



# **Annual financial statements as at 31 December 2023 and management report**

## **TRANSLATION – AUDITOR’S REPORT**

Clariant SE  
Frankfurt am Main

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

**KPMG AG**  
**Wirtschaftsprüfungsgesellschaft**

BALANCE SHEET AS AT 31 DEC. 2023 IN KEUR

**ASSETS**

	31.12.2023	31.12.2022
<b>A. <u>FIXED ASSETS</u></b>		
<b>I. Intangible assets</b>		
1. Concessions, industrial property rights and similar rights and assets as well as licences to such rights and assets acquired for a consideration	2,522	3,049
2. Goodwill	1,300	1,517
	3,822	4,566
<b>II. Tangible assets</b>		
1. Technical equipment and machinery	3	0
2. Other equipment, operating and office equipment	182	189
3. Payments on account and construction in progress	4	4
	189	193
	<b>4,011</b>	<b>4,759</b>
<b>B. <u>CURRENT ASSETS</u></b>		
<b>I. Receivables and other assets</b>		
1. Trade receivables	0	73
2. Receivables from affiliated companies	116,275	110,757
3. Other assets	18,134	21,652
- thereof for taxes KEUR 1,641 (PY: KEUR 1,046)		
	134,409	132,482
<b>II. Cash and cash equivalents and bank balances</b>	2,825	5,618
	<b>137,234</b>	<b>138,100</b>
<b>C. <u>PREPAID EXPENSES</u></b>	<b>551</b>	<b>664</b>
<b>D. <u>EXCESS OF PLAN ASSETS OVER PENSION AND COMPARABLE LONG-TERM LIABILITIES</u></b>	<b>90</b>	<b>14</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>141,886</b>	<b>143,537</b>

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**EQUITY AND LIABILITIES**

	31.12.2023	31.12.2022
<b>A. <u>EQUITY</u></b>		
I. Subscribed capital	915	915
II. Capital reserve	7,460	7,460
III. Net income/loss for the year	0	0
	<u>8,375</u>	<u>8,375</u>
<b>B. <u>PROVISIONS</u></b>		
1. Provisions for pensions and similar obligations	51,440	51,415
2. Tax provisions	2,785	2,586
3. Other provisions	23,130	29,111
	<u>77,355</u>	<u>83,112</u>
<b>C. <u>LIABILITIES</u></b>		
1. Liabilities to banks	9	0
2. Trade payables	1,674	2,091
3. Liabilities to affiliated companies	42,181	33,135
4. Other liabilities	12,292	16,824
- thereof for taxes KEUR 11,459 (PY: KEUR 15,839)		
- thereof for social security KEUR 388 (PY: KEUR 440)		
	<u>56,156</u>	<u>52,050</u>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>141,886</b>	<b>143,537</b>



**Clariant SE, Frankfurt am Main**  
**Frankfurt am Main**

**INCOME STATEMENT FOR THE PERIOD FROM 1 JAN. TO 31 DEC. 2023 IN KEUR**

	1 Jan. –31 Dec. 2023	1 Jan. –31 Dec. 2022
1. Revenue	112,312	122,542
2. Cost of sales	-83,485	-94,444
	<hr/>	<hr/>
<b>3. Gross profit on sales</b>	<b>28,827</b>	<b>28,098</b>
4. General administrative expenses	-3,054	-3,160
5. Other operating income	11,772	8,678
6. Other operating expenses	-6,808	-7,049
	<hr/>	<hr/>
<b>Net gains (losses) from operating activities</b>	<b>30,737</b>	<b>26,567</b>
7. Other interest and similar income	5,014	600
(thereof from affiliated companies: KEUR 4,894; PY: KEUR 536)		
8. Interest and similar expenses	-1,160	-949
(thereof to affiliated companies: KEUR -183; PY: KEUR -89)		
9. Income taxes	-5,227	-4,360
	<hr/>	<hr/>
<b>10. Earnings after taxes</b>	<b>29,364</b>	<b>21,858</b>
11. Profit transferred on the basis of a profit transfer agreement	-29,364	-21,858
	<hr/>	<hr/>
<b>12 Net income/loss for the year</b>	<b>0</b>	<b>0</b>



# Clariant SE, Frankfurt am Main

## Notes to the financial statements 2023

### 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 2023 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. The item "Net gains from operating activities" was added to this classification.

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 and bank balances** 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 Deutsche 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 = 1.12%, actuarial interest rate for anniversary expenses = 1.74%).

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 the historical 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.

Expenditures / 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 496 (PY: KEUR 726) and goodwill totalling KEUR 217 (PY: KEUR 217).

### (2) Trade receivables

	<b>31 Dec. 2023</b>	<b>31 Dec. 2022</b>
	KEUR	KEUR
from customers	0	73
- <i>(thereof due after more than one year)</i>	<i>(0)</i>	<i>(0)</i>
	<b>0</b>	<b>73</b>

### (3) Miscellaneous and other assets

	31 Dec. 2023	31 Dec. 2022
	KEUR	KEUR
Receivables from affiliated companies	116,275	110,757
- (thereof to shareholder)	(102,682)	(86,316)
Other assets	18,134	21,652
	<b>134,409</b>	<b>132,409</b>

KEUR 103,568 (PY: KEUR 87,271) of the receivables from affiliated companies results from the cash pool and KEUR 12,707 (PY: KEUR 23,486) from service and sales services rendered. Receivables from the shareholder are due to the cash pool in both years.

Other assets include KEUR 16,138 (PY: KEUR 20,072) in claims against third-party customers from the company's work as a consignee and KEUR 1,641 (PY: KEUR 1,046) 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 and bank balances

	31 Dec. 2023	31 Dec. 2022
	KEUR	KEUR
Cash-in-hand	0	0
Bank balances	2,825	5,618
	<b>2,825</b>	<b>5,618</b>

### (5) Prepaid expenses

Prepaid expenses of KEUR 551 (PY: KEUR 664) 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 280 as at the balance sheet date. The settlement amount of KEUR 282 is KEUR 2 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 2,520) were thus fully offset against the corresponding plan assets, the fair value of which came to KEUR 2,520 as at 31 December 2023. The fair value at the balance sheet date corresponds to the 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 2023 was KEUR 685, KEUR 3 higher than their cost (KEUR 682). Overall, the fair value of the plan assets exceeds the early retirement obligation of KEUR 595 (outstanding settlement amount) by KEUR 90.

## (7) Equity

	31 Dec. 2022 / 1 Jan. 2023	Change	31 Dec. 2023
	KEUR	KEUR	KEUR
Subscribed capital	915	0	915
Capital reserve	7,460	0	7,460
Net income/loss for the year	0	0	0
	<b>8,375</b>	<b>0</b>	<b>8,375</b>

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 29,364 (PY: KEUR 21,858) are transferred to the shareholder in accordance with the profit and loss transfer agreement and are 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 51,440 (PY: KEUR 51,415). 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 1.83% results in a difference of KEUR 2,778 compared to discounting at the average market interest rate of the past seven years.

This was based on the following assumptions:

	<b>Germany</b>	<b>Abroad</b>
Actuarial interest rate for provisions without plan assets	1.83%	1.83%
Actuarial interest rate for provisions with plan assets	1.83%	1.83%
Income growth	2.50%	2.00–3.50%
Income threshold	3.00%	n/a
Pension adjustment	2.20%	0.00–3.00%

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 3,974 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 3,800 and KEUR 174 below the corresponding provisions and KEUR 210 over the cost (KEUR 3,590). The KEUR 174 shortfall is included in this balance sheet item.

In Belgium, the Netherlands and Switzerland, there are direct pension obligations totalling KEUR 26,224 (PY: KEUR 26,816). Corresponding plan assets come to KEUR 2,035 (PY: KEUR 2,187), lower than the amount of the obligation. 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. 2023	31 Dec. 2022
	KEUR	KEUR
Tax provisions	2,785	2,586
Other provisions	23,130	29,111
	<b>25,915</b>	<b>31,697</b>

Other provisions essentially comprise provisions for employee obligations, special remuneration of KEUR 5,702 (PY: KEUR 5,055), restructuring measures of KEUR 13,313 (PY: KEUR 17,380), outstanding holidays and overtime worked of KEUR 1,364 (PY: KEUR 1,368) and early retirement and anniversary obligations of KEUR 396 (PY: KEUR 535).

The item also includes provisions for outstanding invoices, legal and consultancy costs, costs of the audit of the annual financial statements, including of KEUR 1,892 (PY: KEUR 2,178), 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. 2023	31 Dec. 2022
	KEUR	KEUR
Liabilities to banks	9	0
Trade payables	1,674	2,091
Liabilities to affiliated companies	42,181	33,135
- <i>(thereof to shareholder)</i>	<i>(29,413)</i>	<i>(22,035)</i>
Other liabilities	12,292	16,824
	<b>56,156</b>	<b>52,050</b>

The liabilities to the shareholder are liabilities from profit transfer of KEUR 29,364 (PY: KEUR 21,858) and trade payables of KEUR 49 (PY: KEUR 177).

Other liabilities to affiliated companies include KEUR 7,640 (PY: KEUR 8,504) for trade payables at affiliated companies and KEUR 5,128 (PY: KEUR 2,596) for the cash pool.

Other liabilities include tax liabilities of KEUR 11,459 (PY: KEUR 15,839), KEUR 10,001 (PY: KEUR 14,642) 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 29.7%. At the foreign operating facilities, they are calculated using applicable local tax rates, which range between 15.9% and 27.9%.

As at the balance sheet date, the German head office had excess deferred taxes of KEUR 7,806 (PY: KEUR 8,172) 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.

Since, in accordance with Section 14 (1) of the *Körperschaftsteuergesetz* (German Corporate Income Tax Act - KStG) and Section 2 (2) sentence 2 of the *Gewerbesteuerengesetz* (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 2,432 (PY: KEUR 2,780) 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

	<b>2023</b>	<b>2022</b>
	KEUR	KEUR
- Commission revenue (*)	62,324	66,091
- Service revenue (**)	49,988	56,451
<b>Total revenue</b>	<b>112,312</b>	<b>122,542</b>

(\*) 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

	<b>2023</b>	<b>2022</b>
	KEUR	KEUR
Germany	74,397	73,562
Other Europe	37,856	48,913
Other countries	59	67
	<b>112,312</b>	<b>122,542</b>

## (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 11,772 (PY: KEUR 8,678), including KEUR 5,861 (PY: KEUR 5,839) 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 totalling of KEUR 3,575 (PY: KEUR 2,752); Restructuring accounts for KEUR 2,137 (PY: KEUR 1,359) of this and special employee remuneration for KEUR 291 (PY: KEUR 284);
- Income from currency translation of KEUR 0 (PY: KEUR 50).
- Income from the sale of customer lists to a Swiss company totalling KEUR 2,336.

Prior-period income of KEUR 3,575 (PY: KEUR 2,752) is recognised in the other operating income.

#### **(15) Other operating expenses**

This item includes expenses for activities in the “Global Business Services” organisation of KEUR 5,861 (PY: KEUR 5,839) that relate to other operating income.

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 541; PY: KEUR 382), of which prior-period KEUR 142 (PY: KEUR 82).

Other taxes recognised within other operating expenses came to KEUR 145 (PY: KEUR 173).

## (16) Interest income

	<b>2023</b>	<b>2022</b>
	KEUR	KEUR
Other interest and similar income	5,014	600
- <i>(thereof from affiliated companies)</i>	(4,894)	(536)
- <i>(thereof income from discounting of provisions)</i>	(29)	(9)
- <i>(thereof net amount in accordance with Section 246 (2) sentence 2 HGB from the interest cost of other personnel provisions KEUR 79 (PY: KEUR 14) and income from plan assets of KEUR 85 (PY: KEUR 38))</i>	(6)	(24)
Interest and similar expenses	-1,160	-949
- <i>(thereof to affiliated companies)</i>	(-183)	(-89)
- <i>(thereof expenses from interest cost of the provision)</i>	(-967)	(-815)
	<b>3,854</b>	<b>-349</b>

## (17) Income taxes

Taxes on income reduced net earnings by KEUR 5,227 (PY: KEUR 4,360). As a result of the tax group for the German head office, the taxes on income reported here are income taxes concerning the foreign operating facilities.

## (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 213 higher than their acquisition cost (PY: KEUR 4). This amount is barred from profit transfer in accordance with Section 268 (8) HGB. Deferred tax liabilities account for KEUR 63 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) - so there is no prohibition on profit transfer for the net income for the year.

## **(19) Profit transfer**

Earnings after taxes of KEUR 29,364 (PY: KEUR 21,858) 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

	<b>2023</b>	<b>2022</b>
	KEUR	KEUR
Cost of raw materials, consumables and supplies, purchased goods	127	87
Cost of purchased services	41	87
	<b>168</b>	<b>174</b>

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

### Personnel expenses

	<b>2023</b>	<b>2022</b>
	KEUR	KEUR
Wages and salaries	42,834	44,822
Social security, pension and other benefits	10,135	18,506
- <i>(thereof in respect of old age pensions)</i>	<i>(3,076)</i>	<i>(11,230)</i>
	<b>52,969</b>	<b>63,328</b>

The decline in personnel expenses can primarily be attributed to lower pension costs. In this connection, the prior year was affected by higher pension costs, especially as a result of the inflation-induced adjustment carried out in the prior year of parameters in connection with the measurement of the pension provision.

### Disclosures on employees

The average headcount for the year was as follows:	<b>2023</b>	<b>2022</b>
- German head office	206	231
- Foreign operating facilities	147	151
Employees (excluding trainees and Board of Directors)	<b>353</b>	<b>382</b>

## Other significant financial commitments

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

	<b>2023</b>	<b>2022</b>
	KEUR	KEUR
from rental agreements and leases	3,635	3,593
<i>from investment projects underway</i>	15	12
	<b>3,650</b>	<b>3,605</b>
- <i>(thereof to affiliated companies)</i>	<i>(1,850)</i>	<i>(1,488)</i>

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 2023.

## Expenses for the auditor

The total fee for the auditor of the German head office and the company's foreign branches in 2023 came to KEUR 369 (PY: KEUR 467).

Expenses for audits in the current financial year relate to regular audit engagements in the amount of KEUR 369 (PY: KEUR 467).

## **Supervisory Board**

Angela Cackovich

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

(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

(Head of Financial Planning & Analysis)

(Clariant International AG, Muttenz, Switzerland)

Beatriz Lopez-Collado \*

(Customer Service Desk Care Chemicals Spain & Portugal)

Dr Anne Witte

(Head of Key Account Management Polymer Solutions)

(Clariant International AG, Muttenz, Switzerland)

\* Employee representative on the Supervisory Board

## **Supervisory Board remuneration**

Supervisory Board remuneration in 2023 totalled KEUR 6 (PY: KEUR 8).

## **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 2023 of KEUR 29,364 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  
Head of Finance Services Switzerland

## **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](http://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, 29 April 2024

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 cost				Amortisation, depreciation and write-downs				Carrying amount	Carrying amount	
	As at 1 Dec. 2023	Additions	Disposals	Reclassifications	As at 31 Dec. 2023	As at 1 Dec. 2023	Additions	Disposals	As at 31 Dec. 2023	31.12.2023	31.12.2022
	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR
<b>Intangible assets</b>											
Concessions, industrial property rights and similar rights and assets as well as licences to such rights and assets acquired for a consideration	34,762	0	0	0	34,762	-31,713	-527	0	-32,240	2,522	3,049
Goodwill	4,680	0	0	0	4,680	-3,163	-217	0	-3,380	1,300	1,517
Payments on account	0	0	0	0	0	0	0	0	0	0	0
	<b>39,442</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>39,442</b>	<b>-34,876</b>	<b>-744</b>	<b>0</b>	<b>-35,620</b>	<b>3,822</b>	<b>4,566</b>
<b>Tangible assets</b>											
Technical equipment and machinery	74	3	0	0	77	-74	0	0	-74	3	0
Other equipment, operating and office equipment	480	63	-62	0	481	-291	-70	62	-299	182	189
Payments on account and construction in progress	4	0	0	0	4	0	0	0	0	4	4
	<b>558</b>	<b>66</b>	<b>-62</b>	<b>0</b>	<b>562</b>	<b>-365</b>	<b>-70</b>	<b>62</b>	<b>-373</b>	<b>189</b>	<b>193</b>
	<b>40,000</b>	<b>66</b>	<b>-62</b>	<b>0</b>	<b>40,004</b>	<b>-35,241</b>	<b>-814</b>	<b>62</b>	<b>-35,993</b>	<b>4,011</b>	<b>4,759</b>



# **Clariant SE, Frankfurt am Main**

## **Management report 2023**

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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 the 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 (BUs):

- Care Chemicals (Personal & Home Care, Crop Solutions, Industrial Applications, Base Chemicals & Oil Services and Mining Solutions)
- Adsorbents & Additives (Adsorbents: Purification, Foundry & Specialties and Cargo & Device Protection as well as Additives: Coatings & Adhesives, Plastics and Polymer Solutions)

In the case of the Catalysts business unit, the 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. The European sales activities of these business units and a large portion of the Clariant Group's Europe-wide services are thus 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 2023 financial year:

The Group's new strategic focus and the associated reorganisation led to restructuring provisions of EUR 4.8 million at Clariant SE. The provisions essentially concern the elimination of 13 positions in total at the German headquarters and in the branches (Switzerland, France and Spain). The reduction programme is running according to plan. Some of the new measures initiated in 2023 had already been implemented at the end of the year.

The sale of the Quats business of Clariant Produkte (Deutschland) GmbH to Global Amines Germany GmbH had an impact on the business lease with Clariant SE. A sales volume in the order of EUR 60 million is affected by the sale, which will reduce the revenue of the commission business by this amount each year in the future.

## **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 that affect the earnings 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.

The 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 annual 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, are 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) deteriorated by 0.3% in the 2023 financial year compared to the prior year according to a report published by the German Federal Statistical Office in January 2024. A recovery of the German economy has not materialised since 2020, the year of the Covid-19 pandemic; indeed, GDP in 2023 is even 0.7% lower when compared with 2019. Continued high price levels are putting a significant damper on the economy. Adding to this were unfavourable financing conditions resulting from hikes in interest rates and low demand at home and abroad.

Economic output in the manufacturing industry (excluding construction) suffered a substantial decline of 2.0% overall. The crucial factor here was much lower production in the area of energy supply. Production fell in particular in the energy-intensive industrial sectors such as the chemical and metal industries. Construction managed to achieve a slight gain of 0.2%, adjusted for inflation, in 2023. The sector was adversely impacted, however, by continued high construction costs, the shortage of skilled labour and ever-worsening financing conditions. The majority of the service industry provided some support, however, where gross value added adjusted for inflation also declined slightly in this sector by 0.1% overall. This was primarily due to trade, transport and the hospitality sector (-1.0%), which contrasted with the growth in the information and communication industry (+2.6%).

Private consumer and government spending fell year-on-year by 0.8% or 1.7% adjusted for inflation. Spending on consumer durables adjusted for inflation dropped particularly sharply. The discontinuation of the Covid-19 measures funded by the government, which had supported economic output in the years from 2020 onwards, played a crucial role in the public sector. Construction investments fell by 2.1% adjusted for inflation in 2023, while equipment (machinery, equipment and vehicles) saw increased investments (3.0%).

The labour market has remained robust. The number of people in employment rose by 0.7% or 333,000 people to 45.9 million, higher than it has ever been. Among the factors that the increase can be attributed to are the immigration of foreign labour and a rise in the participation of the domestic population in the labour market; the growth can be found almost exclusively in the service sector.

On the basis of German economic output in 2023, government budgets reduced net public borrowing, according to preliminary figures (updated January 2024), by EUR 14 billion to around EUR 83 billion, thus producing a budget deficit ratio of 2.0%. This ratio is considerably

lower than the ratios on the last three years and also lower than the European reference value of 3.0% stated in the European Stability and Growth pact. Although 2023 saw similarly extensive payments for the gas and electricity price brake, the expenditure for combating the Covid-19 pandemic, such as tests and vaccinations, was largely discontinued, among other things, which stabilised the financing basis overall again and led to the positive result in the deficit ratio.

In the EU and thus (alongside Germany) in Clariant's other core markets, virtually all sectors throttled back on production in 2023 – sometimes very sharply – and failed to hit the prior year's level just about everywhere. Despite the fall in energy prices, the competitive position of the energy-intensive industries has remained poor. Weak private consumption led to cut-backs in production in the consumer-related sectors. The increases in interest rates put a brake on the capital goods industries. More recently, too, the process of recovery in the automotive industry came to a halt, even if it still proved possible to improve significantly on the previous year. Demand for chemical products was also unable to generate any momentum in the European context. Chemical production in the EU has trended sideways rather than up since the end of 2020. The persistently high costs of energy and raw materials prevented any reversal in the trend towards production cut-backs in 2023. Production stagnated at a low level. (VCI, Business Worldwide, December 2023).

## **2.2 Development of the sector in the past financial year**

The situation in the chemical and pharmaceutical industry in Germany remained difficult at year end 2023. Production levels continued to languish in a trough, while customers at home and abroad continued to hold back on orders. Producer prices and sector sales fell. Despite the decline in energy and raw materials prices, these remained at a high level as before and, together with the lack of orders, weighed down on business. Cost structure measures in the chemical and pharmaceutical sector therefore continued to gain in importance, which also entailed the closure of individual business fields as well as the shifting of investments to other countries (VCI Quarterly Report 3.2023).

According to the professional association of the chemical industry in Germany, an 8% decline in production materialised, while a 12% decline in sector sales had to be recorded. The value of exports and imports of chemical and pharmaceutical products also fell significantly below the prior year's value in December 2023. Both exports and imports declined year-on-year in all segments of the chemical industry. On the exports side, the inorganics segment was especially hard hit, while in imports petrochemicals were one of the worst performers.

### **2.3 Development of Clariant SE in the past financial year**

At EUR 112.3 million, sales in the 2023 financial year were down on the prior year's figure of EUR 122.5 million. The decline in sales was primarily due to economic factors, while high inventory levels left over from the Covid-19 period are most likely to have played a role in stalling new purchases over the course of 2023. Commission revenue declined year-on-year by EUR 3.8 million; revenue from services fell by EUR 6.5 million. Revenue from services that were provided to the business units that were sold only on a transitional basis after these were sold was also included in the revenue from services in the prior year.

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 a profit mark-up.

In the financial year, Clariant SE exclusively brokered sales with third-party customers of EUR 1,266.1 million for the eight production companies in Europe (PY: 1,579.9 million) and consequently generated lower year-on-year revenue from the commission business of EUR 62.3 million (PY: 66.1 million). The forecast figure of around 50.0 million, which was projected too conservatively, was exceeded on the other hand.

Services generated sales of EUR 50.0 million (PY: EUR 56.4 million), which were thus right in line with the planned figure of EUR 50.0 million. The lower year-on-year value can be attributed in particular to the services for third parties that were still provided to the sold business units on a transitional basis only in the prior year.

As in the prior year, both the sales and service units of Clariant SE were thus well utilised overall in the 2023 financial year.

### **3. Position of the company**

#### **3.1 Financial performance**

The net gains from operating activities increased by EUR 4.2 million to EUR 30.7 million and thus exceeded the very modest goal of around EUR 14.0 to 16.0 million that had been set. In contrast to what was used as the basis for the forecast and was included the previous year, extraordinary items no longer had an effect or were no longer included as they had been the previous year. On the one hand, revenue was generated from the sale of customer lists and there were no other significant measurement effects in the pension provisions, as had been the case the previous year.

The EUR 10.2 million downturn in sales was offset by the EUR 10.9 million decline in production costs, which increased gross profit on sales by EUR 0.7 million to EUR 28.8 million. Administrative expenses came to EUR 3.1 million and were thus slightly lower than in the prior year. The EUR 3.1 million increase in other operating income was offset by a EUR 0.2 million decline in other operating expenses. Other operating income included a gain on the sale of customer lists totalling EUR 2.3 million in the current year.

At EUR 3.8 million, net interest income is higher than in the prior year (EUR -0.3 million). This primarily reflects higher interest income from affiliated companies for cash pooling due to generally higher interest rates.

Tax expenses in the 2023 financial year, which as in the prior year resulted from income taxes on taxable income at the operating facilities, came to EUR 5.2 million (PY: EUR 4.4 million), putting earnings after taxes at EUR 29.4 million (PY: EUR 21.9 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 0.1 million) was invested in tangible and intangible assets in the financial year. By contrast, assets with acquisition values of EUR 0.1 million (PY: EUR 0.1 million) were disposed of.

Depreciation and amortisation in the current financial year came to EUR 0.8 million in total

(PY: EUR 1.0 million) and was thus around the same level as the prior year.

### **3.2.2 Balance sheet structure**

The company's total assets rose by 1.1% or EUR 1.6 million year-on-year to EUR 141.9 million. The fixed assets declined here by EUR 0.8 million. In turn, the share of fixed assets in or ratio of fixed assets to total assets declined by 0.5 percentage points year-on-year to 2.8%.

Current assets recorded a decline of EUR 0.9 million, coming to EUR 137.2 million as at the balance sheet date compared with EUR 138.1 million in the prior year. Receivables from affiliated companies increased by EUR 5.6 million to EUR 116.3 million, of which EUR 102.7 million is attributable to the cash pool balance at Clariant Verwaltungsgesellschaft mbH and EUR 0.9 million is attributable to the cash pool balance at Clariant International AG / Muttenz, Switzerland. Other assets experienced a EUR 3.6 million fall to EUR 18.1 million, however. The item essentially includes claims against third-party customers from the company's work as a consignee and tax receivables. Bank balances fell from EUR 5.6 million to EUR 2.8 million. At EUR 0.6 million, prepaid expenses remained unchanged from the prior year figure and primarily include insurance premiums paid in advance.

With equity remaining unchanged at EUR 8.4 million and a slight reduction in total equity and liabilities, the equity ratio remained the same at 5.9% (PY: 5.9%). Net income for the financial year of EUR 29.4 million (PY: EUR 21.9 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 77.3 million (PY: EUR 83.1 million) essentially include pension obligations of EUR 51.4 million (PY: EUR 51.4 million) and other provisions of EUR 23.1 million (PY: EUR 29.1 million). In other provisions, employee obligations declined by EUR 1.2 million and restructuring provisions declined by EUR 4.0 million.

Liabilities of EUR 56.2 million (PY: EUR 52.0 million) account for 39.6% (PY: 36,2%) of the total assets. Liabilities to affiliated companies increased by EUR 9.1 million, while other liabilities declined by EUR 4.5 million to EUR 12.3 million. Trade payables were also lower at EUR 1.7 million (PY: EUR 2.1 million); changes from 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 77.3 million; PY: EUR 83.1 million), the majority of which are personnel provisions, and from liabilities to affiliated companies (EUR 42.2 million; PY: EUR 33.1 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 102.7 million (PY: EUR 86.3 million) from euro pooling to Clariant Verwaltungsgesellschaft mbH.

The Group's financing sources also include the public capital markets.

#### **4. Employees**

The average annual employee headcount in the 2023 financial year was 353 (PY: 382), 147 of which (PY: 151) at the foreign operating facilities.

EUR 42.9 million was spent on wages and salaries (PY: 44.8 million), with social security costs and pension costs coming to EUR 10.1 million (PY: EUR 18.5 million). These include EUR 3.1 million (PY: EUR 11.2 million) in expenses for occupational pensions.

Personnel expenses include restructuring expenses of EUR 4.8 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. It 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 2023, there were no material risks that are 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 the day-to-day 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, however, the business risks are seen to be higher than they were in the previous year, which may mean lower earnings for Clariant SE. The high level of uncertainty around the world means that supply chains are less stable, prices are increasing and flexible responses have to be found again and again. Moreover, the order books of the production companies have deteriorated and it is not yet clear to what extent structural effects, especially in Germany, are playing a role and how and when the business performance will improve again. Geopolitical developments, especially the war in Ukraine, may also entail considerable risks for Clariant SE if they were to escalate. It cannot be foreseen, however, how the various situations will develop. Specific forecasts cannot be derived at the moment in today's volatile economic and geopolitical environment that is difficult to predict.

Provided the situation does not destabilise further, it is assumed that there will be no material changes in the opportunity/risk situation for Clariant SE and that it can be adapted as required, especially as Clariant SE's business model essentially prevents the company from slipping into the red.

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 when the service units are utilised to the maximum.

## **5.2 General business opportunities/risks**

In terms of the 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 the 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 the commission business is based. Clariant SE's earnings are consequently 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 developments and the resulting trade conflicts and restrictions in Europe. These may lead to fluctuations on the European market, which will in turn have an impact on Clariant SE's business basis. Moreover, global influences are playing an ever-greater role. These risks are increasingly resulting from the various geopolitical developments today. The impacts of the war in Ukraine and sanctions on Russia and the implications of these, especially in terms of gas supply and the effects on supply chains, remain in place. Added to that are the conflict in the Middle East and the economic and political risks that are seen in relation to China. General increases in procurement expenses, bottlenecks in the logistics area and high energy costs can already be seen as a consequence and continue to represent high demands. As actions to enhance countermeasures are being implemented immediately and are constantly being refined, however, there are still no risks to be seen that may jeopardise the company's ability to continue as a going concern and the impacts on the business volume and earnings arising from the decision the Group took in 2022 to no longer supply Russia continue to be considered non-critical. The decision is having negative impacts on sub-areas, but these can be considered minor and have so far been offset by the good performance in other areas. The fact that new risks can arise very quickly, as the war in the Middle East shows, is regarded as critical, however. Further escalation would in all likelihood also have an impact on the supply chains that are relevant for Clariant. Clariant SE's consignors would be directly impacted, while the company itself would be indirectly affected. In the short term, however, no risks resulting from the conflict in the Middle East that may jeopardise the company's ability to continue as a

going concern are seen and the impacts are classed as immaterial.

These risks are mitigated by Clariant SE's integration in the global Clariant Group, which has 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, conversely, the risks for the business units. These drivers involve various factors that influence demand trends as well as a range of new developments and innovations at providers. It is difficult to predict the impact of these in the future, especially against the background of the geopolitical developments and the highly volatile environment. Various effects are possible. The development of risks/opportunities is still expected to be positive, as the basis for the commission business remains robust as a whole despite the more volatile environment. 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. Sustainability and innovation will be important drivers here.

If utilisation remains constant, no particular risks/opportunities are anticipated thanks to the approach that involves 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 the area of the functions. The outsourcing in Shared Services outside Clariant SE, which is associated with an elimination of functions or a reduction in scope, is offset by stronger local structures at the head office, which may mean that the Service business will at least stabilise.

### **5.3 Risks and opportunities from digital networking**

Digitalisation presents both opportunities and risks. A lack or failure of digital initiatives and the application of artificial intelligence may mean that business opportunities are missed, which could, in turn, 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 takes these risks into account 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. It is consequently an inherent part of Clariant's five-pillar strategy. It once again featured prominently in the new purpose-based 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 constraints as a consequence of natural disasters and geopolitical developments and as a result of the general economic conditions can negatively affect the business. Appropriate purchasing measures are implemented on an ongoing basis to address this. Higher raw material prices resulting from a range of different factors can also pose risks, and these are countered by price increases on the sales side. Alternative transport modes in logistics are also being expanded to ensure a flexible response to bottlenecks, which have risen significantly.

#### **5.5 Financial risks**

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.

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 in principle at the Group level. 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.

## **6. Outlook**

### **6.1 Macroeconomic and sector environment**

The macroeconomic starting point in Germany remained very weak at the turn of the year as 2023 ended and 2024 began in the wake of the repercussions of the preceding crises, especially the significant declines in purchasing power as a consequence of the massive increase in energy and food prices, the weak performance of the global economy, the geopolitical crises and the tightening of monetary policy. According to the IMF, modest growth of 0.5% is expected for Germany in 2024, which nevertheless means it is trailing far behind in an international comparison. In contrast, growth of 2.1% is forecast for the US and 1.0% still for France at any rate, while China is expected to achieve growth of 4.6%. However, these figures are also generally lower than the prior year (US, China) or only slightly higher (France).

The global economy is facing a diverse range of challenges overall. The sharp hike in interest rates and the ongoing rundown of the high inventory levels following the disruptions to supply chains continue to weigh on industrial activity. The attacks on cargo ships in the Red Sea are impeding world trade, and this has led to significantly longer shipping times and resulted in a slump in container traffic. Despite the diverse global crises and difficulties, the global mood has nevertheless brightened: S&P Global's sentiment indicator recovered further in December 2023 and stood at 51 points at the start of January, just above the threshold for growth. In general, new business is expected to grow again after the corrections to inventories are completed, which is why it is assumed that global trade volumes will also undergo a moderate recovery. It is expected in the western economies that, after they were badly hit by the energy crisis, economic growth will develop in line with the recovery in the EU countries as the US cools down. In contrast, a divergence can be expected in Asia between the weakening expansion rates in China and Japan on the one hand and the very strong growth in other Asian countries, especially India, on the other. On this basis and following the pronounced weakness in 2023, demand for German exports is expected to increase again overall in 2024, albeit slowly.

Business expectations in the chemical industry are very cautious, with modest positive trends emerging at the beginning of 2024. They at least reached positive territory again in February. Expectations for exports increased in parallel, albeit also to a minor extent. Capacity utilisation at the start of 2024 continued to languish well below the normal range (VCI, February 2024). The most recent survey on business performance by the ifo Institute indicated that the economy is stabilising at a low level. According to the VCI, production volume comparable with that of 2023 is expected for 2024 as a whole (the decline in 2023 was already 8% versus 2022), with a decline of 1% excluding pharmaceuticals anticipated. Sector sales are expected to

recover by 3% on this basis, where a 5% decline in sales is forecast when pharmaceuticals are excluded (VCI, updated December 2023).

## **6.2 Outlook for Clariant SE**

The 2024 financial year will continue to be shaped by continuous optimisation measures in a persistently difficult environment. The restructuring programme that has been 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. The goal is to boost efficiency and contribute to profitability targets in the Clariant Group through further standardisation, automation and outsourcing to low-wage countries. Digital solutions as part of the strategy guided by "company purpose" will play a key role here.

It is essentially expected that the business areas relevant for Clariant SE will stabilise, ensuring a sound earnings basis for the company. The systematic restructuring, based on the company purpose and the resulting strategy, is expected to generate commission revenue in principle from all business areas that, according to the planning, will be comparable to 2023 levels.

Clariant's business in Europe deteriorated significantly in 2023 in an economically difficult environment, with sales suffering a substantial decline in particular from the second quarter onwards. Customers that had previously built up their inventories as a precautionary measure purchased less, which then delayed any recovery in the course of the year. The business volume relevant for Clariant SE as a consignee also declined for this reason. However, countermeasures stabilised the consignors' negative business development and, in turn, the business basis for Clariant SE. Thanks to this, it proved possible to handle the challenging economic environment in 2023 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 a 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 Clariant's European companies in the 2023 financial year and are associated with high potential risks. The impacts from geopolitical changes and crises are at the forefront here. It is not possible to forecast the actual impact of these on economic conditions for Clariant in Europe, 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 may be impaired with little prior warning, which may in turn strain demand and production and then have an adverse effect on production chains and Clariant's business basis in Europe.

Other negative impacts on sales resulting from a fall in demand cannot be ruled out, and even the supply of raw materials and energy remains volatile. In the short term (based on the first three months of 2024), the negative effects can be countered by appropriate measures, especially involving cost optimisations, but a persistently strained situation regarding sales and earnings can be assumed on account of the generally unchanged prevailing weakness in demand and geopolitical circumstances that are only becoming more challenging, as the war in Ukraine and the developments in Asia and the Middle East show. Sales volumes that are roughly equivalent to the levels achieved in 2023 are expected for 2024. Greater importance will be attached here to the export business, which is largely processed through Clariant International AG / Muttenz, Switzerland, than to the domestic or European business, which is primarily transacted through Clariant SE. The situation can change very quickly in the short term, however, depending on how the markets relevant for Clariant and the geopolitical circumstances develop, which will be reflected accordingly in the sales volumes and their structure. Also relevant in the consignors' production are responses to lower demand, which may include temporary adjustments to production.

In addition to the market and product-driven measures, Clariant continues to rely heavily on cost management and on various other measures intended to produce greater flexibility in working hours and costs in order to reduce the economic impacts on the cost side in this way. The comprehensive restructuring in the whole of the Group's environment that was already begun in prior years will be intensified and driven ahead in order to achieve the goals defined in the new strategic focus and to optimise the cost basis. The aim is to continue to pursue the high profitability targets consistently despite the difficult general conditions and take advantage of opportunities in the area of sustainability as well as the possibilities offered by cutting-edge technologies. The focus in 2024 will be to successfully implement and further extend the measures that have already been initiated. Restructuring measures at Clariant SE will also be hugely important in the future for achieving the goals that have been set.

Given the complexity, issuing a short-term outlook for Clariant's earnings in the European context is extremely difficult and subject to very high levels of uncertainty. Should conditions not continue to deteriorate, it is in principle assumed that, despite the general situation becoming more challenging, commission revenue in the order of EUR 55 million can be generated for 2024.

After the restructuring measures are implemented, it is assumed that the service volume will tend to stagnate overall compared with the 2023 financial year, with the result that revenue of a maximum of EUR 50.0 million is expected in 2024.

With general conditions essentially becoming more challenging, we anticipate overall net gains from operating activities in the order of around EUR 25.0 to 30.0 million on this basis.

## **7. Corporate governance statement (Section 289f HGB)**

At its meeting on 18 May 2018, the Supervisory Board approved resolutions on the quota for women.

It was decided to maintain or achieve the target of 33.3% for the proportion of women on the Supervisory Board for the period up to 30 June 2022. This equates to three of the nine Supervisory Board members, where at least one woman shall represent the employer and one shall represent the employees. As at 18 May 2018, four of the Supervisory Board members were women, a proportion 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 as a result of the resolution adopted by the annual general meeting on 11 November 2020, the Supervisory Board again approved targets for the proportion of women on Clariant SE's Supervisory Board at its meeting on 11 December 2020. Two of the six members of Clariant SE's Supervisory Board were women as at 11 December 2020, representing a share of 33.3%. It was decided to maintain or achieve the target of 33.3% for the proportion of women on the Supervisory Board for the period up to June 2025. This equates to two of the six Supervisory Board members. The target is currently achieved.

At its ordinary meeting on 18 May 2018 to discuss the targets for the number of women on the Board of Directors, the Supervisory Board of Clariant SE decided to set a target of 0% for the proportion of women on the Board of Directors. The target should be maintained or achieved up to 30 June 2022. The proportion of women on the Board of Directors amounted to 0% as at 30 June 2022 and the defined target was thus achieved and fulfilled within the deadline that had been set. At present, the proportion of women on the Board of Directors is 0%.

At its ordinary meeting on 9 June 2023 to discuss a target for the proportion of women on the Board of Directors of Clariant SE, the Supervisory Board decided to set a target of 0%, which has to be achieved or maintained by or up to 30 June 2027. This target is justified on the following grounds:

The Board of Directors of Clariant SE consists of two directors. This size has proved successful at the company, which is why there are no plans to enlarge the Board of Directors. If the target for the proportion of women were higher than zero, a woman would necessarily have to be appointed to fill the next vacancy on the Board of Directors, however. This would consequently restrict the flexibility of the Board of Directors when making personnel decisions and limit the number of potential candidate. The Supervisory Board needs, however, to be able to select

the person who is professionally and personally most suitable for a position on the Board of Directors without bias and irrespective of the candidate's gender. This procedure also appears reasonable against the background of the personnel development and promotion of women that takes place within the company. The company will continue its effort to increase the proportion of women in the company in general and in management positions in particular.

By a resolution adopted on 15 November 2017, the Board of Directors of Clariant SE defined a target of two female employees for the proportion of women on the Clariant SE Country Committee, the only management level below the Board of Directors. This target was to be maintained up to 30 June 2022. The target for the proportion of women on the only management level below the Board of Directors was achieved or maintained within the deadline; the proportion of women was two as at 30 June 2022 and currently also remains two (out of 11 people, thus corresponding to 18.18%). A new resolution then needed to be adopted by the company's Board of Directors on the definition of the target for the proportion of women on the only management level below the Board of Directors for the period after the expiry of the deadline. The Board of Directors reviewed the company's situation and analysed the personnel development and the promotion of women within the company.

At its meeting on 6 April 2023, the Board of Directors resolved to maintain the target of two female employees for the proportion of women on the Clariant SE Country Committee, the only management level below the Board of Directors, up to 30 June 2027 (out of 11 people, thus corresponding to 18.18%).

## **8. Thanks to our employees**

The Board of Directors would like to thank all the employees for their great commitment and extraordinary work in carrying out their tasks and overcoming the challenges in 2023.

Frankfurt am Main, April 2024

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 2023, and the income statement for the financial year from 1 January to 31 December 2023, 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 2023.

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 2023 and its results of operations for the financial year from 1 January to 31 December 2023, 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, 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 doing so, 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 it, in accordance with German Legally Required Accounting Principles, has 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. It also has the responsibility for disclosing, as applicable, matters related to going concern. In addition, it is 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 it has 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, 29 April 2024

KPMG AG

Wirtschaftsprüfungsgesellschaft

[Original German version signed by:]

Walter  
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*  
Elke Meiners-Giebel

Münster, 29 April 2024

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