CLARIANT

2022

Financial Report

Greater chemistry

Consolidated balance sheets

Assets

CONSOLIDATED BALANCE SHEETS

at 31 December 2022 and 2021	Notes[1]	**31.12.2022** in CHF m	in %	31.12.2021 in CHF m	in %
Assets					
Non-current assets					
Property, plant and equipment	5	1 549		1 790	
Right-of-use assets	7	240		281	
Intangible assets	6	997		1 280	
Investments in associates and joint ventures	8	327		211	
Financial assets	9	225		198	
Prepaid pension assets	20	61		76	
Deferred tax assets	10	120		163	
Total non-current assets		**3 519**	**56.9**	**3 999**	**56.8**
Current assets					
Inventories	11	796		691	
Trade receivables	12	725		729	
Other current assets	13	326		316	
Current income tax receivables		54		48	
Short-term deposits	14	324		12	
Cash and cash equivalents	15	394		415	
Total current assets		**2 619**	**42.3**	**2 211**	**31.4**
Assets held for sale	25	**50**	**0.8**	**828**	**11.8**
Total assets		**6 188**	**100.0**	**7 038**	**100.0**

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

Consolidated balance sheets

Equity and liabilities

CONSOLIDATED BALANCE SHEETS

at 31 December 2022 and 2021

	Notes[1]	**31.12.2022** in CHF m	in %	31.12.2021 in CHF m	in %
Equity and liabilities					
Equity					
Share capital	17	863		996	
Treasury shares (par value)	17	–8		–8	
Other reserves		–1 165		–1 140	
Retained earnings		2 651		2 510	
Total capital and reserves attributable to Clariant shareholders		**2 341**		**2 358**	
Non-controlling interests		172		186	
Total equity		**2 513**	**40.6**	**2 544**	**36.1**
Liabilities					
Non-current liabilities					
Financial debts	18	870		958	
Deferred tax liabilities	10	27		30	
Retirement benefit obligations	20	488		593	
Non-current lease liabilities	7	195		233	
Other liabilities	22	55		58	
Provision for non-current liabilities	21	178		152	
Total non-current liabilities		**1 813**	**29.3**	**2 024**	**28.8**
Current liabilities					
Trade payables and other liabilities	22	1 009		985	
Financial debts	23	355		709	
Current income tax liabilities		233		257	
Current lease liabilities	7	44		49	
Provision for current liabilities	21	215		223	
Total current liabilities		**1 856**	**30.0**	**2 223**	**31.6**
Liabilities directly associated with assets held for sale	25	**6**	**0.1**	**247**	**3.5**
Total liabilities		**3 675**	**59.4**	**4 494**	**63.9**
Total equity and liabilities		**6 188**	**100.0**	**7 038**	**100.0**

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

Consolidated income statements

CONSOLIDATED INCOME STATEMENTS

for the years ended 31 December 2022 and 2021

	Notes[1]	**2022** in CHF m	in %	2021 in CHF m	in %
Sales	24	5 198	100.0	4 372	100.0
Costs of goods sold		–4 173		–3 077	
Gross profit		**1 025**	**19.7**	**1 295**	**29.6**
Selling, general and administrative costs		–834		–741	
Research and development costs		–160		–155	
Income from associates and joint ventures	24	41		41	
Operating income		**72**	**1.4**	**440**	**10.1**
Finance income	28	18		24	
Finance costs	28	–84		–70	
Income before taxes		**6**	**0.1**	**394**	**9.0**
Taxes	10	–107		–102	
Net result from continuing operations		**–101**	**–1.9**	**292**	**6.7**
Attributable to:					
Shareholders of Clariant Ltd		–133		267	
Non-controlling interests		32		25	
Net result from discontinued operations	25	**217**		**81**	
Attributable to:					
Shareholders of Clariant Ltd		217		77	
Non-controlling interests		—		4	
Net income		**116**		**373**	
Attributable to:					
Shareholders of Clariant Ltd		84		344	
Non-controlling interests		32		29	
Basic earnings per share attributable to the shareholders of Clariant Ltd (CHF/share)					
Continuing operations	29	–0.40		0.81	
Discontinued operations	29	0.66		0.23	
Total		**0.26**		**1.04**	
Diluted earnings per share attributable to the shareholders of Clariant Ltd (CHF/share)					
Continuing operations	29	–0.40		0.81	
Discontinued operations	29	0.66		0.23	
Total		**0.26**		**1.04**	

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

Consolidated statements of comprehensive income

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

for the years ended 31 December 2022 and 2021

	Notes[1]	**2022** in CHF m	2021 in CHF m
Net income		**116**	**373**
Other comprehensive income:			
Remeasurements:		73	14
thereof: Actuarial gain/loss on retirement benefit obligations	20	*486*	*28*
thereof: Return on retirement benefit plan assets, excluding amount included in interest expense	20	*–355*	*152*
thereof: Limitation on recognition of net pension assets	20	*–58*	*–166*
Fair value adjustment on financial assets	9	–4	2
Total items that will not be reclassified subsequently to the income statement, gross		**69**	**16**
Deferred tax effect	10	–22	–7
Total items that will not be reclassified subsequently to the income statement, net		**47**	**9**
Net investment hedge	30	20	22
Cash flow hedge		–4	—
Currency translation differences		–133	–57
Share in other comprehensive income of associates and joint ventures	8	9	2
Effect of the reclassification of foreign exchange differences on previously held net investments in foreign entities		76	–4
Total items that may be reclassified subsequently to the income statement, gross		**–32**	**–37**
Deferred tax effect		—	—
Total items that may be reclassified subsequently to the income statement, net		**–32**	**–37**
Other comprehensive income for the period, net of tax		**15**	**–28**
Total comprehensive income for the period		**131**	**345**
Attributable to:			
Shareholders of Clariant Ltd		115	315
Non-controlling interests		16	30
Total comprehensive income for the period		**131**	**345**
Total comprehensive income attributable to shareholders of Clariant Ltd arising from:			
Continuing operations		–178	218
Discontinued operations		293	97
Total comprehensive income attributable to shareholders of Clariant Ltd		**115**	**315**

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

Consolidated statements of changes in equity

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY in CHF m

at 31 December 2022 and 2021

			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 1 January 2021	**1 228**	**–9**	**259**	**1**	**–1 360**	**–1 100**	**2 158**	**2 277**	**139**	**2 416**
Net income						–	344	344	29	373
Net investment hedge					22	22		22		22
Remeasurements							14	14		14
Fair value adjustment on financial assets (see note 9)							2	2		2
Deferred tax on remeasurements and fair value adjustment (see note 10)						–	–7	–7		–7
Currency translation differences					–58	–58		–58	1	–57
Share in other comprehensive income of associates and joint ventures (see note 8)						–	2	2		2
Effect of the reclassification of foreign exchange differences on previously held net investments in foreign entities					–4	–4		–4		–4
Total comprehensive income for the period	**–**	**–**	**–**	**–**	**–40**	**–40**	**355**	**315**	**30**	**345**
Distributions from share capital	–232	2				–		–230		–230
Dividends to non-controlling interests						–		–	–28	–28
Effect of business combination (see note 26)						–		–	46	46
Transaction with non-controlling interests						–		–	–1	–1
Employee share scheme:										
Effect of employee services						–	4	4		4
Treasury share transactions		–1				–	–7	–8		–8
Balance 31 December 2021	**996**	**–8**	**259**	**1**	**–1 400**	**–1 140**	**2 510**	**2 358**	**186**	**2 544**
Balance 1 January 2022	**996**	**–8**	**259**	**1**	**–1 400**	**–1 140**	**2 510**	**2 358**	**186**	**2 544**

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY in CHF m

at 31 December 2022 and 2021

			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
Net income						—	84	84	32	116
Cash flow hedge				–4		–4		–4		–4
Net investment hedge					20	20		20		20
Remeasurements							73	73		73
Fair value adjustment on financial assets (see note 9)							-4	-4		-4
Deferred tax on remeasurements and fair value adjustment (see note 10)						—	–22	–22		–22
Currency translation differences					–117	–117		–117	–16	–133
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					76	76		76		76
Total comprehensive income for the period	**—**	**—**	**—**	**–4**	**–21**	**–25**	**140**	**115**	**16**	**131**
Reduction in share capital	–133	1				—		–132		–132
Dividends to non-controlling interests						—		—	–21	–21
Effect of Disposal						—		—	–9	–9
Employee share scheme:										
Effect of employee services						—	2	2		2
Treasury share transactions		–1				—	–1	–2		–2
Balance 31 December 2022	**863**	**–8**	**259**	**–3**	**–1 421**	**–1 165**	**2 651**	**2 341**	**172**	**2 513**

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

Consolidated statements of cash flows

CONSOLIDATED STATEMENTS OF CASH FLOWS

for the years ended 31 December 2022 and 2021	Notes[1]	**2022** in CHF m	2021 in CHF m
Net income		**116**	**373**
Reversal of non-cash income and expenses	16	641	391
Dividends received from associates and joint ventures	8	40	44
Payments for restructuring	27	–32	–38
Cash flow before changes in net working capital and provisions		**765**	**770**
Changes in net working capital and provisions	16	–143	–305
Cash generated from operating activities		**622**	**465**
Income taxes paid		–120	–102
Net cash generated from operating activities		**502**	**363**
Cash flows from investing activities:			
Investments in property, plant and equipment	5	–209	–357
Investments in intangible assets	6	–3	–3
Investments in financial assets, associates and joint ventures	9	–1	–5
Changes in current financial assets and short-term deposits		–302	254
Sale of property, plant and equipment and intangible assets		9	57
Business combinations	26	–64	–91
Proceeds from the disposal of associates, joint ventures and financial assets	8	131	2
Proceeds from the disposal of discontinued operations	25	579	—
Net cash provided by/used in investing activities		**140**	**–143**
Cash flows from financing activities:			
Purchase of treasury shares		–8	–16
Distribution to the shareholders of Clariant Ltd	17	–132	–230
Dividends paid to non-controlling interests		–21	–28
Proceeds/payments associated with transactions with non-controlling interests		—	–1
Proceeds from financial debts		204	337
Repayments of financial debts		–602	–499
Repayments of lease liabilities	7	–53	–59
Interest paid		–43	–51
Interest paid for leases	7	–11	–11
Interest received		14	20
Net cash used in financing activities		**–652**	**–538**
Currency translation effect on cash and cash equivalents		–11	–4
Net change in cash and cash equivalents		**–21**	**–322**
Cash and cash equivalents at the beginning of the period	15	**415**	**737**
Cash and cash equivalents at the end of the period	15	**394**	**415**

[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 1 March 2023. They will be subject to approval by the Annual General Meeting of Shareholders scheduled for 4 April 2023.

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 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 and disclosure of assets and liabilities as assets held for sale in accordance with IFRS 5, Non-current Assets held for sale and Discontinued operations

Following the decision of the Board of Directors to dispose of the Business Unit Pigments in June 2019, it was reclassified to discontinued operations in 2019 and is therefore presented separately in accordance with IFRS 5. Assets and liabilities pertaining to the Pigments discontinued operations are presented as »assets held for sale« and as »liabilities directly associated with assets held for sale« in the balance sheet of 2021 as required by IFRS 5.

The Business Unit Pigments was sold on 3 January 2022. See also note 25.

On 31 August 2022, Clariant and Global Amines Company Pte Ltd, a 50/50 joint venture owned by Clariant and Wilmar, signed an agreement to divest Clariant's Quats business to Global Amines. The closing of the transaction is expected in the first half of 2023. As a consequence, the assets and liabilities of Clariant's Quats business (part of Business Area Care Chemicals) were reclassified to »assets held for sale« and »liabilities directly attributed to assets held for sale« in the balance sheet of 31 December 2022. See also note 25.

On 14 April 2022, Clariant completed the sale of its 50 % stake in the joint venture, which owns Scientific Design Company. This investment was reported as «Assets held for sale» in 2021. See also note 25.

On 27 October 2022, Clariant and Dorf Ketal entered into an agreement for Dorf Ketal to acquire Clariant's North American Land Oil business. The transaction is expected to be closed during the first half of 2023. Therefore, the assets and liabilities pertaining to that business were presented separately in accordance with IFRS 5 as «assets held for sale» and «liabilities directly attributed to assets held for sale» in the 2022 balance sheet. See also note 25.

1.04 – Standards, interpretations, and amendments effective in 2022

The Group has applied the following amendments to IFRS issued in 2022 by the International Accounting Standards Board (IASB):

- Amendments to IFRS 3 *Reference to the Conceptual Framework*;
- Amendments to IAS 16 Property, Plant and Equipment – Proceeds before Intended Use;
- Amendments to IAS 37 Onerous Contracts – Costs of Fulfilling a Contract;
- Annual Improvements to IFRS Accounting Standards 2018–2020 Cycle.

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

1.05 – Standards, interpretations, and amendments not yet effective

Certain new and amended accounting standards and interpretations that have been published are not mandatory for the reporting period ended on 31 December 2022 and have not been adopted early by the Group. These standards and interpretations are not expected to have a material impact on the entity in the current or future reporting periods or 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 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. Investments in joint arrangements are classified either as joint operations or as 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 noncontrolling 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 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 when 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 revenue associated with such advance payment transactions are recognized upon delivery and transfer of title, ownership, and risk of loss of the related products to the customer.

1.09 – Recognition of revenue 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 on 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 from the translation of the net investment in foreign entities and from 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 holds an interest in a subsidiary that includes translation differences on a foreign operation, while retaining control of 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 those 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 that have been in use for several decades, there is no active market that 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 based on an index at the commencement day 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 the duration of the lease contract, including contractually agreed upon optional extension periods whose exercise is 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 5 000 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 in accordance with the requirements of IFRS 3, Business Combinations, and IAS 38, Intangible Assets. 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.

REACH costs were capitalized until the end of 2020 and depreciated over a period of 12 years. As of 2021, REACH costs are expensed as incurred.

1.14 – Impairment of assets

Assets that are subject to amortization and depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss (if any). Goodwill, intangible assets with an indefinite useful life and intangible assets not yet available for use are tested for impairment annually. Recoverable amount is the higher of fair value less costs of disposal and value in use.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and an impairment loss is recognised immediately in income statement (see also note 5).

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, in accordance with 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 approximate 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. Unsalable 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, 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 consideration 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.

The Group applies the IFRS 9 simplified approach to measure 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.

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 in 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 or 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 determining 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 in accordance with 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 healthcare 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 healthcare 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) that 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) that 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 in accordance with the requirements of IAS 37, Provisions, Contingent Liabilities, and Contingent Assets.

1.24 – Research and development

Considering the uncertainties inherent in the development of new key products, Clariant does not capitalize the associated development costs as the criteria set up by IAS 38 Intangible Assets for capitalization are not met. 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 Leadership Team.

After the sale of the Business Unit Masterbatches in 2020, Clariant had six business units (BUs). These included the Business Unit Pigments, which was reclassified to Discontinued Operations on 30 June 2019 and sold on 3 January 2022.

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)

These five business units were grouped into business areas in such a way 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 is a pillar of Clariant's efforts to be 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 experiences 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 low cyclicality. 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, and construction, driven by the fast-growing economies.

Discontinued operations comprise the business unit Pigments (in 2021).

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 that 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 that 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, as well as 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. Interest income, interest expense, and taxes are not allocated to the segments.

The Executive Steering Committee assesses the performance of the operating segments based on income statement parameters like third-party sales, EBITDA, operating result, and cash flow. 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 from 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, that 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 2.60 per share (2021: CHF 3.00 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.

Financial debt is 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 or 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 or loss.

Purchases and sales of financial assets are recognized on the 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.

2. ENTERPRISE RISK MANAGEMENT IDENTIFICATION, ASSESSMENT, AND MANAGEMENT

In the framework of the Enterprise Risk Management Policy, risk assessments are prepared by business units, global functions and corporate functions 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 Steering Committee.

The Executive Steering Committee is responsible for monitoring the risk assessments for relevance and consistency. The Executive Steering 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 Steering 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 to be taken to manage the risk.

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 Steering Committee, the Audit Committee, and the Board of Directors for review.

In the event of new or changed risks, reporting is accelerated and a regular follow-up on mitigation measures is implemented. 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 emerging 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) and similar regulations in other countries.

The function Global Product Stewardship is responsible for ensuring 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 – Cyber and information security

Successful performance of the Clariant Group depends on properly working information systems. Cyberattacks may result in the loss of business and personal data, knowledge, facilities, or money, leading to interruptions in manufacturing and product deliveries. Clariant is responding to the increased cyber risk with a reinforced information security department, state-of-the-art software, and frequent awareness campaigns.

Examples of emerging risks included in the risk register:

Geopolitical and macroeconomic development

The achievement of corporate targets depends on global economic and political developments, which are continuously monitored in all markets. Economic uncertainty has increased, and the growth of the global economy could be lower than expected due to geopolitical tensions and/or global recession. Clariant is responding to the adverse economic environment with various performance programs addressing both cost and revenues.

Energy price increases and shortages

The Clariant Group requires energy from various sources for use in production facilities with strong reliance on oil, natural gas, and electricity. Costs for natural gas and energy in general constitute a relevant proportion of the production and raw material costs. Clariant may not be able to pass on increasing energy costs to its customers in time or at all. In addition, shortages or the unavailability of certain types of energy could interrupt the production processes, especially in Germany, thereby materially and adversely impacting the Group's ability to conduct its business and to produce its products. Clariant is closely monitoring the situation to secure supply, mitigate price increases, and strictly manage margins.

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, as well as 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, nonderivative 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 Steering 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 and credit risk for the use of derivative financial instruments and non-derivative financial instruments, as well as written principles for the investment of 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, 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 are allowed to use FX forward contracts, FX options, and FX swaps according to the Group's foreign exchange risk policy. Corporate Treasury is responsible, in close coordination with the Group's operating units, for managing the net position in each foreign currency and for putting in place the appropriate hedging actions.

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

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

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

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

At 31 December 2022, if the euro had strengthened/weakened by 8% (2021: 4%) against the Swiss franc with all other variables held constant, pretax profit for the year would have been CHF 15 million lower/higher (2021: CHF 22 million lower/higher), mainly as a result of foreign exchange gains/losses on the translation of the euro-denominated financing, cash and cash equivalents, intragroup financing, and third-party trade receivables and payables. Equity would have been CHF 85 million higher/lower (2021: CHF 42 million higher/lower), 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 2022, if the US dollar had strengthened/weakened by 10% (2021: 6%) against the Swiss franc with all other variables held constant, pretax profit for the year would have been CHF 2 million higher/lower (2021: CHF 13 million higher/lower), mainly as a result of foreign exchange gains/losses on the translation of US dollar-denominated cash and cash equivalents, intragroup financing, and trade receivables. Equity would have been CHF 76 million higher/lower (2021: CHF 60 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 of 31 December 2022 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 2022, the group had a net exposure on asset side, as a result of higher cash than financial debt issued at variable 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 or 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 2022 and end of 2021). At 31 December 2022, if the CHF interest rates on net current financial debt, including certificates of indebtedness with variable interest rates after 12 months, had been 1 basis point higher/lower with all other variables held constant, pretax profit for the year would have been CHF 1.21 million higher/lower (2021: CHF 0.00 million higher/lower for a CHF interest rate shift of 1 basis point).

At 31 December 2022, if the USD interest rates on net current financial debt issued, including certificates of indebtedness with variable interest rates after 12 months, had been 1 basis point higher/lower with all other variables held constant, pretax profit for the year would have been CHF 0.16 million lower/higher (2021: CHF 0.15 million lower/higher for a USD interest rate shift of 1 basis point). At 31 December 2022, if the EUR interest rates on net current financial debt issued, including certificates of indebtedness with variable interest rates after 12 months, had been 1 basis point higher/lower with all other variables held constant, pretax profit for the year would have been CHF 1.70 million higher/lower (2021: CHF 5.09 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 of 31 December 2022 and 2021, the Group was not exposed to other price risks in the sense of IFRS 7, Financial Instruments: Disclosures, except for the one related to small scale participations in companies. Please refer to note 9.

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 of 31 December 2022, the Group had a diversified portfolio with more than 15000 active credit accounts (2021: more than 16000), with no significant concentration either due to size of customers or due to country risk. 55% (2021: 50%) of the accounts receivable are distributed among 275 (2021: 244) corporate groups with 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 assessment. Procedures are standardized within a corporate customer credit risk policy and supported by the IT system with respective credit management tools. Credit lines are partially backed by credit risk insurance.

AGING BALANCE OF TRADE RECEIVABLES

	31.12.2022	31.12.2021
Not due yet	91%	93%
Total overdue	9%	7%
– less than 30 days	6%	4%
– more than 30 days	3%	3%

NET TRADE RECEIVABLES PER GROUP INTERNAL RISK CATEGORY

	31.12.2022	31.12.2021
A – low credit risk	24%	24%
B – low to medium credit risk	34%	31%
C – medium to above-average risk	29%	32%
D – high credit risk	12%	13%
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 EUR cash pooling structure with a leading European bank, over which most European subsidiaries execute their cash transactions denominated in euro. A USD cash pooling structure with a leading US bank was introduced in 2020. 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 with the corresponding banks.

In view of the European bank being rated »A-« (2021: A-) and the US bank being rated »A+« by the most important rating agencies, Clariant does not consider this to pose any particular counterparty risk.

At the balance sheet date, 80 % (2021: 71%) of the total cash and cash equivalents and short-term deposits were held with five banks (2021: five banks), each with a position between CHF 42 million and CHF 202 million (2021: between CHF 21 million and CHF 132 million). All of these banks are rated »A-« (2021: »A-«) and better.

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

Counterparty	**Rating**	**31.12.2022**
Bank 1	A-	25 %
Bank 2	A+	10 %
Bank 3	AA+	6 %

Counterparty	**Rating**	31.12.2021
Bank 1	A+	20 %
Bank 2	A+	7 %
Bank 3	A+	5 %

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 that 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 2022, the Group held money market funds of CHF 354 million (2021: CHF 29 million), of which CHF 324 million have an initial tenor of more than 90 days (2021: CHF 12 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 2022 in CHF m

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Borrowings	355	266	563	17
Interest on borrowings	19	15	24	–
Lease liabilities	46	32	67	99
Trade payables and other liabilities	1 009	4	10	41
Derivative financial instruments	–	8	17	–

AT 31 DECEMBER 2021 in CHF m

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Borrowings	707	272	655	18
Interest on borrowings	21	13	17	1
Lease liabilities	50	40	78	121
Trade payables and other liabilities	1 122	4	10	44
Derivative financial instruments	8	–	14	–

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 2022: CHF 718 million vs. 31 December 2021: CHF 427 million), out of uncommitted open cash pool limits and bank credit lines (31 December 2022: CHF 114 million vs. 31 December 2021: CHF 117 million), as well as out of additional uncommitted net working capital facilities and the issuance of capital market instruments.

Since 16 December 2016, Clariant Ltd had an agreement for a CHF 445 million (2021: CHF 445 million) five-year multicurrency 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. Clariant is in the process of negotiating a new RCF which will replace the existing one.

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 sheet in accordance with the fair value measurement hierarchy.

Carrying amounts and fair values of financial instruments by category:

At 31 December 2022 in CHF m	Financial instruments mandatorily at fair value through profit or loss	Financial instruments at fair value through OCI	Fair value - hedging instruments	Financial assets at amortized cost	Financial liabilities at amortized cost	Carrying amount	Fair value
Trade receivables	–	–	–	725	–	725	725
Short-term deposits	–	–	–	324	–	324	324
Cash and cash equivalents	–	–	–	394	–	394	394
Non-current financial assets	–	186	–	39	–	225	225
Derivative financial instruments	–	–	2	–	–	2	2
Total financial assets	**–**	**186**	**2**	**1 482**	**–**	**1 670**	**1 670**
Trade payables and other liabilities	–	–	–	–	1 009	1 009	1 009
Straight bonds	–	–	–	–	535	535	529
Other debt	–	–	–	–	665	665	665
Current lease liabilities	–	–	–	–	44	44	44
Non-current lease liabilities	–	–	–	–	195	195	195
Liabilities associated with assets held for sale	–	–	–	–	6	6	6
Derivative financial instruments	–	–	25	–	–	25	25
Total financial liabilities excl. trade payables and other liabilities	–	–	**25**	–	**1 445**	**1 470**	**1 464**
Total financial liabilities	**–**	–	**25**	**–**	**2 454**	**2 479**	**2 473**

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 of 31 December 2022, the open derivative financial instruments held were valued using the following valuation methods:

Forward exchange rate contracts: The valuations 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 30). There were no transfers between the levels in 2022 and 2021.

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 30. Movements in the hedging reserve in shareholders' equity are shown in note 30. 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 2022 and 2021 respectively:

in CHF m	**2022**	2021
Total equity	2 524	2 544
Total current and non-current financial liabilities (incl. lease liabilities, excl. trade payables and other liabilities)	1 464	1 949
Less cash and cash equivalents and short-term deposits[1]	-718	–427
Less assets held for sale (net of liabilities related to assets held for sale)	-44	-581
Cash needed for operating purposes	104	87
Invested capital	**3 330**	**3 572**

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

At the end of 2022, Clariant considers the invested capital to be adequate.

3.5 – LIBOR Reform

On 31 December 2021, LIBOR rates for all major currencies except for the US dollar were abandoned and replaced by alternative risk-free rates (ARFRs, e.g., SARON for CHF, SONIA for GBP and, TONAR for JPY). ARFRs are transaction-based on overnight rates (secured or unsecured). The loan documentation of Clariant's revolving credit facility (RCF) has been amended for the switch from LIBOR to ARFRs for the relevant currencies. No other financial liabilities or derivatives were affected by the discontinuation of LIBOR. All of Clariant's floating certificates of indebtedness are denominated in EUR and therefore subject to EURIBOR, which continues to be used.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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

The Group makes estimates and 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

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 cash-generating units classified as discontinued operations as well as of the assets and liabilities classified as held for sale have been valued at fair value less cost to sell.

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 event 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 healthcare 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 the business unit Pigments, 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 is 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 disposal is actually consummated.

5. PROPERTY, PLANT, AND EQUIPMENT

in CHF m	Land	Buildings	Machinery and equipment	Furniture, vehicles, computer hardware	Assets under construction	**Total 2022**
Cost						
As per 1 January	**265**	**943**	**2 082**	**291**	**400**	**3 981**
Additions	1	9	52	13	134	209
Acquired in business combinations (see note 26)	8	43	11	1	–	63
Reclassified to/from held for sale (see note 25)	–3	–38	–57	–11	–4	–113
Disposals	–2	–9	–55	–21	–1	–88
Reclassifications	12	77	232	17	–337	1
Exchange rate differences	–11	–26	–54	–10	–14	–115
At 31 December	**270**	**999**	**2 211**	**280**	**178**	**3 938**
Accumulated depreciation and impairment						
As per 1 January	–75	–468	–1 421	–227	–	–2 191
Reclassified to/from held for sale (see note 25)	–	29	45	10	–	84
Disposals	–	7	48	20	–	75
Depreciation	–	–36	–130	–18	–	–184
Impairment (see note 27)	–	–65	–170	–1	–	–236
Exchange rate differences	4	16	37	6	–	63
At 31 December	**–71**	**–517**	**–1 591**	**–210**	**–**	**–2 389**
Net book value	**199**	**482**	**620**	**70**	**178**	**1 549**

Impairments recognized in the income statement amounted to CHF 236 million in 2022 (2021: CHF 1 million) of which CHF 220 million relate to the bioethanol plant in Podari, Romania. This impairment is a consequence of the challenges encountered by Clariant in the ramp-up and industrialization of the new technology developped in Podari and the financial performance of the plant.

Additionally, an impairment of CHF 13 million was recognised on the property, plant and equipment pertaining to the North America Land Oil business to reflect the estimated fair value of that business for which a sale agreement was signed with Dorf Ketal during 2022.

Additional impairments regarding this activity were recorded in intangibles and goodwill. See note 6.

Finally, as a consequence of the Ukraine war, local assets were subject to impairment in the course of 2022 (CHF 3 million).

The property, plant and equipment pertaining to the North America Land Oil business as well as the ones pertaining to the Quats business – to be disposed of in the course of 2023 – have been reclassified to held for sale.

Exchange rate differences mainly arise from the changes in the euro/Swiss franc, Chinese renmimbi/Swiss franc, US dollar/Swiss franc and Romanian Leu/Swiss franc exchange rates. All these currencies significantly devalued against the Swiss franc in 2022.

As at 31 December 2022, commitments for the purchase of property plant and equipment concerned various projects mainly in Germany, China and US and totalled CHF 54 million (2021: CHF 78 million).
As of 31 December 2022, property, plant and equipment acquired by way of business acquisition, with costs of CHF 63 million (2021: CHF 49 million) were recorded. See also note 26.

Additions in 2022 include CHF 48 million of investments in a second production line for halogen-free flame retardants in Daya Bay, China, currently under construction.

in CHF m	Land	Buildings	Machinery and equipment	Furniture, vehicles, computer hardware	Assets under construction	Total 2021
Cost						
As per 1 January	293	881	1 924	274	351	3 723
Additions	1	14	51	17	279	362
Acquired in business combinations (see note 26)	4	2	42	1	—	49
Reclassified to/from held for sale (see note 25)	—	—	7	2	–4	5
Disposals	–26	–13	–16	–12	–1	–68
Reclassifications	3	71	129	14	–217	—
Exchange rate differences	–10	–12	–55	–5	–8	–90
At 31 December	**265**	**943**	**2 082**	**291**	**400**	**3 981**
Accumulated depreciation and impairment						
As per 1 January	–78	–454	–1 343	–220	—	–2 095
Reclassified to/from held for sale (see note 25)	—	—	–3	–2	—	–5
Disposals	—	12	15	12	—	39
Depreciation	—	–33	–117	–20	—	–170
Impairment (see note 27)	—	—	–1	—	—	–1
Exchange rate differences	3	7	28	3	—	41
At 31 December	**–75**	**–468**	**–1 421**	**–227**	**—**	**–2 191**
Net book value	**190**	**475**	**661**	**64**	**400**	**1 790**

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 administrative 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 properties are valued at cost less depreciation.

At the end of 2022, investment properties are almost entirely located in Germany and Switzerland. The gross book value of investment property amounted to CHF 303 million on 31 December 2022 (CHF 304 million on 31 December 2021).

Accumulated depreciation on investment property amounted to CHF 183 million on 31 December 2022 (CHF 186 million on 31 December 2021).

The net book value amounted to CHF 120 million on 31 December 2022 (CHF 118 million on 31 December 2021).

Depreciation amounted to CHF 2 million in 2022 (CHF 1 million in 2021).

Income from investment properties amounted to CHF 9 million in 2022 (CHF 6 million in 2021) and is recorded in SG&A in the segment «Corporate».

Expected minimum lease income varies between CHF 6 million and CHF 8 million (2021: CHF 5 million and CHF 6 million) per annum for the next five years and amounts to CHF 158 million for later periods (2021: CHF 199 million).

Since all investment property consists of industrial and administrative sites that have been in use for several decades, there is no active market that would give information on possible market prices. The fair values of the investment properties were therefore determined by way of external appraisals and value-in-use calculations. As of 31 December 2022, the estimated fair value of investment properties amounted to CHF 185 million (CHF 171 million as of 31 December 2021).
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6. INTANGIBLE ASSETS

in CHF m	Goodwill	Technology	Customer relationships	Trade names	Other	**Total 2022**
Cost						
As per 1 January	1 052	228	371	91	303	2 045
Additions	—	—	—	—	3	3
Acquired in business combinations (see note 26)	1	—	—	—	1	2
Disposals	—	—	—	—	–3	–3
Reclassified to held for sale (see note 25)	—	–27	–96	–5	–10	–138
Exchange rate differences	–33	–4	2	—	–7	–42
At 31 December	**1 020**	**197**	**277**	**86**	**287**	**1 867**
Accumulated amortization and impairment						
As per 1 January	**–5**	**–189**	**–268**	**–86**	**–217**	**–765**
Disposals	—	—	—	—	2	2
Amortization	—	–7	–13	1	–19	–38
Impairment (see note 27)	–152	–11	–61	—	—	–224
Reclassified to held for sale (see note 25)	—	27	96	5	10	138
Exchange rate differences	7	3	1	—	6	17
At 31 December	**–150**	**–177**	**–245**	**–80**	**–218**	**–870**
Net book value	**870**	**20**	**32**	**6**	**69**	**997**

in CHF m	Goodwill	Technology	Customer relationships	Trade names	Other	**Total 2021**
Cost						
As per 1 January	998	231	368	86	288	1 971
Additions	–	–	–	–	3	3
Acquired in business combinations (see note 26)	60	–	–	5	26	91
Disposals	–	–	–	–	–7	–7
Reclassified to held for sale (see note 25)	–1	–	–	–	3	2
Exchange rate differences	–5	–3	3	–	–10	–15
At 31 December	**1 052**	**228**	**371**	**91**	**303**	**2 045**
Accumulated amortization and impairment						
As per 1 January	–4	–182	–251	–83	–213	–733
Disposals	–	–	–	–	3	3
Amortization	–	–9	–16	–3	–15	–43
Reclassified to held for sale (see note 25)	1	–	–	–	–1	–
Exchange rate differences	–2	2	–1	–	9	8
At 31 December	**–5**	**–189**	**–268**	**–86**	**–217**	**–765**
Net book value	**1 047**	**39**	**103**	**5**	**86**	**1 280**

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

In 2022, impairment losses were recognised in the amount of CHF 224 million, mainly related to the North America Land Oil business to be disposed to Dorf Ketal in 2023. In 2021, no impairment losses were recognized.

The preliminary goodwill related to the acquisition of the US-based attapulgite business assets acquired from BASF amounted to CHF 1 million on 31 December 2022 (see note 26).

Impairment test for goodwill. Goodwill is allocated to the Group's cash generating units (CGUs). Cash generating units consist of business units that, for external reporting purposes, are reported under the corresponding business areas under the corresponding business areas (reportable segments, see note 1.25).

Goodwill is allocated to the following CGUs:

in CHF m	**31.12.2022**	31.12.2021
Industrial & Consumer Specialties	116	119
Pigments	–	11
Functional Minerals	133	137
Catalysts	612	636
Oil & Mining Services	9	155
Total net book value	**870**	**1 058**
Thereof reclassified to held for sale:		
Pigments	–	–11
Total as reported in the balance sheet	**870**	**1 047**

The recoverable amount for CGUs reported as continuing operations is determined based on their value-in-use. The value-in-use calculations use cash flow projections based on the updated strategic plans up to 2025 as approved by the Executive Steering Committee, as well as a forecast for 2026. 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 12.66 % for all cash generating units (2021: 10.70 %).

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 growth and 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.

The estimated recoverable amount of the CGU Catalysts exceeds its carrying amount, including goodwill, by CHF 177 million. The recoverable amount would be equal to the carrying amount if the assumed average annual sales growth rate during the planning period were reduced by 1.5 %, or alternatively, if the operating margin was reduced by 1.7 % of sales.

7. LEASES

in CHF m	**31.12.2022**	31.12.2021
Right-of-use assets - net book value		
Leasehold land	27	30
Buildings	120	149
Machinery and equipment	81	90
Furniture, vehicles, computer hardware	18	24
Total	**246**	**293**
Reclassified to held for sale (see note 25)	–6	–12
Total as reported in the balance sheet	**240**	**281**
Lease liabilities		
Non-current lease liabilities	199	238
Current lease liabilities	46	51
Total	**245**	**289**
Reclassified to held for sale (see note 25)	–6	–7
Total as reported in the balance sheet	**239**	**282**

Additions to the right-of-use assets during 2022 were CHF 19 million (2021: CHF 129 million).

Consolidated income statements include the following amounts relating to leases:

in CHF m	**2022**	**2021**
Depreciation expense		
Leasehold land	–3	–3
Buildings	–28	–29
Machinery and equipment	–11	–9
Furniture, vehicles, computer hardware	–12	–13
Total depreciation	**–54**	**–54**
Interest expense, included in finance costs	–10	–11
Expense relating to short-term leases	–9	–11
Expense relating to leases of low-value assets	–3	–4
Total	**–77**	**–80**
Thereof reported under discontinued operations		1
Total continuing operations	**–77**	**–79**

The total cash outflow for leases in 2022 was CHF 64 million (2021: CHF 70 million).

There are CHF 4 million of commitments for leases not commenced at year-end 2022 (2021: CHF 1 million).

Potential future cash outflows arising from extension options in the amount of CHF 67 million were not reflected in the measurement of lease liabilities on 31 December 2022 (2021: CHF 44 million).

8. Investments in associates and joint ventures

in CHF m	2022	2021
As per 1 January	**350**	**344**
Change in the scope of consolidation	–	–14
Additions	116	–
Disposals	–140	–
Share in profit	41	69
Share in other comprehensive income of associates and joint ventures	9	2
Dividends received	–40	–44
Exchange rate differences	–9	–7
At 31 December	**327**	**350**
Thereof joint ventures	17	120
Reclassified to held for sale (see note 25)	–	–139
Total as reported in balance sheet	**327**	**211**

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		Heubach Group		Others	
	Germany		Germany		Germany		Luxembourg			
in CHF m	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
Summarized financial information										
Interest held %	33%	33%	50%	50%	21%	21%	20%	0%	–	–
Revenue	1 602	1 218	362	294	276	250	1 179	–	73	149
Total comprehensive income	113	82	41	34	16	13	–127	–	11	21
Net income	91	78	33	33	16	13	–127	–	11	21
Other comprehensive income	22	4	8	1	–	–	–	–	–	–
Current assets	310	351	96	106	69	78	655	–	41	94
Non-current assets	965	930	184	193	117	119	783	–	8	23
Current liabilities	–225	–311	–71	–78	–40	–73	–279	–	–14	–40
Non-current liabilities	–719	–687	–73	–90	–63	–41	–702	–	–4	–3
Net assets	**331**	**283**	**136**	**131**	**83**	**83**	**457**	**–**	**31**	**74**
Reconciliation of book value										
Book value - beginning of period	**94**	**87**	**66**	**69**	**17**	**19**	**–**	**–**	**53**	**52**
Additions	–	–	–	–	–	–	116	–	–	–
Disposals	–	–	–	–	–	–	–	–	–33	–
Change in the scope of consolidation	–	–	–	–	–	–	–	–	–	–14
Share in profit for the period	33	25	16	17	3	3	–25	–	6	17
Share in other comprehensive income	5	2	4	–	–	–	–	–	–	–
Dividends received	–16	–16	–15	–17	–2	–3	–	–	–3	–6
Foreign exchange rate differences	–6	–4	–3	–3	–1	–2	–	–	1	4
Book value - end of the period	**110**	**94**	**68**	**66**	**17**	**17**	**91**	**–**	**24**	**53**
Clariant's share in the book values at the end of the period	**110**	**94**	**68**	**66**	**17**	**17**	**91**	**–**	**24**	**53**
Reclassified to held for sale (see note 25)	–	–	–	–	–	–	–	–	–	32

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.

On 3 January 2022, Clariant completed the sale of its Pigments business to a consortium of Heubach and SK Capital. On the same day, Clariant rolled over CHF 116 million to retain a 20% stake in the new holding company, alongside Heubach and SK Capital. This combined business is a global Pigments player.

The shareholdings in associates summarized under »Others« concern mainly companies specializing in selling Clariant products. The disposals reported in 2022 are part of the sale of the Pigments business.

On 31 December 2022, accumulated unrecognized losses amounted to CHF 4 million (2021: CHF 4 million).

In 2022, an amount of CHF 2 million was received when the escrow account associate with the disposal of 25% stake of GTC associates in the United States in 2019 was closed.

INVESTMENTS IN JOINT VENTURES:

	Scientific Design Company Inc.		Global Amines group	
	USA			
in CHF m	**2022**	2021	**2022**	2021
Summarized financial information				
Interest held %	50 %	50 %	50 %	50 %
Revenue	–	105	307	243
Total comprehensive income	–	14	9	14
Net income	–	14	16	14
Other comprehensive income	–	–	–7	–
Current assets	–	108	123	101
Non-current assets	–	32	79	86
Current liabilities	–	–34	–113	–101
Non-current liabilities	–	–11	–10	–13
Net assets	**–**	**95**	**79**	**73**
Reconciliation of book value				
Book value - beginning of period	**107**	**108**	**13**	**10**
Disposals	-107	–	–	–
Share in profit for the period	–	–	8	7
Dividends received	–	–	–4	–2
Foreign exchange rate differences	–	–1	–	–2
Book value - end of the period	**–**	**107**	**17**	**13**
Reclassified to held for sale (see note 25)		107		
Group's share in net assets at the end of the period	**–**	**48**	**40**	**36**
Fair value adjustment/goodwill	–	66		–
Impairment	–	–	–23	–23
Taxes, minorities and other adjustments	–	–		–
Clariant's share in the book values at the end of the period	**–**	**114**	**17**	**13**

Scientific Design Company Inc., headquartered in the United States, is a producer of ethylene and oxide catalysts and has around 140 employees. Co-owner is the Saudi Arabia-based Sabic Group. On 14th April 2022, Clariant sold its 50 % participation in this joint venture to the joint venture partner SABIC for a net consideration of CHF 129 million, realizing a gain of CHF 22 million.

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	**2022**	2021
At 1 January	198	202
Additions	39	5
Fair value adjustment	–4	2
Repayments and disposals	–	–2
Exchange rate differences	–8	–9
At 31 December	**225**	**198**

Financial assets include loans to associates, joint ventures and a number of small-scale participations in companies, mostly in Germany and in Switzerland, engaged in activities closely related to those of Clariant.

On 1 December 2022, the final purchase price for the Pigments business was agreed upon between Clariant and SK Capital / Heubach. Clariant received a vendor loan note in the amount of CHF 55 million, falling due on 3 January 2029 at the latest. The discounted value of that vendor loan amounted to CHF 38 million at the end of 2022 and was recorded in the balance sheet.

Participations amounted to CHF 186 million in 2022 (CHF 197 million in 2021).

In 2021, Clariant acquired a 10 % stake in Aqdot Limited, which develops intelligent encapsulation solutions for the consumer, agrochemical, and household and personal care industries. The purchase price amounted to CHF 5 million.

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 2022 and resulted in a decrease of CHF 3 million, which was recognized in other comprehensive income.

The key unobservable inputs used in the fair value estimation of the most material participation, which constitutes 86.4 % of these shareholdings, are as follows: terminal growth rate of 1.5 %, sales growth rate of 1 %, long-term pretax operating margin of 16 %, and weighted-average cost of capital of 11.4 %. The sensitivity analysis shows that if the terminal growth rate had been higher/lower by 0.5 percentage points with all other variables held constant, the fair value would have been CHF 6 million higher/lower. If the sales growth rate had been higher/lower by 1 percentage point with all other variables held constant, the fair value would have been CHF 32 million higher/CHF 31 million lower. If the long-term pre-tax operating margin had been higher/lower by 1 percentage point with all other variables held constant, the fair value would have been CHF 10 million higher/lower. If the weighted-average cost of capital had been higher/lower by 0.5 percentage points with all other variables held constant, the fair value would have been CHF 8 million lower/CHF 9 million higher.

10. TAXES

in CHF m	**2022**	2021
Current income taxes	–88	–119
Deferred income taxes	–14	–18
Total taxes	**–102**	**–137**
Thereof reported under discontinued operations	–5	35
Total continuing operations	**–107**	**–102**

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

	2022 in CHF m	in %	2021 in CHF m	in %
Income before taxes from continuing operations	6		394	
Income before taxes from discontinued operations	212		116	
Income before taxes total	**218**		**510**	
Expected tax expense/rate[1]	**–69**	**31.7**	**–146**	**28.6**
Effect of taxes on items not tax-deductible	–57	26.1	–27	5.3
Effect of utilization and changes in recognition of tax losses and tax credits	–24	11.0	3	–0.6
Effect of tax losses and tax credits of current year not recognized	–43	19.7	–24	4.7
Effect of adjustments to taxes recognized in prior periods	5	-2.3	18	–3.5
Effect of tax exempt-income	73	–33.5	40	–7.8
Effect of other items	13	–6.0	–1	0.2
Effective tax expense/rate	**–102**	**46.8**	**–137**	**26.9**
Thereof reported under discontinued operations	–5	-2.4	35	30.2
Effective tax expense/rate - continuing operations	**–107**	**1783.3**	**–102**	**25.9**

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

In 2022, the tax expense from continuing operations increased to CHF 107 million, compared to CHF 102 million in the prior-year. The effective tax rate for the period (continuing operations) was negatively impacted by non-deductible impairments and FX losses as well as by non-recognized deferred tax assets on operational losses. These effects were partially offset by the positive impacts coming from higher share of profit generated in low tax jurisdictions and from the tax free capital gain realized on the sale of the participation held in Scientific Design.

In December 2021, the Organization for Economic Co-operation and Development (OECD) released a draft legislative framework, followed by a detailed guidance released in March 2022, that is expected to be introduced by individual jurisdictions that signed the agreement to amend their local tax laws. Clariant is closely monitoring the progress of the legislative process in each jurisdiction the Group operates and is in process of assessing the potential impact of the new regulation.

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

in CHF m	PPE, RoU assets and intangible assets	Retirement benefit obligations/ assets	Tax losses and tax credits	Other liabilities and provisions	**Total**	Thereof offset within the same jurisdiction	**Total**
Deferred tax assets at 31 December 2021	137	97	43	101	378	–220	158
Deferred tax liabilities at 31 December 2021	–210	–1	–	–33	–244	220	–24
Net deferred tax balance at 1 January 2021	**–73**	**96**	**43**	**68**	**134**	**–**	**134**
Charged/credited to income	–7	–11	–14	14	–18		
Total charged/credited to income statement	**–7**	**–11**	**–14**	**14**	**–18**		
Charged/credited to other comprehensive income	–	–7	–	–	–7		
Effect of disposals	1	–	–	–	1		
Effect of acquisitions	9	–	–	–	9		
Reclassified to/from held for sale	18	–	–	–	18		
Exchange rate differences	1	6	–4	–7	–4		
Net deferred tax balance at 31 December 2021	**–51**	**84**	**25**	**75**	**133**	**–**	**133**
Deferred tax assets at 31 December 2021	155	87	25	114	381	–218	163
Deferred tax liabilities at 31 December 2021	–206	–3	–	–39	–248	218	–30
Net deferred tax balance at 1 January 2022	**–51**	**84**	**25**	**75**	**133**	**–**	**133**
Charged/credited to income statement	23	–5	–30	–2	–14		
Total charged/credited to income statement	**23**	**–5**	**–30**	**–2**	**–14**		
Charged/credited to other comprehensive income	–	–23	–	1	–22		
Exchange rate differences	–9	1	5	-1	–4		
Net deferred tax balance at 31 December 2022	**–37**	**57**	–	**73**	**93**	**–**	**93**
Deferred tax assets at 31 December 2022	119	57	**–**	107	283	–163	120
Deferred tax liabilities at 31 December 2022	–156	–	–	–34	–190	163	–27
Net deferred tax balance at 31 December 2022	**–37**	**57**	**–**	**73**	**93**	**–**	**93**

Of the deferred tax assets capitalized on tax losses, CHF 7 million pertains to tax losses of the Indian subsidiaries (2021: CHF 6 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 2 022 million at the end of 2022 (2021: CHF 2 252 million).

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 the US (with a tax rate of 24 %), in France (with a tax rate of 27 %), in Canada (with a tax rate of 25 %), in Romania (with a tax rate of 16 %) and in the Switzerland (with a tax rate of 14 %). At present their recoverability is not considered probable.

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

in CHF m	**31.12.2022**	31.12.2021
EXPIRY BY:		
2022	–	10
2023	1	5
2024	2	3
2025	34	33
2026	27	
after 2026 (2021: after 2025)	462	532
Total	**526**	**583**

Tax credits amounting to CHF 3 million were recognized in 2022 (2021: CHF 9 million). They expire in and after 2027.

Temporary differences on which no deferred tax was recognized amount to CHF 658 million in 2022 (2021: CHF 1 208 million).

11. INVENTORIES

in CHF m	31.12.2022	31.12.2021
Raw material, consumables, work in progress	363	394
Finished products	452	531
Total	**815**	**925**
Reclassified to held for sale (see note 25)	–19	–234
Total as reported in the balance sheet	**796**	**691**

in CHF m	2022	2021
Movements in write-downs of inventories		
As per 1 January	–34	–40
Additions	–20	–17
Reversals	12	22
Effect of disposals	7	–
Exchange rate differences	2	1
At 31 December	**–33**	**–34**
Thereof reclassified to held for sale	–	–7

In 2022, an impairment of CHF 2 million was recorded on the inventories of the Ukraine entity (see note 27).

As of 31 December 2022 and 2021, 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 2 328 million (2021: CHF 1 860 million) for continuing operations.

12. TRADE RECEIVABLES

in CHF m	31.12.2022	31.12.2021
Gross accounts receivable – trade	709	860
Gross accounts receivable – associates and joint ventures	26	26
Less: provision for doubtful accounts receivable	–10	–9
Total trade receivables – net	**725**	**877**
Reclassified to held for sale (see note 25)	–	–148
Total as reported in the balance sheet	**725**	**729**

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

in CHF m	2022	2021
As per 1 January	–9	–5
Charged to the income statement	–10	–9
Amounts used	2	2
Unused amounts reversed	6	2
Exchange rate differences	1	1
At 31 December	**–10**	**–9**

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

The maximum credit risk on trade receivables is equal to their carrying amount.

Collaterals are only required in rare cases (less than CHF 1 million in 2022 and 2021).

The loss allowance for trade receivables as of 31 December 2022 and 2021 was determined as follows:

in CHF m	Current	30 - 60 days overdue	61 - 90 days overdue	More than 90 days overdue	Individually impaired	Total
31 December 2022						
Expected loss rate (in %)	1.13	5.88	6.53	6.76		
Gross carrying amount – trade receivables	704	7	4	20	—	735
Loss allowance	**9**	**—**	**—**	**1**	**—**	**10**

in CHF m	Current	30 - 60 days overdue	61 - 90 days overdue	More than 90 days overdue	Individually impaired	Total
31 December 2021						
Expected loss rate (in %)	0.92	3.05	3.23	3.29		
Gross carrying amount - trade receivables	847	18	6	15	—	886
Loss allowance	**8**	**1**	**—**	**—**	**—**	**9**

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

in CHF m	**31.12.2022**	31.12.2021
EUR	287	344
USD	233	262
CNY	36	54
BRL	41	45
JPY	20	29
INR	42	67
Other	66	76
Total trade receivables – net	**725**	**877**
Reclassified to held for sale (see note 25)	—	–148
Total as reported in the balance sheet	**725**	**729**

As of 31 December 2022, »total trade receivables – net« include an amount of CHF 60 million (2021: CHF 72 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	**31.12.2022**	31.12.2021
Other receivables	246	271
Current financial assets	40	49
Prepaid expenses and accrued income	41	44
Total	**327**	**364**
Reclassified to held for sale (see note 25)	—	–48
Total as reported in the balance sheet	**327**	**316**

Other receivables include, among others, staff loans, deposits, advances, and 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 current financial assets are also subject to the impairment requirements of IFRS 9. The identified impairment loss for other receivables was immaterial in 2022 and 2021.

Other receivables are denominated in the following currencies:

in CHF m	**31.12.2022**	31.12.2021
CHF	15	12
EUR	41	78
USD	4	18
JPY	3	5
BRL	29	33
CNY	18	24
INR	31	36
Other	105	65
Total	**246**	**271**
Thereof reclassified to held for sale	—	46

Current financial assets are denominated in the following currencies:

in CHF m	**31.12.2022**	31.12.2021
CHF	22	32
USD	2	1
CNY	15	16
Other	1	—
Total	**40**	**49**

The maximum exposure to credit risk of other current assets at the reporting date is equal to their carrying amount.

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	31.12.2022	31.12.2021
EUR	191	–
CHF	125	–
INR	8	12
Total	**324**	**12**

15. CASH AND CASH EQUIVALENTS

in CHF m	31.12.2022	31.12.2021
Cash at bank and on hand	364	398
Short-term bank deposits	30	17
Total	**394**	**415**

Cash and cash equivalents are denominated in the following currencies:

in CHF m	31.12.2022	31.12.2021
EUR	84	18
USD	89	149
CHF	81	83
GBP	9	23
CNY	38	8
JPY	13	20
INR	32	42
BRL	11	23
Other	37	49
Total	**394**	**415**

During 2022, there were short-term bank deposits in Swiss francs, in euro and in US dollars. In 2021, there were short-term bank deposits in Swiss francs and in US-dollars.

The effective average annual interest rate on short-term bank deposits in Swiss franc was –0.12 % (2021: –0.55 %); these deposits have an average maturity of 19 days (2021: 50 days).

The effective average annual interest rate on short-term bank deposits in euro was 1.30 % (2021: none in place); these deposits have an average maturity of 60 days (2021: none in place).

The effective average annual interest rate on short-term bank deposits in US dollar was 3.03 % (2021: 0.31 %); these deposits have an average maturity of 27 days (2021: 60 days).

At the end of 2022, there were no short-term bank deposits denominated in currencies other than the euro. At the end of 2021, there were no material short-term bank deposits denominated in currencies other than in Brazilian real.

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 2022 and 2021	Notes	**2022** in CHF m	2021 in CHF m
Non-cash income and expenses		**116**	**373**
Depreciation of property, plant, and equipment and right-of-use assets	5, 7	238	224
Impairment	27	462	1
Amortization of intangible assets	6	38	43
Impairment of working capital		27	18
Income from associates and joint ventures	8	-41	-69
Tax expense	10	102	137
Net financial income and costs	28	46	46
Gain/loss from disposals not qualifying as discontinued operations		-22	—
Gain on disposals of discontinued operations	25	-219	—
Other non-cash items		10	-9
Total non-cash income and expenses		**641**	**391**
Changes in net working capital and provisions			
Changes in inventories		-179	–226
Changes in trade receivables		-40	–191
Changes in trade payables		77	196
Changes in other current assets and liabilities		-49	–26
Changes in provisions (excluding payments for restructuring)		48	–58
Total changes in net working capital and provisions		**-143**	**–305**

17. CHANGES IN SHARE CAPITAL AND TREASURY SHARES AND CHANGES IN NONCONTROLLING INTERESTS

Registered shares each with a par value of CHF 2.60 (2021: CHF 3.00)	Number of shares 2022	Par value 2022 in CHF m	Number of shares 2021	Par value 2021 in CHF m
Share capital as per 1 January	**331 939 199**	**996**	**331 939 199**	**1 228**
Nominal value reduction		–133		–232
Share capital at 31 December	**331 939 199**	**863**	**331 939 199**	**996**
Treasury shares	–2 922 398	–8	–2 822 712	–8
Outstanding share capital at 31 December	**329 016 801**	**855**	**329 116 487**	**988**

Treasury shares (number of shares)	2022	2021
Holdings as per 1 January	2 822 712	2 385 509
Shares purchased at market value	238 862	657 207
Shares purchased on exercise of put options	200 000	200 000
Shares transferred to employees	–339 176	–420 004
Holdings at 31 December	**2 922 398**	**2 822 712**

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 is 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 from share capital to shareholders

On 24 June 2022 the Annual General Meeting of Clariant AG approved a distribution through capital reduction by way of a par value reduction of the par value from CHF 3.00 to CHF 2.60 per registered share. The payout reduced the share capital by CHF 133 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 2022, the following shareholders held more than 3% of the 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	31.50 %[1]
BlackRock Inc., New York, United States	3.80%
Blue Beteiligungsgesellschaft mbH, Am Holzmaierfeld, 82064 Strasslach-Dingharting, Germany, and Maple Beteiligungsgesellschaft mbH, 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. SABIC has not changed its participation of 31.5 % since then. The difference between this figure (i.e. 31.5 %) and the 32.35 % stated for 2021 corresponded to the amount of treasury shares held by Clariant Ltd as of 31 December 2021, 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. Said Governance Agreement expired at the Annual General Meeting dated 24 June 2022 and consequently the treasury shares of Clariant Ltd have not to be aggregated to the SABIC shares any longer.

[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 2022 financial year 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 2021, 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: 32.35%; BlackRock Inc., New York, United States: 3.8%; Blue Beteiligungsgesellschaft mbH, Am Holzmaierfeld, 82064 Strasslach-Dingharting (Germany), and Maple Beteiligungsgesellschaft mbH, 82057 Icking (Germany): 3.49%; PSquared Master SICAV Ltd, on behalf of its subfund Valetta, Malta Leveraged Event Fund LP, Grand Cayman, Cayman Islands, controlled by Patrick Schmitz-Morkramer, Zurich, Switzerland, and Patrick Bierbaum, Zurich, Switzerland: 3.035%.

On 31 December 2022, Clariant AG itself held 2 922 398 shares in treasury, corresponding to 0.88% of the share capital.

Non-controlling interests

As at 31 December 2022, non-controlling interests reported are primarily made up of those of the four following companies, representing more than 90 % of the minority shares reported:

Süd-Chemie India Ltd (SCIL) reported sales in the amount of CHF 234 million in the reporting period and total assets of CHF 220 million as of 31 December 2022. As of 31 December 2022, total equity of Süd-Chemie India Ltd (SCIL) amounted to CHF 220 million. The non-controlling interests of 50 % of the shares outstanding are owned by private shareholders in India.

Clariant IGL Specialty Chemicals, acquired on 1 July 2021, reported sales in the amount of CHF 146 million in 2022 and total assets of CHF 136 million as of end of December 2022, thereof current assets of CHF 44 million and non-currents assets of CHF 92 million. Total liabilities amounted to CHF 54 million, thereof current liabilities of CHF 38 million and non-current liabilities of CHF 16 million. The total equity of IGL therefore amounted to CHF 82 million as of 31 December 2022. The non-controlling interests of 49 % of the shares outstanding are owned by the India-based IGL group.

Clariant Huajin Catalysts (Panjin) Ltd, reported sales in the amount of CHF 42 million in 2022 and total assets in the amount of CHF 59 million as of 31 December 2022. The non-controlling interests of 40 % of the shares outstanding are held by Northern Huajin Chemical Industry Group Co. Ltd.

Clariant Catalysts (Japan) K.K. reported sales in the amount of CHF 166 million in 2022 and CHF 77 million of total assets as of 31 December 2022. The non-controlling interests of 38.6 % of the shares outstanding are held by Nissan Chemicals Industries Ltd.

Clariant Chemicals (India) Ltd was sold in 2022 together with the Pigment business.

18. NON-CURRENT FINANCIAL DEBTS

in CHF m	Interest rate in %	Term	**Notional amount**	**Net amount 31.12.2022**	Net amount 31.12.2021
Straight bond	3.500	2012–2022	175 CHF m	–	175
Certificates of indebtedness	mixed	2020–2022	115 EUR m	–	118
Certificates of indebtedness	mixed	2015–2023	150 EUR m	148	155
Certificate of indebtedness	6 m EURIBOR +1.1	2016–2023	13 EUR m	13	13
Certificate of indebtedness	1.137	2016–2023	27 EUR m	26	27
Certificate of indebtedness	1.501	2016–2023	73 EUR m	72	76
Straight bond	2.125	2014–2024	160 CHF m	160	160
Certificate of indebtedness	1.194	2018–2024	92 EUR m	91	95
Certificate of indebtedness	1.548	2018–2025	102 EUR m	101	106
Certificate of indebtedness	6 m EURIBOR +0.95	2018–2025	54 EUR m	53	55
Certificate of indebtedness	2.010	2016–2026	15 EUR m	14	15
Straight bond	1.125	2019–2026	200 CHF m	200	200
Straight bond (green bond)	2.717	2022–2027	175 CHF m	175	–
Certificate of indebtedness	2.087	2018–2028	17 EUR m	17	18
Total straight bonds and certificates of indebtedness				**1 070**	**1 213**
Liabilities to banks and other financial institutions				**59**	**38**
Subtotal				**1 129**	**1 251**
Less: current portion (see note 23)				**–259**	**–293**
Total				**870**	**958**
Breakdown by maturity					
			2023	–	271
			2024	274	283
			2025	189	170
			2026	215	–
			after 2026 (2021: after 2025)	192	234
Total				**870**	**958**
Breakdown by currency			CHF	559	561
			EUR	276	374
			Others	35	23
Total				**870**	**958**
Fair value comparison (including current portion)					
Straight bonds				529	554
Certificates of indebtedness				535	678
Others				155	38
Total				**1 219**	**1 270**

In 2022, five certificates of indebtedness in the amount of EUR 263 million with maturity in 2023 were reclassified to current financial debt.

Certificates of indebtedness issued in 2020 totaling EUR 115 million were repaid in 2022. On 28 April 2022, before its maturity, one certificate was partially repaid (EUR 13 million); the remaining part (EUR 15 million) was repaid at maturity on 23 May 2022. On that same date, another certificate of indebtedness with a nominal value of EUR 87 million reached maturity and was repaid.

On 26 September 2022, a bond issued in 2012 in the amount of CHF 175 million reached maturity and was repaid and on that same date, a new green bond with a nominal value of CHF 175 million and maturity in 2027 was issued.

On 23 August 2021, two certificates of indebtedness issued in 2020 were repaid early (CHF 37 million, original maturity 2022; CHF 25 million, original maturity 2025).

On 22 November 2021, the certificate of indebtedness issued in 2020 with a notional amount of EUR 83 million was repaid early (original maturity 2025).

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 or 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 Liquidity risk.

Exposure of the Group’s borrowings to interest rate changes

— **Bonds:** The interest rates of all bonds are fixed.

— **Certificates of indebtedness:** Most of the existing certificates of indebtedness have a fixed coupon.

— **Liabilities to banks and other financial institutions:** These mostly consist of bank loans mainly with fixed interest rates.

Collateral. In 2022 and 2021, no assets were pledged as collateral.

19. RECONCILIATION OF NET DEBT

in CHF m	01.01.2022	Effects of business acquisitions	Movements in cash flow	Exchange rate differences	Other non-cash movements	31.12.2022	Reclassified to held for sale (see note 25)	Total as reported in balance sheet
Cash and cash equivalents	415		–10	–11	—	394	—	394
Short-term deposits	12		313	–1	—	324	—	324
Financial instruments with positive fair values	1		1	—	—	2	—	2
Total cash and liquid investments	**428**	**—**	**304**	**–12**	**—**	**720**	**—**	**720**
Non-current financial debt	–958		–175	4	259	–870	—	–870
Current financial debt	–709		573	40	–259	–355		–355
Lease liabilities	–282		64	10	–37	–245	6	–239
Borrowings and other financial liabilities	**–1 949**	**—**	**462**	**54**	**–37**	**–1 470**	**6**	**–1 464**
Net debt	**–1 521**	**—**	**766**	**42**	**–37**	**–750**	**6**	**–744**

in CHF m	01.01.2021	Effects of business acquisitions	Movements in cash flow	Exchange rate differences	Other non-cash movements	31.12.2021	Reclassified to held for sale (see note 25)	Total as reported in balance sheet
Cash and cash equivalents	737		–318	–4		415	—	415
Short-term deposits	267		–255			12	—	12
Financial instruments with positive fair values	5		–4			1	—	1
Total cash and liquid investments	**1 009**	**—**	**–577**	**–4**	**—**	**428**	**—**	**428**
Non-current financial debt	–1 424	–24	150	47	293	–958	—	–958
Current financial debt	–411	—	12	–24	–293	–716	7	–709
Lease liabilities	–214	—	70	3	–148	–289	7	–282
Borrowings and other financial liabilities	**–2 049**	**–24**	**232**	**26**	**–148**	**–1 963**	**14**	**–1 949**
Net debt	**–1 040**	**–24**	**–345**	**22**	**–148**	**–1 535**	**14**	**–1 521**

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 95.1 % 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.

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.

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 at 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.

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 Leadership Team 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 2020 generation table
Germany	Richttafeln 2018G by Prof. Dr. Klaus Heubeck
UK	SAPS S3 series amount tables (base table) CMI Model (2021) (future improvements)
USA	Pri 2012 mortality table with projection scale MP-2021

Post-employment medical benefits. The Group operates a number of post-employment medical benefit schemes in the United States 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:

	Pension plans (funded and unfunded)		Post-employment medical benefits (unfunded)	
in CHF m	**2022**	2021	**2022**	2021
As per 1 January	2 395	2 497	45	48
Current service cost	23	28	–	–
Past service cost/gain including curtailments	16	11	–	–
Gain/loss on settlements	–1	–2	–	–
Interest costs on obligation	24	22	1	1
Contributions to plan by employees	8	14	–	–
Benefits paid out to personnel in reporting period	–122	–134	–3	–3
Remeasurements:				
Actuarial gain/loss arising from changes in demographic assumptions	–2	–39	–	–1
Actuarial gain/loss arising from changes in financial assumptions	–554	–45	–9	–1
Actuarial gain/loss due to experience adjustments	77	57	2	1
Liabilities acquired in a business combination	–	1	–	–
Effect of disposals	–92	–	–	–
Changes in the scope of consolidation	–2			
Exchange rate differences	–47	–15	–	–
At 31 December	**1 723**	**2 395**	**36**	**45**

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

in CHF m	**2022**	2021
As per 1 January	2 053	1 932
Interest income on plan assets	18	15
Contributions to plan by employees	8	15
Contributions to plan by employer	17	37
Benefits paid out to personnel in reporting period	–99	–109
Remeasurements:		
Return on plan assets (excluding amount included in interest expense)	–355	152
Effect of disposals	–60	–
Exchange rate differences	–33	11
At 31 December	**1 549**	**2 053**

As at 31 December 2022 and 2021, 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:

	Defined-benefit pension plans		Post-employment medical benefits		Total	
in CHF m	**31.12.2022**	31.12.2021	**31.12.2022**	31.12.2021	**31.12.2022**	31.12.2021
Present value of funded obligations	–1 278	–1 815	–	–	–1 278	–1 815
Fair value of plan assets	1 549	2 053	–	–	1 549	2 053
Overfunding/Deficit	**271**	**238**	**–**	**–**	**271**	**238**
Present value of unfunded obligations	–445	–580	–36	–45	–481	–625
Limitation on recognition of net assets [1]	–217	–166	–	–	–217	–166
Net liabilities, total	**–391**	**–508**	**–36**	**–45**	**–427**	**–553**
Reclassified to held for sale (see note 25)	–	36	–	–	–	36
Net liabilities in the balance sheet	**–391**	**–472**	**–36**	**–45**	**–427**	**–517**

[1] The limitation on recognition of net assets pertains to Swiss pension plan.

Thereof recognized in:

in CHF m	**31.12.2022**	31.12.2021	**31.12.2022**	31.12.2021	**31.12.2022**	31.12.2021
Retirement benefit obligations	–452	–585	–36	–45	–488	–630
Reclassified to held for sale (see note 25)	–	37	–	–	–	37
Retirement benefit obligations in the balance sheet	**–452**	**–548**	**–36**	**–45**	**–488**	**–593**
Prepaid pension assets	61	77	–	–	61	77
Reclassified to held for sale (see note 25)	–	–1	–	–	–	–1
Prepaid pension assets in the balance sheet	**61**	**76**	**–**	**–**	**61**	**76**
Net liabilities in the balance sheet for defined-benefit plans	**–391**	**–472**	**–36**	**–45**	**–427**	**–517**

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

	Defined-benefit pension plans		Post-employment medical benefits		Total	
in CHF m	**2022**	2021	**2022**	2021	**2022**	2021
Current service cost	–23	–28	–	–	–23	–28
Net interest cost	–6	–7	–1	–1	–7	–8
Past service cost/gain including curtailments	–16	–11	–	–	–16	–11
Gain/loss on settlements	1	2	–	–	1	2
Components of defined-benefit expense reported in the income statement	**–44**	**–44**	**–1**	**–1**	**–45**	**–45**
in CHF m						
Actuarial gain/loss arising from changes in demographic assumptions	2	39	–	1	2	40
Actuarial gain/loss arising from changes in financial assumptions	554	45	9	1	563	46
Actuarial gain/loss due to experience adjustments	–77	–57	–2	–1	–79	–58
Return on plan assets (excluding amount included in net interest expense)	–355	152	–	–	–355	152
Limitation on recognition of net assets	–58	–166	–	–	–58	–166
Components of defined-benefit gain reported in other comprehensive income	**66**	**13**	**7**	**1**	**73**	**14**
Total defined-benefit expense/gain	**22**	**–31**	**6**	**–**	**28**	**–31**

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

in CHF m	**31.12.2022**	31.12.2021
Equities	306	427
thereof based on quoted market prices	*304*	*423*
Bonds	493	614
thereof based on quoted market prices	*344*	*423*
Cash	63	82
thereof based on quoted market prices	*63*	*82*
Property	241	298
thereof based on quoted market prices	*156*	*215*
Alternative investments	446	632
thereof based on quoted market prices	*111*	*220*
Total fair value of plan assets	**1549**	**2053**

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

		2022 in %					2021 in %				
		Group	**Most important countries**				**Group**	**Most important countries**			
		Weighted average	Switzerland	United Kingdom	United States	Germany	Weighted average	Switzerland	United Kingdom	United States	Germany
Discount rate		3.4	2.0	5.0	5.1	3.9	1.1	0.2	1.8	2.6	1.2
Future salary increases		2.0	2.0	–	3.2	2.5	1.7	1.5	–	3.5	2.5
Long-term increase in healthcare costs		6.1	–	–	7.1	–	5.1	–	–	6.0	–
Current average life expectancy for a 65 year old male	in years	19	23	20	21	21	18	23	21	21	20
Current average life expectancy for a 65 year old female	in years	21	25	24	23	24	20	25	24	23	24

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

2022 in CHF m	**One percentage point increase**	**One percentage point decrease**
Effect on the aggregate of the service cost and interest cost	0	0
Effect on defined-benefit obligation	3	–2

2021 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	4	–3

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

	25 basis point increase		25 basis point decrease	
in CHF m	**2022**	2021	**2022**	2021
Effect on defined-benefit obligation	–48	–81	49	86

If life expectancy increased by one year, the defined benefit obligation would increase by CHF 83 million (2021: CHF 96 million).

Defined contribution post-employment plans. In 2022, CHF 18 million was charged to the income statement as contributions to defined contribution plans (2021: CHF 22 million).

In Germany, approximately 3400 Clariant employees are insured in a defined-benefit plan that 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 that 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 2022, the pension fund's obligations are fully funded. Also, for 2023, it is anticipated that the pension plan liabilities will be covered by the respective assets.

In the event that the multi-employer plan faces a situation where 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. If the benefits are reduced, this must be compensated for by the employer according to German legislation. If the pension plan is unwound, the remaining funds will 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 withdraws from the pension fund, all rights and obligations of the employer against the pension plan will 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 6 %.

Clariant's contribution to this pension plan amounted to CHF 13 million in 2022 (CHF 16 million in 2021) and is expected to be CHF 13 million in 2023.

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 that were formerly part of the Hoechst Group continue to participate in this multi-employer plan.

	Pension plans		Post-employment medical benefits	
in CHF m	**2022**	2021	**2022**	2021
Clariant Group regular and supplemental contributions (employer's contributions):				
Actual contributions in 2021	–	37	–	–
Actual contributions in 2022 (2021: estimated)	17	19	–	–
Estimated contributions in 2023	15	19	–	–
Estimated contributions in 2024	15	19	–	–
Estimated contributions in 2025	15	19	–	–
Estimated contributions in 2026	16	19	–	–
Estimated contributions in 2027	16		–	
Payments to beneficiaries:				
Actual payments in 2021	–	–134	–	–3
Actual payments in 2022 (2021: estimated)	–122	–120	–3	–3
Estimated payments in 2023	–111	–110	–4	–3
Estimated payments in 2024	–110	–112	–4	–3
Estimated payments in 2025	–106	–113	–4	–3
Estimated payments in 2026	–105	–113	–3	–3
Estimated payments in 2027	–106		–3	
Allocation of defined-benefit obligation to plan members (in CHF m):				
Active members	368	605	7	10
Deferred members	168	317	2	5
Retired members	1 187	1 473	27	30
Total funded and unfunded obligations at 31 December	**1 723**	**2 395**	**36**	**45**
Weighted-average duration of the defined-benefit obligation at the end of the reporting period (in years):				
At 31 December	11.5	14.4	9.6	9.8

21. MOVEMENTS IN PROVISIONS

in CHF m	Environmental provisions	Personnel provisions	Restructuring provisions	Other provisions	**Total provisions 2022**	Total provisions 2021
As per 1 January	117	109	67	82	375	441
Additions	22	122	65	26	235	212
Effect of business combinations (see note 26)	—	—	—	19	19	—
Amounts used	–11	–109	–32	–20	–172	–201
Unused amounts reversed	–2	–10	–14	–22	–48	–68
Changes due to the passage of time and changes in discount rates	–3	—	—	—	–3	1
Exchange rate differences	–2	–5	–4	–2	–13	–10
At 31 December	**121**	**107**	**82**	**83**	**393**	**375**
Of which						
– Current portion	21	92	57	45	215	223
– Non-current portion	100	15	25	38	178	152
Total provisions	**121**	**107**	**82**	**83**	**393**	**375**
Expected outflow of resources						
Within 1 year	21	92	57	45	215	223
Between 1 and 3 years	29	11	24	19	83	77
Between 3 and 5 years	23	1	1	6	31	23
Over 5 years	48	3	—	13	64	52
Total provisions	**121**	**107**	**82**	**83**	**393**	**375**

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

The material components of the environmental provisions consist of the costs to 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 when there is an obligation to remedy environmental damage, as well as for containment work when 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 when 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 when 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 at the end of 2022 concern headcount reductions in various countries, with the largest amounts incurred in Germany and Switzerland. For further information regarding restructuring measures, refer to note 27.

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.

All non-current provisions are discounted to reflect the time value of money, when 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	**31.12.2022**	31.12.2021
Trade payables	560	688
Contract liabilities	166	91
Payables to associates and joint ventures	39	55
Accruals	136	156
Other liabilities	163	190
Total trade payables and other liabilities	**1 064**	**1 180**
Reclassified to non-current liabilities	–55	–58
Reclassified to held for sale (see note 25)		–137
Total as reported in the balance sheet	**1 009**	**985**

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	**31.12.2022**	31.12.2021
Banks and other financial institutions	96	423
Current portion of non-current financial debts (see note 18)	259	293
Total	**355**	**716**
Reclassified to held for sale (see note 25)	–	–7
Total current financial debts as reported in the balance sheet	**355**	**709**
Breakdown by maturity:		
in CHF m	**31.12.2022**	31.12.2021
Up to three months after the balance sheet date	81	364
Three to six months after the balance sheet date	234	143
Six to twelve months after the balance sheet date	40	209
Total	**355**	**716**
Reclassified to held for sale (see note 25)	–	–7
Total current financial debts as reported in the balance sheet	**355**	**709**

On 3 January 2022, a bridge loan in the amount of EUR 250 million was repaid.

As of the end of December 2022, five certificates of indebtedness in the amount of EUR 263 million with maturity in 2023 have been reclassified to current financial debt.

Certificates of indebtedness issued in 2020 totaling EUR 115 million were repaid in 2022. On 28 April 2022, before its maturity, one certificate was partially repaid (EUR 13 million); the remaining part (EUR 15 million) was repaid at maturity on 23 May 2022. On that same date, another certificate of indebtedness with a nominal value of EUR 87 million reached maturity and was repaid.

On 26 September 2022, a bond issued in 2012 in the amount of CHF 175 million reached maturity and was repaid. On that same date, a new green bond with a nominal value of CHF 175 million and maturity in 2027 was issued.

On 5 August 2021, certificates of indebtedness issued in 2016 in the amount of EUR 55 million (CHF 60 million) and USD 277 million (CHF 250 million) reached maturity and were repaid.

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 or 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

The Business Unit Pigments, which has been reported as "discontinued operations" in the financial report since 2019, was sold on 3 January 2022. See also note 25.

Following the portfolio reorganization that was executed over the past few years with the disposal of the Business Units Masterbatches and Pigments, Clariant has grouped its remaining activities into three business areas (reportable segments): Care Chemicals (BU ICS), Catalysis (BU Catalysts), Natural Resources (BU Oil & Mining Services, BU Functional Minerals and BU Additives).

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	
	2022	2021	**2022**	2021	**2022**	2021	**2022**	2021	**2022**	2021
Segment sales	2 107	1 716	989	907	2 115	1 790	—	—	5 211	4 413
Sales to other segments	–8	–17	—	—	–5	–24	—	—	–13	–41
Total sales from continuing operations	**2 099**	**1 699**	**989**	**907**	**2 110**	**1 766**	**—**	**—**	**5 198**	**4 372**
Operating expenses	–1 707	–1 421	–1 208	–825	–2 052	–1 557	–159	–129	–5 126	–3 932
Thereof:										
Income from associates and joint ventures	25	34	—	—	28	8	–12	–1	41	41
Gain/loss from disposals not qualifying as discontinued operations	—	—	—	—	—	—	22	—	22	—
Restructuring, impairment and transaction-related costs	–4	–15	–230	2	–243	–3	–90	–37	–567	–53
Operating income	**392**	**278**	**–219**	**82**	**58**	**209**	**–159**	**–129**	**72**	**440**
Net financial expenses and taxes									–162	–148
Net result from continuing operations									**–90**	**292**
Result from discontinued operations									217	81
Net income									**127**	**373**
Segment assets	1 303	1 299	1 591	1 847	1 448	1 548			4 347	4 694
Segment liabilities	–202	–239	–280	–192	–246	–259		—	–728	–690
Net operating assets	**1 101**	**1 060**	**1 311**	**1 655**	**1 202**	**1 289**	**—**	**—**	**3 619**	**4 004**
Segment assets reported as assets held for sale	33	—		107	16	—		—	49	107
Corporate assets reported as assets held for sale		—		—		—	1	2	1	2
Segment assets of discontinued operations reported as assets held for sale		—		—		—		—		719
Assets held for sale	**33**	**—**	**—**	**107**	**16**	**—**	**1**	**2**	**50**	**828**
Segment liabilities of discontinued operations reported as liabilities associated with assets held for sale										–247
Segment liabilities reported as assets held for sale					–6				–6	—
Liabilities directly associated with assets held for sale	**—**	**—**	**—**	**—**	**–6**	**—**	**—**	**—**	**–6**	**–247**
Corporate assets without cash							1 082	1 088	1 082	1 088
Corporate liabilities without financial liabilities							–1 477	–1 608	–1 477	–1 608
Net debt (see note 19)							–744	–1 521	–744	–1 521
Total net assets	**1 134**	**1 060**	**1 311**	**1 762**	**1 212**	**1 289**	**–1 138**	**–2 039**	**2 524**	**2 544**
Thereof:										
Investments in PPE and intangibles for the period	49	66	63	196	93	56	7	15	212	333
Investments in associates and joint ventures at the end of the period	91	85	—	—	98	121	138	5	327	211
Reconciliation of key figures										
Operating income	392	278	–219	82	58	209	–159	–129	72	440
Add: systematic depreciation of PPE	55	57	69	50	48	49	12	14	184	170
Add: impairment	—	—	225	—	237	1	—	—	462	1
Add: depreciation of RoU assets	9	9	11	8	19	20	15	17	54	54
Add: amortization of intangible assets	13	7	7	12	18	21	—	3	38	43
EBITDA[1]	**469**	**351**	**93**	**152**	**380**	**300**	**–132**	**–95**	**810**	**708**
Add: restructuring, impairment and transaction-related costs	4	15	230	–2	243	3	90	37	567	53
Less: impairment	—	—	–225	—	–237	–1	—	—	–462	–1
Less: gain/loss from disposals not qualifying as discontinued operations	—	—	—	—	—	—	–22	—	–22	—
Adjusted EBITDA	**473**	**366**	**98**	**150**	**386**	**302**	**–64**	**–58**	**893**	**760**
Operating income	392	278	–219	82	58	209	–159	–129	72	440
Add: restructuring, impairment and transaction-related costs	4	15	230	–2	243	3	90	37	567	53
Less: gain/loss from disposals not qualifying as discontinued operations	—	—	—	—	—	—	–22	—	–22	—
Adjusted operating income	**396**	**293**	**11**	**80**	**301**	**212**	**–91**	**–92**	**617**	**493**

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

Reconciliation of segment assets to total assets in CHF m	**31.12.2022**	31.12.2021
Segment assets	4 347	4 694
Segment assets reported as assets held for sale	49	107
Corporate assets reported as assets held for sale	1	2
Segment assets of discontinued operations reported as assets held for sale	–	719
Corporate assets without cash	1 082	1 088
Cash and cash equivalents	394	415
Short-term deposits	324	12
Financial instruments with positive fair values	2	1
Total Assets	**6 199**	**7 038**

	Sales[1]		Non-current assets[2]	
in CHF m	**2022**	2021	**31.12.2022**	31.12.2021
EMEA	2 122	1 888	1 780	1 975
of which Germany	*636*	*533*	*1 074*	*1 122*
of which Switzerland	*37*	*28*	*450*	*355*
of which MEA	*364*	*320*	*29*	*22*
North America	931	692	719	903
of which USA	*870*	*649*	*719*	*889*
Latin America	631	487	157	171
of which Brazil	*308*	*227*	*84*	*101*
Asia / Pacific	1 514	1 305	682	711
of which China	*572*	*479*	*312*	*291*
of which India	*310*	*262*	*208*	*232*
Total	**5 198**	**4 372**	**3 338**	**3 760**

[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 2022 amounted to CHF 50 million (2021: CHF 48 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. As a result, the related 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 3 January 2022, Clariant sold the Business Unit Pigments to a consortium composed of the US-based SK Capital Partners and the German Heubach Group. The total consideration of the sale, net of cash transferred, net of the 20% rolled over into the newly created group, and net of the vendor loan, amounted to CHF 579 million. The after-tax gain amounted to CHF 210 million. See table below.

in CHF m	2022
Total cash proceeds received as of 31 December 2022	614
Less cash and cash equivalents transferred	-35
Proceeds from the disposal of discontinued operations	**579**
Outstanding amounts	38
Equity investment	116
Total consideration for the sale	**733**
Net assets sold, including disposal-related expenses	-449
Gain on the disposal from discontinued operations	**284**
Effect of the reclassification of foreign exchange differences on previously held net investments in foreign entities	-75
Gain on the disposal from discontinued operations before taxes	**209**
Taxes (current and deferred)	1
Gain on the disposal from discontinued operations after taxes	**210**

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

Other assets held for sale

In April 2022, Clariant completed the divestment of its 50% stake in the joint venture that owns Scientific Design Company. The total consideration for the sale amounted to CHF 129 million, and the gain realized on the transaction amounted to CHF 22 million. This investment in associate was reported under held for sale in 2021 for an amount of CHF 107 million.

In October 2022, Clariant entered into an agreement to divest its North America Land Oil business to Dorf Ketal, India. In accordance with IFRS 5, the assets and liabilities of that business have been valued at their fair value less cost to sell and reclassified to held for sale in the financial report. They represent a net amount of CHF 11 million at the end of 2022. An impairment of CHF 233 million was recognized in the 2022 income statement.

In August 2022, Clariant entered into an agreement to divest its Quats business to Global Amines Company, Singapore, a 50/50 joint venture owned by Clariant and Wilmar. According to IFRS 5, the assets and liabilities of that business have been reclassified to Held for Sale in the financial report and represent an amount of CHF 33 million per end of 2022. The agreed sales price, subject to standard purchase price adjustment mechanism, is set at USD 113 million.

Clariant considers it highly probable that both the North America Land Oil business and the Quats business will be sold within the next twelve months.

Assets held for sale amounted to CHF 50 million as of 31 December 2022 and mainly related to the assets pertaining to the Quats business and to the North American Land Oil business expected to be sold in 2023 (2021: CHF 2 million) of which CHF 26 million of Property, Plant and Equipment, CHF 19 million of inventories and CHF 6 million of Right-of-Use assets and the associated liabilities of a similar amount. Intangibles reclassified to other assets held for sale were fully depreciated.

DISCONTINUED OPERATIONS in CHF m	Plastics & Coatings (discontinued) [1]		Corporate		Total discontinued operations	
	2022	2021	**2022**	2021	**2022**	2021
Sales	–	912	–	–	–	912
Operating expenses	–10	–802	–6	–21	–16	–823
Income from associates and joint ventures	–	28	–	–	–	28
Restructuring (see note 27)	–	2	10	–5	10	–3
Operating result	**–10**	**140**	**4**	**–26**	**–6**	**114**
Financial result	–		-1		-1	2
Result from discontinued operations before taxes	**-10**		**3**		**-7**	**116**
Taxes	–		4		4	–35
Result from discontinued operations after taxes	**-10**		**7**		**-3**	**81**
Gain on the disposal of discontinued operations	219		–		219	–
Taxes (current and deferred)	1		–		1	–
Net result from discontinued operations	**210**		**7**		**217**	**81**
Currency translation differences of discontinued operations					76	–9
Other items					–	4
Other comprehensive income/loss from discontinued operations	**–**	**–**	**–**	**–**	**76**	**-5**
Operating cash flows	**–**	–17	**–**	–9	–	–26
thereof: payments for restructuring	**–**	–9	**–**	–	–	–9
Investing cash flows	**–**	–27	**–**	–	–	–27
Total cash flow	**–**	**–44**	**–**	**-9**	**–**	**–53**
Cash flow from disposals:						
Gross proceeds	768	–	–	–	768	–
Less cash and cash equivalents transferred	–35	–	–	–	–35	–
Less equity investment	–116	–	–	–	–116	–
Less outstanding amounts	–38	–	–	–	–38	–
Net proceeds from disposal	**579**	**–**	**–**	**–**	**579**	**–**
Net assets held for sale:						
Property, plant and equipment		192	–	–	–	192
Right-of-use assets		12	–	–	–	12
Intangible assets		30	–	–	–	30
Investments in associates and joint ventures		32	–	–	–	32
Deferred and Income tax assets		22	–	–	–	22
Prepaid pension assets		1	–	–	–	1
Inventories		234	–	–	–	234
Trade receivables		148	–	–	–	148
Other current assets		48	–	–	–	48
Total assets held for sale	**–**	**719**	**–**	**–**	**–**	**719**
Trade payables and other liabilities		–137	–	–	–	–137
Retirement benefit obligations		–37	–	–	–	–37
Provisions		–59	–	–	–	–59
Lease liabilities		–7	–	–	–	–7
Current financial debts		–7	–	–	–	–7
Total liabilities directly associated with assets held for sale	**–**	**–247**	**–**	**–**	**–**	**–247**
Total net assets held for sale	**–**	**472**	**–**	**–**	**–**	**472**

[1] Including the Business Unit Pigments for 12 months in 2021

26. ACQUISITIONS

Attapulgite business assets

On 31 October 2022, Clariant acquired from BASF its US-based attapulgite business assets by way of an asset deal for a preliminary consideration of USD 60 million. This acquisition pertains to the Business Unit Functional Minerals.

The provisional fair values of the identified assets and liabilities acquired and the resulting preliminary goodwill presented are as follows:

in CHF m	2022
Total consideration for purchase	**60**
Recognized amounts of identifiable assets and liabilities assumed:	
Property plant, and equipment	63
Intangible assets	1
Inventories	14
Provisions	-19
Fair value of net assets acquired (preliminary)	**59**
Goodwill (preliminary)	**1**

For this transaction, acquisition related costs of less than CHF 4 million, comprising M&A, legal costs and consulting, were recognized in Selling, general and administrative costs in 2022.

From the acquisition date up to the end of the year 2022, Clariant Corporation reported net sales of CHF 5 million and an operating result of CHF 0.5 million.

If the acquisition had occurred on 1 January 2022, estimated Group sales would have been CHF 27 million higher and the estimated operating result would have been CHF 2.5 million higher.

Beraca Ingredientes Naturais S.A.

On 25 October 2021 Clariant acquired the remaining 70 % of the shares of the Brazilian Personal Care company Beraca Ingredientes Naturais S.A. from the company's founder-owners. The company is one of the foremost producers of natural ingredients for the Personal Care industry and is based in the Amazonas region. This acquisition pertains to the Business Unit Industrial & Consumer Care Services (ICS).

Clariant has been holding 30 % of the shares since 2015 and is now a 100 % owner. The shareholding was previously accounted for at equity and the transaction is treated as a step acquisition. Since the acquisition date, Beraca Ingredientes Naturais S.A. has been fully consolidated in Clariant's financial statements. The summary of the financial impact of consolidating the company in the accounts at the acquisition date, using the fair values of identified assets and liabilities, is as reported below.

As part of the accounting for the business combination the 30% shareholding previously held was revalued to fair value, which resulted in a one-time gain of CHF 9 million, recorded in Selling, general and administrative costs in the 2021 income statement.

Goodwill incurred in the acquisition refers to expected cost and supply chain synergies and better market access and remained unchanged.

The acquired intangible assets comprise mainly trademarks and developed technology.

in CHF m	2021
Cash consideration fo the acquisition in 2021	33
Less cash and cash equivalents received	-2
Total cash outflow for the acquisition in 2021	**31**
Fair value of shareholdings previously owned	13
Total consideration for purchase	**44**
Recognized amounts of identifiable assets and liabilities assumed:	
Property plant, and equipment	2
Intangible assets	12
Inventories	3
Receivables	5
Other assets and liabilities	–3
Fair value of net assets acquired	**19**
Goodwill	**25**

For this acquisition, costs of less than CHF 1 million, comprising M&A, legal costs and tax advisory and consulting charges, were recognized in »Selling, general and administrative costs« in 2021.

From the acquisition date up to the end of the year 2021, Beraca Ingredientes Naturais S.A. reported net sales of CHF 3 million and an operating loss of CHF 1 million, including CHF 1 million of depreciation and amortization.

If the acquisition had occurred on 1 January 2021, the 2021 Group sales would have been CHF 12 million higher, and the 2021 operating result would have been CHF 6 million higher.

Joint venture Clariant IGL Specialty Chemicals Private Ltd

On 1 July 2021, Clariant and India Glycos Ltd (IGL) established a joint venture for ethylene oxide derivatives from renewable sources, Clariant contributing 51 % to the joint venture and IGL 49 %. As Clariant will exercise control over the joint venture, it is consolidated in Clariant's financial accounts and accounted for as a business combination.

The joint venture is a combination of IGL's business with bio-ethylene oxide derivatives from renewable sources and Clariant's ICS activities in India, Sri Lanka, Bangladesh, and Nepal. It comprises a multipurpose plant in Kashipur, India including an alkoxylation plant. This acquisition pertains to the Business Unit Industrial & Consumer Care Services (ICS). Since the initiation of the joint venture, Clariant IGL SC is fully consolidated in Clariant's financial statements. The summary of the financial impact of consolidating the joint venture in the accounts at the acquisition date, using the fair values of identified assets and liabilities is as reported below.

The acquired intangible assets comprise mainly customer relationships and vendor contracts.

in CHF m	2021
Total cash outflow for the acquisition in 2021	58
Total consideration for purchase	**58**
Recognized amounts of identifiable assets and liabilities assumed:	
Property plant, and equipment	47
Intangible assets	19
Deferred tax assets	9
Inventories	9
Receivables	10
Financial debt	–23
Pension plan liabilities	–1
Other assets and liabilities	–1
Fair value of net assets acquired	**69**
Non-controlling interests	–46
Goodwill	**35**

For this transaction, acquisition-related costs of less than CHF 1 million, comprising M&A, legal costs, and consulting, were recognized in Selling, general and administrative costs in 2021. Goodwill incurred in the acquisition referred to better access to important materials, in addition to expansion of the product portfolio and business know-how. Goodwill remained unchanged.

From the acquisition date up to the end of the year 2021, Clariant IGL Specialty Chemicals Inc. reported net sales of CHF 71 million and an operating result of CHF 9 million, including CHF 2 million of depreciation and amortization. This result includes the above-mentioned items of a one-time nature, which were incurred in connection with the takeover by Clariant. If the acquisition had occurred on 1 January 2021, the 2021 Group sales would have been CHF 54 million higher, and the 2021 operating result would have been CHF 8 million higher.

Bentonite mining activities

In 2022 an additional payment of CHF 4 million was made related to the acquisition of Bentonite mining activities in China acquired in 2020.

27. RESTRUCTURING, IMPAIRMENT, AND TRANSACTION-RELATED COSTS

in CHF m	**2022**	2021
Restructuring income/expenses	**–51**	**1**
Payments for restructuring	–32	–38
Impairment loss	**–462**	**–1**
thereof charged to inventories (see note 11)	–2	—
thereof charged to PPE (see note 5)	–236	–1
thereof charged to intangible assets (see note 6)	–224	—
Transaction-related and other exceptional items	**–67**	**–77**
Total restructuring, impairment, transaction-related and other exceptional items	**–580**	**–77**
thereof reported under discontinued operations	–13	–24
Total continuing operations	**–567**	**–53**

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 2022, Clariant recorded an expense from the creation and reversal of restructuring provisions in the amount of CHF 51 million (2021: income CHF 1 million).

Clariant reports in Continuing Operations a net increase in restructuring provisions in the amount of CHF 61 million in 2022, compared to an income of CHF 4 million in 2021 from two main initiatives. In June 2022, Clariant announced changes to its leadership and organizational structure as part of the Company's ongoing initiatives to implement its purpose-led strategy and cultural transformation. The implementation of this new operating model resulted in total restructuring charges of CHF 49 million in 2022.

Additional measures were initiated in the global functions to further increase efficiency in service delivery by focusing on customer needs as well as centralization and automation of processes. Restructuring provisions of CHF 12 million were booked for these efficiency initiatives.

In addition in Discontinued Operations, an income from the change in restructuring provisions in the amount of CHF 10 million in 2022 was recorded, compared to an expense of CHF 3 million in 2021 for the rightsizing program.

Impairment. The impairment losses recorded in 2022 concerned mainly the North America Land Oil business (CHF 233 million), the Podari bio-ethanol plant (CHF 220 million) and the Ukraine assets (CHF 5 million). The ones recognized in 2021 relate mainly to properties, plants and equipment in the US, China and Italy.

Transaction-related and other exceptional items comprise expenses incurred in connection with the acquisition or disposal projects and corporate initiatives.

The total amount pertaining to continuing operations, CHF 567 million of restructuring, impairment, transaction-related costs, and other items (2021: CHF 53 million) is reported in the income statement from continuing operations as follows: CHF 468 million in cost of goods sold (2021: CHF 7 million), CHF 89 million in selling, general and administrative costs (2021: CHF 47 million), and CHF 10 million in Research & Development costs (2021: income of CHF 1 million).

28. FINANCE INCOME AND COSTS

FINANCE INCOME

in CHF m	**2022**	2021
Interest income	9	11
thereof interest on loans, receivables and deposits	*9*	*11*
Other financial income	9	13
Total finance income	**18**	**24**

FINANCE COSTS

in CHF m	**2022**	2021
Interest expense	–55	–62
thereof effect of discounting of non-current provisions	*–2*	*–3*
thereof net interest component of pension provisions	*–7*	*–8*
thereof interest on lease liabilities	*–11*	*–11*
Other financial expenses	–9	–8
Total finance costs before currency result	**–64**	**–70**
Currency result, net	–21	2
Total finance costs	**–85**	**–68**
thereof reported under discontinued operations (see note 25)	–1	2
Total continuing operations	**–84**	**–70**

Other financial expenses include bank charges and miscellaneous financial expenses.

In 2022 and 2021, 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, pertains to financial debts measured at amortized costs.

Interest costs capitalized on qualifying assets for 2022 were CHF 2 million (2021: CHF 3 million).

29. EARNINGS PER SHARE (EPS)

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

	2022	2021
Net income attributable to shareholders of Clariant Ltd, undiluted and diluted in CHF m		
Continuing operations	–133	267
Discontinued operations	217	77
Total	**84**	**344**
Weighted-average number of shares outstanding		
As per 1 January	329 336 789	329 517 644
Effect of transactions with treasury shares on weighted-average number of shares outstanding	–172 203	–180 855
Weighted-average number of shares outstanding at 31 December	**329 164 586**	**329 336 789**
Adjustment for granted Clariant shares	1 606 420	2 053 495
Weighted-average diluted number of shares outstanding at 31 December	**330 771 006**	**331 390 284**
Basic earnings per share attributable to shareholders of Clariant Ltd (CHF/share)		
Continuing operations	–0.40	0.81
Discontinued operations	0.66	0.23
Total	**0.26**	**1.04**
Diluted earnings per share attributable to shareholders of Clariant Ltd (CHF/share)		
Continuing operations	–0.40	0.81
Discontinued operations	0.66	0.23
Total	**0.26**	**1.04**

The dilution effect is triggered by the effect of Clariant shares that have been granted as part of the share-based payment plan but have not yet vested. To calculate this dilutive potential, it is assumed that they vested on 1 January of the respective period. The effect of the services still to be rendered during the vesting period is taken into consideration.

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

In 2022, Clariant made a cash distribution of CHF 0.40 per share to its shareholders out of the share capital, reducing the nominal value from CHF 3.00 to CHF 2.60 per share (see note 17).

30. DERIVATIVE FINANCIAL INSTRUMENTS

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

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

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

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

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

DERIVATIVE FINANCIAL INSTRUMENTS

in CHF m	Contract or underlying principal amount		Positive fair values		Negative fair values	
	31.12.2022	31.12.2021	**31.12.2022**	31.12.2021	**31.12.2022**	31.12.2021
Interest rate-related instruments						
Interest rate swaps	–	–	–	–	–	–
Cross-Currency Swaps	150	364	–	–	–25	–22
Currency-related instruments						
Forward foreign exchange rate contracts	66	413	2	1	–	–
Total derivative financial instruments	**216**	**777**	**2**	**1**	**–25**	**–22**

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	**31.12.2022**	31.12.2021
Breakdown by maturity:		
Up to one month after the balance sheet date	24	32
More than one and up to three months after the balance sheet date	42	263
More than three and up to twelve months after the balance sheet date	–	324
More than one and up to five years after the balance sheet date	150	158
Total derivative financial instruments	**216**	**777**

DERIVATIVE FINANCIAL INSTRUMENTS BY CURRENCY

in CHF m	**31.12.2022**	31.12.2021
USD	58	278
EUR	150	493
JPY	6	4
Others	2	2
Total derivative financial instruments	**216**	**777**

FINANCIAL INSTRUMENTS EFFECTIVE FOR HEDGE-ACCOUNTING PURPOSES

in CHF m	**31.12.2022**	31.12.2021
Contracts with negative fair values	–25	–22
Cross-Currency Swaps	**–8**	**–5**
Notional amount (EUR)	50	50
Maturity date	25.03.2024	25.03.2024
Hedge ratio	1:1	1:1
Change in fair value since 1 January	–3	–3
Change in fair value of hedged item	3	3
Cross-Currency Swaps	**–17**	**–9**
Notional amount (EUR)	103	103
Maturity date	25.09.2025	25.09.2025
Hedge ratio	1:1	1:1
Change in fair value since 1 January	–8	–6
Change in fair value of hedged item	8	6
Cross-Currency Swaps	**—**	**–8**
Notional amount (EUR)	—	200
Maturity date	—	29.07.2022
Hedge ratio	—	1:1
Change in fair value since 1 January	—	–8
Change in fair value of hedged item	—	8
Notional amount of hedges of net investments in foreign entities:		
Contracts with positive values	236	521
Borrowings denominated in foreign currencies	–236	–521
EUR amount	–236	–521
Hedge Ratio	1:1	1:1

Since 2015, Clariant issued various certificates of indebtedness totaling EUR 1158 million, USD 277 million, and CHF 62 million (see note 18). During 2022, EUR 115 million was paid back (2021: EUR 138 million, USD 277 million and CHF 62 million). As per 31 December 2022, certificates of indebtedness totaling EUR 543 million are recorded.

As per 31 December 2022, EUR 240 million was designated as a hedge of a net investment in some of Clariant's European subsidiaries (2021: EUR 505 million).

The foreign exchange rate gain resulting from the hedge of net investments amounted to CHF 20 million for 2022 (2021: CHF 22 million) and is recorded in the cumulative translation difference in shareholders' equity.

The hedge effectiveness is assessed at the beginning of the hedging relationship by way of 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 the 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 that is not matched by the loan, as well as on differences in critical terms between the interest rate/cross-currency swaps and loans.

The cross-currency Basis Spread as per End of December 2022 was CHF –180 943 (2021: –100 748).

There was no ineffectiveness during 2022 and 2021 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.

31. EMPLOYEE PARTICIPATION PLANS

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 next review of the target achievements (vesting criteria) under this plan will be held in summer 2023, and vesting is scheduled to take place in September 2023. Target achievement reviews and vesting will continue on an annual basis for all subsequent grants.

For the first time in 2013, the Performance Share Unit (PSU) Plan was introduced for all senior managers with a three-year vesting period. The last grant under this plan took place in September 2018. Performance targets for this grant were met and granted PSUs vested in September 2021.

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.

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 number of shares.

In 2022, CHF 8 million was debited to the income statement for equity-settled share-based payments (2021: income of CHF 12 million).

As of 31 December 2022, the total carrying value of liabilities arising from equity-settled share-based payments, entirely recognized in equity, is CHF 21 million (2021: CHF 22 million).

SHARES FOR MEMBERS OF MANAGEMENT AND THE EXECUTIVE COMMITTEE/EXECUTIVE STEERING COMMITTEE

Base year	Granted	Vesting in		Fair value at grant date	**Number 31.12.2022**	Number 31.12.2021
2018	2018	2021		23.58	542	4 665
2019	2019	2022		15.91	–	785 275
2020	2020	2023		12.87	823 423	1 025 099
2021	2021	2024		19.20	3 891	3 891
2021	2021	2024		18.84	20 317	20 317
2021	2021	2024		18.34	1 000	1 000
2021	2021	2024		13.64	904 728	1 154 066
2022	2022	2025		16.07	3 500	–
2022	2022	2025		17.63	14 862	–
2022	2022	2025		17.79	51 220	–
2022	2022	2025		14.02	723 170	–
Total					**2 546 653**	**2 994 313**

	Weighted-average exercise price	**Shares 2022**	Weighted-average exercise price	Shares 2021
Shares outstanding at 1 January	14.03	2 994 313	18.82	2 395 698
Granted		878 944		1 234 206
Exercised / distributed		–265 178		–349 886
Cancelled / forfeited		–1 061 426		–285 705
Outstanding at 31 December	**13.66**	**2 546 653**	**14.03**	**2 994 313**
Fair value of shares outstanding in CHF		34 794 843		42 010 204

The fair value of shares granted during 2022 is CHF 13 million (2021: CHF 16 million), calculated based on market value of shares at the grant date.

No options were granted in 2022 and 2021.

32. PERSONNEL EXPENSES

in CHF m	**2022**	**2021**
Wages and salaries	–766	–819
Social welfare costs	–156	–174
Shares and options granted to directors and employees	–8	–12
Pension costs – defined-contribution plans	–18	–22
Pension costs – defined-benefit plans	–38	–39
Total personnel expenses	**–986**	**–1 066**
thereof reported under discontinued operations	—	133
Total continuing operations	**–986**	**–933**

33. RELATED-PARTY TRANSACTIONS

Clariant maintains business relationships with related parties. One group consists of the associates and joint ventures, of which the most important ones are described in note 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 Steering 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/ Executive Steering 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 is 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 2022 of these services is less than CHF 1 million (2021: 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 two (2021: approximately four).

The fourth group of related parties is all companies pertaining to the SABIC Group, which 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	**2022**	2021
Income from the sale of goods to related parties	101	51
thereof to joint ventures	*26*	*9*
thereof to associates	*48*	*11*
thereof to SABIC companies	*27*	*31*
Income from the rendering of services to related parties	67	54
thereof to joint ventures	*31*	*32*
thereof to associates	*36*	*22*
Expenses from the purchase of goods from related parties	–91	–33
thereof from joint ventures	*–50*	*–19*
thereof from associates	*–36*	*–14*
thereof from SABIC companies	*–5*	*—*
Expenses from services rendered by related parties	–201	–261
thereof by joint ventures	*–30*	*–24*
thereof by associates	*–171*	*–237*
Expense from the purchase of property, plant and equipment from related parties	–5	–5
thereof from associates	*–5*	*–5*
Expense from lease contracts with related parties	–6	–6
thereof with associates	*–6*	*–6*

PAYABLES AND RECEIVABLES WITH RELATED PARTIES

in CHF m	**31.12.2022**	31.12.2021
Receivables from related parties	26	26
thereof from joint ventures	*6*	*12*
thereof from associates	*18*	*7*
thereof from SABIC companies	*2*	*7*
Payables to related parties	39	55
thereof to joint ventures	*8*	*7*
thereof to associates	*30*	*48*
hereof to SABIC companies	*1*	*—*
Loans to related parties	—	15
thereof to joint ventures	*—*	*—*
thereof to associates	*—*	*15*
Loans from related parties	1	1
thereof from associates	*1*	*1*

TRANSACTIONS WITH KEY MANAGEMENT

in CHF m	**2022**	2021
Salaries and other short-term benefits	11	9
Post-employment benefits	2	1
Share-based payments	4	3
Total	**17**	**13**

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

34. COMMITMENTS AND CONTINGENCIES

Guarantees. No guarantees on behalf of third parties were issued in 2022 and 2021.

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 nine years and other materials in 2022. This implies a total purchase commitment of about CHF 720 million (2021: CHF 925 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 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 that would likely have any material adverse effect in relation to its business, financial position, or results of operations.

A Clariant subsidiary in the United States has been named along with many other defendants in lawsuits involving per- and polyfluoroalkyl substances (PFASs). Clariant is monitoring the development of these cases, which relate to a line of business divested in 2013, and is defending all litigation matters related to PFAS. The initial trial on one of the PFASs litigation matters may occur no earlier than early 2023. As of this point in time, Clariant cannot assess if these litigation matters will have a material impact on Clariant's financial results.

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

35. EXCHANGE RATES OF PRINCIPAL CURRENCIES

The rates used to translate the consolidated balance sheets (closing rate) are:

	31.12.2022	31.12.2021
1 USD	0.92	0.91
1 EUR	0.99	1.03
1 BRL	0.18	0.16
1 CNY	0.13	0.14
100 INR	1.12	1.23
100 JPY	0.70	0.79

The sales-weighted average exchange rates used to translate the consolidated income statements and consolidated statements of cash flows are

	2022	2021
1 USD	0.96	0.92
1 EUR	1.01	1.08
1 BRL	0.19	0.17
1 CNY	0.14	0.14
100 INR	1.22	1.24
100 JPY	0.72	0.83

36. IMPORTANT SUBSIDIARIES

Country	Company name	Currency	Share-/paid in capital (in thousands)	Participation in %	Holding/Finance/Service	Sales	Production	Research
Argentina	Clariant (Argentina) SA, Buenos Aires	ARS	54 605	100.0		■	■	
Australia	Clariant (Australia) Pty Ltd, Notting Hill	AUD	1 902	100.0		■	■	
Brazil	Clariant S.A., São Paulo	BRL	276 953	100.0	■	■	■	■
	Companhia Brasileira de Bentonita Ltda, Vitoria da Conquista	BRL	17 470	100.0		■	■	
	Consórcio CCPN, Niteroi	BRL	26 113	100.0		■	■	
	Beraca Ingredientes Naturais S.A.	BRL	18 158	100.0		■	■	■
Canada	Clariant (Canada) Inc., Toronto	CAD	10 415	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 Catalysts (Nanjing) Co., Ltd., Nanjing	CNY	321 822	100.0				
	Clariant Chemicals (China) Ltd., Shanghai	CNY	210 014	100.0		■	■	■
	Clariant Chemicals (Huizhou) Ltd., Daya Bay, Huizhou	CNY	523 560	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	166 431	100.0		■	■	
	Clariant Bentonite (Jiangsu) Co., Ltd., Zhenjiang	CNY	79 058	100.0		■	■	
	Clariant Chemicals Technology (Shanghai) Ltd., Shanghai	CNY	170 286	100.0		■	■	■
	Clariant Specialty Chemicals (Jiaxing) Co., Ltd., Jiangxing	CNY	213 552	100.0		■	■	
Colombia	Clariant Colombia S.A., Cota (Cundinamarca)	COP	2 265	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	■			
Germany	Clariant Produkte (Deutschland) GmbH, Frankfurt a.M.	EUR	9 348	100.0	■	■	■	■
	Clariant Plastics & Coatings (Deutschland) GmbH	EUR	149	100.0	■	■	■	■
	Clariant SE, Frankfurt a.M.	EUR	916	100.0		■		
	Clariant Verwaltungsgesellschaft mbH, Frankfurt a.M.	EUR	2 560	100.0	■			
	Clariant Vierte Chemie GmbH	EUR	30	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	■			
Greece	Süd-Chemie Hellas Monoprosopi EPE, Adamantas, Milos	EUR	548	100.0		■	■	
India	Clariant India Private Limited, Navi Mumbai	INR	10 829	100.0	■	■	■	■
	Süd-Chemie India Pvt. Ltd., Ernakulam	INR	9 623	50.0		■		■
	Clariant IGL BioEthoxylates Private Limited	INR	220	51.0		■	■	
Indonesia	PT. Clariant Indonesia, Tangerang	IDR	267 577	100.0	■	■	■	
	PT. Clariant Kujang Süd-Chemie Catalysts, Cikampek	USD	3 447	76.9		■	■	
	PT. Clariant Specialties Indonesia, Tangerang Banten	IDR	4 803	100.0		■		
	PT. Clariant Adsorbents Indonesia, Sukabumi	IDR	12 375	100.0		■	■	
Italy	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		■	■	
Japan	Clariant (Japan) K.K., Tokyo	JPY	450	100.0		■	■	■
	Clariant Catalysts (Japan) K.K., Tokyo	JPY	544	61.5	■	■	■	■
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 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	■	■	■	■
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	■	■	■	
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				

Country	**Company name**	Currency	Share-/ paid-in capital (in thousands)	Participation in %	Holding/ Finance/ Service	Sales	Production	Research
Qatar	Clariant Qatar W.L.L., Mesaieed	QAR	30 000	65.0		■	■	
Romania	Clariant Products Ro Srl, Bucarest	RON	105 261	100.0		■	■	
Singapore	Clariant (Singapore) Pte. Ltd., Singapore	SGD	21 500	100.0	■	■	■	
	Clariant South East Asia Pte. Ltd., Singapore	SGD	1 560	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	■	■	■	
Spain	Clariant Ibérica Producción S.A., Sant Joan Despi	EUR	6 023	100.0	■	■	■	■
Sweden	Clariant Production Sweden AB, Mölndal	SEK	500	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				
	Clariant Produkte (Schweiz) AG, Muttenz	CHF	5 000	100.0	■			
	Clariant Additives (Switzerland) AG, Muttenz	CHF	5 000	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		■		■
Turkey	Clariant (Türkiye) A.S., Ataşehir/İstanbul	TRY	17 538	100.0		■	■	
UAE	Clariant (Gulf) FZE, Jebel Ali, Dubai	AED	1 000	100.0		■		
USA	Clariant Corporation, Charlotte, NC	USD	749 500	100.0	■	■	■	■

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

37. EVENTS SUBSEQUENT TO THE BALANCE SHEET DATE

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

Clariant Ltd, Muttenz

Statutory Auditor's Report

to the General Meeting on the

Consolidated Financial Statements 2022

KPMG AG
Basel, 1 March 2023

Statutory Auditor's Report

To the General Meeting of Clariant Ltd, Muttenz

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Clariant Ltd and its subsidiaries (the Group), which comprise the consolidated balance sheet as at 31 December 2022 and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated balance sheets of the Group as at 31 December 2022, its consolidated income statements, its consolidated statements of comprehensive income, its consolidated statements of changes in equity and its consolidated statements of cash flows for the year then ended in accordance with 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 Standards on Auditing (SA-CH). 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, together with the requirements of the Swiss audit profession, as well as the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (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.

Key Audit Matters

TIMING OF REVENUE RECOGNITION

RECOVERABILITY OF GOODWILL

PODARI ASSET IMPAIRMENT

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

TIMING OF REVENUE RECOGNITION

Key Audit Matter

The Group's revenue for the financial year 2022 amounted to CHF 5,198 million and was mainly related to the sale of specialty chemicals.

Revenue is recognized when a performance obligation is satisfied by transferring control over a promised good or service. Due to the Group's business model, over time revenues are currently not material.

Revenue is a key performance indicator and therefore an internal and external stakeholders' focus. Consequently, there might be pressure to achieve forecasted results.

Particular attention is required to ensure revenue is recognized in the correct accounting period. Thus, we identified timing of revenue recognition before the balance sheet date as a key audit matter.

Our response

Our audit procedures included, amongst others, the following:

— obtained an understanding of the overall process over revenue recognition and tested key internal controls over the timing of revenue recognition. Due to the high reliance of revenue recognition on IT, we evaluated the integrity of the general IT control environment;

— used audit technology to identify sales at risk of being recognized in the incorrect accounting period around year-end, and to corroborate management's assessment. We traced samples of sales to related underlying documents;

— recalculated the estimated shipping terms, which are the basis of the revenue accrual;

— selected credit notes and sales reversals recorded after the balance sheet date and traced these selected items to supporting documents.

We also considered whether disclosures over revenue recognition in the consolidated financial statements are appropriate.

For further information on TIMING OF REVENUE RECOGNITION refer to the following:

— Note 1: Accounting Policies

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RECOVERABILITY OF GOODWILL

Key Audit Matter

Intangible assets in the consolidated financial statements of the Group include goodwill in the amount of CHF 870 million. Goodwill accounts for 14.0% of total assets and thus has a material impact on the company's net assets. Goodwill must be tested for impairment annually and whenever there is an indication that goodwill may be impaired.

There is a risk of non-recoverability of the Group's significant goodwill balance, in particular relating to the Catalysts business unit, which amounts to CHF 612 million, due to the ongoing worldwide economic recession as well as the increasing cost due to inflation and scarcity of supply. This resulted in weaker demand in certain markets and increased pressure on the prices and margins. Due to the inherent uncertainty involved in forecasting and discounting future cash flows, which are the basis of the assessment of recoverability, this is one of the key judgmental areas that our audit is concentrated on.

Our response

Our audit procedures included, amongst others, evaluating the methodical and mathematical accuracy of the model used for the impairment tests, the appropriateness of the assumptions used, and the methodology used by management to prepare its cash flow forecasts. We used our own valuation specialists to support our procedures.

For all of cash generating units (CGUs) including goodwill, we also performed the following audit procedures:

- assessed the reasonableness of the plans and forecasts by back-testing historical forecasts to actual results;
- compared business plan data against the latest Board approved plans and management approved forecasts;
- challenged the robustness of the key assumptions used to determine the recoverable amount, including identification of the CGUs, forecast cash flows, long-term growth rates and the discount rates based on our understanding of the commercial prospects of the related assets, and by comparing them with publicly available data;
- conducted sensitivity analysis, taking into account the historical forecasting accuracy of the Group;
- compared the sum of projected discounted cash flows to the market capitalisation of the Group; and
- recalculated the difference between the carrying value and the recoverable amount to assess the headroom.

We also considered the appropriateness of disclosures in relation to impairment sensitivities in the consolidated financial statements.

For further information on RECOVERABILITY OF GOODWILL refer to the following:

- Note 1: Accounting Policies
- Note 6: Intangible Assets

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PODARI ASSET IMPAIRMENT

Key Audit Matter

On 12 December 2022 the Group announced an asset impairment of their bioethanol plant in Podari, Romania in the amount of CHF 220 million.

The plant began production in the second quarter of 2022. Since the targeted yields and other operational parameters for an industrial scale have not been achieved as planned, the Group has performed a financial assessment of the plant as part of the annual impairment testing. As a result of this analysis, the Group has concluded that an impairment to the current asset value of asset in the above amount needs to be recognized.

Due to the inherent uncertainty involved in forecasting and discounting future cash flows and the significant management judgment involved, we have selected the Podari asset impairment as a Key Audit Matter.

Our response

Our audit procedures included, amongst others, evaluating the methodical and mathematical accuracy of the model used for the impairment test, the appropriateness of the assumptions used, and the methodology used by management to prepare its cash flow forecast. We used our own valuation specialists to support our procedures.

We also performed the following audit procedures:

— assessed the reasonableness of the plans and forecasts by comparing them against customer contract, historical expenses and inquiries with management;

— compared business plan data against the latest Board approved plans and management approved forecasts;

— challenged the robustness of the key assumptions used to determine the recoverable amount, including forecast cash flows, long-term growth rate and the discount rate based on our understanding of the commercial prospects of the related assets and by comparing them with publicly available data;

— conducted sensitivity analysis;

— recalculated the difference between the carrying value and the recoverable amount to assess the impairment.

We also considered the appropriateness of disclosures in relation to impairment sensitivities in the consolidated financial statements.

For further information on PODARI ASSET IMPAIRMENT refer to the following:

— Note 1: Accounting Policies

— Note 5: Property, Plant and Equipment

Other Matter

The consolidated financial statements of the Group for the year ended 31 December 2021 were audited by another auditor who expressed an unmodified opinion on those statements on 18 May 2022.

Other Information

The Board of Directors is responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements, the stand-alone financial statements, the compensation report and the review on performance, people and planet of the company and our auditor's reports thereon.

Our opinion on the consolidated financial statements does not cover the other information 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 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.

Board of Directors' Responsibilities 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 SA-CH will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Swiss law, ISAs and SA-CH, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

— Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

— Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

— Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made.

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

— Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

— Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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

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

Report on Other Legal and Regulatory Requirements

In accordance with article 728a para. 1 item 3 CO and PS-CH 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.

KPMG AG

Martin Rohrbach Licensed Audit Expert Auditor in Charge	Cyrill Kaufmann Licensed Audit Expert

Basel, 1 March 2023

Review of trends

FIVE-YEAR GROUP OVERVIEW 2018–2022

		2022[2]	**2021**[2]	**2020**[2]	2019[2]	2018
Segment sales	CHF m	**5 211**	**4 413**	**3 883**	**4 434**	**4 445**
Change relative to preceding year						
in Swiss francs	%	18	14	–12	–	–
in local currency	%	24	15	–5	3	–
Group sales[1]	CHF m	**5 198**	**4 372**	**3 860**	**4 399**	**4 404**
Change relative to preceding year						
in Swiss francs	%	18.9	13.3	–12.3	–	–
in local currency	%	24	15	–5	3	–
Adjusted operating income	CHF m	**617**	**493**	**354**	**444**	**480**
Change relative to preceding year	%	25	39	–20	–7	–29
as a % of sales		11.9	11.3	9.2	10.1	10.9
Operating income	CHF m	**72**	**440**	**317**	**165**	**348**
Change relative to preceding year	%	–84	39	92	–53	–30
as a % of sales		1.4	10.1	8.2	3.8	7.9
EBITDA	CHF m	**810**	**708**	**597**	**461**	**607**
Change relative to preceding year	%	14	19	30	–24	–25
as a % of sales		15.6	16.2	15.5	10.5	13.8
Adjusted EBITDA	CHF m	**893**	**760**	**623**	**740**	**739**
Change relative to preceding year	%	18	22	–16	–	–24
as a % of sales		17.2	17.4	16.1	16.8	16.8
Net income	CHF m	**127**	**373**	**825**	**38**	**356**
Change relative to preceding year	%	–66	–55	2 027	–89	18
as a % of sales		2.4	8.5	21.4	0.9	8.1
Investment in property, plant and equipment	CHF m	**209**	**362**	**288**	**273**	**237**
Change relative to preceding year	%	–42	26	5	15	–4
as a % of sales		4	8	7	6	5
Personnel costs[3]	CHF m	**986**	**1 066**	**1 264**	**1 431**	**1 457**
Change relative to preceding year	%	–8	–16	–12	–2	–
as a % of sales		19	24	–33	33	33
Employees at year-end	number	11 148	13 374	13 235	17 223	17 901
Change relative to preceding year	%	17	1	–23	–4	–1

[1] Including trading
[2] Continuing operations
[3] Including discontinued operations

Financial statements of Clariant Ltd, Muttenz

Balance sheets of Clariant Ltd

BALANCE SHEETS OF CLARIANT LTD

at 31 December 2022 and 2021	Notes	**31.12.2022** in CHF m	in %	31.12.2021 in CHF m	in %
Assets					
Current assets					
Cash and cash equivalents	3	137		110	
Short-term deposits	3	314		–	
Other short-term receivables	4	23		26	
Accrued income and prepaid expenses		3		1	
Total current assets		**477**	**12.2**	**137**	**3.2**
Non-current assets					
Loans to Group companies	5	1 898		2 517	
Other financial assets	6	39		–	
Shareholdings in Group companies	5	1 390		1 669	
Investments in associates and joint ventures	6	91		–	
Intangible assets		2		3	
Total non-current assets		**3 420**	**87.8**	**4 189**	**96.8**
Total assets		**3 897**	**100.0**	**4 326**	**100.0**
Liabilities and Equity					
Liabilities					
Current liabilities					
Other current non-interest-bearing liabilities	7	22		40	
Other current interest-bearing liabilities	8	367		638	
Current provisions		155		178	
Accrued expenses		3		5	
Total current liabilities		**547**	**14.0**	**861**	**19.9**
Non-current liabilities					
Non-current interest-bearing liabilities to third parties	13	875		967	
Total non-current interest-bearing liabilities	**13**	**875**	**22.5**	**967**	**22.4**
Total liabilities		**1 422**		**1 828**	
Equity					
Share capital	**9, 12**	**863**		**996**	
Reserves from capital contribution[1]	10, 12	1 304		1 304	
thereof from capital contribution reserves (other)		1 304		1 304	
Reserves from retained earnings[2]	10, 12	–1 264		–1 264	
Other statutory reserves	12	224		224	
Total statutory capital reserves	**12**	**264**		**264**	
Voluntary retained earnings	12	1 288		1 137	
Total reserves	**10, 12**	**1 552**		**1 401**	
Profit for the financial year		112		151	
Treasury shares	**11, 12**	**–52**		**–50**	
Total equity		**2 475**	**63.5**	**2 498**	**57.7**
Total equity and liabilities		**3 897**	**100.0**	**4 326**	**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 2022 due to distributions still amounting to approximately CHF 40 million). For further information, see also note 10 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 10 to the financial statements of Clariant Ltd.

Financial statements of Clariant Ltd, Muttenz

Income statements of Clariant Ltd

INCOME STATEMENTS OF CLARIANT LTD

for the years ended 31 December 2022 and 2021	Notes	**2022** in CHF m	2021 in CHF m
Income from shareholdings in Group companies		181	278
Income from interest on loans to Group companies		38	46
Other financial income		6	7
Reversal of devaluations on shareholdings and other income related to Group Companies	5	–	151
Income from disposals of shareholdings and other income	5	247	13
Total income		**472**	**495**
Expenses			
Financial expenses		27	37
Administrative expenses		69	66
Devaluations of shareholdings and other expenses related to Group companies	5	182	200
Result from associates and joint ventures	6	25	–
Exchange rate differences net		51	29
Other expenses		5	9
Taxes		1	3
Total expenses		**360**	**344**
Profit for the financial year		**112**	**151**

Notes to the financial statements of Clariant Ltd

1. 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.

2. ACCOUNTING POLICIES

Income 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 the 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.

Loans. Unrealized exchange gains were reversed on loans.

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

The Board of Directors approved the stand-alone financial statements of Clariant Ltd for issue on 1 March 2023. They will be subject to approval by the Annual General Meeting of Shareholders scheduled for 4 April 2023. Clariant Ltd has no employees, except the members of the Board of Directors of the Clariant Group.

Hidden reserves. No hidden reserves were released in the year 2022 (2021: CHF nil).

3. CASH AND CASH EQUIVALENTS AND SHORT-TERM DEPOSITS

Cash and cash equivalents amounted to CHF 137 million at the end of 2022, compared to CHF 110 million at the end of 2021, and comprise cash in hand denominated mainly in US dollar and in euro and, to a lesser extent, other currencies.

Short-term deposits amounted to CHF 314 million at the end of 2022, compared to CHF nil at the end of 2021 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 23 million at the end of 2022 compared to CHF 26 million at the end of 2021. They comprise third-party receivables of CHF nil (compared to CHF 1 million at the end of 2021) and intragroup receivables of CHF 23 million (compared to CHF 25 million at the end of 2021).

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., Clariant (Japan) KK and Clariant Corporation.

At the end of 2022, shareholdings in Group companies amounted to CHF 1 390 million compared to CHF 1 669 million at the end of 2021. After this review, no reversal of devaluation was recorded in 2022 (2021: CHF 151 million) in »Reversal of devaluations on shareholdings and other income related to Group Companies« and a devaluation of CHF 182 million (2021: CHF 200 million in »Devaluations of shareholdings and other expenses related to Group Companies« was recorded).

Loans to Group companies amounted to CHF 1898 million as at 31 December 2022 (CHF 2 517 million as at 31 December 2021).

The table below shows the shareholdings directly held by Clariant Ltd

Country	Company name		Capital interest (%)	Voting rights (%)	Capital interest (%)	Voting rights (%)
			2022	2022	2021	2021
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	0.00%	0.00%	0.00%	0.00%
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 (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	0.00%	0.00%	0.00%	0.00%
	Clariant Ibérica Produccion S.A.	El Prat de Llobregat	100.00%	100.00%	100.00%	100.00%
Sweden	Clariant Production Sweden AB	Mölndal	100.00%	100.00%	100.00%	100.00%
Switzerland	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	0.00%	0.00%	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 Important Subsidiaries of this report.

6. INVESTMENTS IN ASSOCIATES AND JOINT VENTURE

On 3 January 2022, Clariant completed the sale of its Pigments business to a consortium of Heubach and SK Capital. On the same day, Clariant rolled over CHF 116 million to retain a 20% stake in the new holding company, alongside Heubach and SK Capital. Taking into acccount, the share of Clariant Ltd in the net result of 2022 of Heubach (CHF 25 million), the book value of this investment per end of December 2022 amounted to CHF 91 million.

On 1 December 2022, the final purchase price for the Pigments business was agreed upon between Clariant and SK Capital/Heubach. Under this agreement, Clariant received a vendor loan note in the amount of CHF 55 million (discounted to CHF 39 million as at 31 December 2022), falling due on 3 January 2029 at the latest.

Investments in associates and joint ventures are accounted for using the equity method.

7. OTHER CURRENT NON-INTEREST-BEARING LIABILITIES

Other current non-interest bearing liabilities amounted to CHF 22 million at the end of 2022 (2021: CHF 40 million). They comprise third-party liabilities of CHF 8 million (2021: CHF 17 million) and intragroup liabilities of CHF 14 million (2021: CHF 23 million).

Liabilities to other Group companies comprise shareholder costs payable to Clariant International Ltd.

8. OTHER CURRENT INTEREST-BEARING LIABILITIES

Other current interest-bearing liabilities amounted to CHF 367 million at the end of 2022 (2021: CHF 638 million). They comprise third party liabilities of CHF 278 million (2021: CHF 322 million) and intragroup liabilities of CHF 89 million (2021: CHF 316 million).

In 2022, five certificates of indebtedness in the amount of EUR 263 million with maturity in 2023 were reclassified to current financial debt.

Certificates of indebtedness issued in 2020 totaling EUR 115 million were repaid in 2022. On 28 April 2022, before its maturity, one certificate was partially repaid (EUR 13 million); the remaining part (EUR 15 million) was repaid at maturity on 23 May 2022. On that same date, another certificate of indebtedness with a nominal value of EUR 87 million reached maturity and was repaid.

On 26 September 2022, a bond issued in 2012 in the amount of CHF 175 million reached maturity and was repaid. On that same date, a new bond with a nominal value of CHF 175 million and maturity in 2027 was issued.

On 5 August 2021, certificates of indebtedness issued in 2016 in the amount of EUR 55 million (CHF 60 million) and USD 277 million (CHF 250 million) reached maturity and were repaid.

On 23 August 2021, two certificates of indebtedness issued in 2020 were repaid early (CHF 37 million, original maturity 2022; CHF 25 million, original maturity 2025).

On 22 November 2021, the certificate of indebtedness issued in 2020 with a notional amount of EUR 83 million (CHF 87 million) was repaid early (original maturity 2025).

Since 16 December 2016, Clariant Ltd has had an agreement for a CHF 445 million five-year multicurrency 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.

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

9. SHARE CAPITAL

Capital issued	31.12.2022	31.12.2021
Number of registered shares each with a par value of CHF 2.60 (2021: CHF 3.00)	331 939 199	331 939 199
In CHF m	863	996
Conditional capital	**31.12.2022**	**31.12.2021**
Number of registered shares each with a par value of CHF 2.60 (2021: CHF 3.00)	3 811 886	3 811 886
In CHF m	10	11

10. 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 of 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 that 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), while 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.

11. TREASURY SHARES

	2022	2021
Holdings at 1 January	**2 822 712**	**2 385 509**
Shares purchased at fair market value	238 862	657 207
Shares purchased on exercise of put options	200 000	200 000
Shares transferred to employees and Board of Directors	–339 176	–420 004
Holdings at 31 December	**2 922 398**	**2 822 712**

Each registered share has a par value of CHF 2.60 (2021: CHF 3.00)

The average price of shares bought in 2022 was CHF 17.22. In 2021, the average price of shares bought was CHF 19.03.

In 2022 and 2021 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».

12. RECONCILIATION OF EQUITY

in CHF m	Share capital	Statutory capital reserves		Other statutory reserves	Voluntary retained earnings	Treasury shares	Net income	**Total**
		from capital contribution [1]	from retained earnings[2]					
Balance 31 December 2021	**996**	**1 304**	**–1 264**	**224**	**1 137**	**–50**	**151**	**2 498**
Reduction of nominal value	–133					1		–132
Reclassification of profit carryforward to voluntary retained earnings					151		–151	0
Changes in treasury shares						–3		–3
Profit for the financial year							112	112
Balance 31 December 2022	**863**	**1 304**	**–1 264**	**224**	**1 288**	**–52**	**112**	**2 475**

[1] In 2012, the Swiss Federal Tax Administration confirmed qualifying capital contribution reserves of approximately CHF 1.7 billion (as per 31 December 2022 due to distributions still amounting to approximately CHF 40 million). For further information, see also note 10 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 10 to the financial statements of Clariant Ltd.

13. FINANCIAL LIABILITIES

in CHF m	Interest rate in %	Term	**Amount 31.12.2022**	Amount 31.12.2021
Non-current interest-bearing liabilities to third parties				
Straight bond	3.500	2012-2022	–	175
Certificate of indebtedness	mixed	2020-2022	–	122
Certificates of indebtedness	mixed	2015-2023	155	155
Certificate of indebtedness	6m EURIBOR +1.1	2016-2023	14	14
Certificate of indebtedness	1.137	2016-2023	29	29
Certificate of indebtedness	1.501	2016-2023	81	81
Straight bond	2.125	2014-2024	160	160
Certificate of indebtedness	1.194	2018-2024	104	104
Certificate of indebtedness	1.548	2018-2025	116	116
Certificate of indebtedness	6m EURIBOR + 0.95	2018-2025	60	60
Certificate of indebtedness	2.010	2016-2026	16	16
Straight bond	1.125	2019-2026	200	200
Straight bond (green bond)	2.717	2022-2027	175	–
Certificate of indebtedness	2.087	2018-2028	19	19
Total straight bonds and certificates of indebtedness			**1 129**	**1 251**
Other non-current interest-bearing liabilities to banks and other financial institutions			25	13
Other current interest-bearing liabilities to banks and other financial institutions			–	25
Other current interest-bearing liabilities to Group Companies			88	316
Total interest-bearing liabilities			**1 242**	**1 605**
Less: Other current interest bearing liabilities			–367	–638
Total non-current interest-bearing liabilities to third parties			**875**	**967**
Total non-current interest-bearing liabilities			**875**	**967**
Breakdown by maturity				
one to five years			856	948
more than five years			19	19
Total non-current interest-bearing liabilities			**875**	**967**

In 2022, five certificates of indebtedness in the amount of EUR 263 million with maturity in 2023 were reclassified to current financial debt.

Certificates of indebtedness issued in 2020 totaling EUR 115 million were repaid in 2022. On 28 April 2022, before its maturity, one certificate was partially repaid (EUR 13 million); the remaining part (EUR 15 million) was repaid at maturity on 23 May 2022. On that same date, another certificate of indebtedness with a nominal value of EUR 87 million reached maturity and was repaid.

On 26 September 2022, a bond issued in 2012 in the amount of CHF 175 million reached maturity and was repaid and on that same date, a new green bond with a nominal value of CHF 175 million and maturity in 2027 was issued.

On 23 August 2021, two certificates of indebtedness issued in 2020 were repaid early (CHF 37 million, original maturity 2022; CHF 25 million, original maturity 2025).

On 22 November 2021, the certificate of indebtedness issued in 2020 with a notional amount of EUR 83 million was repaid early (original maturity 2025).

14. CONTINGENT LIABILITIES

in CHF m	**Outstanding liabilities 31.12.2022**	Outstanding liabilities 31.12.2021
Outstanding liabilities as guarantees in favor of Group companies	440	702

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.

A Clariant subsidiary in the United States has been named along with many other defendants in lawsuits involving per- and polyfluoroalkyl substances (PFAS). Clariant is monitoring the development of these cases, which relate to a line of business divested in 2013, and is defending all litigation matters related to PFAS. The initial trial on one of the PFAS litigation matters may occur no earlier than early 2023. As of this point in time, Clariant cannot assess if these litigation matters will have a material impact on Clariant's financial results.

15. SHAREHOLDINGS OF MEMBERS OF THE BOARD OF DIRECTORS AND THE EXECUTIVE STEERING COMMITTEE

1. Board of Directors

SHARES HELD

Name	**Number of shares granted[1]**	**Value of shares granted in CHF**	Number of shares granted[2]	Value of shares granted[2] in CHF	**Number of privately held shares**	Number of privately held shares
	for 2022	**for 2022**	**for 2021**	**for 2021**	**for 2022**	**for 2021**
Günter von Au	16 667	300 000	16 817	300 000	90 798	73 981
Ahmed Mohammed Al Umar	6 667	120 000	—	—	—	—
Roberto Gualdoni	5 556	100 000	—	—	8 200	—
Thilo Mannhardt	5 556	100 000	5 606	100 000	9 445	3 839
Geoffery Merszei	5 556	100 000	5 606	100 000	17 249	11 643
Eveline Saupper	5 556	100 000	5 606	100 000	35 112	29 506
Naveena Shastri	5 556	100 000	—	—	—	—
Peter Steiner	5 556	100 000	5 606	100 000	32 612	27 006
Claudia Suessmuth Dyckerhoff	5 556	100 000	5 606	100 000	30 212	24 606
Susanne Wamsler	5 556	100 000	5 606	100 000	1 195 904	1 190 298[3]
Konstantin Winterstein	5 556	100 000	5 606	100 000	6 097 627	6 092 021
Abdullah Mohammed Alissa	—	—	6 727	120 000	—	12 667
Nader Alwehibi	—	—	5 606	100 000	—	3 839
Calum MacLean	—	—	5 606	100 000	—	11 643
Total	**73 333**	**1 320 000**	**73 998**	**1 320 000**	**7 517 159**	**7 481 049**

[1] The BoD mandate year runs from one AGM to the next AGM, which typically takes place in April. The final number of shares for the mandate year that began in 2022 will be defined prior to grant in 2023. The 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 18.00; Final allocation of shares with CHF 17.84; Total amount of shares granted for 2021 based on the assumed share price of CHF 18.00 as shown in the Compensation Report 2021 was 69 473.

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

No options were granted to members of the Board of Directors for the years 2022 and 2021, 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 Committe/Executive Steering Committee, please refer to the Compensation Report.

2. Executive Steering Committee / Executive Committee

SHARES HELD

Name	**Number of shares granted**	**Value of shares granted in CHF**	Number of shares granted	Value of shares granted in CHF	**Number of shares within vesting period**	Number of shares within vesting period	**Number of privately held shares**	Number of privately held shares
	for 2022[1]	**for 2022**	for 2021	for 2021	**31.12.2022**	31.12.2021	**31.12.2022**	31.12.2021
Conrad Keijzer	94 044	1 500 000	109971	1 500 004	204 015	109 971	–	–
Bill Collins[2] [3]	14 862	–	1 500 004	–	14 862	–	–	–
Angela Cackovich[2]	–	–	–	–	–	–	–	–
Jens Cuntze[2]	–	–	–	–	–	–	55 940	–
Christian Vang[2]	–	–	–	–	–	–	65 799	–
Hans Bohnen [4]	17 964	287 000	51 320	700 005	114 134	156 737	147 984	131 013
Bernd Hoegemann [4]	17 964	287 000	51 320	700 005	114 134	125 058	70 623	65 056
Stephan Lynen [4]	–	–	51 320	700 005	–	123 801	101 027	95 913
Total	**144 834**	**2 074 000**	**263 931**	**3 600 019**	**447 145**	**515 567**	**441 373**	**291 982**

[1] Performance Share Units represent contingency rights that will be converted into shares depending on the performance achievement after the 3-year vesting period. Unvested PSUs do not count towards the share ownership requirements.

[2] No grant in 2022 and 2021; only became members of the ESC as of 1 July 2022 after the CLIP grant 2022.

[3] Bill Collins received 14 862 restricted share units subject to a vesting period of three years as compensation for lost entitlements with previous employer.

[4] Amounts reflect pro-rated entitlements or forfeitures due to the departure of EC members.

No options were granted to members of the Executive Committee / Executive Steering Committee for the years 2022 and 2021, nor did any member of the Executive Committe / Executive Steering Committee hold any options in those years.

For detailed information regarding emoluments of the Board of Directors and the Executive Committee / Executive Steering Committee, please refer to the Compensation Report.

16. 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.

17. 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 2022, 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	31.50%[1]
BlackRock Inc., New York, United States	3.80%
Blue Beteiligungsgesellschaft mbH, Am Holzmaierfeld, 82064 Strasslach-Dingharting, Germany, and Maple Beteiligungsgesellschaft mbH, 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. SABIC has not changed its participation of 31.5 % since then. The difference between this figure (i.e. 31.5 %) and the 32.35 % stated for 2021 corresponded to the amount of treasury shares held by Clariant Ltd as of 31 December 2021, 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. Said Governance Agreement expired at the Annual General Meeting dated 24 June 2022 and consequently the treasury shares of Clariant Ltd have not to be aggregated to the SABIC shares any longer.

[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 2022 financial year 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 2021, 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: 32.35%; BlackRock Inc., New York, United States: 3.8%; Blue Beteiligungsgesellschaft mbH, Am Holzmaierfeld, 82064 Strasslach-Dingharting (Germany), and Maple Beteiligungsgesellschaft mbH, 82057 Icking (Germany): 3.49%; PSquared Master SICAV Ltd, on behalf of its subfund Valetta, Malta Leveraged Event Fund LP, Grand Cayman, Cayman Islands, controlled by Patrick Schmitz-Morkramer, Zurich, Switzerland, and Patrick Bierbaum, Zurich, Switzerland: 3.035%.

At 31 December 2022, Clariant AG itself held 2 922 398 shares in treasury, corresponding to 0.88% of the share capital.

18. EVENTS SUBSEQUENT TO THE BALANCE SHEET DATE

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

Appropriation of available earnings

The Board of Directors proposes to appropriate the profit of 2022 of Clariant Ltd in the amount of CHF 112 million as follows.

Annual result	in CHF m
Carried forward from previous year	–
Profit for the year 2022	112
Total available earnings	**112**
Appropriation	
Voluntary retained earnings as at 31 December 2022	1 288
Transfer to voluntary retained earnings	112
Voluntary retained earnings as at 1 January 2022	1 400
Balance to be carried forward	–

PROPOSED DISTRIBUTION THROUGH CAPITAL REDUCTION BY WAY OF A PAR VALUE REDUCTION

The Board of Directors proposes (in place of an ordinary dividend) a distribution through capital reduction by way of a par value reduction of CHF 0.42 per registered share, as a result of a reduction of the par value from CHF 2.60 to CHF 2.18 per registered share.

The proposed payout would reduce the share capital by CHF 139 million. The proposed payout of the par value reduction of CHF 0.42 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.

Clariant Ltd, Muttenz

Statutory Auditor's Report

to the General Meeting on the

Financial Statements 2022

KPMG AG
Basel, 1 March 2023

Statutory Auditor's Report

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 (the Company), which comprise the balance sheet as at 31 December 2022, and the income statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements 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 Standards on Auditing (SA-CH). 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 Company in accordance with the provisions of Swiss law, together with 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.

Key Audit Matters

VALUATION OF SHAREHOLDINGS IN AND LOANS TO GROUP COMPANIES

Key audit matters are those matters that, in our professional judgment, 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 PARTICIPATIONS AND GROUP COMPANY LOANS

Key Audit Matter

The Company holds shareholdings in and loans to group companies that represent 84% of the total assets of its financial statements.

Participations and group company loans are valued at a maximum of the acquisition costs less necessary value adjustments, taking into account the general principle of individual valuation. Participations and group company loans are subject to annual impairment testing.

Accordingly, management performs regular impairment assessments to determine the value of the shareholdings in and loans to group companies. The shareholdings and loans outstanding were considered

Our response

Our audit procedures included the following:

We inquired with management the adequate implementation of accounting policies and controls regarding the valuation of investments in and loans to group companies and tested the design and implementation of key controls around their valuation to determine whether appropriate controls are in place.

We challenged the assessment of impairment indicators performed by the Company and assessed management's process in grouping certain shareholdings in the context of the impairment calculation. We tested the valuation by critically assessing the methodology applied and the

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significant due to their materiality in the context of the financial statements as a whole.

reasonableness of key assumptions and judgements included. We used our own valuation specialists to support our procedures. We assessed the impairment testing models and calculations by:

- Checking the mathematical accuracy of the impairment models and the extraction of input data from source documents; and
- Challenging the significant inputs and assumptions used to determine the value.

In addition, we validated the appropriateness and completeness of the related disclosures in the stand-alone financial statements.

For further information on Valuation of Participations and Group Company Loans refer to the following:

— Note 5: Shareholdings in group companies

Other Matter

The financial statements of the Company for the year ended 31 December 2021 were audited by another auditor who expressed an unmodified opinion on those statements on 18 May 2022.

Other Information

The Board of Directors is responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements, the stand-alone financial statements, the compensation report and the review on performance, people and planet of the Company and our auditor's reports thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the 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.

Board of Directors' Responsibilities 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 Company'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 Company 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 SA-CH will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Swiss law and SA-CH, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

— Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

— Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

— Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made.

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

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

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

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

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Report on Other Legal and Regulatory Requirements

In accordance with article 728a para. 1 item 3 CO and PS-CH 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.

KPMG AG

Martin Rohrbach
Licensed Audit Expert
Auditor in Charge

Cyrill Kaufmann
Licensed Audit Expert

Basel, 1 March 2023

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.

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