

Short-Form Audit Report

Clariant SE
Frankfurt/Main

Annual Financial Statements for the Period Ending
December 31, 2021
and Management Report for Financial Year 2021

INDEPENDENT AUDITOR'S REPORT

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

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Clariant SE, Frankfurt/Main

Management Report 2021

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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 commission agent for a significant portion of Clariant's European production companies in Germany, the United Kingdom, France, Spain, Italy, Sweden and Switzerland.

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

- Care Chemicals (business units: Industrial & Consumer Specialties, New Business Development)
- Natural Resources (business units: Oil & Mining Services, Functional Minerals and Additives)

As for Catalysis, its European operations have been handled by the respective European production company directly since January 1, 2021.

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
- Cergy, France
- Milan, Italy
- Maastricht, Netherlands
- Barcelona, Spain
- Mölndal, Sweden
- Muttenz, Switzerland

- Leeds, United Kingdom

The activities of the Austrian branch, which were limited to business services, were discontinued in mid-2020. The branch was permanently deleted from the Austrian company register in September 2021.

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 2021:

As regards the European business of Catalysis, it was decided to separate transaction settlement from Clariant SE's commission agent model. The switch to direct deliveries from the production entities (Clariant Produkte (Deutschland) GmbH and its Italian sister production company) went live on January 1, 2021. The aim was to create more proximity to customers and provide better service in the relevant markets, mainly by invoicing Catalysis customers for deliveries of goods and services through a single company going forward.

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. One customer base was transferred from Clariant SE to the Italian production company for a price of EUR 0.5 million and another from Clariant Produkte (Deutschland) GmbH for a price of EUR 0.2 million.

The activities of Clariant SE's Austrian branch, which were limited to business services, were discontinued back in mid-2020. The branch was permanently deleted from the Austrian company register in September 2021.

As part of its realignment, Clariant SE decided on restructuring initiatives in a volume of EUR 6.7 million in financial year 2021. The initiatives mainly relate to the financial services division at the company's German headquarters and country management in France. The restructuring

is expected to involve eliminating 21 positions as per the decisions made. The majority of the measures have yet to be implemented.

As regards the Services area, after selling the business units (BUs) Clariant SE and Clariant Produkte (Deutschland) GmbH continued providing services on a transitional basis to the companies sold. Most service provision to the former Masterbatches BU was discontinued in 2021, and most service provision to the Pigments BU is expected to be discontinued over the course of 2022.

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 performance metrics 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 are 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 commission agent providing services within the Group. The Company is remunerated in the form of a commission on the sales volumes brokered for third parties on behalf of 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 commission 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

Economic output in Germany (gross domestic product) improved by 2.9% in financial year 2021 according to the March 2022 report from the Federal Office of Statistics. However, a decline was seen in the final quarter of 2021. Over the course of 2021, the situation in the industrial sector stabilized while things remained difficult in the high-contact services sector, despite the fact that German retailers posted record sales in 2021. Ongoing supply chain issues and logistical difficulties arising from a lack of transport capacity impeded overall economic momentum, as did the restrictions put in place to curb the spread of the Omicron variant. Although industrial production did pick back up, the most of the gains came from the automotive industry as it gradually recovered from the worst losses of 2020. Many sectors continued to curb production, however. Significant gains were seen only in the IT and communications sector, where gross output rose by 3.6% – still relatively moderate when compared with other countries. The inflation rate for Germany as a whole rose to 5.3% as of December 2021.

The unemployment rate fell from an average of 5.9% in 2020 to 5.7%. Exports recovered over the course of 2021 from the steep declines recorded in the previous year. Adjusted for inflation, Germany exported 9.4% more goods and services than in 2020. Imports rose by 8.6% after adjusting for inflation. Thus exports in 2021 were only slightly below the 2019 level.

2.2 Industry trends in the past financial year

At the end of 2021, the German chemical/pharmaceutical industry was showing the signs of economic slowdown. Supply chain shortages and rising energy prices resulted in weaker performance in the fourth quarter than in the rest of the year. Production increased only slightly in Germany's third-largest industrial sector. Sales revenues rose due to rising producer prices above all. The sector was successful on the whole in 2021, achieving remarkable results despite the coronavirus pandemic and other challenging factors. Production in the chemicals/pharmaceutical industry was up by 5.3% year-on-year. Sales increased by 17.9% to EUR 225 billion thanks to the sharp increase in producer prices (+9.3%). Demand for chemical products and vaccines from Germany was high throughout the year, both in Germany and abroad. Capacity utilization reached 81.5% in the fourth quarter, or just under the normal level. The number of jobs in the chemicals sector actually rose by 0.5% year-on-year in the

fourth quarter of 2021.

2.3 Development of Clariant SE in the past financial year

In financial year 2021, sales revenue decreased from the prior-year level of EUR 133.2 million to EUR 110.8 million. The decline was entirely attributable to lower revenue from Services, while commission revenue remained stable. This was due to special effects in the previous year from recharging restructuring expenses as well as revenue from services provided on a transitional basis for divested business units.

The earnings contributions of the two business divisions (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 1,276.0 million (prior year: EUR 1,116.7 million) for the eight production companies. This resulted in commission revenue of EUR 50.8 million (prior year: EUR 50.2 million). Due to the fact that commission revenues performed better than expected thanks to the increase in sales to third-party customers, the target figure of EUR 50.0 million was slightly exceeded when adjusting for the lack of commission revenue from the catalyst business.

Services generated revenue of EUR 60.0 million (prior year: EUR 83.0 million), thus falling below the target figure of EUR 70.0 million. The lower revenue level is due to the fact that no major restructuring occurred that could have been recharged as income, nor did third-party services remain at the high prior-year level.

Thus Clariant SE's sales and service activities were both in high demand overall in financial year 2021, as in the prior year.

3. Position of the Company

3.1 Results of Operations

The operating result of EUR 22.9 million was significantly higher than last year's EUR 21.2 million and the moderate amount of approximately EUR 15.0 to 17.0 million expected because of Corona. This is because the effects of the pandemic were not as severe 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 decline of EUR 18.7 million in production costs was unable to compensate for the even greater decline of EUR 22.4 million in sales revenue, meaning that gross profit on sales decreased by EUR 3.7 million to EUR 19.5 million. The administrative costs amounted to EUR 2.7 million and were on last year's level. The increase in other operating income of EUR 4.0 million was offset by a decline in other operating expenses of EUR 1.2 million. Other operating income includes the accounting profit of EUR 3.9 million from the sale of customer bases from the Catalysis division, which is a major factor in explaining the difference from the prior year. Not only that, but reversals of restructuring provisions were EUR 0.9 million higher than in the previous year. Another factor was expenses of EUR 1.0 million recognized in the previous year for early termination of sales contracts. Specifically, the expenses impacted other operating income (as charged-on costs) as well as other operating expenses (primary), thus explaining the corresponding decrease in the reporting year.

The net interest expense of EUR 1.1 million was similar to the prior year's amount and was mainly attributable to the effects of unwinding the discount on provisions, as in the prior year.

The tax expense for financial year 2021 – which as in the prior year resulted from the taxes paid on the taxable income of the German parent and its permanent establishments – was EUR 3.8 million (prior year: EUR 3.0 million) and led to profit after tax of EUR 18.1 million (prior year: EUR 17.2 million). The entire 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 fixed assets)

In financial year 2021, payments of EUR 0.2 million (prior year: EUR 6.7 million) were made to acquire tangible and intangible fixed assets. The previous year had been primarily impacted

by 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 disposals of fixed assets at cost in the amount of EUR 5.3 million (prior year: EUR 0.2 million). EUR 3.9 million of the disposals relates to the sale of customer bases from the Catalysis division.

Write-downs totaled EUR 1.3 million (prior year: EUR 1.2 million), EUR 1.1 million of which (prior year: EUR 1.0 million) was attributable to customer bases and goodwill.

3.2.2 Balance sheet structure

The Company's total assets decreased by 2.0%, or EUR 2.7 million year on year, to EUR 133.5 million. Fixed assets declined by EUR 1.1 million, with the decrease almost entirely attributable to the write-down of customer bases and goodwill from the prior-year addition of the Additives business. The ratio of fixed assets to total assets dropped by 0.7 percentage points to 4.3% year on year.

Current assets fell by EUR 1.6 million to EUR 127.0 million as of the reporting date (prior year: EUR 128.6 million). The main reason for the decrease was the receivables due from Clariant companies, which declined by EUR 2.5 million to EUR 98.5 million. EUR 83.9 million of these receivables are attributable to the cash pool balances of two Clariant companies. Other assets increased by EUR 1.7 million to EUR 21.2 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.

Given the stable equity in the amount of EUR 8.4 million and the decrease in total assets, the assets-to-equity ratio rose to 6.3% (prior year: 6.2%). The net income of EUR 18.1 million generated in the financial year (prior year: EUR 17.2 million) is reported under liabilities to affiliated companies based on the profit transfer agreement with the parent company.

The provisions of EUR 74.9 million (prior year: EUR 72.1 million) mainly contain retirement benefit obligations in the amount of EUR 43.4 million (prior year: EUR 38.6 million) and other provisions in the amount of EUR 30.0 million (prior year: EUR 32.4 million). The increase in pension provisions was mainly due to the lower underlying discount rate of 1.87% (prior year:

2.3%). Other provisions were impacted by the decrease of EUR 0.7 million in employee bonuses and of EUR 0.8 million in restructuring provisions as of the reporting date.

Liabilities of EUR 50.2 million (prior year: EUR 55.7 million) represent 37.6% (prior year: 40.9%) of total equity and liabilities. The decrease was due in particular to a decrease of EUR 2.8 million in liabilities to affiliated companies. Other liabilities decreased by EUR 2.2 million to EUR 14.1 million. Trade payables also fell, dropping from EUR 2.3 million to EUR 1.8 million. The changes from the prior year are due to reporting date factors.

3.2.3 Financing

In addition to own funds (EUR 8.4 million), the Company financed itself primarily via provisions (EUR 74.9 million; prior year: EUR 72.1 million), the majority of which were personnel provisions, and via liabilities to affiliated companies (EUR 34.3 million; prior year: EUR 37.1 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 82.8 million (prior year: EUR 66.0 million) from the EUR pool with Clariant Verwaltungsgesellschaft mbH. There was no balance in the USD pool with Clariant Produkte (Deutschland) GmbH (prior year: EUR 4.0 million) as of the reporting date.

The Group funds itself through the capital markets, including the stock exchange.

4. Employees

The average number of employees in financial year 2021 was 414 over the year as a whole (prior year: 462), 160 of whom (prior year: 177) were employed at the permanent establishments outside Germany.

EUR 45.5 million was expended for wages and salaries (prior year: EUR 62.1 million), and expenses for social security contributions amounted to EUR 15.5 million (prior year: EUR 12.3 million). Of that amount, EUR 8.0 million (prior year: EUR 3.5 million) was spent on company pension plans.

Personnel expenses include restructuring costs of EUR 6.7 million.

5. Opportunity and risk report

5.1 Opportunity and risk management

Opportunity and risk management makes up an integral part of all decisions and business processes at the Clariant Group and at Clariant SE. It is based in particular on the management structure, the planning system, and on the 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, risks and their financial impact are assessed and updated on a monthly basis, insofar as is possible, relevant and expedient. As of December 31, 2021, there were no material risks that were not disclosed in the financial statements.

Clariant SE is included in the Clariant Group's risk management and reporting system.

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

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 coronavirus pandemic, the risk position remained largely unchanged compared to the prior year. However, we see considerable risk associated with any further escalation of the war in Ukraine. It will remain difficult in general to publish any forecast as the environment continues to be very volatile. Assuming the situation does not destabilize further, however, we expect opportunities and risks to remain largely unchanged and the Company to be able to adapt as needed.

The main opportunities for Clariant SE lie in the production companies it works with on a commission basis outperforming the competition, i.e. from maximizing capacity utilization at the service units.

5.2 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/opportunity at Clariant SE is linked to the performance of the business volumes underlying the commission business. Thus Clariant SE's earnings mainly depend on market conditions in Europe and the risks/opportunities resulting from fluctuations in these markets.

Those risks and opportunities are presented below in detail in order of their importance.

Material risk to which the Company is subject includes the macroeconomic impacts of political conflict in Europe and the resulting trade conflicts and trade restrictions. The effects of the pandemic on Clariant SE's business continued to be minimal in financial year 2021 as sales remained stable over the course of the year. However, the volatility existing in all European market segments was felt with varying effects. New effects that cannot yet be quantified are arising from the war in Ukraine as well as from the implications of the sanctions placed on Russia, especially as regards gas supplies and the supply chains relevant for the principals the Company represents as commission agent. No such effects have impacted 2021 thus far. However, the rise in logistics costs, the general increase in procurement prices and soaring energy prices are becoming more and more apparent. Additional countermeasures were taken immediately when the war began in February 2022. At the start of March, the Group decided to halt all activities in Russia and to suspend deliveries with immediate effect. At the time of reporting, no going concern risks were identified as a result of that decision and the short-term impacts on the business volumes and earnings of Clariant SE and its principals and customers were assessed as non-critical. However, we assume that this could change very quickly as the situation develops. Going concern risks were not yet evident in 2021, when the focus was on risk arising from the coronavirus pandemic and growing global trade conflicts/trade restrictions in addition to transport challenges resulting from insufficient capacities and rising prices for raw materials and energy. In economic terms, the impact of these risks on the Clariant Group has been limited. Clariant had a very good year in 2021 despite the challenges faced, with sales revenue rising significantly despite the volatile environment. This was the result of taking quick and effective countermeasures, such as implementing flexible logistics solutions, finding alternative sourcing options and raising sales prices. We cannot predict how the economy will perform going forward nor how trends relevant to Clariant will develop. Both the commodity-exporting emerging markets and the advanced economies are affected by such trends both

worldwide and in Europe. The impact these risks will have on Clariant 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 counteract these risks.

The good business trend, especially as regards Additives, fully made up for the retransfer of the European business from the Catalysis division to the production companies in Germany and Italy relevant for the catalysis business; the retransfer took effect as of January 1, 2021 and eliminated the commission agent model for the Company's European business.

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, especially given the war in Ukraine. Various scenarios are possible. As regards risks and opportunities, the situation is expected to continue to improve in spite of the disposal of Catalysis, as the basis for the commission business has performed robustly on the whole, despite the coronavirus pandemic and additional logistical challenges, and is expected to continue to perform well. 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, which builds logically on Clariant's corporate purpose.

Due to the procedure for invoicing services to other Clariant companies (cost plus), no particular risks or opportunities are 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 Services area, is offset by the strengthening of local structures in the head office, which may stabilize or, in some cases, expand the Services business.

5.3 Risks and opportunities from digitalization

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. The successful provision of services depends on the faultless operation of the information system. Cyber attacks may cause a loss of data,

knowledge, equipment and money and may interrupt production and supplies. Thus far, such attacks have been successfully fended off. A comprehensive IT security concept takes account of these risks in the Clariant Group. Digitalization is also seen as an opportunity to progress and to use the advantages offered by widespread automation. It is therefore an inherent part of our five-pillar approach. Digitalization has been placed squarely in the focus of our new purpose-based, strategic target setting process. Opportunities arise in particular in the interfaces to customers and suppliers, but also internally when it comes to simplifying and also automating processes.

5.4 Risk relating to the provision of services and procurement risk

To cover liability risk, Clariant has taken out insurance policies such as third-party 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. The business could be negatively impacted by supply chain bottlenecks resulting from the economic effects of the coronavirus pandemic and the war in Ukraine. Relevant measures are taken on an ongoing basis on the purchasing side to counteract the risk of supply chain shortages. Increases for various reasons in the prices paid by the Company's principals for raw materials also present a risk to the commission business which is offset by price increases on the sales side. Moreover, in the area of logistics alternative transport options are being increasingly added to ensure flexibility in responding to supply chain shortages, which have increased significantly.

5.5 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 have any hedging transactions as of the reporting date. Risk is considered to be manageable as most of the transactions are invoiced and 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.

6. Outlook

6.1 Macroeconomic and sector environment

The global economy – which is characterized by diverse international interdependencies – grew moderately in 2021. Global economic trends are of great significant for the export-oriented German chemical industry.

While the various regions experienced the same challenges, the consequences of those challenges were different.

The U.S. economy picked up speed at the end of 2021. Growth was driven primarily by expansionary fiscal policies and the phasing out of coronavirus restrictions. The U.S. industrial sector likewise saw a strong recovery as supply chain issues eased slightly. Chemicals production picked up accordingly. By contrast, growth in South America remained weak. High inflation rates and the associated tightening of monetary policy have increasingly acted as a brake on the economy.

Although the Chinese economy was up significantly on the previous quarter at the end of 2021, momentum still continued to wane compared with the prior-year quarter. Energy shortages led to production cutbacks in the industrial sector, especially in the energy-intensive basic materials industries. Industrial growth remained weak overall. In the rest of Asia, economies continued to grow. However, the industrial sector was held back by materials shortages.

In the European Union, economic momentum slowed at the end of the year. The slowdown was due to increasing headwinds, particularly the rise in COVID-19 infections, high energy prices and ongoing supply disruptions. The industrial sector was especially hard hit with growth coming to a near standstill.

At the beginning of 2022, many companies were still expecting the chemical and pharmaceutical sectors to pick up significantly in the first half of 2022. Those hopes came to an abrupt end, however, when Russia invaded Ukraine. The war and the associated sanctions will leave deep scars in the economy – in Germany, in the rest of Europe and in the rest of the world. Inflation is skyrocketing under the strong influence of exploding energy prices and uncertainty is increasing. This will slow consumption, investment and economic growth, which

can be expected to negatively impact the chemical industry (source: VCI Economic Report, 4th quarter and full-year 2021, published on March 16, 2022). A gas embargo or a supply freeze would have far-reaching consequences for the German economy in the short to medium term.

The situation is exacerbated by China's self-isolating zero-COVID strategy with its negative impact on trade and growth.

In mid-March 2022, the VCI withdrew its current-year forecast for the chemical industry in Germany, and no updated forecast is foreseen at present. The Ukraine war has dramatically altered the economic and political situation as regards the energy- and raw materials-intensive chemical industry. According to a recent VCI survey, 54% of all member companies expect production and sales to decline in the current year. Prices for oil and natural gas have exploded.

6.2 Outlook for Clariant SE

Financial year 2022 will continue to be marked by ongoing optimization measures. Restructuring initiatives will continue to be implemented to account for the reduced size of the Group overall after the disposals of the previous year. The restructuring measures will maintain their strong impact on Clariant SE's line of service. The intention is to increase efficiency and make a positive contribution to the Clariant Group's profit targets by continuing to standardize and automate the business and to shift operations to lower-wage countries. Digital solutions will play a major role in this process in the context of the strategy geared towards the corporate purpose. An integral part of this is Project Evolution, which foresees dismantling and transferring Services to Global Business Services. This optimization is to be achieved in close cooperation with Global Business Services. At Clariant SE's head office, it is planned to cut 15 jobs in Finance. Additional major restructuring measures are probable, though not yet set in stone. Such measures would also impact our European branches.

The lower revenue generated from the Catalysis disposal notwithstanding, the other business areas are forecast to generate solid figures contributing to an expansion of Clariant SE's earnings basis. Consistent implementation of the new strategy based on Clariant's corporate purpose is expected to result in additional commission income from the remaining business areas, which according to what is known from 2020 and 2021 will offset the impact of the coronavirus pandemic and make up for the Catalysis disposal.

Clariant's European business was significantly more solid than expected. The business

volumes of Clariant SE as commission agent remained stable, and the cost side had more positive than negative effects. Despite rising procurement and logistics costs, the countermeasures taken had a stabilizing effect on the business performance of the Company's principals and thus on the foundation of Clariant SE's business. Thus it was significantly easier to cope with the difficult economic environment in 2021 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 better-than-expected performance. Hence, commissions of Clariant SE proved to be solid.

Although Clariant's German companies are fundamentally in a very good position thanks to the business trend in 2021, they are significantly impacted by their environment for which reason risk potential is high. The impact of the coronavirus pandemic will very likely continue to put a strain on the economy for some time in the future. The pandemic's actual impact on Clariant's economic conditions is impossible to predict given that new factors such as lockdowns or personnel shortages could emerge at any time. Service flows could be spontaneously interrupted, which could adversely impact both demand and production. This would negatively impact production chains and the basis for doing business of Clariant and therefore of Clariant SE.

The war in Ukraine initiated by Russia in February 2022 is still seen as a much greater risk for Clariant's German companies. Over the short time, this will affect sales volumes only very minimally. Moreover, experience from the first four months of 2022 shows that despite the much higher prices, raw materials procurement can be managed well for the most part and supplies secured. However, this could change very quickly. On the whole, we expect to be able to pass on the majority of the price increases to our customers, albeit after a delay in some cases, meaning that Clariant's earnings will presumably be negatively impacted. Regarding the supply of energy to the production sites of specific principals, gas supplies from Russia are regarded as fundamental, both directly and indirectly. In the event of an EU embargo, production could be temporarily halted despite the various measures already initiated to enable alternative sources of energy (such as reactivating coal-fired power plants). The risk of a protracted war are seen as high, if not quantifiable in detail. No short-term forecast can be made as it would be subject to too high a level of uncertainty. Should conditions stabilize in the near term, it can basically be assumed that the overall level will be slightly lower than in 2021, when commission revenue of approximately EUR 50.0 million was generated.

With respect to the Services business, the services provided to the companies sold will either be scaled back or eliminated. After completion of the restructuring measures service volumes

are expected to be lower, probably not exceeding EUR 50 million in 2022.

Assuming the situation stabilizes, we expect a total operating profit of between approximately EUR 14.0 and EUR 16.0 million.

Like other chemicals companies, Clariant is affected by macroeconomic trends and – similar to the VCI – is unable to make any additional, reliable statements regarding the outlook. The view of the VCI basically aligns with that of Clariant. Clariant directly initiated measures to stabilize its companies and limit their risk. However, a gas embargo or other fundamental changes in energy supply that affect the economy as a whole could lead to a situation that cannot currently be modeled, i.e. that would basically involve a recession scenario that would then also affect Clariant SE. The situation is exacerbated by the currently unpredictable results of China's zero-COVID strategy with its negative impact on global trade and growth. At the time of reporting, however, it is assumed that if prices rise, stabilization at a low positive level will be feasible. This assumes that the trends to which Clariant's German companies are currently subject (at the time of reporting) will continue.

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

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

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

As the Supervisory Board had been reduced from nine to six members on the basis of a resolution passed at the Annual General Meeting of November 11, 2020, female representation on the Supervisory Board of Clariant SE was again put up for resolution at the Supervisory Board meeting held on December 11, 2020. As of December 11, 2020, two women were represented on Clariant SE's Supervisory Board of six, which corresponds to 33.3%. It was decided to maintain or reach a female representation level of 33.3% on the Supervisory Board by June 30, 2025, corresponding to two women on a Supervisory Board of six. This target has been reached currently.

In line with the previous target, a target ratio of 0%, to be maintained or reached by June 30, 2022, was set for the number of women on the Board of Management. Female representation in the Board of Management is currently at 0%.

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

A decision was made to keep 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 2021.

Frankfurt/Main, May 2022

The Board of Management

**Annual Financial Statements for the Financial Year from
January 1 to December 31, 2021**

Clariant SE, Frankfurt/Main

BALANCE SHEET as of December 31, 2021 in TEUR

ASSETS

A. FIXED ASSETS

I. Intangible assets

1. Purchased concessions, industrial property rights and similar rights and assets, and licenses in such rights and assets
2. Goodwill
3. Prepayments

	12/31/2021	12/31/2020
	3,805	4,692
	1,734	1,950
	5	16
	<u>5,544</u>	<u>6,658</u>

II. Tangible assets

1. Technical equipment and machinery
2. Other equipment, factory and office equipment
3. Prepayments and construction in process

	12/31/2021	12/31/2020
	0	10
	227	162
	0	21
	<u>227</u>	<u>193</u>

B. CURRENT ASSETS

I. Receivables and other assets

1. Trade receivables
2. Receivables from affiliated companies
3. Other assets
 - of which taxes TEUR 1,517 (prior year: TEUR 1,967)

	12/31/2021	12/31/2020
	490	1,017
	94,316	101,019
	21,188	19,486
	<u>120,194</u>	<u>121,522</u>

A. SHAREHOLDERS' EQUITY

I. Subscribed capital

II. Capital reserve

III. Unappropriated retained earnings

B. PROVISIONS

1. Provisions for pensions and similar obligations
2. Tax provisions
3. Other provisions

C. LIABILITIES

1. Bank loans and overdrafts
2. Trade payables
3. Payables to affiliated companies
4. Other liabilities
 - of which taxes TEUR 13,131
 - of which social security payables TEUR 604 (prior year: TEUR 604)

Clariant SE
Frankfurt/Main

INCOME STATEMENT for the Period from January 1 to December 31, 2021
in TEUR

	1/1 - 12/31/2021	1/1 - 12/31/2020
1. Sales	110,770	133,183
2. Cost of sales	-91,279	-110,019
	<hr/>	<hr/>
3. Gross profit on sales	19,491	23,164
4. General administrative expenses	-2,663	-2,771
5. Other operating income	12,780	8,740
6. Other operating expenses	-6,725	-7,900
	<hr/>	<hr/>
Operating profit	22,883	21,233
7. Other interest and similar income (of which from affiliated companies: TEUR 2 prior year: TEUR 2)	41	41
8. Interest and similar expenses (of which relating to affiliated companies: TEUR -23) prior year: TEUR -30)	-1,056	-1,143
9. Taxes on income	-3,787	-2,973
	<hr/>	<hr/>
10. Profit after tax	18,081	17,158
11. Profits transferred on the basis of profit and loss transfer a	-18,081	-17,158
	<hr/>	<hr/>
12. Net income/loss for the year	0	0
13. Unappropriated retained earnings/accumulated losses brou	0	0
14. Unappropriated retained earnings	0	0

Certified translation from German

Clariant SE, Frankfurt/Main Notes to the Annual Financial Statements 2021

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, 2021 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 ten European branches.

The Austrian branch, whose activities were discontinued in mid-2020, was deleted on September 9, 2021 from the commercial register of the Republic of Austria, maintained by the Handelsgericht Wien (Commercial Court, Vienna), under registration number 27.

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 regards the European business of Catalysis, it was decided to separate the transaction settlement from the commission model of Clariant SE. Direct supplies from the production entities (Clariant Produkte (Deutschland) GmbH and its Italian co-subsidiary) started on January 1, 2021. The aim was to create more proximity to the customers and providing better service on the relevant markets.

This should be achieved in particular by only one company invoicing the Catalysis customers for goods supplies and services.

Certified translation from German

Overall, high double-digit Euro million sales with third customers will be generated by the manufacturing companies and no longer by Clariant SE. In the 2020 financial year, Clariant SE received commission revenue of EUR 3,834 thousand for the brokerage of Catalysis sales of EUR 90,873 thousand.

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 3,454 thousand. A customer base was transferred from Clariant SE and from the German production company to the Italian production company for EUR 536 thousand and EUR 201 thousand each.

As the customer bases were fully written off at the time of sale, Clariant SE generated a book profit of EUR 3,990 thousand, recognized in other operating income.

In addition to the transfer of the customer bases three sales staff in the Catalysis segment have moved from Clariant SE's Italian branch to the Italian production company as of January 1, 2021. In this context, provisions amounting to EUR 71 thousand were carried over at book value.

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. Since the financial year 2020 they have been amortized over their useful lives of 10 years. 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.

Certified translation from German

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 costing the Euro equivalent of CHF 5,000 are fully depreciated 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 provided the impairment is expected to be permanent. Write-downs are reversed where necessary.

Prepayments are stated at their nominal value, **construction in process** is recognized at cost.

Trade receivables, other receivables and **other assets** are recognized at their principal amount or – for (non-interest bearing or below-market interest rate) long-term items – at their present value 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.

Provisions are recognized at the settlement amount necessary 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 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 compensation) 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 0.35% for partial retirement obligations and 1.35% for long-service awards).

Certified translation from German

The provisions for the outstanding settlement amounts due under the partial retirement obligations are offset in accordance with Section 246 (2) clause 2 of the HGB with the respective plan assets from the insolvency protection of partial retirement obligations. Such offsetting is also undertaken for pension commitment provisions for new beneficiaries eligible since January 1, 2011, for deferred compensation obligations, which are covered by plan assets for insolvency protection purposes, and for obligations under long-term working time accounts. If the fair value of the plan assets exceeds the amounts accrued in the respective obligation, 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 spot exchange middle rate. Balance sheet items are measured at the reporting date as follows:

Long-term foreign currency receivables are recognized at either the mean spot rate in effect at the time the receivable originates or at the lower realizable value, computed using the mean spot rate on the balance sheet date (impairity 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 mean spot rate on the balance sheet date.

Certified translation from German

Long-term foreign currency liabilities are recognized at the spot exchange middle rate at the time the liability originates or the higher closing rate taking as a basis the spot exchange middle rate on the balance sheet date (impairity principle). Short-term foreign currency liabilities (due in one year or less) are translated at the spot exchange middle 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 for the difference between the carrying amounts in the balance sheet and their tax base, to the extent they 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 of the HGB. As the company is part of a consolidated tax group no tax is recognized (see (11)).

Other taxes are recognized under other operating expenses.

Certified 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 operations into the European commission structure, acquired additional customer bases from various Clariant entities in the years afterwards.

As of January 1, 2021, Clariant SE sold its catalysis activities to two group companies. This resulted in the disposal of customer bases at a carrying amount of EUR 0 thousand, with cost of EUR 3,854 thousand already written off.

The customer bases were amortized in the current financial year by a total of EUR 726 thousand (prior year: EUR 763 thousand), and goodwill by EUR 217 thousand (prior year: EUR 217 thousand).

(2) Trade receivables

	12/31/2021	12/31/2020
	EUR '000	EUR '000
from customers	490	1,017
- (of which due in more than one year)	(0)	(0)
	490	1,017

Certified translation from German

(3) Other receivables and other assets

	12/31/2021	12/31/2020
	EUR '000	EUR '000
Receivables from affiliated companies	98,516	101,019
- (of which from shareholder)	(82,821)	(65,996)
Other assets	21,188	19,486
	119,704	120,505

Of the receivables from affiliated companies EUR 83,894 thousand (prior year: EUR 71,256 thousand) are accounted for by the cash pool, EUR 14,622 thousand (prior year: EUR 29,763 thousand) are related to services and sales services rendered. The receivables from the shareholder in both years are attributable to the cash pool.

The other assets include EUR 18,784 thousand (prior year: EUR 15,944 thousand) due from third-party customers resulting from the Company's activities as a commission agent and tax receivables in the amount of EUR 1,517 thousand (prior year: EUR 1,967 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

	12/31/2021	12/31/2020
	EUR '000	EUR '000
Cash on hand	1	1
Bank balances	6,815	7,092
	6,816	7,093

(5) Prepaid expenses and deferred charges

Prepaid expenses and deferred charges amounted to EUR 723 thousand (prior year: EUR 672 thousand) and primarily relate to premiums paid to cover property and liability insurance for the next financial year.

(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 267 thousand as at the reporting date. The pension provision of EUR 269 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 2,402 thousand) were offset in full as of the reporting date against the respective plan assets, whose fair value amounted to EUR 2,402 thousand as at December 31, 2021. The fair value equaled the 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 of the 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 2021, the fair value of plan assets amounted to EUR 1,604 thousand thus falling below acquisition cost (EUR 1,630 thousand) by EUR 26 thousand. Overall, the fair value of plan assets exceeds the partial retirement obligation (outstanding settlement amount) by EUR 16 thousand.

Certified translation from German

(7) Shareholders' equity

	12/31/2020 / 1/1/2021	Changes	12/31/2021
	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 amounts to EUR 914,612 as of the balance sheet 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 18,081 thousand (prior year: EUR 17,158 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 were recognized for future and current benefits in the amount of EUR 43,408 thousand (prior year: EUR 38,646 thousand). 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 2020 Gen), the Netherlands (AG 2020 mortality tables, including ES-P2A), and Belgium (MR-5/FR-5). 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 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 1.87% led to a difference of EUR 3,758 thousand compared with discounting at the average market rate for the past seven years.

Certified translation from German

The computations were based on the following assumptions:

	Germany	Abroad
Discount rate for provisions, excluding plan assets	1.87%	1.87%
Discount rate for provisions including plan assets	1.87%	1.87%
Salary increases	2.50%	1.50-3.50%
Upper earnings limit	2.25%	n/a
Future pension adjustment	1.80%	0.00-2.50%

Age and gender specific fluctuation probabilities of between 0.0% and 13.5% were taken as a basis.

The benefit obligations for new participants as of January 1, 2011 and the obligations from deferred compensation of EUR 3,208 thousand were offset against the plan assets pursuant to Section 246 (2) sentence 3 of the HGB, since those plan assets are used for the sole purpose of settling benefit obligations and are exempt from attachment by all other creditors.

The plan assets are invested in funds, the fair value amounts to EUR 3,118 thousand as of the balance sheet date, thus being EUR 90 thousand below the respective provisions and EUR 376 thousand above cost (EUR 2,742 thousand). The shortfall of EUR 90 thousand is included in this line item.

Belgium, the Netherlands and Switzerland have recognized indirect benefit obligations of EUR 27,681 thousand altogether (prior year: EUR 26,461 thousand). The respective plan assets are EUR 1,408 thousand below the benefit obligations (prior year: EUR 995 thousand). In Switzerland, the obligations were fully covered by plan assets in the prior year. The recognition option as permitted by Art. 28 (1) clause 2 of the EGHGB (Introductory Act to the German Commercial Code) was not used to account for these indirect pension obligations.

(9) Miscellaneous provisions

	12/31/2021	12/31/2020
	EUR '000	EUR '000
Tax provisions	1,489	1,061
Other provisions	30,000	32,357
	31,489	33,418

Certified translation from German

Other provisions are mainly composed of provisions for employee-related obligations especially from bonuses amounting to EUR 5,280 thousand (prior year: EUR 6,037 thousand), restructuring measures of EUR 18,239 thousand (prior year: EUR 19,025 thousand), vacation not yet taken and overtime work of EUR 1,378 thousand (prior year: EUR 1,635 thousand) as well as partial retirement obligations and long-service awards of EUR 581 thousand (prior year: EUR 858 thousand).

In addition, the item includes provisions for outstanding invoices, legal and professional fees, year-end closing costs and other costs amounting to EUR 3,289 thousand (prior year: EUR 3,474 thousand) as well as commissions and other personnel-related obligations.

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

	12/31/2021	12/31/2020
	EUR '000	EUR '000
Bank loans and overdrafts	2	18
Trade payables	1,770	2,309
Payables to affiliated companies	34,345	37,103
- <i>(of which to the shareholder)</i>	<i>(18,081)</i>	<i>(17,353)</i>
Other liabilities	14,131	16,293
	50,248	55,723

Payables to the shareholder relate to EUR 18,081 thousand of profit transferred (prior year: EUR 17,158 thousand) and to trade payables amounting to EUR 0 thousand (prior year: EUR 195 thousand).

Of the other liabilities to affiliated companies EUR 11,670 thousand (prior year: EUR 19,415 thousand) are attributable to supplies and services provided by the affiliated companies and EUR 4,594 thousand (prior year: EUR 335 thousand) are accounted for by the cash pool.

The other liabilities include tax liabilities of EUR 13,133 thousand (prior year: EUR 14,628 thousand) of which EUR 11,687 thousand (prior year: EUR 13,064 thousand) were due for VAT.

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

Certified translation from German

(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 17.2% to 27.9%.

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 6,151 thousand (prior year: EUR 5,065 thousand) which is mainly accounted for by temporary differences between plan assets and pension provisions.

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 3,253 thousand as of the reporting date (prior year: EUR 3,620 thousand). The difference is mainly due to differences between the carrying amounts of intangible assets, other assets and receivables.

The option provided for in Section 274 (1) sentence 2 of the HGB to recognize the excess of assets over liabilities in the balance sheet was not utilized; therefore, no deferred taxes were recognized.

Certified translation from German

(12) Sales revenue

- Sales revenue by business segment

	2021	2020
	EUR '000	EUR '000
- Commission income (*)	50,755	50,209
- Service income (**)	60,015	82,974
Total	110,770	133,183

(*) 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

	2021	2020
	EUR '000	EUR '000
Germany	62,731	67,934
Other European countries	47,981	65,198
Other countries	58	51
	110,770	133,183

(13) General and 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 12,780 thousand (prior year: EUR 8,740 thousand). EUR 5,692 thousand (prior year: EUR 5,552 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:

- Book profit from the sale of Catalysis customer bases as of January 1, 2021 in the amount of EUR 3,990 thousand.
- Income from the reversal of provisions of EUR 2,908 thousand (prior year: EUR 2,154 thousand). EUR 1,187 thousand of this amount (prior year: EUR 1,294 thousand) mainly refer to provisions for employee bonuses and EUR 1,499 thousand (prior year: EUR 573 thousand) to restructuring.

Certified translation from German

- Income of EUR 103 thousand (prior year: EUR 1,033 thousand) was recognized for charged-on expenses, which were incurred in connection with distribution agreements terminated early and damages claimed.
- Income from foreign currency translation in the amount of EUR 83 thousand (prior year: EUR 0 thousand).

(15) Other operating expenses

This item includes expenses in the amount of EUR 5,795 thousand (prior year: EUR 6,708 thousand) relating to other operating income: expenses relating to activities rendered by the Global Business Services organization and expenses relating to 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 217 thousand; see Note (1));
- Expenses of EUR 418 thousand (prior year: EUR 626 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 118 thousand (prior year: EUR 326 thousand).
- Expenses relating to foreign currency translation in the amount of EUR 0 thousand (prior year: EUR 71 thousand).

Other taxes recognized in other operating expenses amount to EUR 240 thousand (prior year: EUR 222 thousand).

Certified translation from German

(16) Net interest income/expense

	2021	2020
	EUR '000	EUR '000
Other interest and similar income	41	41
- <i>(of which from affiliated companies)</i>	(2)	(2)
- <i>(of which income from discounting provisions)</i>	(21)	(1)
Interest and similar expenses	(1,056)	(1,143)
- <i>(of which due to affiliated companies)</i>	(23)	(30)
- <i>(of which expenses relating to unwinding the discount on provisions)</i>	(953)	(1,059)
- <i>(of which the net balance pursuant to Section 246 (2) sentence 2 of the HGB resulting from unwinding the discount on other personnel-related provisions in the amount of EUR (25) thousand (prior year: EUR (83) thousand) and the income from plan assets of EUR 13 thousand (prior year: EUR 39 thousand))</i>	(12)	(44)
	(1,015)	(1,102)

(17) Taxes on income

Taxes on income reduced earnings by EUR 3,787 thousand (prior year: EUR 2,973 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 376 thousand (prior year: EUR 101 thousand). Section 268 (8) of the HGB prohibits that amount from being transferred as profit.

EUR 111 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.

(19) Profit and loss transfer

The net income of EUR 18,081 thousand (prior year: EUR 17,158 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.

Certified translation from German

Other disclosures

Cost of materials

	2021	2020
	EUR '000	EUR '000
Cost of raw materials, supplies and merchandise	204	271
Cost of purchased services	62	67
	266	338

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

Personnel expenses

	2021	2020
	EUR '000	EUR '000
Wages and salaries	45,545	62,134
Social security, pension and other employee benefit costs	15,512	12,270
- <i>(of which relating to pensions)</i>	<i>(7,980)</i>	<i>(3,538)</i>
	61,057	74,404

The decrease in wages and salaries is attributable to lower expenses for restructuring compared to the prior year.

The significant increase in social security and pension costs is mainly due to an increase in pension provisions based on lower interest rates and higher inflation and the resulting adjustment of current pensions from pension funds and company pensions.

Disclosures on employees

Headcount was as follows on an annual average:	2021	2020
- German head office	254	285
- Foreign permanent establishments	160	177
Staff (less trainees and Board of Management)	414	462

Certified translation from German

The decrease in staff mainly affects the IT-segment as the restructuring program “Clariant 2021” was introduced in the prior year to adjust the service units.

Other major financial commitments

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

	2021	2020
	EUR '000	EUR '000
from rental and lease agreements	4,193	5,427
- <i>(of which relating to affiliated companies)</i>	<i>(924)</i>	<i>(969)</i>

The rental and lease agreements are 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. Risks may arise from the lease term, if 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, 2021.

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 154 thousand in 2021 (prior year: EUR 157 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 154 thousand) and tax advisory services in the amount of EUR 0 thousand (prior year: EUR 3 thousand).

Certified translation from German

Supervisory Board

Stephan Lynen

(Chairman of the Supervisory Board,
member of the Executive Committee)

(Clariant International AG, Muttenz / Switzerland)

Rüdiger Halberstadt *

(Deputy chair of Clariant SE) (IT Workplace Delivery Manager)

Daniel Hug

(Head of Corporate Controlling)

(Clariant International AG, Muttenz / Switzerland)

Oliver Kinkel

(Country Head Germany/Head of Region EMEA)

(Clariant Verwaltungsgesellschaft mbH, Frankfurt am Main)

Beatriz Lopez-Collado *

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

Dr. Sibylle Mutschler (until August 17, 2021)

(Head of Digital4Clariant)

(Clariant International AG, Muttenz / Switzerland)

Dr. Anne Witte (since August 18, 2021)

(Head of Marketing BU Additives)

(Clariant International AG, Muttenz / Switzerland)

*Employee representatives on the Supervisory Board

Supervisory Board remuneration

The Supervisory Board received remuneration in the amount of EUR 10 thousand in 2021 (prior year: EUR 10 thousand).

Certified translation from German

Events after the reporting date

The target profit margin of Clariant SE for the commission business was increased from 2.0% to 2.5% as of January 1, 2022 based on new benchmark analyses.

As of January 1, 2022, the compensation paid by Clariant SE to Clariant Produkte (Deutschland) GmbH and Clariant Plastics & Coatings (Deutschland) GmbH for the transfer of the customer base was increased from 0.67% to 0.83% of monthly net sales. Monthly net sales are revenue passed on by Clariant SE to customers in some countries.

In the course of reorganizing Clariant the Clariant operations located in the Rhine-Main region were merged as of January 1, 2022. This merger is based on the fact, that the Clariant SE operation in Sulzbach will be integrated into the "Rhein-Main" joint operation of Clariant Produkte (Deutschland) GmbH and Clariant Plastics & Coatings (Deutschland) GmbH.

This new, larger operation will therefore be a joint operation of Clariant Produkte (Deutschland) GmbH, Clariant Plastics & Coatings (Deutschland) GmbH and Clariant SE as of January 1, 2022. The works council members' mandate of Clariant SE thus ended on December 31, 2021. However, the SE works council members are entitled to exercise a so-called residual mandate beyond December 31, 2021 in relation to potential participation and co-determination rights still existing after combining the operations. A works council for the joint operation was elected in spring 2022. The number of members included in the new works council is governed by the number of the joint operation's members with voting rights.

The terms of all works agreements signed and applicable with the SE works council at the Sulzbach location will be continued unchanged for the time being. A panel, consisting of employer's and employees' representatives will review the above-mentioned guidance in the course of the calendar year 2022, resume it as applicable or adjust it, where necessary.

The impact brought about by the war started on February 24, 2022 in the Ukraine and the sanctions imposed on Russia with all their implications such as gas supplies and supply chain problems are new and the outcome cannot yet be predicted. Rising costs of logistics and procurement and soaring energy prices are becoming more and more evident. Countermeasures were initiated immediately with the beginning of the war in February 2022. At the beginning of March the Group decided to stop all activities with Russia immediately and to stop all deliveries.

Certified translation from German

At the time this report was prepared, there were no risks jeopardizing the continuation of the Company as a going concern and the impact on the business volume and result is considered low in the short term. Only very small sales volumes are affected in the short term, and most of the raw materials supplies can be secured in spite of the strong increase in prices (from what we have learned in the first four months of 2022) and the supply can be guaranteed. This situation may change very quickly, however. A large part of the price increases is expected to be passed on to the customers with some delay, however, which is likely to affect earnings. As regards the energy supply at the production sites, the Russian gas supply is considered to be elementary, both directly and indirectly. Should the EU embargo be adopted, temporary closures might be possible although various countermeasures to ensure alternative energy supplies have already been initiated (such as reopening coal power plants). The risks arising from a long-lasting war are considered high and are unpredictable in every aspect.

Appropriation of profit/loss

The net income for 2021 of EUR 18,081 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) of the HGB, the disclosures on the remuneration of the Board of Management were omitted.

Certified translation from German

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 for the smallest and at the same time 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 standards and the IFRSs as adopted by the European Union.

Certified translation from German

Frankfurt/Main, May 31, 2022 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 EUR'000**

	Cost					
	1/1/2021	Additions	Disposals	Reclassifications	12/31/2021	
	EUR '000	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	38,597	0	-3,856	16	34,757	
Goodwill	4,680	0	0	0	4,680	
Prepayments	16	5	0	-16	5	
	43,293	5	-3,856	0	39,442	
Tangible assets						
Technical equipment and machinery	180	0	-106	0	74	
Other equipment, factory and office equipment	1,592	215	-1,305	21	523	
Prepayments	21	0	0	-21	0	
	1,793	215	-1,411	0	597	
	45,086	220	-5,267	0	40,039	

Amortization, depreciation and write-downs				Carrying amount	Carrying amount
1/1/2021	Additions	Disposals	12/31/2021	12/31/2021	12/31/2020
EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000
-33,905	-903	3,856	-30,952	-30,952	4,692
-2,730	-217	1	-2,946	-2,946	1,950
0	0	0	0	0	16
-36,635	-1,120	3,857	-33,898	-33,898	6,658
-170	-5	101	-74	-74	10
-1,430	-150	1,284	-296	-296	162
0	0	0	0	0	21
-1,600	-155	1,385	-370	-370	193
-38,235	-1,275	5,242	-34,268	-34,268	6,851

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, 2021 and the statement of profit and loss for the financial year from January 1 to December 31, 2021 and notes to the financial statements, including the presentation of the recognition and measurement policies. In addition, we have audited the management report of Clariant SE for the financial year from January 1 to December 31, 2021. In accordance with the German legal requirements, we have not audited the content of the statement on corporate governance pursuant to § [Article] 289f Abs. [paragraph] 4 HGB [Handelsgesetzbuch: German Commercial Code] (disclosures on the quota for women on executive boards).

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, 2021 and of its financial performance for the financial year from January 1 to December 31, 2021 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 Abs. 3 Satz [sentence] 1 HGB, 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 Abs. 4 HGB (disclosures on the quota for women on executive boards) as an unaudited part of the management report.

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 disclosures audited in terms of content or with 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 respects, 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.
- 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, May 31, 2022

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft



C. Kwasni

/s/Christian Kwasni
Wirtschaftsprüfer
(German Public Auditor)

F. Strauß

p.p. /s/Florian Strauß
Wirtschaftsprüfer
(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

Martina Schilp
July 27, 2022



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Original is available