

Short-Form Audit Report

Clariant SE
Frankfurt/Main

Annual Financial Statements for the Period Ending December 31,
2020
and Management Report for Financial Year 2020

INDEPENDENT AUDITOR'S REPORT



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Clariant SE, Frankfurt/Main

Management Report 2020

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1. Company fundamentals

1.1 Business model

Clariant SE, Frankfurt/Main, is a subsidiary of Clariant Verwaltungsgesellschaft mbH, Frankfurt/Main. Clariant SE operates as a sales agent for a significant portion of the Clariant's European production companies in Germany, the United Kingdom, France, Spain, Italy, Sweden and Switzerland.

The Company operates the following three business divisions servicing the European market:

- Care Chemicals (Industrial & Consumer Specialties, New Business Development business units)
- Catalysis (Catalysts and Business Line Biofuels & Derivatives business unit, "Biotec")
- Natural Resources (Oil & Mining Services, Functional Minerals and Additives – Additives: since January 1, 2020)

In addition, Clariant SE renders service activities relating to finance, human resources, IT, legal, communications, and sales support for Clariant's European companies. Thus, all of the European sales activities of the aforementioned divisions and the majority of the Clariant Group's Europe-wide services are pooled into a single entity.

In addition to its headquarters in Germany, Clariant SE has established branch offices in ten European countries. The branches are located in:

- Louvain-La-Neuve, Belgium
- Odense, Denmark
- Vantaa, Finland
- Choisy Le Roi, France
- Milan, Italy
- Maastricht, Netherlands
- Barcelona, Spain
- Mölndal, Sweden
- Muttenz, Switzerland

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- Leeds, United Kingdom

The activities of the Austrian branch, which were limited to business services, were discontinued in mid-2020.

Clariant SE is remunerated for the services it provides by means of a sales commission calculated on the basis of third-party sales procured plus service fees in the form of markups on the costs calculated for those services.

1.2 Major transactions

The following transactions were major business transactions of Clariant SE in financial year 2020:

The Pigments and Masterbatches business units within the Clariant Group were spun off to become standalone companies with their own sales structure as of January 1, 2020. They are accounted for within the Clariant Group as discontinued operations.

After the sale of the Pigments and Masterbatches business units the Additives business unit has remained the only business operated by Clariant Plastics & Coatings (Deutschland) GmbH since January 1, 2020. Since then, its sales and distribution as well as that of Clariant Additives (Switzerland) AG, MuttENZ/Switzerland, has been settled via Clariant SE's commission structure to cover the European business, like the business of Clariant Produkte (Deutschland) GmbH. Therefore, five sales people working in the Additives business unit changed over to Clariant SE's German head office. Clariant Plastics & Coatings (Deutschland) GmbH signed a license agreement with Clariant SE for the German, Austrian and Swiss customer base. Ten more employees of the Additives business unit were transferred from the respective local group companies to the foreign permanent establishments of Clariant SE. In addition, Clariant SE acquired Additives customer lists for its respective permanent establishments from the respective foreign entities. Due to the integration of the Additives sales activities into Clariant SE, assets and liabilities were recognized in the amount of EUR 15.5 million and EUR 1.8 million as of January 1, 2020. Additives sales outside Europe will be handled in the future by Clariant International AG, MuttENZ/Switzerland, as part of a supply and production agreement including a guaranteed margin on production cost.

Also effective January 1, 2020, Pigments and Masterbatches were transferred to become standalone companies. In this context 30 employees under individual agreements were

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transferred from service units of the German head office of Clariant SE into the two German entities. Furthermore, 22 employees of some foreign branches of Clariant SE were transferred to the respective domestic Pigments or Masterbatches entities. Within the scope of this transfer assets and liabilities of Clariant SE were reduced by EUR 0.3 million and EUR 3.6 million respectively. Prior to the transfer a provision was recognized in 2019 in the amount of EUR 0.8 million which is the difference between the fair value and carrying amount when measuring personnel obligations.

The sale of the worldwide Masterbatches business to PolyOne Corporation, Ohio / USA (after change of name: Avient Corporation, Ohio / USA) was concluded with effect from July 1, 2020. Pigments will be offered for sale at the end of 2020.

After the sale of the Masterbatches business unit Clariant SE still renders transitional services to the companies sold to PolyOne (new name: Avient). These services are expected to come to an end in the course of 2021.

Along with the disposal of businesses, restructuring measures have been started to take account of the new structures. In the process, the "Clariant 2021" program will be dealing with the adjustment of the service units. Restructuring expenses of EUR 17.7 million were charged to earnings of Clariant SE.

By shareholder resolution passed at the Annual General Meeting held on November 11, 2020 Clariant SE reduced the number of Supervisory Board members from nine to six subsequent to the adjustments made to the Company's basis of business. In the process, four members represent the shareholders, two members are employee representatives.

The activities of the Austrian branch, which were limited to business services, were discontinued in mid-2020.

A US-Dollar account cash pool was established at the beginning of October 2020 within the Group, which was also joined by Clariant SE. Like the Euro cash pool, which has existed for years, this dollar cash pool is intended to increase financing synergies.

As regards Catalysis, it was decided to carve the transaction settlement out of the commission model with commission agent Clariant SE. Direct supplies from the production entities started on January 1, 2021. The aim was to create more proximity to the customers and providing better service on the relevant markets. This transition affects Clariant Produkte

(Deutschland) GmbH and its Italian manufacturing co-subsiary in the Clariant group of companies. Overall, sales volumes of between EUR 80.0 million and EUR 90.0 million will be generated by the production companies with third customers and no longer by Clariant SE. Commission income will decline in the process. To realize this business model transition a customer-base transfer agreement was signed by and between Clariant SE and the two production companies and by and between the two production companies effective as of January 1, 2021. Customer bases were transferred from Clariant SE to the German production company Clariant Produkte (Deutschland) GmbH at a purchase price of EUR 3.5 million. Customer bases were transferred from Clariant SE and Clariant Produkte (Deutschland) GmbH to the Italian production company at a price of EUR 0.5 million and EUR 0.2 million each.

1.3 Internal management system

Clariant has implemented an internal management system on Group level, not on the level of individual companies. Performance is managed for each division or business unit. The measures within the Group are based on IFRS and are not applicable to Clariant SE as a single entity, as it is accounted for under HGB accounting rules. Recognition and measurement of various balance sheet items is different under IFRS and HGB having a different impact on the periods' profit or loss. For example, sales revenue is categorized and defined differently in the Clariant Group than at Clariant SE. Similarly, the earnings of Clariant SE cannot be compared with the relevant earnings indicators used in Group management reporting.

Clariant SE is a sales agent providing services within the Group. It is remunerated in the form of a commission on the sales volumes procured to third parties for the European production companies plus a margin on the costs underlying the services provided. Thus sales revenue at Clariant SE comprises commission and service revenue. Sales revenue at Clariant SE is by definition different from Group sales revenue, which is based entirely on sales to third parties and is calculated in accordance with IFRS.

Clariant SE's earnings are directly dependent on the remuneration structure for its activities as a sales agent and as an internal service provider for the Clariant Group.

Therefore, the performance indicators in the report at hand are based on the sales revenue from commissions and from providing intragroup services as presented in the annual financial statements of Clariant SE prepared pursuant to the German Commercial Code (HGB). This means that the figures presented in this Management Report coincide with those

reported in the single-entity financial statements, which positively impacts the informational value of the annual financial statements in the context of the Management Report. Another earnings indicator used is the operating result derived directly from the income statement, which is primarily driven by sales to third parties as a result of the remuneration structure.

2. Economic conditions and business trend

2.1 Economic trend in the past financial year in Germany

The German economy in 2020 was dominated by the Corona pandemic. Had the macroeconomic performance still be growing by 0.6% in 2019, it dropped by a total of 5.3% in 2020. Although the performance picked up in the fourth quarter, it was curbed again by new lockdowns. In fact, there was no recovery given the impact on the service business. Whereas construction investment and foreign trade were growth drivers, consumption was on the decline. The decline in consumption was more pronounced during the first lockdown in spring than in the fourth quarter, however.

2.2 Industry trends in the past financial year

The trends in the global economy are key for the trends in the chemical industry. According to the most recent reports of the German Association of the Chemical Industry (VCI) from March 2021, global economy found itself in a deep recession in 2020 as a result of the Corona pandemic. Economic output during the year was 4% below the year before, despite a recovery seen in the second half of the year. The global gross domestic product grew by 1.1% quarter over quarter in the fourth quarter of 2020. Hence, a large part of this decline could be reversed. Still, the prior year was 2.1% below former levels. It was only in a few Asian countries that the pre-pandemic levels were reached or exceeded. Industrial production in the big emerging markets exceeded the prior year levels, whereas the developed countries still lagged far behind pre-pandemic levels.

The global chemical and pharmaceutical industries emerged far better from the crisis than many other industries given the macroeconomic situation. Higher demand for sanitary products, packaging materials and pharmaceuticals supported the production. With the recovery of industrial clients demand for chemical products has accelerated on a large scale recently. The prior year was outperformed significantly, not only in the pharmaceutical but also in the chemical industry.

Asian countries have so far mastered the crisis far better than Western industries. Government investment in China supported this recovery among others. Growth rates especially in China and India at year-end were clearly above those in 2019.

The chemical and pharmaceutical industries recovered in the US. Demand from industrial customers accelerated production in the US chemical industry. While basic chemicals outperformed the prior year at year end, fine and specialty chemicals were far below their high prior year's levels.

The European chemical and pharmaceutical industries emerged far better from the crisis than many other industries. Medical product stockpiling was a boost for the pharmaceutical industry and some industry segments in the chemical industry saw an upswing in economic activity. Here, sanitary products, disinfectants and packaging materials were on top of the list. As the industrial activity picked up at year end, overall demand increased as well. Rising demand led to an increase in prices, both on the procurement and selling side.

Germany and the German chemical industry as global players in exports and investments benefit from global demand in chemicals – through exports and capital expenditure. At the same time however, competition from Asia and general competitive pressure are on the increase. This applies equally to the financial year 2020 which was hit by the Corona crisis. In order to secure Germany as an attractive industrial location the focus is on innovation, digitalization and sustainability. Big Data evaluation and the use of artificial intelligence increase the chances of finding substances with new or improved properties considerably. To use this potential which is offered by digitalization qualified staff is needed. Approximately 464,000 people are employed, which is the same high employment level as in the prior year. The VCI reports a positive fourth quarter 2020 for the chemical and pharmaceutical industry after an overall difficult Corona year 2020. Sales rose by 8.1% in the previous quarter to EUR 47 billion but were 0.6% below the financial year's level. The strong last quarter was driven by the rising demand for chemical products in Germany and abroad. Inventories were replenished worldwide, customers of the chemical industry continued to recover in all continents. Production rose in the fourth quarter 2020 by 7.4% quarter on quarter and 4% year on year. Capacity utilization rose from 81.6% to 85.0%. Prior year's prices were 1.7% below those of the last year. However, a stronger economy brought along an increase in problems. There were materials shortages and transportation issues for the German chemical industry in logistics.

2.3 Development of Clariant SE in the past financial year

In financial year 2020, sales revenue increased from the prior-year level of EUR 125.9 million to EUR 133.2 million. The increase is mainly accounted for by service revenues which rose by EUR 5.1 million, with commission revenues exceeding the prior year's level by EUR 50.2 million after integrating the Additives business unit.

The earnings contributions of the two business units (commission activities and services) are based on alternate calculation models. For commission activities, the commission rate is based on the margin to be generated, which is computed on the basis of a third-party comparison. Service activities are invoiced at cost plus a profit markup.

In the year under review, Clariant SE procured sales from third parties (exclusively) in the amount of EUR 1,116.7 million (prior year: EUR 1,061.5 million) for the eight production companies. This resulted in commission revenue of EUR 50.2 million (prior year: EUR 48.1 million) thus exceeding significantly the moderate EUR 40.0 million Corona-related target.

Services generated revenue of EUR 83.0 million (prior year: EUR 77.8 million) and clearly exceeded the forecast amount of EUR 74.0 million. This increase has been mainly due to services rendered to the buyer after the sale of the Masterbatches business and due to income from charging on the significantly higher restructuring expenses. Both effects more than offset the decline in service revenue after some of the personnel was transferred to the separate Masterbatches and Pigments entities at the beginning of the year.

Thus, Clariant SE's sales and service activities were both in high demand in financial year 2020, as in the prior year.

3. Position of the Company

3.1 Results of Operations

The operating result of EUR 21.2 million was significantly higher than last year's EUR 18.4 million and the moderate amount of EUR 15.0 million expected because of Corona. This is because the pandemic did not turn out to have the severe effects as had been expected, and because both the integration of the Additives business and the services rendered to the buyer of the Masterbatches business contributed additional earnings.

The increased sales revenues of EUR 7.3 million were offset by a disproportionately lower

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increase by EUR 3.9 million in production cost, so that gross profit on sales rose slightly by EUR 3.4 million to EUR 23.2 million. The administrative costs amounted to EUR 2.8 million and were on last year's level. The decline in other operating income by EUR 2.2 million was offset by a decline in other operating expenses by EUR 1.6 million.

At EUR -1.1 million net interest expense was similar to the prior year's amount.

The tax expense for financial year 2020 was EUR 3.0 million (prior year: EUR 2.7 million), resulting in profit after tax of EUR 17.2 million (prior year: EUR 14.6 million). The profit after tax was transferred to the shareholder, Clariant Verwaltungsgesellschaft mbH, in line with the existing profit and loss transfer agreement.

3.2 Net assets and financial position

3.2.1 Capital expenditure/divestments (intangible and tangible assets)

In the financial year, payments of EUR 6.7 million (prior year: EUR 0.3 million) were made to acquire tangible and intangible assets, most of which concerned the acquisition of customer lists and goodwill resulting from the integration of the Additives business unit into the sales structure of Clariant SE.

This compares with the disposal of fixed assets at cost of EUR 0.2 million (prior year: EUR 0.1 million).

Write-downs totaled EUR 1.2 million (prior year: EUR 0.6 million), EUR 1.0 million of which (prior year: EUR 0.4 million) were attributable to customer bases and goodwill.

3.2.2 Balance sheet structure

The Company's total assets increased by 15.4%, or EUR 18.2 million year on year to EUR 136.2 million. In the process, fixed assets increased by EUR 5.4 million after the integration of the Additives business unit into the sales structure of Clariant SE and the related acquisition of customer lists and goodwill. The share of fixed assets or the investment ratio rose by 3.7 percentage points to 5.0% year on year.

Current assets rose by EUR 12.9 million to EUR 128.6 million as of the reporting date (prior year: EUR 115.8 million). The main reason for this increase were the receivables due from Clariant companies which rose by EUR 13.1 million to EUR 101.0 million. EUR 70.0 million of these receivables are attributable to the cash pool balances of two Clariant companies. Other assets decreased by EUR 2.5 million to EUR 19.5 million. The item mainly includes receivables from third-party customers for commission agent activities as well as tax receivables.

At EUR 0.7 million, prepaid expenses and deferred charges are on the prior year's level and mainly include prepaid insurance premiums. In both financial years, the share of the "Excess of plan assets over pension obligation" in total assets was less than 1.0% and is thus of only minor significance with respect to Clariant SE's assets.

Given the stable equity in the amount of EUR 8.4 million and the increase in total assets, the reduced assets-to-equity ratio came to 6.2% (prior year: 7.1%). The net income of EUR 17.2

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million generated in the financial year (prior year: EUR 14.6 million) is reported under payables to affiliated companies based on the profit transfer agreement with the parent company.

The provisions of EUR 72.1 million (prior year: EUR 60.3 million) mainly contain retirement benefit obligations in the amount of EUR 38.6 million (prior year: EUR 38.8 million) and other provisions in the amount of EUR 32.4 million (prior year: EUR 20.4 million). The increase in other provisions is mainly accounted for by restructuring provisions.

Liabilities of EUR 55.7 million (prior year: EUR 49.3 million) represent 40.9% (prior year: 41.8%) of total equity and liabilities. The increase is in particular attributable to an increase in other liabilities by EUR 6.1 million due to higher tax liabilities. The liabilities to other Clariant companies rose slightly to EUR 37.1 million (prior year: EUR 35.7 million), whereas trade payables dropped by EUR 1.1 million to EUR 2.3 million.

3.2.3 Financing

In addition to own funds (EUR 8.4 million), the Company financed itself primarily via provisions (EUR 72.1 million; prior year: EUR 60.3 million), the majority of which were personnel provisions, and via liabilities to affiliated companies (EUR 37.1 million; prior year: EUR 35.7 million).

Further financing is secured at all times by an intra-group cash pool existing between the German company and the parent company. As of the reporting date, the cash pool had a balance of EUR 66.0 million (prior year: EUR 72.2 million) from the Euro pool with Clariant Verwaltungsgesellschaft mbH and of EUR 4.0 million (prior year: EUR 0.0 million) from the USD pool with Clariant Produkte (Deutschland) GmbH.

The Group funds itself through the Stock Exchange and/or the capital markets.

4. Employees

The average number of employees in financial year 2020 was 462 over the year as a whole (prior year: 498), 177 of which (prior year: 191) were employed at the permanent establishments outside Germany.

EUR 62.1 million was expended for wages and salaries (prior year: EUR 49.9 million), and

social security contributions amounted to EUR 12.3 million (prior year: EUR 16.2 million). Of that amount, EUR 3.5 million (prior year: EUR 6.9 million) was spent on company pension plans.

Personnel expenses include restructuring cost of EUR 17.7 million.

5. Opportunity and risk report

5.1 Risk management and general business opportunities and risks

With respect to the European business, the main opportunities and risks lie with Clariant's production companies in Europe, for which Clariant SE has assumed responsibility for sales on a commission basis. With regard to the export business outside of Europe, the opportunities and risks lie with Clariant International AG, Muttenz (Switzerland). Risk at Clariant SE is linked to the performance of the business volumes underlying the commission business. The earnings of Clariant SE mainly depend on European market conditions and the risk resulting from the fluctuations on these markets. Such risks include the impact of the Corona pandemic, Brexit and other trade conflicts or restrictions. Other than expected, Clariant SE's business was less affected by pandemic impacts during the year. Sales losses were manageable, the business even stabilized in the fourth quarter, albeit in a continuously volatile environment. Seen in the global context, no additional immediate impact resulted from the still lasting trade conflicts. China even had a consolidating effect worldwide, as the economy there started to recover during 2020. The effect on the demand for intermediate goods was therefore positive. It is not foreseeable yet, how these trends will continue. Both the commodity-exporting emerging markets and the advanced economies are affected by such trends both worldwide and in Europe. The impact these risks have on Clariant and Clariant SE cannot be assessed. The integration of the company into the globally operating Clariant Group with a parent company listed on the stock exchange as well as a solid financing basis and extensive financing opportunities on the capital market prevent these risks.

Effective as of January 1, 2021, the European business was retransferred from the Catalysis segment to the German and Italian production companies relevant for this business and carved out of the commission model. Third party sales in a high double-digit Euro-million amount thus cease to be settled by Clariant SE in the future.

The various business units in Europe have different growth drivers that impact the available opportunities on the one hand and the existing risk on the other. These involve a number of

factors that influence demand in combination with various new developments and innovations on the provider side. It is difficult to predict how all of this will play out in the future. Various scenarios are possible. As regards risks and opportunities slightly positive changes are expected in spite of the disposal of Catalysis, as the basis for the commission business proved to be strong even during the Corona pandemic. Fundamental importance is attributed in the process to diversifying the portfolio's risk and to its continued development within the scope of the strategic Clariant set-up.

Digitalization offers opportunities and risks alike. A lack or failure of digital initiatives could result in missed business opportunities and long-term competitive disadvantages. The Company addresses this situation within the scope of its Group strategy and has started a variety of initiatives in this context.

Due to the procedure for invoicing services to other Clariant companies (cost plus), no particular risk is seen assuming capacity utilization remains consistent. The centralization of Global Business Services and portfolio adjustments in the Clariant Group, which involve significant restructuring in the services segment, could possibly impact the services currently provided. The outsourcing to Shared Services outside Clariant SE, which involves a reduction in the service segment, is offset by the strengthening of local structures in the head office, which may stabilize or, in some cases, expand the service business.

Opportunity and risk management makes up an integral part of all decisions and business processes at the Company. It is based in particular on the management structure, the planning system, and on reporting and information systems. A major role in this context is played by the compliance system. A structured set of internal rules and guidelines is the basis for a maximum risk reduction. Along with the ad-hoc statements on the organizational structure and responsibilities, the risks and their financial impact were assessed and updated on a monthly basis.

Clariant SE is included in the global sales and production network of the Clariant Group, which is managed by the business units.

5.2 Risk relating to the provision and production of services

Clariant has taken out insurance policies to cover liability risks such as liability and other property insurance policies. This ensures that the risk remaining with the Company will be kept within bounds, and that any events of damage or loss will not have a significant enough

impact on the Company's financial performance or financial position to endanger its going-concern basis. Supply bottlenecks as a result of the Corona pandemic cannot be excluded. Increases in raw materials prices for various reasons present also a risk to the commission business which are offset by price increases on the sales side.

5.3 Risks from digitalization

The successful provision of services depends on the faultless operation of the information system. Cyber attacks may cause a loss of data, knowledge, plant and money and may interrupt production and supplies. A comprehensive IT security concept takes account of these risks in the Clariant Group. Digitalization is also seen as a chance to progress and to use the advantages offered by widespread automation. It is therefore an inherent part of our five-pillar approach.

5.4 Financial risk

Currency risk is hedged within the framework of the Clariant Group's guidelines. This means that foreign currency receivables and liabilities are reviewed on an ongoing basis, and hedging is used as needed. The Company did not perform any hedging transactions as of the reporting date. Risk is considered to be manageable as most of the transactions are invoiced and/or procured in Euros.

There is also hardly any risk of default on receivables given that the majority of business relations are with Group companies.

Liquidity is assured through the Company's own funds and the possibility of taking recourse to the Group cash pool. At Group level, external funds are acquired via capital market bonds, for example.

The information necessary for monitoring and controlling economic risk in current operations is collected in line with international standards.

The data and figures gathered have a sufficient informational depth to enable the various management levels to be informed of any potential risk promptly and comprehensively.

There are no risks jeopardizing the Company's existence as a going concern. Considering the impact of the Corona pandemic, the risk position remained largely unchanged compared

to the prior year. It remains difficult in general to publish any forecast as the environment continues to be very volatile. We expect the opportunities and risks to remain largely unchanged, however.

6. Outlook

Financial year 2021 will continue to be marked by on-going optimization measures. The intention is to increase efficiency by continuing to introduce standardized and automated operations. In this process, digital solutions will play an ever increasing role. This optimization is to be achieved in close cooperation with Global Business Services and directly both on a regional and local level as well as to an increasing extent by the Clariant SE head office. The restructuring initiatives will continue to be implemented to account for the reduced size of the Group after the sale of the Masterbatches and Pigments business units. These will maintain their strong impact on Clariant SE's line of service.

The transaction settlement of the Catalysis operation will be carved out of the commission structure with commission agent Clariant SE as of January 1, 2021 and converted to a direct-supply model, to create more proximity to the customers and providing better service to the relevant markets. In the future, customers will be serviced by the respective production companies themselves and no longer by Clariant SE as a commission agent.

Effects will also come from the disposal of the Catalysis business. This change in the customer supply structure effective as of January 1, 2021 means, that sales volumes in a high double-digit Euro million amount will be generated with third customers by the manufacturing companies and no longer by Clariant SE. Subsequently, Clariant SE will cease to generate commission income. To realize this business model transition a customer-base transfer agreement was signed by and between Clariant SE and the two production companies and by and between the two production companies effective as of January 1, 2021. Customer bases were transferred from Clariant SE to Clariant Produkte (Deutschland) GmbH at a purchase price of EUR 3.5 million. Customer bases were transferred from Clariant SE and Clariant Produkte (Deutschland) GmbH to the Italian production company at a price of EUR 0.5 million and EUR 0.2 million each.

Lower revenue resulting from the Catalysis disposal notwithstanding, the other business areas are forecast to generate solid figures contributing to a robust earnings basis of Clariant SE. Due to the consistent implementation of the new strategy based on Clariant's five-pillar approach, additional commission income is expected from the remaining business areas,

which according to what is known from 2020 will offset the Corona impact and will offset at least part of the Catalysis disposal.

The European Clariant business was significantly more solid than expected. The business volume of Clariant SE as commission agent dropped less than expected and the cost side had more positive than negative effects. In addition, the fact that the Additives business will be settled via Clariant SE as of January 1, 2020 is mitigating risk. Lower raw materials prices and measures to keep costs variable in the short term had also a stabilizing effect on the principal's business development. Thus, it was significantly easier to cope with the difficult economic environment in 2020 than expected. The large variety of the product range and the different markets relevant for Clariant products, taking into particular account the Additives business added, were major contributors to the result which was far more positive than expected. Hence, commissions of Clariant SE proved to be solid. The impact of the Corona pandemic will very likely continue to put a strain on the economy for some time in the future. Raw materials prices will significantly increase and there will be more supply shortages which will have a clear effect on Clariant, too. On this basis, the overall impact on the commission business of Clariant SE is considered to be positive. Volatility will continue in 2021. Thus, the overall impact on Clariant SE is not foreseeable at the moment. Clariant will continue to manage cost and use a variety of instruments to keep work hours and costs flexible so as to curb the adverse effects on our business. Restructuring will also remain on the agenda. Our goal is to be prepared for all challenges presented by the market and to align ourselves to new challenges.

Based on this, the overall level will be slightly lower than in 2020, when commission revenue of approximately EUR 50.0 million was generated. The volume will be slightly lower due to the disposal of Catalysis. It is uncertain – not least because of the unpredictable effects of the Corona pandemic – whether the business in the other divisions will offset the loss entirely.

Services rendered to the companies sold will temporarily increase income in the Services segment during 2021. However, this will come to an end with the expiry of the agreements. After completion of the restructuring measures the service level is expected to be lower, probably not exceeding EUR 70 million. Taking into account the service income from time to time, the volume in 2021 is expected to be slightly above that level.

We expect a total operating profit of between approximately EUR 15.0 and EUR 17.0 million.

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The currently published figures for the VCI's 2021 forecast generally support the projections of Clariant. However, given the volatile macroeconomic situation a cautious view should be taken of the association's forecasts. Although there is room for some optimism, the overall impact of the Corona pandemic is as yet unclear. Taking these constraints into account the VCI is expecting revenues in the chemical industry to increase by 5.0% in 2021 (published in March 2021). They expect production to increase by 3.0% and prices to increase by 2.0%. The outlook in the chemicals business for financial year 2021 is therefore generally positive and supports the planning assumptions.

7. Corporate Governance Declaration (Section 289 et seq. HGB)

The Supervisory Board passed resolutions on its meeting of May 18, 2018 on female representation.

It was determined to maintain or reach a female representation of 33.3% in the Supervisory Board until June 30, 2022. This would be three women represented in a Supervisory Board of nine with at least one woman representing the employer and one woman representing the employees. As of May 18, 2018 four women were represented in a Supervisory Board of nine. This is a share of approximately 44.4%. The target of 33.3% was therefore reached within the deadline given.

As the Supervisory Board was reduced from nine to six members on the basis of a resolution of November 11, 2020 passed at the Annual General Meeting, female representation in the Supervisory Board of Clariant SE was again put for resolution at the Supervisory Board meeting held on December 11, 2020. As of December 11, 2020, two women were represented in the Clariant SE's Supervisory Board of six which is a percentage of 33.3%. It was determined to maintain or reach a female representation of 33.3% in the Supervisory Board until June 30, 2025. This percentage is kept and reached, if two women are represented in a Supervisory Board of six. This target has been reached currently.

Similar to the target aimed at so far, a target ratio to be maintained or reached by June 30, 2022 of 0% for women to be represented on the Board of Management was determined. Female representation in the Board of Management is currently at 0%.

The Board of Management passed a resolution on November 15, 2017 on female representation for levels below the Board of Management. Currently, two women are represented on that management level.

A decision was made to keep a female representation of two women as the target until June 30, 2022.

8. Expression of thanks to our employees

The board of management would like to thank all employees for their high level of commitment and extraordinary efforts in carrying out their duties and overcoming challenges in 2020.

Frankfurt/Main, April 2021

The Board of Management

**Annual Financial Statements for the Financial Year from
January 1 to December 31, 2020**

Clariant SE, Frankfurt/Main

BALANCE SHEET as of December 31, 2020 in TEUR

ASSETS

	31.12.2020	31.12.2019
A. <u>FIXED ASSETS</u>		
I. Intangible assets		
1. Purchased concessions, industrial property rights and similar rights and assets, and licenses in such rights and assets	4,692	1,321
2. Goodwill	1,950	111
3. Prepayments	16	0
	6,658	1,432
II. Tangible assets		
1. Technical equipment and machinery	10	15
2. Other equipment, factory and office equipment	162	53
3. Prepayments and construction in process	21	68
	193	68
	6,851	1,500
B. <u>CURRENT ASSETS</u>		
I. Receivables and other assets		
1. Trade receivables	1,017	138
2. Receivables from affiliated companies	101,019	87,964
3. Other assets - of which taxes TEUR 1,967 (prior year: TEUR 2,088)	19,486	21,950
	121,522	110,052
II. Cash on hand, bank balances and checks	7,093	5,699
	128,615	115,751
C. <u>PREPAID EXPENSES AND DEFERRED CHARGES</u>	672	665
D. <u>EXCESS OF PLAN ASSETS OVER PENSION OBLIGATION</u>	24	42
TOTAL ASSETS	136,162	117,958

SHAREHOLDERS' EQUITY AND LIABILITIES

	31.12.2020	31.12.2019
A. <u>SHAREHOLDERS' EQUITY</u>		
I. Subscribed capital	915	915
II. Capital reserve	7,460	7,460
III. Unappropriated retained earnings	0	0
	8,375	8,375
B. <u>PROVISIONS</u>		
1. Provisions for pensions and similar obligations	38,646	38,805
2. Tax provisions	1,061	1,118
3. Other provisions	32,357	20,393
	72,064	60,316
C. <u>LIABILITIES</u>		
1. Bank loans and overdrafts	18	0
2. Trade payables	2,309	3,372
3. Payables to affiliated companies	37,103	35,744
4. Other liabilities	16,293	10,151
- of which taxes TEUR 14,628 (prior year: TEUR 8,388)		
- of which social security payables TEUR 604 (prior year: TEUR 518)		
	55,723	49,267
D. <u>DEFERRED INCOME</u>	0	0
TOTAL EQUITY AND LIABILITIES	136,162	117,958

INCOME STATEMENT for the Period from January 1 to December 31, 2020 in TEUR

	1/1 - 12/31/2020	1/1 - 12/31/2019
1. Sales	133,183	125,900
2. Cost of sales	-110,019	-106,141
	<hr/>	<hr/>
3. Gross profit on sales	23,164	19,759
4. General administrative expenses	-2,771	-2,835
5. Other operating income	8,740	10,913
6. Other operating expenses	-7,900	-9,455
	<hr/>	<hr/>
Operating profit	21,233	18,382
7. Other interest and similar income (of which from affiliated companies: TEUR 2 prior year: TEUR 0)	41	126
8. Interest and similar expenses (of which relating to affiliated companies: TEUR -30 prior year: TEUR -41)	-1,143	-1,234
9. Taxes on income	-2,973	-2,652
	<hr/>	<hr/>
10. Profit after tax	17,158	14,622
11. Profits transferred on the basis of profit and loss transfer agreements	-17,158	-14,622
	<hr/>	<hr/>
12. Net income/loss for the year	0	0
13. Unappropriated retained earnings/accumulated losses brought forward	0	0
14. Unappropriated retained earnings	0	0

Clariant SE, Frankfurt/Main

Notes to the Annual Financial Statements 2020

General information

The head office of Clariant SE is located in Frankfurt/Main and the Company is registered in the Commercial Register maintained at the Local Court of Frankfurt (HRB 84069).

These annual financial statements of Clariant SE as of December 31, 2020 were prepared in accordance with the accounting policies for large corporations set out in the German Commercial Code (HGB) and the supplementary rules of the German Stock Corporation Act. The income statement ("P&L") was prepared using the cost of sales method in accordance with Section 275 (3) of the HGB.

The Company signed a profit and loss transfer agreement with the parent company Clariant Verwaltungsgesellschaft mbH, Frankfurt/Main.

All employees and assets are pooled in the Company's German head office and the eleven European branches.

The activities of the Austrian branch, which were limited to business services, were discontinued in mid-2020.

The financial year corresponds to the calendar year.

The present annual financial statements are comparable with those of the prior year only to a limited extent. The reason for such limited comparability is found in the following material changes and events:

- As of January 1, 2020, parts of some service businesses including personnel (in particular finance, HR and IT) and Masterbatches activities of the Austrian branch were transferred to the respective local Pigments and Masterbatches entities. This was to be seen in the context of a group-wide divestment of the Pigments and Masterbatches business units, for the purpose of selling them at a later date. The resulting accounting effects are presented in Appendix 2 to the Notes.
- Since January 1, 2020, the Company including its personnel has been acting as commission agent for the Additives business unit. The resulting accounting effects are presented in

Translation from German

Appendix 3 to the Notes.

Translation from German

Accounting policies

Purchased **intangible assets** are recognized at cost and amortized straight-line over their useful lives. Pro-rata amortization is applied in the year of acquisition.

Both the customer bases acquired for a consideration and goodwill were generally amortized on a straight-line basis over a period of 5 years for acquisitions made until 2019. They are amortized over their useful lives of 10 years as of financial year 2020. The amortization of the customer base is recognized in cost of sales, goodwill amortization is included in other operating expenses.

The useful life of goodwill is based on an estimation of the time it will take for income to flow back from the identified goodwill components, which include in particular goodwill-increasing elements purchased in the course of the acquisition, such as organization, reputation, etc.

Items of **tangible assets** are recognized at historical cost. Assets with limited useful lives are depreciated on a straight-line basis over their expected useful lives, with technical equipment and machinery being depreciated over 16 years or less and other equipment and operating and office equipment over 10 years or less. Assets acquired for the euro equivalent of CHF 5,000 or less are written off in full in the year of acquisition and shown as a disposal in the Fixed Asset Movement Schedule.

If the fair value of an asset falls below its carrying amount, additional write-downs are recognized, if the impairment is expected to be other than temporary. Write-downs are reversed where necessary.

Prepayments are stated at their nominal value.

Trade receivables, other receivables and **other assets** are recognized at their principal amount with specific allowances being recognized where necessary and a general allowance being applied for general and specific credit risks.

Cash on hand, credit balances with banks and checks are recognized at their nominal values.

Subscribed capital is recognized at its nominal value.

The **provisions** are recognized at their settlement amount in accordance with prudent business judgment. All other provisions that are due in more than one year are discounted at the matching average discount rates for the past seven years as published by the German

Translation from German

Bundesbank pursuant to Section 253 (2) of the HGB.

As regards the **provisions for pensions and similar obligations** see Note (8).

The **other provisions** recognized for partial retirement obligations (outstanding settlement amount and additional contribution) and the provision recognized for long-service awards were computed on the basis of actuarial reports (2018G mortality tables issued by Prof. Dr. Klaus Heubeck based on a discount rate of 0.50% for partial retirement obligations and 1.60% for long-service awards).

The provisions recognized for the outstanding settlement amounts due on the basis of partial retirement obligations are offset against the corresponding plan assets used to protect partial retirement obligations in the event of insolvency in accordance with Section 246 (2) sentence 2 of the HGB. Such offsetting is also made for the provisions for pension commitments for new beneficiaries eligible since January 1, 2011 and for deferred compensation obligations which compare with plan assets used for insolvency protection purposes, as well as for obligations under long-term working time accounts. If the fair value of the plan assets exceeds the amounts accrued in the respective provisions, such difference is recognized in a separate line item ("**Excess of plan assets over pension liability**") in accordance with Section 246 (2) sentence 3 of the HGB. If the fair value of the plan assets remains below the amounts accrued, the excess of the pension obligation is recognized in either provisions for pensions and similar obligations or in other provisions. The expenses and income from interest cost added back on provisions/ discounting of the provisions for pensions and partial retirement obligations are offset with the income and expenses from and relating to plan assets; the total amount is either recognized in interest income or interest expenses and disclosed separately in the Notes.

Provisions for pension obligations consisting of securities (long-term working time accounts) and the related plan assets are recognized at fair value pursuant to section 253(1) sentence 3 of the HGB.

Liabilities are stated at their settlement amounts.

Foreign currency transactions are generally recognized at their historical rates at the time of initial recording. For reasons of simplicity, the entries are accounted for during the year at the mean spot rate. Balance sheet items are measured at the reporting date as follows:

Long-term foreign currency receivables are recognized at the spot exchange middle rate at the time the receivable originates or the lower realizable value taking as a basis the spot

Translation from German

exchange middle rate on the balance sheet date (imparity principle). Short-term foreign currency receivables (due in one year or less) as well as cash funds or other current foreign currency assets are translated at the spot exchange middle rate on the balance sheet date.

Long-term foreign currency liabilities are recognized at either the mean spot rate in effect at the time the liability originates or at the higher closing rate, computed on the basis of the mean spot rate on the balance sheet date (imparity principle). Short-term foreign currency liabilities (due in one year or less) are translated at the mean spot rate on the balance sheet date.

Prepaid expenses, deferred charges and deferred income relate to expenditures or receipts prior to the balance sheet date that represent an expense or income for a specific period after that date.

Deferred taxes are recognized to reflect differences between the carrying amounts in the balance sheet and the tax accounts to the extent such amounts are expected to be recovered or settled in future financial years. If deferred tax assets are in excess of deferred tax liabilities as of the balance sheet date no use is made of the option to recognize this excess as an asset pursuant to Section 274 (1) clause 2 HGB.

Other taxes are recognized under other operating expenses.

Translation from German

Disclosures

(1) Fixed assets

Changes in fixed assets are disclosed in Appendix 1 to the Notes.

Fixed assets mainly comprise customer bases acquired for a consideration and goodwill, particularly goodwill resulting from the asset deals concluded in 2010 with the Clariant Group's European sales and service companies and from the integration of the Süd-Chemie Group in 2012 and 2013.

The Company, as part of integrating smaller operations into the European commission structure, acquired additional customer bases from various Clariant entities in the years afterwards.

The Austrian branch sold its Masterbatches operations to a local group company as of January 1, 2020. This resulted in the disposal of goodwill at a carrying amount of EUR 111 thousand. This disposal is also presented in Appendix 2 to the Notes.

At the same time Clariant SE acquired customer bases for the Additives business unit for a purchase price of EUR 4,197 thousand. This created goodwill of EUR 2,167 thousand in the Italian branch resulting from the acquisition of the Additives operations. The accounting effects resulting from these transactions are presented in Appendix 3 to the Notes.

In Germany, Clariant Produkte (Deutschland) GmbH took over the staff inventory as of January 1, 2020 at its residual carrying amount of EUR 131 thousand. As of this date new investments have been made by Clariant SE itself.

The customer bases were amortized in the current financial year by a total of EUR 763 thousand (prior year: EUR 362 thousand), and goodwill by EUR 217 thousand (prior year: EUR 30 thousand).

Translation from German

(2) Trade receivables

	12/31/2020	12/31/2019
	EUR '000	EUR '000
from customers	1,017	138
- <i>(of which due in more than one year)</i>	<i>(0)</i>	<i>(0)</i>
	1,017	138

(3) Other receivables and other assets

	12/31/2020	12/31/2019
	EUR '000	EUR '000
Receivables from affiliated companies	101,019	87,964
- <i>(of which from the shareholder)</i>	<i>(65,996)</i>	<i>(72,195)</i>
Other assets	19,486	21,950
	120,505	109,914

Of the receivables from affiliated companies EUR 71,256 thousand (prior year: EUR 72,195 thousand) are accounted for by the cash pool, EUR 29,763 thousand (prior year: EUR 15,769 thousand) are related to services and sales services rendered. The receivables from the shareholder are attributable to the cash pool in both years.

The other assets include EUR 15,944 thousand (prior year: EUR 13,362 thousand) due from third-party customers resulting from the activities as a commission agent and tax receivables in the amount of EUR 1,967 thousand (prior year: EUR 2,088 thousand) in particular relating to income tax (as in the prior year).

All other receivables and assets were due in less than one year, as in the prior year.

(4) Cash on hand, bank balances and checks

	12/31/2020	12/31/2019
	EUR '000	EUR '000
Cash on hand	1	0
Bank balances	7,092	5,699
	7,093	5,699

(5) Prepaid expenses and deferred charges

Prepaid expenses and deferred charges amounted to EUR 672 thousand (prior year: EUR 665 thousand) and primarily relate to premiums paid to cover property and liability insurance for 2021.

(6) Excess of plan assets over pension obligation

As of the reporting date, the pension plan assets covered the benefit obligations from deferred compensation, obligations associated with long-term working time accounts and the outstanding settlement amounts relating to partial retirement obligations. The respective plan assets are managed as part of a mutual trust (no-special-purpose, pledged and insolvency protected agreement). The plan assets are funds, pension liability insurance contracts and insurance policies with guaranteed returns which under the German Commercial Code are defined as plan assets and are offset with the respective obligations after having been measured at fair value.

The fair value of pension liability insurance contracts for deferred compensation models equals amortized cost (actuarial reserve plus discretionary participation in surplus) and amounts to EUR 243 thousand as at the reporting date. The pension provision of EUR 243 thousand to be offset corresponds to the fair value and amortized cost at the balance sheet date.

Obligations to employees resulting from their individual credits for bonus payments, vacation not yet taken etc. (long-term working time accounts) are defined by the performance of the plan assets recognized in the form of funds and insurance policies with guaranteed returns. Therefore, the obligations from long-term working time accounts (EUR 2,271 thousand) were offset in full as of the reporting date against the respective plan assets, whose fair value amounted to EUR 2,271 thousand as at December 31, 2020. The fair value was at EUR 1 thousand, and thus below amortized cost at the balance sheet date.

The provisions for partial retirement obligations (outstanding settlement amounts) are offset with the plan assets available in accordance with Section 246 (2) sentence 2 HGB. The plan assets are managed as part of a mutual trust (no-special-purpose, pledged and insolvency protected agreement). The securities used for insolvency protection meet the definition of plan assets set out in the HGB. They are measured at fair value and offset against the corresponding provisions for partial retirement obligations. At the end of 2020, the fair value of plan assets amounted to EUR 1,709 thousand thus falling below acquisition cost (EUR 1,724

Translation from German

thousand) by EUR 15 thousand. Overall the fair value of plan assets exceeds the partial retirement obligation (outstanding settlement amount) by EUR 24 thousand.

(7) Shareholders' equity

	12/31/2019 / 1/1/2020	Changes	12/31/2020
	EUR '000	EUR '000	EUR '000
Subscribed capital	915	0	915
Capital reserve	7,460	0	7,460
Unappropriated retained earnings	0	0	0
	8,375	0	8,375

The subscribed capital (share capital) of the Company has not changed and amounted to EUR 914,612 as of the reporting date. It is divided into 914,612 no-par value shares. As in the prior year, all shares in the Company are held by Clariant Verwaltungsgesellschaft mbH, Frankfurt/Main.

The net income of EUR 17,158 thousand (prior year: EUR 14,622 thousand) is transferred to the shareholder pursuant to the profit and loss transfer agreement and therefore recognized as a liability to affiliated companies in the balance sheet.

Of the capital reserve, EUR 5,508 thousand is "freely available" in accordance with Section 272 (2) No. 4 of the HGB. EUR 1,952 thousand of the capital reserve is not freely available to the Company (in accordance with Section 272 (2) No. 1 of the HGB).

(8) Provisions for pensions and similar obligations

Provisions for pensions and similar obligations are recognized in the amount of EUR 38,646 thousand (prior year: EUR 38,805 thousand) for future and current benefits. The carrying amount was calculated in accordance with acknowledged actuarial policies using the projected unit credit method. The amount to be accrued was determined on the basis of the 2018 G mortality tables issued by Prof. Dr. Klaus Heubeck (Germany) and the tables used in Italy (IPS55), France (INSEE 06/08 F/H), Switzerland (BVG 2015), Finland (the "pension payment register of Mandatum Life Insurance Company, Limited"), the Netherlands (AG 2020 mortality tables, including ES-P2A), Belgium (MR-5/FR-5) and Austria (AVÖ 2018 - P). The measurement as of the balance sheet date was based on an average market rate specified by the German Bundesbank. In accordance with Section 253 (2) HGB a residual time to maturity of 15 years was assumed. The interest rate used in the calculation is the average rate for the

Translation from German

past 10 financial years forecast for the reporting date. Discounting the provisions concerned using the average market interest rate for the past ten years of 2.3% led to a difference of EUR 4,505 thousand compared with discounting at the average market rate for the past seven years.

The computations were based on the following assumptions:

	Germany	Abroad
Discount rate for provisions less plan assets	2.3%	2.30%
Discount rate for provisions, including plan assets	2.3%	2.30%
Salary increases	2.50%	1.50 – 3.50%
Upper earnings limit	2.25%	n/a
Future pension levels	1.80%	0.00 – 2.50%

Age and gender specific fluctuation probabilities of between 0.0% and 12.5% were taken as a basis.

The benefit obligations for new participants as of January 1, 2011 and obligations from deferred compensation of EUR 2,710 thousand are offset with the plan assets in accordance with Section 246 (2) sentence 3 HGB, since these plan assets are used exclusively to settle the benefit obligations and are exempt from attachment by all other creditors. The plan assets are invested in funds, the fair value amounts to EUR 2,642 thousand as of the balance sheet date, thus being EUR 68 thousand below the respective provisions and EUR 101 thousand above cost (EUR 2,541 thousand). The shortfall of EUR 68 thousand is included in this line item.

Belgium, the Netherlands and Switzerland have recognized total indirect benefit obligations of EUR 26,461 thousand (prior year: EUR 26,749 thousand). The respective plan assets exceed the volume of obligations by EUR 995 thousand (prior year: EUR 919 thousand). In Switzerland, the obligations were fully covered by plan assets in the prior year. The recognition option as permitted by Art. 28 (1) sentence 2 EGHGB (Introductory Act to the German Commercial Code) was not used to account for these indirect pension obligations.

Translation from German

(9) Miscellaneous provisions

	12/31/2020	12/31/2019
	EUR '000	EUR '000
Tax provisions	1,061	1,118
Other provisions	32,357	20,393
	33,418	21,511

Other provisions are mainly composed of provisions for employee-related obligations especially from bonuses amounting to EUR 6,037 thousand (prior year: EUR 6,704 thousand), restructuring measures of EUR 19,025 thousand (prior year: EUR 4,815 thousand), vacation not yet taken and overtime work of EUR 1,635 thousand (prior year: EUR 2,009 thousand) as well as partial retirement obligations and long-service awards of EUR 858 thousand (prior year: EUR 1,002 thousand).

The item also includes provisions for outstanding invoices, legal and professional fees, year-end closing costs and other costs amounting to EUR 3,474 thousand (prior year: EUR 3,788 thousand) as well as commissions and other personnel-related obligations.

Also included are provisions for expected losses in the amount of EUR 0 thousand (prior year EUR 773 thousand).

The provisions for partial retirement obligations (outstanding settlement amounts) are offset against the plan assets available in accordance with Section 246 (2) sentence 3 of the HGB; see Note (6).

(10) Liabilities

	12/31/2020	12/31/2019
	EUR '000	EUR '000
Bank loans and overdrafts	18	0
Trade payables	2,309	3,372
Payables to affiliated companies	37,103	35,744
- <i>(of which to the shareholder)</i>	(17,353)	(14,796)
Other liabilities	16,293	10,151
	55,723	49,267

Payables to the shareholder relate to EUR 17,158 thousand of profit transferred (prior year: EUR 14,622 thousand) and to trade payables amounting to EUR 195 thousand (prior year: EUR 174 thousand).

Of the other liabilities to affiliated companies EUR 19,415 thousand (prior year: EUR 20,948 thousand) are attributable to supplies and services provided by the affiliated companies and EUR 335 thousand (prior year: EUR 0 thousand) are accounted for by the cash pool.

The other liabilities include tax liabilities of EUR 14,628 thousand (prior year: EUR 8,388 thousand) of which EUR 13,064 thousand (prior year: EUR 6,779 thousand) were due for VAT.

As in the prior year, the liabilities are due in one year or less.

(11) Deferred tax

The computation of deferred taxes is based on the temporary differences between the carrying amounts in the financial statements and those in the tax accounts in accordance with Section 274 of the HGB.

When determining deferred taxes, a tax rate of 29.4% was taken as a basis in Germany. Deferred taxes for the foreign permanent establishments are measured at the tax rates applicable in the respective jurisdictions, which range from 16.5% to 28.0%.

After offsetting deferred tax assets and deferred tax liabilities as of the balance sheet date (Total Difference Approach), deferred tax assets exceed liabilities in the German head office by EUR 5,065 thousand (prior year: EUR 5,165 thousand) which is mainly accounted for by temporary differences between plan assets, pension provisions and corporate income and trade tax loss carryforwards.

As pursuant to Section 14 (1) KStG (Corporate Income Tax Act) and Section 2 (2) sentence 2 GewStG (Trade Tax Act) the taxable profit of the German head office is attributed to Clariant Verwaltungsgesellschaft mbH, the controlling entity; the German head office does not recognize any income tax charge as long as the consolidated tax group exists. Therefore, deferred taxes incurred by the German head office from temporary differences are generally recognized in the books of Clariant Verwaltungsgesellschaft mbH, the controlling company.

After offsetting deferred tax assets and deferred tax liabilities (Total Difference Approach), deferred tax assets exceeded liabilities in the books of the foreign permanent establishments by EUR 3,620 thousand as of the reporting date (prior year: EUR 3,461 thousand). The difference is mainly due to differences between the carrying amounts of provisions and intangible assets.

Translation from German

Deferred taxes are not recognized, as the excess of assets over liabilities is not accounted for in the balance sheet using the option of Section 274 (1) clause 2 HGB.

(12) Sales revenue

- Sales revenue by business segments

	2020	2019
	EUR '000	EUR '000
- Commission income (*)	50,209	48,056
- Service income (**)	82,974	77,844
Total	133,183	125,900

(*) Revenue from activities as commission agent for the European Clariant production companies and

(**) as service provider for accounting services, personnel, legal affairs, treasury, IT services and communication for Clariant companies in Europe.

- Sales revenue by geographical region

	2020	2019
	EUR '000	EUR '000
Germany	67,934	67,612
Other European countries	65,198	58,229
Other countries	51	59
	133,183	125,900

(13) General administrative expenses

The item mainly includes expenditures for management, accounting, tax, personnel and legal service departments and for the year-end audit.

(14) Other operating income

The Company generated other operating income in the amount of EUR 8,740 thousand (prior year: EUR 10,913 thousand). EUR 5,552 thousand (prior year: EUR 6,611 thousand) of this amount refers to income generated by the Company from charging on costs for various activities rendered by the Global Business Services organization within the Group.

Other operating income also includes the following significant income:

Translation from German

- Income from the reversal of provisions of EUR 2,154 thousand (prior year: EUR 2,800 thousand). EUR 1,294 thousand of this amount (prior year: EUR 1,436 thousand) mainly refer to provisions for employee bonuses, EUR 573 thousand (prior year: EUR 687 thousand) to restructuring activities and EUR 165 thousand (prior year: EUR 203 thousand) to provisions for distribution agreements terminated early and damages claimed.
- Income of EUR 1,033 thousand (prior year: EUR 1,295 thousand) was recognized for charged-on expenses, which were incurred in connection with distribution agreements terminated early and damages claimed.
- Income of EUR 0 thousand not relating to the period for statutory employee profit sharing plans for French employees that could not be charged on (prior year: EUR 53 thousand) – see Note (15).
- Income from foreign currency translation in the amount of EUR 0 thousand (prior year: EUR 154 thousand).

The item also includes a gain from the intra-group sale of the Masterbatches business unit in the amount of EUR 1 thousand (prior year: EUR 0 thousand – see Appendix 2 to the Notes.

(15) Other operating expenses

This item includes expenses in the amount of EUR 6,708 thousand (prior year: EUR 8,129 thousand) relating to other operating income: expenses relating to activities rendered by the Global Business Services organization and expenses from charging on income from distribution agreements terminated early and damages claimed – see Note (14).

Other operating expenses also include the following significant expenses:

- Goodwill amortization of EUR 217 thousand (prior year: EUR 30 thousand; see Note (1));
- expenses of EUR 626 thousand (prior year: EUR 300 thousand) for statutory employee profit sharing plans for French employees that could not be recognized as an asset or charged on, of which not relating to the period: EUR 326 thousand (prior year: EUR 0 thousand).
- Expenses relating to foreign currency translation in the amount of EUR 71 thousand (prior year: EUR 0 thousand).

Last year's item also included expenses relating to the addition of EUR 773 thousand to the provision for expected losses – see Note (14).

Translation from German

Other taxes recognized in other operating expenses amount to EUR 222 thousand (prior year: EUR 164 thousand).

(16) Net interest income/expense

	2020	2019
	EUR '000	EUR '000
Other interest and similar income	41	126
- (of which from affiliated companies)	(2)	(0)
- (of which income from discounting provisions)	(1)	(13)
Interest and similar expenses	-1,143	-1,234
- (of which relating to affiliated companies)	(-30)	(-41)
- (of which expenses relating to unwinding the discount on provisions)	(-1,059)	(-1,100)
- (of which the net balance pursuant to Section 246 (2) sentence 2 HGB resulting from unwinding the discount on other personnel-related provisions in the amount of EUR -83 thousand (prior year: EUR -85 thousand) and the income from plan assets of EUR 39 thousand (prior year: EUR 0 thousand))	(-44)	(-85)
	-1,102	-1,108

(17) Taxes on income

Taxes on income reduced earnings by EUR 2,973 thousand (prior year: EUR 2,652 thousand).

(18) Legal transfer restrictions

The Company owns assets that represent plan assets as defined in Section 246 (2) sentence 2 of the HGB; see Note (6). The fair value of those assets (in accordance with Section 253 (1) sentence 3 of the HGB) exceeded their cost by EUR 101 thousand (prior year: EUR 13 thousand). Section 268 (8) of the HGB prohibits that amount from being transferred as profit. EUR 30 thousand of deferred tax liabilities are theoretically attributable to the amount not to be transferred. These are recognized in the books of Clariant Verwaltungsgesellschaft mbH, the controlling company.

As the Company had free reserves available as of the balance sheet date in the amount of EUR 5,508 thousand (see Note (7)), there was no limitation on the transfer of net income for 2020.

Translation from German

(19) Profit and loss transfer

The net income of EUR 17,158 thousand (prior year: EUR 14,622 thousand) was transferred to the sole parent company, Clariant Verwaltungsgesellschaft mbH, under the profit and loss transfer agreement and recognized under payables to affiliated companies in the balance sheet.

Translation from German

Other disclosures**Cost of materials**

	2020	2019
	EUR '000	EUR '000
Cost of raw materials, supplies and of purchased merchandise	271	249
Cost of purchased services	67	121
	338	370

Costs of materials mainly include office materials, IT equipment and energy purchased from third parties.

Personnel expenses

	2020	2019
	EUR '000	EUR '000
Wages and salaries	62,134	49,828
Social security, pensions and other employee benefits	12,270	16,316
- <i>(of which relating to pensions)</i>	(3,538)	(6,989)
	74,404	66,144

The expenses for new restructuring measures significantly exceeded the expense reduced by the lower number of employees and are therefore the main cause for the increase in wages and salaries.

Disclosures on employees

Headcount was as follows on an annual average:	2020	2019
- German head office	285	307
- Foreign permanent establishments	177	191
Staff (less trainees)	462	498

The decline in the number of employees is attributable to the intra-group transfer of the service functions as of January 1, 2020. They are to be seen in the context of separating the Pigments and Masterbatches business units into standalone group companies.

Translation from German

Other major financial commitments

Other major financial commitments not recognized in the balance sheet relate to:

	2020	2019
	EUR '000	EUR '000
from rental and lease agreements	5,427	6,509
- <i>(of which relating to affiliated companies)</i>	<i>(969)</i>	<i>(957)</i>

The rental and lease agreements are classified as operating leases, meaning that the leased items are not accounted for by the Company. The agreements mainly concern leases for office buildings, operating and office equipment, and the vehicle fleet. The advantage of leasing versus purchasing lies in the low level of capital commitment and the absence of residual value risk. Risk may be incurred on the basis of the lease term in the event the leased items/premises are no longer able to be used to the full extent. However, there are no indications of this at present.

Derivative financial instruments

Clariant SE has no exposure to derivative financial instruments as of December 31, 2020.

Auditors' fees

Total fees for the auditors of the annual financial statements of the German head office and the Company's foreign branches amounted to EUR 157 thousand in 2020 (prior year: EUR 168 thousand).

Expenses for year-end audit work in the current financial year were incurred for regular audit activities in the amount of EUR 154 thousand (prior year: EUR 163 thousand) and tax advisory services in the amount of EUR 3 thousand (prior year: EUR 5 thousand).

Supervisory Board

By shareholder resolution passed at the Annual General Meeting of November 11, 2020, Clariant SE reduced the number of Supervisory Board members from nine to six, as a result of the adjustments made to the Company's basis of business. In the process, four members represent the shareholders, two members are employee representatives.

Translation from German

Stephan Lynen (from April 1, 2020 until November 11, 2020 and since November 16, 2020)

(Chairman of the Supervisory Board)

(Member of the Executive Committee)

(Clariant International AG, Muttenz / Switzerland)

Patrick Jany (until March 31, 2020)

(Chairman of the Supervisory Board)

(Member of the Executive Committee)

(Clariant International AG, Muttenz / Switzerland)

Rüdiger Halberstadt * (since November 16, 2020)

(Deputy chair of the Supervisory Board)

(Global IT – Solution Coordinator & Technical Specialist)

Birgit Schmidt * (until June 29, 2020)

(Deputy chair of the Supervisory Board)

(Chair of the European Works Council of Clariant SE)

Rainer Dorn * (until June 29, 2020)

(Deputy chair of the European Works Council of Clariant SE)

Daniel Hug (until November 11, 2020 and since November 16, 2020)

(Head of Corporate Controlling)

(Clariant International AG, Muttenz / Switzerland)

Oliver Kinkel (until November 11, 2020 and since November 16, 2020)

(Country Head Germany/Head of Region EMEA)

(Clariant Verwaltungsgesellschaft mbH, Frankfurt am Main)

Beatriz Lopez-Collado * (since November 16, 2020)

(Account manager Industrial & Consumer Specialties for Spain and Portugal)

Alfred Münch (until November 11, 2020)

(General Counsel)

(Clariant International AG, Muttenz / Switzerland)

Dr. Sibylle Mutschler (from July 20, 2020 until November 11, 2020 and since November 16,

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2020)

(Head of Digital4Clariant)

(Clariant International AG, Muttenz / Switzerland)

Dr. Constanze Nüsperling (until July 20, 2020)

(Global Process Owner Hire to Retire)

(Clariant International AG, Muttenz / Switzerland)

Klementina Pejic (until November 11, 2020)

(Head of Corporate Human Resources)

(Clariant International AG, Muttenz / Switzerland)

Benedicte Thomassin * (until June 29, 2020)

(Member of European Works Council Clariant SE – Delegate Clariant SE France)

* employee representatives in the Supervisory Board

Supervisory Board remuneration

The Supervisory Board received remuneration in the amount of EUR 10 thousand in 2020 (prior year: EUR 11 thousand).

Events after the reporting date

As regards the European business of Catalysis, it was decided to separate the transaction settlement from the commission model with commission agent Clariant SE. Direct supplies from the production entities started on January 1, 2021. The aim was to create more proximity to the customers and providing better service on the relevant markets. This transition affects Clariant Produkte (Deutschland) GmbH and its Italian manufacturing co-subsiary in the Clariant group of companies. Overall, high double-digit Euro million sales with third customers will be generated by the manufacturing companies and no longer by Clariant SE. To realize this business model transition a customer-base transfer agreement was signed by and between Clariant SE and the two production companies and by and between the two production companies effective as of January 1, 2021. Customer bases were transferred from Clariant SE to the German production company at a purchase price of EUR 3.5 million. A customer base was transferred from Clariant SE and the German company to the Italian production company at a price of EUR 0.5 million and EUR 0.2 million each.

Translation from German

Appropriation of profit/loss

The net income for 2020 of EUR 17,158 thousand was transferred to the parent company, Clariant Verwaltungsgesellschaft mbH, pursuant to the profit and loss transfer agreement.

Board of Management

Dr. Thorsten Posner

Head of Legal Services EMEA

Michael Tesch

Head of Finance Services EMEA

Remuneration of the Board of Management

In accordance with Section 286 (4) HGB, the disclosures on the remuneration of the Board of Management were omitted.

Parent company

Clariant SE is a subsidiary of Clariant Verwaltungsgesellschaft mbH, Frankfurt/Main.

The annual financial statements of Clariant SE and Clariant Verwaltungsgesellschaft mbH are included in the consolidated financial statements of Clariant AG, Muttenz/Switzerland, covering both the smallest and the largest group of companies.

The consolidated financial statements are disclosed in Basel/Switzerland and can be downloaded from www.clariant.com. It is intended to publish the consolidated financial statements of the ultimate parent company including the auditor's report in the German Federal Gazette. The consolidated financial statements to be published have been prepared in accordance with International Financial Reporting Standards (IFRSs). There are no major differences between those and the IFRS as adopted by the European Union.

Translation from German

Frankfurt/Main, April 30, 2021

Clariant SE

The Board of Management

/s/Dr. Thorsten Posner

/s/Michael Tesch

Fixed-Asset Movement Schedule

Clariant SE, Frankfurt/Main

Fixed-Asset Movement Schedule
in TEUR

	Cost				
	01/01/2020	Additions	Disposals	Reclassifications	12/31/2020
	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000
Intangible assets					
Purchased concessions, industrial property rights and similar rights and assets, and licenses in such rights and assets	34,313	4,284	0	0	38,597
Goodwill	2,664	2,167	-151	0	4,680
Prepayments	0	16	0	0	16
	36,977	6,467	-151	0	43,293
Tangible assets					
Technical equipment and machinery	180	0	0	0	180
Other equipment, factory and office equipment	1,433	190	-31	0	1,592
Prepayments	0	21	0	0	21
	1,613	211	-31	0	1,793
	38,590	6,678	-182	0	45,086

Amortization, depreciation and write-downs				Carrying amount	Carrying amount
01/01/2020	Additions	Disposals	12/31/2020	12/31/2020	12/31/2019
EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000
-32,992	-912	-1	-33,905	4,692	1,321
-2,553	-217	40	-2,730	1,950	111
0	0	0	0	16	0
-35,545	-1,129	39	-36,635	6,658	1,432
-165	-5	0	-170	10	15
-1,380	-81	31	-1,430	162	53
0	0	0	0	21	0
-1,545	-86	31	-1,600	193	68
-37,090	-1,215	70	-38,235	6,851	1,500

Accounting impact from the sale of operating units in financial year 2020 to:

	Colorants Solutions Deutschland GmbH	Performance Masterbatches Germany GmbH	Foreign Clariant entities (in Austria, Belgium, Switzerland, Spain and Italy)	Total
	01.01.2020	01.01.2020	01.01.2020	
	EUR '000	EUR '000	EUR '000	EUR '000
Assets				
Fixed assets	0	0	111	111
Intangible assets	0	0	111	111
Current assets	136	38	11	185
Other assets	136	38	11	185
Total	136	38	122	296
Debt				
Provisions	1,152	930	1,345	3,427
Pension provisions	447	379	494	1,320
Other provisions*)	705	551	851	2,107
Liabilities	0	0	191	191
Other liabilities	0	0	191	191
Net assets recognized	-1,016	-892	-1,414	-3,322
Total	136	38	122	296

*) The provisions for expected losses (EUR 773 thousand) are related to the disposals and were not transferred to the buyer.

The intercompany disposal of operating units had the following effects:

	Colorants Solutions Deutschland GmbH	Performance Masterbatches Germany GmbH	Foreign Clariant entities (in Austria, Belgium, Switzerland, Spain and Italy)	Total
	EUR '000	EUR '000	EUR '000	EUR '000
Purchase price (+positive/-negative)	-1,016	-892	-1,413	-3,321
Disposal of net assets recognized (see	1,016	892	1,414	3,322
Result	0	0	1	1

Accounting impact from the purchase of operating units in financial year 2020 from:

	Clariant Plastics & Coatings (Deutschland) GmbH	Foreign Clariant entities (in Belgium, Poland, Sweden, Spain, Finland, France, Ireland, United Kingdom, Italy and the Netherlands)	Total
	01.01.2020	01.01.2020	
	EUR '000	EUR '000	EUR '000
Assets			
Fixed assets	0	6,364	6,364
Intangible assets	0	6,364	6,364
Current assets	24	9,063	9,087
Trade receivables	0	9,040	9,040
Other assets	24	15	39
Prepaid expenses and deferred	0	8	8
Total	24	15,427	15,451
Debt			
Provisions	335	774	1,109
Pension provisions	230	603	833
Other provisions	105	171	276
Liabilities	0	684	684
Trade payables	0	55	55
Payables to affiliated companies	0	521	521
Other liabilities	0	108	108
Net assets recognized	-311	13,969	13,658
Total	24	15,427	15,451

The intercompany purchase of operating units had the following effects:

	Clariant Plastics & Coatings (Deutschland) GmbH	Foreign Clariant entities (in Belgium, Poland, Sweden, Spain, Finland, France, Ireland, United Kingdom, Italy and the Netherlands)	Total
	EUR '000	EUR '000	EUR '000
Purchase price (+positive/-negative)	311	-13,801	-13,490
Transaction cost	0	-168	-168
Addition net assets recognized (see above)	-311	13,969	13,658
Result	0	0	0

INDEPENDENT AUDITOR'S REPORT

To Clariant SE, Frankfurt/Main

Audit Opinions

We have audited the annual financial statements of Clariant SE, Frankfurt/Main, which comprise the balance sheet as at December 31, 2020 and the statement of profit and loss for the financial year from January 1 to December 31, 2020 and notes to the financial statements, including the recognition and measurement policies presented therein. In addition, we have audited the management report of Clariant SE for the financial year from January 1 to December 31, 2020. We have not audited the content of the statement on corporate governance pursuant to § (Article) 289f HGB [Handelsgesetzbuch: German Commercial Code] (disclosures on female representation) in accordance with the German legal requirements.

In our opinion, on the basis of the knowledge obtained in the audit

- the accompanying annual financial statements comply, in all material respects, with the requirements of German commercial law and give a true and fair view of the assets, liabilities and financial position of the Company as at December 31, 2020 and of its financial performance for the financial year from January 1 to December 31, 2020 in compliance with German Legally Required Accounting Principles, and
- the accompanying management report as a whole provides an appropriate view of the Company's position. In all material respects, this management report is consistent with the annual financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our audit opinion on the management report does not cover the content of the statement on corporate governance referred to above.

Pursuant to § 322 (3) sentence 1 HGB [Handelsgesetzbuch: German Commercial Code], we declare that our audit has not led to any reservations relating to the legal compliance of the annual financial statements and of the management report.

Basis for the audit opinions

We conducted our audit of the annual financial statements and of the management report in accordance with § 317 HGB and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's Responsibilities for the Audit of the Annual Financial Statements and of the Management Report" section of our auditor's report. We are independent of the Company in accordance with the requirements of German commercial and professional law, and we have fulfilled our other German professional 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 audit opinions on the annual financial statements and on the management report.

Other information

The executive directors are responsible for the other information. The other information comprises the statement on corporate governance pursuant to § 289f (4) HGB (disclosures on female representation).

Our audit opinions on the annual financial statements and on the management report do not cover the other information, and consequently we do not express an audit opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information and, in so doing, to consider whether the other information

- is materially inconsistent with the annual financial statements, with the management report or our knowledge obtained in the audit, or
- otherwise appears to be materially misstated.

Responsibilities of the Executive Directors and the Supervisory Board for the Annual Financial Statements and the Management Report

The executive directors are responsible for the preparation of the annual financial statements that comply, in all material respects, with the requirements of German commercial law, and that the annual financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Company in compliance with German Legally Required Accounting Principles. In addition, the executive directors are responsible for such internal control as they, in accordance with German Legally Required Accounting Principles, have determined necessary to enable the preparation of annual financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the annual financial statements, the executive directors are responsible for assessing the Company's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting, provided no actual or legal circumstances conflict therewith.

Furthermore, the executive directors are responsible for the preparation of the management report that as a whole provides an appropriate view of the Company's position and is, in all material re-spects, consistent with the annual financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, the executive directors are responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the management report.

The supervisory board is responsible for overseeing the Company's financial reporting process for the preparation of the annual financial statements and of the management report.

Auditor's Responsibilities for the Audit of the Annual Financial Statements and of the Management Report

Our objectives are to obtain reasonable assurance about whether the annual financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the management report as a whole provides an appropriate view of the Company's position and, in all material respects, is consistent with the annual financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our audit opinions on the annual financial statements and on the management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with § 317 HGB and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. 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 annual financial statements and this management report.

We exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual financial statements and of the management report, 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 audit opinions. 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 controls.
- Obtain an understanding of internal control relevant to the audit of the annual financial statements and of arrangements and measures relevant to the audit of the management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an audit opinion on the effectiveness of these systems of the Company.
- Evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.
- Conclude on the appropriateness of the executive 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 the auditor's report to the related disclosures in the annual financial statements and in the management report or, if such disclosures are inadequate, to modify our respective audit opinions. 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 be able to continue as a going concern.

Translation from German

- Evaluate the overall presentation, structure and content of the annual financial statements, including the disclosures, and whether the annual financial statements present the underlying transactions and events in a manner that the annual financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Company in compliance with German Legally Required Accounting Principles.
- Evaluate the consistency of the management report with the annual financial statements, its conformity with German law, and the view of the Company's position it provides.
- Perform audit procedures on the prospective information presented by the executive directors in the management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate audit opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance 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.

Frankfurt/Main, April 30, 2021

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

[Stamp: PricewaterhouseCoopers
GmbH Wirtschaftsprüfungsgesellschaft
Wirtschaftsprüfungsgesellschaft
Seal
FRANKFURT AM MAIN]

/s/Christian Kwasni
Wirtschaftsprüfer
(German Public Auditor)

/s/p.p. Heike Ditger
Wirtschaftsprüferin
(German Public Auditor)

In my capacity as a duly authorized translator of English and French for the Courts and Notaries of the State of Hesse in Germany, I hereby certify the above and foregoing to be a correct and complete translation of the corresponding German short form audit report, made available to me in the form of PDF, Word and Excel files.

Witness my hand and seal
in Frankfurt am Main on

May 18, 2021

