



Annual financial statements as at 31 December 2022 and management report

TRANSLATION – AUDIT REPORT

Clariant SE
Frankfurt am Main

(Certified translation from German – the German text is authoritative)

KPMG AG
Wirtschaftsprüfungsgesellschaft

Clariant SE, Frankfurt am Main

BALANCE SHEET AS AT 31 DEC. 2022 IN KEUR

ASSETS

	31.12.2022	31.12.2021
A. <u>FIXED ASSETS</u>		
I. Intangible assets		
1. Concessions, industrial property rights and similar rights and assets as well as licences to such rights and assets acquired for a consideration	3,049	3,805
2. Goodwill	1,517	1,734
3. Advance payments	0	5
	4,566	5,544
II. Property, plant and equipment		
1. Other equipment, operating and office equipment	189	227
2. Advance payments and construction in progress	4	0
	193	227
	4,759	5,771
B. <u>CURRENT ASSETS</u>		
I. Receivables and other assets		
1. Trade receivables	73	490
2. Receivables from affiliated companies	110,757	98,516
3. Other assets - thereof for taxes KEUR 1,046 PY: KEUR 1,517)	21,652	21,188
	132,482	120,194
II. Cash and cash equivalents	5,618	6,816
	138,100	127,010
C. <u>PREPAID EXPENSES</u>	664	723
D. <u>EXCESS OF PLAN ASSETS OVER PENSION AND COMPARABLE LONG TERM LIABILITIES</u>	14	16
TOTAL ASSETS	143,537	133,520

EQUITY AND LIABILITIES

	31.12.2022	31.12.2021
A. <u>EQUITY</u>		
I. Subscribed capital	915	915
II. Capital reserve	7,460	7,460
III. Net retained profits	0	0
	8,375	8,375
B. <u>PROVISIONS</u>		
1. Provisions for pensions and similar obligations	51,415	43,408
2. Tax provisions	2,586	1,489
3. Other provisions	29,111	30,000
	83,112	74,897
C. <u>LIABILITIES</u>		
1. Liabilities to banks	0	2
2. Trade payables	2,091	1,770
3. Liabilities to affiliated companies	33,135	34,345
4. Other liabilities	16,824	14,131
- thereof for taxes KEUR 15,839 PY: KEUR 13,133)		
- thereof for social security KEUR 440 (PY: KEUR 458)		
	52,050	50,248
TOTAL EQUITY AND LIABILITIES	143,537	133,520

INCOME STATEMENT FOR THE PERIOD FROM 1 JAN. - 31 DEC. 2022 IN KEUR

	1 Jan. - 31 Dec. 2022	1 Jan. - 31 Dec. 2021
1. Revenue	122,542	110,770
2. Cost of sales	-94,444	-91,279
3. Gross profit on sales	28,098	19,491
4. General administrative expenses	-3,160	-2,663
5. Other operating income	8,678	12,780
6. Other operating expenses	-7,049	-6,725
Net gains (losses) from operating activities	26,567	22,883
7. Other interest and similar income	600	41
(thereof from affiliated companies: KEUR 536 PY: KEUR 2)		
8. Interest and similar expenses	-949	-1,056
(thereof to affiliated companies: KEUR -89 PY: KEUR -23)		
9. Income taxes	-4,360	-3,787
16. Earnings after taxes	21,858	18,081
17. Profit transferred on the basis of a profit transfer agreement	-21,858	-18,081
18. Net income/loss for the year	0	0
19. Retained profits/accumulated losses brought forward from the previous year	0	0
20. Net retained profits	0	0

Clariant SE, Frankfurt am Main

Notes to the financial statements 2022

General

Clariant SE has its registered office in Frankfurt am Main and is entered in commercial register B of the Frankfurt am Main Local Court under HRB 84069.

These annual financial statements of Clariant SE as at 31 December 2022 were prepared in accordance with the accounting and measurement provisions of the German Commercial Code (HGB) applicable to large corporations and the supplementary regulations of the German Stock Corporation Act. The income statement is structured using the cost of sales (function of expense) method in accordance with Section 275 (3) HGB.

There is a profit and loss transfer agreement with the parent company Clariant Verwaltungsgesellschaft mbH, Frankfurt am Main.

The employees and assets are concentrated at the domestic head office in Germany and at ten branches in Europe.

The financial year is the calendar year.

Accounting policies

Purchased **intangible fixed assets** are capitalised at cost and amortised over their economic useful life on a straight-line basis on a pro rata basis in the year of acquisition.

The straight-line amortisation period for the purchased customer bases and goodwill was five years for commercial purchases until 2019. From the financial year 2020 onwards, the useful life is 10 years. Amortisation of customer bases is recognised in cost of sales. Amortisation of goodwill is included in other operating expenses.

The useful life of goodwill is based on an estimate of income returns over time based on the components of goodwill identified. These represent factors that form goodwill (e.g. organisation, reputation etc.), assumed as part of the acquisition.

Items of **tangible assets** are capitalised at acquisition cost. Assets with a limited useful life are written down on a straight-line basis over their expected useful life. Useful life is a maximum of 16 years for technical equipment and machinery and a maximum of 10 years for other

equipment and operating and office equipment. Assets costing up to a present value in EUR of CHF 5,000 are written down in full in the year of acquisition and recognised as a disposal in the statement of changes in fixed assets.

If the fair value of individual assets is lower than the book value, they are further written down if impairment is expected to be permanent. Where necessary, reversals of impairment losses are recognised up to a maximum of acquisition or production cost.

Payments on account are recognised at nominal value and **construction in progress** is recognised at acquisition or production cost.

Trade receivables, other receivables and **other assets** are carried at nominal amount or at present value in the case of long-term (non-interest-bearing and low-interest) items less any required individual write-downs and write-downs due to general and specific credit risks.

Cash and cash equivalents are recognised at nominal value.

Subscribed capital is carried at nominal amount.

Provisions are recognised at the settlement amount required according to prudent business judgement. Within the meaning of Section 253 (2) HGB, all other provisions maturing in more than one year are discounted to present value using the average market interest rate for the past seven years published by the German Bundesbank, based on their remaining maturities. Price and cost increases are taken into account in the measurement where relevant.

For information on **provisions for pensions and similar obligations** see text (8).

The **other provisions** for early retirement obligations (outstanding settlement amount and top-up contribution) and anniversary expenses are based on actuarial reports (2018 G mortality tables from Prof Klaus Heubeck; actuarial interest rate for early retirement = 0.51%, actuarial interest rate for anniversary expenses = 1.44%).

Provisions for the outstanding settlement amount from the early retirement obligations are offset against the corresponding plan assets in accordance with Section 246 (2) sentence 2 HGB from the insolvency protection of early retirement obligations. This offsetting is also applied to provisions relating to pension commitments for new employees who joined after 1 January 2011 and to obligations from cash deferred compensation, which are offset against

plan assets for insolvency protection, as well as to obligations from long-term accounts. If the fair value of the plan assets is higher than the corresponding obligation, the excess amount is recognised in a separate item “**excess of plan assets over pension and comparable long-term liabilities**” in accordance with Section 246 (2) sentence 3 HGB. Conversely, the excess of the pension obligation is recognised as provisions for pensions and similar obligations or as other provisions. Expenses/income from interest accrued/discounting of pension and early retirement provisions are offset against the income/expenses from plan assets. The total amount is reported either under interest income or interest expense and presented separately in the notes.

In accordance with Section 253 (1) sentence 3 HGB, securities-linked pension commitments (long-term accounts) are measured at fair value, both in the area of provisions and the related plan assets.

Liabilities are reported at their settlement amount.

Transactions in **foreign currencies** are essentially recognised at historic exchange rate at the time of initial recognition. For simplicity, they are recognised during the year at the middle spot rate. Balance sheet items are measured at the balance sheet date as follows:

Long-term foreign currency receivables are carried at the lower of the middle spot rate at the time the receivable is incurred or fair value, based on the middle spot rate on the reporting date (imparity principle). Short-term foreign currency receivables (remaining term of one year or less) and cash funds or other short-term assets in foreign currencies are translated at the middle spot rate at the balance sheet date.

Long-term foreign currency liabilities are measured at the higher of the middle spot rate at the time the liability is incurred or the closing rate, based on the middle spot rate on the reporting date (imparity principle). Short-term foreign currency liabilities (remaining term of one year or less) are translated at the middle spot rate at the balance sheet date.

Expenditure/income before the reporting date are recognised as **prepaid expenses/deferred income** if they constitute an expense/income for a specific period after this date.

Deferred taxes are calculated for differences in the balance sheet recognition in the financial accounts and the tax accounts, where these are expected to decrease in subsequent financial years. In the event of excess deferred tax assets as at the closing date, the capitalisation option under Section 274 (1) sentence 2 HGB is not exercised. Due to the tax group, no

domestic income tax is recognised at the company (see (11)).

Other taxes are reported in other operating expenses.

Disclosures

(1) Fixed assets

Annex 1 to the notes shows changes to fixed assets.

The fixed assets essentially comprise purchased customer bases and goodwill resulting primarily from the asset deals with European sales and service companies in the Clariant Group in 2010 and the integration of the Süd-Chemie Group in 2012 and 2013.

In subsequent years, the company acquired additional customer bases from various Clariant companies as part of integrating business units into the European commission structure.

In the current financial year, impairment losses were recognised on customer bases totalling KEUR 726 (PY: KEUR 726) and goodwill totalling KEUR 217 (PY: KEUR 217).

(2) Trade receivables

	31 Dec. 2022	31 Dec. 2021
	KEUR	KEUR
from customers	73	490
- <i>(thereof due after more than one year)</i>	<i>(0)</i>	<i>(0)</i>
	73	490

(3) Miscellaneous and other assets

	31 Dec. 2022	31 Dec. 2021
	KEUR	KEUR
Receivables from affiliated companies	110,757	98,516
- <i>(thereof to shareholder)</i>	<i>(86,316)</i>	<i>(82,821)</i>
Other assets	21,652	21,188
	132,409	119,704

KEUR 87,271 (PY: KEUR 83,894) of receivables from affiliated companies result from the cash pool and KEUR 23,486 (PY: KEUR 14,622) from service and sales services rendered. Receivables from the shareholder are due to the cash pool in both years.

Other assets include KEUR 20,072 (PY: KEUR 18,784) in claims against third-party customers from the company's work as a consignee and KEUR 1,046 (PY: KEUR 1,517) in tax receivables, primarily from income taxes (as in prior year).

As in the prior year, the remaining terms of all miscellaneous receivables and assets are less than one year.

(4) Cash and cash equivalents

	31 Dec. 2022	31 Dec. 2021
	KEUR	KEUR
Cash-in-hand	0	1
Bank balances	5,618	6,815
	5,618	6,816

(5) Prepaid expenses

Prepaid expenses of KEUR 664 (PY: KEUR 723) essentially include premiums paid for property and liability insurance for the next financial year.

(6) Excess of plan assets over pension and comparable long-term liabilities

As at the balance sheet date, there were plan assets in connection with pension obligations primarily from deferred compensation models, obligations in connection with long-term accounts and for the outstanding settlement amount of early retirement obligations. The relevant plan assets are managed by way of a mutual trusteeship (pledged and insolvency-protected agreement for a specific purpose). The plan assets are funds, pension insurance and insurance products with guaranteed interest rates that meet the definition of plan assets in accordance with HGB and that are offset against the corresponding obligations after measurement at fair value.

The fair value of pension insurance in connection with deferred compensation models corresponds to historical cost (capital reserves plus profit participation) and came to KEUR 291 as at the balance sheet date. The settlement amount of KEUR 294 is KEUR 3 higher than the fair value and historical cost.

Obligations to employees for their individually accrued credit from bonus payments, holiday entitlement etc. (long-term accounts) are measured based on the performance of plan assets recognised for this purpose in the form of funds and insurance products with guaranteed interest rates. As at the balance sheet date, the obligations from long-term accounts (KEUR 2,497) were thus fully offset against the corresponding plan assets, the fair value of which came to KEUR 2,497 as at 31 December 2022. The fair value at the balance sheet date was KEUR 2 below historical cost.

Provisions for early retirement obligations (outstanding settlement amount) are offset against the plan assets in accordance with Section 246 (2) sentence 2 HGB. The plan assets are managed by way of a mutual trusteeship (pledged and insolvency-protected agreement for a specific purpose). The securities from insolvency protection meet the definition of plan assets in accordance with HGB, they are measured at fair value and offset against the corresponding early retirement provisions. The fair value of the plan assets at the end of 2022 was KEUR 1,102, KEUR 29 below their cost (KEUR 1,131). Overall, the fair value of the plan assets exceeds the early retirement obligation (outstanding settlement amount) by KEUR 14.

(7) Equity

	31 Dec. 2021/ 1 Jan. 2022	Change	31 Dec. 2022
	KEUR	KEUR	KEUR
Subscribed capital	915	0	915

Capital reserve	7,460	0	7,460
Net retained profits	0	0	0
	8,375	0	8,375

The company's subscribed capital (share capital) as at the balance sheet date was unchanged at EUR 914,612 and is divided into 914,612 no-par-value shares. Clariant Verwaltungsgesellschaft mbH, Frankfurt am Main, still holds all of the company's shares.

Earnings after taxes of KEUR 21,858 (PY: KEUR 18,081) are transferred to the shareholder in accordance with the profit and loss transfer agreement and is recognised in the balance sheet as liabilities to affiliated companies.

Capital reserves in accordance with Section 272 (2) no. 4 HGB of KEUR 5,508 are "freely available". Capital reserves of KEUR 1,952 (in accordance with Section 272 (2) no. 1 HGB) are not freely available for use by the company.

(8) Provisions for pensions and similar obligations

Provisions for pensions and similar obligations are recognised for current and future claims in the amount of KEUR 51,415 (PY: KEUR 43,408). The carrying amount was calculated using recognised actuarial principles by applying the projected unit credit method. The amount of the provision was calculated on the basis of the 2018 G mortality tables of Prof Klaus Heubeck (Germany), IPS55 (Italy), INSEE 06/08 F/H (France), BVG 2020 Gen (Switzerland), Prognosetafel AG 2020 with ES-P2A (Netherlands) and MR-5/FR-5 (Belgium). The measurement as at the balance sheet date was based on an average market interest rate stipulated by the Deutsche Bundesbank. In accordance with Section 253 (2) HGB, a remaining term of 15 years was generally assumed here. The interest rate is the average market interest rate for the last 10 financial years forecast for the balance sheet date. Discounting the provisions for pensions and similar obligations at the average market interest rate of the past ten years of 1.78% results in a difference of KEUR 2,802 compared to discounting at the average market interest rate of the past seven years.

This was based on the following assumptions:

	Germany	Abroad
Actuarial interest rate for provisions without plan assets	1.78%	1.78%
Actuarial interest rate for provisions with plan assets	1.78%	1.78%
Income growth	2.50%	1.50-3.50%
Income threshold	3.00%	n/a

Pension adjustment	2.20%	0.00-2.50%
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Turnover of between 0.0% and 12.5% was applied depending on age and gender.

Pension obligations in Germany for new employees who joined the company on or after 1 January 2011 and obligations from cash deferred compensation totalling KEUR 3,524 are offset against plan assets in accordance with Section 246 (2) sentence 3 HGB, as these serve exclusively to fulfil the pension obligation and are not accessible to other creditors. Plan assets are invested in funds, the fair value as at the balance sheet date was KEUR 3,126 and KEUR 398 below the corresponding provisions and KEUR 4 over the cost (KEUR 3,122). The KEUR 398 shortfall is included in this balance sheet item.

In Belgium, the Netherlands and Switzerland, there are direct pension obligations totalling KEUR 26,816 (PY: KEUR 27,681). Corresponding plan assets come to KEUR 2,187 (PY: KEUR 1,408), lower than the amount of the obligation. In the prior year, plan assets covered the amount of the obligation in Switzerland in full. The recognition option in Article 28 (1) sentence 2 of the *Einführungsgesetz zum Handelsgesetzbuch* (EGHGB – Introductory Act to the German Commercial Code) was not utilised for the direct pension obligations.

(9) Other provisions

	31 Dec. 2022	31 Dec. 2021
	KEUR	KEUR
Tax provisions	2,586	1,489
Other provisions	29,111	30,000
	31,697	31,489

Other provisions essentially comprise provisions for employee obligations, special remuneration of KEUR 5,055 (PY: KEUR 5,280), restructuring measures of KEUR 17,380 (PY: KEUR 18,239), outstanding holiday days and overtime worked of KEUR 1,368 (PY: KEUR 1,378) and early retirement and anniversary obligations of KEUR 535 (PY: KEUR 581).

The item also includes provisions for outstanding invoices, legal and consultancy costs, costs of the audit of the annual financial statements, etc. including of KEUR 2,178 (PY: KEUR 3,289), commission and other personnel obligations.

Provisions for early retirement obligations (outstanding settlement amount) are offset against the plan assets in accordance with Section 246 (2) sentence 3 HGB – see text (6).

(10) Liabilities

	31 Dec. 2022	31 Dec. 2021
	KEUR	KEUR
Liabilities to banks	0	2
Trade payables	2,091	1,770
Liabilities to affiliated companies	33,135	34,345
- <i>(thereof to shareholder)</i>	(22,035)	(18,081)
Other liabilities	16,824	14,131
	52,050	50,248

The liabilities to the shareholder are liabilities from profit transfer of KEUR 21,858 (PY: KEUR 18,081) and trade payables of KEUR 177 (PY: KEUR 0).

Other liabilities to affiliated companies include KEUR 8,504 (PY: KEUR 11,670) for trade payables at affiliated companies and KEUR 2,596 (PY: KEUR 4,594) for the cash pool.

Other liabilities include tax liabilities of KEUR 15,839 (PY: KEUR 13,133), KEUR 14,642 (PY: KEUR 11,687) of which relates to value added tax payable.

As in the prior year, liabilities have a remaining period of less than one year.

(11) Deferred taxes

Deferred taxes are calculated based on the temporary differences between balance sheet items under German commercial law and tax accounting in accordance with Section 274 HGB.

Deferred taxes in Germany are calculated based on a tax rate of 29.4%. At the foreign operating facilities, they are calculated using applicable local tax rates, which range between 17.2% and 27.9%.

As at the balance sheet date, the German head office had excess deferred taxes of KEUR 8,172 (PY: KEUR 6,151) after offsetting deferred tax assets and liabilities (analysis of the total difference). This is essentially due to temporary differences in connection with plan assets and pension provisions.

As, in accordance with Section 14 (1) of the *Körperschaftsteuergesetz* (German Corporate Income Tax Act - KStG) and Section 2 (2) sentence 2 of the *Gewerbesteuer-gesetz* (German Trade Tax Act - GewStG), the taxable income of the German head office is attributable to the fiscal entity parent Clariant Verwaltungsgesellschaft mbH as the taxable entity and tax debtor, the German head office is not itself subject to income tax for the duration of the tax group's existence. Accordingly, deferred taxes due to temporary differences for the German head office are essentially to be recognised at the fiscal entity parent Clariant Verwaltungsgesellschaft mbH.

As at the balance sheet date, the other foreign operating facilities had excess deferred taxes of KEUR 2,780 (PY: KEUR 3,253) after offsetting deferred tax assets and liabilities (analysis of the total difference). This is essentially due to different carrying amounts for intangible assets.

Deferred taxes are not reported as the excess is not recognised, making use of the option under Section 274 (1) sentence 2 HGB.

(12) Revenue

- Revenue by areas of activity

	2022	2021
	KEUR	KEUR
- Commission revenue (*)	66,091	50,755
- Service revenue (**)	56,451	60,015
Total revenue	122,542	110,770

(*) Revenue from activities as consignee of European Clariant production companies and

(**) as a service provider in the areas of accounting, personnel, law, treasury, IT services, communication, sales support, etc. for Clariant companies in Europe.

- Revenue by economic region

	2022	2021
	KEUR	KEUR
Germany	73,562	62,731
Other Europe	48,913	47,981
Other countries	67	58
	122,542	110,770

(13) General administrative expenses

The item essentially includes expenses for management, accounting, the tax, human resources and legal departments and for auditing.

(14) Other operating income

The company generated other operating income of KEUR 8,678 (PY: KEUR 12,780), including KEUR 5,839 (PY: KEUR 5,692) in income from passing on costs for various activities in the “Global Business Services” organisation within the Group.

The item also includes the following material income:

- Income from the reversal of provisions of KEUR 2,752 (PY: KEUR 2,908), of which KEUR 2,752 (PY: KEUR 2,908) is prior-period income. Restructuring accounts for KEUR 1,359 (PY: KEUR 1,499) of this and special employee remuneration for KEUR 284 (PY: KEUR 1,187). Also included in the item is income from the reversal of provisions for prematurely terminated sales contracts and claims for damages of KEUR 361.
- Income from currency translation of KEUR 50 (PY: KEUR 83).

In the prior year, the item included an accounting profit of KEUR 3,990 from the sale of customer bases in Catalysis on 1 January 2021.

(15) Other operating expenses

This item includes expenses of KEUR 6,200 (PY: KEUR 5,795) in connection with other operating income: expenses for activities in the “Global Business Services” organisation and expenses for prematurely terminated sales contracts and claims for damages.

The item also includes the following material expenses:

- Goodwill amortisation (KEUR 217; PY: KEUR 217) – see text (1);
- Expenses for profit sharing for French employees required by law that were not capitalised or charged on (KEUR 382; PY: KEUR 418), of which prior-period KEUR 82 (PY: KEUR 118).

Other taxes recognised within other operating expenses came to KEUR 173 (PY: KEUR 240).

(16) Interest income

	2022	2021
	KEUR	KEUR
Other interest and similar income	600	41
- <i>(thereof from affiliated companies)</i>	(536)	(2)
- <i>(thereof income from discounting of provisions)</i>	(9)	(21)
- <i>(thereof net amount in accordance with Section 246 (2) sentence 2 HGB from interest cost of other personnel provisions KEUR 14 (PY: KEUR 0) and income from plan assets of KEUR 38 (PY: KEUR 0))</i>	(24)	(0)
Interest and similar expenses	-949	-1,056
- <i>(thereof to affiliated companies)</i>	(-89)	(-23)
- <i>(thereof expenses from interest cost of the provision)</i>	(-815)	(-953)
- <i>(thereof net amount in accordance with Section 246 (2) sentence 2 HGB from interest cost of other personnel provisions KEUR 0 (PY: KEUR -25) and income from plan assets of KEUR 0 (PY: KEUR 13))</i>	(0)	(-12)
	-349	-1,015

(17) Income taxes

Taxes on income reduced net earnings by KEUR 4,360 (PY: KEUR 3,787).

(18) Prohibition on profit transfer

The company has assets that constitute plan assets in accordance with Section 246 (2) sentence 2 HGB – see text (6). The fair value of these assets (under Section 253 (1) sentence 3 HGB) is KEUR 4 higher than their acquisition cost (PY: KEUR 376). This amount is barred from profit transfer in accordance with Section 268 (8) HGB. Deferred tax liabilities account for KEUR 1 of the amount barred from profit transfer. These are recognised at the fiscal entity parent Clariant Verwaltungsgesellschaft mbH.

However, as at the balance sheet date the company had freely available reserves of KEUR 5,508 - see text (7) - and so there is no prohibition on profit transfer for the net income for the year.

(19) Profit transfer

Earnings after taxes of KEUR 21,858 (PY: KEUR 18,081) are transferred to the sole shareholder Clariant Verwaltungsgesellschaft mbH in accordance with the profit and loss transfer agreement and presented as liabilities to affiliated companies.

Other disclosures

Cost of materials

	2022	2021
	KEUR	KEUR
Cost of raw materials, supplies, purchased goods	87	204
Cost of purchased services	87	62
	174	266

The cost of materials primarily includes externally purchased office and IT materials and energy.

Personnel expenses

	2022	2021
	KEUR	KEUR
Wages and salaries	44,822	45,545
Social security, pension and other benefits	18,506	15,512
- <i>(thereof in respect of old age pensions)</i>	<i>(11,230)</i>	<i>(7,980)</i>
	63,328	61,057

The decline in wages and salaries is the result of lower expenses for restructuring compared to the prior year.

The sharp rise in social security costs and pension costs results primarily from the increase in pension provisions in connection with lower interest rates and higher inflation and the resulting change to current pension fund pensions and company pensions.

Disclosures on employees

The average headcount for the year was as follows:	2022	2021
- German head office	231	254
- Foreign operating facilities	151	160
Employees (excluding trainees and Board of Directors)	382	414

Other significant financial commitments

Other significant financial commitments not shown in the balance sheet relate to:

	2022	2021
	KEUR	KEUR
from rental agreements and leases	3,593	4,193
<i>from investment projects underway (*)</i>	12	4
	3,605	4,197
- <i>(thereof to affiliated companies)</i>	(1,488)	(924)

(*) Restatement of prior year figure

The rental agreements and leases are operating leases, where the company does not recognise the properties. The agreements essentially relate to rent for office buildings, operating and office equipment, and the vehicle fleet. The advantage of these agreements is that they reduce capital commitment compared to purchasing and that there is no realisation risk. Risks may result from the term of the agreement if the properties can no longer be fully utilised. There are no indications that this is the case.

Derivative financial instruments

Clariant SE did not hold any derivative financial instruments as at 31 December 2022.

Expenses for the auditor

The total fee for the auditor of the German head office and the company's foreign branches in 2022 came to KEUR 467 (PY: KEUR 154). The auditor changed from PricewaterhouseCoopers to KPMG in financial year 2022.

Expenses for audits in the current financial year relate to regular audit engagement in the amount of KEUR 467 (PY: KEUR 154).

Supervisory Board

Angela Cackovich (from 23 August 2022)

(Chair of the Supervisory Board, President of BU Adsorbents & Additives and the EMEA Region)

(Clariant International AG, Muttenz, Switzerland)

Stephan Lynen (until 22 August 2022)

(Chair of the Supervisory Board)

(Member of the Executive Committee)

(Clariant International AG, Muttenz, Switzerland)

Rüdiger Halberstadt *

(Deputy Chair of the Supervisory Board at Clariant SE)

(IT Workplace Solutions - Global Software Manager)

Michael Tesch (from 24 January 2023)

(Country Head Germany/Head of Finance Europe)

(Clariant Verwaltungsgesellschaft mbH, Frankfurt am Main)

Oliver Kinkel (until 23 January 2023)

(Country Head Germany/Head of Region EMEA)

(Clariant Verwaltungsgesellschaft mbH, Frankfurt am Main)

Bob van Dam (from 16 November 2022)

(Head of Financial Planning & Analysis)

(Clariant International AG, Muttenz, Switzerland)

Daniel Hug (until 30 September 2022)

(Head of Corporate Controlling)

(Clariant International AG, Muttenz, Switzerland)

Beatriz Lopez-Collado *

(Customer Advisor Industrial & Consumer Specialties for Spain and Portugal)

Dr Anne Witte
(Sales Director Additive)
(Clariant International AG, Muttenz, Switzerland)

* Employee representative on the Supervisory Board

Supervisory Board remuneration

Supervisory Board remuneration in 2022 totalled KEUR 8 (PY: KEUR 10).

Supplementary report

No other significant events with a material effect on the presentation of the assets, liabilities, financial position and financial performance occurred after the balance sheet date up to the time of preparation of the financial statements.

Appropriation of net profit

The net income for the year in 2022 of KEUR 21,858 was transferred to Clariant Verwaltungsgesellschaft mbH under the profit and loss transfer agreement.

Board of Directors

Dr Thorsten Posner
Head of Legal Services EMEA

Matthias Saxer (from 1 January 2023)
Head of Finance Services Switzerland

Michael Tesch (until 31 December 2022)
Head of Finance Services Europe

Board of Directors remuneration

The exemption under Section 286 (4) HGB is applied to disclosure of Board of Directors remuneration.

Parent

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

The annual financial statements of Clariant SE and Clariant Verwaltungsgesellschaft mbH are included in the consolidated financial statements of Clariant AG, Muttenz, Switzerland, for the smallest and the largest number of companies.

The consolidated financial statements are published in Basel, Switzerland and can be accessed at www.clariant.com. It is intended to disclose the consolidated financial statements of the ultimate parent company, including the auditor's report, in the company register. These consolidated financial statements are prepared in accordance with international accounting standards (IFRS). There are no material differences to IFRS as adopted by the European Union.

Frankfurt am Main, 28 April 2023

Clariant SE

The Board of Directors

Dr Thorsten Posner

Matthias Saxer

Clariant SE, Frankfurt am Main

Statement of changes in fixed assets in KEUR

	Acquisition or purchase cost					Amortisation, depreciation and write-downs				Carrying amount	Carrying amount
	As at 1 Dec. 2022	Additions	Disposals	Reclassifications	As at 31 Dec. 2022	As at 1 Dec. 2022	Additions	Disposals	As at 31 Dec. 2022	31 Dec. 2022	31 Dec. 2021
	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR
Intangible assets											
Concessions, industrial property rights and similar rights and assets as well as licences to such rights and assets acquired for a consideration	34,757	0	0	5	34,762	-30,952	-761	0	-31,713	3,049	3,805
Goodwill	4,680	0	0	0	4,680	-2,946	-217	0	-3,163	1,517	1,734
Advance payments	5	0	0	-5	0	0	0	0	0	0	5
	39,442	0	0	0	39,442	-33,898	-978	0	-34,876	4,566	5,544
Property, plant and equipment											
Technical equipment and machinery	74	0	0	0	74	-74	0	0	-74	0	0
Other equipment, operating and office equipment	523	69	-112	0	480	-296	-56	61	-291	189	227
Advance payments and construction in progress	0	4	0	0	4	0	0	0	0	4	0
	597	73	-112	0	558	-370	-56	61	-365	193	227
	40,039	73	-112	0	40,000	-34,268	-1,034	61	-35,241	4,759	5,771

Clariant SE, Frankfurt am Main

Management report 2022

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1. Basic information on the company

1.1 Business model and strategy

Clariant SE, Frankfurt am Main, is a subsidiary of Clariant Verwaltungsgesellschaft mbH, Frankfurt am Main. It is a selling agent for a large share of European Clariant production companies in Germany, the United Kingdom, France, Spain, Italy, Sweden and Switzerland.

The company serves the European market for the following two business units:

- Care Chemicals (business units: Industrial & Consumer Specialties, Oil & Mining Services)
- Adsorbents & Additives (business units: Functional Minerals and Additives)

In the case of the Catalysis business unit, European business is served directly by the European production companies.

Service activities such as finance, human resources, IT, legal, communication and sales support for European Clariant companies are also provided via Clariant SE. Accordingly, European sales activities of these business units and a large portion of the Clariant Group's Europe-wide services are bundled in one company.

As well as the head office in Germany, Clariant SE also has branches in 10 European countries. These are in:

- Louvain-la-Neuve, Belgium
- Odense, Denmark
- Vantaa, Finland
- Cergy, France
- Milan, Italy
- Maastricht, Netherlands
- Barcelona, Spain
- Mölndal, Sweden
- Muttenz, Switzerland
- Leeds, United Kingdom

Clariant SE receives remuneration in the form of sales commission for its sales services, which is based on brokered sales with third-party customers, and service fees calculated as a mark-up on the costs charged for the services.

1.2 Significant events

Material transactions at Clariant SE in the 2022 financial year:

EUR 0.6 million in additional provisions for restructuring in Clariant SE's finance service area was recognised in the 2022 financial year, which affected the branches in Switzerland, Spain and Italy.

As part of the Group's new strategic focus and the associated reorganisation, Clariant SE recognised additional restructuring provisions of EUR 3.8 million for personnel measures. The provisions essentially relate to 12 positions at the German head office.

The restructuring programmes for the new focus that began in the 2021 financial year were continued in 2022. In this context, restructuring provisions of EUR 1.9 million were recognised for 13 personnel measures.

The reduction programmes are running to plan. Some of the new measures initiated in 2022 had already been implemented at the end of the year.

As at 1 January 2022, Clariant SE's target profit margin for commission business was increased from 2.0% to 2.5% as a result of new benchmark studies.

At the same time, remuneration for transfer of the customer base that Clariant SE pays to Clariant Produkte (Deutschland) GmbH, Clariant Plastics & Coatings (Deutschland) GmbH and Clariant International AG, Muttenz, Switzerland, was increased from 0.67% to 0.83% of monthly net sales. Monthly net sales refer to revenue generated by Clariant SE from referring customers in certain countries.

In Services, Clariant SE provided services to the acquiring company on a transitional basis following the sale of the Pigments BU and the Masterbatches BU, which expired in 2022 with the exception of IT services.

As part of the restructuring of Clariant, Clariant operations sites were merged at the Rhine-Main location as at 1 January 2022. Under the merger, Clariant SE's operations in Sulzbach were integrated into the Rhine-Main joint operation of Clariant Produkte (Deutschland) GmbH and Clariant Plastics & Coatings (Deutschland) GmbH.

The merger resulted in the establishment of a joint operation of Clariant Produkte (Deutschland) GmbH, Clariant Plastics & Coatings (Deutschland) GmbH and Clariant SE at one location on 1 January 2022. A joint Works Council was appointed for the joint operation in spring 2022. The number of members in the new Works Council is based on the number of members of the joint operation eligible to vote. The Chair of the Works Council and the Deputy Chair are exempt.

1.3 Management system

Business at Clariant is managed within the Group under a separate management structure, not for individual companies. Each business unit is managed separately. Group management metrics are based on IFRS and cannot be directly applied to Clariant SE as an individual company as HGB [*Handelsgesetzbuch*: German Commercial Code] is the only relevant local accounting standard in this case. There are differences in the recognition and measurement of various balance sheet items under IFRS and HGB, which affect results in the periods differently. The definition of sales in the Clariant Group differs from the definition used at Clariant SE. Likewise, earnings at Clariant SE are not comparable to the relevant earnings figures used in Group management reporting.

Clariant SE is a consignee and provides services within the Group. As remuneration, it receives commission on the sales volume brokered for the European production companies to third-party customers/a margin on the costs of the services. Clariant SE's sales thus comprise commission and service sales. It fundamentally differs from the term "sales" used in the Group, which is based exclusively on sales with third-party customers and calculated in accordance with IFRS.

Earnings at Clariant SE depend directly on the remuneration structure as a consignee and as an internal Clariant service provider.

Sales from commission and internal Clariant services presented in Clariant SE's annual financial statements in accordance with HGB are therefore used as a management metric in this report. This means that the key figures used in the management report and the individual financial statements are identical, which has a positive effect on the informative value of the annual financial statements in the context of the management report. Net gains (losses) from operating activities, taken directly from the income statement, is also used as an income indicator. This figure is essentially driven by sales volumes with third-party customers on

account of the remuneration structure.

2. Economic conditions and trend of business

2.1 Economic development in Germany in the past financial year

German economic output (gross domestic product) improved by 1.9% in the 2022 financial year according to a report published by the German Federal Statistical Office in January 2023. The repercussions of the war in Ukraine and the sharp surge in energy prices dominated the financial year in Germany. Material and supply shortages and rising prices stymied development. Assistance granted in December for gas and heating reduced inflation by 1.4 percentage points in December, putting the average rate of inflation at 7.9%, higher than in the prior year. Despite the tough economic environment, the rate of growth in consumer spending recovered as the hospitality, event and tourism sectors picked up again once Covid-19 restrictions were lifted. Industrial production stabilised in the fourth quarter, although lower large orders in other vehicle construction affected the manufacturing industry. Overall, gross value added rose by 1.8% year on year.

The unemployment rate declined by a significant 0.4 percentage points to 5.3%, primarily due to the first half of 2022. Nevertheless, the shortage of skilled labour is curbing economic growth. Despite rising prices, foreign trade picked up. Exports rose by 3.2% and imports by 6.7% compared to the prior year (adjusted for inflation).

2.2 Development of the sector in the past financial year

The chemicals and pharmaceutical industry in Germany was unable to halt its downhill slide in the final quarter. Falling customer demand caused production to collapse and meant that capacities were not utilised. This resulted in a 14% decline in chemicals production compared to the prior year and capacity utilisation of 76.5%. The considerable decrease in energy and raw material prices in recent months have now stabilised the situation. Total sales in the chemicals and pharmaceutical industry rose from EUR 225.0 billion to EUR 265.0 billion. The number of people employed in the chemicals sector increased by 0.5 percentage points year on year.

2.3 Development of Clariant SE in the past financial year

At EUR 122.5 million, sales in the 2022 financial year were up significantly on the previous year's figure of EUR 110.8 million. This rise is entirely due to revenue for commission, whereas revenue from services declined on account of Clariant SE's higher target profit margin and the increase in sales with third-party customers brokered by the company.

In Services, Clariant SE and Clariant Produkte (Deutschland) GmbH still provided services to

the business units (BU) sold on a transitional basis after their sale. The services in connection with the former Masterbatches BU expired in full in 2022 and those in connection with the Pigments BU sold in January 2022 were largely terminated at the end of 2022.

Earnings contributions in the two business units (Commission Business and Services) are based on different accounting methods. For Commission Business, the commission rate is based on a margin determined in a third-party comparison. Service activities are charged at cost plus profit mark-up.

In the financial year, Clariant SE brokered exclusively sales with third-party customers of EUR 1,579.9 million for the eight production companies (PY: 1,276.0 million), generating revenue from commission business of EUR 66.1 million (PY: 50.8 million). The forecast figure of around 50.0 million, taking into account the absence of commission revenue from the Catalysis business, was thus significantly exceeded, as commission revenue fared better than expected due to the increase in sales to third-party customers and the higher target profit margin.

Services generated sales of EUR 56.4 million (PY: EUR 60.0 million), exceeding the planned figure of EUR 50.0 million. The higher level compared to the prior year forecast can be attributed to additional restructuring, which was passed on as earnings.

Both the sales and service units of Clariant SE were thus well utilised overall in the 2022 financial year, as in the previous year.

3. Position of the company

3.1 Financial performance

At EUR 26.6 million, net gains from operating activities lag were up considerably on the prior year's figure of EUR 22.9 million and higher than the targets of around EUR 14.0 million to EUR 16.0 million, which were modest on account of the pandemic. This was firstly because the impact of the pandemic was less pronounced than expected and secondly because both the integration of the Additives business and services provided to the purchasers of the businesses sold made additional contributions.

The EUR 11.7 million upturn in sales was offset by the EUR 3.1 million rise in production costs, increasing gross profit on sales by EUR 8.6 million to EUR 28.1 million. Administrative expenses came to EUR 3.2 million, higher than in the prior year. The EUR 4.1 million in other operating income was offset by a EUR 0.3 million rise in other operating expenses. In the prior year, other operating income included the accounting profit of EUR 3.9 million from the sale of customer bases in Catalysis.

At EUR -0.3 million, negative interest income is lower than in the prior year (EUR -1.1 million). This primarily reflects higher interest income from affiliated companies for cash pooling.

Tax expenses in the 2022 financial year, which as in the prior year resulted from income taxes on taxable income at the German head office and the operating facilities, came to EUR 4.4 million (PY: EUR 3.8 million), putting earnings after taxes at EUR 21.9 million (PY: EUR 18.1 million). It was transferred in full to the shareholder Clariant Verwaltungsgesellschaft mbH under the existing profit and loss transfer agreement.

3.2 Assets, liabilities and financial position

3.2.1 Investment/divestment (intangible and tangible assets)

EUR 0.1 million (PY: EUR 0.2 million) was invested in tangible and intangible assets in the financial year. The acquisition of customer lists and goodwill from the integration of the Additives BU into Clariant SE's sales structure had an effect in the prior year.

By contrast, assets with acquisition values of EUR 0.1 million (PY: EUR 5.3 million) were disposed of. Last year, this included EUR 3.9 million in connection with the sale of customer bases in Catalysis.

Total depreciation and amortisation came to EUR 1.0 million (PY: EUR 1.3 million).

3.2.2 Balance sheet structure

The company's total assets rose by 7.5%/EUR 10.0 million on the prior year to EUR 143.5 million. This reduced fixed assets by EUR 1.0 million, almost entirely a result of the write-down of customer lists and goodwill from the prior year's addition of the Additives business. In turn, the share of fixed assets/ratio of fixed assets to total assets declined by 1.0% year on year to 3.3%.

Current assets increased by EUR 11.1 million, coming to EUR 138.1 million as at the balance sheet date compared to EUR 127.0 million in the prior year. The main factor here is the EUR 12.2 million rise in receivables from Clariant companies to EUR 110.7 million. EUR 87.3 million of these receivables are attributable to cash pool balances at two Clariant companies. Other assets saw a EUR 0.5 million rise to EUR 21.7 million. The item essentially includes claims against third-party customers from the company's work as a consignee and tax receivables.

At EUR 0.6 million, prepaid expenses were close to the prior year figure and primarily include insurance premiums paid in advance.

With equity remaining unchanged at EUR 8.4 million and an increase in total equity and liabilities, the equity ratio was lower at 5.9% (PY: 6.3%). Net income for the financial year of EUR 21.9 million (PY: EUR 18.1 million) is recognised under liabilities to affiliated companies on the basis of the profit and loss transfer agreement with the parent company.

Provisions of EUR 83.1 million (PY: EUR 74.9 million) primarily include pension obligations (EUR 51.4 million; PY: EUR 43.4 million) and other provisions of EUR 29.1 million (PY: EUR 30.0 million). The increase in pension provisions is chiefly due to the lower discount rate of 1.78% (PY: 1.87%) and the changes to the underwriting parameters used on account of inflation and the resulting change to current pension fund pensions and company pensions at the German headquarters. In other provisions, employee obligations increased by EUR 1.3 million and restructuring provisions declined by EUR 0.8 million.

Liabilities of EUR 52.0 million (PY: EUR 50.2 million) account for 36.2% (PY: 37,6%) of total equity and liabilities. Liabilities to affiliated companies decreased by EUR 1.2 million, while

other liabilities rose by EUR 2.7 million to EUR 16.8 million. Trade payables were also higher at EUR 2.1 million (PY: EUR 1.8 million); changes against the prior year are the result of the balance sheet date.

3.2.3 Financing

As in the prior year, company financing came primarily from provisions (EUR 83.1 million; PY: EUR 74.9 million), the majority of which are personnel provisions, and from liabilities to affiliated companies (EUR 33.1 million; PY: EUR 34.3 million), as well as from own funds (EUR 8.4 million).

Additional financing is secured at all times by the German and Swiss Group parent by way of the internal Group cash pool. Cash pool balances as at the balance sheet date came to EUR 86.3 million (PY: EUR 82.8 million) from euro pooling to Clariant Verwaltungsgesellschaft mbH. As at the balance sheet date, there were no balances from USD pooling to Clariant Produkte (Deutschland) GmbH (PY: EUR 0.0 million).

The Group's financing sources include the stock exchange and capital markets.

4. Employees

The average annual employee headcount in the 2022 financial year was 382 (PY: 414), 151 of which (PY: 160) at the foreign operating facilities.

EUR 44.8 million was spent on wages and salaries (PY: 45.5 million), with social security costs coming to EUR 18.5 million (PY: EUR 15.5 million). This included EUR 11.2 million (PY: EUR 8.0 million) in expenses for occupational pensions. The sharp rise in social security costs and pension costs results primarily from the increase in pension provisions in connection with lower interest rates and the change to the underwriting parameters used on account of inflation and the resulting change to current pension fund pensions and company pensions at the German headquarters.

Personnel expenses include restructuring expenses of EUR 6.3 million.

5. Opportunity and risk report

5.1 Opportunity and risk management

Opportunity and risk management is an integral part of all decisions and business processes at both the Clariant Group and Clariant SE. This is based chiefly on the management structure, the planning system and reporting and information systems. The compliance system has an important function here. A structured system of internal rules and regulations forms the basis of risk mitigation. In addition to ad hoc reports on the organisational structure and areas of responsibility, risks are surveyed and updated to include the financial impact each month, where relevant, possible and reasonable. As at 31 December 2022, there were no material risks not described in the financial statements.

Clariant SE is incorporated in the Group-wide risk management system and reporting.

The company is also included in the Clariant Group's global sales and production network, which is managed by the respective business units.

The information required for monitoring and assessing economic risks in everyday business is determined in line with international standards.

These data and key figures are sufficiently detailed to inform various levels of management about potential risks extensively and at an early stage.

There are no risks that jeopardise the company's ability to continue as a going concern. Overall and taking account of the impact of the Covid-19 pandemic and other general conditions, there have been no material changes to the risk position compared to the prior year, although volatility is rising. The war in Ukraine entails considerable risks in the event of escalation. All in all, it will be difficult to issue a forecast with the environment remaining extremely volatile. However, provided the situation does not destabilise further, it is assumed that there will be no material changes in the opportunity/risk situation and that it can be adapted as required, albeit with increasing difficulty.

Opportunities primarily arise for Clariant SE when its production companies for which it carries out sales on a commission basis perform better than the competition, or from maximum utilisation of the service units.

5.2 General business opportunities/risks

In terms of European business, the material opportunities and risks lie with the European Clariant production companies for which Clariant SE carries out sales on a commission basis. Opportunities and risks in export business outside Europe lie with Clariant International AG, Muttenz, Switzerland. Risks/opportunities at Clariant SE result from the development of the business volume on which commission business is based. Accordingly, Clariant SE's earnings are dependent primarily on European market conditions and on the risks/opportunities that may arise as a result of fluctuations on these markets.

These risks/opportunities are presented below in order of importance and discussed in detail.

Material risks for the company include the macroeconomic impact of political and resulting trade conflicts/restrictions in Europe. Clariant SE's business was again less affected by the impact of the pandemic in the financial year – sales were stable over the year, although all European market segments experienced volatility, the effects of which varied. The impact of the war in Ukraine and sanctions on Russia and the implications of these, especially in terms of gas supply and supply chains, are new and still unpredictable. However, they had no material negative impact on 2022. Nonetheless, rising logistics costs, a general rise in procurement expenses and the rapid surge in energy costs require active countermeasures that can be repeatedly adapted to take account of developments. Measures to increase countermeasures were initiated immediately after the outbreak of war in February 2022. At the start of March, the Group made the decision to suspend all activities in Russia with immediate effect and to stop deliveries. As at 31 December 2022 and at the time of reporting, this decision was not expected to result in any risks that jeopardise the company's ability to continue as a going concern and the impact on business volume and performance for Clariant SE and its consignors and customers was considered uncritical in the short term. It has a negative impact on sub-areas, but this is considered minor and can be offset by good performance in other areas. Nonetheless, it is assumed that this could change very rapidly depending on how the situation develops moving forwards. Clariant focuses primarily on risks from the war in Ukraine and other regions, natural disasters, pandemics and latent global trade conflicts/restrictions. Specifically, these include transport challenges on account of insufficient capacities and rising raw material and energy costs. In economic terms, the effects of these risks remained within acceptable limits for Clariant. Despite these challenges, 2022 was again (after 2021) a very positive year for the company, with sales rising significantly (including after adjusting for inflation) despite the volatile environment. This was thanks to the countermeasures taken, which rapidly took effect, such as flexible logistics solutions, alternative procurement options and higher selling prices. It is not possible

to predict how the economic environment will develop and what changes will occur that are relevant to Clariant. Both emerging economies that export raw materials and advanced economies are affected by these developments. These risks are mitigated by the company's integration in the global Clariant Group, with a listed parent company, a solid financing basis and extensive financing options on the capital market.

In Europe, the individual business units have different growth drivers that represent both the opportunities and, vice versa, the risks for the business units. These drivers are various factors that influence demand trends and a range of new developments and innovations at providers. It is difficult to predict the impact of these in the future, especially considering the war in Ukraine and the highly volatile environment. Various effects are possible. The development of risks/opportunities is still expected to be positive given that the basis for commission business remains robust as a whole despite the Covid-19 pandemic and other logistics challenges. It is expected that this fundamentally good development can be maintained. Portfolio risk diversification and its systematic further development as part of Clariant's strategic focus ("purpose-led strategy") are crucial here.

If utilisation remains constant, no particular risks/opportunities are anticipated thanks to the approach of charging services to other Clariant companies (cost plus basis). The impact of the centralisation of Global Business Services may affect the services currently provided, as may overarching portfolio adjustments in the Clariant Group involving significant restructuring in Services. The offsetting to Shared Services outside Clariant SE, which results in a reduction in Service areas, is offset by stronger local structures at the head office, which could stabilise or even partially expand the Service business.

5.3 Risks and opportunities from digital networking

Digitalisation presents both opportunities and risks. If digital initiatives are not achieved or fail, business opportunities may be missed and this could result in a long-term competitive disadvantage. The company addresses this in the Group strategy and has various related initiatives in place. Successful service performance requires a fully functioning information system. Cyber attacks can result in the loss of data, knowledge, assets and money and disrupt production and supply. In the past, these attacks have been successfully prevented. The Clariant Group accounts for these risks through a comprehensive IT security concept. On the other hand, digital networking is also seen as an opportunity to develop further and harness the advantages of advances in automation. Accordingly, it is an inherent part of Clariant's five-pillar strategy. It once again featured prominently in the "purpose-based" new

strategic targets. Opportunities arise primarily in interfaces with customers and suppliers, as well as internally, when simplifying and automating processes.

5.4 Service provision and procurement risks

Clariant has taken out insurance for liability risks (including liability and other property insurance policies). This limits remaining risks in the company and ensures that damage cannot jeopardise the company as a going concern or impact its financial position and financial performance. Procurement bottlenecks in connection with the Covid-19 pandemic and the war in Ukraine, as well as the associated economic conditions, can negatively affect business. Corresponding purchasing measures are implemented on an ongoing basis to address this. Higher raw material prices among consignors due to a range of different factors can also pose risks to commission business, which are countered by price increases on the sales side. Increasing use is also made of alternative transport modes in logistics to ensure a flexible response to bottlenecks, which have risen significantly.

5.5 Financial risks

Currency risks are hedged in the Clariant Group guidelines. This means that receivables and liabilities in foreign currency are reviewed on an ongoing basis and – where appropriate – hedges are used. The company did not apply any hedges as at the balance sheet date. The risks are considered manageable as most invoicing/procurement is denominated in EUR.

There are very few default risks as the majority of business is conducted with affiliated companies.

Liquidity is ensured through own funds and the opportunities provided by the Group cash pool. Debt financing at Group level takes the form of bonds on the capital market, as well as other methods.

6. Outlook

6.1 Macroeconomic and sector environment

Global economic development in 2022 was dominated by the effects of Russia's invasion of Ukraine, high inflation and – albeit to a lesser extent – the Covid-19 pandemic.

The IMF expects the global economy to grow by 2.9% in 2023. While this does not indicate a recession, growth is set to be 0.5% lower than in 2022, primarily a result of industrialised economies. IMF calculations suggest that emerging markets have already bottomed out and will enjoy a slight recovery from 2023 onwards, in part thanks to China opening up after the pandemic. High inflation, more restrictive monetary policy, higher interest rates, weak household income and high energy prices, in part the result of the war in Ukraine, will continue to squeeze growth in 2023.

Economic development in the chemicals industry will again feel the effects of the war in 2023. All in all, the energy crisis, high raw materials costs and ongoing materials shortages will likely result in weaker industrial production. After 2022, growth in the chemicals will slow down again in 2023. The German Chemical Industry Association (Verband der Chemischen Industrie (VCI)), expects production in the chemicals and pharmaceutical industry in Germany to decline sharply, which will also take a toll on sales. Production is expected to decline by around 5% in 2023 as a whole, rising to 8% excluding pharmaceuticals. With prices falling, sector sales look set to shrink by around 7%.

In light of this extremely volatile situation, the VCI is not issuing any quantitative outlook for 2023 beyond this assessment, which is subject to the proviso that general conditions could change very quickly on account of the volatile overall situation.

6.2 Outlook for Clariant SE

The 2023 financial year will be shaped by continuous optimisation measures. The restructuring programme initiated will continue to be systematically implemented to create cost-efficient structures that help achieve the Group's targets. This will also have a significant impact on Clariant SE's Service areas. Through further standardisation, automation and outsourcing to low-wage countries, the goal is to boost efficiency and contribute to profitability targets in the Clariant Group. Digital solutions as part of the strategy guided by "company purpose" will play a key role here.

Robust performance is essentially anticipated in all business areas relevant of Clariant SE,

ensuring a sound earnings basis for Clariant SE. The systematic restructuring, based on the company purpose and resulting strategy, is expected to result in stable commission revenue overall from all business areas, which according to planning will be comparable to 2022 levels.

Clariant's business in Europe performed better than expected in 2022 as a whole despite increased challenges. The business volume relevant to Clariant SE as a consignee increased and, in terms of costs, there were more positive than negative effects overall. As well as Covid-19, far more difficult market conditions also came into play in 2022. These included massive energy price hikes, other price rises and difficulties in predicting market developments. However, countermeasures stabilised consignors' business development and, in turn, the business basis for Clariant SE. Thanks to this, the challenging economic environment in 2022 was handled better than expected. The highly diversified product range and various markets relevant to Clariant products played a vital role in helping the company hold its own and close the year on a very positive note. Accompanying measures to boost profitability and improve cost efficiency also helped here. All in all, it is clear that the systematic restructuring is helping ensure sound business performance despite the challenging market conditions. For Clariant SE, this means stable commission development.

More challenging general conditions were a major factor in the environment for German Clariant companies in the 2022 financial year and are associated with high potential risks. While the effects of the Covid-19 pandemic faded into the background, risks from geopolitical changes and crises became far more relevant. It is not possible to forecast the actual impact of these on economic conditions for Clariant in Germany as unexpected developments such as trade restrictions can arise at any time that affect relevant markets differently and could, for example, lead to supply shortages and price increases. The flow of goods and services could be impaired with little prior warning, which in turn could strain demand and production and then have an adverse effect on production chains and the Clariant's business basis in Germany.

The war started by Russia in Ukraine in February 2022 is also considered a high risk for German Clariant companies in financial year 2023 and beyond. The negative impact on sales is growing and raw materials and energy procurement is also facing far higher prices and risks. In the short term (as shown by the experiences of the first three months of 2023), the negative effects can be successfully addressed by suitable measures such as price adjustments and production optimisation. Nonetheless, earnings are expected to decline compared to 2022, even though expectations improved somewhat at the end of the year in

sub-areas. Conditions can change rapidly in the short term. All in all, it will likely be increasingly difficult to pass on higher prices to customers. Energy price caps in Germany are expected to somewhat stabilise procurement for consignors, but the overall situation for procurement and logistics is considered challenging and so this will likely have an additional negative impact on earnings. Lower demand among consignors could impact their production and they may respond with temporary partial closures. The risks from a protracted war are deemed high and are reflected in particular in higher prices, which cannot be precisely predicted. Energy supply, on the other hand, is fundamentally considered secure and Clariant has taken relevant safeguarding measures in Germany.

Given this, issuing a short-term outlook for Clariant's earnings in Germany is extremely difficult and subject to very high levels of uncertainty. If conditions stabilise as opposed to deteriorating and taking account of the increased target profit margin for commission business from 2.0% to 2.5% from 1 January 2022, it can be assumed that earnings in 2023 will be in line with planning for 2022 despite the tougher general conditions. Accordingly, commission is expected to generate at least EUR 50.0 million in revenue.

In Services, the services provided to the purchasers of the sold business units on a transitional basis will no longer apply. After restructuring is completed, a lower overall service volume is expected of slightly under EUR 50 million in 2023.

With general conditions becoming more challenging, we anticipate overall net gains from operating activities of around EUR 14.0 to 16.0 million on this basis.

According to the VCI quarterly report 4/2022 from 9 March 2023, no significant recovery is expected in 2023, although it is generally assumed that the worst is over. In the medium to long term, the significance of structural problems for Germany is expected to stand in the way of a faster short-term recovery. Production is expected to decline by around 5% in 2023 as a whole, rising to 8% excluding pharmaceuticals. With prices falling, sector sales look set to shrink by around 7%. The VCI's outlook is subject to the proviso that general conditions could change very quickly on account of the volatile overall situation. The VCI's view is thus largely in line with that of Clariant.

7. Corporate governance statement (Section 289f HGB)

The Supervisory Board meeting on 18 May 2018 approved resolutions on the quota for women.

It was decided to maintain or achieve the target of a 33.3% share of women on the Supervisory Board for the period until 30 June 2022. This equates to three of the nine Supervisory Board members, with at least one women representing the employer and one representing employees. As at 18 May 2018, four of the Supervisory Board members were female, a share of about 44.4%. The 33.3% target was thus achieved within the deadline set.

Following the reduction in the size of the Supervisory Board from nine members to six by way of the annual general meeting resolution on 11 November 2020, the Supervisory Board meeting on 11 December 2020 again approved targets for the share of women on Clariant SE's Supervisory Board. Two of the six members of Clariant SE's Supervisory Board were female as at 11 December 2020, representing a share of 33.3%. It was decided to maintain or achieve the target of a 33.3% share of women on the Supervisory Board for the period until 30 June 2025. This equates to two of the six Supervisory Board members. The target is currently achieved.

In line with the previous target, the target for the number of women on the Board of Directors was set at 0%. This is to be maintained or achieved by 30 June 2022. At present, 0% of Board of Directors members are women. A resolution for the time after this period will be adopted at Clariant SE's next Supervisory Board meeting.

The Board of Directors meeting on 15 November 2017 passed a resolution on the share of women at the level below the Board of Directors (flat hierarchy levels at Clariant SE below the Board of Directors mean that the only management level below the Board of Directors is the Clariant SE Country Committee). It resolved to maintain the target of two women in the only management level below the Board of Directors, which comprises 11 people (= 18.18%) until 30 June 2022.

As at 30 June 2022, there were two women in the only management level below the Board of Directors, which comprises 11 people (= 18.18%). The targets set were thus achieved/maintained within the deadline set. There are also currently two women in the only management level below the Board of Directors (out of 11 people, equates to 18.18%).

The Board of Directors meeting on 6 April 2023 resolved to maintain the target of two women

on the Clariant SE Country Committee, the only management level below the Board of Directors (out of 11 people, equates to 18.18%) until 30 June 2027.

8. Thanks to employees

The Board of Directors would like to thank all employees for their great commitment and extraordinary work in carrying out tasks and overcoming challenges in 2022.

Frankfurt am Main, April 2023

The Board of Directors

Independent auditor's report

To Clariant SE, Frankfurt am Main

Opinions

We have audited the annual financial statements of Clariant SE, Frankfurt am Main, which comprise the balance sheet as at 31 December 2022, and the income statement for the financial year from 1 January to 31 December 2022, 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 1 January to 31 December 2022.

In accordance with the German legal requirements, we have not audited the content of the corporate governance statement pursuant to Section 289f (4) HGB [Handelsgesetzbuch: German Commercial Code] (disclosures on the quota for women on executive boards), which is included in Section 7 of the management report.

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 applicable to business corporations and give a true and fair view of the assets, liabilities and financial position of the Company as at 31 December 2022 and its results of operations for the financial year from 1 January to 31 December 2022, 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 opinion on the management report does not cover the content of the statement on corporate governance referred to above.

Pursuant to Section 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 Opinions

We conducted our audit of the annual financial statements and of the management report in accordance with Section 317 HGB and the 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 European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. We believe that the evidence we have

obtained is sufficient and appropriate to provide a basis for our opinions on the annual financial statements and on the management report.

Other Information

Management is responsible for the other information. The other information comprises the corporate governance statement pursuant to Section 289f (4) HGB (disclosures on the quota for women on executive boards), which is included in Section 7 of the management report.

Our opinions on the annual financial statements and on the management report do not cover the other information, and consequently we do not express an 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 above

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

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

Management is responsible for the preparation of the annual financial statements that comply, in all material respects, with the requirements of German commercial law applicable to business corporations, 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, management is 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 (i.e., fraudulent financial reporting and misappropriation of assets) or error.

In preparing the annual financial statements, management is 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, management is 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 respects, consistent with the annual financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, management is 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 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 Section 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 judgement and maintain professional scepticism 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 opinions. The risk of not detecting a material misstatement resulting from fraud is higher than the risk of not detecting a material misstatement 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 (systems) 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 opinion on the effectiveness of these systems.
- Evaluate the appropriateness of accounting policies used by management and the reasonableness of estimates made by management and related disclosures.
- Conclude on the appropriateness of management's 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 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.
- 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 management in the management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by management 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 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 am Main, April 28, 2023

KPMG AG
Wirtschaftsprüfungsgesellschaft

Dr. Kaiser
Wirtschaftsprüfer
[German Public Auditor]

Ludwig
Wirtschaftsprüfer
[German Public Auditor]

The correctness and completeness of the translation of this document from the German language is hereby confirmed. The attached copy of the original text in German was submitted for translation.


Elke Meiners-Giebel

Münster, 9 May 2023

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