income statement.

1.13 – 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 and other intangible 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 or product 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 1 000 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.

1.14 – Impairment of assets

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

1.15 – 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.

1.16 – 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.

1.17 – Trade receivables

Trade receivables are amounts due from customers for goods sold or services rendered in the ordinary course of business and are recognized in accordance with IFRS 9, Financial Instruments. They are generally due within 40 days and therefore classified as current. Trade receivables are recognized initially at the amount of considerations that is unconditional. The Group holds trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortized cost. Details about the Group's impairment policies and the calculation of the loss allowance are provided in note 12.

1.18 – Cash and cash equivalents, short-term deposits

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 reported within financial debt in current liabilities on the balance sheet. Short-term deposits are disclosed separately in the balance sheet if they have an original maturity between 90 and 365 days. They are valued at their nominal value, which is close to their fair market value.

1.19 – Derivative financial instruments and hedging

Derivative financial instruments and hedges are recognized in accordance with IFRS 9, Financial Instruments. Qualifying hedge instruments are derivatives and non-derivative financial assets and liabilities that are fully measured at fair value through profit and loss. Hedged items are assets or liabilities, unrecognized firm commitments, forecast transactions or net investments in foreign entities. They are reliably measurable and if not recognized they are highly probable. The hedges are accounted for either as fair value hedges in the case of exposures in fair value of recognized assets and liabilities or unrecognized firm commitments, as cash flow hedges in the case of exposures in cash flows arising from recognized assets or liabilities or forecast transactions that could affect profit or loss, or as hedges of a net investment in a foreign entity.

1.20 – 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.

1.21 – 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.
Deferred income tax assets are recognized on tax losses incurred, if based on the business plans of the respective subsidiaries it is deemed probable that the tax losses are recoverable in the foreseeable future. The recoverability of these tax losses is assessed by Management on a regular basis.

1.22 – 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.
The prepaid pension assets recognized in the balance sheet are capitalized only to the extent of their recoverability, that is when a cash refund or a reduction in the future payments is available. The return on plan assets, except for amounts reflected in net interest income, are reported under other comprehensive income.

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.

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.

1.23 – Provisions

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

1.24 – 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 1.11.

1.25 – Segment reporting

Segment information is presented in the same manner as in the internal reporting to 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.

Clariant had seven Business Units (BU), two of which were reclassified to Discontinued Operations on 30 June 2019, as a result of the Group's decision to dispose of the Business Units Masterbatches and Pigments. The Business Unit Masterbatches was sold on 1 July 2020. The sale of the Business Unit Pigments within the next twelve months is deemed highly probable. For external reporting purposes the remaining five Business Units are grouped into three Business Areas (BA) (reportable segments), in accordance with IFRS 8, Operating Segments:

- Care Chemicals (BU ICS)
- Catalysis (BU Catalysts)
- Natural Resources (BU Oil & Mining Services, BU Functional Minerals, BU Additives)

The five Business Units were grouped into Business Areas in a manner that they reflect, in Management's opinion, the similar economic characteristics of certain BU's and common traits regarding products, markets, technologies and cyclicality. These Business Areas have full responsibility for their operating results.

The Business Area **Care Chemicals** comprises the BU Industrial & Consumer Specialties (ICS), 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 as well for the biofuel business. This BA is highly profitable with a cyclicality in line with the investment cycle of the petrochemical industry.

The Business Area **Natural Resources** comprising the BUs Oil & Mining Services, Functional Minerals and Additives is characterized by high growth and a low cyclicality as well as a strong megatrend orientation. Main drivers are the rising demand for high-value added specialty chemicals used in the oil, mining, food and packaging industries, the increased consumption of oil, gas and base metals and the increasing use of plastics with tailor-made properties in applications such as mobile phones, cars, construction, driven by the fast-growing economies.

Discontinued Operations comprise Business Units Masterbatches and Pigments

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

The Group's Business Areas are segments offering a large variety of products. The 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 Net Assets (RONA).

1.26 – 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.

1.27 – 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.

1.28 – Financial debt

Financial debt is recognized based on the requirements of IFRS 9, Financial Instruments: Recognition and Measurement.

All financial liabilities are valued at amortized cost.

1.29 – Financial assets

Financial assets are classified, recognized, measured and if necessary, impaired based on the requirements of IFRS 9, Financial Instruments.

Financial assets are valued at amortized cost if there is the intention to hold them in order to collect the contractual cash flow and this cash flow is only for the principal and interest.

Financial assets are valued at fair value through Other comprehensive income when they are held with the intention of getting the contractual cash flow, but also with the intention of eventually selling the asset.

Equity investments are measured at fair value through Other comprehensive income based on the Group's irrevocable election at initial recognition.

There are currently no financial assets at fair value though profit and loss.

Loss allowances are recognized for expected credit losses in line with the requirements of IFRS 9 Financial Instruments. Changes in the measurement of the loss allowance are recognized in profit and loss.

Purchases and sales of financial assets are recognized on settlement date, which is the date on which the Group receives or delivers the assets.

1.30 – 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.

1.31 – COVID-19

The outbreak of the COVID-19 pandemic has affected the world-economy deeply and, as a consequence also the environment of Clariant and the company itself. Clariant has early taken measures to minimize the COVID-19 impact by assuring people safety first while supporting its communities and concurrently running business continuity, cash and cost programs.

Business continuity could be preserved by stringent safety and contingency measures allowing very minimal disruption caused by temporary production site closures while cooperating closely with customers and suppliers along the value chains.

Given an overall decline in demand in various industries as a result of COVID-19 Clariant has suffered from slumps in sales to a degree varying between the Business Units. Generally, the largest dents in the sales development were registered in May.

Management together with the Business Units is continuously modeling and assessing the situation and executing stringent cash and cost programs.

These cash programs are centrally run and focus on optimizing net working capital efficiency, spend avoidance, cost cuts and operational flexibilization. Supply and production plans have been adjusted to assure efficient levels of inventories. The recoverability of inventories is also assessed to be unchanged compared to the time prior to the COVID-19 crisis due to tight inventory management. Debtors are prudently managed and so far, no increase in overdues or defaults was recorded.

The economic development is continuously monitored together with the Business Units and assessed for the need to adjust the business plans. For the year 2021 and later it is expected that the world economy will return to the growth path implied in the Group's mid-term plans.

Despite an increased level of uncertainty under the given circumstances the balance sheet and liquidity of Clariant are strong based on a consistent and prudent financing policy with sufficient financial flexibility.

2. Enterprise Risk Management Identification, Assessment and Management

In the framework of the Enterprise Risk Management Policy, risk assessments are prepared by Business Units, Service Units, Corporate Functions and Regions to assess threats that will impact the achievement of 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 assessments for relevance and consistency. The Executive Committee has formed an »Ethics and Risk Management« subcommittee, which maintains an up-to-date understanding of areas where Clariant is, or may be, exposed to risk issues, and seeks to ensure that management is effectively addressing those issues. The Ethics and Risk Management Committee meets on a quarterly basis.

The short- and long-term objectives are set in the fourth quarter of the year. These objectives and threats are subject to scrutiny by the Executive Committee during meetings with each Business Unit. Also reviewed and discussed are proposed measures to reduce or contain threats. In that context responsibilities are assigned.

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

Risk registers are maintained using financial and reputational impact and probability assessments to score and rank all identified risks. The assessment also addresses the measures in place to manage the risk identified with dates for completion of the measures.

When threats 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 risk identified, specific skill sets may be required for the management of those particular risks.

A summary risk assessment is submitted annually to the Executive Committee, the Audit Committee and the Board of Directors for review.

In case of new or changed risks, reporting is accelerated.

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 or Group Procurement to ensure reliable and compliant supply of raw materials.

Examples of identified risks included in the risk register:

2.1 – Regulation & Compliance:
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 Chemicals (REACH) or similar regulations in other countries.

The function Global Product Stewardship is responsible to ensure that all relevant legal requirements are met. Certain specific matters are delegated to other functions.

2.2 – Sites and locations
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 to business objectives. The aim is to maintain high-quality and safe production facilities. ESHA and Regional Services are responsible for the management of the associated risks.

2.3 – Economic development
The achievement of corporate targets depends on economic development, which is continuously monitored in all markets. Economic uncertainty has increased and the growth of global economy could be lower than expected due to the pandemic and supply chain disruptions. Clariant is responding to the adverse economic environment with various performance programs addressing both cost and revenues.

2.4 – Sustainability transformation
Demand for sustainable products is clearly increasing which opens business opportunities. Non-availability of sustainable offerings represents a market disadvantage. Clariant is responding with the new organizational Unit Group Innovation & Sustainability which combines various resources to accelerate the sustainability transformation.

2.5 – Digital interconnection
Successful performance of the Clariant Group depends on properly working information systems. Cyber attacks may result in the loss of business and personal data, knowledge, facilities, or money, leading to interruptions in manufacturing and product deliveries. Such attacks might cause significant economic damages as well as loss of trust. Clariant is responding to the increased cyber risk with a reinforced security operations center, state-of-the-art software and frequent awareness campaigns.

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.

3.1.1 – Market risk
3.1.1.1 – 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 31.

- **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 2020, if the euro had strengthened / weakened by 5 % (2019: 4 %) against the Swiss franc with all other variables held constant, pre-tax profit for the year would have been CHF 25 million higher / lower (2019: CHF 4 million higher/lower), 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 54 million lower/higher (2019: CHF 31 million lower/higher), arising mainly from foreign exchange gains/ losses of the exposure of the foreign currency participations and the hedge instruments in the hedge of net investments, which partially offset this effect.

  At 31 December 2020, if the US-dollar had strengthened / weakened by 8 % (2019: 6 %) against the Swiss franc with all other variables held constant, pre-tax profit for the year would have been CHF 34 million higher/lower (2019: CHF 23 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 30 million lower/higher (2019: CHF 15 million lower/higher), arising mainly from foreign exchange gains/ losses of the exposure of the foreign currency participations and the hedge instruments in the hedge of net investments, which partially offset this effect.

3.1.1.2 – 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 2020 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 2020 and 2019, 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, the net-debt exposure is taken into consideration for cash and debt maturing within the next 12 months. The variable Certificates of Indebtedness maturing after 12 months are also taken into consideration (interest rates comparison between the end of 2020 and end of 2019).
  At 31 December 2020, if the CHF interest rates on net current financial debt including Certificates of Indebtedness with variable interest rates after 12 months had been 100 basis points higher / lower with all other variables held constant, pre-tax profit for the year would have been CHF 0.16 million higher/lower (2019: CHF 0 million higher/lower for a CHF interest rate shift of 1 basis point).
  At 31 December 2020, if the USD interest rates on net current financial debt issued including Certificates of Indebtedness with variable interest rates after 12 months had been 100 basis points higher / lower with all other variables held constant, pre-tax profit for the year would have been CHF 0.65 million higher/lower (2019: CHF 1.54 million higher/lower for a USD interest rate shift of 1 basis point).
  At 31 December 2020, if the EUR interest rates on net current financial debt issued including Certificates of Indebtedness with variable interest rates after 12 months had been 100 basis points higher / lower with all other variables held constant, pre-tax profit for the year would have been CHF 2.38 million higher/lower (2019: CHF 0.02 million higher/lower for a euro interest rate shift of 1 basis point).

3.1.2 – Other price risks

With regard to the financial statements as per 31 December 2020 and 2019, the Group was not exposed to other price risks in the sense of IFRS 7, Financial Instruments: Disclosures.

3.1.2.1 – 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 2020, the Group had a diversified portfolio with more than 19 000 active credit accounts (2019: more than 30 300), with no significant concentration neither due to size of customers nor due to country risk. The high concentration of accounts receivables with a limited number of Corporate customers show moderate customer default 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	31.12.2020	31.12.2019
Not due yet	93%	90%
Total overdue	7%	10%
– less than 30 days	5%	7%
– more than 30 days	2%	3%

Net trade receivables per Group internal risk category	31.12.2020	31.12.2019
A – low credit risk	22%	26%
B – low to medium credit risk	33%	31%
C – medium to above-average risk	28%	28%
D – high credit risk	17%	15%
N – customers awaiting rating	0%	0%

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 »BBB+« (2019: BBB+) by the most important rating agencies, Clariant does not consider this to pose any particular counterparty risk.

At the balance sheet date 63 % (2019: 69 %) of the total cash and cash equivalents and short-term deposits were held with five banks (2019: five banks), each with a position between CHF 89 million and CHF 154 million (2019: between CHF 55 million and CHF 278 million). All of these banks are rated »A« (2019: »BBB+«) 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**	**31.12.2020**
Bank 1	AA+	15 %
Bank 2	A+	13 %
Bank 3	A+	13 %

Counterparty	**Rating**	31.12.2019
Bank A	A+	16 %
Bank B	BBB+	9 %
Bank C	A-	8 %

3.1.3 – 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 2020, the Group held money market funds of CHF 485 million (2019: CHF 408 million), thereof CHF 267 million with an initial tenor of more than 90 days (2019: CHF 304 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 2020 in CHF m	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Borrowings	411	358	832	234
Interest on borrowings	30	24	34	4
Lease liabilities	43	35	61	75
Trade payables and other liabilities	949	5	10	45
Derivative financial instruments	-1	–	– 6	–

At 31 December 2019 in CHF m	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Borrowings	587	327	744	414
Interest on borrowings	33	27	43	9
Lease liabilities	62	50	94	103
Trade payables and other liabilities	1 205	7	11	50
Derivative financial instruments	–	–	– 6	–

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 2020: CHF 1 004 million vs. 31 December 2019: CHF 942 million), out of uncommitted open cash pool limits and bank credit lines (31 December 2020: CHF 117 million vs. 31 December 2019: CHF 65 million), as well as out of additional uncommitted net working capital facilities and through issuance of capital market instruments.

Since 16 December 2016, Clariant Ltd has an agreement for a CHF 445 million (2019: 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 »backstop« 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 RCF has been extended until 16 December 2023.

3.2 – Fair value measurement

IFRS 13, Fair Value Measurement, requires the disclosure of fair value measurements for financial instruments measured at fair value in the balance sheets in accordance with the fair value measurement hierarchy.

The fair value hierarchies are defined as follows:

- **Level 1:** Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- **Level 2:** Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
- **Level 3:** Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

3.2.1 – Valuation methods

As per 31 December 2020, 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.

Equity investments valued at fair value through OCI: These are usually classified at Level 3. Their valuation is based on multiples of projected earnings and discounted cash flows.

The financial instruments measured at fair value through profit or loss were all classified as Level 2 (see note 31). There were no transfers between the levels in 2020 and 2019.

3.3 – Hedge Accounting

Derivatives are initially recognized at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as either:

- Hedges of a particular risk associated with the cash flows of recognized assets and liabilities and highly probable forecast transactions (cash flow hedges)
- Hedges of a net investment in a foreign operation (net investment hedges).

At the inception of the hedge relationship, the Group documents the economic relationship between hedging instruments and hedged items including whether changes in the cash flows of the hedging instruments are expected to offset changes in the cash flows of hedged items. The group documents its risk management objective and strategy for undertaking its hedge transactions.

The fair values of derivative financial instruments designated in hedge relationships are disclosed in note 31. Movements in the hedging reserve in shareholders' equity are shown in note 31. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months; it is classified as a current asset or liability when the remaining maturity of the hedged item is less than 12 months. Trading derivatives are classified as a current asset or liability.

- **Cash flow hedges:** The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognized within equity. The gain or loss relating to the ineffective portion is recognized immediately in profit or loss. As long as the hedged cash flow item is probable the cumulative gain or loss on the respective hedge remains in equity and does not get recycled.

Amounts accumulated in equity are reclassified in the periods when the hedged item affects profit or loss, as follows:

- The gain or loss relating to the effective portion of the interest rate/cross currency swaps hedging variable rate or fixed rate borrowings is recognized in profit or loss within finance cost at the same time as the interest expense on the hedged borrowings.

When a hedging instrument expires, or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, the cumulative gain or loss that was reported in equity is immediately reclassified to profit or loss.

- **Hedges of net investments** in foreign operations are accounted for similarly to cash flow hedges. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognized in other comprehensive income and accumulated within equity. The gain or loss relating to the ineffective portion is recognized immediately in profit or loss.

Gains and losses accumulated in equity are reclassified to profit or loss when the foreign operation is partially disposed of or sold.

3.4 – 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 sheet plus current and non-current financial liabilities as reported in the consolidated balance sheet including lease liabilities, 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 2020 and 2019 respectively:

in CHF m	2020	2019
Total equity	2381	2677
Total current and non-current financial liabilities (incl. lease liabilities)	2049	2289
Less cash and cash equivalents and short-term deposits[1]	–1004	–942
Less assets held for sale (net of liabilities related to assets held for sale)	-534	-746
Cash needed for operating purposes	77	88
Invested capital	**2969**	**3366**

[1] Short-term deposits represent deposits over 90 days.

This presentation has been modified compared to the prior year to reflect some adjustments made in the calculation of invested capital for continuing operations.

At the end of 2020, Clariant considers the invested capital to be adequate.

3.5 – IBOR Reform

Regulators have announced that the market should stop relying on LIBOR. Each of the Alternative Reference Rates (ARR) for the five major currencies involved is at a different stage in terms of development and liquidity and will be exchanged by End of 2021. The ARRs developed to-date are overnight rates and some of these rates are secured and some unsecured.

Clariant has two interest rate swaps maturing in August 2021, which are not affected by this change in LIBOR and several Certificates of Indebtedness with a floating interest rate based on the LIBOR.

Most Certificates of Indebtedness are denominated in EUR - floating tranches are based on EURIBOR which will in the nearer future most probably not be replaced. Floating Certificates of Indebtedness in other currencies (i.e. USD, CHF) have a fall back language in their documentation to replace the LIBOR with an alternative interest rate.

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 reported in continuing operations. The recoverable amounts of all cash generating units classified as discontinued operations have been valued at fair value less cost to sell.

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.

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.

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 10). 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.

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 20).

4.5 – Provisions and Contingencies

Clariant is regularly confronted with situations where possible obligations arising from past events will only be confirmed by the occurrence or non-occurrence of future events not wholly within the control of the Group or where the amount of the obligation cannot be reliably estimated. Clariant reviews such situations at each balance sheet date and makes judgments based on all information available to determine if an outflow of resources can be reliably estimated or not. If this is not possible a contingency is reported for each material case.

4.6 – Assets held for sale and liabilities directly associated with assets held for sale

As a result of the decision to divest two of its Business Units, Clariant reclassified the assets and liabilities pertaining to those activities to »held for sale« in accordance with IFRS 5 (see note 1.03). In distinguishing between the assets and liabilities pertaining to continuing operations and those pertaining to discontinued operations judgment had to be applied, as a part of those assets and liabilities are used by both types of activities.

All assets and liabilities exclusively pertaining to one Business Unit were allocated to that Business Unit. In all other cases a critical assessment was conducted as to whether it could be reasonably expected that the asset or liability concerned would be transferred in a disposal. This assessment was made based on past experience and most recent market developments. The allocation made may have to be adjusted when the disposals are actually consummated.

5. Property, plant and equipment

in CHF m	Land	Buildings	Machinery and equipment	Furniture, vehicles, computer hardware	Assets under construction	**Total 2020**
Cost						
As per 1 January	340	1 128	1 981	296	248	3 993
Additions	1	8	40	11	228	288
Acquired in business combinations (see note 27)	—	2	1	—	—	3
Reclassified to/ from held for sale (see note 25)	—	63	–48	–7	10	18
Disposals	–40	–255	–43	–15	–1	–354
Reclassifications	2	23	90	7	–122	—
Exchange rate differences	–10	–88	–97	–18	–12	–225
At 31 December	**293**	**881**	**1 924**	**274**	**351**	**3 723**
Accumulated depreciation and impairment						
As per 1 January	–105	–700	–1 310	–229	—	–2 344
Reclassified to/ from held for sale (see note 25)	–1	–10	–13	3	—	–21
Disposals	27	242	39	14	—	322
Depreciation	—	–33	–109	–20	—	–162
Impairment (see note 28)	—	–2	–7	–2	—	–11
Exchange rate differences	1	49	57	14	—	121
At 31 December	**–78**	**–454**	**–1 343**	**–220**	**—**	**–2 095**
Net book value	**215**	**427**	**581**	**54**	**351**	**1 628**

Impairments recognized in the income statement amounted to CHF 11 million in 2020 (2019: less than CHF 1 million). Impairments recognized in 2020 arose as a result of restructuring measures entailing site closures and of disposal projects.

Exchange rate differences mainly arise from the changes in the USD/Swiss franc and Brasilian real/Swiss franc exchange rates. Both currencies significantly devalued against the Swiss franc in 2020.

As at 31 December 2020, commitments for the purchase of property plant and equipment concerned various projects mainly in Germany and China and totalled CHF 61 million (2019: CHF 182 million).

As per 31 December 2020, property, plant and equipment acquired by way of Business Acquisition, with costs of CHF 3 million were recorded. See also Note 27.

Additions in 2020 includes CHF 83 million of investments in a cellulosic ethanol plant in Romania.

Disposals of 2020 include CHF 16 million of assets (net book value) in Germany.

Disposals of 2019 include CHF 48 million of assets (net book value) which are part of the sale of the Healthcare Packaging Business (see note 25).

in CHF m	Land	Buildings	Machinery and equipment	Furniture, vehicles, computer hardware	Assets under construction	**Total 2019**
Cost						
Balance 31 December 2018	405	1 493	2 924	410	207	5 439
Changes in accounting policy [1]	–10	–14	–2	–13	–	–39
As per 1 January	**395**	**1 479**	**2 922**	**397**	**207**	**5 400**
Additions	1	14	53	19	186	273
Reclassified to held for sale (see note 25)	–43	–309	–827	–89	–32	–1 300
Disposals	–	–31	–147	–31	–4	–213
Reclassifications	2	23	67	9	–101	
Exchange rate differences	–15	–48	–87	–9	–8	–167
At 31 December	**340**	**1 128**	**1 981**	**296**	**248**	**3 993**
Accumulated depreciation and impairment						
Balance 31 December 2018	–111	–863	–2 070	–314	–	–3 358
Changes in accounting policy [1]	2	8	1	4	–	15
As per 1 January	–109	–855	–2 069	–310	–	–3 343
Reclassified to held for sale (see note 25)	–	149	706	75	–	930
Disposals	–	16	117	28	–	161
Depreciation	–	–41	–130	–29	–	–200
Exchange rate differences	4	31	66	7	–	108
At 31 December	**–105**	**–700**	**–1 310**	**–229**	**–**	**–2 344**
Net book value	**235**	**428**	**671**	**67**	**248**	**1 649**

[1] Impact of the introduction of IFRS 16, Leases

In 2019, IFRS 16 Leases became effective and the accounting policy was changed accordingly. The adoption of IFRS 16 affected the net book value of property, plant and equipment by a decrease of CHF 17 million acquired by way of finance lease and by a decrease of CHF 7 million of Leasehold land.

Investment properties (Clariant as a lessor in operating leases)
As a result of the continuous efforts to increase efficiency and to optimize the structure of its facilities sometimes production or adminstrative sites are vacated. In order to minimize expenses Clariant seeks to find tenants for these facilities.

As a consequence such facilities, which generate income exclusively from rental contracts, are considered as investment property in line with the requirements of IAS 40, Investment property. All investment property is value at cost less depreciation.

Investment property in Clariant is almost entirely located in Switzerland and Germany. The gross book value of investment property amounted to CHF 524 million on 31 December 2020 (CHF 600 million on 31 December 2019).

Accumulated depreciation on investment property amounted to CHF 382 million on 31 December 2020 (CHF 438 million on 31 December 2019).

The net book value amounted to CHF 142 million on 31 December 2020 (CHF 162 million on 31 December 2019).

Depreciation amounted to CHF 1 million in 2020 (CHF 1 million in 2019).
Income from investment properties amounted to CHF 6 million in 2020 (CHF 11 million in 2019) and is recorded in SG&A in the segment Corporate.

Expected minimum lease income varies between CHF 5 million and CHF 6 million (2019: CHF 7 million and CHF 8 million) per annum for the next five years and amounts to CHF 193 million for later periods (2019: CHF 199 million).

Since all investment property consists of industrial and administrative sites which have been in use for several decades there is no active market which would give information on possible market prices, if such sites were to be sold to a third party. The fair values of the investment properties were therefore determined by way of external appraisals and value-in-use calculations. As of 31 December 2020, the estimated fair value of investment property amounted to CHF 186 million (CHF 204 million on 31 December 2019).

6. Intangible assets

in CHF m	Goodwill	Technology	Customer relationships	Trade names	Other	**Total 2020**
Cost						
As per 1 January	1 069	238	387	87	292	2 073
Additions	–	1	–	–	10	11
Acquired in business combinations (see note 27)	2	–	2	–	2	6
Disposals	–	–	–	–	–2	–2
Reclassified to held for sale (see note 25)	–15	–6	–2	–1	–5	–29
Exchange rate differences	–58	–2	–19	–	–9	–88
At 31 December	**998**	**231**	**368**	**86**	**288**	**1 971**
Accumulated amortization and impairment						
As per 1 January	**–24**	**–177**	**–243**	**–80**	**–198**	**–722**
Disposals	–	–	–	–	1	1
Amortization	–	–12	–18	–4	–23	–57
Reclassified to held for sale (see note 25)	15	6	2	1	4	28
Exchange rate differences	5	1	8	–	3	17
At 31 December	**–4**	**–182**	**–251**	**–83**	**–213**	**–733**
Net book value	**994**	**49**	**117**	**3**	**75**	**1 238**

in CHF m	Goodwill	Technology	Customer relationships	Trade names	Other	**Total 2019**
Cost						
As per 1 January	1 303	252	414	110	368	2 447
Additions	–	–	–	–	16	16
Disposals	–127	–10	–15	–9	–25	–186
Reclassified to held for sale (see note 25)	–77	–	–4	–13	–61	–155
Exchange rate differences	–30	–4	–8	–1	–6	–49
At 31 December	**1 069**	**238**	**387**	**87**	**292**	**2 073**
Accumulated amortization and impairment						
As per 1 January	–42	–175	–233	–94	–221	–765
Disposals	–	8	6	7	15	36
Reclassified to held for sale (see note 25)	17	–	3	12	38	70
Amortization	–	–12	–20	–6	–34	–72
Exchange rate differences	1	2	1	1	4	9
At 31 December	**–24**	**–177**	**–243**	**–80**	**–198**	**–722**
Net book value	**1 045**	**61**	**144**	**7**	**94**	**1 351**

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

In 2020 and 2019 no impairment losses were recognized.

As per end of 2020, other intangible assets include the carrying value in the amount of CHF 34 million (2019: CHF 36 million) capitalized in connection with the REACH regulation and CHF 4 million (2019: CHF 18 million) of capitalized internally generated intangibles.

Disposals of 2019 include CHF 146 million of assets (net book value) which are part of the sale of the Healthcare Packaging Business (see note 25).

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 1.25).

Goodwill is allocated to the following CGUs:

in CHF m	**31.12.2020**	31.12.2019
Industrial & Consumer Specialties	60	65
Masterbatches	–	47
Pigments	11	12
Functional Minerals	139	141
Catalysts	645	675
Oil & Mining Services	150	164
Total net book value	**1 005**	**1 104**
Thereof reclassified to held for sale:		
Masterbatches	–	–47
Pigments	–11	–12
Total as reported in the balance sheet	**994**	**1 045**

Continuing operations

The value-in-use calculations use cash flow projections based on the strategic plans up to 2025 as approved by the Executive Committee. For the terminal value a market growth of 2.25 % 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 10.68 % for all cash generating units (2019: 11.59 %). As all CGUs operate in similar geographic areas, have the same source of funds and a similar risk pattern a uniform discount rate is applied to all of them.

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 CGU's.

Discontinued operations

The estimated recoverable amount of the CGU and BU Pigments which is classified as a discontinued operation was determined based on non-binding offers obtained in the disposal process. Based on these offers the fair value less cost to sell of the CGU exceeds its book value. For further details on discontinued operations, see note 25.

7. Leases

in CHF m	31.12.2020	31.12.2019
Right-of-use assets - net book value		
Leasehold land	22	21
Buildings	158	175
Machinery and equipment	19	25
Furniture, vehicles, computer hardware	22	32
Total	**221**	**253**
Reclassified to held for sale (see note 25)	–17	–34
Total as reported in the balance sheet	**204**	**219**
Lease liabilities		
Non-current lease liabilities	173	195
Current lease liabilities	41	51
Total	**214**	**246**
Reclassified to held for sale (see note 25)	–14	–29
Total as reported in the balance sheet	**200**	**217**

Additions to the right-of-use assets during 2020 were CHF 51 million (2019: CHF 65 million).

Consolidated income statements include the following amounts relating to leases:

in CHF m	2020	2019
Depreciation expense		
Leasehold land	–2	–2
Buildings	–29	–32
Machinery and equipment	–6	–8
Furniture, vehicles, computer hardware	–13	–16
Total depreciation	**–50**	**–58**
Interest expense, included in finance costs	–11	–12
Expense relating to short-term leases	–13	–16
Expense relating to leases of low-value assets	–5	–7
Expense relating to variable lease payments not included in lease liabilities	—	—
Total	**–79**	**–93**
Thereof reported under discontinued operations	4	2
Total continuing operations	**–75**	**–91**

The total cash outflow for leases in 2020 was CHF 66 million (2019: CHF 70 million).

There are CHF 1 million of commitments for leases not commenced at year-end (2019: CHF 0 million).

The potential future cash outflows of less than CHF 1 million that are not reflected in the measurement of lease liabilities as at 31 December 2020 arising only from the extension option (2019: CHF 1 million).

8. Investments in associates and joint ventures

in CHF m	2020	2019
As per 1 January	**349**	**368**
Change in the scope of consolidation	–	1
Additions	2	1
Disposals	–1	–10
Share in profit	63	52
Share in other comprehensive income of associates and joint ventures	1	–9
Dividends received	–44	–42
Exchange rate differences	–26	–12
At 31 December	**344**	**349**
Thereof joint ventures	118	109
Reclassified to held for sale (see note 25)	–191	–101
Total as reported in balance sheet at 31 December	**153**	**248**

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

INVESTMENTS IN ASSOCIATES:

	Infraserv GmbH & Co. Höchst KG		Infraserv GmbH & Co. Gendorf KG		Infraserv GmbH & Co. Knapsack KG		Others	
	Germany		Germany		Germany			
in CHF m	2020	2019	2020	2019	2020	2019	2020	2019
Summarized financial information								
Interest held %	33%	33%	50%	50%	21%	21%	–	–
Revenue	927	1 025	234	246	234	256	115	174
Total comprehensive income	59	34	34	24	13	13	16	14
Net income	63	57	34	29	13	13	16	14
Other comprehensive income	–4	–23	–	–5	–	–	–	–
Current assets	265	287	91	91	66	58	86	84
Non-current assets	815	678	199	184	126	122	23	26
Current liabilities	–213	–198	–77	–83	–63	–54	–31	–31
Non-current liabilities	–605	–505	–76	–67	–41	–36	–3	–4
Net assets	**262**	**262**	**137**	**125**	**88**	**90**	**75**	**75**
Reconciliation of book value								
Book value beginning of period	**86**	**95**	**63**	**60**	**18**	**19**	**73**	**86**
Additions	–	–	–	–	–	–	2	1
Disposals	–	–	–	–	–	–	–1	–10
Change in the scope of consolidation	–	–	–	–	–	–	–	1
Share in profit for the period	21	19	17	15	3	3	6	2
Share in other comprehensive income	–1	–7	–	–2	–	–	–	–
Dividends received	–18	–17	–10	–8	–3	–3	–5	–5
Foreign exchange rate differences	–1	–4	–1	–2	1	–1	–23	–2
Book value end of the period	**87**	**86**	**69**	**63**	**19**	**18**	**52**	**73**
Group's share in net assets	**87**	**86**	**69**	**63**	**19**	**19**	**52**	**73**
Taxes, minorities and other adjustments	–	–	–	–	–	–1	–	–
Book value at the end of the period	**87**	**86**	**69**	**63**	**19**	**18**	**52**	**73**
Reclassified to held for sale (see note 25)	55	86	–	–	–	–	28	15

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 2020, accumulated unrecognized losses amounted to CHF 3 million (2019: CHF 1 million).

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

INVESTMENTS IN JOINT VENTURES:

	Scientific Design Company Inc. USA		Global Amines group	
in CHF m	**2020**	2019	**2020**	2019
Summarized financial information				
Interest held %	50%	50%	50%	50%
Revenue	121	131	195	188
Total comprehensive income	17	18	19	5
Net income	17	18	14	7
Other comprehensive income	–	–	5	–2
Current assets	87	80	96	84
Non-current assets	30	32	67	66
Current liabilities	–25	–20	–77	–74
Non-current liabilities	–8	–8	–20	–28
Net assets	**84**	**84**	**66**	**48**
Reconciliation of book value				
Book value beginning of period	**108**	**108**	**1**	**–**
Share in profit for the period	9	12	7	1
Share of other comprehensive income	–	–	2	–
Dividends received	–8	–9	–	–
Foreign exchange rate differences	–1	–3	–	–
Book value end of the period	**108**	**108**	**10**	**1**
Group's share in net assets at the end of the period	**42**	**42**	**33**	**24**
Fair value adjustment/goodwill	66	66	–	–
Impairment	–	–	–23	–23
Taxes, minorities and other adjustments	–	–	–	–
Book value at the end of the period	**108**	**108**	**10**	**1**
Reclassified to held for sale (see note 25)	108	–	–	–

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.

Global Amines group is a joint venture of Clariant and Wilmar International Limited, a leading Asian agribusiness group, headquartered in Singapore and serves as a global platform for the production and sale of fatty amines and selected amine derivatives. It also has worldwide sales, distribution and production facilities. The joint venture has existed since 26 October 2012 and is operated as part of the Business Unit ICS.

9. Financial assets

in CHF m	**2020**	2019
As per 1 January	218	211
Additions	–	3
Fair value adjustment	–10	16
Repayments and disposals	–5	–4
Exchange rate differences	–1	–8
At 31 December	**202**	**218**

Financial assets include loans to joint ventures 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 2019, Clariant acquired a 10% stake in Plant Advanced Technologies SA, which develops plant-based active ingredients for cosmetics. The purchase price amounted to CHF 2 million.

In 2020 loans amounted to CHF 4 million (2019: CHF 9 million). Participations amounted to CHF 198 million in 2020 (CHF 209 million in 2019).

In 2020, loans in the amount of CHF 5 million (2019: CHF 4 million) from associates were repaid.

While loans are carried at amortized cost, participations are valued at fair value through OCI using “Level 3” methods.

The valuation of participations is based on multiples of projected earnings and discounted cash flows. The change in participation values was mainly driven by the fair value estimation performed in 2020 and resulting in a decrease of CHF 10 million. The loss on the revaluation, amounting to CHF 9 million net of tax, was recognized in Other comprehensive income.

The key unobservable inputs used in the fair value estimation of the most material participation that constitutes 87.9 % of these shareholdings are as follows: long-term revenue growth rate 1%, long-term pre-tax operating margin 16.3 % and weighted average cost of capital 9.1%. The sensitivity analysis shows that if the long-term growth rate had been higher/lower by 1 % with all other variables held constant, the fair value would have been CHF 23 million higher/CHF 18 million lower. If the long-term pre-tax operating margin had been higher/lower by 1 % with all other variables held constant, the fair value would have been CHF 11 million higher/lower. If the weighted average cost of capital had been higher/lower by 0.5% with all other variables held constant, the fair value would have been CHF 12 million lower/CHF 13 million higher.

10. Taxes

in CHF m	**2020**	2019
Current income taxes	–166	–120
Deferred income taxes	–8	–20
Total taxes	**–174**	**–140**
Thereof reported under discontinued operations	78	35
Total continuing operations	**–96**	**–105**

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

in CHF m	**2020**	in %	2019	in %
Income before taxes from continuing operations	212		71	
Income before taxes from discontinued operations	761		107	
Income before taxes total	**973**		**178**	
Expected tax expense/rate[1]	**–150**	**15.4**	**–44**	**24.7**
Effect of taxes on items not tax-deductible	–115	11.8	–114	64.0
Effect of utilization and changes in recognition of tax losses and tax credits	–40	4.1	–38	21.3
Effect of tax losses and tax credits of current year not recognized	–10	1.0	–5	2.8
Effect of adjustments to taxes recognized in prior periods	–4	0.4	2	–1.1
Effect of tax exempt income	149	–15.3	73	–41.0
Effect of other items	–4	0.4	–14	7.9
Effective tax expense/rate	**–174**	**17.9**	**–140**	**78.7**
Thereof reported under discontinued operations	78	10.2	35	32.7
Effective tax expense/rate continuing operations	**–96**	**45.3**	**–105**	**147.9**

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

In 2020 the recorded tax expense was adversely impacted by the non-recognition of deferred tax assets on tax losses as their recoverability was not considered probable, the US minimum tax BEAT and further one-time events. These effects and the fact that no further tax assets on temporary differences were capitalized in France and Switzerland as in the prior year led to a higher effective tax rate from continuing operations.

On May 19, 2019 the Swiss public voted to adopt the Federal Act on Tax Reform and AHV Financing (“TRAF”) confirming the reform of corporate taxation in Switzerland. The tax reform brings the replacement of certain preferential tax regimes with a new set of internationally accepted measures. The legislative changes align with the broad reduction of the cantonal corporate taxes. As at January 1, 2020 new regulations concerning Group taxation have become effective. The most relevant changes for the Group include a gradual decrease in the Basel-Land effective tax rate from 20.7% to 13.45% by 2025 and the abolishment of special tax regimes. The effective tax rate for Clariant Ltd will increase from 7.8% to 13.45% over that period. Based on these changes the Group remeasured its deferred tax positions on the balance sheet as at December 31, 2019. The cumulative impact was a net increase in deferred tax assets of CHF 8 million, of which CHF 7 million are related to actuarial gains/losses on Swiss pension plans and were recorded in other comprehensive income. The remaining adjustment of CHF 1 million was a one-time income recorded in the income statement. The deferred tax effects recorded in the 2020 consolidated financial statement did not impact current tax payments.

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

in CHF m	PPE, RoU assets and intangible assets	Retirement benefit obligations	Tax losses and tax credits	Other liabilities and provisions	Total	Thereof offset within the same jurisdiction	Total
Deferred tax assets at 31 December 2018	187	118	108	20	433	–164	269
Deferred tax liabilities at 31 December 2018	–188	–3	–	–20	–211	164	–47
Reclassification from Other accruals to PPE [1]	–72			72			
Net deferred tax balance at 1 January 2019	**–73**	**115**	**108**	**72**	**222**		**222**
Charged/credited to income	26	–15	–39	6	–22		
Effect of disposals	2				2		
Total charged/credited to income statement	**28**	**–15**	**–39**	**6**	**–20**		
Charged/credited to other comprehensive income	–	37	–	–2	35		
Effect of disposals	–15	–2	–2	–1	–20		
Reclassified to held for sale (see note 25)	–	–22	–	–	–22		
Exchange rate differences	1	–5	–1	1	–4		
Net deferred tax balance at 31 December 2019	**–59**	**108**	**66**	**76**	**191**	**–**	**191**
Deferred tax assets at 31 December 2019	170	110	66	101	447	–213	234
Deferred tax liabilities at 31 December 2019	–229	–2	–	–25	–256	213	–43
Net deferred tax balance at 1 January 2020	**–59**	**108**	**66**	**76**	**191**	**–**	**191**
Charged/credited to income statement	2	–1	2	20	23		
Effect of disposals	1	–	–33	1	–31		
Total charged/credited to income statement	**3**	**–1**	**–31**	**21**	**–8**		
Charged/credited to other comprehensive income	–	–18	1	–	–17		
Effect of disposals	–23	–7	4	–4	–30		
Reclassified to/ from held for sale (see note 25)	–	16	–	–	16		
Exchange rate differences	6	–2	3	–17	–10		
Net deferred tax balance at 31 December 2020	**–73**	**96**	**43**	**76**	**142**	**–**	**142**
Deferred tax assets at 31 December 2020	137	97	43	103	380	–220	160
Deferred tax liabilities at 31 December 2020	–210	–1	-	–27	–238	220	–18
Net deferred tax balance at 31 December 2020	**–73**	**96**	**43**	**76**	**142**	**–**	**142**

[1] The numbers of the opening balance of 2019 were restated for the reclassification of a deferred tax balance in the amount of CHF72 million from pertaining to Other liabilities and provisions to pertaining to PPE, RoU assets and intangible assets.

Of the deferred tax assets capitalized on tax losses, CHF 17 million refer to tax losses of the US subsidiaries (2019: CHF 39 million), CHF 4 million to tax losses of the Spanish subsidiaries (2019: CHF 5 million) and CHF 10 million to tax losses of the Indian subsidiaries (2019: CHF 10 million). Clariant considers it 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 2 415 million at the end of 2020 (2019: CHF 2 663 million).

The change compared to the prior year is primarily 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 France (with a tax rate of 28 %) and in China (with a tax rate of 25%). At present their recoverability is not considered probable.

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

in CHF m	**31.12.2020**	31.12.2019
EXPIRY BY:		
2020	–	24
2021	15	25
2022	12	13
2023	12	13
2024	6	–
after 2024 (2019: after 2023)	406	310
Total	**451**	**385**
Unrecognized tax credits	–	1

Tax credits amounting to CHF 3 million were recognized in 2020. They expire in and after 2026.

Temporary differences on which no deferred tax recognized amount to CHF 1160 million in 2020 (2019: CHF 710 million).

11. Inventories

in CHF m	**31.12.2020**	31.12.2019
Raw material, consumables, work in progress	290	414
Finished products	430	556
Total	720	970
Reclassified to held for sale (see note 25)	–186	–319
Total as reported in the balance sheet	**534**	**651**

in CHF m	**2020**	2019
Movements in write-downs of inventories		
As per 1 January	–40	–47
Additions	–23	–15
Reversals	14	20
Effect of disposals	6	—
Exchange rate differences	3	2
At 31 December	**–40**	**–40**
Thereof reclassified to held for sale	–9	–17

As at 31 December 2020 and 2019, no inventories were pledged as collateral for liabilities.

The cost for raw materials and consumables recognized as an expense and included in "Costs of goods sold" amounted to CHF 1 537 million (2019: CHF 1 769 million) for continuing operations.

12. Trade receivables

in CHF m	**31.12.2020**	31.12.2019
Gross accounts receivable – trade	694	963
Gross accounts receivable – associates and joint ventures	15	25
Less: provision for doubtful accounts receivable	–5	–5
Total trade receivables – net	704	983
Reclassified to held for sale (see note 25)	–127	–303
Total as reported in the balance sheet	**577**	**680**

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

in CHF m	**2020**	2019
As per 1 January	–5	–5
Charged to the income statement	–8	–7
Amounts used	3	3
Unused amounts reversed	3	3
Exchange rate differences	2	1
At 31 December	**–5**	**–5**
Thereof reclassified to held for sale	—	–1

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 applies the IFRS 9 simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance for all trade receivables within stage 1 and 2. The estimated expected loss rates are based on historical credit losses and are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group recognizes 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 (2020: CHF 1 million, 2019: CHF 2 million).

The loss allowance for trade receivables as at 31 December 2020 and 2019 was determined as follows:

in CHF m	Current	30 - 60 days over-due	61 - 90 days over-due	More than 90 days overdue	Indi-vidu-ally im-paired	Total
31 December 2020						
Expected loss rate (in %)	0.29	5.65	9.81	14.38		
Gross carrying amount trade receivables	678	13	7	11	–	709
Loss allowance	**2**	**1**	**1**	**1**	**–**	**5**

in CHF m	Current	30 - 60 days over-due	61 - 90 days over-due	More than 90 days overdue	Indi-vidu-ally im-paired	Total
31 December 2019						
Expected loss rate (in %)	0.41	1.95	2.12	4.06		
Gross carrying amount trade receivables	948	18	9	13	–	988
Loss allowance	**3**	**–**	**–**	**2**	**–**	**5**

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

in CHF m	**31.12.2020**	31.12.2019
EUR	252	337
USD	198	330
CNY	66	63
BRL	40	46
JPY	28	25
INR	40	36
Other	80	146
Total trade receivables – net	704	983
Reclassified to held for sale (see note 25)	–127	–303
Total as reported in the balance sheet	**577**	**680**

As of 31 December 2020, "Total trade receivables – net" include an amount of CHF 70 million (2019: CHF 110 million) that was past due, but not impaired. These related to a number of customers for whom there is no recent history of default.

13. Other current assets

Other current assets include the following:

in CHF m	**31.12.2020**	31.12.2019
Other receivables	255	275
Current financial assets	51	64
Prepaid expenses and accrued income	41	62
Total	**347**	**401**
Reclassified to held for sale (see note 25)	–35	–64
Total as reported in the balance sheet	**312**	**337**

Other receivables include, among others, staff loans, deposits, 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 receivable 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 equals their fair value. Other receivables and other current financial assets are also subject to the impairment requirements of IFRS 9. The identified impairment loss for other receivables was immaterial.

There was no impairment of current financial assets in 2020 and 2019.

Other receivables are denominated in the following currencies:

in CHF m	**31.12.2020**	31.12.2019
CHF	16	14
EUR	74	84
USD	8	12
JPY	3	3
BRL	20	28
CNY	16	11
INR	34	37
Other	84	86
Total	**255**	**275**
Thereof reclassified to held for sale	33	61

Current financial assets are denominated in the following currencies:

in CHF m	**31.12.2020**	31.12.2019
CHF	29	41
USD	5	6
CNY	17	16
Other	–	1
Total	**51**	**64**

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

14. Short-term deposits

Short-term deposits have an original maturity between 90 and 365 days. They are denominated in the following currencies:

in CHF m	**31.12.2020**	31.12.2019
EUR	0	130
CHF	80	0
USD	176	162
INR	11	12
Total	**267**	**304**

15. Cash and cash equivalents

in CHF m	**31.12.2020**	31.12.2019
Cash at bank and on hand	520	534
Short-term bank deposits	217	104
Total	**737**	**638**

Cash and cash equivalents are denominated in the following currencies:

in CHF m	**31.12.2020**	31.12.2019
EUR	141	173
USD	304	173
CHF	71	122
GBP	27	19
CNY	2	4
JPY	63	15
INR	48	48
BRL	8	7
Other	73	77
Total	**737**	**638**

In 2020 there were no short-term bank deposits in Swiss francs. In 2019 the effective average interest rate was -0.65 %. In 2019 these deposits had an average maturity of 34 days.

In 2020 there were no short-term bank deposits in euro. In 2019 the effective average annual interest rate was 0 %. In 2019 these deposits had an average maturity of 32 days.

The effective average annual interest rate on short-term bank deposits in US dollors was 0.34% (2019: 2.58%); these deposits have an average maturity of 21 days (2019: 30 days).

There were no material short-term bank deposits denominated in currencies other than the US dollar at the end of the reporting period.

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

16. Cash Flow: Additional Information

for the years ended 31 December 2020 and 2019			**2020** in CHF m		2019 in CHF m
Non-cash income and expenses			**799**		**38**
Depreciation of property, plant and equipment and right-of-use assets	5, 7	212		258	
Impairment	28	11		—	
Amortization of intangible assets	6	57		72	
Impairment of working capital		26		21	
Income from associates and joint ventures	8	–63		–52	
Tax expense	10	174		140	
Net financial income and costs	29	66		85	
Gain/loss from disposals not qualifying as discontinued operations	26	–12		–2	
Gain on disposals of discontinued operations	25	–768		–48	
Other non-cash items		20		9	
Total non-cash income and expenses			**–277**		**483**
Changes in net working capital and provisions					
Changes in inventories			84		–13
Changes in trade receivables			47		–23
Changes in trade payables			–58		–19
Changes in other current assets and liabilities			–15		–66
Changes in provisions (excluding payments for restructuring)			–115		217
Total changes in net working capital and provisions			**–57**		**96**

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

Registered shares each with a par value of CHF 3.70 (2019: CHF 3.70)	Number of shares 2020	Par value 2020 in CHF m	Number of shares 2019	Par value 2019 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	–2 385 509	–9	–2 586 765	–10
Outstanding share capital at 31 December	**329 553 690**	**1 219**	**329 352 434**	**1 218**

Treasury shares (number of shares)	2020	2019
Holdings as per 1 January	2 586 765	2 250 664
Shares purchased at market value	34 000	572 000
Shares transferred to employees	–235 256	–235 899
Holdings at 31 December	**2 385 509**	**2 586 765**

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.

Distribution to shareholders

On 29 June 2020 the Annual General Meeting of Clariant AG approved a distribution from the confirmed capital contribution reserves of CHF 2.385 and CHF 0.615 from retained earnings per share. This was paid out on 8 July 2020 reducing the capital contribution reserves by CHF 786 million and retained earnings by CHF 203 million.

Significant shareholders 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 2020 the following shareholders held more than 3 % of voting rights in Clariant Ltd:

Shareholders	Voting rights
SABIC International Holdings B.V., Sittard, The Netherlands, controlled by the Public Investment Fund of Saudi Arabia (PIF), Riyadh, Kingdom of Saudi Arabia	32.22 %[1]
APG Asset Management N.V., Amsterdam, Netherlands	5.01 %
BlackRock Inc., New York, United States	3.8 %
Blue Beteiligungsgesellschaft mbH, Am Holzmaierfeld, 82064 Strasslach-Dingharting (Germany) and Maple Beteiligungsgesellschaft mbH, Am Holzmaierfeld, 82057 Icking (Germany) [2]	3.49 %

[1] SABIC acquired 24.99 % of the shares of Clariant Ltd on 17 September 2018, and increased its participation by 6.51 % to 31.5 % on 9 September 2020. The difference between this figure (i.e. 31.5 %) and the above-mentioned 32.22 % corresponds to the amount of treasury shares held by Clariant Ltd which have to be aggregated to the shares held by SABIC solely for regulatory disclosure purposes due to the Governance Agreement entered into by SABIC and Clariant on 17 September 2018.

[2] According to a disclosure notification published on 18 December 2018, a group consisting of Konstantin Winterstein, 80333 Munich, Germany, and Elisabeth Prinzessin zu Sayn-Wittgenstein, 80333 Munich, Germany, was formed.

Disclosure notifications during the financial year 2020 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

On 31 December 2019, the following shareholders held a participation of 3 % or more of the total share capital: SABIC International Holdings B.V., Sittard, The Netherlands, controlled by the Public Investment Fund of Saudi Arabia (PIF), Riyadh, Kingdom of Saudi Arabia 25.67 %; APG Asset Management N.V., Amsterdam, Netherlands: 5.01 %; Blue Beteiligungsgesellschaft mbH, Am Holzmaierfeld, 82064 Grossdingharting (Germany), and Maple Beteiligungsgesellschaft mbH, Am Holzmaierfeld, 82064 Grossdingharting (Germany): 3.49 %; Citadel Multi-Strategy Equities Master Fund Ltd., George Town, Cayman Islands, Citadel Securities Financial Trading (Ireland) DAC, Dublin, Ireland, Citadel Global Equities (Ireland) DAC, Dublin, Ireland, Citadel Global Equities Master Fund Ltd., George Town, Cayman Islands, Citadel Multi-Strategy Equities (Ireland) DAC, Dublin, Ireland, Citadel Quantitative Strategies Master Fund Ltd., George Town, Cayman Islands: 3.285 %; Millennium Partners LP, George Town, Cayman Islands Integrated Core Strategies Asia Pte.Ltd., Singapore: 3.04 %.

On 31 December 2020, Clariant AG itself held 2 385 509 shares in treasury, corresponding to 0.72 % of the share capital.

Non-controlling interests

At 31 December 2020, non-controlling interests reported are primarily made up of those of the four following companies. They amount to more than 91 % of the minority shares reported:

Clariant Huajin Catalysts (Panjin) Ltd, reported sales in the amount of CHF 27 million in the reporting period and total assets in the amount of CHF 44 million as per 31 December 2020. 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 92 million in the reporting period and CHF 104 million of total assets as per 31 December 2020. 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 173 million in the reporting period and CHF 93 million of total assets as per 31 December 2020. The non-controlling interests of 38.6 % of the shares outstanding are held by Nissan Chemicals Industries Ltd.

Süd-Chemie India Ltd (SCIL) reported sales in the amount of CHF 171 million in the reporting period and total assets of CHF 199 million as per 31 December 2020, thereof current assets of CHF 114 million and non-currents assets of CHF 85 million. Total liabilities amounted to CHF 29 million, thereof current liabilities of CHF 22 million and non-current liabilities of CHF 7 million.

As per 31 December 2020 total equity amounted to CHF 170 million. The non-controlling interests of 50% of the shares outstanding are owned by private shareholders in India.

18. Non-current financial debts

in CHF m	Interest rate in %	Term	**Notional amount**	**Net amount 31.12.2020**	Net amount 31.12.2019
Certificate of indebtedness	mixed	2015–2020	150 EUR m	–	163
Certificate of indebtedness	1.012	2016-2020	157 EUR m	–	170
Certificate of indebtedness	6 m EURIBOR +1.05	2016-2020	55 EUR m	–	60
Certificate of indebtedness	0.779	2016-2021	55 EUR m	60	60
Certificate of indebtedness	3 m LIBOR +1.5	2016-2021	166 USD m	146	160
Certificate of indebtedness	2.618	2016-2021	111 USD m	97	107
Straight bond	3.500	2012-2022	175 CHF m	175	174
Certificate of indebtedness	mixed	2020-2022	115 EUR m	124	–
Certificate of indebtedness	3 m LIBOR +1.5	2020-2022	37 CHF m	37	–
Certificate of indebtedness	mixed	2015-2023	150 EUR m	161	163
Certificate of indebtedness	6 m EURIBOR +1.1	2016-2023	13 EUR m	14	14
Certificate of indebtedness	1.137	2016-2023	27 EUR m	29	29
Certificate of indebtedness	1.501	2016-2023	73 EUR m	79	80
Straight bond	2.125	2014-2024	160 CHF m	160	160
Certificate of indebtedness	1.194	2018-2024	92 EUR m	99	100
Certificate of indebtedness	1.548	2018-2025	102 EUR m	112	111
Certificate of indebtedness	6 m EURIBOR +0.95	2018-2025	54 EUR m	58	58
Certificate of indebtedness	2.010	2016-2026	15 EUR m	16	16
Straight bond	1.125	2019-2026	200 CHF m	200	200
Certificate of indebtedness	2.087	2018-2028	17 EUR m	18	18
Certificate of indebtedness	6m EURIBOR +1.9	2020-2025	83 EUR m	89	–
Certificate of indebtedness	3 m LIBOR +1.8	2020-2025	25 CHF m	25	–
Total straight bonds and certificates of indebtedness				**1 699**	**1 843**
Liabilities to banks and other financial institutions				**28**	**35**
Subtotal				**1 727**	**1 878**
Less: current portion (see note 23)				**–303**	**–393**
Total				**1 424**	**1 485**
Breakdown by maturity					
			2 021	–	327
			2 022	358	174
			2 023	283	286
			2 024	261	–
			after 2024 (2019: after 2023)	522	698
Total				**1 424**	**1 485**
Breakdown by currency			EUR	799	649
			CHF	603	541
			USD	–	267
			Others	22	28
Total				**1 424**	**1 485**
Fair value comparison (including current portion)					
Straight bonds				561	574
Certificates of indebtedness				1 164	1 309
Others				28	35
Total				**1 753**	**1 918**
Total net book value of assets pledged as collateral for financial debts				**–**	**15**
Total collateralized financial debts				–	7

On 22 May 2020, Clariant issued five certificates of indebtedness with the total amount of EUR 197.5 million and CHF 62.5 million. These certificates have terms of 2 years expiring on 23 May 2022 (EUR 114.5 million and CHF 37.5 million) and 5 years expiring on 22 May 2025 (EUR 83 million and CHF 25 million). While a tranche of CHF 62.5 million has a variable interest of 3 months CHF-LIBOR plus spread that ranges between 1.50 % and 1.80 % and a tranche in the amount of EUR 110.5 million has a variable interest rate of 6 months EURIBOR plus spread that ranges between 1.45 % and 1.90 %, the fixed interest rate is 1.45 % for a tranche in the amount of EUR 87 million.

On 15 April 2019 new bonds in the amount of CHF 200 million were launched with a term of 7 years and an interest rate of 1.125% p.a. fixed.

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 3.1.3 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** mostly consisting of bank loans with fixed interest rates mainly.

Collateral. In 2020, no assets were pledged as collateral (2019: CHF 15 million).

19. Reconciliation of net debt

in CHF m	01.01.2020	Movements from the disposal	Movements in Cash flow	Exchange rate differ-ences	Other non-cash movements	31.12.2020	Reclassified to held for sale (see note 25)	Total as reported in balance sheet
Cash and cash equivalents	638		126	–27	—	737	—	737
Short-term deposits	304		–34	–3	—	267	—	267
Financial instruments with positive fair values	4		1	—	—	5	—	5
Total cash and liquid investments	**946**	**—**	**93**	**–30**	**—**	**1 009**	**—**	**1 009**
Non-current financial debt	–1 485		–288	46	303	–1 424	—	–1 424
Current financial debt	–587	6	472	1	–303	–411	13	–398
Lease liabilities	–246	23	66	11	–68	–214	14	–200
Borrowings and other financial liabilities	**–2 318**	**29**	**250**	**58**	**–68**	**–2 049**	**27**	**–2 022**
Net debt	**–1 372**	**29**	**343**	**28**	**–68**	**–1 040**	**27**	**–1 013**

in CHF m	01.01.2019	Adoption of IFRS 16 (see note 7)	Movements in Cash flow	Exchange rate differ-ences	Other non-cash movements	31.12.2019	Reclassified to held for sale (see note 25)	Total as reported in balance sheet
Cash and cash equivalents	833		–185	–10	—	638	—	638
Short-term deposits	26		283	–5	—	304	—	304
Financial instruments with positive fair values	7		–3	—	—	4	—	4
Total cash and liquid investments	**866**	**—**	**95**	**–15**	**—**	**946**	**—**	**946**
Non-current financial debt	–1 711		–208	41	393	–1 485	—	–1 485
Current financial debt	–529		310	25	–393	–587	—	–587
Lease liabilities	—	–249	70	6	–73	–246	29	–217
Borrowings and other financial liabilities	**–2 240**	**–249**	**172**	**72**	**–73**	**–2 318**	**29**	**–2 289**
Net debt	**–1 374**	**–249**	**267**	**57**	**–73**	**–1 372**	**29**	**–1 343**

20. Retirement benefit obligations

Apart from the legally required social security schemes, the Group has numerous independent retirement benefit plans. As a principle, assets are held externally. For certain Group companies however, no independent assets exist for the retirement benefit 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 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 retirement benefit 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 95.2 % 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. 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. For employees having joined or joining in 2011 and later there exists a funded retirement benefit plan. Contributions are primarily paid into the plan by the employer and vary depending on the income of the individual plan member. 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. Pensions paid by this plan are principally based on the return on plan assets (contributions paid in plus interest), apart from a minimal interest. 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 retirement benefit 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 275 000 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 46 million are scheduled over the next five 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 to up to 100 percent of the total individual cumulative savings.
The Swiss retirement benefit 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 13 million are therefore scheduled over the next five 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.

Mortality tables
The following mortality tables were used to determine the defined pension obligation of the most important pension plans:

Switzerland	BVG 2015 generation table
Germany	Richttafeln 2018G by Prof. Dr. Klaus Heubeck
UK	SAPS S2 series amount tables (base table) CMI Model (2019) (future improvements)
USA	Pri 2012 mortality table with projection scale MP-2020

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)	
	2020	2019	**2020**	2019
As per 1 January	2 686	2 439	75	80
Current service cost	30	32	—	1
Past service cost/gain including curtailments	4	5	—	–2
Gain/loss on settlements	–2	1	—	—
Interest costs on obligation	29	50	2	3
Contributions to plan by employees	9	9	—	—
Benefits paid out to personnel in reporting period	–119	–117	–3	–4
Remeasurements:				
Actuarial gain/loss arising from changes in demographic assumptions	—	–14	–5	—
Actuarial gain/loss arising from changes in financial assumptions	75	297	5	9
Actuarial gain/loss due to experience adjustments	–28	32	–9	–8
Effect of disposals	–126	–4	–13	–2
Effect of liabilities extinguished on settlements	—	–14	—	—
Exchange rate differences	–61	–30	–4	–2
At 31 December	**2 497**	**2 686**	**48**	**75**

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

in CHF m	**2020**	2019
As per 1 January	1 981	1 771
Interest income on plan assets	20	35
Contributions to plan by employees	9	9
Contributions to plan by employer	30	48
Benefits paid out to personnel in reporting period	–93	–91
Remeasurements:		
Return on plan assets (excluding amount included in interest expense)	124	219
Effect of assets distributed in settlements	—	–5
Effect of disposals	–85	–1
Exchange rate differences	–54	–4
At 31 December	**1 932**	**1 981**

As at 31 December 2020 and 2019, 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	
	31.12.2020	31.12.2019	**31.12.2020**	31.12.2019	**31.12.2020**	31.12.2019
Present value of funded obligations	–1 894	–2 021	—	—	–1 894	–2 021
Fair value of plan assets	1 932	1 981	—	—	1 932	1 981
Overfunding/Deficit	**38**	**–40**	**—**	**—**	**38**	**–40**
Present value of unfunded obligations	–603	–665	–48	–75	–651	–740
Net liabilities, total	**–565**	**–705**	**–48**	**–75**	**–613**	**–780**
Reclassified to held for sale (see note 25)	38	148	2	—	40	148
Net liabilities in the balance sheet	**–527**	**–557**	**–46**	**–75**	**–573**	**–632**

Thereof recognized in:

in CHF m	**31.12.2020**	31.12.2019	**31.12.2020**	31.12.2019	**31.12.2020**	31.12.2019
Retirement benefit obligations	–622	–746	–48	–75	–670	–821
Reclassified to held for sale (see note 25)	38	148	2	—	40	148
Retirement benefit obligations in the balance sheet	**–584**	**–598**	**–46**	**–75**	**–630**	**–673**
Prepaid pension assets	57	41	—	—	57	41
Net liabilities in the balance sheet for defined benefit plans	**–527**	**–557**	**–46**	**–75**	**–573**	**–632**

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	
	2020	2019	**2020**	2019	**2020**	2019
Current service cost	–30	–32	—	–1	–30	–33
Net interest cost	–8	–15	–2	–3	–10	–18
Past service cost/gain including curtailments	–4	–5	—	2	–4	–3
Gain/loss on settlements	2	–1	—	—	2	–1
Components of defined benefit expense reported in the income statement	**–40**	**–53**	**–2**	**–2**	**–42**	**–55**

in CHF m						
Actuarial gain/loss arising from changes in demographic assumptions	—	14	5	—	5	14
Actuarial gain/loss arising from changes in financial assumptions	–75	–297	–5	–9	–80	–306
Actuarial gain/loss due to experience adjustments	28	–32	9	8	37	–24
Return on plan assets (excluding amount included in net interest expense)	124	219	—	—	124	219
Components of defined benefit expense reported in other comprehensive income	**77**	**–96**	**9**	**–1**	**86**	**–97**
Total defined benefit expense	**37**	**–149**	**7**	**–3**	**44**	**–152**

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

in CHF m	**31.12.2020**	31.12.2019
Equities	402	373
thereof based on quoted market prices	*399*	*369*
Bonds	614	583
thereof based on quoted market prices	*416*	*338*
Cash	56	138
thereof based on quoted market prices	*56*	*138*
Property	283	336
thereof based on quoted market prices	*204*	*268*
Alternative investments	577	551
thereof based on quoted market prices	*202*	*179*
Total fair value of plan assets	**1 932**	**1 981**

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

		2020 in %					2019 in %				
		Group	**Most important countries**				**Group**	**Most important countries**			
		Weighted average	Switzer-land	United Kingdom	United States	Germany	Weighted average	Switzer-land	United Kingdom	United States	Germany
Discount rate		0.9	0.1	1.4	2.3	1.0	1.2	0.1	2.1	3.1	1.1
Future salary increases		1.8	1.5	–	3.5	2.5	1.8	1.5	–	3.5	2.5
Long-term increase in health care costs		5.1	–	–	6.1	–	5.6	–	–	6.4	–
Current average life expectancy for a 65 year old male	in years	19	23	22	20	20	19	22	22	21	20
Current average life expectancy for a 65 year old female	in years	22	25	24	22	24	21	23	24	23	24

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

2020 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	5	–2

2019 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	6	–5

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	
	2020	2019	**2020**	2019
Effect on defined benefit obligation	–83	–92	86	97

If life expectancy increased by one year, the defined benefit obligation would increase by CHF 106 million (2019: CHF 92 million).

Defined contribution post-employment plans. In 2020, CHF 24 million were charged to the income statement as contributions to defined contribution plans (2019: CHF 28 million).

In Germany, approximately 4500 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 2020, the pension fund's obligations are fully funded. Also for 2021 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 7 percent.

Clariant's contribution to this pension plan amounted to CHF 17 million in 2020 (CHF 20 million in 2019) and is expected to be CHF 17 million in 2021.

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	
	2020	2019	**2020**	2019
Clariant Group regular and supplemental contributions (employer's contributions):				
Actual contributions in 2019		48		–
Actual contributions in 2020 (2019: estimated)	30	36	–	–
Estimated contributions in 2021	25	36	–	–
Estimated contributions in 2022	25	36	–	–
Estimated contributions in 2023	25	36	–	–
Estimated contributions in 2024	25	31	–	–
Estimated contributions in 2025	22		–	–
Payments to beneficiaries:				
Actual payments in 2019		–117		–4
Actual payments in 2020 (2019: estimated)	–119	–156	–3	–5
Estimated payments in 2021	–113	–140	–3	–5
Estimated payments in 2022	–110	–141	–3	–5
Estimated payments in 2023	–109	–151	–3	–5
Estimated payments in 2024	–110	–161	–4	–6
Estimated payments in 2025	–112	–	–3	–
Allocation of defined benefit obligation to plan members (in CHF m):				
Active members	636	766	13	29
Deferred members	334	316	2	5
Retired members	1 527	1 604	33	41
Total funded and unfunded obligations at 31 December	**2 497**	**2 686**	**48**	**75**
Weighted average duration of the defined benefit obligation at the end of reporting period (in years):				
At 31 December	14.1	13.2	10.0	10.8

21. Movements in provisions

in CHF m	Environmental provisions	Personnel provisions	Restructuring provisions	Other provisions	**Total provisions 2020**	Total provisions 2019
As per 1 January	111	130	16	300	557	396
Additions	25	185	146	121	477	499
Effect of business combinations (see note 27)	1	—	—	—	1	—
Disposals	—	—	—	—	—	–1
Reclassified to/ from held for sale (see note 25)	3	2	–11	1	–5	–52
Amounts used	–13	–130	–25	–212	–380	–216
Unused amounts reversed	–13	–42	–6	–87	–148	–52
Changes due to the passage of time and changes in discount rates	3	—	—	—	3	4
Exchange rate differences	–9	–8	–1	–7	–25	–21
At 31 December	**108**	**137**	**119**	**116**	**480**	**557**
Of which						
– Current portion	21	96	94	67	278	393
– Non-current portion	87	41	25	49	202	164
Total provisions	**108**	**137**	**119**	**116**	**480**	**557**
Expected outflow of resources						
Within 1 year	21	96	94	67	278	393
Between 1 and 3 years	26	9	24	15	74	58
Between 3 and 5 years	20	1	1	22	44	22
Over 5 years	41	31	—	12	84	84
Total provisions	**108**	**137**	**119**	**116**	**480**	**557**

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 disposals 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 Germany, Brazil, the United States and Switzerland.

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 parties concerned and to the public, a restructuring provision is created. The restructuring provisions newly added in 2020 concern site closures and headcount reductions in various countries with the largest amounts incurred in Germany, Switzerland and United States. For further information regarding restructuring measures refer to note 28.

Other provisions. Additionally, 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.

In 2017 the European Commission (Antitrust) initiated an investigation on Clariant and some of its competitors active in the ethylene purchasing sector in some members states. Based on the information then available and the resulting assessment of the expected outcome of the investigation Clariant set up a provision of CHF 231 million for this case in 2019. The final verdict in July 2020 resulted in a fine in the amount of EUR 156 million. As a consequence CHF 55 million of the provision were reversed and the liability was settled in December 2020.

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.

22. Trade payables and other liabilities

in CHF m	**31.12.2020**	31.12.2019
Trade payables	539	704
Contract liabilities	68	73
Payables to associates and joint ventures	51	54
Accruals	164	199
Other liabilities	187	243
Total trade payables and other liabilities	**1 009**	**1 273**
Reclassified to non-current liabilities	–60	–68
Reclassified to held for sale (see note 25)	–132	–330
Total as reported in the balance sheet	**817**	**875**

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

Contract liabilities are short term and will be recognized as revenues in the next reporting period.

23. Current financial debts

in CHF m	**31.12.2020**	31.12.2019
Banks and other financial institutions	108	194
Current portion of non-current financial debts (see note 18)	303	393
Total	**411**	**587**
Reclassified to held for sale (see note 25)	–13	—
Total current financial debts as reported in the balance sheet	**398**	**587**
Breakdown by maturity:		
in CHF m	**31.12.2020**	31.12.2019
Up to three months after the balance sheet date	98	166
Three to six months after the balance sheet date	1	176
Six to twelve months after the balance sheet date	312	245
Total	**411**	**587**
Reclassified to held for sale (see note 25)	–13	—
Total current financial debts as reported in the balance sheet	**398**	**587**

On 17 April 2020, the certificates of indebtedness issued in 2015 in the amount of EUR 150 million (CHF 162 million) reached maturity and were repaid.

On 26 October 2020 certificates of indebtedness in the amount of EUR 212 million (CHF 229 million) reached maturity and were repaid.

On 24 April 2019 a bond issued in 2012 in the amount of CHF 285 million reached maturity and was repaid.

One certificate of indebtness issued in 2016 with a nominal value of EUR 55 million and two certificates of indebtness issued in 2016 with a nominal value of USD 277 million will mature in 2021 and were therefore reclassified to current financial debts.

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

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.

24. Segment information

In 2019 Clariant set out to rearrange its portfolio of business activities. In October 2019 Clariant sold its business line Healthcare Packaging, operated as a part of the Business Unit Masterbatches to US-based Arsenal Capital Partners. In July 2020 the Business Unit Masterbatches was sold to the US-based group Avient. The project to sell the business unit Pigments is under way. For these reasons all these business units are reported as discontinued operations in the financial report (see also note 25 Discontinued Operations and assets held for sale). Intersegment transactions are entered into under the normal circumstances, 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		Corporate		Total Group	
	2020	2019	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019
Segment sales	1 423	1 615	879	925	1 581	1 894	–	–	3 883	4 434
Sales to other segments	–12	–15	–	–	–11	–20	–	–	–23	–35
Total sales from continuing operations	**1 411**	**1 600**	**879**	**925**	**1 570**	**1 874**	**–**	**–**	**3 860**	**4 399**
Operating expenses	–1 212	–1 389	–784	–785	–1 448	–1 666	–118	–394	–3 562	–4 234
Thereof:										
Income from associates and joint ventures	26	16	9	11	8	7	–1	–1	42	33
Gain/loss from disposals not qualifying as discontinued operations	12	–	–	–1	–	–	–	3	12	2
Restructuring, impairment and transaction-related costs	–19	–3	–13	–5	–33	–3	–54	–39	–119	–50
Provision for EU investigation							55	–231	55	–231
Operating income	**199**	**211**	**95**	**140**	**122**	**208**	**–118**	**–394**	**298**	**165**
Net financial expenses and taxes									–182	–199
Net result from continuing operations									**116**	**–34**
Result from discontinued operations									683	72
Net income									**799**	**38**
Segment assets	1 035	1 160	1 599	1 722	1 388	1 571	–	–	4 022	4 453
Segment liabilities	–180	–218	–164	–152	–172	–194	–	–	–516	–564
Net operating assets	**855**	**942**	**1 435**	**1 570**	**1 216**	**1 377**	**–**	**–**	**3 506**	**3 889**
Segment assets reported as assets held for sale	–	–	108	5	2	–			110	5
Corporate assets reported as assets held for sale							4	2	4	2
Segment assets of discontinued operations reported as assets held for sale									683	1 298
Assets held for sale	**–**	**–**	**108**	**5**	**2**	**–**	**4**	**2**	**797**	**1 305**
Segment liabilities of discontinued operations reported as liabilities associated with assets held for sale									–263	–559
Liabilities directly associated with assets held for sale									**–263**	**–559**
Corporate assets without cash							1 105	1 275	1 105	1 275
Corporate liabilities without financial liabilities							–1 751	–1 890	–1 751	–1 890
Net debt (see note 19)							–1 013	–1 343	–1 013	–1 343
Total net assets	**855**	**942**	**1 543**	**1 575**	**1 218**	**1 377**	**–1 655**	**–1 956**	**2 381**	**2 677**
Thereof:										
Investments in PPE and intangibles for the period	53	68	141	81	56	78	24	13	274	240
Investments in associates and joint ventures at the end of the period	85	91	–	108	63	46	5	3	153	248
Reconciliation of key figures										
Operating income	199	211	95	140	122	208	–118	–394	298	165
Add: systematic depreciation of PPE	52	54	50	52	45	50	15	19	162	175
Add: impairment	–	–	3	–	7	–	1	–	11	–
Add: depreciation of RoU assets	9	10	6	5	19	21	16	18	50	54
Add: amortization of intangible assets	7	7	14	15	25	26	11	19	57	67
EBITDA[1]	**267**	**282**	**168**	**212**	**218**	**305**	**–75**	**–338**	**578**	**461**
Add: restructuring, impairment and transaction-related costs	19	3	13	5	33	3	54	39	119	50
Add: Provision for EU investigation							–55	231	–55	231
Less: impairment	–	–	–3	–	–7	–	–1	–	–11	–
Less: gain/loss from disposals not qualifying as discontinued operations	–12	–	–	1	–	–	–	–3	–12	–2
Adjusted EBITDA	**274**	**285**	**178**	**218**	**244**	**308**	**–77**	**–71**	**619**	**740**
Operating income	199	211	95	140	122	208	–118	–394	298	165
Add: restructuring, impairment and transaction-related costs	19	3	13	5	33	3	54	39	119	50
Add: Provision for EU investigation							–55	231	–55	231
Less: gain/loss from disposals not qualifying as discontinued operations	–12	–	–	1	–	–	–	–3	–12	–2
Adjusted operating income	**206**	**214**	**108**	**146**	**155**	**211**	**–119**	**–127**	**350**	**444**

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

Reconciliation of segment assets to total assets in CHF m	**31.12.2020**	31.12.2019
Segment assets	4 022	4 453
Segment assets reported as assets held for sale	110	5
Corporate assets reported as assets held for sale	4	2
Segment assets of discontinued operations reported as assets held for sale	683	1 298
Corporate assets without cash	1 105	1 275
Cash and cash equivalents	737	638
Short-term deposits	267	304
Financial instruments with positive fair values	5	4
Total Assets	**6 933**	**7 979**

in CHF m		Sales[1]		Non-current assets [2]
	2020	2019	**31.12.2020**	31.12.2019
EMEA	1 572	1 826	1 854	1 962
of which Germany	*432*	*507*	*1 138*	*1 264*
of which Switzerland	*24*	*23*	*378*	*431*
of which MEA	*274*	*338*	*21*	*25*
North America	703	862	895	1 031
of which USA	*656*	*802*	*882*	*1 015*
Latin America	457	556	140	178
of which Brazil	*191*	*234*	*75*	*106*
Asia / Pacific	1 128	1 155	536	513
of which China	*402*	*399*	*216*	*151*
of which India	*168*	*134*	*123*	*149*
Total	**3 860**	**4 399**	**3 425**	**3 684**

[1] Allocated by region of third-party sale's destination. Continuing operations

[2] Non-current assets excluding 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.

Revenue from services recognized in 2020 amounted to CHF 83 million (2019: CHF 100 million) and mostly were incurred in Business Area Natural Resources.

For a description of the Business Units see note 1.25.

25. Discontinued operations and assets held for sale

In 2019 Clariant announced its intention to sell the Business Units Pigments and Masterbatches and the Business Line Healthcare Packaging, which operated as a part of the Business Unit Masterbatches. As a result these activities were reclassified to discontinued operations in June 2019. Income and expenses of the activities concerned have been reclassified to “Discontinued operations” in the consolidated income statement and the assets and liabilities pertaining to these activities have been reclassified to “Assets held for sale” and “Liabilities directly associated with assets held for sale” in the consolidated balance sheet, according to IFRS 5, Non-current assets held for sale and discontinued operations.

On 31 October 2019, Clariant sold its Healthcare Packaging business to Arsenal Capital Partners, a private equity firm located in New York, USA. The final total consideration of the sale amounted to CHF 312 million including CHF 2 million received in 2020 and the after tax gain to CHF 54 million.

On 1 July 2020, Clariant sold the business unit Masterbatches to the US-based group Avient. The total consideration of the sale net of cash transferred amounted to CHF 1 308 million and the after tax gain to CHF 723 million.

Clariant considers it highly probable that the Business Unit Pigments will be sold within the next twelve months.

For a description of the Business Units please refer to note 1.25.

Other assets held for sale

An amount of CHF 6 million relates to property, plant and equipment held for sale in Italy and in United States (2019: CHF 7 million) and CHF 108 million a shareholding valued at equity in the US.

DISCONTINUED OPERATIONS in CHF m	Plastics & Coatings (discontinued) [1]		Corporate		Total discontinued operations	
	2020	2019	**2020**	2019	**2020**	2019
Sales	1 330	2 127	–	–	1 330	2 127
Operating expenses	–1 189	–1 968	–69	–92	–1 258	–2 060
Income from associates and joint ventures	21	19	–	–	21	19
Restructuring (see note 28)	–23	–10	–69	–	–92	–10
Operating result	**139**	**168**	**–138**	**–92**	**1**	**76**
Financial result					–8	–17
Result from discontinued operations before taxes					**–7**	**59**
Taxes					–36	–38
Result from discontinued operations after taxes					**–43**	**21**
Gain on the disposal of discontinued operations	768	48			768	48
Taxes (current and deferred)	–42	3			–42	3
Net result from discontinued operations					**683**	**72**
Currency translation differences of discontinued operations					50	–39
Other items					20	6
Other comprehensive income/loss from discontinued operations	**–**	**–**	**–**	**–**	**70**	**–33**
Operating cash flows	154	107	–62	–12	92	95
thereof: payments for restructuring	–7	–8			–7	–8
Investing cash flows	–25	–49			–25	–49
Total cash flow	**129**	**58**	**–62**	**–12**	**67**	**46**
Cash flow from disposals:						
Gross proceeds	1 450	310			1 450	310
Less cash and cash equivalents transferred	–140	–15			–140	–15
Less refund transaction cost to buyer	–5	–			–5	–
Net proceeds from disposal	**1 305**	**295**	**–**	**–**	**1 305**	**295**
Net assets held for sale:						
Property, plant and equipment	174	370			174	370
Right-of-use assets	17	34			17	34
Intangible assets	31	85			31	85
Investments in associates and joint ventures	84	101			84	101
Deferred and Income tax assets	29	22			29	22
Inventories	186	319			186	319
Trade receivables	127	303			127	303
Other assets	35	64			35	64
Total assets held for sale	**683**	**1 298**	**–**	**–**	**683**	**1 298**
Trade payables and other liabilities	–132	–330			–132	–330
Retirement benefit obligations	–40	–148			–40	–148
Provisions	–64	–52			–64	–52
Lease liabilities	–14	–29			–14	–29
Current financial debts	–13	–			–13	–
Total liabilities directly associated with assets held for sale	**–263**	**–559**	**–**	**–**	**–263**	**–559**
Total net assets held for sale	**420**	**739**	**–**	**–**	**420**	**739**

[1] Including the business unit Pigments for 12 months in both 2020 and 2019, the business unit Masterbatches for 6 months in 2020 and 12 months in 2019 and the business line Healthcare Packaging for 10 months in 2019.

Cumulative exchange rate differences recognized in equity for discontinued operations amounted to CHF 92 million on 31 December 2020.

Healthcare Packaging

In October 2019 Clariant sold the business line Healthcare Packaging. The results of these disposal was as follows:

in CHF m	2020	2019
Total cash proceeds received	2	310
Less cash and cash equivalents transferred	–	–15
Total consideration for the sale	**2**	**295**
Net assets sold including disposal related expenses	1	–232
Gain on the disposal from discontinued operations	**3**	**63**
Effect of the reclassification of foreign exchange differences related to the disposal of discontinued operations	–	–15
Gain on the disposal from discontinued operations before taxes	**3**	**48**
Taxes (current and deferred)	–	3
Gain on the disposal from discontinued operations after taxes	**3**	**51**

Masterbatches

In July 2020 Clariant sold the business unit Masterbatches to the US-based group Avient. The result of this disposal was as follows:

in CHF m	2020
Purchase price consideration	1 448
Less cash and cash equivalents transferred	-140
Total consideration for the sale	**1 308**
Net assets sold including disposal related expenses	-411
Gain on the disposal from discontinued operations	**897**
Effect of the reclassification of foreign exchange differences related to the disposal of discontinued operations	-132
Gain on the disposal from discontinued operations before taxes	**765**
Taxes (current and deferred)	-42
Gain on the disposal from discontinued operations after taxes	**723**

26. 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 2020 and 2019:

On 7 August 2020 Clariant sold its Sulfonation production in Santa Clara, Mexico pertaining to the Business Unit ICS for a net consideration of CHF 13 million and resulting in a gain of CHF 12 million to the Mexico-based company Stepan Mexico. S.A. de C.V.

On 30 April 2019 Clariant sold its 25% stake of GTC associates in the United States for a net consideration of CHF 8 million and a net loss of CHF 1 million to the Swiss group Sulzer.

27. Acquisitions

Bentonite mining activities

In August 2020 Clariant acquired from Jianping Cimco Mining Co. Ltd, China the activities of Clay Industrial Minerals Co Ltd by way of an asset deal for a consideration of CHF 9 million. The acquisition included a goodwill of CHF 2 million. The purpose of the transaction is to secure longer-term access to clay and to strengthen the Business Unit Functional Mineral's foothold and the Group's position in the Chinese Foundry market.

28. Restructuring, impairment and transaction-related costs

in CHF m	2020	2019
Restructuring expenses	**–141**	**–14**
Payments for restructuring	–25	–29
Impairment loss	**–11**	**–**
thereof charged to PPE (see note 5)	–11	–
Transaction-related costs	**–106**	**–129**
Total restructuring, impairment and transaction-related costs	**–258**	**–143**
thereof reported under discontinued operations	–139	–93
Total continuing operations	**–119**	**–50**

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 reduction of headcount across the Group.

Restructuring. In 2020, Clariant recorded expenses for restructuring in the amount of CHF 141 million (2019: CHF 14 million).

As a result of the most recent economic developments, Clariant has decided to resume its efficiency program. Measures to increase efficiency have been defined, leading to a work force reduction of approximately 600 positions and a reduction of the cost basis in excess of CHF 50 million for the continuing operations over the next two years. Additional measures are implemented to rightsize regional organizations and service units to the reduced size of the Group to avoid remnant costs post the expiration of transitory service agreements following the closing of the divestitures of the Masterbatches and Pigments businesses. The rightsizing program foresees a reduction or transfer of approx. 1,000 positions in service and regional structures. An efficiency program was also launched for the Pigments business to reduce above 200 positions and the cost basis enhancing the intrinsic value of the business. Restructuring expenses for the efficiency program for continuing operations has been booked in the amount of CHF 49 million and in the Business Areas as follows: CHF 12 million to Care Chemicals, CHF 6 million to Catalysis, CHF 19 million to Natural Resources and CHF 12 million to Corporate. In addition in Discontinued Operations, restructuring expenses for the efficiency program has been booked for the Pigments business in the amount of CHF 24 million. For the rightsizing program, restructuring expenses in amount of CHF 68 million has been booked in discontinued operations.

Impairment. The impaiment losses recorded in 2020 concerned mainly properties, plants and equipment in USA, Germany and China. No impairment loss was recorded in 2019.

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 pertaining to continuing operations of CHF 119 million of Restructuring, impairment and transaction-related costs (2019: CHF 50 million) is reported in the income statement from continuing operations as follows: CHF 31 million in Cost of goods sold (2019: CHF 9 million), CHF 75 million in Selling, general and administrative costs (2019: CHF 43 million), CHF 13 million in Research & Development costs (2019: CHF 2 million income).

29. Finance income and costs

FINANCE INCOME

in CHF m	**2020**	2019
Interest income	13	15
thereof interest on loans, receivables and deposits	*13*	*15*
Other financial income	2	8
Total finance income	**15**	**23**

FINANCE COSTS

in CHF m	**2020**	2019
Interest expense	–72	–96
thereof effect of discounting of non-current provisions	*–4*	*–4*
thereof net interest component of pension provisions	*–10*	*–18*
thereof interest on lease liabilities	*–11*	*–12*
Other financial expenses	–9	–12
Total finance costs before currency result	**–81**	**–108**
Currency result, net	–28	–26
Total finance costs	**–109**	**–134**
thereof reported under discontinued operations	–8	–17
Total continuing operations	**–101**	**–117**

Other financial expenses include bank charges and miscellaneous financial expenses.

In 2020 and 2019, 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 2020 were CHF 1 million (2019: CHF 1 million).

30. 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).

	2020	2019
Net income/ loss attributable to shareholders of Clariant Ltd undiluted and diluted in CHF m		
Continuing operations	92	–57
Discontinued operations	666	67
Total	**758**	**10**
Weighted average number of shares outstanding		
As per 1 January	329 594 997	329 613 975
Effect of transactions with treasury shares on weighted average number of shares outstanding	–77 353	–18 978
Weighted average number of shares outstanding at 31 December	**329 517 644**	**329 594 997**
Adjustment for granted Clariant shares	1 507 123	882 428
Weighted average diluted number of shares outstanding at 31 December	**331 024 767**	**330 477 425**
Basic earnings/ loss per share attributable to shareholders of Clariant Ltd (CHF/share)		
Continuing operations	0.28	–0.17
Discontinued operations	2.02	0.20
Total	**2.30**	**0.03**
Diluted earnings/ loss per share attributable to shareholders of Clariant Ltd (CHF/share)		
Continuing operations	0.28	–0.17
Discontinued operations	2.01	0.20
Total	**2.29**	**0.03**

The dilution effect is triggered by 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 vested on January 1 of the respective period.
The effect of the services still to be rendered during the vesting period were taken into consideration.

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

In 2020, a distribution of CHF 3.00 per share was made out of the capital contribution reserves and retained earnings (see note 17).

31. 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 the 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	
	31.12.2020	31.12.2019	**31.12.2020**	31.12.2019	**31.12.2020**	31.12.2019
Interest rate related instruments						
Interest rate swaps	146	160	–	2	–1	–
Cross Currency Swaps	165	165		–	–6	–6
Currency related instruments						
Forward foreign exchange rate contracts	274	212	5	2	–1	–1
Total derivative financial instruments	**585**	**537**	**5**	**4**	**–8**	**–7**

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 in 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	**31.12.2020**	31.12.2019
Breakdown by maturity:		
Up to one month after the balance sheet date	100	18
More than one and up to three months after the balance sheet date	37	31
More than three and up to twelve months after the balance sheet date	283	163
More than one and up to five years after the balance sheet date	165	325
Total derivative financial instruments	**585**	**537**

DERIVATIVE FINANCIAL INSTRUMENTS BY CURRENCY

in CHF m	**31.12.2020**	31.12.2019
USD	361	367
EUR	164	164
JPY	44	6
Others	16	–
Total derivative financial instruments	**585**	**537**

FINANCIAL INSTRUMENTS EFFECTIVE FOR HEDGE-ACCOUNTING PURPOSES

in CHF m	**31.12.2020**	31.12.2019
Interest rate swaps	**–**	**2**
Notional amount (USD)	146	160
Maturity date	05.08.2021	05.08.2021
Hedge ratio	1:1	1:1
Change in fair value of hedging instruments since 1st January	–2	–4
Change in fair value of hedged item	2	4
Cross Currency Swaps	**–2**	**–2**
Notional amount (EUR)	56	56
Maturity date	25.03.2024	25.03.2024
Hedge ratio	1:1	1:1
Change in fair value since 1 January	–	–2
Change in fair value of hedged item	–	2
Cross Currency Swaps	**–4**	**–4**
Notional amount (EUR)	116	116
Maturity date	25.09.2025	25.09.2025
Hedge ratio	1:1	1:1
Change in fair value since 1 January	–	–3
Change in fair value of hedged item	–	3
Notional amount of hedges of net investments in foreign entities:		
Borrowings denominated in foreign currencies	–937	–973
EUR amount	–694	–706
USD amount	–243	–267
Hedge Ratio	1:1	1:1

In 2015, Clariant issued four certificates of indebtedness amounting to EUR 300 million (see note 18). EUR 150 million were paid back in 2020. As per 31 December 2020 EUR 150 million 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 these certificates of indebtedness into Swiss francs amounted to CHF 0.7 million for 2020 (2019: CHF 11 million gain) and is recorded in the cumulative translation difference in shareholders' equity.

In 2016, Clariant issued seven certificates of indebtedness amounting to EUR 395 million and two certificates of indebtedness amounting to USD 277 million (see note 18). As per 1 January 2019 EUR 55.5 million of these certificates of indebtedness were dedesignated. EUR 156.5 million were paid back in 2020. As per 31 December 2020 EUR 238.5 million of these certificates were designated as a hedge of a net investment in some of Clariant's European subsidiaries and USD 277 million in some US-American subsidiaries. The unrealized foreign exchange rate result calculated from the translation of these certificates of indebtedness into Swiss francs amounted to a gain of CHF 0.8 million (2019: CHF 14 million gain) for the EUR positions and to a gain of CHF 23 million (2019: CHF 5 million gain) for the USD positions and is recorded in the cumulative translation difference in shareholders' equity.

In 2018, Clariant issued four certificates of indebtedness amounting to EUR 265 million (see note 18). EUR 112.5 million of these certificates were designated as a hedge of a net investment in some of Clariant's European subsidiaries. The rest of EUR 152.5 million were exchanged with a Cross Currency Swap into CHF. The unrealized foreign exchange rate result calculated from the translation of the certificates of indebtedness into Swiss francs amounted in 2020 to a gain of CHF 0.5 million (2019: CHF 5 million gain) and is recorded in the cumulative translation difference in shareholders' equity.

In 2020, Clariant issued five certificates of indebtedness amounting to EUR 197.5 million and CHF 62.5 million (see note 18). The EUR denominated certificates were designated as a hedge of a net investment in some of Clariant's European subsidiaries. The unrealized foreign exchange rate result calculated from the translation of the certificates of indebtedness into Swiss francs amounted to a loss of CHF 3.4 million and is recorded in the cumulative translation difference in shareholders' equity. On the disposal of the BU Masterbatches CHF 29 million of exchange rate gains incurred on hedges of net investment in a foreign entity were recycled to the income statement.

Clariant is hedging the interest rate risk resulting from the certificates of indebtedness in the amount of USD 277 million issued at a variable interest rate. For this purpose interest rate swaps amounting to USD 166 million have been established in 2018. Their clean price amounted to a negative CHF 0.9 million in 2020 (2019: positive CHF 1.5 million). They are accounted for as a cash flow hedge and as a consequence the result was recorded in other comprehensive income.

The hedge effectiveness is assessed at the beginning of the hedging relationship, and by recurring prospective effectiveness tests. Thus it is ensured that there exists an economic relationship between the underlying transaction and the hedging instrument.

The group enters into interest rate and cross currency swaps that have identical critical terms as the hedged item, such as reference rate, reset dates, payment dates, maturities and notional amount. The group does not hedge 100% of its loans, therefore the hedged item is identified as a proportion of the outstanding loans up to the notional amount of the swaps. As all critical terms matched during the year, the economic relationship was 100% effective.

Hedge ineffectiveness for interest rate/cross currency swaps is assessed using the following principles: The focus is on the credit value/debit value adjustment on the interest rate/cross currency swaps which is not matched by the loan, and differences in critical terms between the interest rate/cross currency swaps and loans.

The Cross Currency Basis Spread as per End of December 2020 was CHF 66 665 (2019: CHF 887 091).

There was no ineffectiveness during 2020 in relation to the interest rate/cross currency swaps. Clariant has chosen the cost of hedging approach for the newly entered cash flow hedging relationship. The cross-currency basis spread is not part of the hedging relationship.

32. 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. 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. In the years 2013 to 2018 the plan participants also received an additional share free of cost (matching share) for each investment share held at the end of the blocking period. The number of shares not yet vested and thus disclosed are the matching shares already granted. No further grants were made after 2018 under this plan.

For the first time in 2013, the Performance Share Unit (PSU) Plan was introduced for all senior managers. 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. The PSUs that would have vested in 2020 were not awarded as the performance targets were not achieved.

In 2019, the new Clariant Long-Term Incentive Plan (CLIP) was introduced with the first grants in April 2019. A subsequent grant took place in April 2020. The CLIP represents an equity-based award in the form of Performance Share Units with a three-year vesting period. The review of the target achievements (vesting criteria) for the first grant under this plan will be held in summer 2022 and vesting is scheduled to take place in September 2022. Target achievement reviews and vesting will continue on an annual basis for all subsequent grants.

The expense recorded in the income statement and in equity 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.
In 2020, CHF 11 million were debited to the income statement for equity-settled share-based payments (2019: income of CHF 4 million).

As of 31 December 2020, the total carrying value of liabilities arising from equity-settled share-based payments, entirely recognized in equity, is CHF 20 million (2019: CHF 20 million).

SHARES FOR MEMBERS OF MANAGEMENT AND THE EXECUTIVE COMMITTEE

Base year	Granted	Vesting in		Fair value at grant date	**Number 31.12.2020**	Number 31.12.2019
2016	2017	2020		18.67	–	153 224
2017	2017	2020		22.11	–	338 458
2017	2017	2020		18.74	–	12 831
2017	2017	2020		19.15	–	11 799
2017	2018	2021		22.82	97 100	119 141
2018	2018	2021		23.58	270 024	333 715
2018	2018	2021		21.47	3 960	3 960
2018	2018	2021		24.11	2 074	2 074
2018	2018	2022		20.38	–	8 587
2018	2018	2020		20.38	–	8 587
2019	2019	2022		15.91	884 192	1 090 988
2020	2020	2023		12.87	1 138 348	–
Total					**2 395 698**	**2 083 364**

	Weighted average exercise price	**Shares 2020**	Weighted average exercise price	Shares 2019
Shares outstanding at 1 January	21.60	2 083 364	18.09	1 783 703
Granted		1 211 808		1 218 725
Exercised / distributed		–173 290		–186 057
Cancelled / forfeited		–726 184		–733 007
Outstanding at 31 December	**18.82**	**2 395 698**	**21.60**	**2 083 364**
Fair value of shares outstanding in CHF		45 087 027		45 000 652

The fair value of shares granted during 2020 is CHF 15 million (2019: CHF 17 million) calculated based on market value of shares at grant date.

No options were granted in 2020 and 2019.

33. Personnel expenses

in CHF m	**2020**	**2019**
Wages and salaries	–1 019	–1 121
Social welfare costs	–185	–242
Shares and options granted to directors and employees	–11	–4
Pension costs – defined contribution plans	–24	–28
Pension costs – defined benefit plans	–34	–37
Other post-employment benefits	—	1
Total personnel expenses	**–1 273**	**–1 431**
thereof reported under discontinued operations	265	394
Total continuing operations	**–1 008**	**–1 037**

34. 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 8. 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 and the rendering of services to the Global Amines group.

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.

More information on the relationship with the Board of Directors is given in the **Corporate Governance report** (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 2020 of these services is CHF 1 million (2019: 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 (2019: approximately four).

The fourth group of related parties are all companies pertaining to the SABIC group, who is a 31.5% shareholder of Clariant (see note 17). The most important business done with these companies is the sale and purchase of chemical products.

TRANSACTIONS WITH RELATED PARTIES

in CHF m	**2020**	2019
Income from the sale of goods to related parties	47	85
thereof to joint ventures	*9*	*7*
thereof to associates	*11*	*13*
thereof to SABIC companies	*27*	*65*
Income from the rendering of services to related parties	48	55
thereof to joint ventures	*26*	*29*
thereof to associates	*22*	*26*
Expenses from the purchase of goods from related parties	–39	–31
thereof from joint ventures	*–17*	*–14*
thereof from associates	*–17*	*–6*
thereof from SABIC companies	*–5*	*–11*
Expenses from services rendered by related parties	–216	–224
thereof by joint ventures	*–30*	*–29*
thereof by associates	*–186*	*–194*
Expense from the purchase of property, plant and equipment from related parties	–7	–10
thereof from associates	*–7*	*–10*
Expense from lease contracts with related parties	–7	–7
thereof with associates	*–7*	*–7*

PAYABLES AND RECEIVABLES WITH RELATED PARTIES

in CHF m	**31.12.2020**	31.12.2019
Receivables from related parties	15	25
thereof from joint ventures	*4*	*5*
thereof from associates	*4*	*7*
thereof from SABIC companies	*7*	*13*
Payables to related parties	51	54
thereof to joint ventures	*4*	*6*
thereof to associates	*47*	*44*
thereof to SABIC companies	*-*	*4*
Loans to related parties	19	23
thereof to joint ventures	*2*	*7*
thereof to associates	*17*	*16*
Loans from related parties	1	–1
thereof from associates	*1*	*–1*
Guarantees to third parties on behalf of related parties[1]	—	63
thereof on behalf of joint ventures	*—*	*63*

[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	**2020**	2019
Salaries and other short-term benefits	9	8
Termination benefit	—	2
Post-employment benefits	1	1
Share-based payments	2	2
Total	**12**	**13**

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

35. Commitments and contingencies

Guarantees. No guarantees on behalf of third parties were issued in 2020 and 2019.

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 for the next ten years and other materials in 2021. This implies a total purchase commitment of about CHF 700 million (2019: about CHF 900 million).

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. After a court decision the case was settled with payments in the total amount of CHF 1.6 million in 2019.

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.

36. Exchange rates of principal currencies

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

	31.12.2020	31.12.2019
1 USD	0.88	0.97
1 EUR	1.08	1.08
1 BRL	0.17	0.24
1 CNY	0.13	0.14
100 INR	1.21	1.35
100 JPY	0.85	0.89

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

	2020	2019
1 USD	0.94	0.99
1 EUR	1.07	1.11
1 BRL	0.18	0.25
1 CNY	0.14	0.14
100 INR	1.26	1.41
100 JPY	0.88	0.91

37. Important subsidiaries

Country	Company name	Currency	Share-/paid in capital (in thousands)	Participation in %	Holding/Finance/Service	Sales	Production	Research	classified as discontinued operations
Argentina	Clariant (Argentina) SA, Buenos Aires	ARS	54 605	100.0			■	■	
	Colorants Solutions (Argentina) S.A., Ciudad Autónoma de Buenos Aires	ARS	92 556	100.0	■		■	■	
Australia	Clariant (Australia) Pty Ltd, Notting Hill	AUD	1 902	100.0			■	■	
	Colorants Solutions (Australia) Pty Ltd, Notting Hill	AUD	1 000	100.0	■		■		■
Belgium	Colorants Solutions (Belgium) SA, Louvain-La-Neuve	EUR	19	100.0	■		■		■
Brazil	Clariant S.A., São Paulo	BRL	276 953	100.0		■	■	■	
	Clariant Administração de Bens Ltda., São Paulo	BRL	43 809	100.0	■	■	■		
	Companhia Brasileira de Bentonita Ltda, Vitoria da Conquista	BRL	17 470	100.0			■	■	
	Consórcio CCPN, Niteroi	BRL	26 113	100.0			■	■	
	Colorants Solutions (Brazil) Ltda., Santo Amaro	BRL	44 152	100.0	■		■	■	■
Canada	Clariant (Canada) Inc., Toronto	CAD	10 415	100.0			■	■	
	Colorants Solutions (Canada) Inc., Toronto	CAD	2 800	100.0	■		■		■
Chile	Clariant (Chile) Ltda., Maipú-Santiago de Chile	CLP	15	100.0			■	■	
China	Clariant (China) Ltd., Hong Kong	HKD	414 788	100.0		■			
	Clariant Bohai Pigments Preparations (Tianjin) Ltd., Tianjin	CNY	49 176	90.0			■	■	
	Clariant Chemicals (China) Ltd., Shanghai	CNY	210 014	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 Redhill Bentonite (Liaoning) Ltd., Jianping	CNY	124 365	100.0			■	■	
	Clariant Specialty Chemicals (Zhenjiang) Co., Ltd., Zhenjiang	CNY	149 503	100.0			■	■	
	Clariant Bentonite (Jiangsu) Co., Ltd., Zhenjiang	CNY	79 058	100.0			■	■	
	Clariant Coatings (Shanghai) Ltd., Shanghai	CNY	245 393	100.0			■	■	
	Clariant Chemicals Technology (Shanghai) Ltd., Shanghai	CNY	80 827	100.0	■			■	
	Clariant Specialty Chemicals (Jiaxing) Co., Ltd., Jiangxing	CNY	118 626	100.0				■	
Colombia	Clariant Colombia S.A., Cota (Cundinamarca)	COP	2 265	100.0			■	■	
	Colorants Solutions (Colombia) S.A.S., Cota (Cundinamarca)	COP	5 567	100.0	■		■	■	■
France	Clariant Production (France), Choisy le Roi	EUR	6 273	100.0			■	■	
	Clariant Services (France), Choisy le Roi	EUR	21 200	100.0		■			
	Colorants Solutions (France), Choisy le Roi	EUR	300	100.0	■		■	■	■
Germany	Navigance GmbH, Planegg	EUR	102	100.0		■	■	■	
	Clariant Produkte (Deutschland) GmbH, Frankfurt a.M.	EUR	9 348	100.0		■	■	■	
	Colorants Solutions (Deutschland) GmbH, Frankfurt a.M.	EUR	500	100.0	■		■	■	■
	Clariant SE, Frankfurt a.M.	EUR	916	100.0	■		■	■	
	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 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		■			
	Colorants Solutions (UK) Ltd, Yeadon, Leeds	GBP	3 501	100.0	■		■		■
Greece	Süd-Chemie Hellas Monoprosopi EPE, Adamantas, Milos	EUR	548	100.0			■	■	
Guatemala	Clariant Specialties (Guatemala), S.A., Guatemala City	GTQ	4 114	100.0			■		
India	Clariant Chemicals (India) Ltd, Navi Mumbai	INR	230 818	51.0			■	■	
	Clariant India Private Limited, Navi Mumbai	INR	10 829	100.0		■	■		
	Süd-Chemie India Pvt. Ltd., Ernakulam	INR	9 623	50.0			■		
Indonesia	PT. Clariant Indonesia, Tangerang	IDR	267 577	100.0		■	■	■	
	PT. Clariant Kujang Süd-Chemie Catalysts, Cikampek	USD	3 447	76.9			■	■	

Country	Company name	Currency	Share-/ paid in capital (in thousands)	Participation in %	Holding/ Finance/ Service	Sales	Production	Research	classified as discontinued operations
	PT. Clariant Plastics & Coatings, Tangerang Banten	USD	10 282	100.0			■		
	PT. Clariant Specialties Indonesia, Tangerang Banten	IDR	4 803	100.0			■		
	PT. Clariant Adsorbents Indonesia, Sukabumi	IDR	12 375	100.0			■	■	
	P.T. Colorants Solutions (Indonesia), Tangerang	IDR	21 750	100.0					■
Italy	Clariant (Italia) S.p.A., Milano	EUR	36 000	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			■	■	
	Colorants Solutions (Italia) S.p.A., Milano	EUR	5 200	100.0					■
Japan	Clariant (Japan) K.K., Tokyo	JPY	450	100.0			■	■	
	Clariant Catalysts (Japan) K.K., Tokyo	JPY	544	61.5		■	■	■	
	Clariant Plastics & Coatings (Japan) K.K., Tokyo	JPY	250	100.0			■	■	
Korea	Clariant (Korea) Ltd., Pohang, Pohang-Si	KRW	6 361	100.0			■	■	
Luxemburg	Clariant Finance (Luxembourg) S.A., Luxemburg	EUR	82 030	100.0		■			
Malaysia	Clariant (Malaysia) Sdn Bhd, Kuala Lumpur	MYR	12 347	100.0			■		
	Clariant Oil Services (Malaysia) Sdn Bhd, Petaling Jaya	MYR	411	48.9			■	■	
	Clariant Specialty Chemical (M) Sdn Bhd, Kuala Lumpur	MYR	3 300	100.0	■	■			
Mexico	Clariant (Mexico) S.A. de C.V., Ecatepec de Morelos	MXN	22 219	100.0		■	■	■	
	Clariant Productos Químicos, S.A. de C.V., Ecatepec de Morelos	MXN	2 475	100.0	■				
	Clariant Plastics & Coatings México, S.A. de C.V., Ecatepec de Morelos	MXN	358	100.0		■	■	■	
	Clariant Servicios Integrales México, S.A. de C.V., Ecatepec de Morelos	MXN	3	100.0	■				
Morocco	Clariant (Maroc) S.A., Casablanca	MAD	4 000	100.0			■		
Norway	Clariant Oil Services Scandinavia AS, Bergen	NOK	4 725	100.0			■		
Pakistan	Clariant Pakistan (private) limited, Karachi	PKR	50 000	100.0			■		
Peru	Clariant (Perú) S.A., Lima	PEN	20 454	100.0		■	■	■	
	Clariant Plastics & Coatings (Perú) S.A.C., Lima	PEN	2 010	100.0			■		
Poland	Clariant Poland Spolka z.o.o., Konstantynów Łódzki	PLN	3 000	100.0			■	■	
	Clariant Services (Poland) SP. z o.o., Łódź	PLN	10 000	100.0	■				
	Colorants Solutions (Polska) Spolka z o.o., Łódź	PLN	4 500	100.0	■				■
Qatar	Clariant Qatar W.L.L., Mesaieed	QAR	60 000	65.0			■	■	
Romania	Clariant Products Ro Srl, Bucarest	RON	105 261	100.0	■	■			
Russia	Clariant (RUS) LLC, Moscow	RUB	16 200	100.0			■		
Singapore	Clariant (Singapore) Pte. Ltd., Singapore	SGD	3 500	100.0		■	■		
	Clariant South East Asia Pte. Ltd., Singapore	SGD	1 560	100.0		■	■		
	Colorants Solutions (Singapore) Pte. Ltd., Singapore	SGD	3 000	100.0					■
South Africa	Clariant Sasol Catalysts Ltd., Chloorkop, Gauteng	ZAR	1 417	80.0			■	■	
	Clariant Southern Africa (Pty) Ltd. Chloorkop, Gauteng	ZAR	6	100.0		■	■	■	
	Clariant Plastics & Coatings Southern Africa (Pty) Ltd., Chloorkop, Gauteng	ZAR	70 000	100.0			■	■	
Spain	Clariant Ibérica Producción S.A., Sant Joan Despi	EUR	6 023	100.0		■	■	■	
	Clariant Ibérica Servicios S.L., Sant Joan Despi	EUR	358	100.0	■				
	Colorants Solutions (Ibérica) S.A., Sant Joan Despi	EUR	3 503	100.0					■
Sweden	Clariant Production Sweden AB, Mölndal	SEK	500	100.0			■	■	
	Colorants Solutions Scandinavia AB, Mölndal	SEK	50	100.0					■
Switzerland	Clariant Consulting AG, Muttenz	CHF	200	100.0		■			
	Clariant Chemical Consulting AG, Muttenz	CHF	100	100.0		■			
	Clariant International AG, Muttenz	EUR	101 648	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		■			
	Clariant Produkte (Schweiz) AG, Muttenz	CHF	5 000	100.0		■	■		

Country	Company name	Currency	Share-/paid in capital (in thousands)	Participation in %	Holding/Finance/Service	Sales	Production	Research	classified as discontinued operations
	Clariant Additives (Switzerland) AG, Muttenz	CHF	5 000	100.0			■	■	
	Colorants International AG, Muttenz	EUR	28 799	100.0	■	■	■	■	■
	Colorants Solutions Switzerland AG, Muttenz	EUR	100	100.0			■	■	
Taiwan	Clariant Specialty Chemicals (Taiwan) Co., Ltd., Taipei	TWD	36 000	100.0			■		
Thailand	Clariant (Thailand) Ltd., Bangkok	THB	250 000	100.0			■		
	Colorants Solutions (Thailand) Ltd., Bangkok	THB	100 000	100.0	■		■	■	■
Turkey	Clariant (Türkiye) A.S., Ataşehir/İstanbul	TRY	17 538	100.0			■	■	
	Colorants Solutions (Türkiye) A.S., Ataşehir/İstanbul	TRY	1 500	100.0	■		■	■	■
UAE	Clariant (Gulf) FZE, Jebel Ali, Dubai	AED	1 000	100.0			■		
	Colorants Solutions (Gulf) FZE, Jebel Ali, Dubai	AED	1 000	100.0	■		■		■
Ukraine	Clariant Ukraine LLC, Severodonetsk	UAH	28 688	100.0			■	■	
USA	Clariant Corporation, Charlotte, NC	USD	749 500	100.0		■	■	■	
	Colorants Solutions USA LLC, Charlotte, NC	USD	1 000	100.0	■		■		■
Venezuela	Clariant Venezuela, S.A., Maracay	VES	1	100.0		■	■		

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

38. Events subsequent to the balance sheet date

On 1 February 2020, Clariant announced that the Board of Directors recommends to the shareholders of the Company a regular distribution from paid-in share capital of CHF 0.70 per share. This would include CHF 0.55 per share for the fiscal year 2019 and CHF 0.15 per share for 2020. Agreeing to the agenda items proposed by the Board of Directors, the anchor shareholder SABIC withdraws its own proposals for the agenda of the Annual General Meeting, sent to the Company at the end of December 2020. This included a special distribution to shareholders in the amount of up to CHF 2.00 per share.

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 sheets as at 31 December 2020 and the consolidated income statements, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements 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 1 to 65) give a true and fair view of the consolidated financial position of the Group as at 31 December 2020 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.

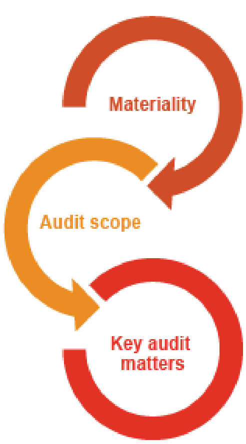
Basis for opinion

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 International Code of Ethics for Professional Accountants (including International Independence Standards) of the International Ethics Standards Board for Accountants (IESBA Code), 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 32 million

We concluded full scope audit work at 19 reporting units in nine countries. Our audit scope addressed over 67% of the Group's revenue, including discontinued operations. In addition, we performed review procedures on the Business Unit Masterbatches for the first six months of 2020, covering a further 9% of the Group's revenue.

As key audit matters, the following areas of focus have been identified:

- Management's assumptions and estimates used in the impairment test for goodwill
- Divestment of the Business Unit Masterbatches

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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 judgement, 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 32 million
How we determined it	2.5% of the Group's EBITDA (including discontinued operations and adjusted for selected non-recurring effects) 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 management assesses its profitability mainly on the basis of this measure of profit and we took the Group's assets into consideration since the chemical industry, being highly capital intensive, has a more volatile net profit margin than other industries.

We agreed with the Audit Committee that we would report to them misstatements above CHF 1.6 million identified during our audit as well as any misstatements below that amount which, in our view, warranted reporting for qualitative reasons.

Audit scope

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 123 reporting units, we identified 19 reporting units (components) as the largest contributors to the Group's financial statements (amounting to 67% of the Group's revenue including discontinued operations and addressing all geographical areas of the Group's business). These reporting units were subject to a full scope audit by local PwC network firms. In addition, we held regular virtual meetings during all phases of the audit to discuss material audit topics with the component auditors of the most significant reporting units. Further audit procedures were performed by the central Group audit team on certain Group functions (addressing, among other topics, taxation, treasury and information technology) and the Group consolidation. Of the Group's revenue, 9% was addressed through our review procedures on the Business Unit Masterbatches for the first six months of 2020. In addition, two PwC network firms performed specific audit procedures related to sales and procurement and to the financial closing cycle at the Group's shared service centres on behalf of PwC Switzerland.

Key audit matters

Key audit matters are those matters that, in our professional judgement, 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
The valuation of goodwill depends on the forecast results of the businesses and the discount rates applied to cash flow forecasts. We consider its valuation to be a key audit matter because of the significant scope for judgement involved in the assumptions on which these forecasts are	We evaluated and challenged management's assumptions as presented on page 18 (Critical accounting estimates and judgments, 4.1 Estimated impairment of goodwill and

based. In particular, we focussed on goodwill relating to the Catalysts business unit, which amounts to CHF 645 million, as we consider that the risk of impairment is higher for this unit than for other business units. Please refer to page 18 (Critical accounting estimates and judgments, 4.1 Estimated impairment of goodwill, intangibles, and property, plant and equipment), and page 24 (Goodwill allocation) in the notes to the consolidated financial statements.	property, plant and equipment) in 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 challenge 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, considered actual revenue growth rates and operating margins against those in the business plans prepared in the year under review and included the actual rates and margins in the new business plans. 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 on the basis of 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, the Audit Committee and the Board of Directors. On the basis of the procedures performed and the evidence obtained, we identified no significant issues with respect to the process applied by management and the Board of Directors in the impairment test for goodwill.

Divestment of the Business Unit Masterbatches

Key audit matter	How our audit addressed the key audit matter
Clariant completed the sale of its Business Unit Masterbatches on 1 July 2020 for a total consideration of CHF 1,448 million. As a result, a gain on disposal of CHF 723 million after tax was recognised in discontinued operations of the current year. The disposal of the Business Unit Masterbatches is a significant event for the Group, has a material impact on the consolidated financial statements and involves management's judgement.	We analysed the share purchase agreement and other documents to verify the closing date of the transaction and the determined consideration. We discussed with management the approach and the calculation of the gain on disposal. We evaluated the consolidation journal entries related to the deconsolidation of the Business Unit Masterbatches and the calculation of the gain on disposal. We assessed management's assumptions, tested the reclassification of the related currency translation adjustment and evaluated

Please refer to note 25 (Discontinued operations and assets held for sale) in the notes of the consolidated financial statements.	the presentation and the disclosures related to the disposal in the consolidated financial statements. On the basis of the procedures performed and the information obtained, we are satisfied that the approach taken by management and the Board of Directors was reasonable.

Other information in the integrated report

The Board of Directors is responsible for the other information in the integrated report. The other information comprises all information included in the integrated report, but does not include the consolidated financial statements, the stand-alone financial statements and the compensation 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 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 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 either intends 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.

A further description of our responsibilities for the audit of the consolidated financial statements is located at the website of EXPERTsuisse: http://expertsuisse.ch/en/audit-report-for-public-companies. This description forms part of our auditor's report.

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	Michael Scheibli
Audit expert Auditor in charge	Audit expert

Basel, 9 February 2021

Review of trends

FIVE-YEAR GROUP OVERVIEW 2016–2020

		2020[2]	2019[2]	2018[3]	2018	2017	2016
Segment sales	CHF m	**3 883**	**4 434**	**4 445**	**6 682**	**6 429**	**5 883**
Change relative to preceding year							
in Swiss francs	%	–12	—	—	4	9	1
in local currency	%	–5	3	—	5	9	2
Group sales[1]	CHF m	**3 860**	**4 399**	**4 404**	**6 623**	**6 377**	**5 847**
Change relative to preceding year							
in Swiss francs	%	–12.3	–0	—	4	9	1
in local currency	%	–5	3	—	5	9	2
Adjusted operating income	CHF m	**350**	**444**	**480**	**693**	**673**	**622**
Change relative to preceding year	%	–21	–7	–29	3	8	4
as a % of sales		9.1	10.1	10.9	10.5	10.6	10.6
Operating income	CHF m	**298**	**165**	**348**	**546**	**496**	**512**
Change relative to preceding year	%	81	–53	–30	10	–3	3
as a % of sales		7.7	3.8	7.9	8.2	7.8	8.8
EBITDA	CHF m	**578**	**461**	**607**	**871**	**813**	**785**
Change relative to preceding year	%	25	–24	–25	7	4	2
as a % of sales		15.0	10.5	13.8	13.2	12.7	13.4
Adjusted EBITDA	CHF m	**619**	**740**	**739**	**1 018**	**974**	**887**
Change relative to preceding year	%	–16	—	–24	5	10	4
as a % of sales		16.0	16.8	16.8	15.4	15.3	15.2
Net income	CHF m	**799**	**38**	**356**	**356**	**302**	**263**
Change relative to preceding year	%	2 003	–89	18	18	15	10
as a % of sales		20.7	0.9	8.1	5.4	4.7	4.5
Investment in property, plant and equipment	CHF m	**288**	**273**	**237**	**237**	**248**	**297**
Change relative to preceding year	%	5	15	–4	–4	–16	–21
as a % of sales		7	6	5	4	4	5
Personnel costs[4]	CHF m	**1 273**	**1 431**	**1 457**	**1 457**	**1 460**	**1 383**
Change relative to preceding year	%	–11	–2	—	—	6	3
as a % of sales		33	33	33	22	23	24
Employees at year-end	number	13 235	17 223	17 901	17 901	18 135	17 442
Change relative to preceding year	%	–23	–4	–1	–1	4	1

[1] Including trading
[2] Continuing operations
[3] Restated for discontinued operations
[4] Including discontinued operations

Financial statements of Clariant Ltd, Muttenz

BALANCE SHEETS OF CLARIANT LTD

at 31 December 2020 and 2019

	Notes	**31.12.2020** in CHF	in %	31.12.2019 in CHF	in %
Assets					
Current assets					
Cash and cash equivalents	3	352 170 332		226 347 902	
Short-term deposits	3	256 120 000		130 143 600	
Other short-term receivables	4	32 266 139		34 533 505	
Accrued income and prepaid expenses		2 998 856		2 368 133	
Total current assets		**643 555 327**	**12.9**	**393 393 140**	**7.3**
Non-current assets					
Loans to Group companies		2 528 737 770		2 974 169 841	
Other financial assets		502 240		922 320	
Shareholdings in Group companies	5	1 822 537 204		1 992 699 302	
Intangible assets		5 468 935		7 598 141	
Total non-current assets		**4 357 246 149**	**87.1**	**4 975 389 604**	**92.7**
Total assets		**5 000 801 476**	**100.0**	**5 368 782 744**	**100.0**
Liabilities and Equity					
Liabilities					
Current liabilities					
Other current non-interest-bearing liabilities	6	182 953 864		73 696 526	
Other current interest bearing liabilities	7	620 205 551		407 346 090	
Current provision		188 982 974		111 413 099	
Accrued expenses		5 864 408		5 483 403	
Total current liabilities		**998 006 797**	**20.0**	**597 939 118**	**11.2**
Non-current liabilities					
Non-current interest-bearing liabilities to third parties	12	1 417 038 097		1 471 357 780	
Total non-current interest-bearing liabilities	**12**	**1 417 038 097**	**28.3**	**1 471 357 780**	**27.4**
Total liabilities		**2 415 044 894**		**2 069 296 898**	
Equity					
Share capital	**8, 11**	**1 228 175 036**		**1 228 175 036**	
Reserves from capital contribution[1]	9, 11	1 308 215 414		2 094 200 965	
thereof from capital contribution reserves (other)		*1 308 215 414*		*1 506 664 792*	
thereof from capital contribution reserves (foreign)		–		*587 536 173*	
Reserves from retained earnings[2]	9, 11	–1 264 297 991		–1 264 297 991	
Other statutory reserves		220 000 000		–	
Total statutory capital reserves	**11**	**263 917 423**		**829 902 974**	
Voluntary retained earnings	11	865 920 811		1 277 300 539	
Total reserves	**9, 11**	**1 129 838 234**		**2 107 203 513**	
Profit for the financial year		271 260 385		11 295 791	
Treasury shares	**10, 11**	**–43 517 073**		**–47 188 494**	
Total equity		**2 585 756 582**	**51.7**	**3 299 485 846**	**61.4**
Total equity and liabilities		**5 000 801 476**	**100.0**	**5 368 782 744**	**100.0**

[1] In 2012, the Swiss Federal Tax Administration confirmed qualifying capital contribution reserves of approximately CHF 1.7 billion (as at 31 December 2020 due to distributions still amounting of approximately CHF 40 million). 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.

INCOME STATEMENTS OF CLARIANT LTD

for the years ended 31 December 2020 and 2019	Notes	**2020** in CHF	2019 in CHF
Income			
Income from shareholdings in Group companies		106 883 944	63 684 441
Income from interest on loans to Group companies		55 575 323	66 487 459
Other financial income		7 123 835	10 993 377
Reversal of devaluations on shareholdings and other income related to Group Companies	5	—	134 703 181
Income from disposals of shareholdings and other income	5	655 064 606	48 169 291
Total income		**824 647 708**	**324 037 749**
Expenses			
Financial expenses		42 089 305	44 748 897
Administrative expenses		63 789 124	71 251 329
Devaluations of shareholdings and other expenses related to Group companies	5	282 569 184	154 081 709
Exchange rate differences net		60 458 451	35 679 937
Other expenses		102 480 556	6 041 951
Taxes		2 000 703	938 135
Total expenses		**553 387 323**	**312 741 958**
Profit for the financial year		**271 260 385**	**11 295 791**

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 statement of Clariant Ltd for issue on 9 February 2021. It will be subject to approval by the Annual General Meeting of Shareholders scheduled for 7 April 2021.

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).

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

3. Cash and cash equivalents and short-term deposits

Cash and cash equivalents amounts to CHF 352 170 332 at the end of 2020 compared with CHF 226 347 902 at the end of 2019 and comprise cash in hand denominated mainly in US-dollar, euro, Swiss francs and Japanese Yen and to a lesser extent in other currencies.

Short-term deposits amounted to CHF 256 120 000 at the end of 2020 compared to CHF 130 143 600 at the end of 2019 and include short term deposits with an original maturity between 90 and 365 days.

4. Other short-term receivables

Other short-term receivables amounted to CHF 32 266 139 at the end of 2020 compared to CHF 34 533 505 at the end of 2019. They comprise third party receivables for CHF 374 292 (compared to CHF 273 512 at the end of 2019) and intragroup receivables for CHF 31 891 847 (compared with CHF 34 259 993 at the end of 2019).

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 Finance (Luxembourg) S.A and Clariant Corporation (USA).
At the end of 2020, shareholdings in Group companies amount to CHF 1 822 537 204 compared to CHF 1 992 699 302 at the end of 2019. After this review, the following was recorded in the income statement: A reversal of devaluation of CHF 0 (2019: CHF 134 703 181) in "Reversal of devaluations on shareholdings and other income related to Group Companies" and a devaluation of CHF 282 569 184 (2019: CHF 154 081 709) in "Devaluations of shareholdings and other expenses related to Group Companies".

In the year 2020 no hidden reserves were reversed (2019: CHF 75 million).

On 1 July 2020 Clariant Ltd sold its subsidiary Clariant Plastics & Coatings Ltd and that company's subsidiaries to the US-based group Avient, as part of Clariant's transactions to sell the Masterbatch business. Total consideration for the sale of the company amounted to CHF 736 million and resulted in a book gain of CHF 582 million. Additionally loans extended to Masterbatch companies in the amount of CHF 430 million were transferred to the buyer at nominal value.

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

Country	Company name		Capital interest (%)	Voting rights (%)	Capital interest (%)	Voting rights (%)
			2020	**2020**	**2019**	**2019**
Brazil	Clariant S.A.	São 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) S.A.	Cota (Cundinamarca)	5.13%	5.13%	5.13%	5.13%
Ecuador	Clariant (Ecuador) S.A.	Quito	0.03%	0.03%	0.03%	0.03%
France	Clariant Services (France)	Choisy-le-Roi	43.00%	43.00%	43.00%	43.00%
Germany	Clariant Verwaltungsgesellschaft mbH	Frankfurt a.M.	100.00%	100.00%	100.00%	100.00%
Great Britain	Clariant Services UK Ltd	Yeadon, Leeds	100.00%	100.00%	100.00%	100.00%
Guatemala	Clariant Specialties (Guatemala) S.A.	Guatemala City	10.00%	10.00%	10.00%	10.00%
Japan	Clariant (Japan) K.K.	Tokyo	70.48%	70.48%	70.48%	70.48%
	Clariant Catalysts (Japan) K.K.	Tokyo	61.45%	61.45%	61.45%	61.45%
Korea	Clariant Plastics & Coatings (Korea) Ltd.	Pohang, Gyeongbuk	0.00%	0.00%	17.50%	17.50%
	Clariant (Korea) Ltd.	Pohang, Gyeongbuk	17.50%	17.50%	17.50%	17.50%
Luxembourg	Clariant Finance (Luxembourg) S.A.	Luxembourg	100.00%	100.00%	100.00%	100.00%
Morocco	Clariant (Maroc) S.A.	Casablanca	0.05%	0.05%	0.05%	0.05%
Mexico	Clariant (Mexico) S.A. de C.V.	Ecatepec de Morelos	99.99%	99.99%	99.99%	99.99%
Norway	Clariant Oil Services Scandinavia AS	Bergen	100.00%	100.00%	100.00%	100.00%
Peru	Clariant (Perú) S.A.	Lima	0.23%	0.23%	0.23%	0.23%
Singapore	Clariant South East Asia Pte. Ltd.	Singapore	100.00%	100.00%	100.00%	100.00%
South Africa	Clariant Southern Africa (Pty) Ltd.	Chloorkop, Gauteng	100.00%	100.00%	100.00%	100.00%
Spain	Clariant Ibérica Servicios S.L.	El Prat de Llobregat	85.03%	85.03%	85.03%	85.03%
	Clariant Ibérica Produccion S.A.	El Prat de Llobregat	100.00%	100.00%	35.00%	35.00%
Sweden	Clariant Production Sweden AB	Mölndal	100.00%	100.00%	100.00%	100.00%
Switzerland	Clariant Plastics & Coatings AG	Muttenz	0.00%	0.00%	100.00%	100.00%
	Clariant Reinsurance AG	Muttenz	100.00%	100.00%	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%	80.00%	80.00%
	Clariant Chemical Consulting AG	Muttenz	100.00%	100.00%	100.00%	100.00%
	Clariant Prime AG	Muttenz	100.00%	100.00%	100.00%	100.00%
	Clariant Pro AG	Muttenz	100.00%	100.00%	100.00%	100.00%
	Colorants International AG	Muttenz	100.00%	100.00%	100.00%	100.00%
Thailand	Clariant (Thailand) Ltd.	Bangkok	100.00%	100.00%	100.00%	100.00%
Turkey	Clariant (Türkiye) A.S.	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 37, Important subsidiaries of this report.

6. Other current non-interest-bearing liabilities

Other current non-interest bearing liabilities amount to CHF 182 953 864 at the end of 2020 compared to CHF 73 696 526 at the end of 2019. They comprise third party liabilities of CHF 12 266 501 (compared to CHF 14 468 449 at the end of 2019) and intragroup liabilities of CHF 170 687 363 (compared with CHF 59 228 077 at the end of 2019).

Liabilities to other Group companies mainly comprise a transfer of shareholdings, shareholder costs payable to Clariant International Ltd and to Colorants International Ltd and to Clariant Plastics & Coatings Ltd for the prior year.

7. Other current interest-bearing liabilities

Other current interest bearing liabilities amount to CHF 620 205 551 at the end of 2020 (2019: CHF 407 346 090). They comprise third party liabilities of CHF 329 130 020 (2019: CHF 395 307 100) and intragroup liabilities of CHF 291 075 531 (2019: CHF 12 038 990).

On 17 April 2020, the certificates of indebtedness issued in 2015 in the amount of EUR 150 million (CHF 162 million) reached marurity and were repaid.

On 26 October 2020 the certificates of indebtness issued in 2015 in the amount of EUR 212 million (CHF 229 million) reached maturity and were repaid.

On 24 April 2019 a bond issued in 2012 in the amount of CHF 285 million reached maturity and was repaid.

One certificate of indebtness issued in 2016 with a nominal value of EUR 55 million and two certificates of indebtness issued in 2016 with a nominal value of USD 227 million will mature in 2021 and were therefore reclassified to current interest bearing liabilities.

Since 16 December 2016, Clariant Ltd has an agreement for a CHF 445 million (2019: 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 RCF has been extended until 16 December 2023.

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

8. Share capital

Capital issued	31.12.2020	31.12.2019
Number of registered shares each with a par value of CHF 3.70 (2019: CHF 3.70)	331 939 199	331 939 199
In CHF	1 228 175 036	1 228 175 036

Conditional capital	31.12.2020	31.12.2019
Number of registered shares each with a par value of CHF 3.70 (2019: 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

	2020	2019
Holdings at 1 January	**2 586 765**	**2 250 664**
Shares purchased at fair market value	34 000	572 000
Shares transferred to employees and Board of Directors	–235 256	–235 899
Holdings on 31 December	**2 385 509**	**2 586 765**

Each registered share has a par value of CHF 3.70 (2019: CHF 3.70)

The average price of shares bought in 2020 was CHF 17.02. In 2019 the average price of shares bought was CHF 18.14.

In 2020 and 2019 no shares were sold.

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

11. Reconciliation of equity

in CHF	Share capital	Statutory capital reserves		Other statutary reserves	Voluntary retained earnings	Treasury shares	Net income	**Total**
		from capital contribution [1]	from retained earnings[2]					
Balance 31 December 2019	**1 228 175 036**	**2 094 200 965**	**–1 264 297 991**	**—**	**1 277 300 539**	**–47 188 494**	**11 295 791**	**3 299 485 846**
Reclassification of profit carryforward to voluntary retained earnings					11 295 791		–11 295 791	–
Reclassification from voluntary retained earnings to statutory reserves				220 000 000	–220 000 000			–
Reclassification		–785 985 551			785 985 551			–
Distribution					–988 661 070			–988 661 070
Changes in treasury shares						3 671 421		3 671 421
Profit for the financial year							271 260 385	271 260 385
Balance 31 December 2020	**1 228 175 036**	**1 308 215 414**	**–1 264 297 991**	**220 000 000**	**865 920 811**	**–43 517 073**	**271 260 385**	**2 585 756 582**

[1] In 2012, the Swiss Federal Tax Administration confirmed qualifying capital contribution reserves of approximately CHF 1.7 billion (as per 31 December 2020 due to distributions still amounting of approximately CHF 40 million). 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. Financial liabilities

in CHF	Interest rate	Term	**Amount 31.12.2020**	Amount 31.12.2019
Non-current interest bearing liabilities to third parties				
Certificate of indebtedness	mixed	2015-2020	–	162 679 500
Certificate of indebtedness	1.012	2016-2020	–	171 727 450
Certificate of indebtedness	6m EURIBOR+1.05	2016-2020	–	60 900 150
Certificate of indebtedness	0.779	2016-2021	60 128 700	60 191 415
Certificate of indebtedness	3m LIBOR +1.5	2016-2021	161 498 080	161 498 080
Certificate of indebtedness	2.618	2016-2021	107 503 240	107 503 240
Straight bond	3.500	2012-2022	175 000 000	175 000 000
Certificate of indebtedness	mixed	2020-2022	123 706 945	–
Certificate of indebtedness	3m LIBOR+1.5	2020-2022	37 500 000	–
Certificate of indebtedness	mixed	2015-2023	162 061 500	162 679 500
Certificate of indebtedness	6m EURIBOR+1.1	2016-2023	14 084 200	14 098 890
Certificate of indebtedness	1.137	2016-2023	28 710 100	28 740 045
Certificate of indebtedness	1.501	2016-2023	80 651 550	80 651 550
Straight bond	2.125	2014-2024	160 000 000	160 000 000
Certificate of indebtedness	1.194	2018-2024	103 868 000	103 868 000
Certificate of indebtedness	1.548	2018-2025	115 722 500	115 722 500
Certificate of indebtedness	6m EURIBOR +0.95	2018-2025	60 401 500	60 401 500
Certificate of indebtedness	6m EURIBOR+1.9	2020-2025	89 674 030	–
Certificate of indebtedness	3m EURIBOR+1.80	2020-2025	25 000 000	–
Certificate of indebtedness	2.010	2016-2026	15 910 850	15 910 850
Straight bond	1.125	2019-2026	200 000 000	200 000 000
Certificate of indebtedness	2.087	2018-2028	19 193 000	19 193 000
Total straight bonds and certificates of indebtedness			**1 740 614 195**	**1 860 765 670**
Other non-current interest-bearing liabilities to banks and other financial institutions			5 553 922	5 899 210
Total interest bearing liabilities			**1 746 168 117**	**1 866 664 880**
Less: Other current interest bearing liabilities			–329 130 020	–395 307 100
Total non-current interest bearing liabilities to third parties			**1 417 038 097**	**1 471 357 780**
Total non-current interest bearing liabilities			**1 417 038 097**	**1 471 357 780**
Breakdown by maturity				
one to five years			1 181 934 247	1 056 169 145
more than five years			235 103 850	415 188 635
Total non-current interest bearing liabilities			**1 417 038 097**	**1 471 357 780**

On 22 May 2020 Clariant issued five certificates of indebtedness with the total amount of EUR 197.5 million and CHF 62.5 million. These certificates have terms of 2 years expiring on 23 May 2022 (EUR 114.5 million and CHF 37.5 million) and 5 years expiring on 22 May 2025 (EUR 83 million and CHF 25 million). While a tranche of CHF 62.5 million has a variable interest of 3 months CHF-LIBOR

plus spread that ranges between 1.50 % and 1.80 % and a tranche in the amount of EUR 110.5 million has a variable interest rate of 6 months EURIBOR plus spread that range between 1.45 % and 1.90 %, the fixed interest rate is 1.45 % for a tranche in the amount of EUR 87 million.

On 15 April 2019 new bonds in the amount of CHF 200 million were launched with a term of 7 years and a fixed interest rate of 1.125 % p.a.

13. Contingent liabilities

in CHF m	**Outstanding liabilities 31.12.2020**	Outstanding liabilities 31.12.2019
Outstanding liabilities as guarantees in favor of Group companies	458	407

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 of the Swiss entities of that group.

In 2017 the European Commission (Antitrust) initiated an investigation on Clariant and some of its competitors active in the ethylene purchasing sector in some members states. One of Clariant Ltd's subsidiaries set up a provision of CHF 231 million for this case in 2019. In 2020 the case was settled with a fine of CHF 166 million, which was paid in December 2020. The excess amount of the provision of CHF 55 million was reversed.

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**	Number of shares granted[2]	Value of shares granted[2]	**Number of privately held shares**	Number of privately held shares
	for 2020	**for 2020**	**for 2019**	**for 2019**	**for 2020**	**for 2019**
Hariolf Kottmann	16 667	300 000	13 090	300 023	449 573[3]	430 750
Dr. Khaled Homza A. Nahas	–	30 000[5]	5 236	120 009	–	2 594
Abdullah Mohammed Alissa	6 667	120 000	4 364	100 023	6 525	2 161
Günter von Au	5 556	100 000	4 364	100 023	68 863	64 499
Calum MacLean	5 556	100 000	4 364	100 023	6 525	2 161
Geoffery Merszei	5 556	100 000	4 364	100 023	6 525	2 161
Eveline Saupper	5 556	100 000	4 364	100 023	24 388	20 024
Peter Steiner	5 556	100 000	4 364	100 023	18 388	14 024
Claudia Suessmuth Dyckerhoff	5 556	100 000	4 364	100 023	19 488	15 124
Susanne Wamsler	5 556	100 000	4 364	100 023	1 185 180[4]	1 175 286[4]
Konstantin Winterstein	5 556	100 000	4 364	100 023	6 086 903	6 082 539
Nader Alwehibi	4 167	75 000	–	–	–	–
Thilo Mannhardt	4 167	75 000	–	–	–	–
Carlo G. Soave	–	25 000[5]	4 364	100 023	n.a.	40 778
Total	**76 116**	**1 425 000**	**61 966**	**1 420 262**	**7 872 358**	**7 852 101**

[1] Final number of shares for the mandate year will be defined prior to grant in 2021. Underlying assumption here is a share price of CHF 18.00.

[2] Correction needed due to adjustments of final share price at grant: Underlying assumption was CHF 21.50; Final allocation of shares with CHF 22.92; therefore, the numbers of shares differ from the overview in the Integrated Report 2019.

[3] Additionally 542 shares in vesting on 31 Dec 2020 resulting from previous years' participation in LTI plans as CEO.

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

[5] Pro rata cash payment for 2020 instead of shares.

No options were granted to members of the Board of Directors for the years 2020 and 2019, nor did any member of the Board of Directors 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.

2. Executive Committee

SHARES HELD

Name	**Number of shares granted**	**Value of shares granted**	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 2020	**for 2020**	for 2019	for 2019	**31.12.2020**	31.12.2019	**31.12.2020**	31.12.2019
Hans Bohnen	58 276[5]	750 012	47 141	750 013	112 381	62 259	124 049	100 625
Bernd Hoegemann	58 276[5]	750 012	n.a.[1]	n.a.[1]	79 299	26 758	59 495	56 899
Stephan Lynen	58 276[5]	750 012	n.a.[2]	n.a.[2]	78 799	n.a.	89 595	n.a.
Former Members	n.a.	n.a.	68 697[3]	1 074 196	n.a.	94 052	n.a.	417 686[4]
Total	**174 828**	**2 250 036**	**115 838**	**1 824 209**	**270 479**	**183 069**	**273 139**	**575 210**

[1] No grant in 2019; only became EC member in 2019 after grant date.
[2] No grant in 2019; only became EC member in 2020.
[3] Former members include Patrick Jany for full year, Ernesto Occiello (CEO) and Christian Kohlpaintner pro-rated due to resignation in 2019.
[4] Former member Patrick Jany with resignation in 2020.
[5] Performance Share Units represent contingency rights that will be converted into shares depending on the performance achievement after the 3-year vesting period.

No options were granted to members of the Executive Committee for the years 2020 and 2019, 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.

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 2020 the following shareholders held more than 3 % of voting rights in Clariant Ltd:

Shareholders	Voting rights
SABIC International Holdings B.V., Sittard, The Netherlands, controlled by the Public Investment Fund of Saudi Arabia (PIF), Riyadh, Kingdom of Saudi Arabia	32.22 % [1]
APG Asset Management N.V., Amsterdam, Netherlands	5.01 %
BlackRock Inc., New York, United States	3.8 %
Blue Beteiligungsgesellschaft mbH, Am Holzmaierfeld, 82064 Strasslach-Dingharting (Germany) and Maple Beteiligungsgesellschaft mbH, Am Holzmaierfeld, 82057 Icking (Germany) [2]	3.49 %

[1] SABIC acquired 24.99 % of the shares of Clariant Ltd on 17 September 2018, and increased its participation by 6.51 % to 31.5 % on 9 September 2020. The difference between this figure (i.e. 31.5 %) and the above-mentioned 32.22 % corresponds to the amount of treasury shares held by Clariant Ltd which have to be aggregated to the shares held by SABIC solely for regulatory disclosure purposes due to the Governance Agreement entered into by SABIC and Clariant on 17 September 2018.

[2] According to a disclosure notification published on 18 December 2018, a group consisting of Konstantin Winterstein, 80333 Munich, Germany, and Elisabeth Prinzessin zu Sayn-Wittgenstein, 80333 Munich, Germany, was formed.

Disclosure notifications during the financial year 2020 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

On 31 December 2019, the following shareholders held a participation of 3 % or more of the total share capital: SABIC International Holdings B.V., Sittard, The Netherlands, controlled by the Public Investment Fund of Saudi Arabia (PIF), Riyadh, Kingdom of Saudi Arabia 25.67 %; APG Asset Management N.V., Amsterdam, Netherlands: 5.01 %; Blue Beteiligungsgesellschaft mbH, Am Holzmaierfeld, 82064 Grossdingharting (Germany), and Maple Beteiligungsgesellschaft mbH, Am Holzmaierfeld, 82064 Grossdingharting (Germany): 3.49 %; Citadel Multi-Strategy Equities Master Fund Ltd., George Town, Cayman Islands, Citadel Securities Financial Trading (Ireland) DAC, Dublin, Ireland, Citadel Global Equities (Ireland) DAC, Dublin, Ireland, Citadel Global Equities Master Fund Ltd., George Town, Cayman Islands, Citadel Multi-Strategy Equities (Ireland) DAC, Dublin, Ireland, Citadel Quantitative Strategies Master Fund Ltd., George Town, Cayman Islands: 3.285 %; Millennium Partners LP, George Town, Cayman Islands Integrated Core Strategies Asia Pte.Ltd., Singapore: 3.04 %.

At 31 December 2020, Clariant AG itself held 2 385 509 shares in treasury, corresponding to 0.72 % of the share capital.

17. Events subsequent to the balance sheet date

On 1 February 2020, Clariant announced that the Board of Directors recommends to the shareholders of the Company a regular distribution from paid-in share capital of CHF 0.70 per share.
This would include CHF 0.55 per share for the fiscal year 2019 and CHF 0.15 per share for 2020. Agreeing to the agenda items proposed by the Board of Directors, the anchor shareholder SABIC withdraws its own proposals for the agenda of the Annual General Meeting, sent to the Company at the end of December 2020. This included a special distribution to shareholders in the amount of up to CHF 2.00 per share.

Appropriation of available earnings

The Board of Directors proposes to appropriate the profit of 2020 of Clariant Ltd in the amount of CHF 271 260 385 as follows.

Annual result	in CHF
Carried forward from previous year	–
Profit for the year 2020	271 260 385
Total available earnings	**271 260 385**

Appropriation	in CHF
Voluntary retained earnings as at Dec. 31, 2020	865 920 811
Transfer to voluntary retained earnings	271 260 385
Voluntary retained earnings as at Jan. 1, 2021	1 137 181 196
Balance to be carried forward	0

Proposed distribution through capital reduction by way of a par value reduction

The Board of Directors proposes (in place of a dividend) a distribution through capital reduction by way of a par value reduction of CHF 0.70 per registered share, as a result of a reduction of the par value from CHF 3.70 to CHF 3.00 per registered share. The proposed payout would reduce the share capital by CHF 232 357 439.30.

The proposed payout of the par value reduction of CHF 0.70 is subject to approval by the ordinary General Meeting of shareholders and subject to the fulfillment of the necessary requirements and the entry of the share capital reduction in the Commercial Register of the Canton of Baselland.

If approved by the Annual General Meeting the payment will be made as soon as practicable, following the expiry of the two-month-period pursuant to article 733 Swiss Code of Obligations and the subsequent registration of the share capital reduction in the Commercial Register.

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 sheets as at 31 December 2020, income statements and notes for the year then ended, including a summary of significant accounting policies.

In our opinion, the financial statements (pages 72 to 82) as at 31 December 2020 comply with Swiss law and the company's articles of incorporation.

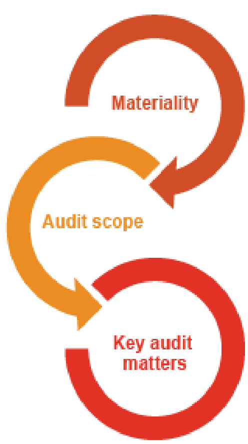
Basis for opinion

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 20 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 key audit matter, the following area of focus has been identified:

- Valuation of shareholdings in and loans to Group companies

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

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

We agreed with the Audit Committee that we would report to them misstatements above CHF 1 million identified during our audit as well as any misstatements below that amount which, in our view, warranted reporting for qualitative reasons.

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.

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 and loans to Group companies

Key audit matter	How our audit addressed the key audit matter
We consider the valuation of shareholdings in and loans to Group companies to be a key audit matter owing to the significant scope for judgement involved with respect to the assumptions and the discount rates applied for the valuations of the shareholdings as well as to the significance of these shareholdings and loans on the balance sheet. Please refer to pages 74 to 75 (Shareholdings in Group companies, note 5) in the notes to the financial statements.	We evaluated and challenged management's assumptions and the discount rates applied for the valuations of the shareholdings. We assessed management's process in grouping together certain shareholdings and the application of 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 made 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 rates by comparison with market information.

	We also tested the valuations of the loans to group companies based on these companies' financial positions. On the basis of work performed, we consider the approach, assumptions and discount rates used by management to support the carrying value of the shareholdings in and loans to Group companies to be 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 either intends 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.

A further description of our responsibilities for the audit of the financial statements is located at the website of EXPERTsuisse: http://expertsuisse.ch/en/audit-report-for-public-companies. This description forms part of our auditor's report.

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	Michael Scheibli
Audit expert Auditor in charge	Audit expert

Basel, 9 February 2021

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.