



Financial Review

Full Year 2021

19 May 2022



Key Financial Group Figures

Continuing operations	2021		12 months	
	CHF m	% of sales	CHF m	2020 ³ % of sales
Sales	4372	100.0	3860	100.0
Local currency growth (LC):	15%			
<i>Organic growth</i> ¹	13%			
<i>Acquisitions/divestitures</i>	2%			
Currencies	-2%			
Gross profit	1295	29.6	1173	30.4
EBITDA*	708	16.2	597	15.5
EBITDA before exceptional items*	760	17.4	623	16.1
Operating result	440	10.1	317	8.2
Operating income before exceptional items*	493	11.3	354	9.2
Net result from continuing operations	292	6.7	130	3.4
Basic earnings per share (CHF/share)	0.81		0.32	
Net result total ²	373		825	
Return on invested capital (ROIC)*	9.9%		7.4%	
Operating cash flow ²	363		369	
Discontinued operations:				
Sales	912		1330	
Net result from discontinued operations	81		695	
Other key figures total Group:		31.12.2021		31.12.2020
Net debt	1535		1040	
Equity (including non-controlling interests)	2544		2416	
Gearing	60%		43%	
Number of employees	13374		13235	

¹ Throughout this statement the term “organic growth” is used to mean volume and price effects excluding the impacts of changes in FX rates and acquisitions/divestitures.

² Total Group, including discontinued operations

* See Definition of Terms of Financial Measurements on pages 5 and 6.

³ Restate - see note 3

Financial discussion – Full Year

CONTINUING OPERATIONS SALES AND NET RESULTS FULL YEAR 2021

In 2019, Clariant decided to sell the Masterbatches and Pigments businesses in the continuing effort to upgrade the Group's portfolio to a higher degree of specialization. Hence, these activities were reclassified to discontinued operations and the assets and liabilities pertaining to the two Business Units were reclassified to "assets held for sale" and "liabilities directly associated with assets held for sale". The sale of Clariant's Masterbatches business to Avient Corporation (formerly PolyOne Corporation) was completed on 1 July 2020. The sale of Clariant's Pigments business to a consortium of Heubach Group and SK Capital Partners was completed on 3 January 2022 (see Note 13).

Sales increased by 15 % in local currency. In Swiss francs, sales increased by 13 %.

Gross margin for the full year of 2021 was 29.6 % of sales, compared to 30.4 % recorded in the prior-year period, due to the strong increase in raw material prices and product mix effects.

Selling, general and administrative costs decreased in 2021 to 16.9 % of sales, compared to 18.8 % recorded in the prior-year period, driven by higher absolute sales in 2021 and restructuring related savings. Based on the Brazilian Federal Supreme Court decision of May 2021, a CHF 33 million net VAT-related credit (PIS-COFINS) was recognized in 2021.

Research and development costs was at CHF 155 million in the full year of 2021, below the level of the previous year at CHF 172 million.

Income from associates and joint ventures of CHF 41 million in the full year of 2021 was slightly below the CHF 42 million recorded in the corresponding period of the previous year.

Net financial result improved to CHF -46 million in 2021, compared to CHF -86 million in 2020, given an increase in dividends from securities, a decrease in interest expenses on third-party financing, and an improvement in foreign exchange results, which were partially offset by lower interest income.

Tax expense of CHF 102 million increased in 2021, compared to CHF 101 million tax expenses recorded in the prior-year period due to a substantial increase in profit before taxes. The effective tax rate for the period was positively impacted by the recognition of deferred tax assets in Switzerland, the PIS-COFINS credit in Brazil and an increased profitability in low-tax jurisdictions. However, the effective tax rate for

the period was negatively impacted by tax losses on which no deferred tax assets were recognized and the establishment of Clariant IGL Specialty Chemicals in India.

Net result amounted to CHF 292 million in the full year of 2021 versus CHF 130 million reported in the same period of 2020, due to sales growth, improved operating profitability, and a better net financial result.

Net result from discontinued operations of CHF 81 million was recorded in 2021, compared to CHF 695 million reported in the same period of 2020, which was positively impacted by the gain on the disposal of the Masterbatches business.

BALANCE SHEET KEY FIGURES – DECEMBER 2021

Total assets increased to CHF 7.038 billion as of 31 December 2021 from CHF 6.932 billion at the end of 2020. This increase is due to the build-up of working capital, the acquisitions (see Note 7), and the inception of a lease contract for a power station in Romania.

Property, plant and equipment increased to CHF 1.790 billion from CHF 1.628 billion at the end of 2020 mainly due to the acquisitions made in India and Brazil and investments in a cellulosic ethanol plant in Romania.

Right-of-use assets increased to CHF 281 million from CHF 204 million at the end of 2020, mainly due to a new lease contract for a power station in Romania.

Intangible assets increased to CHF 1.280 billion from the CHF 1.238 billion at the end of 2020, mainly as a result of the acquisitions.

Investments in associates and joint ventures increased to CHF 211 million from CHF 153 million at the end of 2020, mainly due to the reclassification of a share of the participation in Infracore Höchst, Germany from "assets held for sale" in the amount of CHF 48 million.

Financial assets remained stable at CHF 198 million, which was slightly below the CHF 202 million at the end of 2020.

Deferred income tax assets remained stable at CHF 163 million, which was slightly higher than the CHF 158 million at the end 2020.

Short-term deposits decreased to CHF 12 million from CHF 267 million at the end of 2020. They include short-term deposits with an original maturity between 90 and 365 days.



Assets held for sale and liabilities directly associated with assets held for sale amounted to CHF 828 million and CHF 247 million, respectively, as of 31 December 2021. This mainly pertains to the Business Unit Pigments, which continues to be classified as discontinued operations. Additionally, the shareholding in Scientific Design Ltd. valued at equity was classified as “assets held for sale” and a share in Infracore Höchst was reclassified from “assets held for sale” to investments in associates and joint ventures in the amount of CHF 48 million.

Non-current financial debts decreased to CHF 958 million at the end of December 2021 from CHF 1.424 billion at the end of December 2020 and **current financial debts** increased to CHF 709 million at the end of December 2021 from CHF 398 million at the end of December 2020. The decrease in non-current financial debts and the increase in current financial debts are mainly due to the combined effect of several transactions and reclassifications. There were the repayments of the USD 277 million and of the EUR 55 million certificates of indebtedness maturing on 5 August 2021. Certificates of indebtedness in the amount of CHF 62 million were repaid early on 23 August 2021. Another certificate of indebtedness of EUR 83 million was repaid early on 22 November 2021. Additionally, in August a new bridging loan in the amount of EUR 250 million with a term of 1 year was taken on. Certificates of indebtedness in the amount of EUR 115 million and a bond in the amount of CHF 175 million will reach maturity in 2022 and were therefore reclassified from non-current to current financial debts.

Equity increased to CHF 2.544 billion at the end of December 2021 from CHF 2.416 billion at the end of 2020. This was due to the net profit for the period of CHF 373 million, the positive effect of the net investment hedge amounting to CHF 22 million, and the positive net impact of CHF 7 million of the revaluation of pension obligations, consisting of a positive return on pension plan assets and an actuarial loss on retirement benefit obligations, net of deferred tax. These effects were largely offset by the distribution from share capital in the amount of CHF 230 million, the dividends paid to non-controlling interests amounting to CHF 28 million, a negative currency translation effect of CHF 61 million, and treasury share transactions amounting to CHF 8 million.

Net debt increased to CHF 1.535 billion at the end of December 2021, compared to CHF 1.040 billion at the end of 2020, resulting from growth driven increase in working capital and higher investments into property, plant and equipment, and acquisitions. This figure includes

current and non-current financial debts, lease liabilities, cash and cash equivalents, short-term deposits, and financial instruments with positive fair values reported under other current assets, including the part reported under liabilities directly associated with “assets held for sale”.

Gearing, which reflects net financial debt in relation to equity, including non-controlling interests, increased to 60 % from 43 % at the end of 2020 as a result of the increase in net debt.

CASH FLOW

Cash flow from operating activities before changes in working capital and provisions increased to CHF 770 million, compared to CHF 576 million for 2020.

Working capital and provisions increased by CHF 305 million in 2021, compared to an increase of CHF 92 million in 2020.

Cash generated from operating activities was at CHF 465 million in 2021, compared to CHF 484 million for 2020, mainly due to increased growth driven net working capital and higher payments for restructuring.

Investments in property, plant and equipment (PPE) and **investments in intangible assets** were CHF 357 million and CHF 3 million, respectively, in 2021, compared to CHF 288 million and CHF 11 million, respectively, for 2020.

Payments for business acquisitions in the amount of CHF 91 million consist of a payment made on 1 July 2021 for the acquisition of the renewable bio-ethylene oxide derivative activities from India Glycols Limited (IGL) and a payment made on 25 October 2021 for the acquisition of the Brazilian Personal Care company Beraca Ingredientes Naturais S.A.

Financing activities mainly include the distribution to the shareholders of Clariant Ltd, proceeds from and repayments of financial debts, lease liabilities, the related interests paid and received as well as the distribution to non-controlling interests.

Definition of Terms of Financial Measurements (unaudited)

The following financial measurements are supplementary financial indicators. They should be considered in addition to, not as a substitute for, operating income, net income, operating cash flow, and other measures of financial performance and liquidity reported in accordance with International Financial Reporting Standards (IFRS).

EBITDA

– (Earnings Before Interest, Taxes, Depreciation, and Amortization) is calculated as operating income plus depreciation of PPE and Right-of-use assets, plus impairment and amortization of intangible assets, and can be reconciled from the Condensed Financial Statements as follows:

EBITDA (CONTINUING OPERATIONS)

CHF m	12 months	
	2021	2020 ³
Operating result	440	317
+ Depreciation of PPE	170	162
+ Impairment	1	11
+ Depreciation of Right-of-use assets	54	50
+ Amortization of intangible assets	43	57
EBITDA	708	597

EBITDA before exceptional items

– is calculated as EBITDA plus expenses for restructuring, impairment and transaction-related costs, less impairment and gain/loss on disposals.

EBITDA before exceptional items (Continuing)

CHF m	12 months	
	2021	2020 ³
EBITDA	708	597
+ Restructuring, impairment and transaction-related costs ¹	53	99
+ Provision for EU investigation	-	-50
- Impairment (reported under Restructuring, impairment and transaction-related costs)	-1	-11
+ Gain/ Loss from the disposal of activities not qualifying as discontinued operations ²	-	-12
EBITDA before exceptional items	760	623

Operating income before exceptional items

– is calculated as operating income plus restructuring, impairment and transaction-related costs and gain/loss on disposals.

Operating income before exceptional items (Continuing)

CHF m	12 months	
	2021	2020 ³
Operating result	440	317
+ Restructuring, impairment and transaction-related costs ¹	53	99
+ Provision for EU investigation	-	-50
+ Gain/ Loss from the disposal of activities not qualifying as discontinued operations ²	-	-12
Operating income before exceptional items	493	354

restructuring, impairment and transaction-related costs 2021: CHF 53 million (2020: CHF 99 million restated), of which: Cost of goods sold CHF 7 million (2020: CHF 31 million); Selling, general and administrative costs CHF 47 million (2020: CHF 55 million restated); and income of CHF 1 million in Research & Development costs (2020: CHF 13 million expenses). In 2020 Selling, general and administrative costs includes a one-off reversal of provision CHF 50 million.

² Gain/Loss from the disposal of activities not qualifying as discontinued operations 2021: CHF 0 million (2020: CHF 12 million gain) reported under Selling, general and administrative costs.

³ Restated see note 3



Return on invested capital (Continuing)

– is calculated by dividing NOPLAT after exceptional items by the average net capital employed. NOPLAT is calculated by taking the operating income after exceptional items adjusted by the expected tax rate. Net capital employed also considers operating cash and lease liabilities.

Return on invested capital (Continuing)

CHF m	31.12.2021	31.12.2020 ³
Operating result	440	317
– Adjusted by the expected tax rate (26%)	-115	-83
Net operating profit less adjusted taxes	325	234
Total equity	2544	2416
– Cash, cash equivalents and Short-term deposits	-427	-1004
– Assets held for sale	-828	-798
+ Current and non-current financial debts	1667	1822
+ Lease current and non-current liabilities	282	200
+ Liabilities directly associated with assets held for sale	247	263
+ Operating cash (2% of sales)	87	77
Net invested capital	3572	2976
Average net invested capital	3274	3176
Return of invested capital	9.9%	7.4%

³ Restated see note 3

Net debt

– is the sum of current and non-current financial debt less cash and cash equivalents, short-term deposits and financial derivatives with positive fair values.

Net debt

CHF m	31.12.2021	31.12.2020 ³
Non-current financial debt	958	1424
+ Lease liabilities	282	200
+ Current financial debt	709	398
– Cash and cash equivalents	-415	-737
– Short-term deposits	-12	-267
– Financial instruments with positive fair values	-1	-5
+ Net debt reported as held for sale	14	27
Net debt	1535	1040

Condensed financial statements of the Clariant Group

CONSOLIDATED BALANCE SHEETS

ASSETS	31.12.2021		31.12.2020		01.01.2020	
	CHF m	%	CHF m	%	CHF m	%
			Restated		Restated	
Non-current assets						
Property, plant and equipment	1790		1628		1649	
Right-of-use assets	281		204		219	
Intangible assets	1280		1238		1351	
Investments in associates and joint ventures	211		153		248	
Financial assets	198		202		218	
Prepaid pension assets	76		57		41	
Deferred income tax assets	163		158		234	
Total non-current assets	3999	56.8	3640	52.5	3960	49.6
Current assets						
Inventories	691		534		651	
Trade receivables	729		577		680	
Other current assets	316		312		337	
Current income tax receivables	48		67		104	
Short-term deposits	12		267		304	
Cash and cash equivalents	415		737		638	
Total current assets	2211	31.4	2494	36.0	2714	34.0
Assets held for sale	828	11.8	798	11.5	1305	16.4
Total assets	7038	100.0	6932	100.0	7979	100.0
EQUITY AND LIABILITIES						
	CHF m	%	CHF m	%	CHF m	%
Equity						
Share capital	996		1228		1228	
Treasury shares (par value)	-8		-9		-10	
Other reserves	-1140		-1100		-431	
Retained earnings	2510		2158		1728	
Total capital and reserves attributable to Clariant shareholders	2358		2277		2515	
Non-controlling interests	186		139		171	
Total equity	2544	36.1	2416	34.9	2686	33.7
Liabilities						
Non-current liabilities						
Financial debts	958		1424		1485	
Deferred income tax liabilities	30		24		43	
Retirement benefit obligations	593		630		673	
Non-current lease liabilities	233		159		172	
Provision for non-current liabilities	152		197		159	
Other liabilities	58		60		68	
Total non-current liabilities	2024	28.8	2494	36.0	2600	32.6
Current liabilities						
Trade payables and other liabilities	985		814		875	
Financial debts	709		398		587	
Current income tax liabilities	257		262		238	
Current lease liabilities	49		41		45	
Provision for current liabilities	223		244		389	
Total current liabilities	2223	31.6	1759	25.4	2134	26.8
Liabilities directly associated with assets held for sale	247	3.5	263	3.7	559	7.0
Total liabilities	4494	63.9	4516	65.1	5293	66.3
Total equity and liabilities	7038	100.0	6932	100.0	7979	100.0



CONSOLIDATED INCOME STATEMENTS

	2021		12 months	
	CHF m	%	CHF m	2020 %
			Restated	
Sales	4 372	100.0	3 860	100.0
Costs of goods sold	- 3 077	70.4	- 2 687	100.0
Gross profit	1 295	29.6	1 173	30.4
Selling, general and administrative costs	- 741	16.9	- 726	18.8
Research and development	- 155	3.5	- 172	4.5
Income from associates and joint ventures	41	0.9	42	1.1
Operating result	440	10.1	317	8.2
Finance income	24	0.5	15	0.4
Finance costs	- 70	1.6	- 101	2.6
Income before taxes	394	9.0	231	6.0
Taxes	- 102	2.3	- 101	2.6
Net result from continuing operations	292	6.7	130	3.4
Attributable to:				
Shareholders of Clariant Ltd	267		106	
Non-controlling interests	25		24	
Net result from discontinued operations	81		695	
Attributable to:				
Shareholders of Clariant Ltd	77		678	
Non-controlling interests	4		17	
Net result total	373		825	
Attributable to:				
Shareholders of Clariant Ltd	344		784	
Non-controlling interests	29		41	
Basic earnings per share attributable to the shareholders of Clariant Ltd (CHF/share):				
Continuing operations	0.81		0.32	
Discontinued operations	0.23		2.06	
Total	1.04		2.38	
Diluted earnings per share attributable to the shareholders of Clariant Ltd (CHF/share):				
Continuing operations	0.81		0.32	
Discontinued operations	0.23		2.05	
Total	1.04		2.37	



CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

CHF m	12 months	
	2021	2020
		Restated
Net result	373	825
Other comprehensive result:		
<i>Remeasurements:</i>		
Actuarial gain/loss on retirement benefit obligations	28	-38
Return on retirement benefit plan assets, excluding amount included in interest expense	152	124
Limitation on recognition of net pension assets	-166	-
Fair value adjustment on financial assets	2	-10
Total items that will not be reclassified subsequently to the income statement, gross	16	76
Deferred tax on remeasurements and fair value adjustment on financial assets	-7	-17
Total items that will not be reclassified subsequently to the income statement, net	9	59
Net investment hedge	22	26
Cash flow hedges	-	-1
Currency translation differences	-57	-275
Share of other comprehensive income of associates and joint ventures	2	1
Effect of the reclassification of foreign exchange differences on previously held net investments in foreign entities	-4	130
Total items that may be reclassified subsequently to the income statement	-37	-119
Deferred tax effect	-	-
Total items that may be reclassified subsequently to the income statement, net	-37	-119
Other comprehensive result for the period, net of tax	-28	-60
Total comprehensive result for the period	345	765
Attributable to:		
Shareholders of Clariant Ltd	315	741
Non-controlling interests	30	24
Total comprehensive result for the period	345	765
Total comprehensive result attributable to shareholders of Clariant Ltd arising from:		
Continuing operations	218	-13
Discontinued operations	97	754
Total comprehensive result attributable to shareholders of Clariant Ltd	315	741



CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

12 months

CHF m	Total share capital	Treasury shares (par value)	Other reserves				Retained earnings	Total attributable to equity holders	Non-controlling interests	Total equity
			Share premium reserves	Hedging reserves	Cumulative translation reserves	Total other reserves				
Balance 31 December 2019 as previously reported	1228	-10	825	2	-1258	-431	1719	2506	171	2677
Restatement (see Note 3)							9	9	-	9
Balance 1 January 2020 restated	1228	-10	825	2	-1258	-431	1728	2515	171	2686
Net result							784	784	41	825
Cash flow hedge				-1		-1		-1		-1
Net investment hedge					26	26		26		26
<i>Remeasurements:</i>										
Actuarial gain/ loss retirement benefit obligations							-38	-38		-38
Return on retirement benefit plan assets, excluding amount included in interest expense							124	124		124
Deferred tax on remeasurements							-18	-18		-18
Currency translation differences					-258	-258		-258	-17	-275
Fair value adjustment on financial assets							-9	-9		-9
Share of other comprehensive income of associates and joint ventures							1	1		1
Effect of the reclassification of foreign exchange differences on previously held net investments in foreign entities					130	130		130		130
Total comprehensive result for the period	-	-	-	-1	-102	-103	844	741	24	765
Increase of share capital			220			220	-220	-		-
Distributions			-786			-786	-203	-989		-989
Dividends to non-controlling interests								-	-42	-42
Effect on disposal								-	-14	-14
<i>Employee share & option scheme:</i>										
Effect of employee services							6	6		6
Treasury share transactions		1					3	4		4
Balance 31 December 2020 Restated	1228	-9	259	1	-1360	-1100	2158	2277	139	2416
Balance 31 December 2020 as previously reported	1228	-9	259	1	-1360	-1100	2123	2242	139	2381
Restatement (see Note 3)							35	35	-	35
Balance 1 January 2021 restated	1228	-9	259	1	-1360	-1100	2158	2277	139	2416
Net result							344	344	29	373
Net investment hedge					22	22		22		22
<i>Remeasurements:</i>										
Actuarial gain/ loss retirement benefit obligations							28	28		28
Return on retirement benefit plan assets, excluding amount included in interest expense							152	152		152
Limitation on recognition of net asset							-166	-166		-166
Deferred tax on remeasurements							-7	-7		-7
Currency translation differences					-58	-58		-58	1	-57
Fair value adjustment on financial assets							2	2		2
Share of other comprehensive income of associates and joint ventures							2	2		2
Effect of the reclassification of foreign exchange differences on previously held net investments in foreign entities					-4	-4		-4		-4
Total comprehensive result for the period	-	-	-	-	-40	-40	355	315	30	345
Distributions from Share capital	-232	2						-230		-230
Dividends to non-controlling interests								-	-28	-28
Acquisition of non-controlling interests								-	-1	-1
Effect on Business Combination								-	46	46
<i>Employee share & option scheme:</i>										
Effect of employee services							4	4		4
Treasury share transactions		-1					-7	-8		-8
Balance 31 December 2021	996	-8	259	1	-1400	-1140	2510	2358	186	2544

CONSOLIDATED STATEMENTS OF CASH FLOWS

CHF m	12 months	
	2021	2020
Net result	373	825
Adjustment for:		Restated
Depreciation and amortization	267	269
Impairment and reversal of impairment	1	11
Impairment of working capital	18	26
Income from associates and joint ventures	-69	-63
Tax expense	137	183
Net financial income and costs	46	66
Gain / Loss from the disposal of activities not qualifying as discontinued operations	-	-12
Gain / Loss on disposal of discontinued operations	-	-768
Other non-cash items	-9	20
Total reversal of non-cash items	391	-268
Dividends received from associates and joint ventures	44	44
Payments for restructuring	-38	-25
Cash flow before changes in working capital and provisions	770	576
Changes in inventories	-226	84
Changes in trade receivables	-191	47
Changes in trade payables	196	-58
Changes in other current assets and liabilities	-26	-19
Changes in provisions (excluding payments for restructuring)	-58	-146
Cash generated from operating activities	465	484
Income taxes paid	-102	-115
Net cash generated from operating activities	363	369
Investments in property, plant and equipment	-357	-288
Investments in intangible assets	-3	-11
Investments in financial assets, associates and joint ventures	-5	-2
Sale of property, plant and equipment and intangible assets	57	22
Changes in short-term deposits	255	34
Changes in other financial assets	-1	14
Business acquisitions	-91	-9
Proceeds from the disposal of associates and financial assets	2	5
Proceeds from the disposal of discontinued operations	-	1305
Proceeds associated to disposals of activities not qualifying as discontinued operations	-	13
Net cash provided by/used in investing activities	-143	1083
Purchase of treasury shares	-16	-1
Distributions to the shareholders of Clariant Ltd	-230	-989
Dividends paid to non-controlling interest	-28	-42
Proceeds/ payments associated to transactions with non-controlling interests	-1	-
Proceeds from financial debts	337	288
Repayments of financial debts	-499	-472
Repayments of lease liabilities	-59	-55
Interest paid	-51	-60
Interest paid for leases	-11	-11
Interest received	20	16
Net cash used in financing activities	-538	-1326
Currency translation effect on cash and cash equivalents	-4	-27
Net change in cash and cash equivalents	-322	99
Cash and cash equivalents at the beginning of the period	737	638
Cash and cash equivalents at the end of the period	415	737

Notes to the condensed financial statements (unaudited)

1. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

These financial statements are the condensed consolidated financial statements (hereafter “the consolidated financial statements”) of Clariant Ltd, a company registered in Switzerland, and its subsidiaries (hereafter “the Group”) for the twelve-month period ended on 31 December 2021. The condensed consolidated financial statements, which do not contain all the information that International Financial Reporting Standards (IFRS) would require for a full set of financial statements, have been prepared in accordance with IFRS and with the accounting policies set out in the Clariant Financial Report for the year ended 2021. The accounting policies applied are consistent with the ones applied at year-end 2020.

The consolidated financial statements were approved on 17 May 2022 by the Board of Directors.

The preparation of the condensed consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of revenues, expenses, assets, liabilities, and disclosure of contingent liabilities at the date of the consolidated financial statements. If, in the future, such estimates and assumptions, which are based on management’s best judgment at the date of the consolidated financial statements, deviate from the actual circumstances, the original estimates and assumptions will be modified as appropriate in the year in which the circumstances change.

2. NEW ACCOUNTING STANDARDS

The following standards, interpretations, and amendments are effective from 1 January 2021:

- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4, and IFRS 16 – Interest rate benchmark (IBOR) reform

The amendments listed above did not have any impact on the Group’s financial accounts.

3. RESTATEMENTS CORRECTION OF ERRORS

As a result of information received internally, Clariant undertook an investigation which focused on the recognition and measurement of certain provisions and accruals, reviewing whether these were incorrectly recognized and/or measured with the potential aim of steering the Company’s results to meet internal and external targets. The investigation was performed by independent advisors and external counsel appointed by the Company.

As a result of this investigation, Clariant is required to restate previously published financial statements, including the annual financial statements for the financial year ended on 31 December 2020, the unaudited First Half Year financial statements for the periods ended on 30 June 2020 and on 30 June 2021 as well as the unaudited quarterly reporting during those years. Errors which relate back to periods before 1 January 2020 have been corrected in the opening balance sheet of the 2020 Annual Financial Statements.

The identified deviations from previously reported figures resulting from the restatement of the 2020 financial statements are mainly due to over- or understated provisions and accruals. The correction of errors was performed in accordance with IAS 8.

The restatement items reflect adjustments to correct errors on the balance sheet to adjust the related provisions and accruals, deferred tax assets and liabilities which were affected by the corrections and the corresponding increases/decreases of costs of goods sold and operating expenses in the income statement.

The errors corrected in the 2020 Annual Financial Statement resulted in an increase of net income of CHF 26 million, thereof CHF 14 million in continuing operations. The nature and impact of these adjustments are described in more detail below and also listed in the tables below.

The results of the investigation have no impact on the sales and cash and cash equivalent figures reported in 2020.

The following types of transaction required a correction:

- Overstatement of restructuring provisions
- Overstatement of provisions for variable salaries
- Overstatement of a provision in connection with an investigation by the EU
- Overstatement of provisions set up in connection with the disposal of business activities
- Overstatement of provisions and accruals for expenses of various types (e.g. legal obligations, plant maintenance)



IMPACT OF THE CORRECTIONS ON THE ELEMENTS OF THE FINANCIAL STATEMENTS

	Amounts reported before correction in CHF m	Amounts reported after correction in CHF m	Difference in CHF m
Opening Balance Sheet 1 January 2020			
Current provisions	393	389	-4
Non-current provisions	164	159	-5
Deferred tax liabilities	43	43	-
Equity	2677	2686	9
Closing Balance Sheet 31 December 2020			
Deferred tax assets	160	158	-2
Assets held for sale	797	798	1
Current provisions	278	244	-34
Non-current provisions	202	197	-5
Trade payables	817	814	-3
Deferred tax liabilities	18	24	6
Equity	2381	2416	35
Income statement 2020			
Continuing operations			
Selling, general & administrative	-747	-726	21
Research and development costs	-170	-172	-2
Taxes	-96	-101	-5
Net result from continuing operations	116	130	14
Net result of discontinued operations	683	695	12
Net result	799	825	26
Basic earnings per share 2020 attributable to the shareholders of Clariant Ltd (CHF/share)			
Continuing operations	0.28	0.32	0.04
Discontinuing operations	2.02	2.06	0.04
Total	2.30	2.38	0.08
Diluted earnings per share 2020 attributable to the shareholders of Clariant Ltd (CHF/share)			
Continuing operations	0.28	0.32	0.04
Discontinuing operations	2.01	2.05	0.04
Total	2.29	2.37	0.08
Cash Flow statement 2020			
Net income	799	825	26
Tax expense	174	183	9
Changes in other current assets and liabilities	-15	-19	-4
Changes in provisions (excluding payments for restructuring)	-115	-146	-31
Total	843	843	0



4. REVENUE RECOGNIZED OVER A PERIOD OF TIME

Revenue recognized over a period of time incurred in 2021 amounted to CHF 48 million, compared to CHF 83 million in the prior year. It arose almost exclusively in the Business Area Natural Resources.

5. FAIR VALUE MEASUREMENT

IFRS 13, Fair Value Measurement, requires the disclosure of fair value measurements for financial instruments measured at fair value in the balance sheets in accordance with the fair value measurement hierarchy. The fair value hierarchies are defined as follows:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
- Level 3: Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

All derivative financial instruments held by the Group at the end of December 2021 are classified as “Level 2” as defined by IFRS 13 Fair Value Measurement. The valuation of forward exchange rate contracts is based on the discounted cash flow model, using observable inputs such as interest curves and spot rates. FX options are valued based on a Black-Scholes model, using major observable inputs such as volatility and exercise prices.

Clariant is also the owner of a number of small-scale participations in companies engaged in activities closely related to those of Clariant. These shareholdings are valued at fair value through other comprehensive income using “Level 3” methods to determine the fair value. Their valuation is based on multiples of projected earnings and discounted cash flows. The participations amounted to a total value of CHF 198 million at 31 December 2021, compared to CHF 202 million at the end of 2020 and are reported as part of financial assets. The change in value was mainly driven by the fair value estimation performed in 2021 and resulted in an increase of CHF 2 million. The gain on the revaluation, amounting to CHF 2 million, was recognized in other comprehensive income.

There are no long-term financial liabilities valued at fair value. The fair value of financial liabilities approximates their carrying value, except for the straight bonds. Fair values of straight bonds are determined by quoted market prices (level 1 in the fair value hierarchy) and amounted to CHF 554 million at the end of December 2021, compared to their carrying value of CHF 561 million.

There were no transfers between the levels in 2020 as well as in 2021.

6. DISCONTINUED OPERATIONS

In 2019, Clariant announced its intention to sell the Business Units Pigments and Masterbatches and the Business Line Health Care Packaging, which operated as a part of the Business Unit Masterbatches. As a result, these activities were reclassified to discontinued operations in 2019. Income and expenses of the activities concerned have been reclassified to “discontinued operations” in the consolidated income statement and the assets and liabilities pertaining to these activities have been reclassified to “assets held for sale” and “liabilities directly associated with assets held for sale” in the consolidated balance sheet, according to IFRS 5, Non-current assets held for sale and discontinued operations.

On 31 October 2019, Clariant sold its Healthcare Packaging business to Arsenal Capital Partners, a private equity firm located in New York, USA. On 1 July 2020, Clariant sold the Business Unit Masterbatches to the US-based Avient Corporation (formerly PolyOne Corporation). On 14 June 2021, Clariant announced that definitive agreements have been signed to divest its Pigments business to a consortium of Heubach Group and SK Capital Partners. Closing took place on 3 January 2022 (see Note 13).

Assets and liabilities reclassified as “held for sale” as of 31 December 2021 amount to CHF 828 million and CHF 247 million, respectively. This also includes one participation accounted for at equity, which is not part of this transaction, in the amount of about CHF 107 million. One shareholding in the amount of CHF 48 million, which was previously classified as “held for sale”, was reclassified to investments in associates and joint ventures in Q4 2021. Income from associates and joint ventures was adjusted accordingly for the reporting period.

Sales from discontinued operations amounted to CHF 912 million in 2021, compared to CHF 1.330 billion in the previous year. The 2021 net result from discontinued operations was a gain in the amount of CHF 81 million, compared to CHF 695 million in the previous year, which had resulted mainly from the disposal of Masterbatches. In 2021, discontinued operations comprised Pigments for twelve months, while in 2020 discontinued operations comprised Pigments for twelve months and Masterbatches for six months.



7. ACQUISITION ACTIVITIES

7.1 Acquisition of Joint venture Clariant IGL Specialty Chemicals Private Ltd (CISC)

On 1 July 2021, Clariant and India Glycols Ltd (IGL) established a joint venture for bio-ethylene oxide derivatives from renewable sources. Clariant contributed 51 % to the joint venture and IGL 49 % for a cash consideration of CHF 58 million. As Clariant exercises control over the joint venture, it is consolidated in Clariant's financial accounts and accounted for as a business combination. The joint venture combines IGL's business with bio-ethylene oxide derivatives from renewable sources, with Clariant's ICS activities in India, Sri Lanka, Bangladesh, and Nepal. It comprises a multipurpose plant in Kashipur, India including an alkoxylation plant. This acquisition pertains to the Business Unit Industrial & Consumer Specialties (ICS). Since the initiation of the joint venture, the company is fully consolidated in Clariant's financial statements. The acquired intangible assets comprise mainly customer relationships, developed technology, knowhow, and the trade name. The preliminary goodwill amounts to CHF 35 million. This is subject to change until the external valuation and the purchase price allocation are finalized in 2022.

7.2 Acquisition of Beraca Ingredientes Naturais S.A.

On 25 October 2021, Clariant acquired the remaining 70 % of the shares of the Brazilian Personal Care company Beraca Ingredientes Naturais S.A. from the company's founder-owners for a cash consideration of CHF 31 million. The company is one of the foremost producers of natural ingredients for the Personal Care industry and is based in the Amazonas region. This acquisition pertains to the Business Unit Industrial & Consumer Specialties (ICS). Clariant has been holding 30 % of the shares since 2015 and is now a 100 % owner. As part of the accounting for the business combination, the 30 % shareholding previously held was revalued to fair value, which resulted in a one-time gain of CHF 9 million, recorded in Income from associates and joint ventures in the income statement. Since the acquisition date, Beraca is fully consolidated in Clariant's financial statements. The acquired intangible assets comprise mainly customer relationships, developed technology, knowhow, and the trade name. The goodwill generated amounts of CHF 25 million.

8. COVID-19

The outbreak of the COVID-19 pandemic has affected the world economy deeply and, as a consequence, also the environment of Clariant and the company itself. Clariant has early taken measures to minimize the COVID-19 impact by ensuring people safety first while supporting its communities and concurrently running business

continuity, cash and cost programs. Business continuity could be preserved by stringent safety and contingency measures that allow for very minimal disruption caused by temporary production site closures while cooperating closely with customers and suppliers along the value chains. In the reporting period, most Business Units have recovered from the COVID-19 inflicted decreases in business activities in a satisfactory manner. Management together with the Business Units is continuously modeling and assessing the situation and executing stringent cash and cost programs.

9. RESTRUCTURING, IMPAIRMENT AND TRANSACTION-RELATED COSTS

The implementation of the restructuring measures determined in 2020 is proceeding in 2021 according to plan. In 2021, Clariant recorded restructuring, impairment, and transaction-related costs pertaining to its continuing operations in the amount of CHF 53 million. During the same period in the previous year, restructuring, impairment, and transaction-related costs pertaining to the continuing operations amounted to CHF 99 million.

As has been informed in prior financial statements, Clariant is undergoing restructuring measures to adjust the Group structure to the set-up subsequent to the disposal of all discontinued operations. For this purpose, substantial restructuring provisions were recorded in 2020 after having fulfilled the pre-conditions in accordance with the accounting standards. In the meantime, certain economic developments have given rise to a reconsideration of some of these restructuring measures. Some of the envisaged measures were recalibrated or revoked and as a consequence, Clariant reports in continuing operations a net income from the change in restructuring provisions in the amount of CHF 4 million in 2021, compared to an expense of CHF 35 million in 2020.

10. CONTINGENCIES

After an internal complaint concerning misstatements of quarterly key financial data, Clariant engaged external counsel to investigate the matter. The investigation found that the 2020 financial statements required restatement and the quarterly reporting of key financial data for 2020 and 2021 required correction, as announced by Clariant on 27 April 2022. Clariant has made the required restatement and correction. Clariant is confident that the matter has been resolved, nevertheless uncertainties around the existence, timing and amount of possible financial obligations of Clariant may exist. It cannot be ruled out that this matter could result in Clariant becoming subject to formal investigations and proceedings, and any fine or other sanction imposed or other possible financial obligations arising in connection with the restatement or correction or the underlying behavior could adversely affect Clariant. A Clariant subsidiary in the United States



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

11. REPAYMENTS OF FINANCIAL LIABILITIES

On 5 August 2021, the certificates of indebtedness issued in 2016 in the amount of USD 277 million and in the amount of EUR 55 million reached maturity and were repaid. On 23 August 2021, certificates of indebtedness issued in 2020 in the amount of CHF 62 million were repaid early. On 22 November 2021, certificates of indebtedness issued in 2020 in the amount of EUR 83 million were repaid early.

12. LAUNCH OF NEW LOAN

On 5 August 2021, Clariant took on a bridging loan in the amount of EUR 250 million interest free with the term of 1 year.

13. EVENTS SUBSEQUENT TO THE BALANCE SHEET DATE

On 3 January 2022, Clariant sold the business unit Pigments to US-based SK Capital Partners and the German-based Heubach group. The total consideration of the sale net of cash transferred amounted to CHF 614 million, a 20 % stake in the combined group newly created from the former Clariant and Heubach pigment activities, plus a potential earn-out of CHF 50 million in case certain numbers of operating profit (EBITDA) were achieved in 2021.

On 3 January 2022, a bridging loan in the amount of EUR 250 million interest free was repaid early.

On 4 March 2022, Clariant announced that it would suspend all business in Russia with immediate effect in response to the Russian armed forces' invasion of the Ukraine. Clariant's operations in Russia include a sales office and a laboratory in Moscow and contribute approximately 2 % to the company's annual sales.

Also as a result of the war in the Ukraine, Clariant was forced to put all business activities in the Ukraine on hold. Clariant's operations in the Ukraine comprise a Catalyst plant which contributed about 0.2 % to the company's annual sales.

All holders of certificates of indebtedness (Col) in a total amount of EUR 544 million and the banks extending a Revolving Credit Facility (RCF) in the amount of CHF 445 million are entitled to be presented the audited consolidated financial statement of the Clariant Group by 30 April and 31 March 2022, respectively, of the following year. In the case of a delay, Col holders can extraordinarily terminate their investment and require an early repayment. RCF banks, subject to a majority vote of all RCF banks are entitled to a cancellation of their commitment and, as the case may be, a repayment of any funds drawn under the RCF. Due to the investigation on Clariant' financial reporting (see Note 3) and the ensuing delay of the publication of the Integrated Report the original deadlines could not be kept by Clariant. This led to negotiations with the holders of these financial instruments to extend the deadline for the presentation of the audited Financial Report 2021 until 30 June 2022. As of 17 May 2022 all 10 banks extending the RCF have consented to extend the deadline for the presentation of the audited Financial Report 2021, including the restatement for 2020 until 30 June 2022. Of the 101 holders of Cols as of 17 May 2022, three holders announced not to consent to an extension of the deadline for the presentation of the audited Financial Report 2021, and thereof one demanded an early payment of EUR 13 million which was repaid on 28 April 2022.

On 14 April 2022, Clariant announced the sale of the 50 % participation in the joint venture Scientific Design Company to the joint venture partner SABIC for a net consideration of USD 139 million.

12. BUSINESS AREA FIGURES (CONTINUING OPERATIONS)

12 months CHF m	Sales to 3rd parties				EBITDA before exceptionals			EBITDA		
	2021	2020	% CHF	% LC	2021	2020 ³	% CHF	2021	2020 ³	% CHF
Care Chemicals	1699	1411	20	22	366	277	32	351	274	28
Catalysis	907	879	3	5	150	178	-16	152	169	-10
Natural Resources	1766	1570	12	14	302	247	22	300	224	34
Business Areas total	4372	3860			818	702		803	667	
Corporate	-	-			-58	-79		-95	-70	
Total	4372	3860	13	15	760	623	22	708	597	19

CHF m	Operating income before exceptionals			Operating income			Systematic depreciation of PPE and ROUA	
	2021	2020 ³	% CHF	2021	2020 ³	% CHF	2021	2020
Care Chemicals	293	209	40	278	206	35	66	61
Catalysis	80	108	-26	82	96	-15	58	56
Natural Resources	212	158	34	209	128	63	69	64
Business Areas total	585	475		569	430		193	181
Corporate	-92	-121		-129	-113		31	31
Total	493	354	39	440	317	39	224	212

³ Restated see note 3

13. BUSINESS AREA MARGINS (CONTINUING OPERATIONS)

12 months in %	Sales to 3rd parties (Share of Total)		EBITDA before exceptionals		EBITDA	
	2021	2020	2021	2020 ³	2021	2020 ³
Care Chemicals	38.9	36.5	21.5	19.6	20.7	19.4
Catalysis	20.7	22.8	16.5	20.3	16.8	19.2
Natural Resources	40.4	40.7	17.1	15.7	17.0	14.3
Total	100.0	100.0	17.4	16.1	16.2	15.5

in %	Operating income b. exceptionals		Operating income	
	2021	2020 ³	2021	2020 ³
Care Chemicals	17.2	14.8	16.4	14.6
Catalysis	8.8	12.3	9.0	10.9
Natural Resources	12.0	10.1	11.8	8.2
Total	11.3	9.2	10.1	8.2

³ Restated see note 3

14. DISCONTINUED OPERATIONS

CHF m	12 months			
	2021	2020 ³	% CHF	% LC
Sales	912	1330	-31	-31
EBITDA	113	786	-86	
- margin	12.5%	59.0%		
EBITDA before exceptional items	137	148	-7	
- margin	15.1%	11.1%		
Net income	81	695		

³ Restated see note 3

15. CONDENSED EARNINGS PER SHARE DATA

	12 months	
	2021	2020 ³
Net result attributable to shareholders of Clariant Ltd (CHF m)		
Continuing operations	267	106
Discontinued operations	77	678
Total	344	784
Shares		
Number of registered shares at 31.12.2021 and 31.12.2020 respectively	331 939 199	331 939 199
Weighted average number of shares outstanding	329 336 789	329 517 644
Adjustment for granted Clariant shares	2 053 495	1 507 123
Weighted average diluted number of shares outstanding	331 390 284	331 024 767
Basic earnings per share attributable to shareholders of Clariant Ltd (CHF/share)		
Continuing operations	0.81	0.32
Discontinued operations	0.23	2.06
Total	1.04	2.38
Diluted earnings per share attributable to shareholders of Clariant Ltd (CHF/share)		
Continuing operations	0.81	0.32
Discontinued operations	0.23	2.05
Total	1.04	2.37

³ Restated see note 3

16. FINANCE INCOME AND COSTS

	12 months	
in CHF m	2021	2020
Finance income		
Interest income	11	13
Other financial income	13	2
Total finance income	24	15
Finance costs		
in CHF m	2021	2020
Interest expense	-62	-72
<i>thereof effect of discounting of non-current provisions</i>	-3	-4
<i>thereof interest component of pension provisions</i>	-8	-10
<i>thereof interest on lease liabilities</i>	-11	-11
Other financial expenses	-8	-9
Total finance costs before currency result	-70	-81
Currency result, net	2	-28
Total finance costs	-68	-109
thereof reported under discontinued operations	2	-8
Total finance costs continuing operations	-70	-101



17. FOREIGN EXCHANGE RATES

Rates used to translate the consolidated balance sheets (closing rates)	31.12.2021	31.12.2020	Change %
1 USD	0.91	0.88	3
1 EUR	1.03	1.08	-5
1 BRL	0.16	0.17	-6
1 CNY	0.14	0.13	8
100 INR	1.23	1.21	2
100 JPY	0.79	0.85	-7

Average sales-weighted rates used to translate the consolidated income statements and consolidated statements of cash flows	2021	2020	12 months Change %
1 USD	0.92	0.94	-2
1 EUR	1.08	1.07	1
1 BRL	0.17	0.18	-6
1 CNY	0.14	0.14	-
100 INR	1.24	1.26	-2
100 JPY	0.83	0.88	-6



Clariant – what is precious to you?

Clariant is a focused, sustainable and innovative specialty chemical company based in Muttenz, near Basel/Switzerland. On 31 December 2021, the company employed a total workforce of 13 374. In the financial year 2021, Clariant recorded sales of CHF 4.372 billion for its continuing businesses.

Clariant's corporate strategy is led by the overarching purpose of 'Greater chemistry – between people and planet' and reflects the importance of connecting customer focus, innovation, sustainability, and people.

The company reports in three Business Areas: Care Chemicals, Catalysis, and Natural Resources.

www.clariant.com

CALENDAR OF CORPORATE EVENTS

02 June 2022	Integrated Report 2021
15 June 2022	First Quarter 2022 Reporting
24 June 2022	Annual General Meeting
28 July 2022	Second Quarter 2022 Reporting
27 October 2022	Third Quarter 2022 Reporting

YOUR CLARIANT CONTACTS

Investor Relations	
Andreas Schwarzwälder	Tel. +41 61 469 63 73
Maria Ivek	Tel. +41 61 469 63 73
Alexander Kamb	Tel. +41 61 469 63 73
Media Relations	
Jochen Dubiel	Tel. +41 61 469 63 63
Anne Maier	Tel. +41 61 469 63 63
Ellese Golder	Tel. +41 61 469 63 63

DISCLAIMER

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continue to receive adequate products from its vendors on acceptable terms, or at all, and to continue to obtain sufficient financing to meet its liquidity needs; and changes in the political, social, and regulatory framework in which the Company operates or in economic or technological trends or conditions, including currency fluctuations, inflation, and consumer confidence, on a global, regional, or national basis. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of this document. Clariant does not undertake any obligation to publicly release any revisions to these forward-looking statements to reflect events or circumstances after the date of these materials.