CLARIANT

Annual Report
2012

what is precious to you?

Financial **SUMMARY**

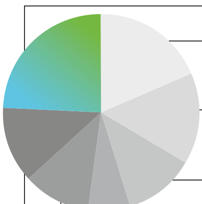
KEY FIGURES in CHF m

	2012	2011
Sales [1]	**6 038**	5 571
EBITDA before exceptionals [1]	**802**	835
EBITDA margin before exceptionals (%) [1]	**13.3**	15.0
EBIT before exceptionals [1]	**531**	624
Net income	**238**	251
Basic earnings per share [1]	**0.70**	0.77
Operating cash flow [2]	**468**	314
Investment in property, plant and equipment	**311**	370
Research & Development costs [1]	**175**	140
Total assets	**9 525**	9 105 [3]
Equity	**3 040**	3 026
Equity ratio (%)	**31.9**	33.3
Net financial debt	**1 789**	1 740
Gearing ratio [4] (%)	**59**	58
Employees	**21 202**	22 149

[1] Continuing operations (see note 1.04 in the Financial Report)
[2] Starting from 2012, interest paid and received are reported as part of financing cash flow. 2011 number has been restated accordingly.
[3] Restated (see note 1.03 in the Financial Report)
[4] Net financial debt to equity

SALES BY BUSINESS UNIT in CHF m

Total 2012: 6 038

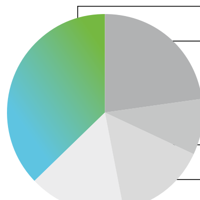


Industrial & Consumer Specialties	**1 474**	**24%**
Masterbatches	**1 121**	**19%**
Pigments	**899**	**15%**
Oil & Mining Services	**715**	**12%**
Additives [1]	**411**	**7%**
Functional Materials	**667**	**11%**
Catalysis & Energy	**751**	**12%**

[1] Additives, the remaining part of the former Performance Chemicals, also comprises the activities of Emulsions in Morocco and the New Business Development with combined sales of around CHF 20 million.

SALES BY REGION in CHF m

Total 2012: 6 038



Europe	**2 228**	**37%**
Asia / Pacific	**1 414**	**23%**
Middle East & Africa	**537**	**9%**
Latin America	**903**	**15%**
North America	**956**	**16%**

Why is
CLARIANT SUCCESSFUL?

Where we want to go – Our Vision

We aim to be the global leading company for specialty chemicals and to stand out by above-average value creation for all of our stakeholders.

How we aim to get there – Our Mission

We build leading positions in the businesses we are active in, and we adopt functional excellence as part of our culture. We create value through appreciating the needs of:

- our customers – by providing competitive and innovative solutions
- our employees – by adhering to our corporate values
- our shareholders – by achieving above-average returns
- our environment – by acting sustainably

What Clariant stands for – Focusing on Appreciation

We want to help our customers get ahead in their markets. We succeed in doing this with the Clariant brand essence: appreciation. We appreciate values and put them at the center of what we do – and we do so in every area where we are active or we can have an influence: performance, people and the planet.

BRAND VALUE PERFORMANCE:

Our customers and their performance deserve our appreciation. It makes us proud to support them. At the same time, we are only successful if our customers enjoy success. That is why we strive for exceptional performance. **We do everything to offer them innovative, customized, high-quality solutions.**

BRAND VALUE PEOPLE:

Dialogue is a foundation of our business in two key respects. First, we have to listen to exactly what our customers say if we are to determine their requirements. Furthermore, our success depends on an effective exchange between the people involved. **Appreciation towards customers and colleagues, respect, transparency, and integrity help us to foster a spirit of dialogue.**

BRAND VALUE PLANET:

As a global specialty chemicals company, we are a player not only in the economy, but also in society and the environment. Our responsible approach to dealing with customers, staff, neighbors, resources, and the environment is both an ethical imperative and an expression of our appreciation. At the same time, ecological sustainability is a key factor for our success and that of our customers. **By using sustainable, leading technologies, we aim to meet the most stringent standards and set new benchmarks in the industry.**

Clariant's core question what is precious to you? makes clear in just a few words what we stand for and what everyone can expect from Clariant: appreciation. We ask our customers directly how we can increase value for them with sustainable solutions. We ask and we listen, signalizing our respect and readiness for dialogue. By the way:

what

is

precious

to

you?

Strategy and targets
FOR THE FUTURE

FOUR STRATEGIC PILLARS DEFINE THE FUTURE PATH OF CLARIANT

PROFITABILITY

1.

Continuous improvement of profitability in all Business Units

INNOVATION

2.

Focus on Research & Development and Innovation

EXPANSION

3.

Expansion of Clariant's competitive position in global growth markets

OPTIMIZATION

4.

Optimization of the company portfolio

These strategic pillars are accompanied by a continuous improvement process as part of the Group-wide Clariant Excellence initiative.

CLEARLY DEFINED TARGETS TO THE YEAR 2015

Based on this strategy, Clariant announced clear goals to be achieved by 2015. These are:

> 17 %

An EBITDA margin of > 17 %

ROIC

A return on invested capital (ROIC) that is higher than the average in the company's peer group*

* Peer group: see p. 40

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ANNUAL REPORT 2012

»We'll deliver **ON OUR PROMISES«**

Did the financial year 2012 meet your expectations?

—

RUDOLF WEHRLI The overall results were satisfactory in light of the challenging market conditions. With regard to the global economy, the euro and financial problems turned out much worse than many had expected. The US economy had its highs and lows too, and even China couldn't live up to expectations that were unrealistically high in some quarters. Latin America, however, has resisted the trend and shows significant growth. But of course we didn't go into the financial year with our eyes completely shut.

—

HARIOLF KOTTMANN Looking back, the past year shows a mixed picture. First of all, we should recognize that the performance was still robust measured against the economic situation. On the other hand, we have not reached the goals that we had set ourselves at the beginning of the year.

Indeed, we had anticipated the global economy to progressively strengthen in the course of the year, but, – unfortunately – that did not happen, mainly because of Europe. There, we have lost volume because the downtrend, that first hit southern Europe, has finally reached the rest of the continent. This loss was significant – we are talking about more than 15 % in some businesses.

Can you explain this in more detail?

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HARIOLF KOTTMANN We did manage to keep our sales at a stable level. For the first time, the former Süd-Chemie activities were consolidated for the full year and contributed positively to the result. On the volume side, business contracted by around 2 %, which – as I mentioned before – was a reflection of the situation afflicting Europe. Overall, the results show that the growth in Emerging Markets compensated for the decline in Europe. Besides that, we did manage to increase our sales prices slightly.

So it is your strategy to compensate the loss in volume with price increases?

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HARIOLF KOTTMANN These are two different things. In general, we strive to operate in growth markets with businesses that have competitive market positions, resulting in strong pricing power. And, of course, pricing is also part of our program for continuous improvement.

One of the reasons for efforts to reshape the company is the fact that our portfolio was not set up in the past in a way that it could withstand larger economic trends. Repositioning the portfolio has started successfully and will remain a high priority for us. It will make Clariant more resilient and less vulnerable in a crisis. By 2015, the businesses less susceptible to economic trends will account for more than two thirds of our sales –the picture will then look a good deal better.

This year, we will work on establishing an integrated price adjustment process which will lead to a more value-oriented pricing and sales activities.

So the contraction in volume was clearly the main reason for the operating result falling so short of the previous year's figure?

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RUDOLF WEHRLI Both the drop in volume and relatively high project costs played a decisive role. But adjusted EBITDA of CHF 802 million from the continuing businesses is quite impressive; I would say that this, along with an EBITDA margin of 13.3 %, are pretty robust figures given the economic slowdown in the second half of the year.

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RUDOLF WEHRLI
Chairman Board of Directors

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HARIOLF KOTTMANN
Chief Executive Officer

—
RUDOLF WEHRLI AND HARIOLF KOTTMANN

What led to such a high cost basis?

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HARIOLF KOTTMANN The cost basis is relatively high, that is true. But the costs are fully under control and we are continuously striving to increase cost efficiency. The increase in 2012 was caused by several projects that we implemented to reposition the company. Both the Süd-Chemie integration, that progressed even faster than planned, and the exceptional costs related to our divestment program are temporary and will therefore decrease.

On the subject of Süd-Chemie: there were critics who said you paid too much back in 2011. What would you say to them more than 18 months down the road?

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RUDOLF WEHRLI We both – Board of Directors and Executive Committee – said right from the outset: we're all going to be very pleased with Süd-Chemie. Integration is proceeding better than expected. Take a look at the figures: With EBITDA margins of 21,4 % and 14,7 % respectively, the new Catalysis and Energy and Functional Materials business units are amongst the best within our portfolio. And promising future markets such as energy storage, industrial biotechnology and renewable raw materials are still in their early days and these megatrends have a promising potential.

Mr. Kottmann, you announced the sale of three businesses just recently. How important was this deal for Clariant?

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HARIOLF KOTTMANN Let me first say that I am very pleased that we were able to find a new owner with a disciplined focus on the specialty materials, chemicals and healthcare sectors. SK Capital is highly interested in acquiring well-positioned and well-managed businesses – and that is the case here. The transaction marks a significant milestone in the execution of our profitable growth strategy, after the acquisition of Süd-Chemie. I am of course pleased that we are able to execute the divestment of Emulsions, Paper Special-

»We recognize our responsibility and we will create value at Clariant in the next few years that will benefit our employees and shareholders.«

Hariolf Kottmann

ties and Textile Chemicals faster than expected. And we plan to continue this process with the divestment of two more businesses – Detergents & Intermediates and Leather Services – before the end of 2013.

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RUDOLF WEHRLI After the completion of the divestments, Clariant will be much more resilient to economic downtrends. But equally important is the fact that we now have a clear picture of the new Clariant. Through its remaining businesses, Clariant is well prepared to become a leading specialty chemicals company that generates value rather through innovations than through commodities and offers solutions rather than products. To complement our portfolio we will of course also seek more opportunities to broaden our basis.

So in plain terms, how big an increase in profitability can we expect to see as a result of the divestments? The leverage potential must be considerable.

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HARIOLF KOTTMANN The now discontinued activities indeed generated total sales of CHF 1.74 billion in the year under review. The EBITDA margin was 7.6 %. By contrast, with an EBITDA return of 13.3 %, the remaining activities were much more profitable. We need to build on this profitable business if we want to achieve the goals we have set ourselves for 2015.

Before we get to the goals for the new business year and 2015, what will Clariant look like in the wake of these portfolio changes?

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RUDOLF WEHRLI The fact that we will be concentrating on our growth businesses will also be reflected in our group structure, which will be much leaner and more transparent.

As of 2013, the seven reporting units we had, will be changed to four Business Areas, namely Natural Resources, Plastics & Coatings, Catalysis & Energy and Care Chemicals. This will give rise to greater outwards transparency at the reporting level and make synergies visible without the need to spend money internally on organizational measures.

What's on the agenda for 2013?

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HARIOLF KOTTMANN It is unlikely that 2013 will bring any significant recovery in Europe, but growth will continue to be there in the Emerging Markets. Combined with lower project costs a clear focus will be on our seven business units. We are confident that we will further improve on the way to our 2015 targets.

In short: We are striving to boost performance through growth and innovation. Our investments in research and development will continue and we will focus on future technologies such as energy storage, industrial biotechnology and renewable raw materials.

Although we have improved many things in recent years, we need to make further progress in 2013 and 2014 in order to reach the next level of profitable growth…

… and what about the goals for 2015?

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RUDOLF WEHRLI In light of all the uncertainty, for example surrounding developments in Europe, we cannot escape the trends affecting the rest of the world. Annual growth of the global economy of 2 – 3 % was and still is the basis for our planning. And on this basis we are confident to reach the goals we set ourselves.

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HARIOLF KOTTMANN In 2011, we set an EBITDA margin of at least 17 % as the target for 2015. We have already achieved 13.3 %. But however, as you can see, we still have some work to do. But we do have the tools and the four-pillar strategy has been established. We have demonstrated our ability to deliver on our promises and we will continue to do that.

My promise as CEO is to further implement corporate values at Clariant in the years to come that will benefit both our employees and our shareholders, values that are encapsulated in our new branding, our vision for the future and our mission.

HARIOLF KOTTMANN

Chief Executive Officer (CEO) since 1 October 2008
Born 1955

RUDOLF WEHRLI

Chairman Board of Directors since 27 March 2012
From 2007 – 2012 Member Board of Directors
Vice Chairman since 2008
Born 1949

One
CLARIANT

Dr. Qinglin Zheng’s journey

Text by Hans Borchert, photos by Jo Röttger


桃源洞口

ONE Clariant. Naturally, that begs the question: what sets one star apart from trillions of other stars? And what sets one individual apart from billions of other people? And what distinguishes one employee from thousands of other employees? Possibly nothing, but then of course EVERYTHING. Each life ultimately has a tale to tell. And this deals with the way to the horizon. And beyond.

Let's just call it an adventure and meet our exemplary protagonist. He is in fact too modest to bear the burden placed upon him for the sake of the big picture. And yet there he is: Qinglin Zheng; 42 years old; a chemist who earned his doctorate in Germany, so 'Doctor' Zheng to you and me. Married, father of two sons. Clariant employee for six and a half years, currently General Manager of the plant in Zhenjiang in the Chinese province of Jiangsu.

He strides purposefully through his production facility – equipped with hard hat, goggles, work coat and safety shoes – and checks everything is as it should be. He is true to his motto, **»Seeing something for yourself is better than hearing about it a thousand times.«**

As he walks he sticks to the prescribed safety routes, always setting a good example for his employees. He never cuts corners in the outside area, always sticking closely to where the pedestrian crossings take him. Even in the warehouse he follows the designated yellow transport paths, only changing his route if he spots something amiss.

His orders rule here. His top maxim is the five-S checklist, which originates from Japanese corporate culture but is now accepted the world over: seiri, seiton, seiso, seiketsu and shitsude (sorting, setting in order, systematic cleaning, standardizing and sustaining). And on the walls there are pictures taken by him showing how a workstation or work area should look. These pictures – in the production area, warehouse, laboratory, offices, and even next to the large tool cabinet on the plant floor, allow employees to compare at a glance the way things should be with the reality of how they are.

This guarantees a high degree of process and quality assurance and efficiency as well as a sense of duty and cleanliness and is extremely effective. That is also Qinglin Zheng's goal. He trains his employees because he wants to bring them to »a new level, and that's a global standard,« as he enthusiastically phrases it.

A teacher greets him and he embraces the man, who is now old. The man once stood before him, a schoolboy, and said, »You must work hard, and then you, too, will be able to afford a pair of real shoes some day.«

A family reunion is arranged and everybody meets at a large round table in a restaurant.

It is primarily because of his two sons that Dr. Zheng has been willing to lead a commuter's life.

Chemistry is no simple business. Not anywhere, but particularly not in China. Namely because the Chinese people have known since Confucius that »human beings stumble over mole hills, not over mountains.« The developments of the past few decades have been very challenging for any one individual to keep up with. What counts now, in Dr. Zheng's opinion, is to create the mindset needed to fulfil the demands of modern business, technological and production processes. His key words here are individual responsibility and diligence, work ethic and commitment, but also company benefits and employee appreciation as well as sustainable thinking and actions.

If this sounds like a mission, that is the intention. Qinglin Zheng stands behind these principles based on his own career and the lessons he has learned. One in particular governs his actions in dealings with his employees and co-workers as well as with his friends and family: **»A role model has unlimited power.«** He says this and smiles. »It is a quotation from Mao Zedong. I remember it well from my childhood.«

Qinglin Zheng himself was a child of that distant era. He was born in 1970 during the cultural revolution. His country was going through a difficult period in its history. »I was concerned as a young person, to believe that we could make significant change.«

The fact is, there was no big change expected. And certainly not for him, sharing a roof over his head with a water buffalo, two pigs and several chickens.

The son of a rice grower, he grew up in a simple dwelling built of clay with no running water or electricity. His days consisted of hard work in the fields below the Dragon Mountains, where he collected wood in the wild and impassable forests for his mother's fireplace. A single wok stood on the hearth, which she would rub with a bacon rind since there was never enough money for oil or fat.

They were poor people, blessed only with offspring – seven boys in all. The sixth-born drowned in the river. The youngest son was exchanged by his parents for a girl from the neighboring village. This was what the mother wanted. She did not have a daughter but had always wished for one. And he, the fifth-born son, almost starved during a very hard winter. **His oldest brother fed him mice he had caught.** His life literally hung by this one thread.

He stayed for 13 years and seven months. During this time he knew only his books, his university studies, his part-time job, and later his job as assistant production manager at Clariant. To be diligent, to learn and to work were his life principles.

It is an almost unbelievable story, even for him, who still remembers vividly sitting in the candlelight of his home and learning »simply everything, because I didn't know what was important.« This was a boy who walked five kilometers to school barefoot and received letters from the third eldest brother admonishing him not to give up. He who when the news reached him that he had been accepted at university, hurled the stones that he had been carrying to build a small wall, and cried out »Never again!«, and later, who set off for Europe to study, with the financial assistance of his brother.

He stayed for 13 years and seven months. During this time he knew only his books, his university studies, his part-time job, and later his job as assistant production manager at Clariant. To be diligent, to learn and to work were his life principles. So it was also on the day of his civil wedding ceremony. After the ceremony he went to work the late shift, and his new wife returned to the restaurant to wash dishes. They took only two trips during this time, which seemed like an eternity, one to explore a little bit of Italy and one to visit their favorite city, Vienna – beautiful Vienna on the blue Danube.

Then came the offer to return to his homeland, China. »The people at Clariant had a lot of confidence in me, but I was hesitant at first. In my memory China was backward compared with Europe. On the other hand I was obviously also aware of the progress the country had made, but I only had a vague idea of what had really happened there.« Really a mystery. »Still today I often think that my brain works too slowly to be able to take everything in,« says Qinglin Zheng. He often feels that he is on a stage, like an extra, and does not know what is happening to him. »Everything has developed so quickly, and everything is still moving so unbelievably fast. What an incredible, totally mind-boggling development.«

Both Qinglin Zheng's career and China's awakening reflect the idea of an ascension out of nothing. Two quotes from the reformer Deng Xiaoping provided key motivation to Zheng in his early days, when they appeared one day on the wall of his high school in the provincial city of Longjing. The first read »Education must be geared towards the direction of modern society and the values of the future.« And the second read »The country is in your heart, and you must open your eyes to the rest of the world.« That is the quiet revolution. Now, it seems, anything is possible.

The company´s Family Day also fits in this picture. It is Sunday and the flags are flying at the entrance gate to welcome 43 employees, their wives and husbands, their parents and their children. The first event of its type, it is hoped it will become a tradition.


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This may sound easy but requires a high level of personal commitment from him. He shows this not only at the weekly table tennis and basketball games with his colleagues but in general.

»During my time in Europe I learned a lot about getting along with people,« says Qinglin Zheng.

Today, thirty years later, China knows only superlatives. It is the second largest economy on the planet with growth rates consistently above 8 %. It is the strongest exporting nation in the world, the largest domestic market with 1.35 billion people, and at the same time the world's largest manufacturing country and soon probably its biggest automobile producer.

In less than twelve years China has increased its vehicle output tenfold and predicts that in 2013 it will produce more cars than old Europe for the first time (19.6 million vs. 18.3 million). It is also the country of high-speed trains, with some reaching speeds in excess of 300 kilometers per hour (over 200 mph) on over 7 000 kilometers of track. And a space travel nation – also that. It is even a seagoing superpower with its own recently launched aircraft carrier. And of course it is also the country with the fastest-growing megacities on our planet.

Just look at Shanghai with its almost 23 million inhabitants. This endless sea of concrete. Urban architecture, seemingly thrown up from a mighty eruption. Towers and skyscrapers made of steel, glass and concrete. Above it, there's hardly any sky, and one wonders whether the sun even shines at all. But in there the earth is still quaking. The traffic on the ten-lane major thoroughfares, which are supported by stilt-like piers, is like a mighty lava flow. It glows fiery red, illuminated by thousands of rear lights. And life pulses with tremendous power. Everything is colorful and loud and extremely lively. Always bustling, always fast-paced, always new. Full of energy, full of hunger and ambition, and filled with international flair.

The world's largest corporations manage their Asian businesses from here – including Clariant. The company's Greater China headquarters are located in the Lin Kong Economic Zone in the Changning District, right next to the headquarters of automotive supplier Bosch on the Linhong Road.

»There is a secret about time in our country and in this city,« says Dr. Zheng. »Here months count the same as years do in other places.« Since the end of 2012 he and his family also live in Shanghai, China's capital of finance (most important stock market), trade (largest container port in the world) and industry (pharmaceutical and chemical, automotive, computer and electronics industries).

It is primarily because of his two sons that Dr. Zheng has been willing to lead a commuter's life. He spends five days a week at his workplace in Zhenjiang and then two days at home with his wife and family. »I am always thinking about the children,« he says. »What's the point of earning money, if not for them? Their future is our top priority.«

Both Qinglin Zheng´s career and China´s awakening reflect the idea of an ascension out of nothing.

Just look at Shanghai with its almost 23 million inhabitants.
This endless sea of concrete.

Theirs is a typical Chinese household focused on learning. There is a piano and piano lessons for the children. Dr. Zheng plays chess (a traditional Chinese pastime) with his eldest son. The mother, who herself studied business administration in Germany and who enjoys playing the accordion ever since, now dedicates herself exclusively to her family. She organizes their daily life, supervises homework, limits computer access, encourages them to participate in regular sports activities, and also functions as family Finance Minister.

In any case, Hengda (7) and Hengli (11) are to have the best possible opportunities for a golden future and, as their mother Cuiyun Wu points out, this includes »not only a certain discipline but, above all, the best possible education.« That is also something that Shanghai is known for: classes are small, the teachers are excellent, and the universities are considered among the best in the country.

Zhenjiang is different. Small by Chinese standards with only three million inhabitants, but no less dynamic. **It is a fast-growing, prosperous manufacturing location** with a state-of-the-art chemical industrial park. The production facilities of some big international companies are concentrated in an area of no less than twenty square kilometers. Clariant is one of them.

The »multi-purpose plant« inaugurated in 2009 for the manufacture of over 100 products for Industrial & Consumer Specialties, Oil & Mining Services and Textile Chemicals, is less than two hundred meters from the wide Yangtze River (Chang Jiang). A new container port is currently being built there, and its massive loading bridges greet Dr. Zheng first thing in the morning as he makes his way to the office. Being the first person at work is a matter of course for him. He goes on to say that »When there is a problem, then it is first and foremost my problem, as I am the manager.«

He manages the plant in a cooperative yet firm manner. »Consensus is important. I always try to reach it in dialogue with my employees, for as we say in China: **three individuals together equal one genius.** If there are still differences, however, then I decide.«

This may sound easy but requires a high level of personal commitment from him. He shows this not only at the weekly table tennis and basketball games with his colleagues but in general. And it also requires a high degree of tolerance and concern. In turn, all of these efforts create an excellent working atmosphere. Of course, you have to make this a credible part of daily life, but that is his goal. »Dur-

The mother, who herself studied business administration in Germany and who enjoys playing the accordion ever since.

ing my time in Europe I learned a lot about getting along with people,« says Qinglin Zheng. »**Things like loyalty and esteem really count.** They are part of our corporate culture at Clariant, and for my people they set Clariant apart from its competitors.« And this explains why he is in high demand for discussions with the local Government officials of the Zhenjiang New Area, where both his foreign experience and his modern management style are welcome.

The company's Family Day also fits in this picture. It is Sunday and the flags are flying at the entrance gate to welcome 43 employees, their wives and husbands, their parents and their children. The first event of its type, it is hoped it will become a tradition and is intended to be an ongoing initiative, as Dr. Zheng explains. It will create identity, inform people in detail about working, environmental and safety conditions, and contribute to a better understanding of the chemical industry. And it is designed to »honor family members for their cooperation and understanding when it is necessary to work overtime, for example.«

Needless to say, his own family is also here. They arrived together from Shanghai the previous evening, traveling as always at lightning speed (300 km / h or 200 mph) on the CRH380A high-speed train. The train's streamlined driving unit looks more like a rocket than a rail vehicle and needs only one hour and eighteen minutes for the 260-kilometer trip. Now it's all eyes on Dr. Zheng as he delivers his speech. A speech meant to be more than simply a polite welcome. A speech, as he describes it, »that will bring new knowledge to my colleagues.« That is his goal.

»Everything has its history.« These are his opening words, before launching into his speech, touching on a wide range of topics. He tells the men and their wives and children about the development of the chemical industry in Europe and about the creation and growth of Clariant. He also tells them about its philosophy, its values and its stated objectives. And he ends with these words: »Compared with the 1.35 billion people in our country, we are only a small universe at Clariant with our 21 000 employees. But this is what I think is significant: each one of us is very important for the whole, particularly as regards our diligence, our efforts, and our energy and drive. I always say that I am proud to be a part of Clariant as well as a part of our economic and technological development here in China. I hope you feel the same way.«

Encore. We travel together with Qinglin Zheng to the Fujian Province, where we visit the hamlet of Gaokeng at the foot of the Dragon Mountains and take a look at the area that was once his home. Even here much has changed, but there are still signs of the old days that do not fail to move him and us. There are former neighbors who are still living a typical peasant existence. School mates who work in the rice field day in, day out. A teacher greets him and he embraces the man, who is now old. The man once stood before him, a schoolboy, and said, »You must work hard, and then you, too, will be able to afford a pair of real shoes some day.«

We visit his father's grave. He died at the early age of 65. »I arrived two hours too late since I was living in Beijing at the time and the train trip took 48 hours. He took opium so that he could hang on and see me, but I did not make it in time.«

His mother, on the other hand, is still alive. She just turned 80 and lives with her first born son, as is Chinese custom. »Eldest brother« is how Qinglin Zheng addresses him, and has a great deal of respect for him. He has managed to achieve a modest degree of prosperity and – like the next son – owns three clothing stores in the provincial town of Longjing.

A family reunion is arranged and everybody meets at a large round table in a restaurant. Brother number four travels to the town specifically for this occasion. He is a party member and mayor of a city of around 300 000 inhabitants, where a German truck manufacturer plans a big investment in a joint venture with a Chinese company. Also present is Qinglin Zheng's sister, who was acquired in exchange for the seventh son. She is attractive and still quite young. »Only our third-eldest brother is missing,« says Qinglin. »I call him our high flyer. As a top executive he has made his fortune and is off traveling somewhere on the planet right now as we speak.«

They sit around the table with their mother in the middle. They then stand up and toast one another with the words of the Chinese philosopher Laozi, which sounds like both a family motto and a company slogan: »Only who knows where they are going will find their way.« To the horizon. And beyond.

»Only who knows where they are going will find their way.« To the horizon. And beyond.

同一个
科莱恩
郑清林
博士
之路

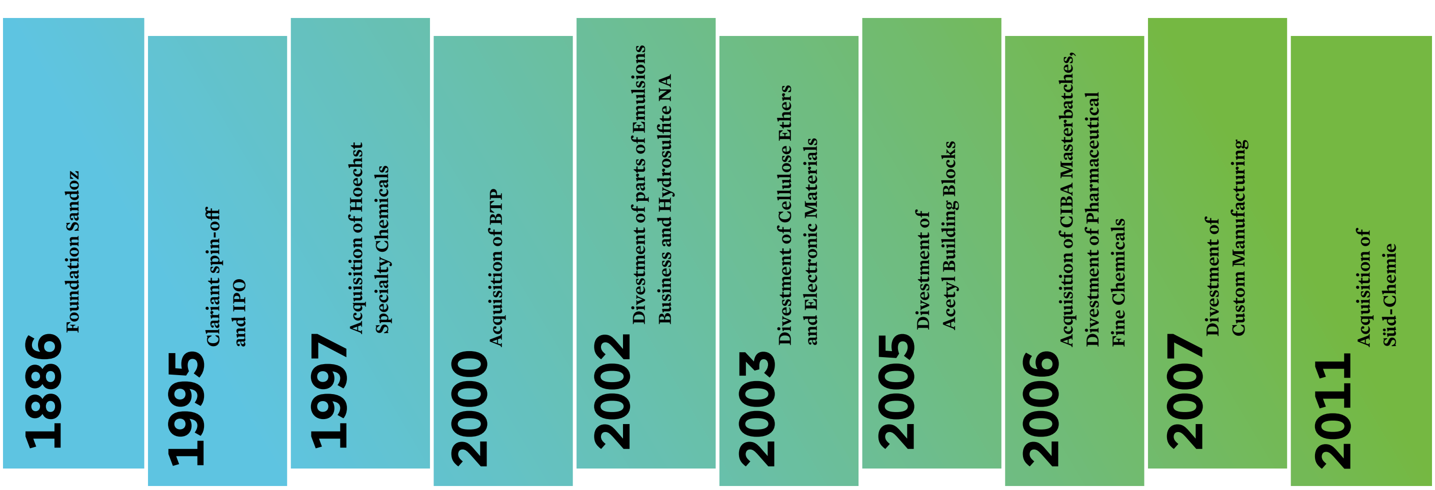
Making change visible
EVOLUTION AND VISION

»We want to be the world's leading specialty chemicals company and distinguish ourselves through above-average value creation for all of our stakeholders.«

This is how Clariant's vision statement of July 2012 confidently formulated the goals toward which the Group is targeting all its activities. With the simultaneous launch of a new brand image for establishing a modern, uniform corporate culture and the announcement of clearly defined strategic goals through 2015, the company's development entered the next phase. Our company has changed in the past few years, and the new brand is intended to express this fact. In order to put this repositioning into perspective, it makes sense to take a look at the unpredictable history and the evolution of a specialty chemicals company that was founded less than two decades ago.

Coporate history

Clariant's roots go back to the summer of 1995, when its Swiss parent company, Clariant AG, was created in a spin-off and subsequent IPO of the Chemicals Division of Sandoz. The following years were characterized by numerous portfolio measures, of which only the most important will be mentioned here. For example, 1997 saw the acquisition of the specialty chemical business of Hoechst AG, which was followed in 2000 by the purchase of the British company BTP, a specialist in life science chemicals. After this transaction, the company had grown to roughly 31 000 employees. The Group's complexity quickly became problematic. High leverage, reduced profitability and changing global operating conditions led the company into a severe crisis in 2002. This resulted in the first strict program aimed at cutting costs, increasing efficiency and significantly reducing headcount.



—
THE CLARIANT History

In 2004, Clariant had to increase and to re-shape its equity by CHF 920 million in order to re-balance the risk distribution in its balance sheets. As a consequence, until 2007 Clariant found it necessary to sell a number of business activities. While this did lead to the recovery of the financial flexibility, it was not sufficient to stem the constant slide of the company's profitability because these measures were not accompanied by the necessary significant reduction in costs.

Accordingly, despite a generally strong competitive position, many of the Group's key performance figures, such as sales growth and net working capital, lagged behind those of competitors. The result was that profitability, measured in EBITDA (earnings before interest, taxes, depreciation and amortization) and ROIC (return on invested capital), remained persistently low. Then the end of 2008 brought the global financial and economic crisis, which significantly impacted the chemical industry in general. At that point in time it was necessary for executive management – some of whom had only recently joined Clariant – to take the helm and correct the company's course by means of a strategic realignment.

Clearly defined milestones

Launched in 2008 and implemented in 2009 / 2010, »Project Clariant« began a transformation process that enabled the company to come to grips with the effects of the economic crisis and improve its cost management. This created a sustainable basis for putting Clariant back on the path to profitable growth. At its core, Project Clariant focused on three main topics: generating cash, cutting costs and reducing complexity.

THE FOUR AREAS of Clariant Excellence

Numerous measures have been successfully implemented as a consequence. The number of Group employees has been reduced by about 20 %. As a result of the Global Asset Network Optimization program (GANO), Clariant completed the closure of 20 sites or plants by mid-2012. Personnel costs have been rolled back by a total of CHF 180 million, and the Group structure has been significantly streamlined.

CLARIANT EXCELLENCE – A PHILOSOPHY OF CONTINUOUS IMPROVEMENT

While Project Clariant concentrated on weaknesses in structural and cost areas, in 2009 we introduced Clariant Excellence – a long-term initiative with a focus on continuous improvement and reinforcing cultural change. With the LeanSigma approach at its core, the mission of Clariant Excellence is to enhance our competitiveness by creating added value for the customer and improving efficiency. Clariant Excellence is the cornerstone of a new corporate culture that embraces entrepreneurial thinking and that will position us at the top performance levels of our industry. Clariant Excellence consists of the following four elements: Operational Excellence, Commercial Excellence, Innovation Excellence, and People Excellence.

By the end of 2012, more than 4 500 employees were designated as »belts«, i.e., project managers or project staff who were trained specifically for tasks in connection with the Excellence program and entrusted with its implementation within the Group. Süd-Chemie employees have also been included in this process since 2012.

In the period since its introduction, Clariant Excellence has resulted in benefits of CHF 300 million through the end of 2012. In 2013 and the following years, it is expected to generate more than CHF 60 million in new savings each year.

With the successful implementation of Clariant Excellence, the company has transformed its culture into one of continuous improvement. Thus, Clariant Excellence has paved the way for more targeted, efficient structures, changing the way we think and act. In the past, the focus in the company and its business units was primarily on specialist knowledge in the development, production, and composition of products in line with customer requirements, but the picture is very different today. Of course, Clariant's product expertise is still one of the most important factors driving the values of the company, but the strategic focus will increasingly shift toward providing solutions. Clariant today not only stands just for products used in paints and consumer goods, but also for technology and innovative solutions in the entire area of specialty chemicals.

THE PHASE OF PROFITABLE GROWTH HAS BEGUN

Having successfully completed the restructuring phase and the implementation of a new corporate culture of continued improvement through Clariant Excellence, the company's turnaround has been successfully accomplished. The acquisition of Süd-Chemie in 2011 was an important step for Clariant in optimizing the company portfolio. It also enables us to concentrate even more intensely on markets and activities that offer above-average growth potential and attractive future prospects. And it will place Clariant in a strong competitive position with the corresponding potential to set prices. The businesses of the former Süd-Chemie already made notable contributions to operational earnings in 2011. In 2012, the first year of consolidation for the full year, the adjusted EBITDA before exceptional items contribution of the former Süd-Chemie businesses was CHF 259 million. Integration is progressing much more quickly and efficiently than planned, and is generating synergies at both the product and technology levels. By the end of 2013, these factors are forecast to generate a further increase in EBITDA of CHF 90 to 115 million.

CLEAR STRATEGIC GUIDELINES DEFINE GOALS THROUGH 2015

Despite increasingly difficult global economic conditions, developments during 2012 underscore Clariant's continued success in implementing its program – started in 2011 – of sustainable value creation based on long-term profitable growth. The program is based on four strategic pillars:

- Continuous improvement in the profitability of all business units
- Focus on Research & Development and Innovation
- Expansion of Clariant's strong competitive position in Asian and Latin American growth markets
- Optimization of the company portfolio.

You can see on pages 43 to 45 which paths Clariant will take in the coming years, in addition to the measures the company has already introduced or implemented.

Based on this strategy, Clariant announced in June 2012 clear goals to be achieved by 2015. These are:
· An EBITDA margin of > 17 %
· A return on invested capital (ROIC) that is higher than the average in the company's peer group*

To achieve these goals, significant improvements must be made in all four areas of strategic focus. A further increase in profitability in the existing business units is planned through performance management and functional excellence activities. Successful innovations will generate new opportunities for growth, as is already exemplified by forward-looking product lines, such as the successful flame retardant Exolit® as well as Life Power®, a high-performance material for batteries. Increased share in emerging markets, such as China, India and Brazil, is also being targeted.

Repositioning the company's portfolio is an essential part of Clariant's profitable growth strategy. To achieve the targets set for 2015, Clariant will focus on markets with future perspectives and strong growth rates and on businesses that have a competitive position, resulting in strong pricing power.

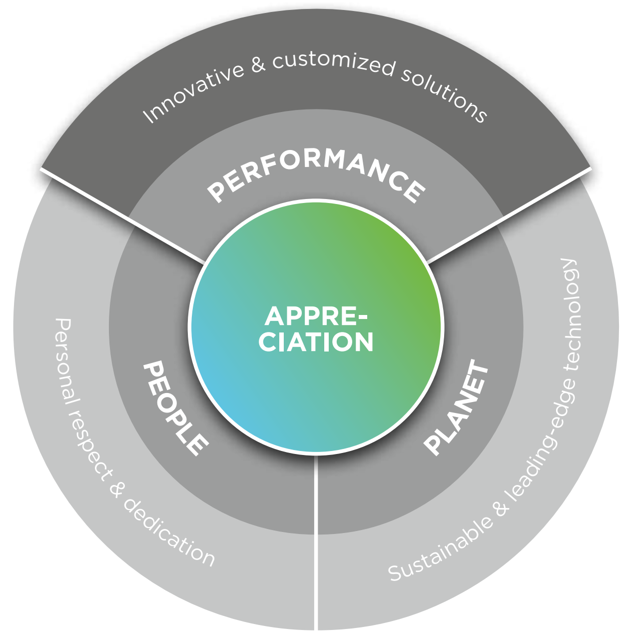
New branding – key component of a new corporate culture

A company such as Clariant, which has undergone extensive restructuring over a period of many years and has had a number of portfolio changes, needs to implement measures that ensure the creation of a uniform corporate culture throughout the entire Group. This is even more important in light of the merger with a previously independent company, Süd-Chemie, which had sales of roughly EUR 1.2 billion at that time. In July 2012, Clariant began this process with the introduction of a new company-wide brand and value system. Today, Clariant is characterized by its leadership that is based on financial strength and a newly gained self-confidence but not by vulnerability to outside influences. After almost two decades in business, the company has now transformed itself and set new goals. Business units with above-average profitability in attractive, fast-growing markets will be Clariant's hallmarks in the future. Innovations in technologies, products, and applications are what will lead to sustainable business success.

The new corporate vision and mission have been formulated on the basis of those goals. They illustrate what Clariant aims to become in the coming years, and are the principles that will guide the actions of everybody in the company.

* Contains companies such as: Altana, Akzo Nobel, Albemarle, Arkema, BASF, Celanese, Chemtura, Clariant, Croda, Cytec, Dow Chemicals, DSM, Ecolab, Evonik, Huntsman, Kemira, Lanxess, PolyOne, Rockwood, Solvay, Wacker

THE CORE BRAND AND BRAND VALUES of Clariant



OUR VISION

We aim to be the global leading company for specialty chemicals and to stand out by above-average value creation for all of our stakeholders.

The mission indicates the path by which Clariant will achieve this goal:

OUR MISSION

We build leading positions in the businesses we are active in, and we adopt functional excellence as part of our culture. We create value through appreciating the needs of

- our customers – by providing competitive and innovative solutions
- our employees – by adhering to our corporate values
- our shareholders – by achieving above-average returns
- our environment – by acting sustainably

A FOCUS ON APPRECIATION

In order to put this common goal (vision) into action and uphold the promises of the Clariant brand (mission), Clariant has defined new Brand values.

The core of the Clariant brand is »appreciation«. Clariant attaches great importance to values, and makes them the central focus of every field in which the company operates and can influence: Performance, People, Planet.

Brand value Performance – innovative and customized solutions

Clariant can be successful only if its customers are also successful. For this reason, the development and realization of innovative, customized and high-quality solutions are the focus all of Group activities.

This requires industry expertise – speed to market, leading technologies, a competitive product line, flexibility, an emphasis on research and development, and an approach that is focused on solutions rather than just products at every level.

Brand value People – respect and appreciation for all stakeholders

Dialogue is a foundation for Clariant's business success in two respects. First, everyone in the company must listen carefully to customers, in order to ascertain their needs and develop customized solutions – because Clariant's success is tied to its customers' success. Second, Clariant's success depends on effective exchanges of ideas and information, on the performance of every individual, and all its employees working together, from research and production through to sales and marketing.

An appreciation of customers and employees, respect, transparency and sincerity – these are the core values of the Clariant brand, and they cultivate dialogue. In specific terms, this means a focus on customer service, optimal working conditions, high-quality training, good career opportunities for everyone, an international focus, and intercultural expertise.

Brand value Planet – sustainability through leading-edge technology

As a global specialty chemicals company, Clariant is part of the global economy, society and the environment. A caring attitude toward customers, employees, neighbors and the environment, and responsible use of resources are ethical obligations and an expression of appreciation. Environmental sustainability is also an important success factor for Clariant and its customers.

Sustainability has long since established itself among consumers as a key criterion for making decisions. Clariant therefore intends to meet the highest standards, and setting new benchmarks through sustainable, leading-edge technologies.

This requires the strengthening of sustainable technologies, an improved CO_2 balance, reduced emissions, the efficient use of resources and raw materials, reduced energy consumption, and the assuming of social responsibility at both a global and regional level.

OPERATIONAL SUCCESS THANKS TO A NEW CORPORATE STRUCTURE

Clariant's fresh self-confidence – as demonstrated in the new branding, the vision, the mission and our corporate values – is also reflected in the company's external image and the Group's new corporate design. Value creation through appreciation is the central promise. The new trademark is the Clariant logo with the »C« in the shape of a metallic body. This illustrates a clear and superior aesthetic, symbolizing a high-quality awareness and a focus on essentials, as well as passion and the importance of striving for the best solution at all times. Above all, the new Clariant brand stands for a different, more successful way to work and act.

CLARIANT

THE TRANSFORMATION BECOMES VISIBLE

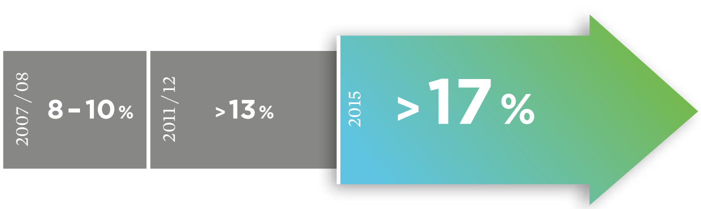
Strong operational performance and value generation can be achieved only through the successful establishment of a new corporate culture in all of our locations (currently numbering over 150 in 44 countries) and in the minds of all our employees. The implementation of the new brand management started immediately after its introduction in mid-2012, and our goal is to complete this process throughout the entire Group by the end of 2013.

Roadmap to
ACHIEVE SUSTAINABLE PROFITABLE GROWTH

After the successful conclusion of the restructuring phase and the implementation of the Clariant Excellence initiatives focusing on continuous improvement, Clariant has set the strategic path for sustainable profitable growth.

A basic prerequisite for this is to convert the company into a single unit which is managed on value-based performance principles in order to achieve attractive returns for all customers, employees and shareholders.

IMPROVING THE EBITDA-MARGIN by 2015



Profitability has improved significantly over the past five years. Thanks to a competitive cost structure, returns in 2011 and 2012 were amongst the highest in the past 10 years. This success is not an excuse for Clariant to rest on its laurels, however. Our goal is to improve EBITDA (earnings before interest, taxes, depreciation and amortization) margin to more than 17 % by the end of 2015.

Over the short term, this is to be accomplished above all by:
- An even more intensive focus on above-average growth in sales and results in growing business units.
- Through the repositioning towards the seven Business Units which form our portfolio.

The Clariant strategy

Future profitable growth based on four strategic pillars:

1. CONTINUOUS IMPROVEMENT OF PROFITABILITY IN ALL BUSINESS UNITS

Target: Improve EBITDA of the current company portfolio by 1 – 2 percentage points, through targeted performance management and the continuous improvement program Clariant Excellence.

2. FOCUS ON RESEARCH & DEVELOPMENT AND INNOVATION

Target: Improve innovation success rate and generate additional sales growth of 1 – 2 percentage points by launching innovative products.

3. EXPANSION OF CLARIANT'S COMPETITIVE POSITION IN GLOBAL GROWTH MARKETS

Target: Increase market share in the emerging countries of China, India and Brazil by establishing and taking advantage of the dynamic growth in these markets.

4. OPTIMIZATION OF THE COMPANY PORTFOLIO

Target: Active portfolio management to expand the Group's presence in markets with above-average profitability.

Company structure to change

Active portfolio management plays a key role in our company's path to sustainable profitability. In this context, Clariant has examined strategic options for the Textile Chemicals, Paper Specialties and Emulsions, Detergents & Intermediates (D&I) and Leather Services Business Units in 2012. Clariant has been able to report initial transactions more quickly than expected at a total sales volume of approximately CHF 1.2 billion with the sale of Emulsions, Paper Specialties and Textile Chemicals. The remaining options are planned to be implemented by the end of 2013.

CONTINUING ACTIVITIES

KEY FIGURES 2012	
Sales (in CHF m)	6 038
EBITDA before exceptionals (in CHF m)	802
EBITDA margin before exceptionals (in %)	13.3

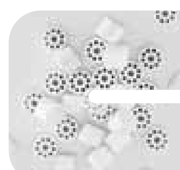
Additives*

The Business Unit Additives is a major supplier of products for functional effects in plastics, coatings, printing inks and specialized applications such as hot melt adhesives.
www.additives.clariant.com

KEY FIGURES 2012	
Sales (in CHF m)	411
EBITDA before exceptionals (in CHF m)	75
EBITDA margin before exceptionals (in %)	18.2
Employees	756

Catalysis & Energy

One of the leading global catalyst suppliers with a broad portfolio of products for many chemicals and fuels processes, including those that enable the use of alternative raw materials, such as natural gas, coal, and biomass.
www.catalysis-energy.clariant.com



KEY FIGURES 2012	
Sales (in CHF m)	751
EBITDA before exceptionals (in CHF m)	161
EBITDA margin before exceptionals (in %)	21.4
Employees	2 005

Functional Materials

This business unit is among the market leaders in specialty products and solutions for improving product and efficiency characteristics in various industries including adsorbents, solutions for protective packaging, and water treatment.
www.functionalmaterials.clariant.com

KEY FIGURES 2012	
Sales (in CHF m)	667
EBITDA before exceptionals (in CHF m)	98
EBITDA margin before exceptionals (in %)	14.7
Employees	2 500

* Additives, the remaining part of the former Performance Chemicals, also comprises the activities of Emulsions in Morocco and the New Business Development with combined sales of around CHF 20 million.

Industrial & Consumer Specialties

The Industrial & Consumer Specialties Business Unit is one of the largest providers of specialty chemicals and application solutions for consumer care markets such as personal care, home care and crop protection and industrial application markets including industrial lubricants, paint & coatings and deicing for aviation. Its EcoTain® label exemplifies its uncompromising pursuit of the principle of environmental sustainability.
www.ics.clariant.com

KEY FIGURES 2012	
Sales (in CHF m)	1474
EBITDA before exceptionals (in CHF m)	247
EBITDA margin before exceptionals (in %)	16.8
Employees	1752

Masterbatches

Clariant Masterbatches is a leading manufacturer of color and additive concentrates and technical compounds for the plastics industry, and supplies the packaging, consumer goods, medical, textile and automotive industries.
www.masterbatches.clariant.com

KEY FIGURES 2012	
Sales (in CHF m)	1121
EBITDA before exceptionals (in CHF m)	132
EBITDA margin before exceptionals (in %)	11.8
Employees	3096

Oil & Mining Services

The Oil and Mining Services Business Unit is one of the most significant providers of products and services to the oil, refinery and mining industries. Its broad and diverse product range includes chemical solutions for the oil, gas and refinery industries, plus mining flotation chemicals and emulsifiers for explosives.
www.oil.clariant.com, www.mining.clariant.com, www.refinery.clariant.com

KEY FIGURES 2012	
Sales (in CHF m)	715
EBITDA before exceptionals (in CHF m)	92
EBITDA margin before exceptionals (in %)	12.9
Employees	1004

Pigments

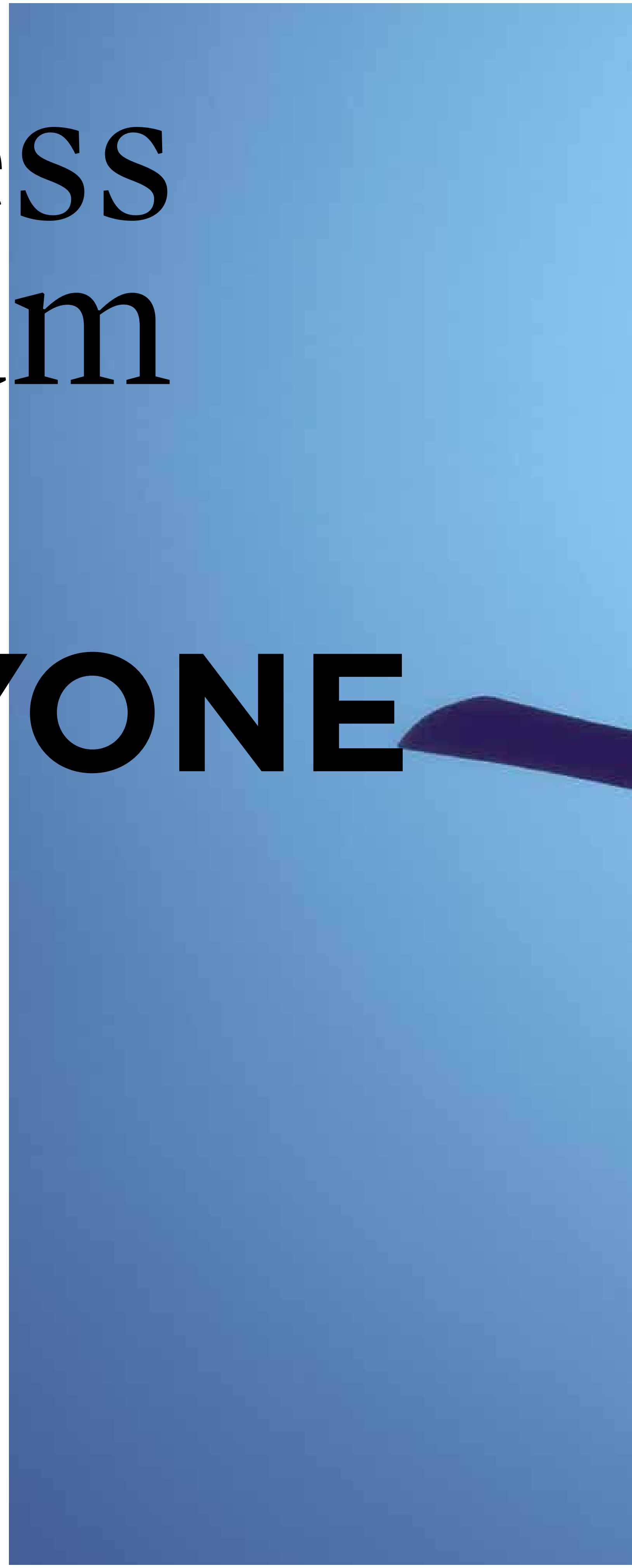
The Pigments Business Unit is a leading global provider of organic pigments, pigment preparations and dyes that are used for coatings, printing, plastics and other special applications.
www.pigments.clariant.com

KEY FIGURES 2012	
Sales (in CHF m)	899
EBITDA before exceptionals (in CHF m)	149
EBITDA margin before exceptionals (in %)	16.6
Employees	2049

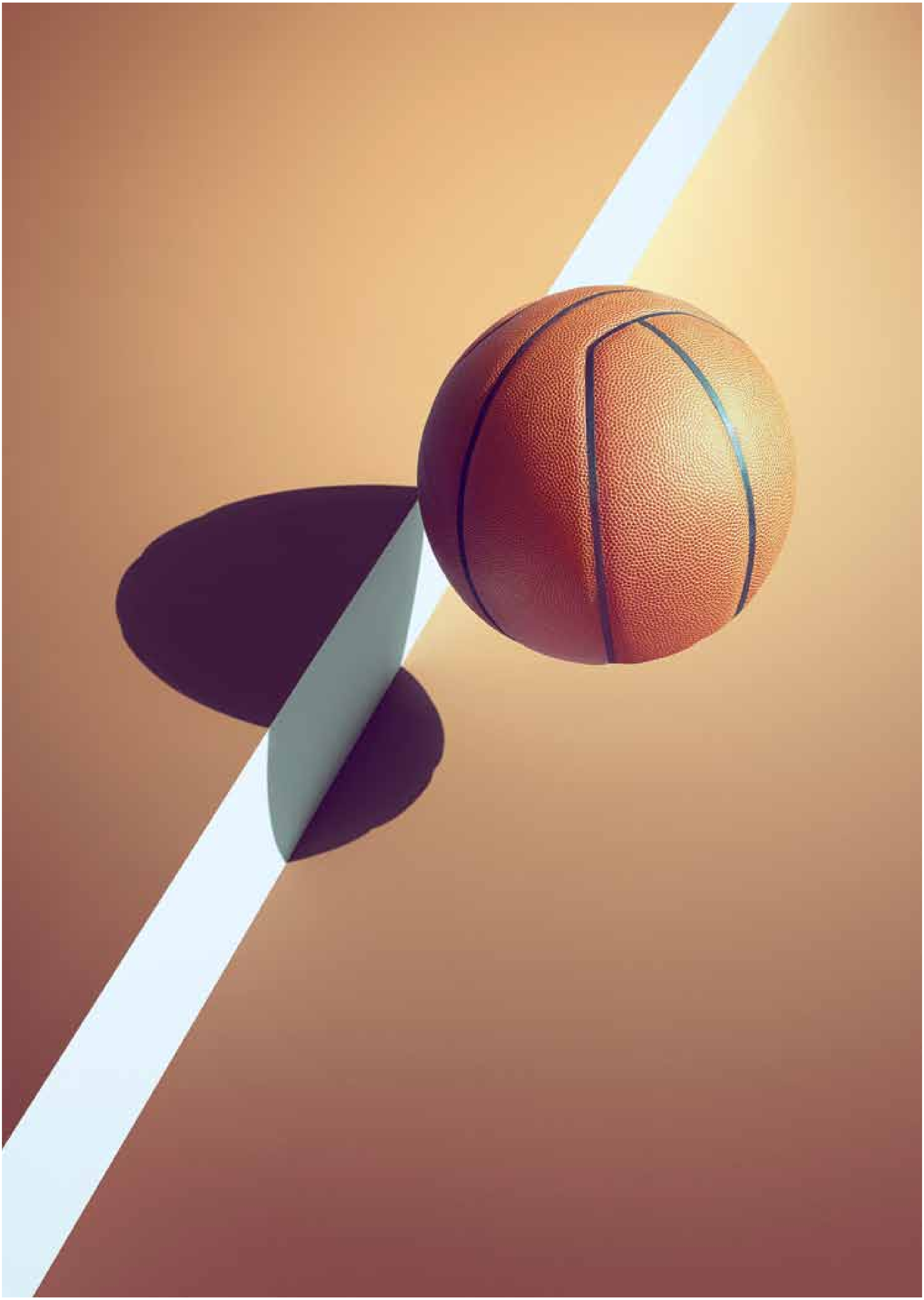
DISCONTINUED OPERATIONS

KEY FIGURES 2012 (OVERALL)	
Sales (in CHF m)	1744
EBITDA before exceptionals (in CHF m)	132
EBITDA margin before exceptionals (in %)	7.6

A fitness program FOR EVERYONE



Improving Profitability: Just as humans exercise to keep fit, companies also need to stay lean and attractive in order to succeed. This is particularly true of companies that face tough global competition. After successfully completing an in-depth restructuring »diet« at the end of 2010, Clariant is now embarking on a path of continuous improvement through the Clariant Excellence Initiative, which has been implemented across the Group.



TRAINED EMPLOYEES

~ 500

former Süd-Chemie employees were trained in CLNX during 2012.

CONTINUOUS IMPROVEMENT*

> 130 CHF m

Financial improvements attributable to Clariant Excellence projects in 2012 totaled > CHF 130 million.

* incl. discontinued operations

BENEFITS ALREADY REALIZED BY CLARIANT EXCELLENCE*

* incl. discontinued operations

The launch of the company-wide Clariant Excellence (CLNX) initiative marked the start of the second phase of our strategy concept initiated at the end of 2009. The objective is to establish a culture of continuous improvement to be implemented via a rethinking process for each individual employee at every level in the company, and underpinned by what is known as the LeanSigma approach. This initiative aims to improve competitiveness through gains in efficiency, and to create added value.

The four areas of the Clariant Excellence concept are: Operational, Commercial, Innovation, and People Excellence. Responsibility for planning and implementing continuous improvements rests with employees and line managers; they are ultimately responsible for achieving results. The success of this initiative is acutely dependent on the comprehensive training of as many employees as possible, who are then designated as »Belts.« As project managers or project staff, they are responsible for spreading the optimization measures to every corner of the Clariant organization. By the end of 2012, over 4 500 employees – more than 20 % of headcount – had been trained in Clariant Excellence programs. At the end of 2011, the total was about 3 000. Almost 500 former Süd-Chemie staff were included in the process for the first time during the reporting year.

Efficiency boosted, customer service improved

At the end of the fourth year of Clariant Excellence, the results to date are evident: since the end of 2008, a total of over 3 200 CLNX projects have been launched and about three quarters of them have already been implemented – with over 750 completed in 2012. Since the end of 2008, this effort has generated improvements totaling over CHF 300 million, with more than CHF 130 million in 2012 alone (incl. discontinued operations). These figures largely reflect cost savings at all levels by all business units, as well as additional

Other initiatives in 2012 with positive impact on future results

The 2012 reporting year was affected by additional measures to reduce costs in the future. At Group level, for example, costs were increased by CHF 154 million, due to the outlays for the integration of the former Süd-Chemie, costs arising from the announced changes to the corporate portfolio and restructuring measures on the Business Units level. Key factors were the closures of two facilities: one plant at Industrial & Consumer Specialties, in the UK; the other at Textile Chemicals, in Switzerland and the subsequent relocation of production to Asia. A significant increase in future profitability as a result of these measures is anticipated.

TRAINED*

Percentage of employees trained in Clariant Excellence

World		
Total FTEs	21 202	100 %
BBs	153	0.7 %
GBs	756	3.6 %
YBs	2 617	12.3 %
Champions	1 054	5.0 %
Middle East & Africa		
Total FTEs	1 381	100 %
BBs	6	0.5 %
GBs	46	3.3 %
YBs	57	4.1 %
Champions	55	4.0 %
North America		
Total FTEs	1 905	100 %
BBs	13	0.7 %
GBs	137	7.2 %
YBs	442	23.3 %
Champions	137	7.2 %
Europe		
Total FTEs	9 581	100 %
BBs	102	1.1 %
GBs	309	3.2 %
YBs	857	8.9 %
Champions	495	5.2 %
Latin America		
Total FTEs	3 191	100 %
BBs	10	0.3 %
GBs	96	3.0 %
YBs	925	29.0 %
Champions	156	4.9 %
Asia / Pacific		
Total FTEs	5 144	100 %
BBs	22	0.4 %
GBs	186	3.3 %
YBs	336	6.5 %
Champions	211	4.1 %

Full-time Employees (FTE)
Black Belt (BB): full-time lead project manager
Green Belt (GB): project team member or head of smaller projects
Yellow Belt (YB): member of team headed by Green Belt; no project management duties
Champion: Line Manager and Process Owner who champions and therewith is finally accountable for the success of LeanSigma projects. The training focuses on basics of LeanSigma and roles and responsibilities as a project Champion.

* incl. discontinued operations

improvements to margins. Beginning with 2013, the objective is to achieve annual improvements of approximately CHF 90 million (incl. discontinued operations).

Alongside enhanced efficiency, improvements to services for our clients are critically important. We have significantly increased the reliability of deliveries (OTIF: On Time In Full) in all our businesses, and the level is now about 80 %. We aim to continue improving this figure to more than 95 % over the next two years. Rapid processing of complaints, and satisfaction with our response results, constitute another key aspect. In many businesses, 90 % of all complaints are now considered and closed within 30 days, in close consultation with our customers.

Visible improvements starting on Day 1

All four areas of Clariant Excellence have been successfully established as individual improvement initiatives. The clear objective now is to achieve even more efficient value creation for the Clariant Group and its customers by linking the four theme areas. In 2009 and 2010, the emphasis of Clariant Excellence was on Operational Excellence and Commercial Excellence; in 2011 attention was turned to Innovation Excellence and People Excellence.

What is LeanSigma?

The LeanSigma approach was conceived at the beginning of the 21st century as a combination of Six Sigma and Lean Management. Six Sigma was developed in the late 1980s. It has been established worldwide as a method for increasing efficiency and managing quality, based on the core elements of description, measurement, analysis, improvement, and monitoring of business processes, using statistical methods. Lean Management is a combination of various methods aimed at changing a company in the long term, with the focus on a clear customer-oriented mindset, efficient processes and continuous improvement of quality. If implemented correctly, LeanSigma ultimately becomes a transformation program centering on the development of a learning organization. Employees change their ways of looking at problems, developing solutions and implementing them in a sustainable way.

An example of success
MASTERBATCHES

MASTERBATCHES – EBITDA MARGIN

2008:	9.5 %
2011:	11.5 %
2012:	11.8 %

In the masterbatches business unit, the Clariant Production System (CPS) initiative was introduced at over 30 production sites. Numerous measures have already been implemented with great success. As the reported figures attest, there are already clear benefits from the resultant standardization of production processes, the simplification of structures and optimization at all operational levels.

In addition to enhancing productivity, Clariant has achieved specific improvements to key service requirements, such as delivery periods, reliability of deliveries and flexibility for its customers. These were essential prerequisites in order to optimize the production network, particularly in regions such as Europe and North America. Alongside the accompanying improvement in efficiency, Clariant set up competence centers to respond to customers' increased requirements more rapidly and effectively. These steps enable us to offer the same standards, levels of quality, technologies and services anywhere in the world. Consequently, we again managed to increase the EBITDA margin before exceptional items in the 2012 reporting year, from 11.5 % in 2011 to 11.8 %, despite worsening overall conditions in the second half of the year.

»We want to save CHF 90* million in 2013«

—
BERND HÖGEMANN
Head of the Clariant Excellence Initiative

What progress did Clariant make with CLNX in 2012?

—
BERND HÖGEMANN From 2009 to 2011, the focus was on developing and implementing the individual Excellence programs. In 2012, we started to link them together systematically. Ultimately, we are aspiring a transformation to fully functioning end-to-end processes across the whole value chain. Greater emphasis is being placed on the customer's perspective: what does the customer need? How can we reliably satisfy our customers' wishes and get a fair price for the technical benefits our products offer? And, at the same time, how can we increase our profit by improving the flexibility and efficiency of our internal processes?

What was the greatest challenge?

—
BERND HÖGEMANN We were very successful at establishing the Clariant Excellence programs in our new BUs – Catalysis & Energy and Functional Materials. In fact, we outperformed our efficiency targets.

What is planned for 2013?

—
BERND HÖGEMANN We should take several further steps towards becoming more of a learning organization. We should always be looking for additional profitable growth areas; ways of improving our customer orientation; innovation; as well as even more cost-efficient and flexible internal processes. We have set a target of achieving savings of CHF 90* million, in conjunction with the BUs and functions.

*incl. discontinued operations

OPERATIONAL EXCELLENCE

Key objective:
Improve efficiency in all operational processes.
Milestones:
2010: Introduction of the Clariant Production System (CPS), to maximize productivity and financial performance in all production units and at all business units. Specific goal: to increase productivity by 3 – 5 % by standardizing and continually improving processes.
2011: Introduction of the Clariant Supply Chain System (CSS): analysis of the entire value chain, from suppliers to customers, in order to improve net working capital, cash management and service quality. Specific goals: to improve the punctuality of deliveries to significantly more than 90 %; to reduce the net working capital quota of turnover to less than 20 %; and to reduce supply chain-related costs by 10 – 15 %, by developing a best-in-class supply chain.
2012: Continue roll-out to remaining production sites and start implementation of the »way to work« based on extensive CPS blueprints.

COMMERCIAL EXCELLENCE

Key objective:
To optimize sales and marketing processes.
Milestones:
2010: Start of implementation of the Clariant Commercial System (CCS), aimed at enabling us to offer customers the best service and the most attractive cost-benefit ratio.
2011: Focus on transactional pricing. Success in 2012: Significantly positive margin squeeze realized, despite difficult overall conditions.
2012: Launch of the first modules for the Customer and Sales Management blocks, together with value-oriented pricing and sales. Supported by close links to the other areas of Clariant Excellence Initiative. Goal: establish an integrated price adjustment process, to improve the effectiveness of the sales and marketing teams, and to further sharpen the focus on customer requirements.

INNOVATION EXCELLENCE

Key objective:
Establishment of our position as one of the global innovation leaders in the specialty chemicals industry.
Milestones:
2011: Introduction of Innovation Excellence based on a multi-stage process: First: define an innovation strategy; second: establish innovation processes; third: develop a culture of innovation; and fourth: train the relevant employees. Specific goals: Development of new products and services; identifying of and establishment of new applications for existing products. Focusing of research and development on future global megatrends, such as: environmental protection; efficient use of raw materials and energy, including alternative energies; the availability of food; and the sustainability of Clariant products.
2012: Start of the implementation process across all business units. Specific goal: Improve the success rate of innovations; achieve additional sales growth of 1 – 2 % through innovations until 2015.

PEOPLE EXCELLENCE

Key objective:
Empowerment of all employees through quality training and motivational measures, thereby enabling us to implement CLNX effectively.
Milestones:
2011: Implementation of initial modules, focusing on the establishment of an organization that can deliver strong performance and is geared to the core factors of strategy, structures and processes, as well as values and behavior. Defining new corporate values that consist of six fundamental principles: striving for outstanding performance; disciplined management of performance; keeping promises; daring and decisive management; appreciation implemented in practice; and corporate responsibility.
2012: Focus on regional and local management training worldwide. Implementation of the People Performance Cycle (for example, through 360-degree feedback), performance dialogue processes and extensive ongoing training measures.

Shaping THE FUTURE

Focus on Research & Development and Innovation*: 1100 employees and annual expenditures of CHF 207 million – impressive figures that testify to the importance Clariant attaches to Research & Development. After all the objective is to generate 1 – 2 percentage points additional sales per year by means of a high innovation rate.

* incl. discontinued operations

Research and Development (R&D) are the basis of profitable growth. Innovation encompasses the entire value-added process, from the initial idea to successful market launch of new products. The four research and development platforms of Clariant are:

- **CHEMISTRY & MATERIALS**
- **BIOTECHNOLOGY**
- **CATALYSIS**
- **PROCESS TECHNOLOGY**

Clariant services the current megatrends

Clariant services global megatrends such as scarcity of resources, alternative energies, mobility, and nutrition in view of the growing population. These megatrends are strongly linked to sustainability offering attractive market and innovation potential and pave the way for R&D to address tomorrow's challenges. Clariant has created the necessary organizational structure with Group Technology Services as global service unit. Through high investments in attractive research fields the transformation of its R&D portfolio was further accelerated. The structures are in place, highly qualified staff is on board, and due to the integration of former Süd-Chemie two new R&D platforms in Biotechnology and Catalysis allow unique synergies with Clariant's existing technology platforms in Chemistry & Materials and Process Technology.

Group Research & Development (Group R&D), a global department within Group Technology Services (GTS), combines Clariant's know-how in Chemistry & Materials by offering an attractive technology platform for transforming market and customer requirements into the right chemistry. Five R&D centers work in close cooperation with the Business Units and, hereby, turn the ideas into innovative products such as new surfactants, colorants, or specialty polymers.

The newly established Biotech & Renewables Center within GTS works on customized biotechnological processes for the sustainable production of bio-based chemicals and biofuels and coordinates Clariant's activities in renewable raw materials on a global basis. The biotechnology platform comprises expertise in molecular biotechnology, biocatalysis, fermentation, and bioprocessing thus ensuring the efficient conversion of renewable raw materials. In this way, Clariant supports the gradual replacement of petrochemical raw materials and opens paths to bio-based products with improved properties.

The technology platform **Catalysis** within the Business Unit Catalysis & Energy serves to optimize the industrial production of chemicals and petrochemicals and to minimize the environmental impact of chemical processes resulting, e.g., from the production of fertilizers or the combustion of fuel in engines. Using energy-efficient and resource-saving solutions, Clariant manages to help its customers to meet the global challenges of treating the environment responsibly.

Group Process Development (Group PD), also part of GTS, is the platform for process technology. Group PD ensures that innovative, efficient, and environment-friendly production processes are provided to the Business Units. Activities include process improvement, process innovation, and scale-up from laboratory to production.
By grouping the competences in chemical engineering and technical chemistry, Group PD guarantees the development of state-of-the-art process technologies which are essential for a competitive production of high-quality products.

Clariant's »Innovation Chain« – clear responsibilities to drive innovation

Clariant's Innovation Chain describes clear responsibilities to ensure that the power of the four technology platforms will lead to both product and process innovation. The laboratories for chemical and materials R&D, biotechnology, catalysis and process technology belong to the central technology platforms, whereas Application Development and the laboratories of Production Support as well as the Technical Service functions belong to the respective Business Units. The Business Units are responsible to manage their R&D portfolios and fund the R&D projects involving own resources as well as resources of the central technology platforms.

The R&D activities are strongly supported by Intellectual Property Management to ensure early patent protection and implementation of patent strategies. In case new products need additional production capacities or even new manufacturing assets, experts from Group Engineering, also part of GTS, get involved in a very early stage, too. Group Engineering is managing investment projects from basic design via construction to commissioning of new production facilities.

Clariant is continuously exploring new business opportunities beyond the scope of the current Business Units. With its New Business Development (NBD) unit, a constant monitoring of market trends will be ensured followed by evaluation of new business opportunities and development of initial business plans. NBD is also in charge of developing new business projects and covers hereby the full innovation chain, for example in Electronic Materials leveraging Clariant's know-how in chemistry and materials and Cleantech, which is a fast growing segment driven by the need for specialty chemicals.

FACTS AND FIGURES*

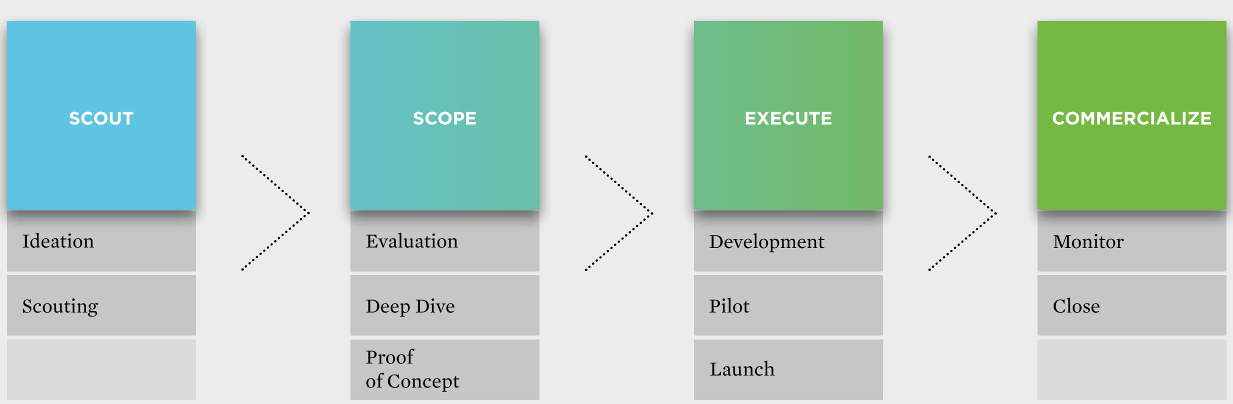
2.7%
of sales
Expenditures for R&D and Innovation

1100
people in Research & Development

12
R&D Centers

* incl. discontinued operations

THE CLARIANT INNOVATION PROCESS – FROM IDEA TO MARKET



FACTS AND FIGURES*

65

Technical Application Centers around the world

9 500

patents

>140

scientific collaborations

*incl. discontinued operations

Due to its consistent structure, the innovation chain allows an optimal collaboration of all technical competences and resources and thus combines »technology push« with »market pull« – globally.

By applying Clariant's Idea-to-Market process, the R&D teams generated new sales potentials in the three-digit million CHF range allowing Clariant to be able to hold onto the leading positions it has set as its target.

Clariant partners with Emerald Technology Ventures

In September 2012 Clariant entered into a partnership agreement with Emerald Technology Ventures. Clariant works closely with Emerald in order to identify opportunities to invest in or cooperate with technology companies active in the area of cleantech. The cleantech sector is a fast-growing segment driven by the need for specialty chemicals, e.g. new catalysts to improve process efficiency, advanced materials for the reduction of energy consumption, materials using renewable feedstocks, new energy storage and energy generation technologies.

Excellence through innovation

Clariant Innovation Excellence is a strategic initiative that strengthens Clariant's innovation potential to generate sustainable, profitable growth and Clariant's position as one of the leading suppliers of specialty chemicals. To meet these requirements, Innovation Excellence develops standard processes, provides tools, helps to create competences, and promotes a culture of innovation that transforms knowledge into innovations – better and faster. Based on the LeanSigma culture established at Clariant, Innovation Excellence works with »Design for Six Sigma«. For this, Innovation Excellence focuses on processes and instruments for systematically detecting unsatisfied market needs and translating these into new products and services that allow customers to solve their specific problems faster and more effectively. This helps the organization to fill the innovation pipeline with innovation projects by systematically analyzing the market requirements to manage innovation projects efficiently by a strict Stage-Gate Process, i.e. Clariant's Idea-to-Market process. A small and centrally coordinated team of Innovation Master Black Belts (MBB) supports the innovation project leaders across the Business Units and GTS and also provides a comprehensive perspective that extends beyond the border of each individual Business Unit.

Shaping the future
CLARIANT PROVIDES THE IDEAS FOR A MULTITUDE OF INDUSTRIES

—
PRODUCTION OF BIOETHANOL
from agricultural residues.

—
THANKS TO ADVANCED DENIM
blue jeans can be manufactured using 92 % less water.

SUNLIQUID® – SECOND-GENERATION BIOFUEL

»With the innovative sunliquid® process, Clariant has succeeded in converting the difficult to access sugar from previously non-usable plant residues such as wheat and corn straw or bagasse (fibrous residue from sugar production) almost completely into high quality ethanol,« says Professor Dr. Andre Koltermann, Head of the Biotech & Renewables Center at Clariant. The cellulose ethanol produced using this method is a second-generation biofuel that convinces through its top-class climate balance and overcomes the food or fuel discussion. The sunliquid® process can use the respective plant residues that occur regionally: such as corn straw in North America, sugar cane bagasse in South America, or wheat straw in Europe. A demonstration plant that can produce up to a thousand tons of bioethanol per annum went into operation in Straubing, Germany in June 2012.

ADVANCED DENIM® – GREEN TECHNOLOGY FOR BLUE JEANS

Almost two billion pairs of jeans are produced each year. Around 10 % of the world cotton harvest is required for this. The conventional indigo coloring which has up to now been essential for the classic blue of the jeans, has a considerable negative impact on the environment. As a result, Clariant has developed the innovative Advanced Denim concept, a new dyeing process that requires no indigo at all. This process also requires much less water and energy. Furthermore, cotton waste is significantly reduced and no wastewater is produced. This was also acknowledged in professional circles: In 2012, Clariant was awarded the coveted ICIS Award in the category »Innovation with the Best Environmental Benefits« and was also the overall winner of the competition.

—
ELECTRICITY FOR MOBILITY
can be provided efficiently with safe battery materials.

—
THE NEW TYPE OF ENVINOX PROCESS
can be used to remove environmentally harmful nitrous oxide from industrial exhaust gases.

LIFE POWER P2® – CLARIANT PROVIDES MOBILITY

Many hopes for the future are relying on electrical mobility. However, the materials that have been used until now in batteries, such as nickel and cobalt are not only rare, expensive and harmful, but also constitute a considerable fire risk. »The innovative battery cathode material lithium iron phosphate from Clariant, based on inexpensive iron phosphate, is considerably more thermal resistant and therefore safer,« says Dr. Klaus Brandt, Vice President Battery Materials at Clariant. »The material is powerful, fast to charge and also much more resistant to heat and cold.« Another advantage of Life Power P2® is its longevity: The original performance of a battery manufactured from this substance drops only after approximately 4 000 charging cycles, corresponding to a practical usage of about 10 years, to 80 % of its initial capacity.

For more information refer to www.clariant.com.

ENVICAT® N_2O – GETTING RID OF LAUGHING GAS

Most people are aware that carbon dioxide contributes substantially to the greenhouse effect. However, other so-called climate gases often go unnoticed. After methane, laughing gas is the third most climate-damaging gas and is considered to be responsible for around 6 % of the climate effects caused by man. Laughing gas is approximately 300 times more damaging to the climate than the same amount of CO_2 and is caused primarily by the industrial production of nitric acid, which is essential for the production of fertilizer and other products. ThyssenKrupp Uhde has developed the innovative EnviNOx process to remove the harmful laughing gas and other nitrogen oxides from the waste gas of industrial facilities. The catalyst EnviCat® N_2O from Clariant is responsible for the decisive function in which it converts the harmful gases to the innocuous substances nitrogen, oxygen and water.

TOPPING OUT CEREMONY

CLARIANT INNOVATION CENTER

Construction works on the Clariant Innovation Center (CIC) in Frankfurt / Höchst (Germany) are proceeding to schedule. The building will be ready for occupancy in the second half of 2013. An ultra-modern research center, which will become the hub of Clariant's worldwide research activities, is being built at Höchst industrial park. First and foremost, »Plenty of space for new ideas« is being created on the 36 000 square meter site, explains Dr. Christian Kohlpaintner, a Member of the Executive Committee of Clariant. At the Innovation Center, around 500 staff will further expand the innovation power of Clariant. Group R&D, Group Process Development and various Application Development departments of the Business Units including Analytics will be located there. In addition, the New Business Development and Intellectual Property Management groups will be represented there. On 31 August 2012, Clariant celebrated the completion of the frame of the building with a traditional topping out ceremony.

AWARD WINNER

ICIS INNOVATION AWARD

In 2012, Clariant won the Innovation Award presented annually by the ICIS Chemical Business Magazine. The prize was awarded for the Advanced Denim technology, an innovative, environmentally friendly process for dyeing jeans. A team of experts from the Textile Chemical Business Unit in Castellbisbal, near Barcelona (Spain), developed the process.

WORTH AN AWARD

CLEANTECH AWARD

In 2012, Clariant announced the CleanTech Award in cooperation with the University of Basel (Switzerland). The goal of the initiative is to promote young researchers who have made outstanding contributions in the areas of renewable energies, raw material efficiency and environment protection. »With this award, we want to pay tribute to the research work of young researchers,« explains Dr. Martin Vollmer, Chief Technology Officer at Clariant. »University research is frequently the driving force behind innovative technologies. The common challenge consists of transforming new technology concepts into marketable product solutions.« The award is only one of many initiatives with which Clariant is linking up with universities and young scientists in order to promote the exchange of ideas between academic and industrial research and familiarize talented young professionals with Clariant.

»Our focus is on global megatrends«

—
MARTIN VOLLMER
Chief Technology Officer

Where are the future trends with regard to innovation?

—

MARTIN VOLLMER Global megatrends such as alternative energies, mobility or nutrition in view to the growing population have one common theme: sustainability. One thing is for certain, sustainability will fuel innovation, not only in R&D but also in service offerings for our customers.

How will the R&D landscape of Clariant benefit from the integration of former Süd-Chemie?

—

MARTIN VOLLMER The combination of our R&D platforms in Chemistry & Materials and Process Technology with the new R&D platforms in Catalysis and Biotechnology derived from former Süd-Chemie shows exciting synergies in product and process innovation. As an example, we are the forerunner in using cellulosic sugars derived from agricultural residues to produce bioethanol. Here, the unique combination of our R&D platforms is paving the way for the development of new bio-based chemicals.

What highlights are we going to be experiencing in 2013?

—

MARTIN VOLLMER From an organizational perspective, the move into our new Clariant Innovation Center in Frankfurt is surely going to be one highlight. The new Center will be Clariant's global R&D hub bundling the expertise of about 500 employees dedicated to innovation. Together with our R&D satellites around the globe we will be well positioned to respond to customer needs with innovative product solutions.

Global Economic **FORCE**

Emerging Markets: With 1.3 billion inhabitants and a rapidly growing economy, China has become a star performer and a global economic force. Clariant spotted Greater China's potential early on and is present in more than 20 locations which serve the regional markets. We currently employ 2 000* local staff and the workforce is still expanding. Clariant sees major potential for growth in this region for the coming years.

* incl. discontinued operations

SALES 2012*

585

Clariant earned CHF 585 million in Greater China in 2012.

LOCATIONS*

>20

of which 18 are production sites as per the end of 2012 in Greater China.

WORKFORCE*

~2000

people are employed by Clariant in Greater China.

* incl. discontinued operations

It takes Wei Feng just 15 minutes to get to Clariant's Zhenjiang plant on his motorcycle, just a short commute by Chinese standards. The 33-year-old shift manager has worked for Clariant for over four years and starts work at 8.30 a.m. Zhenjiang has over three million inhabitants, but few Europeans are aware of the existence of the city in East China, a three-hour drive from Shanghai. The city is situated close to the Yangtze River which provides excellent logistics links to the key economic hubs of Nanjing and Shanghai. The Clariant plant began operations in 2008 and mainly produces surfactants and polymers, that are suitable for use in a wide range of personal care and also industrial applications. Wei Feng and other 41 employees supply the Chinese market, which has become the world's second largest economy over the last decade in the wake of rapid economic growth – and, as such, is one of the most promising markets for Clariant.

Major growth potential

Clariant has a presence in more than 20 locations in Greater China; thereof 18 sites are production facilities. Most of the sites in mainland China are located close to major industrial cities on the coast. To date, the expansion of production activities in China has primarily focused on the business units: Textile Chemicals, Leather Services, and Pigments, as the majority of global production in these sectors is based in Asia, owing to the low labor costs there. In view of the dramatic improvements in standards of living as well as the growing demand for industrial and consumer goods in China, potential growth is particularly high for the Industrial & Consumer Specialties, Masterbatches, Pigments, and Additives business units. Clariant's strategic focus on sustainable and profitable growth is gradually becoming more apparent in China, too. In addition, dynamic economic growth in the region has prompted considerable expansion in the Oil & Mining Services, Catalysis & Energy, and Functional Materials business units.

At CHF 585 million, sales in Greater China have more than doubled with the 2005 figure of CHF 274 million. Thanks to the good overall conditions and the accumulated demand of the huge population, Clariant sees major potential for growth in this region for the coming years. This objective will be achieved by targeted expansion of capacities and by moving into high-growth sectors in the region, reflecting what has already happened in the automotive and personal care segments. The aim is to maintain a high average annual sales growth. The growth target assumes that there will continue to be high sales growth in the specialty chemicals segment, which experts forecast should double by 2020 to hit CHF 205 billion, putting Chinese sales on a par with Europe and North America. Over the past five years, Clariant has invested over CHF 200 million in its Chinese plants. As part of the Group-wide regional growth initiatives, over 100 projects have been launched in the various business units in China; some have already been successfully completed.

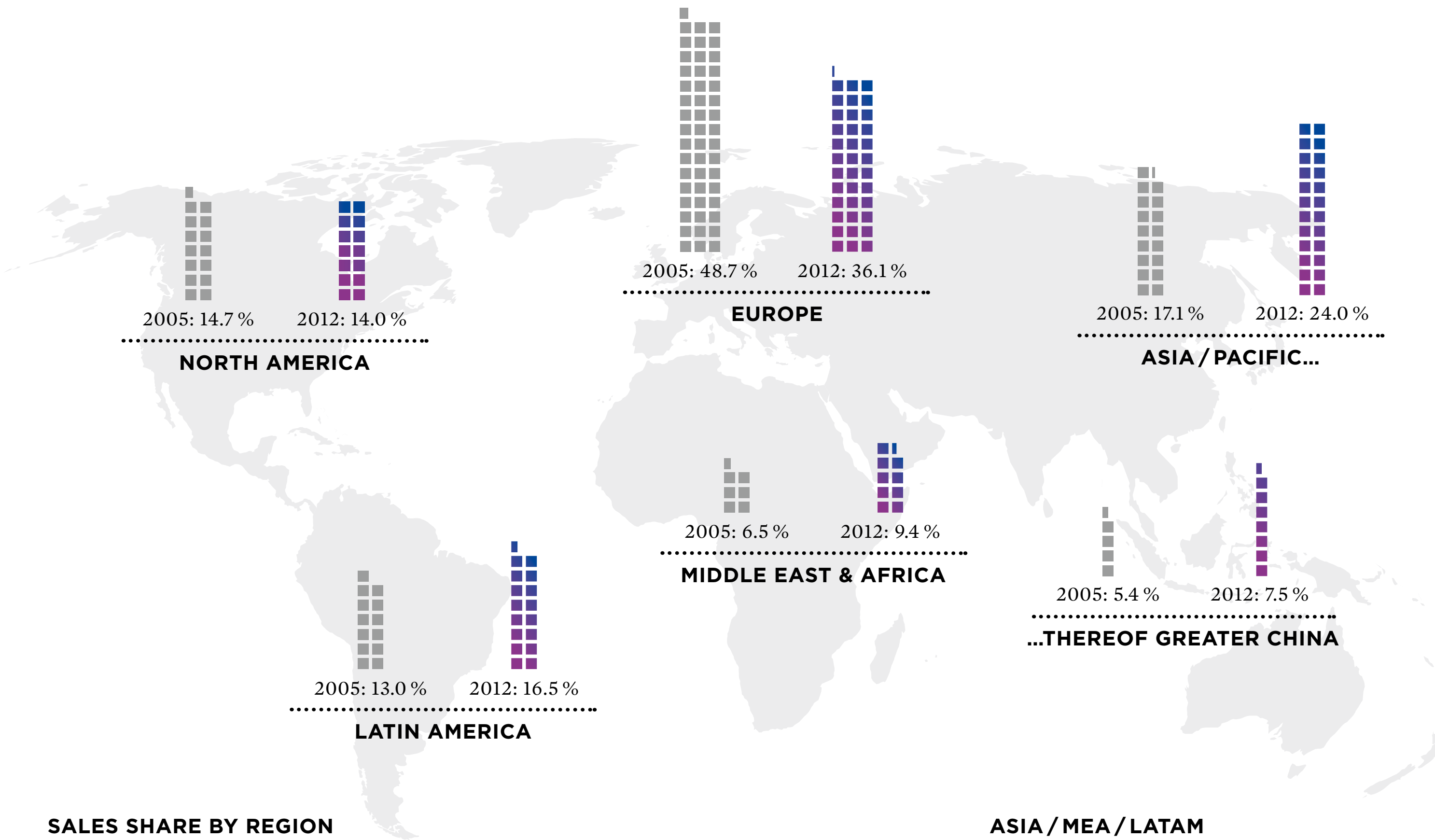
Twelve-hour shift, then a day off

The Zhenjiang plant is typical of Clariant's operations in China. Production is divided into three shifts. Wei Feng works for 12 hours, until 8.30 p.m. He has daily meetings, chaired by the production manager, Mr. Yan Hao, and is responsible for a team of five workers. Wei Feng eats lunch and dinner on site with his colleagues. After each shift he has 24 hours off, and this applies to weekends too. That gives him time to look after his eight-year-old daughter, who attends primary school. He and his wife, Wei Jialan (31), who also works, live together with their daughter and his parents. When he is not spending time with his family, Wei Feng likes to play cards with his friends and neighbors. On weekends, he often goes to the new shopping malls in Zhenjiang with his wife and daughter.

»We are proud that our plant produces basic materials that help to improve standards of living for everyone in China.«

Clariant employee Wei Feng's take on his work

Shifting sales revenues
ASIA IS GROWING*



SALES SHARE BY REGION

2005–2012

The changing regional distribution of sales provides evidence of the burgeoning significance of the emerging markets in Asia / Pacific and Latin America.

ASIA / MEA / LATAM

~ 50 %

High-growth emerging nations accounted for ~ 50 % of sales.

SALES IN GREATER CHINA

585

Sales of CHF 585 million in 2012.

2005	CHF 274 m
2011	CHF 442 m
2012	CHF 585 m

EMPLOYEES

> 10 000

employees of Clariant are already working outside of the traditional industrial regions of Europe and North America.

Middle East & Africa	1 381	6.5 %
Europe	9 581	45.2 %
Latin America	3 191	15.1 %
Asia / Pacific	5 144	24.2 %
North America	1 905	9.0 %
World	21 202	100 %

SALES SHARE BY REGION

24 %

Clariant's sales share amounted to 24 % in 2012 in Asia / Pacific.

Middle East & Africa	CHF 735 m	9.4 %
Europe	CHF 2 810 m	36.1 %
Latin America	CHF 1 285 m	16.5 %
Asia / Pacific	CHF 1 865 m	24.0 %
North America	CHF 1 087 m	14.0 %
World	CHF 7 782 m	100.0 %

* incl. discontinued operations

Internationally successful
ALMOST 50 % OF SALES GENERATED IN EMERGING MARKETS

CLARIANT

Latin America

Sales 2012:	CHF 1285 million*
Locations:	9 production sites
Workforce:	3191
Headquarters:	Sao Paulo

* incl. discontinued operations

EXPANDING ECONOMIES

Latin America is one of the most attractive markets worldwide due to its strong growth potential in diversified industries. Clariant has a consolidated presence in the region, with a very good infrastructure footprint with production sites and sales offices in several countries. As a member of the illustrious BRIC club, Brazil is increasingly becoming a respected economic power, followed by Mexico, which is also growing at a strong pace. Clariant Latin America has had positive results with sustainable growth in the major markets it operates, such as Personal Care, Household, Paints & Coatings, Plastics, Mining, Textile, Paper, Leather, Catalysts, Food Ingredients, Water Treatment, Sugar & Alcohol, among others. In the last years, many countries of the region have worked to establish themselves as leading oil producers. The recent discovery of shale gas reserves in Argentina, the increased public investment announced for Exploration & Production, and the increase in well drilling activities in Brazil and Colombia, and an historical oilfield presence in Venezuela all point to a considerable growth potential in the Latin American oil and gas industry. For 50 years, Clariant Oil Services has actively participated in all segments of the oil industry, both onshore and offshore, working on the development, manufacturing, application and distribution of chemical additives and services. Moreover, Clariant Oil Services has maintained market leadership in the region thanks to the continuous applications development process carried out by local laboratories in synergy with the Center of Excellence inaugurated in Rio de Janeiro in 2012.

CLARIANT

India

Sales 2012:	CHF 195 million*
Locations:	4 production sites
Workforce:	1083
Headquarters:	Thane

* incl. discontinued operations

CLARIANT

ASEAN

Sales 2012:	CHF 556 million*
Locations:	26, including 17 production facilities
Workforce:	1756
Headquarters:	Singapore

* incl. discontinued operations

LEVERAGING ON RISING INCOME LEVELS, POTENTIAL GROWTH PROSPECTS

Potential for sales increase

Standards of living are rising rapidly for many of India's one billion inhabitants. Currently sales are in excess of CHF 190 million, but Clariant plans to increase that figure substantially in the next years, building on the current company structure. Historically, the company had a strong position in the textiles, leather chemicals, and pigments sectors in India. It is planned to generate significant growth in all other segments.

Regional Growth Initiatives

Clariant has already launched over 80 regional growth initiatives and will be increasingly focusing on automotive accessories, personal care and biocides. Those are booming consumer markets in India right now. The focus equally also is on growth segments of Pigments, Industrial & Home Care, Masterbatches, Mining, among others. Continuous improvements in production capacities of the company's sites coupled with the unique Product Stewardship facilities, means Clariant in India is geared up to take forward the growth strategies.

BENEFITING FROM RISING STANDARDS OF LIVING IN SOUTH-EAST ASIA & PACIFIC

The specialty chemicals market in the ASEAN states currently accounts for 6 % of global sales, or CHF 33 billion. The majority of these sales is recorded in the core regional markets: Indonesia, Thailand, and Malaysia. In view of the huge potential for growth – the market is expected to reach around CHF 48 billion by 2020 – Clariant has been diversifying activities around the regional headquarters in Singapore. We anticipate above-average annual growth in the double digits, primarily in the Industrial & Consumer Specialties (particularly crop protection), Pigments, and Oil & Mining Services business units.

Less cyclic – **MORE GROWTH**

Clariant portfolio:
Percentage of sales generated by core Business Units.

2011 **47 %**

2013 **>60 %**

Portfolio Management: »We will be very pleased with Süd-Chemie.« In early 2011, Clariant's CEO Hariolf Kottmann used these words to qualify the transforming acquisition of the Munich-based speciality chemicals company. Figures for 2012 and the faster than expected integration into the Clariant Group today confirm this assertion.

One of the main reasons for the acquisition was – in addition to higher profitability – in particular the low cyclicity of the activities that were taken over. And most large enterprises in this sector are focusing on precisely this: profitable growth with the least possible susceptibility to economic swings. Clariant, too, uses this as a consistent yardstick for portfolio policy.

Starting from the necessity to restructure in order to keep the Group abreast of major players in the speciality chemicals sector, Clariant's portfolio management up until 2008 consisted almost exclusively in selling off parts of the company. After the conclusion of this painful stage in the company's development and the implementation in 2010 of a new strategy geared to profitable growth, the picture has changed – against the backdrop of a clear improvement in the financial structure. Clariant was again able to invest and, as of 2011, switched to external growth. This was reflected not only in a major acquisition in the form of the takeover of the Süd-Chemie operations, but also in the acquisition of several smaller and medium-sized companies in order to strengthen existing business units.

Becoming less susceptible to economic swings

On the one hand, Clariant has used the year 2012 to do its homework on integrating Süd-Chemie. On the other hand, specific business sectors in the portfolio were strengthened. In addition, with its announcement of the medium-term forecast for 2015, the Executive Committee has made a clear distinction between businesses that are more and less susceptible to economic swings as well as core and non-core operations. The main factor here was insecurity regarding the long-term trends in the global economy. The clear objective is to reduce Clariant's sensitivity to economic swings as far as possible and also to align the company consistently to strong-margin growth sectors.

There are no taboos

In real terms this means that the company is examining and implementing strategic options for the Textile Chemicals, Paper Specialties and Emulsions, Detergents & Intermediates, and Leather Services Business Units. These options are to be implemented for all Busi-

SALES WORTH

CHF 1.74

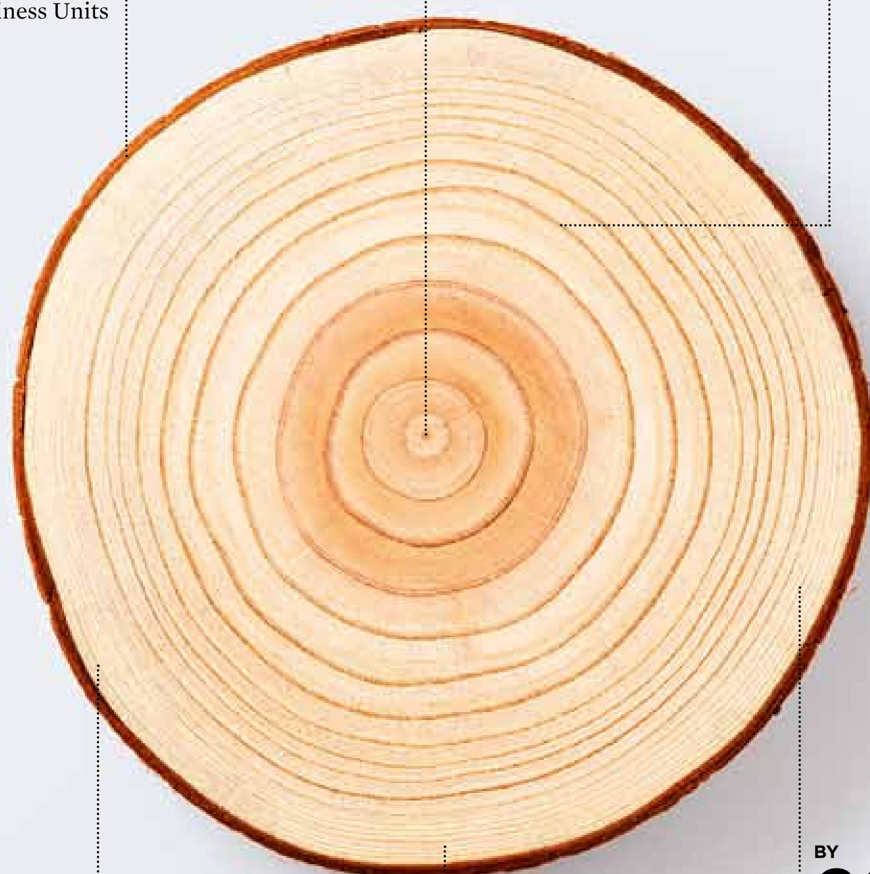
billion of discontinued operations

GROWTH THROUGH CHANGE

1995
Spin-off and flotation

BY 2000
Expansion
through takeover of BTP

BY THE END OF 2013
Repositioning
Divestment of Business Units



BY 2008
Separation
of several work areas

2011
Acquisition
Süd-Chemie

2008 TO 2010
Restructuring phase

Two stable business units with profitable growth

ness Units by the end of 2013. On 27 December 2012, Clariant signed an agreement to divest its Textile Chemicals, Paper Specialties and Emulsions businesses to SK Capital. Subject to regulatory approvals, the transaction is expected to close by the end of the second quarter of 2013. Also subject to this disposal process until year-end 2013, but in a second phase, are the Business Unit Leather Services and the Business Line Detergents & Intermediates.

The logic of the portfolio management underlying this strategy is illustrated by a glance at the profitability of the respective Business Units. Whereas the profitability of the core operations was at 13.3 % at the end of 2012, the EBITDA margin of the discontinued operations was at 7.6 %. Although Clariant is disposing of sales to the tune of approximately CHF 1.74 billion after the conclusion of the relevant transactions, the strategic focus is not on size but on sustainable profitability.

Big and beautiful: Süd-Chemie

The acquisition of Süd-Chemie, the largest transaction effected by Clariant in its recent history, meets these criteria par excellence, against the background of the switch to less cyclic operations. Two stable and profitably growing Businesses that are among the global leaders in the areas of process catalysts and adsorbents have become Business Units of Clariant. In addition, these units have a strong research and development pipeline for new business areas with high growth potential. These involve innovative materials for key megatrends such as environmental protection, energy efficiency, energy storage, and renewable energies.

Criteria for the Clariant portfolio:

1. Sizeable future potential through expansion of operations and / or the value chain of existing Business Units.
2. Focusing on growth markets and sectors, for example with strong orientation to megatrends.
3. New operations must possess a leading competitive position or improve Clariant's present position.
4. Improvement in profitability through proven strong-margin and additional potentials using synergies and high pricing power.

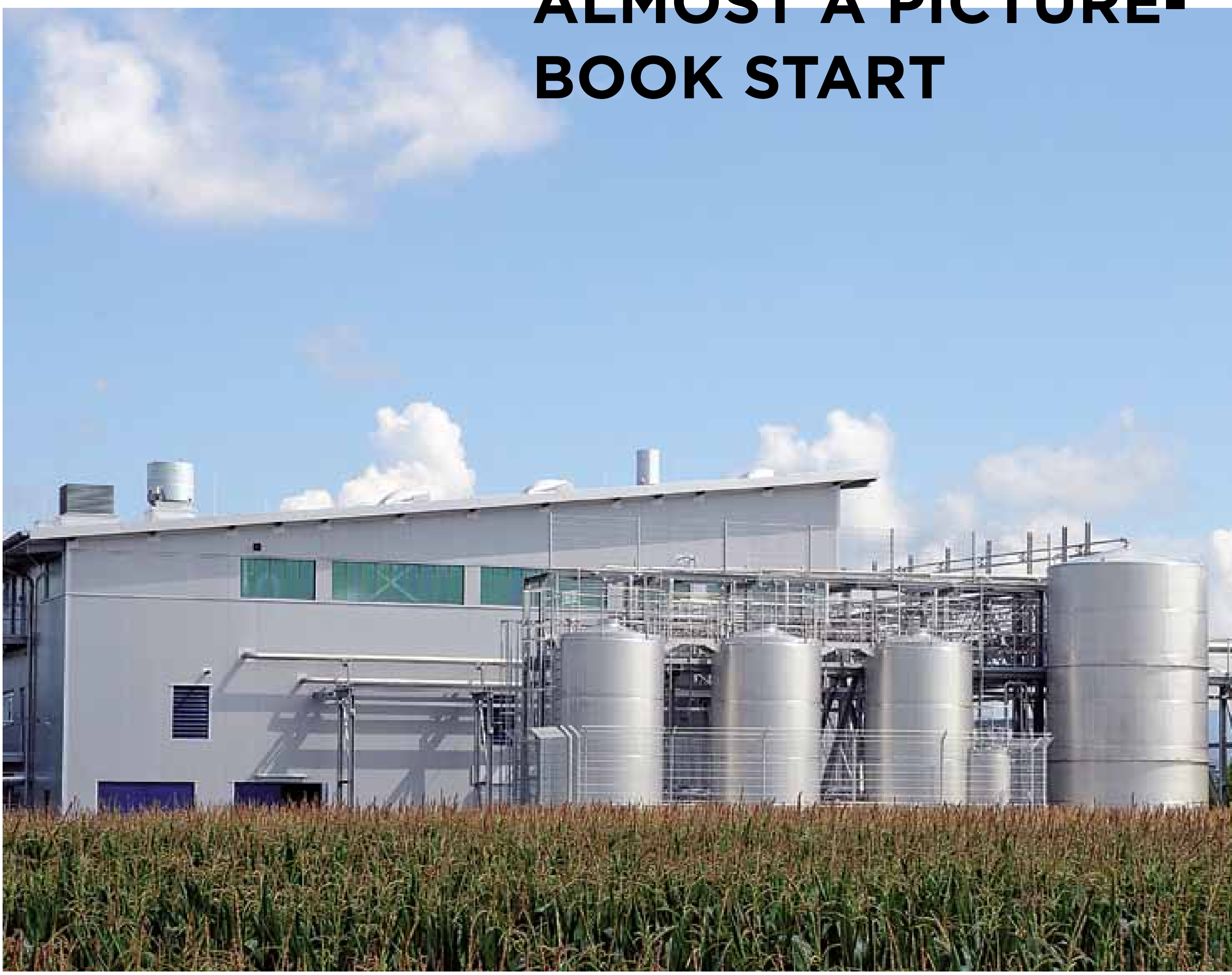
Small but powerful

In addition, Clariant has made several smaller but nonetheless highly interesting and forward-looking takeovers. In 2011 these were Octagon Process LLC (USA, ICS), Prairie Petro-Chem (Canada, OMS), Italtinto (Italy, Pigments), and Oberhausen Technology Center GmbH (Germany, ICS). In 2012 there was only one acquisition, the Brazilian company Tuipi, a small business operation of Oxiteno, albeit one that shows very clearly which strategy Clariant is focusing on. First, this is an opportunity for the Catalysis & Energy Business Unit to get its foot in the door of the highly promising Brazilian market and to use this as a springboard for developing the Latin American market. Second, the company has interesting and innovative products with the potential for high returns.

Besides taking over or shedding operations, Clariant is also interested in using global joint ventures to optimize its portfolio. One such example is the 50:50 joint venture signed in late 2012 with Wilmar, a leading Asian agricultural group, through which a global platform will be created for the production and sale of amines and selected amine derivatives. Clariant's high competence and Wilmar's know-how in Europe will be combined perfectly at the German location of Gendorf and in Asia at the headquarters in Singapore.

–
PILOT PLANT
in Straubing, Germany for the production of cellulose ethanol from agricultural residues.

Faster than expected
ALMOST A PICTURE-BOOK START



For Clariant, the acquisition of Süd-Chemie is a success story. The operating results are on target, the integration is proceeding according to schedule.

Operating growth of the two Business Units, Catalysis & Energy and Functional Materials is good despite the challenging general economic setting. So too in 2012: turnover growth of 7 % and a total EBITDA before exceptional items yield (18 %) well above the company average are a clear and durable indication of this. And this despite the fact that doubters had complained shortly after the takeover about the purchase price being too high. Today it is evident that the addition of the Süd-Chemie operations have made the Group less susceptible to strong fluctuations. The Group is bang on course to meet the targeted synergies and improvements of CHF 90 to 115 million resulting from the combination of Clariant's Business Units with those of Süd-Chemie. In the process, a further CHF 45 million will be added by optimizing administrative functions and another CHF 60 to 70 million in financial improvements added via consistent implementation of the Clariant Excellence initiatives. Approximately half the savings will be the result of the reduction of more than 750 jobs, which will be carried out in the most socially acceptable manner possible. The integration costs amount to a total of approximately CHF 190 million, CHF 90 million of which in 2011 and CHF 60 million in 2012. In the second half of 2013 – thus, only around two years after the takeover – the acquisition is already expected to increase net income on balance: Faster than expected.

The integration commenced in April 2011 is expected to be completed end of 2013. The harmonization of the IT structure, the legal, financial and tax systems, human resources, and implementation of the Clariant Excellence initiatives have come a long way. This relates to both the central operations and to most of the international operations of the company formerly based in Munich. De-listing has also been completed: Clariant has owned 100 % of the shares since the end of 2011.

PROFILE

ACQUISITION OF SÜD-CHEMIE

Announcement : February 2011 **Completion:** End 2011 **New Clariant Business Units:** Catalysis & Energy, Functional Materials **Turnover and net income share in Clariant Group:** ~20 % **Workforce:** 4 500 **Strategic advantages:** Leading global market positions, high profitability, innovative, strong-growth operations

»We are much quicker than planned!«

—
MICHAEL RIEDEL
Head of Integration of
Süd-Chemie

Mr. Riedel, how would you summarize progress after almost two years of integrating Süd-Chemie?

—

MICHAEL RIEDEL A lot of work, which has been worthwhile. We are on track to meet our declared schedule and hope to have completed all the main tasks by mid-2013.

What does that mean specifically?

—

MICHAEL RIEDEL You have to imagine integrating 6 000 employees at more than 40 locations in 23 countries. This means: IT, legal, finances, taxes, etc. must be adjusted to the existing systems at Clariant and this as fast as possible. Süd-Chemie was then also de-listed from the stock exchange – all tasks that require a good deal of time.

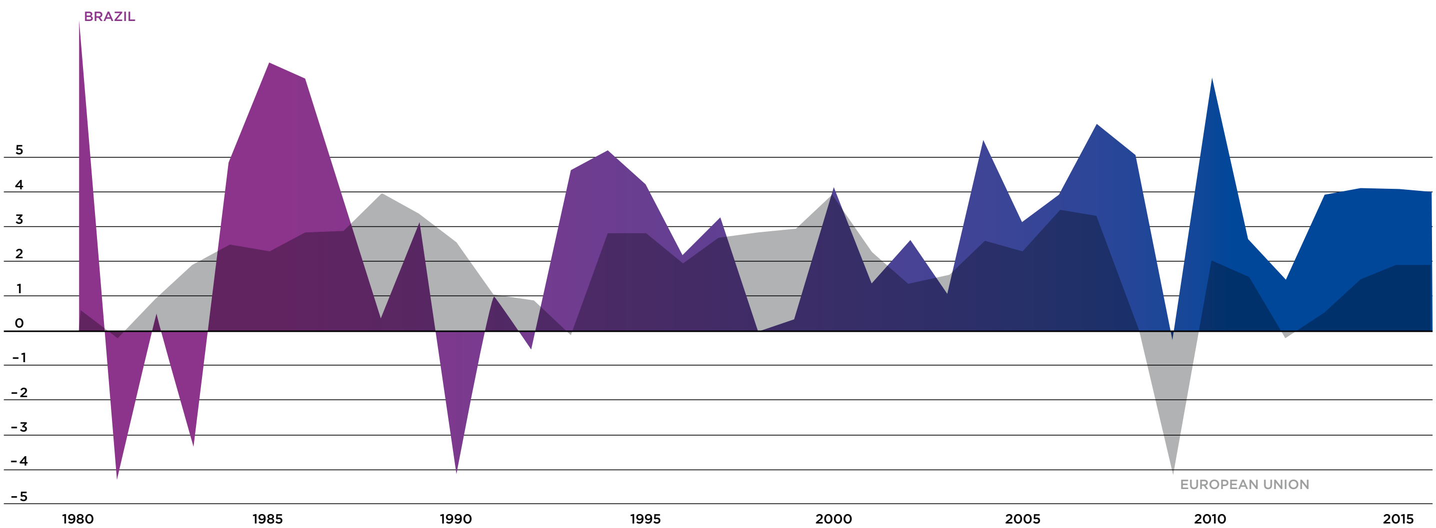
How does the balance look in figures?

—

MICHAEL RIEDEL If we focus solely on the synergies and improvements, the figure of CHF 90 million is really quite a considerable amount. Given the analyses that are still underway and the measures that have been initiated, it may well be a considerable amount more.

Small steps
BIG EFFECT

EXPANSION IN BRAZIL (GROWTH IN GROSS NATIONAL PRODUCT IN %)



During the last years the Brazilian economy has made great progress. Due to a strongly grown intermediate layer and a very low unemployment rate of about 5 % the purchasing power of the population has grown significantly. Further positive impulses are expected from the Soccer World Championship in 2014 and the Olympic Games in 2016, both taking place in the country.

SOURCE: IWF

JOINT VENTURE

CLARIANT / WILMAR

Signed in October 2012 / Start-up in first half 2013 **Operations:** Amines and amine derivatives, Business Unit ICS **Locations:** Gendorf (Germany) and Singapore, as well as subsidiaries **Workforce:** more than 100 **Strategic benefits:** Global positioning, bundling of technological know-how

Capacity utilization is being secured through the global joint venture in amines: By signing a global 50:50 joint venture with Wilmar, a leading Asian agricultural group, Clariant has ensured future capacity utilization at its Gendorf location and thus also safeguarded jobs there. This will also include founding a subsidiary for the production in Germany, into which Clariant will integrate its amine plant at the Gendorf site. It is planned to transfer almost 100 employees of the plant to this German subsidiary.

»Wilmar is an excellent partner for Clariant to support our customer base in all parts of the world.«

MICHAEL WILLOME, HEAD OF BUSINESS UNIT ICS

PROFILE

OXITENO CATALYSTS

Acquired July 2012 **Operations:** Business Unit Catalysis & Energy **Location:** Brazil **Strategic benefits:** In July 2012, Clariant bolstered its Catalysis & Energy Business Unit by acquiring the catalysts business from the Brazilian firm Oxiteno. With this activity, Clariant has obtained ideal access to the dynamically growing market of Brazil, and therefore the whole of Latin America. This means the company not only has better channels to market its own products in the region, it can also benefit from the innovative product range. Accordingly, the Business Unit Catalysis & Energy boasts significant additional growth potential in terms of both sales and earnings.

Sustainability IS THE ONLY WAY

All growth must be sustainable: Environmental protection is an emerging megatrend. International companies cannot ignore their social responsibilities, which are global in nature. The rapidly expanding range of green products also holds huge sales potential. In addition, environmental protection generates savings, such as reducing resource costs.

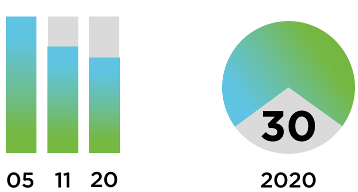
Transparency is vital: to this end, Clariant has defined environmental targets for 2020 that set out what is actually being done in the company and can be used to measure ourselves against international competitors. The Executive Committee of the Muttenz-based specialty chemicals group has not only set specific environmental targets for 2020, it has also produced guidelines for both safety in the workplace and production safety as well as for environment aspects. After all, skills are acquired with practice. Therefore, the challenge is to optimize time-consuming and complex processes in order to generate considerable improvements in key environmental parameters. The targets should essentially be independent of economic and company performance, and should constitute suitable industry benchmarks. This is particularly relevant in areas where key criteria can be clearly expressed in precise figures.

With its Environmental Targets 2020 (based on reference values from 2005), Clariant has for the first time established a set of binding, long-term objectives for the Group. The proposed 2020 reductions are binding parameters for all Clariant's activities. Clariant is not only seeking to significantly reduce absolute volumes, but to define sustainability targets in relative terms. Consequently, the target improvements are linked to production volumes, i.e. savings per ton. In the coming years, Clariant aims to make production ever more efficient and sustainable. If our concerted efforts enable us to reach our targets ahead of schedule, we will revise them accordingly.

TARGETS AND

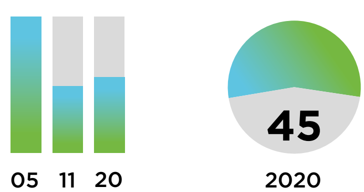
MILESTONES*

Reduce energy consumption by 30 %



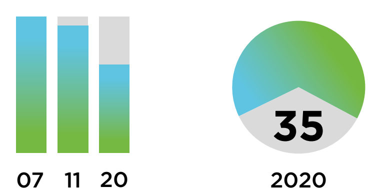
1 January 2005:	1711 kWh/t
2020 target:	-30 %
Achieved until 2011:	-25 %

Reduce direct CO_2 emissions by 45 %



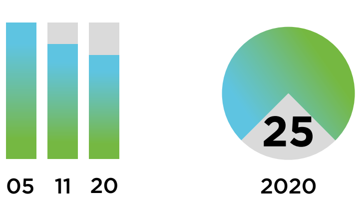
1 January 2005:	236 kg/t
2020 target:	-45 %
Achieved until 2011:	-51 %

Reduce direct and indirect greenhouse gas emissions by 35 %



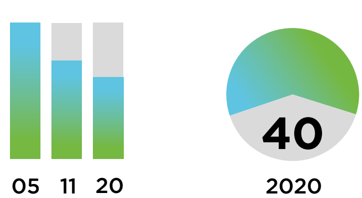
Start 2007:	541 kg CO_2 equ./t
2020 target:	-35 %
Achieved until 2011:	-7 %

Reduce water consumption by 25 %



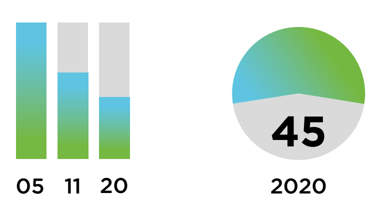
1 January 2005:	42 m^3/t
2020 target:	-25 %
Achieved until 2011:	-16 %

Reduce waste water by 40 %



1 January 2005:	11,5 m^3/t
2020 target:	-40 %
Achieved until 2011:	-28 %

Reduce waste by 45 %



1 January 2005:	111 kg/t
2020 target:	-45 %
Achieved until 2011:	-37 %

* excluding Süd-Chemie

»Only with a clear commitment to sustainability we will meet our objectives.«

Hariolf Kottmann, CEO Clariant

Safety first

Clariant also guarantees a high degree of safety in the workplace. The AvoidingAccidents@Clariant program was launched in 2007. The original aim was to cut the number of accidents that caused at least one day of absence in relation to the Group's 200 000 working hours – the lost time accident rate – to under 0.8 by 2010. This goal was achieved – and more: The lost time accident rate fell to 0.45, then to 0.28 in 2011. The aim now is to completely eliminate time lost due to accidents. Clariant has established an ambitious and expensive program to that end.

RESPONSIBILITY

45 000 000

CHF invested Clariant in safety, environmental protection and health in 2011.

GOAL FOR 2015:

–30 %

Energy consumption to drop 30 % by 2020

GOAL FOR 2015:

–45 %

Clariant's environmental target is a 45 % reduction in direct CO_2 emissions by 2020.

The cornerstones of a genuine sustainability policy

Responsibility
Clariant accepts that it has an ethical responsibility to implement sustainable, economic, ecological, and fair business practices.

Commitment
Clariant is committed to acting ethically and sustainably in all its business activities, in accordance with the Responsible Care® principles and Clariant's own Code of Conduct.

Management
Clariant adheres to all internal and external standards. The management system complies with ISO 9001, ISO 14001, OHSAS 18001, and Responsible Care®.

Compliance
Compliance with all legislation, international standards, internal regulations, and the Code of Conduct is a basic requirement for all our activities.

Safety and environment
Safety and protecting people and the environment are key priorities for all Clariant's activities around the world.

Innovation and product responsibility
We are constantly developing new and better products and services to create added value for our customers and the environment.

Sustainable operations and processes
Clariant takes measures to minimize environmental, safety and health risks throughout the value chain.

Supplier and third-party management
We require our suppliers and contractual partners to meet the same exacting sustainability standards.

Communication
Clariant promotes a culture of active and transparent communication, which we believe is the key to building trust and confidence.

Monitoring and review
We monitor and review all business activities and processes, including Responsible Care® issues, at regular intervals.

Environmental protection you can feel

THE NEW UMWELT ARENA MAKES IT POSSIBLE

UMWELT ARENA
demonstrates to the public the responsible use of resources.

Environmentally friendly, sustainable products and manufacturing processes are rarely apparent to outside observers. It is hard for consumers to appreciate the investment that goes into sustainable products. In order to illustrate the effort involved in a way that is easy to understand, the first Swiss Environmental Center of Excellence has been created in Spreitenbach (canton of Aargau): the Umwelt Arena (Environment Arena). Visitors can see and experience sustainable production and environmentally friendly products. Clariant is the center's only partner from the chemicals sector. The Arena is a place where visitors can experience and learn about environmental, energy, and sustainability issues; a place for information, learning, and discussion, but also an inspiration to act responsibly in relation to the natural world.

The Arena practices what it preaches: the building's environmental impact has been kept to an absolute minimum from the outset. The construction process was carbon neutral. The building materials used also helped to save resources: concrete, wood, steel, and plaster have been left in their natural state wherever technically feasi-

»Sustainability is not an end in its own right«

—
JOACHIM KRÜGER
Vice President Corporate Sustainability
and Regulatory Affairs

In recent years, Clariant has increasingly been channeling resources into sustainability management. What's the next step?

—

JOACHIM KRÜGER Responsible corporate governance is a major concern for Clariant. We invest around CHF 40 million each year in this area and will continue to do so. Clariant does not just talk about sustainability, as evidenced by the fact that growing numbers of employees are engaging with the issue. Sustainability is an integral part of our business strategy and should be visible within our corporate culture.

Does the investment pay off?

—

JOACHIM KRÜGER Definitely. Sustainable production is not an end in itself: it can reduce costs in some areas – remember, energy prices are rocketing. We also want to make sustainability criteria more of a priority in our products going forward. This reflects our customers' requirements and market demand. Nowadays we all tend to focus more on environmental issues when we go shopping: think of the popularity of organic produce. We are concentrating our innovations in the same field.

ble. The exterior of the Environment Arena includes a multi-faceted roof made up of the largest integrated photovoltaic system in Switzerland. A thermoactive concrete structure lies at the heart of the building, with thermoactive components throughout to provide heating and cooling. Heating and cooling capacities are stored in two large water storage tanks and a system of pipes below the foundations. A wooden box assembly was then built on top, with adjustable angles. This solution is a prime example of how keeping things simple and being creative can provide an attractive yet environmentally friendly building.

The interior of the modern technical building comprises over 5 000 m² of floor space for permanent exhibitions plus a further 5 200 m² for exhibitions on topical environmental issues. There is room for up to 4 000 visitors. The Arena contains 25 hands-on exhibitions in conjunction with 70 exhibiting partners and 20 technical partners in the areas of construction, financing, building systems, energy, housekeeping, nutrition, recycling, and mobility. Clariant is the only chemicals company to present products in the Arena. Visitors can learn how modern chemistry helps humankind by making our daily lives easier, more comfortable, safer, and more environmentally friendly. The »Chemistry in Daily Life« exhibition is also designed to clear up any misconceptions about chemistry.

CAN A CAR RUN ON STRAW?

The pilot project demonstrates Clariant's commitment to sustainability as an integral part of business policy, but it is also a role model. Research and development are the keys: the main project objectives include energy efficiency, renewable raw materials, emission-free transport, and preserving finite resources. The Environment Arena is the ideal place to present solutions in an interesting and entertaining manner. Five stations demonstrate how much our lives are imperceptibly shaped and improved by chemistry. Full-scale models give visitors a whole new perspective on everyday objects, from cream cartons to smartphones. Visitors can learn how to run a car on straw and about the future of electric vehicles – and have fun at the same time! An unusual interactive soccer match gets children and adults alike moving: a physical kick on the fully recyclable artificial pitch propels a virtual ball into the goal.

Saving resources AT EVERY LEVEL OF DEVELOPMENT

Consumers are increasingly seeking out environmentally friendly products. Market demand for sustainable products will continue to rise. Clariant recognized the trend early on: many of our innovations benefit the environment but also generate additional sales.

Sustainability demands money and resources. Costly production processes, expensive raw materials, cleaner and more efficient plants, as well as programs for employees and other interest groups, require investment and ongoing expenditures. For companies, these expenses are soon offset by lower operating costs (e.g., lower energy costs) and additional sales (such as rising demand for sustainable products).

To realize these benefits, Clariant has developed EcoTain®, an overarching concept for developing sustainable products that covers the entire life cycle. The EcoTain® label is designed to ensure that the four product phases – design, (manufacturing) process, usage, and disposal – are as efficient and environmentally friendly as possible, with a view to protecting people and the environment, and limiting resource use without compromising performance and efficiency.

A **sustainable design** is the first level in the EcoTain® model. This reflects Clariant's striving to ensure that sustainability is a priority from the initial product development phase. The aim is to develop efficient products using safe materials and to maximize use of renewable raw materials.

A **responsible process** is the second element in the EcoTain® model and focuses on sustainable – i.e., green, safe, low-impact – production methods. The aim is to improve the efficiency of the chemical reactions used in production processes. **Safe and efficient use** is the third step in the concept: this phase focuses on the product benefits during processing, application, and use by the customer. The product formulation should not only meet the functional requirements, but also improve end performance and safety (i.e., no health concerns).

Eco-integration is the fourth and final level in the EcoTain® model, and encompasses product disposal and the associated environmental impact. The primary objective is to reduce waste, or if not all waste can be eliminated, to ensure that it can be recycled in an environmentally friendly manner. Consequently, each product's environmental characteristics have to be considered at all times, such as whether it is biodegradable.

Environmentally compatible innovations

Synergen® GL5 is used in a wide range of crop protection products. It offers an environmentally friendly alternative to agricultural chemicals. Synergen® GL5 is made up of 95 % renewable ingredients (polyglycerol ester and coconut oils) and has an excellent toxicological profile: the product is sustainable, while also offering added safety benefits for humans and plants.

Hostacerin® SFO is made entirely from natural ingredients and is used in cosmetics and personal care products. Hostacerin® SFO is produced in a single-stage chemical process at low temperatures. The low energy consumption minimizes the product's carbon footprint. As all ingredients can be fully recycled, there are no by-products or waste.

Texcare® SRA 300-F is used in laundry products as a detergent and stain remover. It is effective in low concentrations, even at low temperatures. Texcare® SRA does not irritate the eyes or skin. So it is a winner for consumers and the environment alike: consumers use less laundry powder and save energy and water during washing, which is also good news for their wallets.

Velsan® SC is used in creams, lotions, and shampoos. The substance is biodegradable, does not generate waste, and is Eco-certified.

The cathode material **Life Power® P2** improves the performance of car batteries while also making them greener, cheaper and safer. This development promotes e-mobility, because lithium ion batteries charge faster than traditional car batteries and last longer.

The non-halogenated flame retardant **Exolit® OP** provides protection for mobile telephones, computers, hi-fi systems, and domestic appliances. The product is based on organic phosphorous compounds and suppresses the chemical reactions in flames in the event of a fire. The product prevents smoke, meaning that it offers excellent environmental and health benefits. Plastics containing Exolit® OP can be recycled normally.

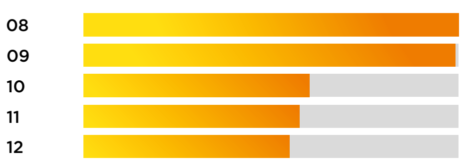
Artificial turf manufactured using Clariant's **Licocene®** high-performance polymer offers impressive bonding strength, which guarantees long-term effectiveness, even in bad weather. The product is very safe and can be reused at the end of its lifetime to produce new artificial turf.

Sustainable
ON ALL LEVELS

DOWN TO 6.2 %

LOST WORKDAY RATE*

Taking precautions and employee training have resulted in a significant decrease in the Lost Workday Rate.



2008:	11.3 %
2009:	11.2 %
2010:	6.8 %
2011:	6.5 %
2012:	6.2 %

* LWDR = Lost Workday Rate (the ratio of the number of days lost due to accidents at work to every 200 000 hours of work)

SUSTAINABILITY REPORT 2011 SCORES TOP MARKS

A+

The Global Reporting Initiative (GRI) is a globally recognized organization that defines sustainability reporting standards. The GRI has evaluated Clariant's 2011 Sustainability Report and given it an A+, indicating that we have achieved maximum transparency. The report has also been evaluated and certified by SQS, the Swiss Association for Quality and Management Systems.

»We want to be an industry role model for environmental protection and sustainability.«

HARIOLF KOTTMANN

PREVENTING WASTE ACCUMULATION

– 37 %

Waste has declined by 37 % since 2005 as a result of enhanced recycling, treating waste and landfilling.

SUSTAINABILITY AT CLARIANT

A PRIORITY FOR THE BOARD OF DIRECTORS

With a view to providing more support for our strategy of sustainable profitable growth, the Sustainability@ Clariant initiative is gradually becoming an integral part of Clariant's business practices. The Sustainability Council's role has been strengthened considerably in 2012. The Council now comprises senior representatives from key Group units and business units, and is chaired by Clariant's CEO, Hariolf Kottmann.

REFERENCE VALUES

eWatch

eWatch is an important building block in the achievement of the Clariant environmental targets for 2020, because it provides Group-wide reference values, prescribes ongoing progress controls, offers energy conferences and working groups for internal and external training and guarantees close integration with the measures taken under Clariant Excellence.

Financial **REVIEW**

Clariant continued to perform well in 2012, by reshaping its portfolio and maintaining profitability in most core businesses despite the volatile and adverse economic environment – especially in Europe.

Business performance review 2012

SUMMARY STATEMENT FOR BUSINESS YEAR 2012

In 2012, Clariant faced a more pronounced global economic downturn than initially anticipated, particularly in the second half of the year. Clariant improved sales in continuing operations by 8 % to CHF 6 038 million. After adjustments for acquisition effects and foreign exchange effects, sales remained at the previous year level. However, EBITDA before exceptional items for continuing activities declined by 4 % to CHF 802 million, with an EBITDA margin of 13.3 % (2011: 15.0 %). Having signed an agreement to sell its Paper Specialties, Textile Chemicals and Emulsions businesses and evaluating options for Leather Services and Detergents & Intermediates, the portfolio of the Group is rapidly changing to profitable and growing businesses. Building on improving profitability through the Clariant Excellence programs, focusing on innovation, expansion in high-growth emerging markets, and efficient portfolio management, the 2015 target for EBITDA margin, before exceptional items, is 17 %, while the return on invested capital should outperform the industry average.

BUSINESS OPERATIONS

Group Structure

In February 2012, the Group announced that it planned to focus on its seven Business Units Additives, Catalysis & Energy, Functional Materials, Industrial & Consumer Specialties, Masterbatches, Oil & Mining Services, and Pigments. Strategic options have been examined for Detergents & Intermediates, Emulsions, Leather Services, Paper Specialties, and Textile Chemicals. Given the advancement of this review, illustrated by the announced sale of Textile, Paper and Emulsions on 27 December 2012, these operations are now reported as discontinued.

Corporate strategy and targets for 2015

Clariant's priority is generating value added by investing in sustainable and profitable growth. The Group has therefore set clear return targets to be achieved by 2015. The aim is to increase the EBITDA margin (calculated from earnings before interest, tax and depreciation) to more than 17 % by 2015 and to generate a return on invested capital (ROIC) that is higher than the average in the company's peer group. In order to achieve this objective, the company has adopted a four-pillar strategy, based on the following elements:

1. Continous improvement of profitability in all business units

Target: improve EBITDA of the current company portfolio by 1 – 2 percentage points, through targeted performance management and the continuous improvement program Clariant Excellence.

2. Focus on research & development and innovation
Target: improve innovation success rate and generate additional sales growth of 1 – 2 percentage points by launching innovative products.

3. Expansion of Clariant's competitive position in global growth markets
Target: increase market share in China, India, and Brazil by benefiting from the dynamic growth in these emerging markets.

4. Optimization of the company portfolio
Target: active portfolio management to expand the Group's presence in markets with above-average profitability.

GENERAL CONDITIONS

Global economic growth slowed considerably by the end of 2012

According to International Monetary Fund (IMF) data, the global economy grew a modest 3.2 % in 2012. This fell short of the 3.9 % achieved in 2011 and was also lower than predicted by experts in the first half of the year. The main reasons for the shortfall were growing uncertainties linked to the financial crisis in Europe and slower growth in the United States and in developing and emerging countries. Economic output in the Eurozone actually dropped by 0.4 %. Germany also came down during the year, posting only 0.7 % growth, and GDP in southern European countries, such as Italy and Spain, fell considerably. The world's largest economy, the United States, fared slightly better, recording 2.2 % growth. Japan had a similar performance. The trend in developing and emerging markets was not as strong as anticipated, although with an average of 5.1 % growth, these economies still clearly outperformed the industrialized world (average growth 1.3 %). China maintained its position as a global economic powerhouse, with Gross Domestic Product (GDP) advancing 7.8 %, but still fell short of some experts forecasts. The remaining BRIC nations also fell short of expectations: Brazil added 1.0 %, India 4.5 %, and Russia 3.7 %.

The Swiss National Bank's decision to install a floor of CHF 1.20 per EUR, in order to halt spiraling appreciation against major currencies, proved effective. The Swiss franc remained fairly stable year on year against local currencies in most of Clariant's key markets.

Chemical industry in 2012 – moderate growth in challenging conditions

Global chemical production achieved moderate growth in 2012, but was considerably lower year on year and fell short of the optimistic forecasts made at the beginning of the year. Very little growth came from the chemicals industry overall, or from specialty chemicals in the United States (chemical production + 1.5 %) and Europe. In Europe (chemical production – 2.0 %), concerns surrounding the sovereign debt crises subdued demand, with chemicals production down against the previous year. The chemical industry in Germany was affected by the difficult economic climate in Europe, posting year on year declines (chemical production – 3.0 %), particularly compared with the second half of 2011. The deterioration was mainly linked to the marked drop in orders from key sectors, such as the automotive industry. Growth was primarily driven by exports, mainly to the United States. Emerging markets continued to gain ground, with chemical production soaring, although growth was muted at times during the first half of the year.

»Clariant's 2012 results are solid – especially when you consider that economic conditions have worsened.«

Patrick Jany, Chief Financial Officer

Changes in the reporting structure

Clariant recorded only a few minor new acquisitions in 2012, in contrast to 2011. These included the one of the catalysts business of the Brazilian company Oxiteno, which provides the opportunity to access the Brazilian market and the acquisition of the remaining minority shareholdings in an Ukrainian joint-venture. Both acquisitions pertain to the Business Unit Catalysis & Energy. As the Süd-Chemie business acquired in 2011 only appeared in the Clariant Group consolidated reports as of 1 May 2011, under the new Catalysis & Energy (catalysts) and Functional Materials (adsorbents and additives) business units, the annual results are not fully comparable.

In accordance with the International Financial Reporting Standard 5 (IFRS 5), Group segments that are held for sale must be reported in the income statement and balance sheet as discontinued operations, held for sale respectively. For the year under review, Clariant's Detergents & Intermediates, Emulsions, Leather Services, Paper Specialties, and Textile Chemicals activities fall into this category. Consequently, the Clariant Group had seven business units that qualified as continuing operations as at 31 December 2012 (Additives, Catalysis & Energy, Functional Materials, Industrial & Consumer Specialties, Masterbatches, Oil & Mining Services, and Pigments), compared with 11 in 2011. The 2011 figures have been adjusted accordingly, in order to reflect the new reporting structure. For more details, please see the consolidated financial statements starting on page 142 of this report.

Results of operations, financial position, and net assets

KEY FIGURES FOR CONTINUING OPERATIONS CHF m

	2012	2011	Change in %
Sales	**6 038**	5 571	8
Gross profit on sales	**1 745**	1 534	14
EBITDA before exceptional items[1]	**802**	835	– 4
Margin (%)	**13.3**	15.0	
EBIT before exceptional items[1]	**531**	624	– 15
Margin (%)	**8.8**	11.2	
EBIT	**396**	432	– 8
Financial result	**– 150**	– 140	7
Income before taxes	**246**	292	– 16
Net income	**211**	220	– 4
Basic earnings per share	**0.70**	0.77	

[1] for EBITDA before exceptional expenses and EBIT before exceptional expenses
In 2011 excluding an additional charge of CHF 54 million as a result of the sale of the former Süd-Chemie inventories revalue to fair value less cost to sell. In 2012 excluding additional expenses of CHF 22 million in connection with the integration of Süd-Chemie as well as a charge CHF 5 million resulting from net realizable value adjustments to former Süd-Chemie inventories.

Solid sales and earnings growth in the continuing businesses against backdrop of global economic decline

Although the global economy deteriorated over the course of 2012, Clariant posted another solid performance. The regional breakdown of Group sales shows that dynamic growth in emerging markets, in Asia / Pacific and Latin America, did counteract the effects of the significant decline in Europe. Profitability slipped slightly year on year, triggered by lower volume, which were not entirely offset by the efficiency improvements introduced in previous years.

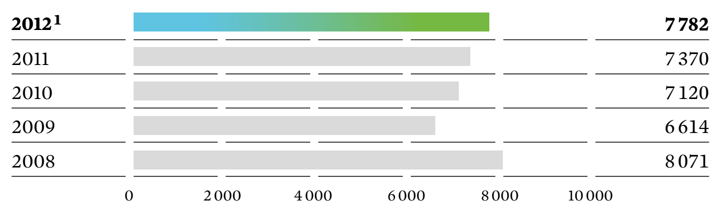
Sales prices rose against the previous year, while raw materials costs remained stable. The positive pricing effects were nevertheless countered by unabsorbed production costs as most Business Units recorded lower volumes. In contrast to the previous year, currency fluctuations had only minor impact on operating income. Additional product capacity from innovative new products also contributed less than expected, as market launches were delayed in the current economic climate. This phenomenon affected battery materials from the Catalysis & Energy segment and flame retardants from the Additives unit.

Sales up 8 %

Sales trends were driven by acquisition-related improvements, gaining 8 %, most of which was generated by the fact that in 2012 the Süd-Chemie business was for the first time included for the full year. Süd-Chemie was integrated on May 1, 2011. Group volumes sank 2 %, but through a targeted strategic focus on pricing, all units increased prices by 2 % year on year. Organic sales therefore remained flat in 2012.

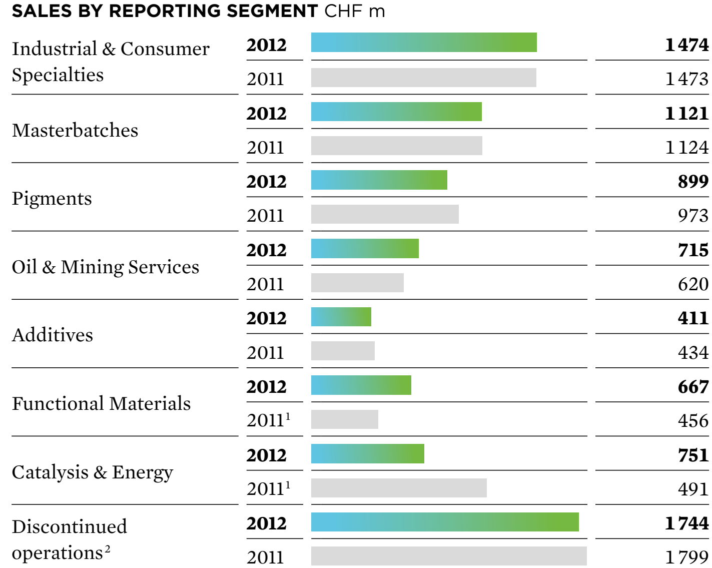
The individual business units put in mixed sales performances in 2012. Oil & Mining Services and Catalysis & Energy posted a significant improvement, while Industrial & Consumer Specialties and Masterbatches remained stable year on year. Sales in the Pigments and Additives Business Units as well as in Functional Materials were hit by the widespread decline in demand in Europe, particularly in the second half of the year.

GROUP SALES: FIVE-YEAR OVERVIEW CHF m



[1] incl. discontinued operations

SALES BY REPORTING SEGMENT CHF m



[1] May to December 2011
[2] Comprises Emulsions, Detergents & Intermediates, Leather Services, Paper Specialties, and Textile Chemicals

2012 SALES BY REPORTING SEGMENT Local currencies, growth in %

Industrial & Consumer Specialties	1
Masterbatches	– 1
Pigments	– 8
Oil & Mining Services	15
Additives	– 7
Functional Materials[1]	– 1
Catalysis & Energy[1]	10
Discontinued operations[2]	– 2

[1] like-for-like (LFL) growth

[2] Comprises Detergents & Intermediates, Emulsions, Leather Services, Paper Specialties, and Textile Chemicals

Strong growth in emerging markets

In 2012, Clariant successfully improved local currency sales in most regions. The Asia / Pacific region was particularly dynamic, adding 15 %, while China saw turnover rise an impressive 19 %. Latin America, especially Brazil, also performed well, with sales up 19 %. The North America business recorded double-digit growth (up 13 %). Sales in Europe, the Middle East & Africa (EMEA) fell into two parts: the Middle East & Africa posted cumulative sales growth of 22 %, but European sales were hit hard by the financial crises in key EU Member States. Overall, EMEA sales remained stable in the year under review, thereby failing to achieve the targets defined at the start of the year. In total, approximately 48 % of Group sales were generated in emerging and developing countries (2011: 47 %).

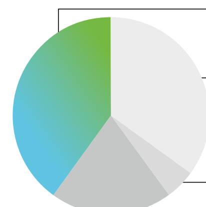
SALES BY REGION CONTINUING OPERATIONS CHF m

	2012	2011	change in %	change in LC[2] in %
Europe	**2 228**	2 352	– 5	– 2
MEA[1]	**537**	445	21	22
North America	**956**	806	19	13
Latin America	**903**	781	16	19
Asia / Pacific	**1 414**	1 187	19	15

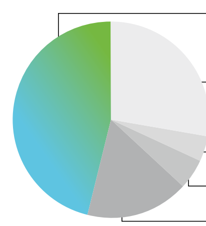
[1] Middle East & Africa

[2] LC = Local Currencies

SALES STRUCTURE BY CURRENCY 2012 in %



COST STRUCTURE BY CURRENCY 2012 in %



Gross margins improved slightly

Clariant improved gross margins from 27.5 % in 2011 to 28.9 % in 2012 for continuing operations. The successful implementation of the Clariant Excellence efficiency improvement program generated considerable savings. This figure was boosted by relatively stable raw material prices and higher sales prices year on year (up 2 %). However, the pricing benefits were partly counteracted by unabsorbed production costs linked to lower volumes and negative product mix trends. Additional product capacities for innovative products contributed less than expected. The global economic slowdown allowed raw materials prices to stabilize during the year.

EBITDA BEFORE EXCEPTIONAL ITEMS – FIVE-YEAR OVERVIEW CHF m

2012	**802**
2011	835[1]
2010	901
2009	495
2008	783

[1] restated due to discontinued operations

The ratio of selling, general and administrative expenses (SG&A costs) to sales increased from 15.6 % to 18.4 %, driven by higher project costs and the integration of the former Süd-Chemie business activities, on which a substantial headway was made in 2012. Our focus on innovation through the Innovation Excellence initiative combined with higher costs, such as start-up costs for the new bioethanol demonstration plant in Straubing (Germany) meant that Research & Development costs saw a further increase of CHF 35 million to CHF 175 million. The above factors influenced the development of EBIT before exceptional items which decreased from CHF 624 million in 2011 to CHF 531 million. The majority of the restructuring and impairment costs relate to the integration of Süd-Chemie and expenses associated with the closing of Swiss, French and UK sites as part of the worldwide production network optimization (GANO) program. The operating profit (EBIT) of CHF 396 million of 2012 was therefore lower than in 2011 (CHF 432 million). If we take the business unit earnings alone, excluding the unusual high central administrative costs associated with integration and other effects, EBITDA before exceptional items was CHF 954 million in 2012 compared with CHF 926 million recorded in 2011. These figures emphasize the higher profitability achieved by the growing Business Units.

EBITDA MARGIN BEFORE EXCEPTIONAL ITEMS – FIVE-YEAR OVERVIEW
in %

2012	**13.3**
2011	15.0[1]
2010	12.7
2009	7.5
2008	9.7

[1] restated due to discontinued operations

The financial result amounted to CHF –150 million in 2012 compared with CHF –140 million in 2011. This was mainly due to the cost of various debt financing products issued to extend and optimize the financing structure at better rates but also because of higher gross financial debts during the year including anticipated carry-cost of cash. Negative currency effects of CHF 26 million (2011: CHF 40 million) also affected the financial result.

Pretax profit came in at CHF 246 million, compared with CHF 292 million in 2011. The reported tax rate was mainly brought down by one-off tax effects linked to the capitalization of deferred tax assets on tax losses carried forward and the reversal of tax provisions, slipping from 24.7 % to 14.2 %.

Clariant posted a net result from continuing operations of CHF 211 million in 2012 which is slightly below the amount of the previous year (CHF 220 million). After considering the result from discontinued operations of CHF 27 million (CHF 31 million in 2011) Clariant posted an income of CHF 238 million in 2012 compared with CHF 251 million in 2011. Adjusted for profits attributable to minority shareholders, this resulted in a net profit of CHF 217 million. Based on a weighted average number of shares outstanding of 281 075 365, this puts earnings per share at CHF 0.77 compared with CHF 0.86 in 2011. For continuing operations alone, the comparable earnings per share would have decreased by CHF 0.07 to CHF 0.70.

Clariant's Board of Directors decided to distribute CHF 0.33 per share for 2012. A motion will be put to the 18th Annual General Meeting on 26 March 2013.

SEGMENT ANALYSIS

Performance of the business units

Industrial & Consumer Specialties

INDUSTRIAL & CONSUMER SPECIALTIES KEY FIGURES CHF m

	2012	2011
Sales	**1 474**	1 473
EBITDA before exceptional items	**247**	251
Margin (%)	**16.8**	17.0
EBIT before exceptional items	**203**	215
Margin (%)	**13.8**	14.6
Headcount	**1 752**	1 801

- Stable sales, profitability remains high
- Potential future earnings from joint venture in the field of amines

Industrial & Consumer Specialties (ICS) Business Unit sales in Swiss francs stagnated year on year, at CHF 1 474 million. However, sales were up slightly in local currencies. Latin America, North America, the Middle East, and Africa regions achieved double-digit sales growth in local currencies. The Asia / Pacific region put in a mixed performance: China recorded rapid growth, while demand in Japan was low. In Europe, the tough economic climate forced sales down, mainly in industrial businesses. In contrast, the Personal Care and Crop Protection businesses posted strong growth across the board. Construction Chemicals also performed well, making solid progress. Industrial businesses such as Paints & Coatings suffered from the drop in demand from key industries, particularly the automotive segment, with the trend becoming more pronounced in the second half of the year.

The EBITDA margin before exceptional items was slightly down year on year. Higher vacancy rates, the temporary closure of one production plant, and lower volumes all contributed to the decline. The improved mix effect was unable to counteract these factors. Lower prices for basic products also put pressure on the results.

At the end of October 2012, Clariant announced a joint venture with Wilmar, Asia's leading agribusiness group, for amines, which should improve competitiveness and the ICS portfolio. The promising cooperation will allow the Business Unit ICS to exploit new synergies, not only for materials costs, but also to enhance its presence in the region Asia / Pacific. The joint venture is expected to start its operations in the second quarter of 2013. It is planned to transfer a significant amount in sales to the joint venture, which is expected to generate positive earnings fairly quickly.

Masterbatches

MASTERBATCHES KEY FIGURES CHF m

	2012	2011
Sales	**1 121**	1 124
EBITDA before exceptional items	**132**	129
Margin (%)	**11.8**	11.5
EBIT before exceptional items	**103**	102
Margin (%)	**9.2**	9.1
Headcount	**3 096**	3 091

- Demand from key market segments waned in the second half
- EBITDA margin improved to 11.8 % despite tough conditions

Sales in Swiss francs for the Masterbatches Business Unit were on par with 2011, but down a modest 1 % in local currencies.

Some substantial gains were recorded in Latin America and Asia / Pacific, while demand remained stable in North America. Sales declined significantly in Europe, largely due to continued muted demand throughout the region. In response, the Masterbatches segment introduced additional efficiency improvements in the third quarter. The European packaging market remained solid, whereas sales in other end-customer markets continued to fall in the last few months, particularly in the automotive sector.

Despite the pronounced downturn in the latter part of the year, the EBITDA margin before exceptional items advanced from 11.5 % to 11.8 %. Cost savings and the Clariant Excellence program more than compensated for the effects of lower volumes. Reduced raw material costs worked in the business unit's favor and higher sales prices were successfully implemented. EBITDA before exceptional items came in at CHF 132 million, an improvement from CHF 129 million in 2011.

Masterbatches will continue to expand in promising markets, including Eastern Europe (Poland) and South East Asia. The company intends to double production capacities in Indonesia. Increased production will begin in the third quarter of 2013. Demand in the region is driven by strong domestic and regional demand, and growth is currently in double figures. Further investments in high-growth regions will be made as part of the expansion of the Additive, White, and Color Masterbatches business in Saudi Arabia.

Pigments

PIGMENTS KEY FIGURES CHF m

	2012	2011
Sales	**899**	973
EBITDA before exceptional items	**149**	210
Margin (%)	**16.6**	21.6
EBIT before exceptional items	**122**	184
Margin (%)	**13.6**	18.9
Headcount	**2 049**	1 982

- Marked drop in demand in Europe
- EBITDA margin down compared with extremely high level of previous year

The Pigments Business Unit saw sales in Swiss francs fall considerably, down 8 % to CHF 899 million. Higher sales in Latin and North America were not enough to compensate for declines in Asia / Pacific and Europe. In Europe, sales volumes plummeted to below 2008 and 2009 levels.

Weaker demand was apparent in all segments. In the Coatings segment, the European paint and manufacturing business continued to decline. Demand for pigments for vehicle coatings slowed in response to reduced car production volumes and falling sales in the Europe region. In contrast, sales in North America improved year on year, driven by continued strong demand for pigments for paints. The Plastics sector remained relatively strong throughout 2012, posting gains in North and Latin America. In Latin America, sales were boosted by the launch of a new patented dyeing technology for use in consumer products. Meanwhile Europe and the region Asia / Pacific saw sales slip year on year. Sales for the high-value-added non-impact printing business (NIP) were down against 2011, depressed by weak demand and stock reductions among most key customers. The standard printing ink business put in a modest performance in all regions, with the exception of North and Latin America, where the business unit increased its market share.

It is therefore no surprise that the EBITDA margin did not match the very high levels achieved in 2011 (more than 20 %), slipping to a still respectable 16.6 %. In absolute terms, this represented a drop from CHF 210 million to CHF 149 million.

Consistent price management and the improved cost structure were not enough to offset the additional costs generated by lower capacity utilization and the unfavorable geographic mix linked to the fall in European sales.

Functional Materials

FUNCTIONAL MATERIALS KEY FIGURES CHF m

	2012	2011[1]
Sales	**667**	456
EBITDA before exceptional items	**98**	59
Margin (%)	**14.7**	12.9
EBIT before exceptional items	**54**	32
Margin (%)	**8.1**	7.0
Headcount	**2 500**	2 829

[1] May to December

- Substantial improvement in earnings from cost savings and pricing power

The Business Unit Functional Materials saw like-for-like sales fall 2 % year on year in Swiss francs, or 1 % in local currencies. However, actual consolidated sales came in at CHF 667 million, a significant improvement against the previous year, which reflects the fact that the new business unit created in 2011 only appeared in the accounts from 1 May. Latin America posted solid sales gains, but sales declined in all other regions. The fall was particularly pronounced in the regions Europe, Middle East & Africa.

Sales varied considerably within the different business lines. The Adsorbents segment recorded strong demand for food and feed additives. Foundry Products (cast iron for the automotive industry) were hit by the economic climate in Europe and a marked increase in costs. Performance Packaging saw a slight fall in sales due to an exceptional item, but overall the business remained stable. Sales dropped considerably in the Water Treatment business due to weak demand and unfavorable weather conditions in South Africa.

The Business Unit Functional Materials improved its EBITDA margin from 12.9 % to 14.7 %, largely by reducing costs through the fast-track integration process. As a result, the savings generated by the integration in the year under review exceeded initial expectations. The segment also managed prices effectively. EBITDA was boosted by an attractive product mix, the contribution of the ASK Chemicals joint venture and a number of Clariant Excellence measures. Also, the business unit closed one plant in South Africa. Over the next few quarters, Functional Materials will work to complete the integration into Clariant in the relevant markets.

Catalysis & Energy

CATALYSIS & ENERGY KEY FIGURES CHF m

	2012	2011[1]
Sales	**751**	491
EBITDA before exceptional items	**161**	107
Margin (%)	**21.4**	21.8
EBIT before exceptional items	**93**	67
Margin (%)	**12.4**	13.6
Headcount	**2 005**	2 659

[1] May to December

- Impressive sales growth in the catalysis business
- Impact of innovative battery products is delayed

Like-for-like sales in the Business Unit Catalysis & Energy reported double-digit growth, advancing 12 % in Swiss francs – up 10 % in local currencies. However, actual consolidated sales were even higher year on year at CHF 751 million, due to the fact that the new business unit created in 2011 only appeared in the accounts from 1 May. The catalysts business remained solid in all regions and markets. Sales growth was particularly strong in the petrochemical and refinery segment, driven by a number of projects in Asia / Pacific and the Middle East. Future demand in the petrochemical segment will be supported by the recently-announced plans to expand capacity in the United States for Houdry catalysts, which are used to produce C3 and C4-olefins from light paraffins. The expanded plant will begin operations in September 2013.

In the Battery Materials segment, Catalysis & Energy had to absorb further start-up costs for the new plant in Canada, which produces the innovative LFP cathode material (LFP = lithium iron phosphate). The markets for electric vehicles and stationary energy storage systems advanced more slowly than anticipated. This is because the market launch of innovative new battery products has been delayed due to the uncertain economic climate, resulting in low initial capacity utilization. The medium to long-term growth prospects remain unchanged.

The EBITDA margin before exceptional items slightly dropped year on year from 21.8 % to 21.4 %. The business unit increased implementation of Clariant Excellence, including measures to improve efficiency in key production locations and Commercial Excellence projects. In summer 2012, the business unit improved its market position in Brazil (and by extension Latin America) through the acquisition of the catalysts business of Oxiteno.

Oil & Mining Services

OIL & MINING SERVICES KEY FIGURES CHF m

	2012	2011
Sales	**715**	620
EBITDA before exceptional items	**92**	72
Margin (%)	**12.9**	11.6
EBIT before exceptional items	**84**	67
Margin (%)	**11.7**	10.8
Headcount	**1 004**	1 000

- Dynamic growth
- Asia / Pacific and Latin America continue to offer massive growth potential

Sales in the Business Unit Oil & Mining Services (OMS) advanced a strong 15 % in Swiss francs and local currencies to CHF 715 million. Regional growth was driven by strong demand in the regions Asia / Pacific and Latin America. Growth was more muted in North America and Europe due to weak refinery business. The acquisition of Prairie Petro-Chem in 2011 did, however, boost North American sales. Demand for Oil Services, Refinery Services, and Mining Services products remained fairly high.

The EBITDA margin improved year on year to 12.9 %, even though OMS continued to invest in employees and R&D in order to make the most of growth opportunities. Mining Services won a new long-term contract in North Africa. The OMS Business Unit will ensure that Mining Services starts 2013 on a good footing by continuing to concentrate on key markets and investments in strategic growth opportunities. In absolute terms, OMS recorded a substantial EBITDA improvement of CHF 20 million to CHF 92 million in 2012.

In September 2012, OMS laid the foundations for a new global headquarters in The Woodlands, Texas. The project will enhance Clariant's current presence in the region, which plays a key role in terms of US energy supplies. The US center will work closely with Clariant's regional Oil Services Centers around the world, with a view to maximize innovation rates. The other centers are located in the United Kingdom, Germany, and Brazil (as of December 2012). The new Application Development Center in Rio de Janeiro specializes in pre-salt drilling: the exploration of deepwater oil fields below a thick layer of salt. Looking ahead, OMS anticipates that the existing strong growth will be maintained by new contracts and innovative technologies.

Additives*

ADDITIVES KEY FIGURES CHF m

	2012	2011
Sales	**411**	434
EBITDA before exceptional items	**75**	98
Margin (%)	**18.2**	22.6
EBIT before exceptional items	**59**	83
Margin (%)	**14.4**	19.1
Headcount	**756**	714

- Earnings affected by exceptional items
- Considerable potential for innovative flame retardants

Sales of additives in local currencies declined against the previous year. Sales of polymer additives grew in local currencies, mainly driven by the regions Asia / Pacific and Latin America. Sales of waxes in local currencies improved in all regions except Europe. The European business stagnated at a low level. Demand for flame retardants was influenced by inventory reductions in the electronics sector in Europe and to a lesser extent in Asia. The industry's medium-term move from halogenated flame retardants to non-halogenated products continued. Future demand for non-halogenated flame retardants is being catered to by the expanded production facilities in Knapsack, Germany. However, the start-up costs associated with the plant did affect profitability during the period under review.

* Additives, the remaining part of the former Performance Chemicals, also comprises the activities of Emulsions in Morocco and the New Business Development with combined sales of around CHF 20 million.

Discontinued Operations

Discontinued Operations consists of the following Business Units Emulsions, Detergents & Intermediates, Leather Services, Paper Specialties, and Textile Chemicals.

DISCONTINUED OPERATIONS KEY FIGURES CHF m

	2012	2011
Sales	**1 744**	1 799
EBITDA before exceptional items	**132**	140
Margin (%)	**7.6**	7.8
EBIT before exceptional items	**88**	93
Margin (%)	**5.0**	5.2

- Agreement to sell Emulsions, Paper Specialties, and Textile Chemicals already signed
- Strategic options for remaining activities to be implemented by end of 2013

Sales in the Business Line Emulsions exceeded expectations thanks to strong demand in Latin America. Intense competition hit parts of the Business Line Detergents & Intermediates, notably tetraacetylethylenediamine (TAED) and intermediate products for use in agricultural chemicals. The Business Unit Paper Specialties recorded a decrease in sales in Swiss francs, overall remaining slightly below the previous year. Sales in local currencies in the regions Asia / Pacific and Latin America rose, but fell in Europe and North America. Profitability improved year on year, in part due to the relocation of production to Spain and disciplined price management.

Sales in the Business Unit Leather Services increased slightly in a year-on-year comparison. All regions except EMEA made positive contributions to the solid performance. Demand was particularly high in North and Latin America as a result of structural improvements that increased market share. Europe was hit hard by the severe problems in southern EU Member States. Demand varied in the Business Unit's end markets. Although the automotive sector's demand for leather and luxury goods remained fairly strong, it did tail off somewhat at the end of the year. In contrast, the shoe and garments segments stabilized at a fairly low level. Earnings declined slightly due to additional marketing costs associated with launching new technologies in existing markets and developing special applications for high-growth new markets, which will only generate improvements in the coming years.

Sales in the Business Unit Textile Chemicals increased slightly. Robust sales growth in the regions Asia / Pacific, North America, and the Middle East & Africa did not entirely compensate for the marked drop in demand in Europe. The Business Unit benefited from strong demand for chemicals for pre-treatment, printing, and cellulosic dyes. The EBITDA margin increased, as earnings are gradually being supported by the relocation to Asia.

Condensed consolidated balance sheet

CHF m	31.12.2012	31.12.2011[1]	Change in %
ASSETS			
Non-current assets	**4 642**	**5 202**	**– 11**
Intangible assets	1 584	1 786	– 11
Property, plant, and equipment	2 103	2 494	– 16
Financial assets	17	28	– 39
Other non-current assets	748	702	7
Deferred income tax assets	190	192	– 1
Current assets	**3 792**	**3 901**	**– 3**
Inventories	887	1 151	– 23
Trade receivables	857	1 134	– 24
Other assets and receivables	676	417	62
Cash and cash equivalents	1 372	1 199	14
Assets held for sale	**1 091**	**2**	**–**
Total assets	**9 525**	**9 105**	**5**
EQUITY AND LIABILITIES			
Equity			
Shareholders' equity	2 954	2 933	1
Non-controlling interests	86	93	– 8
Total equity	**3 040**	**3 026**	**–**
Liabilities			
Non-current liabilities	**3 328**	**2 926**	**14**
Financial debts	2 444	1 835	33
Retirement benefit obligations	498	538	– 7
Deferred income tax liabilities	180	296	– 39
Provision for non-current liabilities	206	257	– 20
Current liabilities	**2 914**	**3 153**	**– 8**
Financial debts	1 032	1 139	– 9
Provision for current liabilities	365	364	–
Trade and other payables	1 178	1 327	– 11
Current income tax liabilities	339	323	5
Liabilities directly associated with assets held for sale	**243**	**–**	**–**
Total liabilities	**9 525**	**9 105**	**5**

[1] Restated (see note 1.03 in the Financial Report)

BALANCE SHEET STRUCTURE REMAINS ROBUST

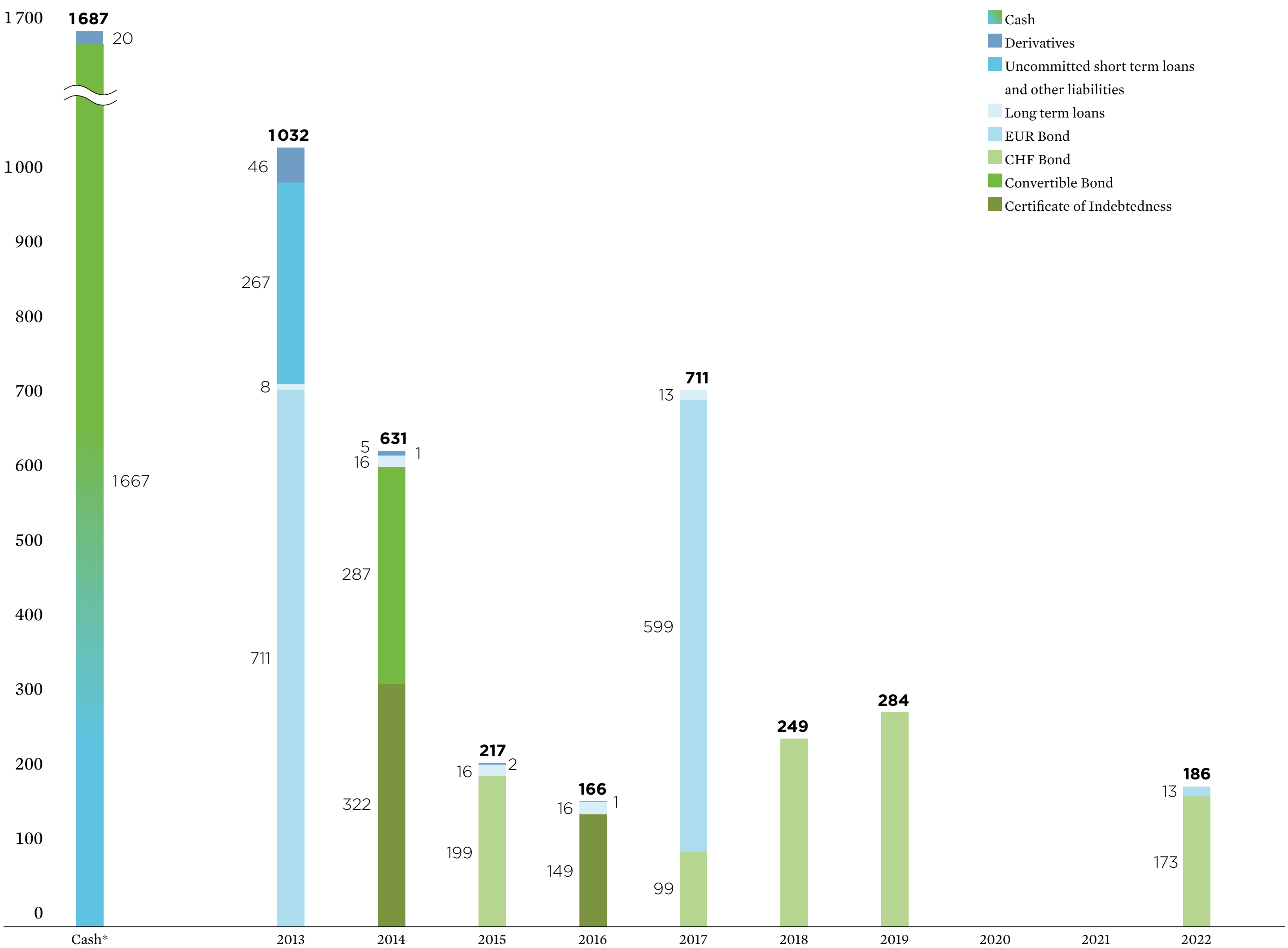
As at 31 December 2012, the Clariant Group held total assets of CHF 9 525 million, a significant increase against 2011 (CHF 9 105 million). The rise in balance sheet assets was mainly prompted by changes in cash and cash equivalents and near-cash assets. Exchange rates had very little effect compared with 2011.

Cash and cash equivalents came in at CHF 1 372 million as at end-2012 (2011: CHF 1 199 million). The total cash position including near cash assets rose from CHF 1 234 million in 2011 to CHF 1 667 million in 2012.

Assets held for sale underwent a marked increase of CHF 1 089 million to CHF 1 091 million, in response to portfolio measures introduced in 2012 for the Business Units Emulsions, Detergents & Intermediates, Leather Services, Paper Specialties, and Textile Chemicals. There was very little change in Clariant's equity against the previous year, at CHF 3 040 million (CHF 3 026 million). Share capital was reduced by CHF 0.30 per share, bringing the par value of Clariant shares down from CHF 4 to CHF 3.70. The reduction had a net effect of CHF – 84 million, while the treasury shares came to CHF – 59 million, which was offset by net profit totaling CHF 238 million. The equity ratio for shareholders' equity was 31.9 %, slightly down year on year (2011: 33.3 %).

Net financial debt as at 31 December 2012 was virtually unchanged against the previous year at CHF 1 789 million (CHF 1 740 million). This included current and non-current liabilities, cash and cash equivalents, near-cash assets and financial instruments with positive market values. The gearing ratio – net financial debt to equity – came in at 59 %, compared with 58 % as at end-2011.

MATURITY PROFILE AS AT 31 DECEMBER 2012 CHF m



*incl. near cash assets and financial instruments at positive fair values

FINANCING OPTIMIZED BY ISSUING NEW FINANCING INSTRUMENTS

Clariant's financial position remained strong at the end of 2012. The company improved the maturity profile and financing terms by issuing several new financing instruments during the period under review. In January 2012, Clariant issued a five-year Eurobond for EUR 500 million. The coupon is 5.625 %; the issue price was 99.724 %. Additionally, Clariant issued in January 2012 a certificate of indebtedness of EUR 25 million with a term of 2.8 years and a float coupon. On 24 April 2012, Clariant redeemed a domestic bond for CHF 250 million on maturity. On the same date, Clariant issued a new seven-year bond for CHF 285 million with a coupon of 3.25 %. The issue price was 100.832 %. Clariant also issued two further domestic bonds in Swiss francs: a six-year bond with a nominal value of CHF 250 million and a 2.5 % coupon at an issue price of 100.417 % and a ten-year bond for CHF 175 million with a 3.5 % coupon at an issue price of 100.189 %. The new bonds correlate with the Group's strategy of extending the financial debt maturity profile while simultaneously maintaining a solid liquidity structure.

Two credit rating agencies currently produce credit ratings for all eight bonds issued by Clariant. Moody's assigned the bonds a long-term rating of Ba1 with stable outlook; Standard & Poor's rated the bonds BBB minus with a negative outlook.

EXTRACT OF CASH FLOW STATEMENT

CHF m	**2012**	2011
Net income	**238**	**251**
Reversals of non-cash items	553	551
Cash flow before changes in net working capital and provisions	545	527
Operating cash flow[1]	**468**	**314**
Cash flow from investing activities	– 592	– 741
Cash flow from financing activities[1]	305	925
Net change in cash and cash equivalents	**173**	**483**
Cash and cash equivalents at the beginning of the period	**1 199**	**716**
Cash and cash equivalents at the end of the period	**1 372**	**1 199**

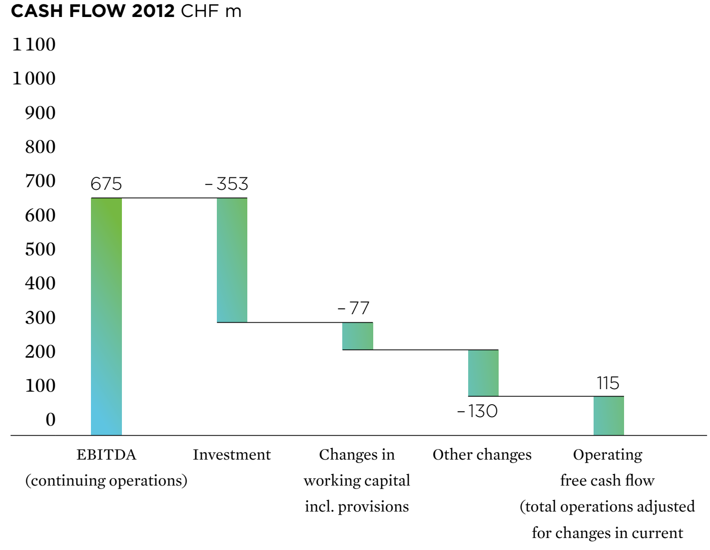
[1] Starting from 2012, interest paid and interest received are part of the financing cash flow. Prior year information has been restated accordingly.

STRONG CASH FLOW

Cash flow from operating activities before changes in net working capital increased slightly, from CHF 527 million to CHF 545 million. Payments for restructuring costs came to CHF 150 million in 2012 (2011: CHF 155 million), the bulk of which was linked to the fast-track integration of Süd-Chemie, redundancy measures, and location optimizations undertaken as part of Project GANO. Cash flow from operating activities advanced to CHF 468 million (2011: CHF 314 million). Accordingly, the ratio of net working capital to sales slipped from 19.6 % to 19 %, well below the key Group target of 20 %. Cash flow from investing activities was considerably lower than in the previous year, down from CHF – 741 million to CHF – 592 million due to limited acquisition activity. This also includes investments in money market deposits with a lifetime exceeding three months in the amount of CHF 256 million. This investment is a part of the cash management strategy. Cash flow from financing activities came in at CHF 305 million, which reflected the financing issued in 2012. Free cash flow was CHF – 124 million as at end-2012, compared with CHF – 427 million in 2011. Free cash flow in 2012 includes changes in current financial assets in the amount of CHF – 256 million (2011: CHF 695 million).

After adjustments for these effects, the Clariant Group's total cash balance (including near cash assets) came in at CHF 1 667 million as at 31 December 2012 (2011: CHF 1 234 million).

CASH FLOW 2012 CHF m



INVESTMENTS*

The investments in property, plant and equipment decreased from CHF 370 million to CHF 311 million in the year under review.

INVESTMENT IN PPE 2010 TO 2012 CHF m

2012	**311**
2011	370
2010	224

* incl. discontinued operations

Employees

CHANGES DRIVEN BY INTEGRATION AND FOCUS OF BUSINESS ACTIVITIES

Clariant has great appreciation and respect for its more than 21000 employees, and this forms the basis of the company's operational business and success. This is why Clariant focuses on the skills, commitment and motivation of all the employees in the Group. It is in Clariant's interest to provide all employees with optimum working conditions, training, and career opportunities, as well as an international work environment and the associated opportunities for intercultural exchange. Human resources management plays a key role in recruiting, developing, and retaining the best employees for every position. To achieve these aims, Clariant has a system of performance-related pay, provides ongoing training and pays due attention to helping its employees achieve their personal career goals. The nature of demand has made it necessary for the Group to increase its global focus, with production sites on all continents. Clariant therefore has a broad, culturally diverse workforce with an in-depth understanding of the different customer needs in the various regions and is able to meet these needs consistently.

As in the previous year, one of the greatest challenges for human resources management in 2012 was integrating over 6000 employees from Süd-Chemie, which were taken over last year. We were able to drive the integration process forward more quickly than initially expected, even in the area of HR. Processes were aligned, sites integrated, and functions harmonized. As a result of integration-based synergies and Clariant Excellence initiatives, about 750 jobs, mainly administrative positions, had to be reduced worldwide within the activities of the former Süd-Chemie group. The majority of these cuts have been made by the end of 2012 in a socially responsible manner where possible, and in close consultation with the relevant employee representatives.

Another focus for the Group in the past reporting year – although to a lesser extent than in prior years – was on further implementation of efficiency improvements introduced as part of the Project Clariant strategic initiative. Despite the inclusion of smaller acquisitions, this led to an overall reduction in the number of Clariant Group employees from 22149 at the end of 2011 to 21202 on 31 December 2012 (total operations).

TREND IN FTEs – FIVE-YEAR OVERVIEW in %

2012[1]	**21202**
2011	22149
2010	16176
2009	17536
2008	20102

[1] incl. discontinued operations

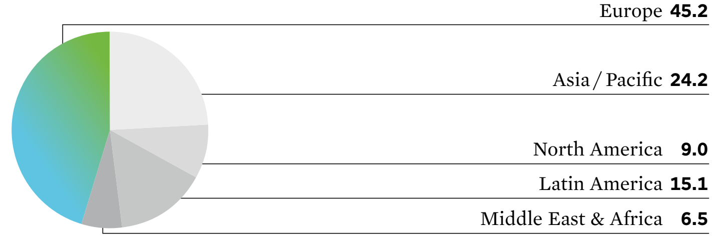
IMPORTANCE OF ASIAN EMERGING MARKETS CONTINUES TO GROW

In regional terms, the European workforce continued to be the largest at 45 % of Group headcount. The second-largest Group location in terms of the number of employees is Asia / Pacific with 24 %, followed by Latin America with 15 % and North America with 9 %. The increasing importance of East Asia is highlighted by the growth in Greater China, where the number of employees rose to 1 971. The proportion of the total Group workforce in emerging and developing countries, which are characterized by the highest economic growth momentum, amounts to 44 % year on year. As a comparison, this figure was only 38 % in 2007.

Among the Business Units, Masterbatches had the highest headcount with 14.6 % of the Group's total workforce. Other high-headcount Business Units included Pigments (9.7 %), and Industrial & Consumer Specialties (8.3 %). The two new Business Units that were added as a result of the Süd-Chemie acquisition – Functional Materials and Catalysis & Energy – accounted for 11.8 % and 9.5 %, respectively.

In 2012, the Clariant Group spent CHF 1 715 million on salaries, social welfare contributions, and exceptional personnel costs for its employees. When costs for external or temporary staff are included, personnel expenses in 2012 totaled CHF 1 773 million. The corresponding figure for 2011 was CHF 1 679 million.

EMPLOYEES BY REGION 2012 in %



LEADERSHIP TRAININGS THROUGHOUT CLARIANT – LIVING OUR VALUES

During 2012 Clariant continued to roll out the leadership training program which was started in 2011. More than 1 000 managers and team leaders on local levels completed the leadership training to increase proficiency in daily people management and to create a high-performing organization in keeping with Clariant's values; in other words, to focus on developing the mind-set and skills necessary to translate the corporate values into appropriate behavior at every level of our organization. As of 2013 the leadership training program will be a standard for all managers, both for new appointees and staff promoted internally.

Also in 2011, Clariant introduced the 360 degree feedback process and incorporated the evaluation of the values into the annual performance dialogues for the top four management levels. The 360 degree feedback, as well as the performance dialogues, allows managers to learn how to live the corporate values and what their strengths and development areas are. In 2012 Clariant extended both processes to the next lower management level 5.

Clariant stock

2012: GOOD TRADING YEAR WITH PRONOUNCED PRICE FLUCTUATIONS

Global stock markets developed well in 2012 despite the global financial crisis and softening economies worldwide. Global economic data deteriorated over the year, combining with uncertainties surrounding the real economic impact of the sovereign debt problems to generate extreme market volatility. Optimistic economic forecasts boosted stock prices across the board at the start of the year. However, after mid-March concerns about the long-term prospects for southern European countries – Greece, Italy and Spain – hurt confidence on the stock exchanges. In June, speculation about a potential break-up of the European Union caused share prices to fall back to the levels recorded in January 2012. Concerted action by the international community and European Central Bank eased the situation on the credit markets, which in turn drove the company share prices back up. During the second stock market rally in 2012, many indices hit a brief annual high around mid-September. At that point, profit-taking took effect: a broad spectrum of quarterly figures for individual stocks, combined with cautious forecasts for the next few quarters, prompted considerable price fluctuations. In general, the most important stock markets had a good run in 2012 and closed the year with double-digit gains. Overall, 2012 was a good trading year: on occasion, gains of more than 10 % were recorded in leading exchanges including the Euro Stoxx 50, the German DAX and Swiss SMI.

CLARIANT SHARE PRICE GAINS IN 2012

The Clariant share price mirrored both the general market trends as well as the overall progress in reshaping the company during 2012. A positive economic outlook and good operating figures pushed the share price up from CHF 9.27 as at end 2011 to more than CHF 13 in early March 2012. On 20 February 2012, the share price hit an annual high of CHF 13.48. Uncertainties surrounding the future of Europe depressed Clariant shares in sync with the broader stock market indices until end-June. The price sank to below CHF 9, hitting an annual low of CHF 8.62 on 28 June 2012. Robust half-year results and positive financial analyst comments triggered the stock to appreciate between July and mid-September. The upwards trend was supported by widespread optimism on the stock markets, but the price stalled at CHF 11.90. After maintaining a sideways movement for several weeks, the publication of the third quarter figures at the end of October increased downwards pressure and pushed share prices back down. Optimism on further share price gains was curbed by analysts' forecasts in response to the reported figures as well as the downward revision in guidance which prompted disposals. The share price slipped below CHF 10 but recovered towards the end of the year to close at CHF 12.35 on 28 December, the last trading day of 2012. The strong performance in the last few weeks was the result of a renewed optimism on the future path of the global economy. In addition, the announcement of the disposals on 27 December triggered some last minute gains in the share price. Overall, the Clariant share price rose 37.5 %, outperforming both Swiss benchmark indices SMI (2012: + 14.9 %) and SPI (2012: + 17.7 %) by a wide margin. Clariant's market capitalization also advanced to CHF 3.6 billion while the Enterprise Value (EV) amounted to roughly CHF 5.4 billion. The number of shares issued remained constant at 295 752 254.

DISTRIBUTION POLICY

Clariant usually makes distributions as a way of allowing shareholders to share in the Group's successes. In view of the solid operating results, the Annual General Meeting agreed to reduce the share capital by CHF 0.30 per share, bringing the nominal value to CHF 3.70. Shareholders were paid CHF 0.30 per share in cash.
For 2012, the Board of Directors proposes a distribution of CHF 0.33 to the Annual General Meeting, payable from capital contribution reserves. Based on the closing price for Clariant shares as at end-2012, this constitutes a distribution yield of 9 %.

KEY FIGURES FOR CLARIANT SHARES

	2012	2011
Closing price on 31 December (CHF)	**12.35**	9.27
Peak price (CHF)	**13.48**	19.93
Lowest price (CHF)	**8.62**	6.88
Number of shares on 31 December (million)	**295.75**	295.75
In free float (%)	**100.00**	89.52
Average daily trading volume (SIX)	**2 334 334**	2 497 598
Market capitalization on 31 December (CHF m)	**3 652**	2 742
Earnings per share (CHF)	**0.70**	0.77
Distribution per share (CHF)	**0.33**[1]	0.30[2]

[1] Payout from capital contribution reserves
[2] Payout by reduction of nominal value

You can find more detailed information about Clariant on the Group website: www.clariant.com

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Risk management

For information about financial risks, please refer to page 155 and following of the Financial Report.

ENTERPRISE RISK MANAGEMENT (ERM): IDENTIFICATION, ASSESSMENT, AND MANAGEMENT

For detailed information, please refer to page 126 of the section on Corporate Governance.

EVENTS SUBSEQUENT TO THE BALANCE SHEET DATE

On 6 February 2013, Clariant announced to early redeem the 3 % Convertible Bonds 2009 – 2014 of CHF 300 million (ISIN CH0101753892) with conversion rights into Clariant registered shares with a nominal value of CHF 3.70 each taking effect on 21 March 2013, based on the terms of the bonds.

On 21 March 2013, the convertible bonds will be redeemed at the total principal amount plus interest accrued as far as bondholders do not exercise their conversion rights by 14 March 2013.

Given the current share price for Clariant registered shares, the Company expects bondholders to largely or completely exercise their conversion rights. In case all holders of the convertible bond make use of their conversion rights, up to 36 186 971 registered shares based on the conditional capital of the Company will be issued against the conversion. The new Clariant registered shares will be entitled to distributions for the financial year 2012.

As far as the conversion rights are exercised, Clariant will reduce its net debt and increase its equity.

Outlook

ECONOMIC ENVIRONMENT

Moderate growth expected in 2013
Continued high levels of uncertainty about a successful outcome to the Eurozone sovereign debt crisis and slower economic growth in emerging markets prompted the International Monetary Fund (IMF) to downgrade its global growth forecast for 2013 several times during the year 2012. In the most recent IMF forecasts issued in January 2013, experts are now predicting that global output will increase by 3.5 % in 2012. GDP in industrialized nations is expected to rise by 1.4 %, with another decline in the Eurozone (– 0.2 %). For countries such as Italy and Spain, which have been most affected by the debt crisis, experts anticipate negative growth in 2013 (– 1.0 % and – 1.5 % respectively). The German economy is expected to grow by 0.4 %. Growth levels are expected to be higher in other leading industrialized nations. Experts predict that economic output could increase by 2.0 % in the United States and 1.2 % in Japan. According to the IMF, developing and emerging markets can expect growth to pick up slightly against 2012, at 5.5 %, while China will maintain its position as the economic driver with 8.2 % growth. Solid growth is forecasted for Brazil (3.5 %), India (5.9 %), and Russia (3.7 %). The IMF has stipulated that these figures are dependent on politicians taking prompt and decisive action to remedy the Eurozone and financial crisis; any further deterioration is likely to have serious consequences for the global economy as a whole.

CONSIDERABLE UNCERTAINTY SURROUNDS OUTLOOK FOR THE CHEMICAL INDUSTRY

As in previous years, chemical industry performance will be closely linked to the wider global economy in 2013. In view of widespread uncertainty around the world, particularly in relation to the unresolved sovereign debt issues in key industrialized nations, industry experts are being very cautious in their forecasts. The chemical industry is not expected to achieve any significant growth in 2013. Demand is likely to remain high in Asian and Latin American emerging markets, in addition to the burgeoning Eastern European countries. This positive trend will be slowed down by industry concerns in Europe (chemical production + 0.5 %), which will probably limit corporate and consumer purchasing. The German Chemical Industry Association (VCI) expects a modest increase in regional chemical production of + 1.5 %. In North America, however, industry analysts anticipate a moderate rise in production figures of 1.9 %. Given that raw material costs are expected to remain stable, there is little prospect of price rises for chemical products in 2013.

CLEAR TARGETS TO 2015 AND UPPING THE PACE OF PORTFOLIO MANAGEMENT

In order to achieve sustainable profit growth in the coming years, Clariant is pursuing the existing corporate strategy, which is based on four strategic pillars: improving profitability; innovation, research and development; dynamic growth in emerging markets, and optimizing the product portfolio through acquisitions and disposals. By implementing the Clariant Excellence programs, Clariant intends to improve the profitability of the Group and all business units. The Group is also increasing investment in research and development activities, and significantly expanding the innovation pipeline by implementing Innovation Excellence. Clariant will also be focusing on expanding into the fast-growing emerging market regions. More specifically, Clariant aims to extend its market share in China, India, and Brazil. The profitability of the existing portfolio will be constantly monitored. Targeted acquisitions will continue to feed into the product pipeline and enhance the Group's regional presence.

In view of all these considerations, Clariant has defined operating targets to 2015. The EBITDA margin before exceptional items is set to advance from the current 13.3 % to more than 17 %, while an above peer group average for ROIC (return on invested capital) is targeted.

The Executive Committee

PATRICK JANY, CFO
Responsibilities:
Group Finance (Finance, Controlling, Accounting, Treasury, Tax, M&A), Group IR, Group IT.

MATHIAS LÜTGENDORF
Responsibilities:
Emulsions, Detergents & Intermediates, Industrial & Consumer Specialties, Leather Services, Oil & Mining Services, Paper Specialties, Textile Chemicals Business Units, Purchasing, Logistics, Operational Excellence.

CHRISTIAN KOHLPAINTNER
Responsibilities:
Additives, Catalysis & Energy, Functional Materials, Masterbatches, Pigments Business Units, Group Technology Services, Commercial Excellence, Innovation Excellence.

HARIOLF KOTTMANN, CEO
Responsibilities:
Clariant Excellence, Group Legal & Compliance, Group HR, Talent Management Review, Group Communications, Corporate Development, Corporate Sustainability & Regulatory Affairs, People Excellence.

Corporate **GOVERNANCE**

Clariant is committed to international compliance standards, ensuring checks and balances between the Board and Management, as well as a sustainable approach to value creation.

Principles of Corporate Governance

In defining the management structure, organization, and processes of the Clariant Group, the corporate governance principles aim to provide stakeholder value and transparency to promote sustainable long-term success. The Group is committed to Swiss and international standards of corporate governance, following the rules set out in both the Swiss Code of Best Practices for Corporate Governance and by the SIX Swiss Exchange. The principles and regulations on corporate governance are described in the Swiss Code of Obligations, the Articles of Association of Clariant Ltd, the Organizational Group Regulations of the Clariant Group, and the Clariant Code of Conduct. The Board of Directors adapts these documents regularly. The Articles of Association, the Bylaws of the Board of Directors, and the Clariant Code of Conduct can be viewed on the Internet at www.governance.clariant.com.

Group structure and shareholders

GROUP STRUCTURE

The registered address of Clariant Ltd is Rothausstrasse 61, CH-4132 Muttenz, Switzerland. The company's business operations are conducted through Clariant Group companies. Clariant Ltd, a holding company organized under Swiss law, directly or indirectly owns all Clariant Group companies worldwide. Except as described below, these companies' shares are not publicly traded. The important subsidiaries of Clariant Ltd are listed in Note 34 of the »Notes to the consolidated financial statements of the Clariant Group« (pages 200 to 203). The Group conducts its business through seven Business Units: Additives; Catalysis & Energy (as of 1 January 2013 renamed: Catalysts); Functional Materials; Industrial & Consumer Specialties; Masterbatches; Oil & Mining Services and Pigments. Clariant owns 63.4 % of the publicly traded company Clariant Chemicals (India) Ltd, based in Thane, India, and listed on the Bombay Stock Exchange (ISIN INE492A01029, symbol: CLARICHEM) and the National Stock Exchange of India (symbol: CLNINDIA). The company also owns 75 % of Clariant (Pakistan) Ltd, based in Karachi, Pakistan, and listed on the Karachi Stock Exchange (ISIN PK007670101). On 2 July 2012 , Süd-Chemie AG, which is based in Munich, Germany, and was acquired on 21 April 2011, was fully integrated into the Clariant Group via a merger with Clariant Produkte (Deutschland) GmbH.

SIGNIFICANT SHAREHOLDINGS OF 3 % OR MORE OF TOTAL SHARE CAPITAL

At 31 December 2012, former shareholders of Süd-Chemie AG, who had exchanged their shares against Clariant shares in April 2011, held a total of 15.127 % of the share capital of Clariant. These shareholders are affiliated with each other for family or other reasons (especially the Wamsler, Winterstein, Schweighart and Stockhausen families).

In addition, the following shareholders held a participation of 3 % or more of the total share capital: FIL Limited Hamilton (Bermuda), 5.020 %; Teachers Insurance and Annuity Association of America – College Retirement Equity Fund (TIAA-CREF), New York (USA), 3.097 % (2011: 3.097 %); UBS Funds Management (Switzerland) AG, Basel (Switzerland), 3.090 %; Credit Suisse Funds AG, Zurich (Switzerland), 3.280 % (2011: 3.0184 %). No other shareholder was registered as holding 3 % or more of the total share capital. At 31 December 2011, the following shareholders held a participation of 3 % or more of the total share capital: Fidelity Management & Research, Boston (USA), 5.230 %. No other shareholder was registered as holding 3 % or more of the total share capital.

These percentage figures are based on information received from the respective shareholders.

Transactions notified to the Stock Exchange Disclosure Office pursuant to Art. 20 of the Stock Exchange Act can be seen on the SIX Swiss Exchange reporting platform: http://www.six-exchange-regulation.com/obligations/disclosure/major_shareholders_de.html

Cross-shareholdings

There are no cross-shareholdings.

Capital structure

CAPITAL

As of 31 December 2012, the fully paid nominal share capital of Clariant Ltd totaled CHF 1 094 283 339.80 and was divided into 295 752 254 registered shares, each with a par value of CHF 3.70.

Clariant Ltd shares have been listed on the SIX Swiss Exchange since 1995 (symbol: CLN, ISIN CH0012142631). Clariant Ltd does not issue non-voting equity securities (Genussscheine). Based on the closing price of the Clariant share of CHF 12.35 on 31 December 2012, the company's market capitalization at year-end amounted to CHF 3 652 million.

CONDITIONAL CAPITAL

The company's share capital may be increased by no more than CHF 147 995 674 by issuing a maximum of 39 998 831 registered shares each with a par value of CHF 3.70. These shares must be paid up in cash by exercising conversion or warrant rights granted to their holders in connection with bonds of the company. The details are set out in Article 5b of the Articles of Association. You can find the Articles of Association on our website at www.governance.clariant.com. On 31 December 2012, 36 186 971 of these 39 998 831 shares were allocated to a CHF 300 million senior unsecured convertible bond issued on 2 July 2009*. The impacts of the par value reduction on 13 June 2012 were taken into account in accordance with the conditions of the convertible bond by adjusting the conversion price (new price: CHF 8.29, old price: CHF 8.55) and the conversion ratio (new: 603.1363, old: 584.7953), both valid from 8 June 2012. The adjustments were duly published. The convertible bond maturing on 7 July 2014 has a conversion price of CHF 8.29 and a coupon of 3 % per annum, payable semi-annually in arrears.The convertible bond will be early redeemed in March 2013. Please refer to the explanations under »Events subsequent to the balance sheet date« on page 107.

* Information concerning events subsequent to the balance sheet date see page 107.

CHANGES IN CAPITAL

In the 2012 calendar year, the share capital was decreased by CHF 88 725 676.20 through a reduction of the par value approved on 27 March 2012. This amount was paid out to shareholders in cash on 13 June 2012. A table with additional information on changes to the share capital can be found on page 172 (Note 15) of this Annual Report.

TRANSFERABILITY OF SHARES

The transfer of registered shares requires the approval of the Board of Directors, which may delegate this function. Approval is granted if the acquirer discloses his / her identity and confirms that the shares have been acquired in his / her own name and for his / her own account.

NOMINEE REGISTRATIONS AND VOTING RIGHTS

Each registered share entitles the holder to one vote at the Annual General Meeting. Special rules according to Article 5 of the Articles of Association apply to nominees who fail to disclose the identity of the persons they represent and whose shareholding exceeds 2 %.

CONVERTIBLE BONDS AND OPTIONS

Clariant issued a convertible bond of CHF 300 million in 2009*. After the Clariant option program for employees was discontinued for financial reasons in 2009, options were once again issued in 2010, 2011 and 2012. Details of the option program can be found on page 195 (Note 29, »Employee Participation Plans«).

Further information on the Clariant share can be found on page 106 of this Annual Report.

The Board of Directors

The Board of Directors of Clariant Ltd comprises at least six and no more than twelve members. At the 17th Annual General Meeting held in Basel on 27 March 2012, there were no elections to the Board of Directors. At the end of the 17th Annual General Meeting, Mr. Jürg Witmer stepped down as Chairman and Member of the Board of Directors of Clariant Ltd, while Mr. Klaus Jenny made himself unavailable for re-election.

MEMBERS OF THE BOARD OF DIRECTORS

Rudolf Wehrli, Swiss citizen
Function at Clariant: Chairman, non-executive member of the Board of Directors

Professional career: Following studies at the Universities of Zurich and Basel, where he earned doctorates in Theology, Philosophy, and German Literature, Rudolf Wehrli began his career at McKinsey & Co. in 1979. In 1984 he joined the Schweizerische Kreditanstalt (now Credit Suisse) as a member of the company's Senior Management. In 1986 he became Marketing Manager and member of the Executive Committee of the Silent Gliss Group. Five years later he took over the management of the Group's German subsidiary. In 1995 he transferred to the Gurit-Heberlein Group as a member of the Executive Committee, and was promoted to Chief Operating Officer in 1998 and Chief Executive Officer in 2000. He remained in this position

* Information concerning events subsequent to the balance sheet date see page 107.

until the company split up in 2006. He has been a Member of the Board of Directors of Clariant Ltd since 2007, and Chairman since 2012.

Other activities: Board of Directors / Supervisory Board mandates: Berner Kantonalbank; Kambly AG; Rheinische Kunststoff-Werke SE; Chairman of the Board of Directors of Sefar Holding AG. Activities on behalf of companies and representative functions: Chairman of economic umbrella organization economiesuisse; member of the Board of Trustees of Avenir Suisse.

Günter von Au, German citizen
Function at Clariant: Vice Chairman, non-executive member of the Board of Directors

Professional career: After studying Textile and Polymer Chemistry at Reutlingen University and Chemistry at the University of Tübingen, where he obtained a doctorate, Günter von Au began his career in 1980 in Burghausen at Wacker-Chemie AG. He held a number of different management positions at the company through 2001 in Germany, Brazil, and the United States – most recently as Head of Wacker's division for polymers, specialty chemistry, and basic chemistry in Munich. He was also CEO of Wacker Polymer Systems GmbH & Co. KG in Burghausen, Germany. He joined Süd-Chemie in 2001 as President and CEO of Süd-Chemie Inc. In early 2004 Günter von Au was appointed member of the Management Board of Süd-Chemie AG in Munich, and in 2004 he became CEO, a position he held until 31 March 2012. On 1 April 2012 Mr. von Au joined the Board of Directors at Clariant Ltd.

Other activities: Member of the Supervisory Board of E.ON Bayern AG; member of the Advisory Committee of Gebr. Röchling KG; Chairman of the Board of Directors of the local Bavarian section of the German Chemical Industry Association, Munich; member of the Senate of the Fraunhofer Society, Munich; member of the Board of Directors and Vice-President of the Cologne Institute of Economic Research.

Hariolf Kottmann, German citizen
Function at Clariant: Chief Executive Officer (CEO) and executive member of the Board of Directors

Professional career: Hariolf Kottmann earned his PhD in Organic Chemistry at the University of Stuttgart in 1984. In 1985 he launched his career at the former Hoechst AG in Frankfurt, where he held several key management positions across the company's chemical divisions and functions. In 1996 he was appointed Deputy Head of the Basic Chemicals Division at Hoechst AG and took responsibility for the Inorganic Chemicals BU. In 1998 he joined Celanese Ltd in New Jersey (United States) as a member of the Executive Committee and Head of the Organic Chemicals BU. In April 2001 he was appointed as a member of the Executive Committee of SGL Carbon AG, where he was responsible for the Graphite Specialties, Corrosion Protection and Advanced Materials Divisions as well as the Eastern Europe and Asia regions until 30 September 2008. He was also in charge of the SGL Excellence and Technology & Innovation corporate functions. He became CEO of Clariant on 1 October 2008.

Other activities: Board of Directors / Supervisory Board mandates: Plansee AG and Member of the Board of Trustees of Aventis Foundation, Frankfurt.

Activities on behalf of companies and representative functions: Member of the Board of Trustees of ETH Foundation Zürich, Member of the Executive Committee of scienceindustries, Member of the Board of CEFIC (European Chemical Industry Council) since 30 September 2011, and member of the Executive Committee and Chairman of the Product Stewardship Program Council since September 2012.

Peter Chen, US and Swiss citizen
Function at Clariant: Non-executive member of the Board of Directors

Professional career: Peter Chen studied Chemistry at the University of Chicago and in 1987 received a doctorate from Yale University in New Haven, Connecticut. He then served as an assistant professor (1988 to 1991) and associate professor (1991 to 1994) at Harvard University in Cambridge, Massachusetts. Since September 1994 he has been a full Professor of Physical-Organic Chemistry at ETH Zurich. From 2007 to 2009 he was Vice President of Research and Corporate Relations at ETH Zurich.

Other activities: Board of Directors / Supervisory Board mandates: none.
Activities on behalf of companies and representative functions: Consultant at Givaudan, Gesellschaft zur Förderung von Forschung und Ausbildung im Bereich der Chemie (Zurich); Member of the National Research Council of the Swiss National Science Foundation; Director of The Branco Weiss Fellowship.

Peter R. Isler, Swiss citizen
Function at Clariant: Non-executive member of the Board of Directors

Professional career: Peter R. Isler studied Law at the University of Zurich, completing his studies with a doctorate. He then attended a master's program at Harvard Law School. From 1974 onward he worked for two Swiss law firms and in 1981 became a partner at the Zurich law firm Niederer Kraft & Frey AG. He has been a lecturer in Corporate and Commercial Law at the University of Zurich since 1978 and a member of the Anwaltsprüfungskommission (Bar Examination Commission) of the Canton of Zurich since 1984.

Other activities: Board of Directors mandates: Schulthess Group AG, Bubikon, and other smaller companies.
Activities on behalf of companies and representative functions: none.

Dominik Koechlin, Swiss citizen
Function at Clariant: Non-executive member of the Board of Directors

Professional career: Dominik Koechlin earned his doctorate in Law from the University of Berne and holds an MBA from INSEAD in Fontainebleau, France. He started his career in 1986 as a financial analyst at Bank Sarasin. In 1990 he founded Ellipson, a management consultancy firm. From 1996 to 2000 he was a member of the Executive Committee of Telecom PTT, which later became Swisscom, where he was responsible for corporate strategy and international operations. He was Chairman of the Board of Directors at Plant Health Care until April 2012. He is Chairman of the Board of

Sunrise AG as well as member of the boards of several privately held companies. In addition, he is a member of the University Council of the University of Basel.

Other activities: Board of Directors / Supervisory Board mandates: Member of the Board of Trustees of LGT; Chairman of the Board of Sunrise Communications AG, as well as member of the boards of several privately held companies.
Activities on behalf of companies and representative functions: Member of the University Council of the University of Basel.

Carlo G. Soave, British citizen
Function at Clariant: Non-executive member of the Board of Directors

Professional career: Carlo G. Soave studied languages and Economics at Heriot-Watt University in Edinburgh, Scotland. He launched his career in 1982 at Oerlikon-Bührle in Switzerland, moving to Procter & Gamble in 1984. There he held various senior management positions, including Vice President of Global Purchasing for the Fabric and Home Care Division. In 2004 he founded Soave & Associates, a consulting company based in Brussels, Belgium. He is an Advisory Board member of MonoSol LLC, a company based in Indiana (United States) that belongs to the Kuraray Group (Japan).

Other activities: Advisory Board MonoSol LLC, member of the Board of Sharp Global Ltd (India).
Activities on behalf of companies and representative functions: none.

Dolf Stockhausen, Austrian citizen
Function at Clariant: Non-executive member of the Board of Directors

Professional career: Dolf Stockhausen studied Business, Economics and Law at the Universities of Freiburg and Münster, before gaining his doctorate in Economics from the University of Münster. He began his career at Bayer AG and a number of its foreign subsidiaries. He then held various positions at Chemische Fabrik Stockhausen GmbH in Krefeld, Germany, where he was ultimately Managing Director and CEO. From 1996 to 2011 he was a member of the Supervisory Board of Süd-Chemie and most recently Vice Chairman of the Supervisory Board. He is also Chairman of the Management Committee of EAT GmbH and until mid-February 2012 he was CEO of Dr. Dolf Stockhausen Beteiligungsgesellschaft mbH (as of 22 December 2011 »Dr. Dolf Stockhausen Beteiligungs s.à.r.l.«).

Other activities: Board of Directors / Supervisory Board mandates: none.

Konstantin Winterstein, German citizen
Function at Clariant: Non-executive member of the Board of Directors

Professional career: Konstantin Winterstein studied at the Technical Universities in Darmstadt and Berlin, where he completed a degree in Production Engineering. Since 1997 he has held various positions with the BMW Group, where he is currently Project Manager in the Supply Chain Division. In 2004 he received his MBA from INSEAD in Fontainebleau and Singapore. From 2006 to 2011 he served on the Supervisory Board of Süd-Chemie AG.

Other activities: Board of Directors / Supervisory Board mandates: none.

CROSS-INVOLVEMENT

There are no cross-involvements.

Elections and terms of office

The members of the Board of Directors are elected for terms of up to three years. At the Annual General Meeting on 26 March 2013, Mr. Peter Chen will stand for re-election.

Board of Directors	Year of birth	First elected	Elected until
Peter R. Isler	1946	2004	2014
Peter Chen	1960	2006	2013
Rudolf Wehrli	1949	2007	2014
Hariolf Kottmann	1955	2008	2014
Dominik Koechlin	1959	2008	2014
Carlo G. Soave	1960	2008	2014
Dolf Stockhausen	1945	2011	2014
Konstantin Winterstein	1969	2011	2014
Günter von Au	1951	2011	2014

Internal organizational structure

THE BOARD OF DIRECTORS AND ITS COMMITTEES

The Board of Directors consists of the Chairman, one or more Vice Chairmen, and the other members. With the exception of Mr. Günter von Au, who was Chairman of the Board of Directors at Süd-Chemie AG until 31 March 2012, no non-executive member of the Board of Directors held a senior management position at Clariant Ltd or any Clariant Group company between 2009 and 2012 or has any significant business relationship with Clariant Ltd or any other Clariant Group company. In accordance with the Articles of Association, the number of members must be at least six and no more than twelve. The members of the Board of Directors constitute the following committees:

- Chairman's Committee
- Compensation Committee
- Audit Committee
- Technology and Innovation Committee

BOARD OF DIRECTORS – COMMITTEE RESPONSIBILITIES

Member of the Board of Directors	Chairman's Committee	Audit Committee	Compen-sation Committee	Technology and Innovation Committee
Rudolf Wehrli	■		□	
Peter Chen				■
Peter R. Isler	□	■		
Dominik Koechlin		□	■	
Hariolf Kottmann				
Carlo G. Soave	□		□	□
Dolf Stockhausen				□
Konstantin Winterstein		□		
Günter von Au	□			□

■ Chairman
□ Member

BOARD OF DIRECTORS – COMMITTEES

	Number of meetings	Duration/h	Invited CEO/CFO	Other attendees
Board of Directors	9	6 – 8	Yes	Executive Committee
Chairman's Committee	6	4 – 8	Yes	
Audit Committee	6	3 – 4	CFO	Auditors, Risk Management, Internal Audit and General Counsel
Compensation Committee	3	2 – 3	No	Head of Group Human Resources
Technology and Innovation Committee	3	3	CEO	Head of Technology

The **Board of Directors** appoints the Chairman, Vice Chairman / Chairmen, and members of the committees. The Board of Directors meets at least once a quarter. At the invitation of the Chairman, the CEO, CFO, and other members of the Executive Committee and / or other employees and third parties regularly attend the meetings of the Board of Directors for the purpose of reporting or imparting information. Each committee has a written charter outlining its duties and responsibilities. The committees' charters are published on Clariant's website (www.clariant.com/committees). The committees report on their activities and results to the Board of Directors. They prepare the business of the Board of Directors in their respective areas.

The **Chairman's Committee** (CC) comprises the Chairman, the Vice Chairman, and two other members of the Board of Directors. The Committee prepares the meetings of the Board of Directors. The CC meets as needed and generally before each meeting of the Board of Directors. It makes decisions on financial and other matters delegated by the Board of Directors in accordance with the Bylaws of the Board of Directors. In addition, the CC passes resolutions for which the Board of Directors is responsible when matters cannot be postponed. The CC draws up principles for the selection of candidates for election and re-election to the Board of Directors and for the office of CEO, and prepares the corresponding recommendations. Furthermore, the CC considers and submits to the Board of Directors the CEO's proposals concerning candidates for Executive Committee positions.
www.clariant.com/committees

The **Compensation Committee** (CoC) comprises three members of the Board of Directors. Its Chairman must be an independent, non-executive member of the Board of Directors. The CoC meets at least twice a year. It draws up the principles for compensation of members of the Board of Directors and submits them to the Board of Directors for approval. It also approves the employment contracts for the CEO and members of the Executive Committee. The CoC reviews the bonus, option and share plans, and makes recommendations to the Board of Directors. Furthermore, the Committee reviews fringe benefit regulations, dismissal regulations, and contractual severance compensation with the CEO, members of the EC, Heads of Global Functions and Global Business Units, and Regional Presidents.www.clariant.com/committees

The **Audit Committee** (AC) comprises three members of the Board of Directors. The Chairman must be an independent, non-executive member of the Board of Directors. A majority of the members of the AC must have financial and accounting experience.

The AC reviews the activities of the external auditors, their collaboration with the internal auditors, and their organizational adequacy. It also reviews the performance, compensation, and independence of the external auditors as well as the performance of the internal auditors and reports back to the Board of Directors. Furthermore, the AC reviews the company's internal control and risk management systems, and reviews compliance with the law and internal regulations – in particular, with the Code of Conduct. In collaboration with the Group's external and internal auditors and financial and accounting management, the AC reviews the appropriateness, effectiveness, and the compliance of accounting policies and financial controls with applicable accounting standards. The AC meets at least six times a year. The Committee reviews and recommends the Group's financial statements for the first three quarters of each year, and publishes of the annual financial results to the Board of Directors for approval.
www.clariant.com/committees

The **Technology and Innovation Committee** (TIC) comprises four members of the Board of Directors with experience in research, innovation management, and technology. The TIC usually meets at least twice a year. The tasks of the TIC include assessing the company's innovative activities on behalf of the Board of Directors. The TIC also reviews measures to stimulate research and development and optimize innovative potential, and submits appropriate recommendations to the Board of Directors.
www.clariant.com/committees

DEFINITION OF AREAS OF RESPONSIBILITY

In accordance with the law and the Articles of Association, the Board of Directors is the ultimate decision-making authority for Clariant Ltd in all matters except those decisions reserved by law or the Articles of Association for the shareholders. The Board of Directors has sole authority, particularly for the following, in accordance with and supplementary to Article 716a of the Swiss Code of Obligations (non-transferable and inalienable duties of the Board of Directors) and Article 23 of the Articles of Association (www.governance.clariant.com):

- Providing the strategic direction of the Group;
- Approving the basic outline of the Group's organization and its corporate governance;
- Supervising the overall business operations;
- Evaluating the performance of the CEO and members of the Executive Committee;
- Appointing and dismissing the CEO and members of the Executive Committee, the Head of Internal Audit, and other key executives;
- Approving the basic accounting system and financial planning and control;
- Approving the Group's annual budget;
- Reviewing and approving the quarterly financial statements and results release for Clariant Ltd and the Group;
- Approving the Group's consolidated financial statements at the end of the fiscal year for submission to the Annual General Meeting;
- Approving major M&A transactions and financial transactions of considerable scope or those involving special risks, particularly capital market transactions and other financing transactions (e.g. large loans) as well as changes in conditions associated therewith;
- Ensuring a management and corporate culture that is appropriate for the company's objectives;

- Ensuring an internal control system and adequate risk and compliance management, particularly with regard to financial, corporate governance and citizenship, personnel, and environmental protection matters;
- Ensuring succession planning and management development;
- Convening the Annual General Meeting (AGM), determining the items on the agenda and the proposals to be made to the AGM, and approving the Annual Report, including the annual financial statements of Clariant Ltd and the consolidated financial statements of the Group.

WORKING METHODS

In 2012 the Board of Directors held six meetings in person at the Corporate Center in Pratteln or at other locations, mainly in Switzerland. It also held three meetings by phone. The company's strategy is reviewed and further developed once a year during a two-day meeting. Members of the Executive Committee are invited to attend the meetings of the Board of Directors. For the October meeting, the Board of Directors visited the Heufeld and Straubing sites. On this occasion the Board also met with the local management teams. The views of external and internal consultants are heard, if necessary, in the case of projects of considerable scope.

MANAGEMENT OF THE GROUP

The Board of Directors has delegated the executive management of the Clariant Group to the CEO and the other members of the Executive Committee. The Executive Committee is mainly responsible for implementing and monitoring Group strategy, for the financial and operational management of the Group, and for the efficiency of the Group's structure and organization. The members of the Executive Committee are appointed by the Board of Directors on the recommendation of the Chairman's Committee. Subject to the responsibility of the Board of Directors and the Annual General Meeting, the CEO and, under his supervision, the Executive Committee are responsible for:

- Drawing up strategic plans and policies for approval by the Board of Directors;
- Implementing Group strategies and policies as well as strategies and action programs for individual Business Units and subsidiaries;
- Managing the Business Units and functions to ensure efficient operations, including regularly assessing the achievement of goals;
- Regularly informing the Board of Directors and its committees of all matters of fundamental significance to the Group and its businesses;
- Ensuring compliance with legal requirements and internal regulations;
- Establishing a management and corporate culture in line with the company's objectives;
- Promoting an active internal and external communications policy;
- Appointing and dismissing senior management, including appropriate succession planning.

The Executive Committee is supported by a Corporate Center that defines Group-wide policies and guidelines. The eleven Business Units are the highest-level operating units within the Group. They have global responsibility for the activities assigned to them, particularly sales, marketing, product management, and production. The Business Units also have global responsibility for short- and long-term revenue and earnings generated from the operations and assets assigned to them. This includes fully exploiting existing business potential, identifying new business opportunities, and pursuing the active management of their products and services portfolio. The

Business Units' activities are complemented and supported by global Group functions (Procurement, Finance, Information Technology, Legal, Human Resources, and Group Technology Services), which are organized as service centers.

INFORMATION AND CONTROL INSTRUMENTS VIS-À-VIS THE EXECUTIVE COMMITTEE

The Board of Directors ensures that it receives sufficient information from the Executive Committee to perform its supervisory duties and make decisions that are reserved for the Board of Directors. The Board of Directors obtains the information required to perform its duties in various ways:

- The CEO and the CFO inform all directors regularly about current developments, including through the regular submission of written reports, such as key performance indicators for each business;
- The minutes of committee meetings are made available to the directors;
- Informal meetings and teleconferences are held, as required, between the CEO and the members of the Chairman's Committee;
- The members of the Executive Committee are invited to attend meetings of the Board of Directors to report on business units under their responsibility;
- The members of the Board of Directors are entitled to request information from members of the Executive Committee or any other Clariant senior manager.

BOARD COMMITTEES

The Chairman's Committee meets regularly with members of the Executive Committee and other members of senior management to review the business, better understand applicable laws and policies affecting the Group, and support the Executive Committee in meeting the requirements and expectations of stakeholders. The Technology and Innovation Committee invites members of the Executive Committee and members of senior management as necessary to discuss selected aspects of innovative activities. The CFO and representatives of the external auditor are invited to Audit Committee meetings. Furthermore, the Heads of Internal Audit and Risk Management, the Group Compliance Officer, and Clariant's General Counsel report on a regular basis to the Audit Committee. The Audit Committee reviews the financial reporting processes on behalf of the Board of Directors. For each quarterly and annual release of financial information, an internal team reviews the release for accuracy and completeness of disclosures, reporting to the Audit Committee before publication. The Compensation Committee generally meets three times per year to adjust the development of the compensation structures to changing conditions, as necessary. In this context, the long-term incentive program for the Executive Committee and the senior management team is also aligned with current market and business developments and corresponding adjustments are made, if required.

INTERNAL AUDIT

Internal Audit carries out operational and system audits in accordance with a plan adopted by the Audit Committee. By assisting organizational units in the accomplishment of objectives, it provides an independent approach for the evaluation, improvement, and effectiveness of the internal control framework. Internal Audit also prepares reports on the audits it has performed, and reports actual or suspected irregularities to the Audit Committee and the Chairman of the Board of Directors. The Audit Committee regularly reviews the scope, plans, and results of Internal Audit. The Group pursues a risk-oriented approach to auditing and coordinates internal audit activities with the external auditors on a regular basis. Detailed information on Clariant's risk management system can be found on page 154 of this report.

Group management

THE EXECUTIVE COMMITTEE

The Executive Committee consists of the CEO, the CFO, and two other members. The Executive Committee regularly holds meetings at the Corporate Center in Pratteln or at other Clariant sites worldwide. It uses such external meetings to discuss business performance with the management of the local companies in person.

Members of the Executive Committee

At the end of 2012, the Executive Committee comprised the following members:

Hariolf Kottmann, German citizen
Chief Executive Officer (CEO)
Professional career: Hariolf Kottmann earned his PhD in Organic Chemistry at the University of Stuttgart in 1984. In 1985 he launched his career at the former Hoechst AG in Frankfurt, where he held several key management positions across the company's chemical divisions and functions. In 1996 he was appointed Deputy Head of the Basic Chemicals Division at Hoechst AG and took responsibility for the Inorganic Chemicals BU. In 1998 he joined Celanese Ltd in New Jersey (United States) as a member of the Executive Committee and Head of the Organic Chemicals BU. In April 2001 he was appointed a member of the Executive Committee of SGL Carbon AG, where he was responsible for the Graphite Specialties, Corrosion Protection and Advanced Materials Divisions as well as the Eastern Europe and Asia regions until 30 September 2008. He was also in charge of the SGL Excellence and Technology & Innovation corporate functions. He became CEO of Clariant on 1 October 2008.

Patrick Jany, German citizen
Chief Financial Officer (CFO)
Patrick Jany is an economist and has been Chief Financial Officer at Clariant since 1 January 2006. In 1990 he joined Sandoz, one of Clariant's predecessor companies. He held various positions in Finance and Controlling at Sandoz and Clariant, including Chief Financial Officer for the ASEAN region and Head of Controlling for the Pigments & Additives Division. From 2003 to 2004 he was Head of Country Organization for Clariant in Mexico. Prior to his appointment as CFO, he was Clariant's Head of Corporate Development, with responsibility for Group strategy and mergers and acquisitions.

Christian Kohlpaintner, German citizen
Christian Kohlpaintner studied Chemistry at the Technical University of Munich and completed his PhD in 1992. Between 1993 and 1997 he worked in various research departments of Hoechst AG in Germany and the United States. In 1997 he joined Celanese Ltd and

held a number of leadership roles at Celanese Chemicals Corporation. In 2002 he became Vice President, Innovation of Celanese Ltd and Executive Director of Celanese Ventures Corporation. From 2003 he was a member of the Executive Committee of Chemische Fabrik Budenheim. In 2005 he became CEO. On 1 October 2009, he was appointed a member of the Executive Committee of Clariant.

Mathias Lütgendorf, German citizen
Mathias Lütgendorf studied Chemistry at RWTH in Aachen, Germany, and earned his doctorate in 1984. In the same year, he joined the Research and Development department of the Fine Chemicals and Dyes Division of Hoechst AG. From 1990 he was responsible for various, mainly operational fields at Hoechst AG. From 1995 until 2008 he worked at DyStar, the textile dyes joint venture of Bayer and Hoechst. BASF also integrated its textile dyes business into Dystar in 2000, becoming the third equal partner in the venture. Mathias Lütgendorf led the global operations of the Disperse Dyes Business Unit and later also the Special Dyes Business Unit. From 2000 he was responsible for Purchasing, Production, and Supply Chain Management at the company as Head of Global Operations. In 2004 he was appointed a member of the DyStar management board. On 1 April 2009, he was appointed a member of the Executive Committee of Clariant.

Other activities and functions
The members of the Executive Committee neither undertake other activities nor hold consultancy functions or other offices.

Except for Hariolf Kottmann, who is a member of the Board of Directors of Clariant Ltd and whose other activities can be found on page 114.

Management contracts with third parties
There are no management contracts with third parties.

Contractual arrangements for members of the Executive Committee
All members of the Executive Committee hold employment contracts with Clariant International Ltd, the Clariant Group's management company. The contractual provisions are governed exclusively by Swiss law. Contracts of the members of the Executive Committee are subject to a standard notice period of 12 months. This notice period is part of a detailed and exhaustive list of requirements associated with severance.

Compensation, shareholdings and loans
Please refer to the Compensation Report and Note 11 to the Financial Statements of Clariant Ltd.

Remuneration, shareholdings and loans
All information on the remuneration of the Board of Directors and the Executive Committee of Clariant Ltd can be found in the Compensation Report, beginning on page 128.

Shareholders' participation rights

Each registered share entitles the holder to one vote at the Annual General Meeting. Shareholders have the right to receive dividends and such other rights as are granted by the Swiss Code of Obligations. However, only shareholders entered in the Clariant share register may exercise their voting rights.

VOTING RIGHT RESTRICTIONS AND REPRESENTATION

A registered shareholder may be represented at the Annual General Meeting by another shareholder with the right to vote, a legal representative, a representative of one of Clariant's governing bodies (Organvertreter), an independent proxy (unabhängiger Stimmrechtsvertreter), or a custodian (Depotvertreter). The shares held by any one shareholder may be represented by only one representative. There are no special rules for waiving any voting rights restrictions laid down in the Articles of Association. The Articles of Association also do not contain any rules on participation in the Annual General Meeting that differ from the standard terms proposed by law.

STATUTORY QUORUMS

The quorums laid down in the Articles of Association correspond to those in Article 704 of the Swiss Code of Obligations.

CONVOCATION OF THE ANNUAL GENERAL MEETING

The Articles of Association do not contain any rules that differ from the standard terms proposed by law.

PROPOSAL OF AGENDA ITEMS FOR THE 2014 ANNUAL GENERAL MEETING

The Articles of Association do not contain any rules that differ from the standard terms proposed by law. Shareholders representing shares with a total par value of CHF 1 million have the right to submit requests that an item be included on the agenda, in writing, at least 45 days prior to the 19th Annual General Meeting. Items to be included on the agenda – with regard to the 2013 financial year – for the 19th Annual General Meeting on 24 March 2014 must be submitted no later than 7 February 2014. Such requests must specify the item(s) to be included on the agenda and must contain a proposal on which the shareholder requests a vote.

ENTRIES IN THE SHARE REGISTER

There are no statutory rules concerning deadlines for entry in the share register. However, for practical reasons, the share register will be closed to entries several days before a shareholder meeting. With regard to the 2013 financial year, this applies as of Wednesday, 19 March 2014. Shareholders who have been entered into the share register by Tuesday, 18 March 2014, may exercise their right to vote at the Annual General Meeting on 24 March 2014. There are no voting rights restrictions except those mentioned above.

Change of control and defense measures

The limit, beyond which the duty to make an offer applies, is the same as the statutory minimum, 33 %. There are no clauses on changes of control in agreements with members of the Board of Directors and the Executive Committee as well as other management executives. The exception to this is Paragraph 4.8 of the Clariant Stock Option Plan (see remarks in Notes to the consolidated financial statements, Note 29 »Employee Participation Plans«, page 195 of the Annual Report). This authorizes the Board of Directors, at its discretion, to transfer granted options early to participating staff (»accelerated vesting«) or enable the early exercise of the options (»accelerated exercise«) in the case of a change of control.

Information policy

Notices are published, in accordance with Article 29 of the Articles of Association, in the Swiss Official Gazette of Commerce and in daily newspapers specified by the Board of Directors (Basler Zeitung, Neue Zürcher Zeitung). Clariant releases its annual financial results in the form of an annual report. In addition, detailed business figures for the first, second, and third quarters are published in April / May, July / August, and October / November, respectively. The Annual Report and quarterly results are published in printed and electronic form and announced in a media conference. Current publication dates can be found online in English on our website (www.clariant.com/media). All information pertaining to media conferences, investor updates, and presentations at analyst and investor conferences can be obtained online (www.clariant.com) or from the following contact address:

Clariant International Ltd, Investor Relations, Hardstrasse 61,
CH-4133 Pratteln, investor-relations@clariant.com,
Phone + 41 61 469 67 66, Fax + 41 61 469 67 67.

THE RESULTS FOR THE 2013 FINANCIAL YEAR WILL BE PUBLISHED AS FOLLOWS:

- Interim Report on the first quarter of 2013: 30 April 2013
- Interim Report on the first half of 2013: 30 July 2013
- Interim Report on the third quarter of 2013: 30 October 2013

THE ANNUAL GENERAL MEETING FOR THE 2013 FINANCIAL YEAR WILL TAKE PLACE ON THE FOLLOWING DATE:
24 March 2014

WEBLINKS:

Clariant website:
www.clariant.com

E-mail distribution list (push system):
www.clariant.com/investors/services/subscription

Ad-hoc messages (pull system):
www.clariant.com/investors/publications/mediareleases

Financial reports:
www.clariant.com/investors/publications

Corporate calendar:
www.clariant.com/investors/calendar

Auditors

DURATION OF THE MANDATE AND TERM OF OFFICE OF THE LEAD AUDITOR

PricewaterhouseCoopers (PwC) has held the mandate since Clariant Ltd was established in 1995. The principle of rotation applies to the lead auditor, Dr. Daniel Suter, who was appointed in March 2011. The Audit Committee ensures that the position of lead auditor is changed at least every seven years.

AUDITING FEES

PricewaterhouseCoopers received a fee of CHF 6.0 million for auditing the 2012 financial statements (2011: CHF 5.1 million).

ADDITIONAL FEES

PricewaterhouseCoopers received a total fee of CHF 3.0 million for additional services (2011: CHF 4.2 million). These services comprise audit-related services of CHF 0.2 million, consulting services of CHF 0.4 million and tax services of CHF 2.4 million.

SUPERVISORY AND CONTROL INSTRUMENTS VIS-À-VIS THE AUDITORS

The Audit Committee of the Board of Directors is responsible for overseeing and evaluating the performance of the external auditors on behalf of the Board of Directors and recommends to the Board of Directors whether PwC should be proposed to the Annual General Meeting for re-election. Criteria applied for the performance assessment of PwC include technical and operational competence, independent and objective view, employment of sufficient resources, focus on areas of significant risk to Clariant, ability to provide effective and practical recommendations, and open and effective communication and coordination with the Audit Committee, Corporate Auditing, and management. In 2012 five joint meetings and one telephone conference were held with the external auditor's representatives. These meetings lasted three to four hours on average, and were attended by all members of the Audit Committee, the partner and senior manager of the audit firm, Clariant's CFO, one additional member of the Executive Committee, the Group Accountant, the Head of Internal Audit, and the General Counsel. Depending on the topics to be discussed, the meetings were also attended by the Group Risk Manager and the Group Compliance Officer. The auditors communicate audit plans and findings to the Audit Committee and issue reports to the Board of Directors in accordance with Article 728b of the Swiss Code of Obligations. The Audit Committee's approval is required for all services provided by PwC exceeding a fee volume of CHF 0.2 million. These services may include audit and audit-related services, as well as tax and other services. PwC and the Executive Committee report to the Audit Committee on a regular basis regarding the extent of services provided in conjunction with this approval.

Enterprise Risk Management (ERM) Identification, assessment and management

Under the Group Risk Management Policy, and based on the risk management standard of the Institute of Risk Management, a tool is used to prepare annual risk assessments. Business Units, Business Services, and Regions deliver quarterly updates assessing threats and opportunities that will impact the general business objectives set for Clariant. These objectives are a result of the overall strategy of the company, as set by the Board of Directors and implemented by the Executive Committee.

The Investment Sub-Committee of the Executive Committee is responsible for monitoring the results of risk assessments for relevance and consistency.

Objective setting is finalized during the last quarter of the year. These objectives, together with the threats and opportunities to them, are scrutinized by the Executive Committee (EC) during meetings with each Business Unit (BU). Also reviewed and discussed are the measures proposed to maximize opportunities and reduce or contain threats.

The Group and the Regions are also required to make risk assessments on the same criteria. All BUs, functions, and business services are required to report significant changes to existing identified risks, as well as new threats and opportunities as they arise.

Risk Registers are maintained using financial, operational, reputational, and likelihood assessments to score and rank all identified risks. The assessment also addresses the measures in place to manage the risk identified, setting deadlines for completion of the measures. The effectiveness of the measures is also assessed.

Threats and opportunities are identified, quantified, and delegated to responsible named individuals who are required to deliver effective risk management. The nature of the risk classification requires different skills to be applied to risk management. The assessments are shared among the different Business Units, services, and individuals, and subject to reassessment on a quarterly basis.

Consolidated risk assessments are presented to the Audit Committee and the Board of Directors. There is also a process for accelerated reporting of new or changed risks.

Summaries of Business Units', Regions and Services' risk assessments are shared within Clariant to deliver the Group summary to all key senior managers.

To support functional responsibility, certain functions have access to risk assessments to support them in their roles. Examples are Environmental Safety & Health Affairs (ESHA), which uses the assessments to identify key sites for their property risk survey program, as well as Internal Audit and Group Procurement.

The consolidated risk assessment is benchmarked against published surveys dealing with risk management. Industry-specific company-wide surveys with broad economic coverage are also included in the benchmarking process.

Examples of identified risks included in the Risk Register:

Regulation & Compliance: Clariant is subject to many rules and regulations as well as compliance standards. These include chemical industry, country, government, and customer requirements, particularly the European Community's (EU) Regulations on Registration, Evaluation, Authorisation, and Restriction of Chemical substances (REACH). Group Responsible Care is in charge of controlling and managing these risks, with certain specific tasks delegated to the HR, Legal, CSRA, and Logistics functions.

Sites & Locations: This includes sites, plants, and equipment that are important for the production of Clariant products for sale to customers. Also addressed are country and cultural issues that could create threats to and opportunities for Clariant's business objectives. The objective is to maintain high-quality production facilities in key locations. The supervision of the relevant risks is delegated to CSRA and Regional Services.

Competitor activity: The identified risks include merger and acquisition activities that could affect the nature and extent of the competitive environment. Clariant is a leading player in its industrial sectors. Each sector is monitored to identify changes, as well as to consider and plan how to deal with the consequences of changes to customers and competitors.

Compensation **REPORT**

The compensation philosophy of Clariant aims at promoting and reinforcing the quality and commitment of employees.

Compensation Framework

The purpose of this Compensation Report is to provide a comprehensive overview of Clariant's Compensation Concept and Programs in general. In addition it includes the compensation levels of the Board of Directors and the Executive Committee; accordingly, some information in Note 12, pages 211 to 214, of the Financial Statements of Clariant Ltd is repeated here.

1. MEMBERS AND RESPONSIBILITIES OF THE COMPENSATION COMMITTEE OF THE BOARD OF DIRECTORS

The Compensation Committee (CoC) is currently composed of three non-executive members of the Board of Directors: Dominik Koechlin (Chairman), Rudolf Wehrli and Carlo G. Soave. The Secretary to the CoC is the Head of Corporate Human Resources. The Chairman of the CoC may invite the CEO to discussions on individual agenda items for consultation, taking into account potential conflicts of interest which would oblige him to abstain.

The CoC establishes principles for the compensation of members of the Board of Directors and submits these to the Board of Directors for approval. The Committee approves the employment contracts of the CEO and members of the Executive Committee (EC). The Committee also takes note of employment contracts for the Heads of Global Functions, Global Business Units and Regional Presidents, including their respective compensation. All appointments and dismissals that are within the purview of the Board of Directors are submitted in advance to the CoC which, with regard to compensation aspects, makes a recommendation to the Board of Directors.

The CoC reviews global bonus, option and share plans, and makes recommendations to the Board of Directors. Furthermore, the Committee reviews fringe benefit regulations, dismissal regulations, and contractual severance compensation with the CEO, members of the EC, Heads of Global Functions, Global Business Units and Regional Presidents.

As a rule the CoC holds at least three meetings per year:
a) Spring: Discussion regarding the executive bonus plan allocation, determination of bonus payments for members of the EC.
b) Summer: Fundamental matters concerning the Group's HR priorities.
c) Autumn: Preparation of the Annual Report and planning of compensation changes in the following year.

The CoC also meets as needed. In 2012, the CoC met three times and held several bilateral discussions and telephone conferences.

2. COMPENSATION CONCEPT

Clariant wants to be an attractive employer with the ability to attract and retain qualified employees and experts throughout the world. In particular, Clariant's compensation policy for management is based on the following main principles:
a) The level of total compensation should be competitive and in line with market conditions and enable Clariant to recruit international, experienced managers and experts, as well as secure their long-standing commitment to the Group. Our understanding of competitiveness is defined in our Positioning Statement. We are aiming for a range between the median and upper quartiles of total compensation in the relevant local markets. Through this ongoing

benchmarking, we are able to define local compensation structures e.g. annual pay bands, which will be applied as an important factor in all salary decisions. For the update and accuracy of market conditions, we participate in local compensation benchmarking in all major countries and align all activities through global contracts with the global compensation consultants, Hay Group and Mercer. Mercer also has other assignments for Clariant, e.g., in the Benefits area. In addition, we encourage local HR Managers to participate in local compensation networks and Club Benchmarks within the chemical industry, to ensure access to relevant market information.
b) The structure of total remuneration should be highly performance- and success-oriented in order to ensure that shareholder and management interests are aligned. Success, in terms of bonus payouts, will generally be measured only in relevant financial Group Performance Indicators. Only if Clariant is successful profits can be shared with our employees. Details will be disclosed in chapter 3. Individual Performance is addressed in career development and annual salary reviews. Thus, each manager's or employee's performance is discussed on yearly basis. In conjunction with other factors, such as internal and external market conditions, this results in transparency and consistent salary decisions. In general, we apply a four-eyes principle, specifically, the line manager and next level supervisor, as well as obtaining additional guidance from global or local HR processes.
c) Compensation components should be straightforward, transparent and focused, so as to guarantee all participants (shareholders, members of the Board of Directors, the CEO, members of the EC and all global Management Levels) the highest degree of clarity and objectives orientation.

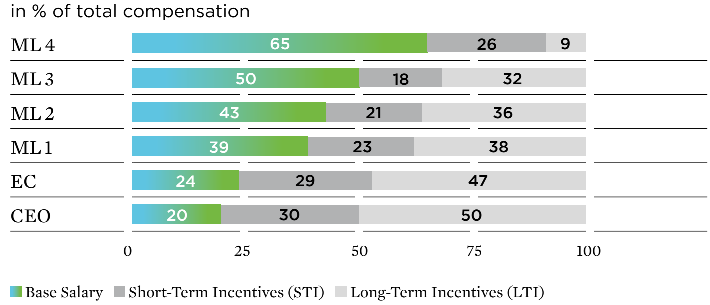
In order to uphold these principles, the CoC analyzes and discusses market developments at regular intervals and considers the implications of these developments for Clariant.

POSITIONING STATEMENT

Benefits	Benefits represent local **market practice** and are aligned with Clariant's global policies
Long-Term Incentives (LTI) (only ML* 1 – 4)	Investment reflects long-term-commitment and supports our strong dedication to **sustainable performance** orientation.
Short-Term Incentives (STI)	The annual cash bonus targets aim to be **more aggressive** than market norms.
Base Salary (BS)	In general, we aim to be at **median level** in our respective markets and use different sources of compensation surveys (country-oriented, conducted by external consultants, including relevant peer companies in the chemical industry).

* ML: Management Level

GLOBAL PAY MIX (RELATIVE STRUCTURE)
in % of total compensation



3. OVERVIEW OF EXISTING BONUS PLANS

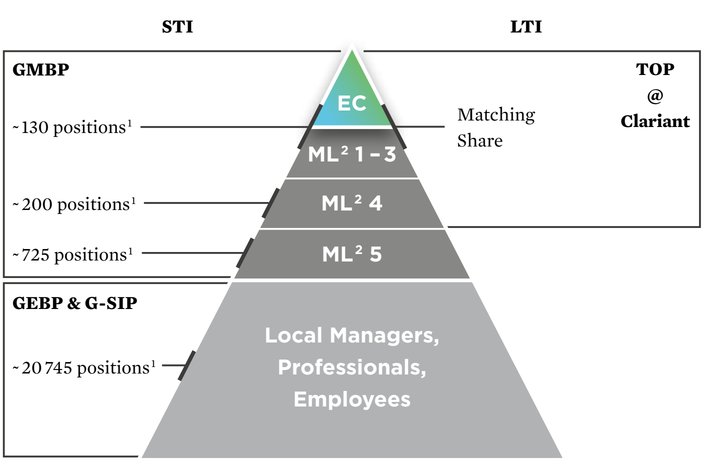
During the last three years, all relevant bonus plans for Short-Term Incentives (STI) and Long-Term Incentives (LTI) have been reviewed and redesigned to ensure the transition of Project Clariant and to align with the new business model. The key principles have been to reduce complexity, increase transparency and ensure a coordinated and unified »One Clariant« approach throughout all employee groups and countries. For the Board of Directors, a new LTI program (Restricted Shares for members of the Board of Directors) was launched in 2012.

The following variable programs are currently in place for Clariant:

3.1. STI: Short-Term Incentive Plans (Cash bonus)
a) Group Management Bonus Plan (GMBP) – started in 2010
b) Group Employee Bonus Plan (GEBP) – started in 2010 / 2011
c) Global Sales Incentive Program (G-SIP) – started in 2011

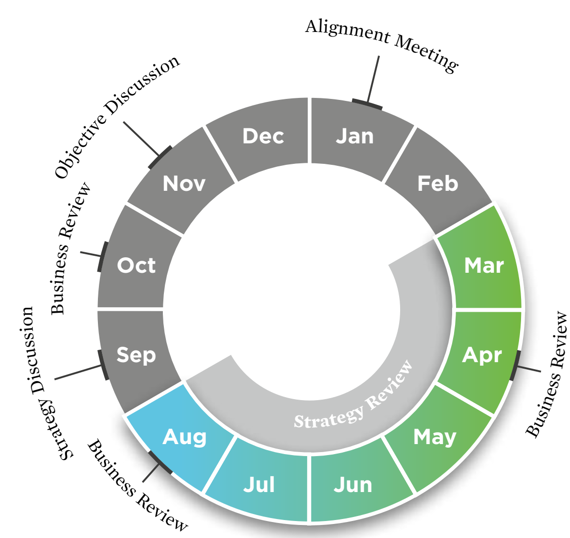
3.2. LTI: Long-Term Incentive Plans (Equity-Linked Bonus)
a) Tradable Option Plan (TOP@Clariant) – started in 2008
b) Group Senior Management – Long-Term Incentive Plan (GSM-LTIP or Matching Share Plan) – started in 2010
c) Restricted Shares for the Board of Directors – newly introduced in 2012

BONUS LANDSCAPE of Clariant



¹ Number of positions per 31.12.2012
² ML: Management Level

GENERIC PERFORMANCE CYCLE of Clariant



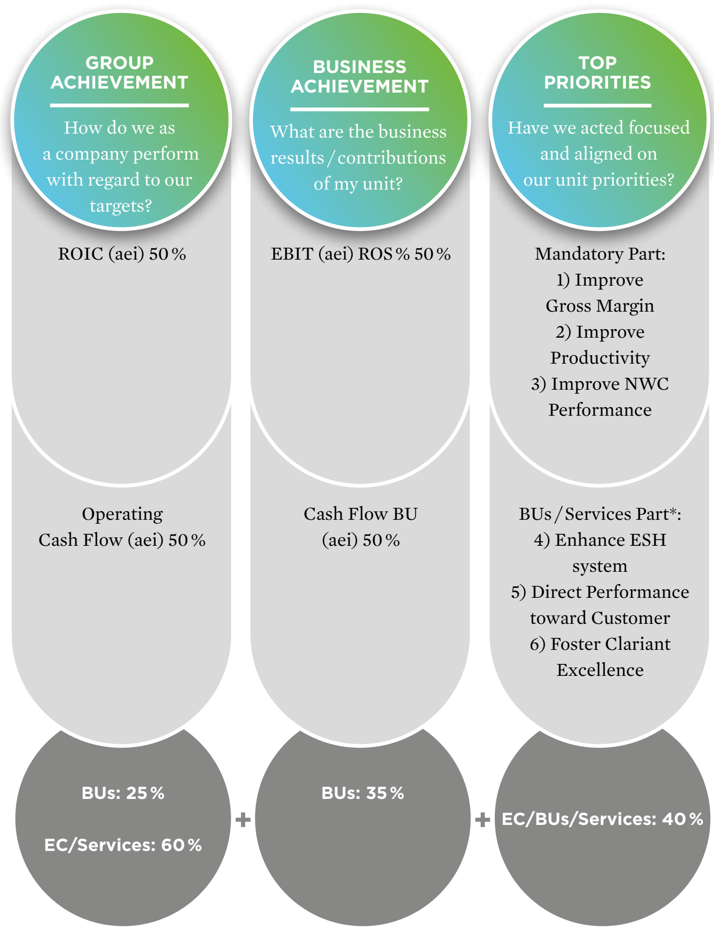
The **Performance Cycle of Clariant** is based on a 12-month rotation, which starts in November each year with objective discussions focusing on the next business year. Group Performance Indicators (GPI), Top Priorities and related projects are included and will focus the organization. In January, alignment meetings take place with key leaders of the company, in order to cascade GPI objectives and priorities for the new year.

3.1. Short-Term Incentive Plans (Cash bonus)

a) The **Group Management Bonus Plan (GMBP)** anchored in the overall performance cycle at Clariant. Through intensive discussions and systematic alignment meetings, this cycle ensures a challenging business-specific target agreement for each Business Unit (BU).

The individual amount of bonus payments generated in a year is determined by the achieved result of the Clariant Group measured against clear objectives. The achievement is calculated by means of three elements: financial result of Group; financial results of Business Units; and defined Top Priorities (Group Performance Indicators and strategic projects).

GMBP 2012 – Three pillars to balance Bonus Plan



Measurement ■ Percentage * Example: EC

Glossary:
ROIC = Return on invested capital
EBIT = Earnings before interest & tax
aei = After exceptional items
ROS % = Return on Sales in %
NWC = Net working capital
EHS = Environment, Health, Safety

As Clariant Performance Cycle agreements with each BU lead to challenging business-specific target settings, and in order to exclude any »windfall profiting« or »hidden buffers,« the maximum bonus payout is explicitly capped at 100 % (= target). As outlined in our compensation concept, we aim for a more aggressive pay-mix than is the norm in international markets; thus, this 100-percent approach ensures competitive positioning compared with other companies. As a consequence of this fixed-cap at 100 %, we increased – where necessary – the cash bonus element in the countries.

The bonus-relevant achievement for 2012:

- Group Achievement: 90 %
- BU Achievements: 52 % to 100 %
- Top Priorities: 40 % to 100 %

The corresponding bonus payout ranges between 46 % and 95 %.

As a principle, only collective / management team-related target achievements can serve as the basis for individual bonus payouts. An employee's individual performance will be honored in the annual review of total compensation and his / her career development. The prerequisite for this is an integrated People Performance Management, which plays a key role in building a High Performing Workforce and High Performance Culture – as defined in our People Excellence Strategy. In 2012, a newly adjusted People Performance Cycle was re-launched, including 360-degree feedback for all ML 1 – 5 grades.

The annual evaluation of the achievement of objectives and allocation of funds for the GMBP is conducted by the CoC in February, following the financial year in question, and approved by the Board of Directors. This system ensures that the bonus payments made to employees are closely aligned with the Group's overall results.

b) Cash bonus for non-management-levels: The **Group Employee Bonus Plan (GEBP)** ensures further alignment and standardization to all local bonus plans of the legal entities around the world. In general (where legally compliant and possible), all legal entities will apply the global Group Achievement or a combination of Group results (75 %) and local Top Priorities (25 %) as the bonus payout.

c) For the Sales Force: The **Global Sales Incentive Plan (G-SIP)** aims to establish dedicated and globally aligned local Sales Incentive Plans (SIPs) for all Sales Representatives, Sales Managers and Key Account Managers with clearly allocated annual sales budgets and commercial responsibilities (ML 1 – 4 excluded). The G-SIP focus is on the individual sales performance and underlying Key Performance Indicators in the areas of Sales (40 %), Margin (40 %) and Trade Receivables (20 %). As an example, a Sales Representative will receive tailor-made individual objectives for his allocated set of clients, which means a concrete sales target in local currencies, a »Deal Score« target, as an important indicator to measure the margin, and Overdues and Receivables as an indicator for Trade Receivables. Each objective is weighted and can be monitored using existing reporting systems. Thus, the direct impact of individual success and payout can be easily calculated. In 2011, the global roll-out was started, and already in 2012, every region with approximately 1 100 employees is included. Employees can participate only in one bonus plan (G-SIP or GMBP / GEBP).

3.2. Long-Term Incentive Plans (Equity-Linked Bonus)
Clariant uses equity-based income components for approximately 330 of its senior managers worldwide (EC and ML 1 – 4).

a) The **Tradable Option Plan (»TOP@Clariant«)** was introduced in 2008 for all senior managers, to ensure a stronger focus on creating additional shareholder value.

The term of Clariant's Stock Option Plan is five years; membership is limited to the Executive Committee and selected senior managers of ML 1 – 4 (approximately 1.5 % of employees). The Board of Directors members were included for the last time in 2011. In 2012, they are participating in their own LTI Plan. The option term of five years is divided into a »Vesting Period« (first two years) and an »Exercise Period« (last three years). Eligible participants will receive a fixed number of options, in accordance with an expected value point set by the Board of Directors. As a principle, the strike price for the options is established by the Board of Directors at a level that is substantially higher than the market value of Clariant shares at grant (»out of the money options«). Eligibility and endowment will be reviewed each year that the scheme is in operation. For 2012, it was decided in February to grant options for 2012. The strike price was set at CHF 16.50 and with a fair value of CHF 1.90. The grant was endorsed on 27 March 2012.

If an employee should voluntarily leave Clariant before the vesting period (2 years) expires, all rights to shares and stock options which have not yet been transferred at that point in time become invalid. In case of retirement, employees will receive an immediate vesting in accordance with published regulations. It is decided, that this plan will be replaced in 2013 with a Performance related share program.

b) Group Senior Management – Long-Term Incentive Plan (GSM-LTIP) = Matching Share Plan
The Matching Share Plan requires a personal investment decision and fosters the commitment of key managers (approximately 130 positions; EC and ML 1 – 3) for the long-term success of Clariant. Under this plan key managers can invest significant amounts of their compensation in Clariant shares. Thus, this plan supports senior managers in meeting their requirement to permanently hold at minimum 20 000 up to 100 000 shares (as of the end of calendar year 2013), depending on their management level. To support the investment in Clariant shares, 50 % of their variable pay (out of the GMBP) is guaranteed – as long as they invest in Clariant shares according to the requirements of the Matching Share Plan.

Under the plan, eligible senior managers are entitled to receive a certain minimum percentage (minimum investment quota of 20 %) of their annual cash bonus for the respective bonus year in the form of investment shares. They are additionally entitled to voluntarily increase the percentage to be paid in shares to a maximum of 40 % (maximum investment quote). Title and ownership in the shares are transferred at allocation (Grant after the AGM) of the investment shares. These investment shares will then be blocked and held in a custody account for a period of three years. At the end of the blocking period, the participant is entitled to obtain for each investment share an additional share free of charge (Matching Share). This matching is subject to the condition of continued employment with Clariant throughout the blocking period. In case of termination of employment before the end of the blocking period, the right to Matching Shares lapses and a cash amount will be paid instead, equal to the pro rata temporis portion (considering employment during the blocking period).

The senior managers who do not participate in this plan, or do not invest according the plan regulations, will forfeit 50 % of their annual cash bonus and the eligibility to participate in any Long-Term Incentive Programs (including TOP@Clariant).

The decision to implement this plan was made to create a strong and sustainable link between the Clariant business cycle and the value development of the company. Senior managers therefore strengthen the entrepreneurial and value-creating spirit of the Clariant Group.

c) Restricted Shares for the Board of Directors
This newly introduced Share Plan allocates shares of Clariant Ltd to members of the Board of Directors replacing the former Option Plan. Board Members will receive a fixed portion of the annual fee allocated in the form of shares subject to a blocking period (»Restricted Shares«). The blocking period is three years from the date they are allocated. From the first business day after the blocking period, the Board member may freely dispose of and trade these shares without any further restrictions (legal restrictions will remain applicable). The allocation is made once a year, at the end of the mandate year, four weeks prior to the Annual General Meeting (AGM).

The value of a grant is determined by the role & responsibility:

Member of Board	100 000 CHF
Vice Chairman	150 000 CHF
Chairman of the Board	200 000 CHF

4. STRUCTURE OF COMPENSATION FOR MEMBERS OF THE BOARD OF DIRECTORS

The compensation structure for members of the Board of Directors follows the outlined compensation concept and is decided for the performance year 2012.

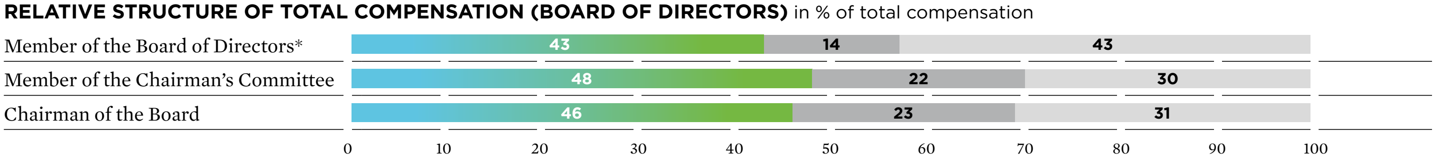
According to the aforementioned guidelines, remuneration of members of the Board of Directors is made up of the following components:

a) Annual basic fee
b) Committee membership fees
c) Share-based remuneration

For the performance year 2012, the Board of Directors has decided to abandon option-based compensation for directors. It will be replaced by the grant of restricted stock to enable the Board to participate in the long term value creation of the company. In addition a new compensation policy was implemented with effective date 1st of April 2012, which focus more on a stronger acknowledgment of responsibilities and activities inside the committees. In absolute terms for example the Chairman of the Board will receive a lower total package than before.

The following graph illustrates the relative structure of the three components for 2012:

RELATIVE STRUCTURE OF TOTAL COMPENSATION (BOARD OF DIRECTORS) in % of total compensation



Honorarium Committee Fee* Shares (value at grant) *Activity based (assumption for members is minimum = 30 000)

ANNUAL COMPENSATION OF THE BOARD OF DIRECTORS in CHF

	Chairman of the Board	Vice-Chairman of the Board	Member of the Board of Directors	**Total 2012**	Total 2011
Cash Compensation:					
Honorarium[1]	300 000	200 000	100 000	**1 225 000**	1 475 000
Committee Fee[1]	Chairman's Committee: Chair: 120 000 Member: 60 000			**612 500**	235 000
	Audit Committee: Chair: 80 000 Member: 40 000				
	Compensation Committee: Chair: 60 000 Member: 30 000				
	Technology & Innovation Committee: Chair: 60 000 Member: 30 000				
Social Contribution:	According to individual situation			**128 468**	124 881
Options / Shares:					
Number of options	–	–	–		216 865
Value (at grant)	–	–	–		900 000
Number of shares[2]	16 667	12 500	8 334	**79 171**	–
Value (at grant)	200 000	150 000	100 000	950 000	–

[1] The fees are paid in cash, in equal parts in March and September. Due to the fact, that after the AGM 2012 a new Compensation Policy was approved, all Total 2012 values include values derived from the the old and the new Compensation Policy pro rata temporis (January to March = Old Policy; April to December = New Policy).

[2] Number of shares will be defined in March 2013. Underlying assumption here is a share price of 12.00 CHF.

ANNUAL COMPENSATION – EMOLUMENTS TO MEMBERS OF THE BOARD OF DIRECTORS (IFRS) in CHF

	Rudolf Wehrli	Günter von Au	Peter Isler	Peter Chen	Dominik Koechlin	Carlo G. Soave	Hariolf Kottmann[1]	Dolf Stockhausen	Konstantin Winterstein	Jürg Witmer[2]	Klaus Jenny[2]	**Total 2012**	Total 2011
Cash Compensation													
Honorarium	287 500	150 000	100 000	100 000	100 000	100 000	0	100 000	100 000	125 000	62 500	**1 225 000**	1 475 000
Committee fee	122 500	67 500	110 000	55 000	80 000	95 000	0	27 500	35 000	5 000	15 000	**612 500**	235 000
Social Contribution	28 971	10 848	8 416	13 108	13 827	14 536	0	7 325	0	28 173	3 264	**128 468**	124 881
Options / Shares													
Number of options	0	0	0	0	0	0	0	0	0	0	0	**0**	216 865
Number of shares[3]	16 667	12 500	8 334	8 334	8 334	8 334	0	8 334	8 334	0	0	**79 171**	0
Fair value (IFRS)	225 004	112 500	134 396	134 396	134 396	134 396	0	75 006	75 006	181 253	90 625	**1 296 978**	689 513
Total 2012 (Fair value allocation to 2012 accor. IFRS)	663 975	340 848	352 812	302 504	328 223	343 932	0	209 831	210 006	339 426	171 389	**3 262 946**	
Total 2011 (Fair value allocation to 2011 accor. IFRS)	409 947	0	204 036	229 050	204 291	204 291	0	47 884	45 000	751 988	427 906		2 524 393

In order to generate a transparent overview for the performance year, beside the usual IFRS view (allocation of expenses through the vesting period), *the full fair values of shares and options granted* are also disclosed in the following table.

ANNUAL COMPENSATION – EMOLUMENTS TO MEMBERS OF THE BOARD OF DIRECTORS (TOTAL FAIR VALUE AT GRANT) in CHF

	Rudolf Wehrli	Günter von Au	Peter Isler	Peter Chen	Dominik Koechlin	Carlo G. Soave	Hariolf Kottmann[1]	Dolf Stockhausen	Konstantin Winterstein	Jürg Witmer[2]	Klaus Jenny[2]	**Total 2012**	Total 2011
Total 2012 (Total fair value at grant date in 2012)	638 971	378 348	318 416	268 108	293 827	309 536	0	234 825	235 000	158 173	80 764	**2 915 968**	
Total 2011 (Total fair value at grant date in 2011)	437 719	0	228 626	253 640	229 228	229 228	0	47 884	45 000	807 878	455 678		2 734 881

[1] After taking over the function as CEO, no further Board of Directors compensations are extended. Please refer to the Executive Committee table.

[2] Mandate ended in March 2012

[3] Number of shares will be defined in March 2013. Underlying assumption here is a share price of 12.00 CHF.

Please find below the information about the actual share and option ownership of the Board of Directors.

SHARES HELD BY MEMBERS OF THE BOARD OF DIRECTORS

	Number of shares granted for 2012[3]	Number of shares granted for 2011	Number of shares within vesting period for 2012	Number of shares within vesting period for 2011	Number of privately held shares for 2012	Number of privately held shares for 2011
Rudolf Wehrli	16 667	0	0	0	12 490	12 490
Günter von Au	12 500	0	0	0	7 500	na
Peter Isler	8 334	0	0	0	29 554	29 554
Peter Chen	8 334	0	0	0	5 931	5 931
Dominik Koechlin	8 334	0	0	0	11 100	11 100
Carlo G. Soave	8 334	0	0	0	15 100	15 100
Hariolf Kottmann	–[1]	–[1]	–[1]	–[1]	–[1]	–[1]
Dolf Stockhausen	8 334	0	0	0	11 776 204	11 461 304
Konstantin Winterstein	8 334	0	0	0	5 000	5 000
Jürg Witmer (Former BoD member)	0	0	na	0	na	137 628
Klaus Jenny (Former BoD member)	0	0	na	0	na	77 019
Total	**79 171**	**0**	**0**	**0**	**11 862 879**	**11 755 126**

OPTIONS HELD BY MEMBERS OF THE BOARD OF DIRECTORS

	Number of options granted for 2012	Number of options granted for 2011	Number of options within vesting period for 2012	Number of options within vesting period for 2011	Number of privately held options for 2012	Number of privately held options for 2011
Rudolf Wehrli	0	30 120	30 120	61 870	71 750	40 000
Günter von Au	0	0	0	0	0	na
Peter Isler	0	24 096	24 096	47 946	43 850	20 000
Peter Chen	0	24 096	24 096	47 946	43 850	20 000
Dominik Koechlin	0	24 096	24 096	47 946	43 850	20 000
Carlo G. Soave	0	24 096	24 096	47 946	43 850	20 000
Hariolf Kottmann	–[1]	–[1]	–[1]	–[1]	–[1]	–[1]
Dolf Stockhausen	0	0	0	0	0[2]	0[2]
Konstantin Winterstein	0	0	0	0	0	0
Jürg Witmer (Former BoD member)	0	60 241	0	123 741	na	80 000
Klaus Jenny (Former BoD member)	0	30 120	0	61 870	na	40 000
Total	**0**	**216 865**	**126 504**	**439 265**	**247 150**	**240 000**

[1] See EC overview on page 141. [2] Ownership of 20 700 options to sell [3] Number of shares will be defined in March 2013. Underlying assumption here is a share price of 12.00 CHF.

The compensation for members of the Board of Directors is subject to the Swiss taxation and social security laws, with Clariant paying the employer contributions which are required. The members of the Board of Directors do not receive any lump-sum reimbursement of entertainment expenses above and beyond actual expenditure on business trips. For detailed information on the compensation for the Board of Directors, refer to Note 12 of the Notes to the Financial Report of Clariant Ltd, on pages 211 to 214.

5. COMPENSATION OF MEMBERS OF THE EXECUTIVE COMMITTEE

The CoC regularly reviews the level and structure of the compensation packages for members of the EC. In 2010 / 2011 we conducted selected market benchmarks regarding the chemical peers for the EC and the Board and enlarged our survey activities for all global positions around the world. In our Individualized Chemical Benchmark analysis, we focused on companies which are comparable in size and complexity (Global Scope; average turnover: CHF 8 200 million with ranges between CHF 2 000 – 20 000 million; average number of employees: 17 600 with ranges between 4 000 and 55 000 employees).

Key focus elements are:

a) Comparison of management remuneration packages of European chemical companies with global scope

b) Comparison of management remuneration of Swiss-based multinational companies

The bonus amounts of the total compensation packages are paid out in relation to the achieved results for a particular financial year. The actual bonus amounts may vary between zero and target values in the financial year in question.

Base salary & variable remuneration

It is important to highlight, that the Executive Committee participates in the same bonus programs as the senior managers. Therefore, they participate in the GMBP, TOP@Clariant and the GSM-LTIP.

As an outcome of the benchmarking exercise, the remuneration structure of the EC was adjusted to the following general structure: the CEO receives a Base Salary of CHF 1 000 000 and a Target Cash Bonus of CHF 2 500 000. A member of the Executive Committee receives a Base Salary of CHF 700 000 and a Target Cash Bonus of CHF 1 400 000. These terms have been fixed for 2011 and 2012.

Other benefits

The members of the EC participate in the pension plans of the Clariant Group, notably the Clariant pension fund with an insured income of up to CHF 200 000 per annum, and the management pension fund with an insured income of up to a further CHF 635 200 per annum. The maximum insured income under the pension plans therefore stands at CHF 835 200 per annum. The CEO participates in Clariant's pension and insurance plans. Additional pension provisions are accrued over time, in order to match contractually granted retirement plans.

Clariant's pension plans conform with the legal framework of the occupational pension scheme (BVG). In future, the maximum contribution will be dynamically aligned with Art. 79c BVG. For members of the EC and all other Clariant employees, the insured income is defined as the base salary plus 50 % of cash bonus. Equity-linked income components are not subject to pensionable income. The usual term insurance policies for death and disability form part of Clariant's pension plans. The total employer contribution is approximately 11 % of the insured income in the case of the Clariant pension fund, and 22 % of the insured income in the case of the Clariant management pension fund. These contributions cover both the contributions to the formation of retirement capital, and the risk components. Under IFRS the Clariant pension fund is a defined benefit plan. The management pension fund provides the members solely with retirement capital upon retirement, and does not incorporate pension payments.

In 2012, a special payment for the CEO was approved by the Board of Directors in relation to exceptional performance in the integration of Süd-Chemie into Clariant, which will be paid in two steps (Step 1: Successful integration in Germany, done in 2012, Step 2: Successful integration on global level with the achievement of defined criteria, to be checked in 2013).

During the year 2012, there was one personnel change within the Executive Committee. The table below considers the term of office of the following member, as follows:

Hans-Joachim Müller from January 1 to June 30, 2012

There have been no payments to leaving members of the Executive Committee except those based on valid claims under the respective employment contracts.

ANNUAL COMPENSATION TO THE MEMBERS OF THE EXECUTIVE COMMITTEE

	Hariolf Kottmann	Others[5]	Total 2012 (CHF) (fair value allocation to 2012 accor. IFRS2)	Total 2011 (CHF) (fair value allocation to 2011 accor. IFRS2)	Total 2012 (CHF) (Total fair value at grant date in 2012)	Total 2011 (CHF) (Total fair value at grant date in 2011)
Base salary	**1 000 000**	**2 450 000**	**3 450 000**	**3 450 000**	**3 450 000**	**3 450 000**
Cash bonus[1]	**1 320 000**	**2 833 600**	**4 153 600**	**3 114 858**	**4 153 600**	**3 114 858**
Share-based bonus[1]						
Number of investment shares	73 334	123 201	196 535	153 433 (correction of 191 790)[4]		
Number of matching shares	73 334	123 201	196 535	153 433 (correction of 191 790)[4]		
Number of additional shares[2]	0	0	0	125 000		
Total number of shares	146 668	246 402	393 070	431 866 (correction of 508 580)[4]	393 070	431 866 (correction of 508 580)
Fair value (IFRS)	1 673 847	2 584 569	4 258 416	3 624 420 (correction of 3 624 965)[4]	4 583 608	4 819 417
Option-based bonus						
Number of options	263 200	526 400	789 600	301 205	789 600	301 205
Fair value (IFRS)	493 797	758 425	1 252 222	977 318	1 500 240	1 250 001
Other benefits[3]	1 412 824	967 525	2 380 349	2 915 435	2 380 349	2 915 435
Total	**5 900 468**	**9 594 119**	**15 494 587**	**14 082 031**	**16 067 797**	**15 549 711**
Exceptional compensation						
Other cash payments	1 500 000	0	1 500 000	0	1 500 000	0
Payments to leaving members of the Executive Committee	0	2 397 000	2 397 000	0	2 397 000	0
Total	**7 400 468**	**11 991 119**	**19 391 587**	**14 082 031**	**19 964 797**	**15 549 711**

[1] Obligation to invest between 20 – 40 % of Cash bonus into shares.
Assumptions: Share price at grant = 12 CHF (not fixed yet, final share price will be fixed in April 2013 and therefore the numbers of shares can change.); Cash bonus payout = 88 %

[2] Special management grant provided to one EC Member already in 2008 and one EC Member in 2011 with a deferred grant of shares.

[3] Other benefits include contributions to pension funds and accrued pension benefits (67 %) and social security (33 %).

[4] Correction needed due to adjustments of final share price at grant: Allocation of shares with CHF 12.50. IFRS booking done with CHF 12.50 (investment shares) and CHF 11.82 (matching shares), therefore the numbers of shares and IFRS cost allocation are slightly different.

[5] Further details for Executive Committee members are displayed in Note 12 on pages 211 – 214.

SHARES HELD BY THE MEMBERS OF THE EXECUTIVE COMMITTEE

	Number of shares granted for 2012[2]	Number of shares granted for 2011	Number of shares within vesting period for 2012	Number of shares within vesting period for 2011	Number of privately held shares for 2012	Number of privately held shares for 2011
Hariolf Kottmann	146 668	108 816 (correction of 136 020)[1]	186 045	131 637	554 045	479 637
Patrick Jany	82 134	60 938 (correction of 76 172)[1]	75 613	59 909	167 530	102 296
Christian Kohlpaintner	82 134	60 938 (correction of 76 172)[1]	58 813	28 344	130 469	90 000
Mathias Lütgendorf	82 134	135 938 (correction of 151 172)[1]	74 563	44 094	252 313	211 844
Hans-Joachim Müller	–	65 236 (correction of 69 044)[1]	–	50 000	na	0
Total	**393 070**	**431 866 (correction of 508 580)**	**395 034**	**313 984**	**1 104 357**	**883 777**

OPTIONS HELD BY THE MEMBERS OF THE EXECUTIVE COMMITTEE

	Number of options granted for 2012	Number of options granted for 2011	Number of options within vesting period for 2012	Number of options within vesting period for 2011	Number of privately held options for 2012	Number of privately held options for 2011
Hariolf Kottmann	263 200	120 482	383 682	263 382	270 900	128 000
Patrick Jany	131 600	60 241	191 841	120 241	330 000	100 000
Christian Kohlpaintner	131 600	60 241	191 841	120 241	40 000	0
Mathias Lütgendorf	131 600	60 241	191 841	120 241	60 000	0
Hans-Joachim Müller	131 600	0	–	–	na	0
Total	**789 600**	**301 205**	**959 205**	**624 105**	**700 900**	**228 000**

[1] Correction needed due to adjustments of Final share price at grant: Allocation of shares with CHF 12.50. IFRS booking done with CHF 12.50 (investment shares) and CHF 11.82 (matching shares), therefore the numbers of shares and IFRS cost allocation are slightly different.

[2] Number of shares only estimated (underlying assumption CHF 12 per share and 88 % Bonus Payout), will need correction in next year's Annual Report.

Consolidated Financial Statements
OF THE CLARIANT GROUP

CONSOLIDATED BALANCE SHEETS

at 31 December 2012 and 2011

	Notes[1]	31.12.2012 in CHF m	in %	31.12.2011[2] in CHF m	in %
Assets					
Non-current assets					
Property, plant and equipment	5	2 103		2 494	
Intangible assets	6	1 584		1 786	
Investments in associates and joint ventures	7	572		563	
Financial assets	8	17		28	
Prepaid pension assets	17	176		139	
Deferred income tax assets	9	190		192	
Total non-current assets		**4 642**	**48.7**	**5 202**	**57.1**
Current assets					
Inventories	10	887		1 151	
Trade receivables	11	857		1 134	
Other current assets	12	346		341	
Current income tax receivables		35		41	
Near cash assets	13	295		35	
Cash and cash equivalents	14	1 372		1 199	
Total current assets		**3 792**	**39.8**	**3 901**	**42.9**
Assets held for sale	**22**	**1 091**	**11.5**	**2**	**–**
Total assets		**9 525**	**100.0**	**9 105**	**100.0**
Equity and liabilities					
Equity					
Share capital	15	1 094		1 183	
Treasury shares (par value)	15	– 59		– 51	
Other reserves		972		1 047	
Retained earnings		947		754	
Total capital and reserves attributable to Clariant shareholders		**2 954**		**2 933**	
Non-controlling interests		86		93	
Total equity		**3 040**	**31.9**	**3 026**	**33.3**
Liabilities					
Non-current liabilities					
Financial debts	16	2 444		1 835	
Deferred income tax liabilities	9	180		296	
Retirement benefit obligations	17	498		538	
Provision for non-current liabilities	18	206		257	
Total non-current liabilities		**3 328**	**34.9**	**2 926**	**32.1**
Current liabilities					
Trade and other payables	19	1 178		1 327	
Financial debts	20	1 032		1 139	
Current income tax liabilities		339		323	
Provision for current liabilities	18	365		364	
Total current liabilities		**2 914**	**30.6**	**3 153**	**34.6**
Liabilities directly associated with assets held for sale	**22**	**243**	**2.6**	**–**	**–**
Total liabilities		**6 485**	**68.1**	**6 079**	**66.7**
Total equity and liabilities		**9 525**	**100.0**	**9 105**	**100.0**

[1] The notes form an integral part of the consolidated financial statements.
[2] restated – see note 1.03

CONSOLIDATED INCOME STATEMENTS

for the years ended 31 December 2012 and 2011

	Notes[1]	**2012** in CHF m	in %	2011[2] in CHF m	in %
Sales	21	6 038	100.0	5 571	100.0
Costs of goods sold		– 4 293		– 4 037	
Gross profit		**1 745**	**28.9**	**1 534**	**27.5**
Selling, general and administrative costs		– 1 114		– 870	
Research and development		– 175		– 140	
Income from associates and joint ventures	7	48		46	
Gain from the disposal of activities not qualifying as discontinued operations	23	4		5	
Restructuring and impairment	25	– 112		– 143	
Operating income		**396**	**6.6**	**432**	**7.8**
Finance income	26	22		19	
Finance costs	26	– 172		– 159	
Income before taxes		**246**	**4.1**	**292**	**5.2**
Taxes	9	– 35		– 72	
Net result from continuing operations		**211**	**3.5**	**220**	**3.9**
Result from discontinued operations	**22**	**27**		**31**	
Attributable to:					
Shareholders of Clariant Ltd		19		24	
Non-controlling interests		8		7	
Net income		**238**		**251**	
Attributable to:					
Shareholders of Clariant Ltd		217		227	
Non-controlling interests		21		24	
Basic earnings per share attributable to the shareholders of Clariant Ltd (CHF/share)					
Continuing operations	27	0.70		0.77	
Discontinued operations	27	0.07		0.09	
Total		**0.77**		**0.86**	
Diluted earnings per share attributable to the shareholders of Clariant Ltd (CHF/share)					
Continuing operations	27	0.66		0.71	
Discontinued operations	27	0.06		0.08	
Total		**0.72**		**0.79**	

[1] The notes form an integral part of the consolidated financial statements.

[2] restated – see note 1.04

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

for the years ended 31 December 2012 and 2011	Notes[1]	**2012** in CHF m	2011 in CHF m
Net income		**238**	**251**
Other comprehensive income:			
Net investment hedge	28	5	25
Currency translation differences		– 82	– 102
Effect of the reclassification of foreign exchange differences on previously held net investments in foreign entities		– 5	–
Other comprehensive income for the period, net of tax		**– 82**	**– 77**
Total comprehensive income for the period		**156**	**174**
Attributable to:			
Shareholders of Clariant Ltd		142	150
Non-controlling interests		14	24

[1] The notes form an integral part of the consolidated financial statements.

Changes in fair value of financial assets classified as available for sale amount to less than CHF 1 million in 2012 and 2011.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY in CHF m

at 31 December 2012 and 2011

			Other reserves						
	Total share capital	Treasury shares (par value)	Share premium reserves	Cumulative translation reserves	Total other reserves	Retained earnings	Total attributable to equity holders	Non-controlling interests	Total equity
Balance 31 December 2010	**921**	**– 36**	**798**	**– 523**	**275**	**599**	**1 759**	**47**	**1 806**
Net income					–	227	227	24	251
Net investment hedge				25	25		25		25
Currency translation differences				– 102	– 102		– 102		– 102
Total comprehensive income for the period	**–**	**–**	**–**	**– 77**	**– 77**	**227**	**150**	**24**	**174**
Issuance of share capital (see note 15)	262		849		849		1 111		1 111
Dividends to non-controlling interests					–		–	– 17	– 17
Non-controlling interest arising on business combination (see note 24)								70	70
Acquisition of non-controlling interests (see note 15)					–	– 52	– 52	– 31	– 83
Employee share & option scheme:									
Effect of employee services					–	22	22		22
Treasury share transactions		– 15			–	– 42	– 57		– 57
Balance 31 December 2011	**1 183**	**– 51**	**1 647**	**– 600**	**1 047**	**754**	**2 933**	**93**	**3 026**
Net income						217	217	21	238
Net investment hedge				5	5		5		5
Effect of the reclassification of foreign exchange differences on previously held net investments in foreign entities				– 5	– 5		– 5		– 5
Currency translation differences				– 75	– 75		– 75	– 7	– 82
Total comprehensive income for the period	**–**	**–**	**–**	**– 75**	**– 75**	**217**	**142**	**14**	**156**
Dividends to non-controlling interests					–		–	– 15	– 15
Acquisition of non-controlling interests (see note 15)					–	– 6	– 6	– 6	– 12
Share capital reduction (see note 15)	– 89	5			–		– 84		– 84
Employee share & option scheme:									
Effect of employee services					–	25	25		25
Treasury share transactions		– 13			–	– 43	– 56		– 56
Balance 31 December 2012	**1 094**	**– 59**	**1 647**	**– 675**	**972**	**947**	**2 954**	**86**	**3 040**

The notes form an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

for the years ended 31 December 2012 and 2011	Notes[1]	**2012** in CHF m	2011[2] in CHF m
Net income		**238**	**251**
Adjustment for:			
Depreciation of property, plant and equipment (PPE)	5	255	219
Impairment and reversal of impairment	25	12	21
Amortization of intangible assets	6	61	39
Impairment of working capital		70	89
Income from associates and joint ventures	7	– 49	– 47
Tax expense		46	83
Net financial income and costs		153	125
Gain from the disposal of activities not qualifying as discontinued operations	23	– 4	– 5
Other non-cash items		9	27
Total reversal of non-cash items		553	551
Dividends received from associates and joint ventures	7	38	25
Income taxes paid		– 134	– 145
Payments for restructuring		– 150	– 155
Cash flow before changes in net working capital and provisions		**545**	**527**
Changes in inventories		– 97	– 152
Changes in trade receivables		– 46	13
Changes in trade payables		25	17
Changes in other current assets and liabilities		– 113	– 183
Changes in provisions (excluding payments for restructuring)		154	92
Cash flow from operating activities		**468**	**314**
Investments in PPE	5	– 311	– 370
Investments in financial assets, associates and joint ventures		– 1	– 15
Investments in intangible assets	6	– 41	– 17
Changes in current financial assets and near cash assets		– 256	695
Sale of PPE and intangible assets		17	96
Acquisition of companies, businesses and participations	24	– 5	– 1 137
Proceeds from the disposal of activities not qualifying as discontinued operations	23	5	7
Cash flow from investing activities		**– 592**	**– 741**
Proceeds from the issuance of share capital	15	–	356
Reduction of share capital to shareholders of Clariant Ltd	15	– 84	–
Acquisition of non-controlling interests	15	– 12	– 83
Purchase of treasury shares		– 60	– 69
Sale of treasury shares		4	1
Proceeds from financial debts		1 605	1 485
Repayments of financial debts		– 1 057	– 640
Dividends paid to non-controlling interests		– 15	– 17
Interest paid		– 98	– 122
Interest received		22	14
Cash flow from financing activities		**305**	**925**
Currency translation effect on cash and cash equivalents		– 8	– 15
Net change in cash and cash equivalents		**173**	**483**
Cash and cash equivalents at the beginning of the period	**14**	**1 199**	**716**
Cash and cash equivalents at the end of the period	**14**	**1 372**	**1 199**

[1] The notes form an integral part of the consolidated financial statements.

[2] Starting from 2012, interest paid and interest received are part of the financing cash flow. Prior year information has been restated accordingly.

Notes to the consolidated financial statements

1. ACCOUNTING POLICIES

1.01 – General information
Clariant Ltd (the »Company«) and its consolidated subsidiaries (together the »Group«) are a global leader in the field of specialty chemicals. The Group develops, manufactures, distributes and sells a broad range of specialty chemicals which play a key role in its customers' manufacturing and treatment processes or add value to their end products. The Group has manufacturing plants around the world and sells mainly in countries within Europe, the Americas and Asia.

Clariant is a limited liability company incorporated and domiciled in Switzerland. The address of its registered office is Rothausstrasse 61, CH-4132 Muttenz, Switzerland. The Company is listed on the SIX Swiss Exchange.

The Board of Directors approved the consolidated financial statements for issue on 12 February 2013. They will be subject to approval by the Annual General Meeting of Shareholders scheduled for 26 March 2013.

1.02 – Basis of preparation
The consolidated financial statements of the Clariant Group have been prepared in accordance with the International Financial Reporting Standards (IFRS) and the IFRIC interpretations and with the following significant accounting policies. The consolidated financial statements have been prepared under the historical cost convention as modified by the revaluation of certain financial assets and liabilities (including derivative instruments at fair value through profit or loss).

The preparation of financial statements in conformity with the IFRS requires the use of estimates and assumptions. These affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of current events and circumstances, actual results may ultimately differ from those estimates. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed under note 4.

1.03 – Restatement of the 2011 consolidated financial statements in accordance with IFRS 3, Business Combinations
In April 2011, Clariant acquired the German-based specialty chemicals group Süd-Chemie. Based on the provisional fair value determination of the net assets acquired, a goodwill of CHF 1027 million was recognized in the 2011 financial statements. In 2012, within the measurement period following the acquisition, the fair value determination of the net assets acquired was finalized which led to an increase of the recognized goodwill of CHF 21 million to CHF 1048 million (see note 24).

In March 2011, Clariant acquired the US-based company Octagon Process L.L.C. and its service company Katapullt L.L.C.. In 2012, within the one year measurement period following the acquisition, the purchase price was adjusted by CHF 2 million generating an adjustment of the recognized goodwill from CHF 34 million to CHF 36 million (see note 24).

Following the application of IFRS 3, Business Combination, to the Süd-Chemie and the Octagon acquisitions, the 2011 balance sheet was restated: provision for non-current liabilities increased by CHF 15 million, from CHF 242 million to CHF 257 million, deferred income tax liabilities increased by CHF 7 million, from CHF 289 million to CHF 296 million, trade and other payables increased by CHF 2 million, from CHF 1325 million to CHF 1327 million and intangible assets (including goodwill) increased by CHF 24 million, from CHF 1762 million to CHF 1786 million.

1.04 – Restatement of the 2011 consolidated financial statement in accordance with IFRS 5, Non-current Assets held for sale and Discontinued Operations
Following the contract signed in December 2012 between Clariant and SK Capital to sell the business units Textile Chemicals, Paper Specialties and Emulsions and pursuing the project launched by the Group to find an acquirer for the business units Leather Services and Detergents and Intermediates, the five concerned business units have been reclassified to discontinued operations in the 2012 financial statement and therefore are presented separately in accordance with IFRS 5. The prior year figures have been re-stated accordingly in the income statement.

Assets and liabilities pertaining to the discontinued operations are presented as »assets held for sale« and as »liabilities directly associated with assets held for sale« respectively in the current year balance sheet as required by IFRS 5. In accordance with IFRS 5, the prior year balance sheet was not restated.

1.05 – Standards, interpretations and amendments effective in 2012

There are no IFRSs or IFRIC interpretations effective for the first time for the annual periods beginning on 1 January 2012 that have a material impact on the Group.

1.06 – Standards, interpretations and amendments not yet effective

The other standards, interpretations and amendments already issued by IASB but not yet effective have not been early adopted by the Group.

IAS 19, Employee Benefits was revised in June 2011. This revised standard is effective for accounting periods beginning on or after 1 January 2013. For the Group, this revised standard will entail the elimination of the corridor approach and recognition of all actuarial gains and losses in other comprehensive income as they occur.

The Group will also be required to immediately recognize all past service costs and replace interest costs and expected return on plan assets with a net interest amount that is calculated by applying the discount rate to the net defined benefit liability or asset. When this revised standard becomes effective, it is expected to reduce equity by CHF 344 million and net income by CHF 1 million.

The other standards, interpretations and amendments that are already issued but not yet effective will be adopted as they become effective. No material impact is expected.

1.07 – Scope of consolidation

- **Subsidiaries:** Subsidiaries are those entities in which the Group has an interest of more than one half of the voting rights or otherwise has the power to govern the financial and operating policies. These entities are fully consolidated as per the requirements of IAS 27, Consolidated and Separate Financial Statements.

- **Investments in associates:** Associates are entities in which the Group holds between 20% and 50% of the voting rights, or over which the Group has a significant influence, but which it does not control. Investments in associates are accounted for using the equity method as per IAS 28, Investments in Associates.

- **Investments in joint ventures:** Joint ventures are contractual arrangements whereby two or more parties undertake an economic activity that is subject to joint control. Investments in joint ventures are accounted for using the equity method as per IAS 31, Interests in Joint Ventures.

All joint ventures apply the same accounting principles as the Group.

1.08 – Principles and methods of consolidation

The annual closing date of the individual financial statements is 31 December. The consolidated financial statements are prepared applying uniform presentation and valuation principles.

The results of non-controlling interests are separately disclosed in the income statement and the balance sheet.

1.09 – Revenue recognition

Sales of goods, interest income and dividends are recognized in line with the requirements of IAS 18, Revenue.

1.10 – Exchange rate differences

Exchange differences are recognized in line with the requirements of IAS 21, The Effect of Changes in Foreign Exchange Rates. The consolidated financial statements are presented in Swiss francs, which is the functional and presentation currency of the parent.

Income statements and cash flow statements of foreign entities are translated into the Group's presentation currency at sales weighted average exchange rates for the year and their balance sheets are translated at the exchange rates prevailing on 31 December.

1.11 – Property, plant and equipment

Property, plant and equipment, except the ones pertaining to mining activities, are valued at historical acquisition or production costs and depreciated on a straight-line basis to the income statement, using the following estimated useful lives in accordance with the Group guidelines:

· Buildings	15 to 40 years
· Machinery and equipment	10 to 16 years
· Furniture, vehicles, computer hardware	3 to 10 years
· Land is not depreciated	

Property, plant and equipment pertaining to mining activities are valued at historical costs and depreciated over their useful lives to the income statement using the units of production method.

When the entity has a present legal or constructive obligation to dismantle an item of property, plant and equipment or restore a site, its initial cost includes an estimate of the costs of dismantling and removing the item and restoring the site on which it is located. A corresponding provision is recorded for the amount of the asset component.

Financing costs directly associated with the acquisition, construction of production of qualifying property, plant and equipment for which the commencement date for the capitalization is after 1 January 2009 are capitalized as a part of the costs of these assets.

1.12 – Intangible assets

Goodwill is recognized as per the requirements of IFRS 3, Business Combinations, IAS 38, Intangible Assets and IAS 28, Investment in Associates. Goodwill is not amortized but tested annually for impairment as required by IAS 36, Impairment of Assets.

Trademarks and licenses are capitalized at historical costs and amortized on a straight-line basis to the income statement over their estimated useful lives, with a maximum of ten years.

Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and bring to use the specific software. They are amortized on a straight-line basis to the income statement over their estimated useful lives (three to five years). Costs associated with developing and maintaining software programs are recognized as an expense when incurred. Costs directly associated with the production of identifiable and unique software products controlled by the Group, that will probably generate economic benefits beyond one year, are recognized as intangible assets. Direct costs include software development personnel costs and advisory costs directly related to the software development and an appropriate portion of relevant overheads.

Intangibles acquired in a business combination with the exception of mining rights are amortized using straight line method over their remaining useful lives of the following periods:

· Technology	3 to 15 years
· Customer relationships	13 to 20 years
· Trade name	10 years
· Order backlog	2 years

Mining rights are depreciated over their useful lives using the units of production method.

On 1 June 2007 a European Union regulation on chemicals and their safe use came into effect. It deals with the Registration, Evaluation, Authorization and Restriction of Chemical substances (REACH). REACH applies to all substances manufactured, placed on the market and used in the European Union, either on their own, in mixtures or in products. REACH requires the registration of certain substances, with annual volumes exceeding a consumption of 1 000 metric tons, by 2010 and various other substances depending on their category by 2018. As a company active in the chemical industry, Clariant has incurred costs in connection with REACH. Due to their nature, these costs are considered within the context of IAS 38, Intangible Assets and those qualifying for capitalization are reported as intangible assets. As the initial phase of the registration covering volumes exceeding 1 000 metric tons was completed in 2010, the corresponding costs capitalized as intangible assets are amortized starting from 2011 on a straight-line basis to the income statement over their estimated useful lives of twelve years.

1.13 – Impairment of assets

Impairment of assets are recognized and disclosed as per the requirements of IAS 36, Impairment of Assets.

1.14 – Non-current assets and disposal groups held for sale

Non-current assets and disposal groups are classified as held for sale when their carrying amount is to be recovered through a sale transaction and a sale is considered highly probable. They are stated at the lower of the carrying amount and fair value less costs to sell, as per the requirements of IFRS 5, Non-current Assets Held for Sale and Discontinued Operations.

1.15 – Inventories

Purchased goods are valued at acquisition costs, while self-manufactured products are valued at manufacturing costs including related production overhead costs. Inventory held at the balance sheet date is primarily valued at standard cost, which approximates actual costs on a weighted average basis. This valuation method is also used for valuing the cost of goods sold in the income statement. Adjustments are made for inventories with a lower net realizable value. Unsaleable inventories are fully written off. These adjustments are recorded as valuation allowances, which are deducted directly from the inventory value in the balance sheet. The allowances are reversed when the inventories concerned are either sold or destroyed and as a consequence are removed from the balance sheet.

1.16 – Trade receivables

Trade receivables are recognized in accordance with IAS 39, Financial Instruments: Recognition and Measurement.

1.17 – Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, deposits and calls with banks, as well as short-term investment instruments with an initial lifetime of 90 days or less. Bank overdrafts are shown within financial debt in current liabilities on the balance sheet.

1.18 – Derivative financial instruments and hedging

Derivative financial instruments and hedges are recognized in accordance with IAS 39, Financial Instruments: Recognition and Measurement.

1.19 – Leases

The Group classifies leases into finance and operating leases and recognizes them based on the requirements of IAS 17, Leases.

1.20 – Current income tax

The taxable profits (losses) of Group companies are calculated in accordance with the rules established by the taxation authorities of the countries in which they operate. They are the basis for the determination of income tax payments (reimbursements) for the reporting period in accordance with the prevailing local income tax rates. Current income tax is accounted for in accordance with the requirements of IAS 12, Income Taxes.

1.21 – Deferred income tax

Deferred income tax is calculated using the comprehensive liability method as per the requirements of IAS 12, Income Taxes.

No deferred income tax is calculated for the temporary differences in investments in Group companies, provided that the investor (parent company) is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

1.22 – Obligations for pensions and similar employee benefits

Group companies operate various pension schemes. The Group has both, defined benefit and defined contribution plans. Obligations for employee benefits are determined and recorded in line with the requirements of IAS 19, Employee Benefits.

Defined contribution plans: Contributions to defined contribution plans are recorded in the income statement in the period to which they relate.

Defined benefit plans: For defined benefit plans, the amount to be recognized in the provision is determined using the projected unit credit method. Independent actuaries perform the actuarial valuations for the defined benefit plans on a regular basis. For the larger plans these valuations take place annually. For the smaller ones valuations are performed, at least every three years, with systematic rollforwards in the years in between.

The Group applies the corridor method. This means, that the portion of the actuarial gains and losses to be recognized as income or expense is the excess of the net cumulative unrecognized actuarial gains and losses at the end of the previous reporting year over the greater of 10 % of the present value of the defined benefit obligation at that date and 10 % of the fair value of the plan assets at that date, divided by the expected average remaining working lives of the employees participating in the plan.

Some Group companies **provide post-retirement health care benefits** to their retirees. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment using an accounting methodology similar to that for the defined benefit pension plans. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to the income statement over the expected average remaining working lives of the related employees.

The charges for defined benefit plans, defined contribution plans and termination benefits are included in personnel expenses and reported in the income statement under the corresponding functions of the related employees or in expenses for restructuring and impairment.

Other **long-term employee benefits** are employee benefits (other than post-employment benefits and termination benefits) which do not fall wholly due within twelve months after the end of the period in which the employees render the related services. These include long-term compensated absences such as long-service or sabbatical leave and jubilee or other long-service benefits. The accounting policy for other long-term employee benefits is equal to that for post-employment benefits, with the exception that actuarial gains and losses and past service costs are recognized immediately in the income statement.

Short-term employee benefits are employee benefits (other than termination benefits) which fall due wholly within twelve months after the end of the period in which the employees render the related service.

1.23 – Provisions

Provisions are recognized as per the requirements of IAS 37, Provisions, Contingent Liabilities and Contingent Assets.

1.24 – Research and development

Development expenses are capitalized to the extent that the recognition criteria set up by IAS 38, Intangible Assets, are met.

The Group considers that uncertainties inherent in the development of key new products preclude it from capitalizing the development costs. Experience has proven, that the structure of research and development in the industries that Clariant engages in, makes it difficult to demonstrate how single intangible assets will generate probable future economic benefits.

At the balance sheet date, no development projects met the recognition criteria. Laboratory buildings and equipment included in property, plant and equipment are depreciated over their estimated useful lives.

1.25 – Segment reporting

Segment information is presented in the same manner as in the internal reporting on behalf of the chief operating decision maker. The chief operating decision maker, responsible for strategic decisions, for the assessment of the segments' performance and for the allocation of resources to the segments, is the Executive Committee.

Since 1 January 2010, Clariant's operating structure comprises ten business units, which have full responsibility for their operating results. Further, following the acquisition of the Süd-Chemie Group in April 2011, Clariant added the business units Catalysis & Energy and Functional Materials as two new segments. In accordance with IFRS 8, Operating Segments, these twelve business units qualify to be reported in the following eight reportable segments:

- Industrial & Consumer Specialties
- Masterbatches
- Pigments
- Functional Materials
- Textile Chemicals
- Catalysis & Energy
- Oil & Mining Services
- Leather Services

All other business units, namely Additives, Detergents & Intermediates, Emulsions, and Paper Specialties, were combined in Performance Chemicals in prior periods.

In 2012 Clariant set out to rearrange its portfolio of business activities. In December 2012 a contract was signed with the US based SK Capital to sell the business units Textile Chemicals, Paper Specialties and Emulsions and pursuing the project to find a buyer for the business units Leather Services and Detergents & Intermediates. For these reasons, all these business units are reported as discontinued operations in the financial report.

The business units can be described as follows:

The business unit **Industrial & Consumer Specialties** supplies speciality chemicals and application solutions for the personal care, industrial & home care, crop protection, paints and coatings to construction chemicals, industrial lubricants and engineering and aviation.

The business unit **Masterbatches** provides color, additive concentrates and performance solutions for plastics. The products of this business range from being used in medical devices such as inhalers, to drink bottles made from recycled materials and car components.

The business unit **Pigments** provides organic pigments, pigments preparations and dyes used in coatings, printing, plastics, consumer products and other special applications. The portfolio of this business includes high-performance pigments to meet demands of automotive, architectural and plastic industries as well as colorants used in traditional printing, ink jet and laser printers.

The business unit **Functional Materials** provides speciality products and solutions to markets of edible oil, the foundry, the pharmaceuticals and the logistics industries, as well as the water treatment industry.

The business unit **Catalysis & Energy** provides catalysts which improve the energy efficiency of processes in petrochemical, polymer, refinery industries, the environmental impact of the automotive industry and inorganic materials to allow for an efficient energy storage.

The business unit **Oil & Mining Services** provides custom-designed and engineering solutions to the oil, refinery and mining industry. Oil Services operates in the area from drilling and exploration to production, transportation and refining in the oil and gas market. Mining Services supplies chemicals and integrated services to the mining, explosives and fertilizer industries.

The business unit **Additives** provides halogen free flame retardants, waxes and polymer additives for effects in plastics, coating and other applications. This business enhances and protects to make products safer, look better and last longer.

The business unit **Textile Chemicals** produces dyes and chemicals for the textile industry including apparel, upholstery, fabrics and carpets. The business provides special chemicals for pre-treatment, dyeing, printing and finishing of textiles; optical brighteners and chemicals for the functional treatment of technical textiles; and dyes, such as dispersion reactive, acid and sulphur dyes.

The business unit **Paper Specialties** is a provider of expertise in management of whiteness, coloration, special coatings and strength for all kinds of paper.

The business unit **Emulsions** provides water based emulsions and polymers dispersions for paints, coatings, adhesives, construction, sealants and for the textile, leather and paper industries.

The business unit **Leather Services** produces chemicals and services for the global shoe, automotive and garment segments. Chemical and technical solutions for the complete leather manufacturing process are offered, from the beamhouse to finishing.

The business unit **Detergents & Intermediates** provides key raw material for laundry detergents and cleaning products. It also supplies chemical intermediates, especially for the manufacture of agrochemicals and pharmaceuticals.

Corporate: Income and expenses relating to Corporate include the costs of the Corporate headquarters and those of corporate coordination functions in major countries. In addition, Corporate includes certain items of income and expense, which are not directly attributable to specific business units.

The Group's business units are operating segments that offer different products. These operating segments are managed separately because they manufacture, distribute and sell distinct products, which require differing technologies and marketing strategies. These products are also subject to risks and returns that are different from those of other business segments.

Segment revenue is revenue reported in the Group's income statement that is directly attributable to a segment and the relevant portion of the company income that can be allocated on a reasonable basis to a segment, whether from sales to external customers or from transactions with other segments.

Segment expense is an expense resulting from the operating activities of a segment that is directly attributable to the segment and the relevant portion of an expense that can be allocated on a reasonable basis, including expenses relating to sales to external customers and expenses relating to transactions with other segments.

Inter-segment transactions are entered into under the normal circumstances and terms and conditions that would also be available to unrelated third parties.

The segment net assets consist primarily of property, plant and equipment, intangible assets, inventories and receivables less segment liabilities. Usually, no allocation of Corporate items is made to the segments. Corporate assets and liabilities principally consist of net liquidity (cash, cash equivalents and other current financial assets less financial debts) and deferred and current taxes.

The Executive Committee assesses the performance of the operating segments based on income statement parameters like third party sales, EBITDA, and operating income. Interest income, expenditure and taxes are not allocated to the segments. The return on the capital invested in each segment is measured by the Return on Invested Capital (ROIC).

1.26 – Share capital and other reserves

All issued shares are ordinary shares and as such are classified as equity. Incremental costs, directly attributable to the issue of new shares or options, are shown in equity as a deduction, net of tax, from the proceeds.

Written put options, where Clariant Ltd shares are the underlying, are reported as obligations to purchase Clariant Ltd shares if the number of shares is fixed and physical settlement for a fixed amount of cash is required, in case the option is exercised. At inception the obligation is recorded at the present value of the settlement amount of the option. A corresponding effect is recognized in shareholders' equity and reported as equity classified as an obligation to purchase Clariant Ltd shares.

The liability is measured subsequently at amortized cost using the effective interest method. Upon settlement of such written put options, the liability is extinguished and the charge to equity is reclassified to the treasury shares.

Clariant Ltd shares, subject to such put options, are not considered to be outstanding for the purpose of basic earnings per share calculations, but are considered for the dilutive earnings per share calculations to the extent that they are dilutive.

Other reserves comprise the following items:

- **Share premium:** The share premium comprises the excess price paid over the par value of the share at the time of issuance of the share capital. It also includes the equity component of the convertible debts issued in 2009.

- **Cumulative translation reserves:** The translation reserves comprise the foreign exchange differences arising on the translation of the financial statements of the foreign subsidiaries stated in a currency other than the Group's functional currency. In addition, the cumulative translation reserves comprise the foreign exchange differences arising on the translation of financial liabilities denominated in a currency other than the functional currency of the parent company Clariant Ltd, which are at the same time designated as a hedge of a net investment in a foreign entity.

1.27 – Treasury shares

Treasury shares are deducted from equity at their par value of CHF 3.70 per share. Differences between this amount and the amount paid for acquiring, or received for disposing of treasury shares are recorded in retained earnings.

1.28 – Financial debt

Financial debt is recognized based on the requirements of IAS 39, Financial Instruments: Recognition and Measurement.

1.29 – Investments

Investments are classified, recognized, measured and if necessary, impaired based on the requirements of IAS 39, Financial Instruments: Recognition and Measurement. Purchases and sales of investments are recognized on settlement date, which is the date on which the Group receives or delivers the asset.

2. ENTERPRISE RISK MANAGEMENT IDENTIFICATION, ASSESSMENT AND MANAGEMENT

Under the Group Risk Management Policy, based on the risk management standard of the Institute of Risk Managers, a tool is used to prepare risk assessments every year with quarterly updates by Business Units, Business Services and Regions by assessing threats and opportunities that will impact the objectives set for Clariant overall. These objectives are a result of the overall strategy of the company as set by the Board of Directors (BoD) and implemented by the Executive Committee (EC).

The Investment Sub-Committee of the Executive Committee is responsible for monitoring the risk management assessments for relevance and consistency.

Objective setting is finalized during the last quarter of the year. These objectives together with the threats and opportunities to them are subject to scrutiny by the Executive Committee (EC) during meetings with each Business Unit (BU). Also reviewed and discussed are the measures proposed to maximize opportunities and reduce or contain threats.

The Group and the regions are also required to make risk assessments on the same criteria. All BUs, functions and business services are required to report significant changes to existing identified risks and new threats and opportunities as they arise.

Risk Registers are maintained using financial, operational, reputational and likelihood assessments to score and rank all identified risks. The assessment also addresses the measures in place to manage the risk identified with dates for completion of the measures. Effectiveness of the measures is also assessed.

Threats and opportunities have been identified, quantified and delegated to responsible named individuals being required to deliver effective risk management. The nature of the risk classification requires different skills to be applied to risk management. The assessments are shared between the different BUs, services and individuals and subject to reassessment on a quarterly basis.

Consolidated risk assessment is presented to the Audit Committee and Board of Directors. There is a process for accelerated reporting of new or changed risks.

Summaries of BUs, Regions and Services risk assessments are shared within Clariant to deliver the group summary to all key senior managers.

To support functional responsibility, certain functions have access to risk assessments to support them in their roles. Examples are Environmental Safety & Health Affairs (ESHA) to identify key sites for their property risk survey programme, internal audit and group procurement.

The consolidated risk assessment is benchmarked against published surveys dealing with risk management. Surveys that are industry specific, business wide and with broad economic coverage are also included in the benchmarking process.

Examples of identified risks included in the Risk Register:

2.1 – Regulation & Compliance: Environmental and product risks
Clariant is subject to many rules and regulations as well as compliance standards. These include chemical industry, country, government and customer requirements as well as the European Community's (EU) Regulations on Registration, Evaluation, Authorization and Restriction of Chemical substances (REACH) being a significant component. Group Responsible Care is responsible for this risk and certain specific tasks are delegated to HR, Legal, ESHA and Logistics functions.

2.2 – Site and location
This includes sites, plant and equipment that are important for the production of Clariant products for sale to customers. Also addressed are country and culture issues that could create threats and opportunities to business objectives. The objective is to maintain high quality production facilities in key locations. Risk management is delegated to ESHA and Regional Services.

2.3 – Competitor activity
A number of identified risks include evaluating the merger and acquisition activity that could affect the nature and extent of competition. Clariant is a leading participant in its industrial sectors and each sector is monitored to identify changes and consider and plan to deal with the consequences of changes to customers and competitors.

3. FINANCIAL RISK MANAGEMENT

3.1 – Financial risk factors
The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk, liquidity risk, counterparty risk, (re) financing and funding risk and also settlement risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to reduce potential adverse effects on the Group's financial performance at reasonable hedging costs. The Group uses derivative financial instruments, non derivative financial instruments and operating strategies to hedge certain risk exposures.

Financial risk management is carried out by the central treasury department (Corporate Treasury) under policies approved by the Executive Committee and the Board of Directors. Corporate Treasury identifies, evaluates and hedges financial risks in close cooperation with the Group's operating units and functions. Written principles for the management of overall foreign exchange risk, credit risk, for the use of derivative financial instruments, non-derivative financial instruments and investing excess liquidity (counterparty risk) are in place.

Market risk
Foreign exchange risk

- **Exposure to foreign exchange risk:** The Group operates internationally and is exposed to foreign exchange risks arising from various currency exposures, primarily with respect to the euro and the US Dollar and increasingly the currencies of emerging countries. Foreign exchange risks arise from future commercial transactions, recognized assets and liabilities and net investments in foreign operations, when they are denominated in a currency that is not the respective subsidiary's functional currency.

- **Foreign exchange risk management:** To manage the foreign exchange risk arising from future commercial transactions and recognized assets and liabilities, entities in the Group use spot transactions, FX forward contracts, FX options and FX swaps according to the Group's foreign exchange risk policy. Corporate Treasury is responsible, in close co-ordination with the Group's operating units, for managing the net position in each foreign currency and for netting in place the appropriate hedging actions.

  The Group's foreign exchange risk management policy is to selectively hedge net transaction foreign exchange exposures in each major currency.

Currency exposures arising from the net assets of the Group's foreign operations are managed primarily through borrowings denominated in the relevant foreign currency.

Detailed information regarding foreign exchange management is provided in note 28.

- **Foreign exchange risk sensitivity:** The estimated percentage change of the following foreign exchange rates used in this calculation is based on the foreign exchange rate volatility for a term of 360 days in the future observed at 31 December 2012.

  At 31 December 2012, if the euro had strengthened/weakened by 5 percent (2011: 10%) against the Swiss franc with all other variables held constant, pre-tax profit for the year would have been CHF 15 million higher/lower (2011: CHF 72 million), mainly as a result of foreign exchange gains /losses on translation of the euro-denominated financing, cash and cash equivalents, intragroup financing and trade receivables. Equity would have been CHF 51 million lower/higher (2011: CHF 85 million), arising mainly from foreign exchange gains/losses on translation of the euro-denominated hedging instruments.

  At 31 December 2012, if the US dollar had strengthened/weakened by 13% (2011: 16%) against the Swiss franc with all other variables held constant, pre-tax profit for the year would have been CHF 20 million higher/lower (2011: CHF 37 million) mainly as a result of foreign exchange gains/losses on translation of US dollar denominated intragroup financing and trade receivables.

Interest rate risk

- **Exposure to interest rate risk:** Financial debt issued at variable rates and cash and cash equivalents expose the Group to cash flow interest rate risk; the net exposure as per 31 December 2012 was not significant. Financial debt issued at fixed rates does not expose the Group to fair value interest rate risk because it is recorded at amortized costs. At the end of 2012, 100% of the net financial debt was at fixed rates (2011: 100 percent).

- **Interest rate risk management:** It is the Group's policy to manage the cost of interest using fixed and variable rate debt and interest-related derivatives. Corporate Treasury monitors the net debt fix-to-float mix on an ongoing basis.

- **Interest rate risk sensitivity:** To calculate the impact of a potential interest rate shift on profit and loss, a weighted average interest rate change was determined, based on the terms of the financial debt issued at variable rates, fix term deposits and the movements of the corresponding interest rates (interest rates comparison between the end of 2012 and end of 2011).

  At 31 December 2012, if the Swiss franc interest rates on net current financial debt issued at variable interest rates had been 83 basis points higher/lower with all other variables held constant, pre-tax profit for the year remained unchanged (2011: CHF 2.0 million for a Swiss franc interest rate shift of 71 basis points).

  At 31 December 2012, if the euro interest rates on net current financial debt issued at variable interest rates had been 130 basis points higher/lower with all other variables held constant, pre-tax profit for the year would have been CHF 3.1 million lower/higher (2011: CHF 0.2 million for a euro interest rate shift of 12 basis points).

Other price risk

With regard to the financial statements as per 31 December 2012 and 2011, the Group was not exposed to other price risks in the sense of IFRS 7, Financial Instruments: Disclosures.

Credit risk

- **Credit risk exposure:** Credit risk arises from deposit of cash and cash equivalents, from entering into derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to wholesale and retail customers, including outstanding receivables and committed transactions with suppliers. Customer credit risk exposure is triggered by customer default risk and country risk. As per 31 December 2012 and 31 December 2011, the Group had a diversified portfolio with more than 60 000 active credit accounts, with no significant concentration neither due to size of customers nor due to country risk.

- **Credit risk management:** The Group has a Group credit risk policy in place to ensure that sales are made to customers only after an appropriate credit risk rating and credit line allocation process. Procedures are standardized within a corporate customer credit risk policy and supported by the IT system with respective credit management tools. Credit lines are partially backed by credit risk insurance.

Ageing balance of trade receivables – continuing operations	31.12.2012	31.12.2011
Not due yet	89 %	88 %
Total overdue	11 %	12 %
– less than 30 days	8 %	10 %
– more than 30 days	3 %	2 %

Net trade receivables per group internal risk category – continuing operations	31.12.2012	31.12.2011
A – low credit risk	28 %	29 %
B – low to medium credit risk	34 %	38 %
C – medium to above average risk	19 %	25 %
D – high credit risk	8 %	8 %
N – customers awaiting rating*	11 %	0 %

* This refers to previous Süd-Chemie customers for which the rating determination process is under harmonization.

Financial instruments contain an element of risk that the counterparty may be unable to either issue securities or to fulfill the settlement terms of a contract. Clariant therefore – whenever possible – only cooperates with counterparties or issuers that are at least »A-«rated when it comes to enter into deposits with such counterparties. The cumulative exposure to these counterparties is constantly monitored by Corporate Treasury, therefore there is no expectation of a material loss due to counterparty risk in the future.

The Group maintains a large cash pooling structure with a leading European bank, over which most European subsidiaries execute their cash transactions denominated in euro. As a result of this cash pool the Group at certain times has substantial current financial assets and at other times substantial current financial liabilities. In view of the bank being rated A+ (2011 AA-rated) by the most important rating agencies, Clariant does not consider this to pose any particular counterparty risk.

At the balance sheet date 76 % (2011: 58 %) of the total cash and cash equivalents were held with 6 banks, each with a position between CHF 130 and 250 million. All of these banks are rated “A” (2011: A) and better.

The table below shows in percent of total cash and cash equivalents the share deposited with each of the three major counterparties at the balance sheet date (excluding the bank managing the euro cash pool):

Counterparty	Rating	31.12.2012
Bank A	AA+	15 %
Bank B	AAAu	14 %
Bank C	A	14 %

Counterparty	Rating	31.12.2011
Bank 1	AA	12 %
Bank 2	A	11 %
Bank 3	A–	11 %

Liquidity risk

- **Liquidity risk management:** Cash flow forecasting is performed in the subsidiaries of the Group and in aggregate by Corporate Treasury. Corporate Treasury monitors the forecasts of the Group’s liquidity requirements to ensure it has sufficient cash to meet its operational needs while maintaining sufficient headroom on its undrawn borrowing facilities. At all times the Group aims to meet the requirements set by the covenants of any of its borrowing facilities. Corporate Management therefore takes into consideration the Group’s debt financing plans and financing options.

Cash which is not needed in the operating activities of the Group is invested in short-term money market deposits or marketable securities, if an interest advantage compared with the normal bank account interest is applicable. At 31 December 2012, the Group held money market funds of CHF 355 million (2011: CHF 724 million), thereof money market funds of CHF 295 million with initial tenor more than 90 days (2011: CHF 35 million).

The following table analyzes the maturity profile of the Groups financial liabilities. The amounts disclosed are the contractual undiscounted cash flows and do therefore not reconcile with the financial liabilities disclosed in the consolidated balance sheet.

At 31 December 2012 CHF m	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Borrowings	983	682	1154	724
Interest on borrowings	130	87	193	55
Finance lease liabilities	5	3	4	23
Trade and other payables	822	–	–	–
Derivative financial instruments	26	5	–	–

At 31 December 2011 CHF m	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Borrowings	1137	751	934	102
Interest on borrowings	82	73	55	3
Finance lease liabilities	4	4	5	12
Trade and other payables	1033	–	–	–
Derivative financial instruments	3	29	2	–

The Group covers its liabilities out of operating cash flow generated, liquidity reserves in form of cash and cash equivalents including money market deposits (31 December 2012: CHF 1667 million versus 31 December 2011: CHF 1234 million), uncommitted open cash pool limits and bank credit lines of the Corporate Treasury (31 December 2012: CHF 188 million vs. 31 December 2011: CHF 219 million), additional uncommitted net working capital facilities and through issuance of capital market instruments.

3.2 – Fair value measurement

IFRS 7 requires the disclosure of fair value measurements in accordance with the fair value measurement hierarchy for financial instruments that are measured at fair value in the balance sheet:

- **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).

The following tables present the Group's assets and liabilities that are measured at fair value at 31 December 2012 and at 31 December 2011 respectively:

At 31 December 2012 CHF m	Level 1	Level 2	Level 3	**Total**
Assets				
Available-for-sale financial assets	8	–	–	8
Derivative financial instruments*'**	–	20	–	20
Total assets	**8**	**20**	**–**	**28**
Liabilities				
Derivative financial instruments*'**	–	51	–	51
Total liabilities	**–**	**51**	**–**	**51**

At 31 December 2011 CHF m	Level 1	Level 2	Level 3	**Total**
Assets				
Available-for-sale financial assets	20	–	–	20
Derivative financial instruments*'**	–	13	–	13
Total assets	**20**	**13**	**–**	**33**
Liabilities				
Derivative financial instruments*'**	–	46	–	46
Total liabilities	**–**	**46**	**–**	**46**

* The fair value of the derivative financial instruments is determined using observable market data at the balance sheet date.

** For details, see note 28.

3.3 – Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for the shareholders and benefits for other stakeholders and to maintain an optimal capital structure to optimize the cost of capital. This includes aspects of the credit rating.

In order to maintain or adjust the capital structure, the Group may adjust the amount of pay-outs to the shareholders, return capital to the shareholders, issue new shares or sell assets to reduce debt.

The Group monitors capital on the basis of invested capital as part of the return on invested capital concept. Invested capital is calculated as the sum of total equity as reported in the consolidated balance sheet plus current and non-current financial liabilities as reported in the consolidated balance sheet plus estimated liabilities from operating leases, plus estimated cash needed for operating purposes, less cash and cash equivalents and near cash assets not needed for operating purposes.

The Group always complied with the externally imposed capital requirements related to leverage and gearing. These were effective in connection with the acquisition term loan facility entered into for the acquisition of (Süd-Chemie). This loan was cancelled and terminated as of 30 January 2012.

Invested capital for the Group was as follows on 31 December 2012 and 2011 respectively:

CHF m	**2012**	2011
Total equity	3 040	3 026
Total current and non-current financial liabilities	3 476	2 974
Estimated operating lease liabilities	479	457
Less cash and cash equivalents and near cash assets*	– 1 667	– 1 234
Cash needed for operating purposes	156	147
Invested capital	**5 484**	**5 370**

*Near cash assets represent deposits over 90 days.

At the end of 2012, Clariant considers the invested capital to be adequate.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and takes assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

4.1 – Estimated impairment of goodwill and property, plant and equipment

The Group tests annually whether goodwill has suffered any impairment in accordance with the requirements of IAS 36, Impairment of Assets. The recoverable amounts of all cash generating units have been determined based on value-in-use calculations except for the CGUs Functional Material and Catalysis & Energy, for which the recoverable amount is determined using fair value less cost to sell.

The recoverable value of property, plant and equipment is also assessed applying value-in-use calculations. These calculations require the use of estimates, in particular in relation to the expected growth of sales, the discount rates, the development of raw material prices and the success of restructuring measures implemented (see notes 5 and 6).

4.2 – Environmental liabilities

The Group is exposed to environmental regulations in numerous jurisdictions. Significant judgment is required in determining the worldwide provision for environmental remediation. The Group constantly monitors its sites to ensure compliance with legislative requirements and to assess the liability arising from the need to adapt to changing legal demands. The Group recognizes liabilities for environmental remediation based on the latest assessment of the environmental situation of the individual sites and the most recent requirements of the respective legislation. Where the final remediation results in expenses that differ from the amounts that were previously recorded, such differences will impact the income statement in the period in which such determination was made (see notes 18 and 32).

4.3 – Income and other taxes

The Group is subject to income and other taxes in numerous jurisdictions. Significant judgment is required in determining the worldwide provision for income and other taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain at the time a liability must be recorded. The Group recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences impact the income tax and deferred tax provisions in the period in which such determination is made.

Some subsidiaries generate tax losses. Often these can be used to offset taxable gains of subsequent periods. The Group constantly monitors the development of such tax loss situations. Based on the business plans for the subsidiaries concerned, the recoverability of such tax losses is determined. In the case that a tax loss is deemed to be recoverable, the capitalization of a deferred tax asset for such tax losses is then decided. The time horizon for such a calculation is in line with the mid-term planning scope of the Group.

4.4 – Estimates for the accounting for employee benefits

IAS 19, Employee Benefits requires that certain assumptions are made in order to determine the amount to be recorded for retirement benefit obligations and pension plan assets, in particular for defined benefit plans. These are mainly actuarial assumptions such as expected inflation rates, long-term increase in health care costs, employee turnover, expected return on plan assets and discount rates. Substantial changes in the assumed development of any one of these variables may significantly change the Group's retirement benefit obligation and pension assets (see note 17).

4.5 – Acquisition accounting

Due to the acquisition of the Süd-Chemie Group in 2011, the use of the acquisition method of accounting had a significant impact on the Group's consolidated financial statements. The Group's consolidated financial statements reflect the acquired business from the date the acquisition has been completed. Using the acquisition method of accounting requires the acquired assets and assumed liabilities to be recorded as of the acquisition date at their respective fair values. Any excess of the purchase consideration over the estimated fair values of acquired net identified assets is recorded as goodwill in the balance sheet and is allocated to an appropriate cash-generating unit. The fair value of acquired assets and assumed liabilities is determined using valuation techniques. Estimating the fair value assigned to each class of acquired assets and assumed liabilities is based on expectations and assumptions, in particular in relation to the expected growth rate, the discount rate and the remaining useful life, that have been deemed reasonable by the Corporate management.

4.6 – Assets held for sale and liabilities directly associated with assets held for sale

In the wake of the decision to divest several of its business units, Clariant reclassified the assets and liabilities pertaining to those activities to "held for sale" in accordance with IFRS 5, Non-current Assets Held for Sale and Discontinued Operations (see note 1.25). In distinguishing between the assets and liabilities pertaining to continuing operations and those pertaining to discontinued operations judgments had to be applied, as a part of those assets and liabilities are used by both types of activities.

All assets and liabilities exclusively pertaining to one business unit were allocated to that business unit. In all other cases a critical assessment was conducted as to whether it could be reasonably expected that the asset or liability concerned would be transferred in a disposal. For those business units where a disposal contract already exists (Textile Chemicals, Paper Chemicals and Emulsions) this contract was used as a basis. For the other business units this assessment was made based on past experience and most recent market developments. The allocation made may have to be adjusted when the disposals are actually consummated.

Judgements and estimates had also to be applied for the valuation assumptions.

5. PROPERTY, PLANT AND EQUIPMENT

in CHF m	Land	Buildings	Machinery and equipment	Furniture, vehicles, computer hardware	Plant under construc-tion	**Total 2012**
Cost						
As per 1 January	516	2 171	3 926	428	205	7 246
Additions	2	32	103	21	153	311
Acquired in business combinations	–	–	–	2	–	2
Reclassifications	– 2	52	149	9	– 208	–
Reclassified to held for sale (see note 22)	– 29	– 389	– 1 068	– 77	– 34	– 1 597
Disposals	– 5	– 53	– 113	– 19	–	– 190
Exchange rate differences	– 24	– 41	– 47	– 9	– 3	– 124
At 31 December	**458**	**1 772**	**2 950**	**355**	**113**	**5 648**
Accumulated depreciation and impairment						
As per 1 January	– 128	– 1 446	– 2 848	– 315	– 15	– 4 752
Reclassifications	–	–	1	– 1	–	–
Reclassified to held for sale (see note 22)	1	272	882	67	–	1 222
Disposals	1	50	110	18	–	179
Depreciation	–	– 56	– 164	– 35	–	– 255
Impairment	–	– 5	– 4	– 1	–	– 10
Exchange rate differences	1	28	36	6	–	71
At 31 December	**– 125**	**– 1 157**	**– 1 987**	**– 261**	**– 15**	**– 3 545**
Net book value	**333**	**615**	**963**	**94**	**98**	**2 103**

in CHF m	Land	Buildings	Machinery and equipment	Furniture, vehicles, computer hardware	Plant under construction	**Total 2011**
Cost						
As per 1 January	427	1978	3475	363	88	6331
Additions	3	62	75	20	210	370
Acquired in business combinations (see note 24)	109	213	330	62	75	789
Reclassifications	–	35	119	8	– 162	0
Reclassified to held for sale (see note 22)	– 6	– 2	– 2	–	–	– 10
Disposals	– 4	– 60	– 50	– 16	– 1	– 131
Exchange rate differences	– 13	– 55	– 21	– 9	– 5	– 103
At 31 December	**516**	**2171**	**3926**	**428**	**205**	**7246**
Accumulated depreciation and impairment						
As per 1 January	– 133	– 1454	– 2748	– 312	– 15	– 4662
Reclassified to held for sale (see note 22)	–	–	1	–	–	1
Disposals	–	55	46	15	–	116
Depreciation	–	– 53	– 142	– 24	–	– 219
Impairment	– 1	– 25	– 15	– 1	–	– 42
Reversal of impairment	2	1	2	–	–	5
Exchange rate differences	4	30	8	7	–	49
At 31 December	**– 128**	**– 1446**	**– 2848**	**– 315**	**– 15**	**– 4752**
Net book value	**388**	**725**	**1078**	**113**	**190**	**2494**

Impairment recognized in 2012 and 2011 arose as a result of the restructuring measures and the entailing site closures (see also note 25).

As at 31 December 2012, commitments for the purchase of property, plant and equipment totalled CHF 49 million (2011: CHF 58 million).

As per 31 December 2012 property plant and equipment acquired by way of finance lease with a cost of CHF 37 million (2011: CHF 30 million) and a net book value of CHF 18 million (2011: CHF 18 million) was recorded.

6. INTANGIBLE ASSETS

in CHF m	Goodwill	Technology	Customer relation-ships	Trade names	Other	**Total 2012**
Cost						
As per 1 January	1455	174	188	82	263	2162
Additions					41	41
Acquired in business combinations					3	3
Reclassified to held for sale (see note 22)	–141				–19	–160
Exchange rate differences	–9	–1	–4	–1	–16	–31
At 31 December	**1305**	**173**	**184**	**81**	**272**	**2015**
Accumulated amortization and impairment						
As per 1 January	–209	–13	–8	–6	–140	–376
Reclassified to held for sale (see note 22)					3	3
Amortization		–18	–9	–10	–24	–61
Impairment					–2	–2
Exchange rate differences					5	5
At 31 December	**–209**	**–31**	**–17**	**–16**	**–158**	**–431**
Net book value	**1096**	**142**	**167**	**65**	**114**	**1584**

in CHF m	Goodwill	Technology	Customer relation-ships	Trade names	Other	**Total 2011**[1]
Cost						
As per 1 January	412				191	603
Additions					17	17
Acquired in business combinations (see note 24)	1107	184	195	86	65	1637
Reclassifications			3		–3	–
Exchange rate differences	–64	–10	–10	–4	–7	–95
At 31 December	**1455**	**174**	**188**	**82**	**263**	**2162**
Accumulated amortization and impairment						
As per 1 January	–209				–125	–334
Amortization		–13	–8	–6	–12	–39
Impairment					–5	–5
Exchange rate differences					2	2
At 31 December	**–209**	**–13**	**–8**	**–6**	**–140**	**–376**
Net book value	**1246**	**161**	**180**	**76**	**123**	**1786**

[1] restated – see note 1.03

Amortization is allocated to the line in the income statement, which represents the function to which the intangible asset pertains.

Intangibles reported under »Acquired in business combinations« in 2011 arose on the acquisitions of Süd-Chemie, Prairie Petro-Chem, Octagon Process and Italtinto S.r.l.

As of end 2012, before reclassification to held for sale, other intangible assets include costs in the amount of CHF 54 million (2011: CHF 41 million) capitalized in connection with the REACH regulation.

Impairment test for goodwill. Goodwill is allocated to the Group's cash generating units (CGU). Cash generating units consist of business segments in accordance with the Group's segment reporting.

Goodwill is allocated to the following CGUs:

in CHF m	**31.12.2012**	31.12.2011[2]
Industrial & Consumer Specialties	35	36
Masterbatches	44	45
Pigments	19	19
Functional Materials[1]	291	291
Catalysis & Energy[1]	688	695
Oil & Mining Services	19	19
Leather Services	141	141
Total net book value of goodwill	**1237**	**1246**
Reclassified to held for sale:		
Leather Services	– 141	–
Total as reported in the balance sheet	**1096**	**1246**

[1] The CGUs Functional Materials and Catalysis & Energy were added following the acquisition of Süd-Chemie.
[2] restated – see note 1.03

Continuing operations
The value in use calculations use cash flow projections based on financial budgets approved by the Board of Directors covering a five-year period. No growth is assumed beyond this five-year period. The main assumptions used for cash flow projections were EBITDA in percent of sales and sales growth. The assumptions regarding these two variables are based on Management's past experience and future expectations of business performance. The pre-tax discount rates used are based on the Group's weighted average cost of capital. The assumed pre-tax discount rate was 11.33 % for all cash generating units (2011: 11.60 %).

For all CGUs it was assumed that they achieve sales growth in line with or higher than market growth based on the specific strategic plans for those CGUs. It was also assumed that the EBITDA in percent of sales will improve over present performance as a result of the restructuring measures implemented. For all these CGUs it was determined that the net present value of their expected cash flows exceeds the carrying amount of the net assets allocated on a value in use basis.

The recoverable amount for the CGUs Functional Materials and Catalysis & Energy which were joined to the Group with the acquisition of Süd-Chemie, is determined based on fair value less cost to sell. Fair value of these CGUs is calculated using discounted cash flows. The cash flows are projected for a ten-year period in line with the free cash flow business valuation methodology for these businesses. The cash flow projections beyond this period are extrapolated using a growth rate of 2.8 %. The assumptions used in this calculation are based on past experience and future expectations of business performance. The cash flows are discounted using a pre-tax discount rate of 11.33 %. Cost to sell are estimated and are deducted in determining the recoverable amount.

The recoverable amount of the CGUs Functional Materials and Catalysis & Energy exceeds the carrying amount of the net assets allocated to these CGUs.

The estimated recoverable amount of the CGU Functional Materials on a fair value less cost to sell basis exceeds its carrying amount including goodwill by CHF 548 million. The recoverable amount would be equal to the carrying amount if the assumed average annual sales growth rate during the planning period was reduced by 1.2 %, or alternatively, if the operating margin was reduced by 5.4 % of sales.

Discontinued operations
The estimated recoverable amount of the CGU's classified as discontinued operations was determined on a fair value less cost to sell basis. For the Business Units Textile Chemicals, Paper Services and Emulsions the signed sale and purchase contract was used to determine this value. The fair value of the Business Units Leather Services and Detergents & Intermediates was determined estimating an EBITDA multiple based on the business plan for each of those Business Units and also comparing this value with the prices achieved in similar transactions in recent years. Costs to sell were estimated based on past experience. Based on these calculations, the fair value less cost to sell of all these CGUs exceed their book values. For further details on discontinued operations, see note 22.

7. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

in CHF m	**2012**	2011
As per 1 January	**563**	**224**
Acquired in business combinations (see note 24)	–	334
Additions	1	8
Share of profit[1]	49	47
Dividends received	– 38	– 25
Exchange rate differences	– 3	– 25
At 31 December	**572**	**563**

[1] Thereof CHF 1 million reported under discontinued operations in 2012 and 2011.

The key financial data of the Group's principal associates is as follows:

INVESTMENTS IN ASSOCIATES

in CHF m	Country of incorporation	Assets	Liabilities	Revenue	Profit / (Loss)	Interest held %
2011						
Infraserv GmbH & Co. Höchst KG	Germany	1398	1036	1422	23	32
Infraserv GmbH & Co. Gendorf KG	Germany	195	104	327	22	50
Infraserv GmbH & Co. Knapsack KG	Germany	140	55	201	16	21
Others		146	43	138	9	
Total		**1879**	**1238**	**2088**	**70**	
2012						
Infraserv GmbH & Co. Höchst KG	Germany	1165	838	1294	14	32
Infraserv GmbH & Co. Gendorf KG	Germany	263	169	265	18	50
Infraserv GmbH & Co. Knapsack KG	Germany	141	45	205	17	21
Others		177	86	181	22	
Total		**1746**	**1138**	**1945**	**71**	

The Infraserv companies were set up by the former Hoechst group to cater to the infrastructure needs of its subsidiaries prior to 1997. The shareholdings in associates summarized under »Others« concern mainly companies specializing in selling Clariant products. Due to the specialized nature of these companies, there is no active market in which these shareholdings could be traded, hence no fair value is indicated. However, there is no evidence that the recoverable amount would be lower than the carrying amount.

On December 31, 2012, accumulated unrecognized losses as at the balance sheet date amounted to less than CHF 1 million (2011: less than CHF 1 million).

The key financial data of the Group's principal joint ventures is as follows:

INVESTMENTS IN JOINT VENTURES

in CHF m	Country of incorporation	Current assets	Non-current assets	Current liabilities	Non-current liabilities	Revenue	Profit/ (Loss)	Interest held %
2011								
ASK Group	Germany	226	299	213	64	523	8	50
Scientific Design Company Inc.	USA	80	16	34	22	32	– 3	50
Süd-Chemie India Pvt Ltd.	India	65	8	16	1	52	13	50
Total		**371**	**323**	**263**	**87**	**607**	**18**	
2012								
ASK Group	Germany	225	281	113	134	642	16	50
Scientific Design Company Inc.	USA	64	13	17	11	90	11	50
Süd-Chemie India Pvt Ltd.	India	100	13	49	3	76	17	50
Total		**389**	**307**	**179**	**148**	**808**	**44**	

The joint ventures with ASK Group, Scientific Design Company Inc. and Süd-Chemie India Private Limited were acquired as a part of the acquisition of the former Süd-Chemie Group in 2011 (see note 24). Clariant owns a 50% stake in these joint ventures, which are consolidated at equity.

8. FINANCIAL ASSETS

in CHF m	**2012**	2011
As per 1 January	28	18
Exchange rate differences	– 1	– 1
Additions	1	13
Impairment	–	– 2
Reversal of impairment	–	23
Reclassified to other current assets	– 11	–
Repayments and diposals	–	– 23
At 31 December	**17**	**28**

Financial assets are measured at cost, as these include a number of small scale participations in companies, mostly in Germany, engaged in activities closely related to the ones of Clariant.

Due to the specialized nature of these companies, there is no active market in which these shareholdings could be traded, hence no fair value is indicated. However, there is no evidence that the recoverable amount would be lower than the carrying amount.

Foreign exchange forwards with maturity in 2013 were reclassified to »Other current assets«.

Financial assets are denominated in the following currencies:

in CHF m	**31.12.2012**	31.12.2011
EUR	15	27
CHF	1	1
Other	1	–
Total	**17**	**28**

9. TAXES

in CHF m	2012	2011
Current income taxes	– 165	– 164
Deferred income taxes	119	81
Total taxes	**– 46**	**– 83**
Thereof reported under discontinued operations	11	11
Total continuing operations	**– 35**	**– 72**

The main elements contributing to the difference between the Group's overall expected tax expense/rate and the effective tax expense/rate are:

	2012 in CHF m	in %	2011 in CHF m	in %
Income before taxes from continuing operations	246		292	
Income before taxes from discontinued operations	38		42	
Income before taxes total	**284**		**334**	
Expected tax expense/rate [1]	**– 80**	**28.2**	**– 110**	**32.9**
Effect of taxes on items not tax-deductible	– 75	26.4	– 61	18.3
Effect of utilization and changes in recognition of tax losses and tax credits	– 3	1.1	103	– 30.8
Effect of tax losses and tax credits of current year not recognized	– 16	5.6	– 26	7.8
Effect of adjustments to taxes recognized in prior periods	57	– 20.1	6	– 1.8
Effect of tax exempt income	59	– 20.8	29	– 8.7
Effect of other items	12	– 4.2	– 24	7.2
Effective tax expense/rate	**– 46**	**16.2**	**– 83**	**24.9**
Thereof reported under discontinued operations	11	28.9	11	26.2
Effective tax expense/rate continuing operations	**– 35**	**14.2**	**– 72**	**24.7**

[1] Calculated based on the income before tax of each subsidiary (weighted average).

The movement of the net deferred income tax balance is as follows:

in CHF m	PPE and intangible assets	Retirement benefit obligations	Tax losses and tax credits	Other accruals and provisions	**Total**	Thereof offset within the same jurisdiction	**Total**
Deferred tax assets at 1 January 2011	35	50	100	97	282	– 163	119
Deferred tax liabilities at 1 January 2011	– 203	– 1	–	– 44	– 248	163	– 85
Net deferred tax balance at 1 January 2011	**– 168**	**49**	**100**	**53**	**34**	**–**	**34**
Charged / credited to income	12	– 1	69	1	81		
Effect of business combinations (see note 24)	– 225	23	22	– 57	– 237		
Exchange rate differences	20	– 2	– 1	1	18		
Net deferred tax balance at 31 December 2011 [1]	**– 361**	**69**	**190**	**– 2**	**– 104**	**–**	**– 104**
Deferred tax assets at 31 December 2011	41	69	190	140	440	– 248	192
Deferred tax liabilities at 31 December 2011	– 402	–	–	– 142	– 544	248	– 296
At 1 January 2012	**– 361**	**69**	**190**	**– 2**	**– 104**	**–**	**– 104**
Charged / credited to income from continuing operations	93	– 5	– 37	68	119		
Exchange rate differences	7	– 7	– 3	– 2	– 5		
Net deferred tax balance at 31 December 2012	**– 261**	**57**	**150**	**64**	**10**	**–**	**10**
Deferred tax assets at 31 December 2012	40	60	150	118	368	– 178	190
Deferred tax liabilities at 31 December 2012	– 301	– 3	–	– 54	– 358	178	– 180
Net deferred tax balance at 31 December 2012	**– 261**	**57**	**150**	**64**	**10**	**–**	**10**

[1] restated - see note 1.03

Of the deferred tax assets capitalized on tax losses, CHF 10 million refer to tax losses of the Italian subsidiaries (2011: CHF 10 million), CHF 21 million to tax losses of the Swiss subsidiaries (2011: CHF 20 million) and CHF 101 million to tax losses of the US subsidiaries (2011: CHF 77 million). The subsidiaries of the former Süd-Chemie Group acquired in 2011 contributed CHF 57 million to the prior year tax losses of the Group. In the meantime several of these companies have been integrated into Clariant companies. Clariant considers it highly probable that these tax losses can be recovered.

The total of temporary differences on investments in subsidiaries, for which no deferred taxes were calculated, was CHF 605 million at 31 December 2012 (CHF 1 021 million at 31 December 2011). This decrease is the result of Group internal rearrangements of shareholdings in connection with the integration of Süd-Chemie.

Deferred income tax liabilities have not been established for the withholding tax and other taxes that would be payable on the unremitted earnings of certain foreign subsidiaries, as such amounts are currently regarded as permanently reinvested. These unremitted earnings totalled CHF 2 677 million at the end of 2012 (2012: CHF 2 234 million).

The tax losses on which no deferred tax assets are recognized are reviewed for recoverability at each balance sheet date. The largest part of these tax losses arose in Switzerland (with a weighted average tax rate of 20.7 %), in France (with a tax rate of 33.3 %) and in China (with a tax rate of 25 %). At present their recoverability cannot be reliably demonstrated.

Tax losses on which no deferred tax assets were recognized are as follows:

in CHF m	31.12.2012	31.12.2011
EXPIRY BY:		
2012		14
2013	5	1
2014	9	3
2015	39	19
2016	169	–
after 2016 (2011: after 2015)	267	703
Total	**489**	**740**
CHF m	**31.12.2012**	31.12.2011
Unrecognized tax credits	**14**	**20**

Tax credits in the amount of less than a million expire between 2013 and 2016 (2011: Tax credits in the amount of CHF 2 million expire between 2012 and 2015). The remaining tax credits of CHF 14 million expire in and after 2017 (2011: The remaining tax credits of CHF 18 million expire in and after 2016).

10. INVENTORIES

in CHF m	31.12.2012	31.12.2011
Raw material, consumables, work in progress	476	493
Finished products	679	658
Total	**1155**	**1151**
Reclassified to held for sale (see note 22)	– 268	–
Total as reported in the balance sheet	**887**	**1151**

in CHF m	2012	2011
Movements in write-downs of inventories		
As per 1 January	33	38
Additions	31	28
Reversals	– 18	– 31
Exchange rate differences	– 4	– 2
At 31 December	**42**	**33**
Thereof reclassified to held for sale	10	–

As at 31 December 2012, inventories in the amount of CHF 18 million were pledged as collateral for liabilities (2011: CHF 15 million).

The cost for raw materials and consumables recognized as an expense and included in »costs of goods sold« amounted to CHF 2 273 million (2011: CHF 2 457 million) for continuing operations.

11. TRADE RECEIVABLES

in CHF m	31.12.2012	31.12.2011
Gross accounts receivable – trade	1172	1162
Gross accounts receivable – associates and joint ventures	8	13
Less: provision for impairment of accounts receivable	– 40	– 41
Total trade receivables – net	**1140**	**1134**
Reclassified to held for sale (see note 22)	– 283	–
Total as reported in the balance sheet	**857**	**1134**

The following summarizes the movement in the provision for doubtful accounts receivable:

in CHF m	2012	2011
As per 1 January	– 41	– 43
Charged to the income statement	– 16	– 10
Amounts used	8	6
Acquired in business combinations	–	– 3
Unused amounts reversed	8	6
Exchange rate differences	1	3
At 31 December	**– 40**	**– 41**
Thereof reclassified to held for sale	– 19	–

Of the total provision for impairment, the following amounts concerned trade receivables that were individually impaired:

in CHF m	31.12.2012	31.12.2011
Trade receivables aged up to six months	– 7	– 3
Trade receivables aged over six months	– 24	– 28
Total provision for impairment	**– 31**	**– 31**

There is no concentration of credit risk with respect to trade receivables, as the Group has a large number of internationally dispersed customers.

The Group recognizes the impairment of trade receivables in »Selling, general and administrative costs« in the income statement.

The amount recognized in the books for trade receivables is equal to their fair value.

Collaterals are only required in rare cases (2012: CHF 5 million, 2011: CHF 5 million).

The carrying amounts of the Group's trade receivables are denominated in the following currencies:

in CHF m	31.12.2012	31.12.2011
Currency		
CHF	1	14
EUR	419	456
USD	294	278
JPY	56	72
BRL	69	65
CNY	66	58
INR	21	1
Other	214	190
Total trade receivables – net	**1140**	**1134**
Reclassified to held for sale (see note 22)	– 283	–
Total as reported in the balance sheet	**857**	**1134**

As of 31 December 2012, total trade receivables – net includes an amount of CHF 168 million (2011: CHF 135 million) that was past due, but not impaired. These relate to a number of customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

in CHF m	31.12.2012	31.12.2011
Up to three months past due, but not impaired	142	123
Three to six months past due, but not impaired	13	8
More than six months past due, but not impaired	13	4
Total	**168**	**135**

12. OTHER CURRENT ASSETS

Other current assets include the following:

in CHF m	31.12.2012	31.12.2011
Other receivables	263	258
Current financial assets	38	32
Prepaid expenses and accrued income	50	51
Total	**351**	**341**
Reclassified to held for sale (see note 22)	– 5	–
Total as reported in the balance sheet	**346**	**341**

Other receivables include staff loans, advances, advance payments, VAT and sales tax receivables.

Current financial assets comprise securities, notes receivables and derivative financial instruments with positive fair value.

Securities are classified as available for sale, notes receivables are classified as loans and receivables and derivative financial instruments are classified as at fair value through profit and loss.

The amount recognized in the books for other current assets is equal to their fair value.

The maximum exposure to credit risk of other current assets at the reporting date is their fair value.

There was no impairment of current financial assets in 2012 and 2011.

Other receivables are denominated in the following currencies:

in CHF m	31.12.2012	31.12.2011
CHF	12	8
EUR	92	88
USD	15	20
JPY	18	22
BRL	24	21
CNY	11	20
INR	7	7
Other	84	72
Total	**263**	**258**
Thereof reclassified to held for sale	5	–

Current financial assets are denominated in the following currencies:

in CHF m	31.12.2012	31.12.2011
CHF	24	4
EUR	2	18
BRL	–	1
CNY	3	–
INR	6	2
JPY	–	1
USD	3	1
Other	–	5
Total	**38**	**32**

13. NEAR CASH ASSETS

Near cash assets include the short term deposits with an original maturity between 90 and 365 days.

Near cash assets are denominated in the following currencies:

in CHF m	**31.12.2012**	31.12.2011
CHF	10	–
EUR	206	–
USD	9	–
GBP	68	34
Other	2	1
Total	**295**	**35**

14. CASH AND CASH EQUIVALENTS

in CHF m	**31.12.2012**	31.12.2011
Cash at bank and on hand	1 312	510
Short-term bank deposits	60	689
Total	**1 372**	**1 199**

Cash and cash equivalents are denominated in the following currencies:

in CHF m	**31.12.2012**	31.12.2011
CHF	846	398
EUR	214	439
USD	145	121
JPY	5	6
BRL	8	10
CNY	12	21
INR	35	49
Other	107	155
Total	**1 372**	**1 199**

The effective interest rate on short-term bank deposits in Swiss francs was 0.31 % (2011: 0.31%); these deposits have an average maturity of 29 days (2011: 44 days).

The effective interest rate on short-term bank deposits in euro was 0.61 % (2011: 1.09 %); these deposits have an average maturity of 52 days (2011: 30 days).

There were no material short-term bank deposits denominated in currencies other than the Swiss franc and the euro.

The maximum exposure to credit risk on cash and cash equivalents is equal to their book value.

15. CHANGES IN SHARE CAPITAL AND TREASURY SHARES

Registered shares each with a par value of CHF 3.70 (2011: CHF 4.00)	**Number of shares 2012**	**Par value 2012 in CHF m**	Number of shares 2011	Par value 2011 in CHF m
Share capital as per 1 January	**295 752 254**	**1 183**	**230 160 000**	**921**
Capital increase		–	65 592 254	262
Nominal value reduction		– 89		
Share capital at 31 December	**295 752 254**	**1 094**	**295 752 254**	**1 183**
Treasury shares	– 16 070 280	– 59	– 12 622 649	– 51
Outstanding share capital at 31 December	**279 681 974**	**1 035**	**283 129 605**	**1 132**

Treasury shares (number of shares)	**2012**	**2011**
Holdings as per 1 January	12 622 649	9 002 210
Shares purchased at fair market value	4 502 452	3 440 953
Shares purchased on exercise of put options	500 000	1 200 000
Shares sold at fair market value	– 325 950	– 174 000
Shares transferred to employees	– 1 228 871	– 846 514
Holdings at 31 December	**16 070 280**	**12 622 649**

All shares are duly authorized and fully paid in.

Dividends are paid out as and when declared equally on all shares, excluding treasury shares. The information concerning payments to the shareholders per share are disclosed in the notes to the financial statements of Clariant Ltd.

In accordance with article 5 of the company's Articles of Incorporation, no limitations exist with regard to the registration of shares which are acquired in one's own name and on one's own account. Special rules exist for nominees.

In accordance with article 12 of the company's Articles of Incorporation, each share has the right to one vote.

At 31 December 2012 former shareholders of Süd-Chemie AG, who had exchanged their shares against Clariant shares, were holding in total 15.127 % of the share capital of Clariant (2011: 15.127 %). These shareholders are affiliated with each other for family or other reasons. In addition, the following shareholders held a participation of 3 % or more of the total share capital:

FIL Limited, Hamilton (Bermuda) 5.020 %; CS Asset Management Funds AG, Zürich (Switzerland), 3.280 % (2011: 3.0184 %); Teachers Insurance and Annuity Association of America – College Retirement Equity Fund (TIAA-CREF), New York (United States), 3.097 % (2011: 3.097 %); UBS Fund Management AG, Basel (Switzerland), 3.090 %. No other shareholder was registered as holding 3 % or more of the total share capital.

In addition, at 31 December 2011, the following shareholder held a participation of 3 % or more of the total share capital: Fidelity Management & Research, Boston (United States), 5.23 %. No other shareholder was registered as holding 3 % or more of the total share capital.

Changes in share capital

On 27 March 2012, the Annual General Meeting of Clariant AG approved a share capital reduction of CHF 0.30 per registered share from a nominal value of CHF 4.00 to CHF 3.70. The share capital was therefore reduced by CHF 89 million from CHF 1.183 billion to CHF 1.094 billion.

On 31 March 2011, the Annual General Meeting of Clariant AG approved a capital increase, as a result of which in April 2011 Clariant AG issued 65 591 085 newly registered shares with a nominal value of CHF 4.00 each (the new shares). The purpose of this share capital increase was to finance the acquisition of Süd-Chemie.

Non-controlling interests

In 2012 the Group increased its stake in Süd-Chemie Alvigo Catalysts Group (operating in Poland, Russia and Ukraine) and in Süd-Chemie Inc. (United States) to 100 %. The remaining non-controlling interests with the total carrying amount of CHF 6 million were purchased for a total consideration of CHF 12 million. The excess consideration paid to acquire those non-controlling interests over their carrying amount was recognized directly in equity.

16. NON-CURRENT FINANCIAL DEBTS

in CHF m	Interest rate in %	Term	**Notional amount**	**Net amount 31.12.2012**	Net amount 31.12.2011
Straight bond	3.125	2007–2012	250 CHF m		250
Straight bond	4.375	2006–2013	600 EUR m	711	716
Convertible bond	3.000	2009–2014	300 CHF m	287	279
Straight bond	2.750	2011–2015	200 CHF m	199	199
Straight bond	3.125	2011–2017	100 CHF m	99	99
Certificate of indebtedness	mixed	2011–2014	242 EUR m	292	294
Certificate of indebtedness	mixed	2011–2016	123 EUR m	149	150
Certificate of indebtedness	mixed	2012–2014	25 EUR m	30	
Straight bond	5.625	2012–2017	500 EUR m	599	
Straight bond	3.250	2012–2019	285 CHF m	284	
Straight bond	2.500	2012–2018	250 CHF m	249	
Straight bond	3.500	2012–2022	175 CHF m	173	
Total straight bonds and certificates of indebtedness				**3 072**	**1 987**
Liabilities to banks and other financial institutions				**69**	**87**
Obligations under finance leases				**14**	**11**
Subtotal				**3 155**	**2 085**
Less: current portion				**– 711**	**– 250**
Total				**2 444**	**1 835**

The value of the liability part of the convertible bond recognized in the balance sheet is calculated as follows:					
Face value				300	300
Equity component				– 31	– 31
Liability component on initial recognition on 2 July 2009				269	269
Transaction cost				– 3	– 4
Interest expense				48	32
Interest paid				– 27	– 18
Total				**287**	**279**
Breakdown by maturity			2013		803
			2014	631	576
			2015	217	201
			2016	166	150
			2017	711	
			after 2017 (2011: after 2016)	719	105
Total				**2 444**	**1 835**
Breakdown by currency			CHF	1 292	618
			EUR	1 151	1 173
			Other	1	44
Total				**2 444**	**1 835**
Fair value comparison (including current portion)					
Straight bonds				2 422	1 281
Certificate of indebtedness				472	444
Convertible bond				430	350
Others				81	99
Total				**3 405**	**2 174**

Total net book value of assets pledged as collateral for financial debts				**42**	**44**
Total collateralized financial debts				15	9

In January 2012 Clariant launched a EUR 500 million eurobond for a term of five years maturing on 24 January 2017, with a coupon of 5.625 % per annum and an issue price of 99.724 %. In addition another certificate of indebtedness of EUR 25 million with a term of 2.8 years and a float coupon (six months Euribor plus a credit margin premium (spread)) was issued in January 2012.

On 24 April 2012, the CHF 250 million domestic bond issued by Clariant in 2007 reached maturity and was repaid. On the same date Clariant launched a new CHF 285 million domestic bond for a term of seven years, with a coupon of 3.25 % per annum and an issue price of 100.832 %.

Additionally, on 26 September 2012, Clariant launched two new domestic bonds totaling CHF 425 million. The first bond issued (CHF 250 million) has a coupon of 2.5 % per annum, a tenor of six years and an issue price of 100.417 %. The second bond issue (CHF 175 million) has a coupon of 3.5 % per annum, a tenor of 10 years and an issue price of 100.189 %.

In March 2011, Clariant signed an acquisition term loan facility with a group of seven banks amounting to CHF 1120 million. The initial term of the facility was one year from 21 April 2011, with an extension option of another year. Any drawdowns from this facility were intended to be utilized for the partial financing of the acquisition of Süd-Chemie (see note 24). In 2011, CHF 120 million and CHF 400 million were withdrawn under this facility, which were repaid.

Certain financial covenants tested semi-annually were applicable for this acquisition term loan facility. The facility is cancelled and terminated as of 30 January 2012.

In May and June 2011, the Group launched two new bonds in the amount of CHF 200 million and CHF 100 million in aggregate with a term of 4.5 years and 6 years respectively.

In June 2011, after the acquisition of Süd-Chemie, Clariant repaid a bond (US dollar private placement) worth CHF 117 million in full. Clariant also settled the accrued interest, cross currency swaps and interest payment swaps in connection with this bond.

In October 2011, a certificate of indebtedness with a nominal amount of EUR 100 million was paid back. Including accrued interest the repayment amounted to CHF 124 million.

In October 2011, the Group issued two certificates of indebtedness in the German market amounting to EUR 365 million. The two certificates have a term of three years (EUR 242 million) and 4.5 years (EUR 123 million) each with fix and float coupons. The interest to be paid for the certificates of indebtedness is based on six months Euribor (variable tranche) or mid-swap (fixed tranche), respectively, plus a credit margin premium (spread).

In December 2011, Clariant cancelled Süd-Chemie's syndicated multicurrency revolving credit facility after repayment of the amount of EUR 183 million (including accrued interests) drawn under this facility.

Valuation. Non-current financial debt is recognized initially at fair value, net of transaction costs incurred. Financial debt is subsequently stated at amortized cost. Except for the interest rate swaps, there are no long-term financial liabilities valued at fair value through profit and loss.

The value of the liability component and the equity component of the convertible bond was determined at the issuance of the bond. The fair value of the liability component, included in the non-current borrowings, was calculated using a market rate of interest for an equivalent bond without conversion rights. The residual amount, representing the value of the equity conversion option, is included in shareholder's equity in share premium reserve.

The fair values for the bonds and convertible bond are quoted market prices as of the balance sheet date. The fair values of the other non-current financial debts, which are equal to their book value, are determined on a discounted cash flow basis.

Covenants. There are no financial covenants for non-current financial debts as of end of 2012.

Exposure of the Group's borrowing to interest rate changes.

- Bonds: the interest rates of all bonds, including the convertible bond, are fixed.

- Certificate of Indebtedness: The majority of the floating portions were swapped to fixed rate by the usage of interest rate swaps.

- Liabilities to banks and other financial institutions: mostly consisting of bank loans with variable interest rates (LIBOR plus applicable margin).

Collateral. Certain Asian subsidiaries pledge trade receivables and inventories as a security for bank overdraft facilities. In case the subsidiaries default on their obligations, the borrowers have the right to take possession of these assets and receive the cash flows resulting from them. The assets are pledged at the usual market conditions.

17. RETIREMENT BENEFIT OBLIGATIONS

Apart from the legally required social security schemes, the Group has numerous independent pension plans. The assets are principally held externally. For certain Group companies however, no independent assets exist for the pension and other non-current employee benefit obligations. In these cases the related liability is included in the balance sheet as part of the non-current liabilities.

Defined benefit post-employment plans. Defined benefit pensions and termination plans cover the majority of the Group's employees. Future obligations and the corresponding assets of those plans considered as defined benefit plans under IAS 19 are reappraised annually and reassessed at least every three years by independent actuaries. Assets are valued at fair value. US employees transferred to Clariant with the Hoechst Specialty Chemicals business remain insured with Hoechst for their pension claims incurred prior to 30 June 1997.

The largest defined benefit plans are operated in Switzerland, UK, US and Germany. These plans make up more than 90 percent of the total defined benefit obligation of Clariant.

The German plan is unfunded and covers the supplementary pension liabilities for plan members whose salaries exceed the level of the German mandatory social security coverage. All other pension liabilities regarding German staff members are covered by a funded multi-employer plan which is accounted for as a defined contribution plan.

The defined benefit obligation in UK is a funded plan covering the pension liabilities of UK employees who joined the company before 31 December 2003. Staff members who joined after this date are covered by a defined contribution plan.

In the US Clariant operates a defined benefit pension plan that is a funded plan covering the pension liabilities of employees who joined the company before 31 December 2000. Staff members who joined after this date are covered by a defined contribution plan. For members of management whose annual salaries exceed the amount of USD 245 000 an additional pension scheme is in place in the form of an unfunded defined benefit obligation, which covers the part exceeding this amount.

In Switzerland Clariant operates a funded defined benefit pension plan that covers the pension liabilities of all employees of the Swiss Clariant companies up to a salary level of CHF 200 000.

For members of management whose annual salaries exceed this amount, an additional pension scheme is in place in the form of a funded defined benefit obligation.

Any shortfalls in funded provisions for pension commitments to members of the Executive Committee are accounted for as an unfunded defined benefit obligation.

In addition, in 2011, Clariant acquired the Süd-Chemie group (see note 24) with the most important pension plans in Germany and the US.

Post-employment medical benefits. The Group operates a number of post-employment medical benefit schemes in the USA, Canada and France. The method of accounting for the liabilities associated with these plans is largely equal to the one used for defined benefit pension schemes. These plans are not externally funded, but are recognized as provisions in the balance sheets of the Group companies concerned.

Expenses for net benefits are recorded in the same line and function in which the personnel costs are recorded.

Changes in the present value of defined benefit obligations:

in CHF m	Pension plans (funded and unfunded)		Post-employment medical benefits (unfunded)	
	2012	2011	**2012**	2011
As per 1 January	2 180	1 959	89	78
Current service cost	50	44	2	1
Interest costs on obligation	84	81	4	4
Contributions to plan by employees	13	14	–	–
Benefits paid out to personnel in reporting period	– 123	– 106	– 5	– 3
Actuarial losses/gains of reporting period	216	40	24	2
Past service costs of reporting period	– 21	1	4	–
Liabilities acquired in a business combination (see note 24)	–	158	–	7
Reclassified to held for sale (see note 22)	– 35	–	– 15	–
Effect of curtailments	–	1	–	–
Effect of settlements	– 23	–	–	–
Exchange rate differences	– 9	– 12	– 2	–
At 31 December	**2 332**	**2 180**	**101**	**89**

Changes in the fair value of plan assets:

in CHF m	**2012**	2011
As per 1 January	1 544	1 475
Assets acquired in business combinations (see note 24)	–	60
Expected return on plan assets	71	72
Contributions to plan by employees	13	14
Contributions to plan by employer	61	56
Benefits paid out to personnel in reporting period	– 102	– 83
Actuarial gain/loss of the reporting period	78	– 56
Effect of settlements	– 9	–
Exchange rate differences	– 7	6
At 31 December	**1 649**	**1 544**

The Group expects to contribute CHF 62 million to its defined benefit pension plans in 2013.

As at 31 December 2012 and 2011, the pension plan assets did not include any directly held registered shares or bonds issued by the Company.

The amounts recognized in the balance sheets:

in CHF m	Defined benefit pension plans		Post-employment medical benefits		Total	
	31.12.2012	31.12.2011	**31.12.2012**	31.12.2011	**31.12.2012**	31.12.2011
Present value of funded obligations	– 1 815	– 1 742	–	–	– 1 815	– 1 742
Fair value of plan assets	1 649	1 544	–	–	1 649	1 544
Deficit	**– 166**	**– 198**	**–**	**–**	**– 166**	**– 198**
Present value of unfunded obligations	– 517	– 438	– 101	– 89	– 618	– 527
Unrecognized actuarial losses (gains)	466	336	26	2	492	338
Unrecognized past service costs (gains)	– 23	–	3	–	– 20	–
Net liabilities in the balance sheet	**– 240**	**– 300**	**– 72**	**– 87**	**– 312**	**– 387**

Thereof recognized in:

in CHF m	**31.12.2012**	31.12.2011	**31.12.2012**	31.12.2011	**31.12.2012**	31.12.2011
Retirement benefit obligations	– 416	– 439	– 72	– 87	– 488	– 526
Prepaid pension assets	176	139	–	–	176	139
Net liabilities in the balance sheet for defined benefit plans	**– 240**	**– 300**	**– 72**	**– 87**	**– 312**	**– 387**

The amounts recognized in the income statement are as follows:

in CHF m	**2012**	2011	**2012**	2011	**2012**	2011
Current service costs	– 50	– 44	– 2	– 1	– 52	– 45
Interest costs	– 84	– 81	– 4	– 4	– 88	– 85
Expected return on plan assets	71	72	–	–	71	72
Net actuarial gains/losses recognized in the current year	– 1	1	–	– 2	– 1	– 1
Past service costs recognized in the current year	–	– 1	–	1	–	–
Effect of curtailments	– 5	– 1	–	–	– 5	– 1
Total expenses	**– 69**	**– 54**	**– 6**	**– 6**	**– 75**	**– 60**

in CHF m	**2012**	2011	**2012**	2011	**2012**	2011
Actual return on plan assets	**149**	**16**	**–**	**–**	**149**	**16**

Reconciliation to prepaid pension asset and retirement benefit obligations reported in the balance sheets:

in CHF m	**31.12.2012**	31.12.2011
Defined benefit obligation	– 488	– 526
Defined contribution obligation	– 11	– 12
Defined contribution obligation – reclassified to held for sale (see note 22)	1	–
Retirement benefit obligation	**– 498**	**– 538**
Prepaid pension plan asset	**176**	**139**
Net retirement benefit obligation recognized	**– 322**	**– 399**

The major categories of plan assets as a percentage of total plan assets:

	31.12.2012 in %	31.12.2011 in %
Equities	29	31
Bonds	40	39
Cash	5	6
Property	16	16
Alternative investments	10	8

The principal actuarial assumptions at balance sheet date in percent:

						2012 in %					2011 in %
		Group			**Most important countries**		**Group**				**Most important countries**
		Weighted average	Switzerland	United Kingdom	United States	Germany	Weighted average	Switzerland	United Kingdom	United States	Germany
Discount rate		3.2	2.0	4.3	4.2	3.8	3.9	2.8	4.8	4.8	4.9
Expected return on plan assets		4.5	3.8	4.4	7.5	–	4.6	3.8	4.7	7.5	–
Expected inflation rate		1.5	–	2.9	3.0	2.0	1.7	0.5	3.1	2.8	2.0
Future salary increases		2.9	2.0	4.2	4.0	2.5	2.9	2.0	4.4	4.0	2.5
Long-term increase in health care costs		7.5	–	–	9.5	–	8.2	–	–	8.9	–
Current average life expectancy for a 65 year old male	in years	18	19	22	21	19	17	19	21	19	18
Current average life expectancy for a 65 year old female	in years	21	21	25	23	23	21	21	24	20	23

The weighted average expected long-term rate of return on plan assets represents the average rate of return expected to be earned on plan assets over the period the benefits included in the benefit obligation are to be paid. In developing the expected rate of return, the Group considers long-term compound annualized returns of historical market data for each asset category, as well as historical actual returns on the Group's plan assets. Using this reference information, the Group develops for each pension plan a weighted average expected long-term rate of return.

A one percentage point change in health care cost trend rates would have the following effects on the obligation for post-employment medical benefits:

in CHF m	One percentage point increase	One percentage point decrease
Effect on the aggregate of the service cost and interest cost	2	– 1
Effect on defined benefit obligation	14	– 11

Amounts for current and previous periods:

DEFINED BENEFIT PENSION PLANS

in CHF m	**2012**	2011	2010	2009	2008
Defined benefit obligation for pension plans, funded and unfunded	– 2 332	– 2 180	– 1 959	– 1 933	– 1 765
Fair value of plan assets	1 649	1 544	1 475	1 461	1 294
Deficit	**– 683**	**– 636**	**– 484**	**– 472**	**– 471**
Experience adjustments on plan liabilities	– 62	– 1	8	25	27
Experience adjustments on plan assets	78	– 56	32	95	– 394

Post-employment medical benefits

CHF m	**2012**	2011	2010	2009	2008
Defined benefit obligation for post-employment medical plans	– 101	– 89	– 78	– 78	– 80
Experience adjustments on plan liabilities	9	2	1	– 7	– 2

Defined contribution post-employment plans. In 2012, CHF 25 million were charged to the income statements of the Group companies as contributions to defined contribution plans (2011: CHF 27 million).

In Germany, approximately 7 900 Clariant employees are insured in a defined benefit plan which is a multi-employer plan and as such is accounted for as a defined contribution plan. The reason for this accounting practice is that the plan exposes the participating Clariant companies to actuarial risks associated with the current and former employees of other companies which are members of the same pension plan. There is no consistent or reliable basis for allocating the obligation, plan assets and cost to individual companies participating in the plan.

Based on the statutory actuarial calculation of 2011, the pension fund's obligations are fully funded. Also for 2012 it is anticipated that the pension plan liabilities are covered by the respective assets.

In case the multi-employer plan faces a situation where the pension plan liabilities exceed the assets, this can be remedied either by increasing the employer's contributions to the pension plan or by reducing the benefits which are paid out to the entitled parties.
In the case of a reduction of the benefits it has to be verified whether this triggers the requirement for additional funding by the employer. The decision is at the discretion of the board of the pension fund, which is constituted by representatives of the companies participating in the multi-employer plan and their employee representatives.

Clariant contributions to this pension plan amounted to CHF 13 million in 2012 (CHF 12 million in 2011).

The multi-employer plan originates in the pension plan scheme of the German companies of the former Hoechst Group, to which a part of the activities of Clariant pertained until 1997. Several of the companies which were formerly part of the Hoechst Group continue to participate in this multi-employer plan.

18. MOVEMENTS IN PROVISIONS

in CHF m	Environmental provisions	Personnel provisions	Restructuring provisions	Other provisions	**Total provisions 2012**	Total provisions 2011[1]
As per 1 January[1]	147	138	242	94	621	630
Additions	29	216	123	83	451	333
Effect of business combinations[1]	–	–	–	–	–	37
Reclassified to held for sale (see note 22)	– 8	– 15	–	–	– 23	–
Amounts used	– 41	– 148	– 176	– 56	– 421	– 320
Unused amounts reversed	– 1	– 16	– 21	– 11	– 49	– 46
Changes due to the passage of time and changes in discount rates	3	1	–	1	5	6
Exchange rate differences	– 3	– 3	– 2	– 5	– 13	– 19
At 31 December	**126**	**173**	**166**	**106**	**571**	**621**
Of which						
– Current portion	25	146	143	51	365	364
– Non-current portion	101	27	23	55	206	257
Total provisions	**126**	**173**	**166**	**106**	**571**	**621**
Expected outflow of resources						
Within 1 year	25	146	143	51	365	364
Between 1 and 3 years	43	18	20	28	109	158
Between 3 and 5 years	16	2	3	5	26	32
Over 5 years	42	7	–	22	71	67
Total provisions	**126**	**173**	**166**	**106**	**571**	**621**

[1] restated – see note 1.03

Environmental provisions. Provisions for environmental liabilities are made when there is a legal or constructive obligation for the Group which will result in an outflow of economic resources. It is difficult to estimate the action required by Clariant in the future to correct the effects on the environment of prior disposal or release of chemical substances by Clariant or other parties and the associated costs, pursuant to environmental laws and regulations.

The material components of the environmental provisions consist of the costs to fully clean and refurbish contaminated sites and to treat and contain contamination at sites where the environmental exposure is less severe. The Group's future remediation expenses are affected by a number of uncertainties which include, but are not limited to, the method and extent of remediation and the percentage of material attributable to Clariant at the remediation sites relative to that attributable to other parties.

The environmental provisions reported in the balance sheet concern a number of different obligations, mainly in Switzerland, the United States, Germany, Brazil and Italy.

Provisions are made for remedial work where there is an obligation to remedy environmental damage, as well as for containment work where required by environmental regulations. All provisions relate to environmental liabilities arising in connection with activities that occurred prior to the date when Clariant took control of the relevant site. At each balance sheet date, Clariant critically reviews all provisions and makes adjustments where required.

Personnel provisions. Personnel provisions include holiday entitlements, compensated absences such as sabbatical leave, jubilee, annual leave or other long-service benefits, profit sharing and bonuses. Such provisions are established in proportion to the services rendered by the employee concerned.

Restructuring provisions. Restructuring provisions are established where there is a legal or constructive obligation for the Group that will result in the outflow of economic resources. The term restructuring refers to the activities that have as a consequence staff redundancies and the shutdown of production lines or entire sites. When the Group has approved a formal plan and has either started to implement the plan or announced its main features to the public, a restructuring provision is created. The restructuring provisions newly added in 2012 concern site closures and headcount reductions in various countries with the largest amounts incurred in Germany, France, the United States and South Africa. For more information regarding the restructuring measures see also note 25.

Other provisions. Other provisions include provisions for obligations relating to tax and legal cases and other items in various countries and/or for which the amount can only be reliably estimated.

All non-current provisions are discounted to reflect the time value of money where material. Discount rates reflect current market assessments of the time value of money and the risk specific to the provisions in the respective countries.

19. TRADE AND OTHER PAYABLES

in CHF m	**31.12.2012**	31.12.2011[1]
Trade payables	793	782
Payables to associates and joint ventures	25	61
Accruals[1]	368	294
Other payables	161	190
Total trade and other payables	**1 347**	**1 327**
Reclassified to held for sale (see note 22)	– 169	–
Total as reported in the balance sheet	**1 178**	**1 327**

[1] restated – see note 1.03

The amount recognized for trade payables is equal to their fair value.

20. CURRENT FINANCIAL DEBTS

in CHF m	**31.12.2012**	31.12.2011
Banks and other financial institutions	321	889
Current portion of non-current financial debts	711	250
Total	**1032**	**1139**

Breakdown by maturity:		
in CHF m	**31.12.2012**	31.12.2011
Up to three months after the balance sheet date	226	824
Three to six months after the balance sheet date	774	296
Six to twelve months after the balance sheet date	32	19
Total	**1032**	**1139**

Current financial debt is recognized initially at fair value, net of transaction costs incurred. Financial debt is subsequently stated at amortized cost. Except for the derivatives, there are no current financial liabilities valued at fair value through profit and loss.

In 2011, CHF 120 million and CHF 400 million were drawn under the acquisition term loan facility, of which CHF 120 million was repaid subsequently during the year (see note 16). The amount of CHF 400 million was outstanding at the year-end 2011 and was included in current debts from banks and other financial institutions. Certain financial covenants tested semi-annually were applicable for this acquisition term loan facility. The facility was canceled and terminated as of 30 January 2012.

The fair value of current financial debt other than the current portion of non-current financial debt approximates its carrying amount due to the short-term nature of these instruments.

21. SEGMENT INFORMATION

Intersegment transactions are entered into under the normal circumstances and terms and conditions that would also be available to unrelated third parties.

Segment assets consist of property, plant and equipment, goodwill, intangible assets, inventories, receivables and investments in associates. They exclude deferred tax assets, financial assets and operating cash. Segment liabilities comprise trade payables. They exclude items such as tax liabilities, provisions, pension liabilities and corporate borrowings. Capital expenditure comprises additions to property, plant and equipment and intangibles.

In 2012 Clariant set out to rearrange its portfolio of business activities. In December 2012 a contract was signed with the US based SK Capital to sell the business unit Textile Chemicals, Paper Specialties and Emulsions. The project to find a buyer for the business units Leather Services and Detergents & Intermediates is pursued. For these reasons all these business units are reported as discontinued operations in the financial report.

The Group does not have sales in excess of 10 % of the total sales to any single external customer.

SEGMENTS in CHF m	Industrial & Consumer Specialties		Masterbatches		Pigments	
	2012	2011	**2012**	2011	**2012**	2011
Segment sales	1 478	1 479	1 121	1 124	915	988
Sales to other segments	– 4	– 6		–	– 16	– 15
Total sales	**1 474**	**1 473**	**1 121**	**1 124**	**899**	**973**
Operating expenses	– 1 280	– 1 268	– 1 018	– 1 022	– 784	– 809
Income from associates and joint ventures	9	10		–	7	20
Gain from the disposal of subsidiaries and associates		–	4	–		–
Restructuring and impairment	– 1	– 3	– 8	– 4	– 6	– 22
Operating income	**202**	**212**	**99**	**98**	**116**	**162**
Finance income						
Finance costs						
Income before taxes						
Taxes						
Net result from continuing operations						
Discontinued operations:						
Result from discontinued operations						
Net income						
Segment assets [5]	848	858	566	560	727	757
Segment liabilities [5]	– 176	– 159	– 93	– 87	– 86	– 71
Net operating assets	**672**	**699**	**473**	**473**	**641**	**686**
Segment assets of discontinued operations						
Segment liabilities of discontinued operations						
Corporate assets without cash						
Corporate liabilities without financial liabilities						
Net debts [4]						
Total net assets	**672**	**699**	**473**	**473**	**641**	**686**
Thereof:						
Investments in PPE and intangibles for the period	54	97	29	31	26	34
Investments in associates and joint ventures	51	54	4	2	125	138
Operating income	202	212	99	98	116	162
Add: systematic depreciation of PPE	40	35	27	26	23	25
Add: impairment		5		2		6
Add: amortization of intangible assets	4	1	2	1	4	1
EBITDA [3]	**246**	**253**	**128**	**127**	**143**	**194**
Add: restructuring and impairment	1	3	8	4	6	22
Less: impairment (Reported under restructuring and impairment)	–	– 5	–	– 2	–	– 6
Less: gain from the disposal of subsidiaries and associates	–	–	– 4	–	–	–
Add: Additional charge to COGS in connection with the acquisition and integration of former Süd-Chemie						
Add: Additional expenses in SG&A costs in connection with the integration of former Süd-Chemie						
EBITDA before exceptional items	**247**	**251**	**132**	**129**	**149**	**210**
Operating income	202	212	99	98	116	162
Add: restructuring and impairment	1	3	8	4	6	22
Less: gain from the disposal of subsidiaries and associates	–	–	– 4	–	–	–
Add: Additional charge to COGS in connection with the acquisition and integration of former Süd-Chemie	–	–	–	–	–	–
Add: Additional expenses in SG&A costs in connection with the integration of former Süd-Chemie	–	–	–	–	–	–
Operating income before exceptional items	**203**	**215**	**103**	**102**	**122**	**184**

[1] The segments »Catalysis & Energy« and »Functional Materials« represent the activities of Süd-Chemie, consolidated for May to December 2011.

[2] Additives, the remaining part of the former business unit Performance Chemicals, also comprises the activities of Emulsions in Morocco and New Business Development with combined sales of around CHF 20 million.

[3] EBITDA is earning before interest, tax, depreciation and amortization.

[5] restated – see note 1.03

[4]

Calculation of net debt in CHF m	**31.12.2012**	31.12.2011
Non-current financial debt	2 444	1 835
Add: current financial debt	1 032	1 139
Less: cash and cash equivalents	– 1 372	– 1 199
Less: Near cash assets	– 295	– 35
Less: Financial instruments with positive fair values	– 20	
Net debt	**1 789**	**1 740**

Functional Materials		Catalysis & Energy		Oil & Mining Sevices		Additives (restated)[2]		Total segments continuing operations			Corporate		Total Group
2012	2011[1]	**2012**	2011[1]	**2012**	2011	**2012**	2011	**2012**	2011	**2012**	2011	**2012**	2011[5]
668	456	751	491	723	620	417	440	6 073	5 598		–	6 073	5 598
– 1	–		–	– 8	–	– 6	– 6	– 35	– 27		–	– 35	– 27
667	**456**	**751**	**491**	**715**	**620**	**411**	**434**	**6 038**	**5 571**	**–**	**–**	**6 038**	**5 571**
– 625	– 430	– 678	– 430	– 633	– 555	– 355	– 355	– 5 373	– 4 869	– 209	– 178	– 5 582	– 5 047
11	6	16	6	2	2	3	4	48	48		– 2	48	46
	–		–		–		5	4	5		–	4	5
– 13	– 1	– 6	– 1		–		– 2	– 34	– 33	– 78	– 110	– 112	– 143
40	**31**	**83**	**66**	**84**	**67**	**59**	**86**	**683**	**722**	**– 287**	**– 290**	**396**	**432**
												22	19
												– 172	– 159
												246	**292**
												– 35	– 72
												211	**220**
												27	31
												238	**251**
1 103	1 077	1 736	1 793	293	263	301	276	5 574	5 584			5 574	5 584
– 68	– 74	– 75	– 109	– 74	– 59	– 27	– 30	– 599	– 589			– 599	– 589
1 035	**1 003**	**1 661**	**1 684**	**219**	**204**	**274**	**246**	**4 975**	**4 995**	**–**	**–**	**4 975**	**4 995**
												1 088	1 230
												– 243	– 156
										1 176	1 057	1 176	1 057
										– 2 167	– 2 360	– 2 167	– 2 360
										– 1 789	– 1 740	– 1 789	– 1 740
1 035	**1 003**	**1 661**	**1 684**	**219**	**204**	**274**	**246**	**4 975**	**4 995**	**– 2 780**	**– 3 043**	**3 040**	**3 026**
22	18	35	50	14	9	38	20	218	259	93	60	311	319
167	158	180	169	10	11	33	30	570	562	2	1	572	563
40	31	83	66	84	67	59	86	683	722	– 287	– 290	396	432
29	19	42	25	6	5	16	15	183	150	28	23	211	173
	1	3	1		–		2	3	17	5	– 17	8	–
15	8	26	15	2	–		–	53	26	7	12	60	38
84	**59**	**154**	**107**	**92**	**72**	**75**	**103**	**922**	**915**	**– 247**	**– 272**	**675**	**643**
13	1	6	1	–	–	–	2	34	33	78	110	112	143
–	– 1	– 3	– 1	–	–	–	– 2	– 3	– 17	– 5	17	– 8	–
–	–	–	–	–	–	–	– 5	– 4	– 5	–	–	– 4	– 5
1		4						5	–		54	5	54
									–	22		22	–
98	**59**	**161**	**107**	**92**	**72**	**75**	**98**	**954**	**926**	**– 152**	**– 91**	**802**	**835**
40	31	83	66	84	67	59	86	683	722	– 287	– 290	396	432
13	1	6	1	–	–	–	2	34	33	78	110	112	143
–	–	–	–	–	–	–	– 5	– 4	– 5	–	–	– 4	– 5
1	–	4	–	–	–	–	–	5	–	–	54	5	54
–	–	–	–	–	–	–	–	–	–	22	–	22	–
54	**32**	**93**	**67**	**84**	**67**	**59**	**83**	**718**	**750**	**-187**	**-126**	**531**	**624**

Reconciliation segment assets to total assets in CHF m	**31.12.2012**	31.12.2011
Segment assets	5 574	5 584
Segment assets of discontinued operations	1 088	1 230
Corporate assets without cash	1 176	1 057
Cash	1 372	1 199
Near cash assets	295	35
Financial instruments with positive fair values	20	
Total Assets	**9 525**	**9 105**

GEOGRAPHIC INFORMATION

in CHF m	Sales[1]		Non-current assets[2]	
	2012	2011[4]	**31.12.2012**[3]	31.12.2011[5]
EMEA	2 765	2 797	2 756	3 358
of which Germany	*835*	*905*	*2 182*	*2 303*
of which Switzerland	*46*	*66*	*161*	*177*
of which MEA	*537*	*445*	*93*	*78*
North America	956	806	884	818
of which USA	*839*	*711*	*778*	*741*
Latin America	903	781	277	323
of which Brazil	*404*	*358*	*159*	*199*
Asia/Pacific	1 414	1 187	359	372
of which China	*435*	*348*	*158*	*151*
of which India	*110*	*91*	*22*	*29*
Total	**6 038**	**5 571**	**4 276**	**4 871**

[1] Allocated by region of third-party sale's destination.

[2] Non-current assets exclude deferred tax assets and pension plan assets.

[3] 2012 non current assets reported are these of continuing operations

[4] restated – see note 1.04

[5] restated – see note 1.03

All of the Group's segments generate their revenues to the largest extent from the sale of products. These come in such a great variety that a meaningful grouping below the segment information is not possible. The amounts reported for sales cover only continuing operations for both years, the numbers reported for non-current assets cover continuing operations for the reporting year and total operations for the prior year.

22. DISCONTINUED OPERATIONS AND ASSETS HELD FOR SALE

Discontinued operations: In 2012, Clariant set out to rearrange its portfolio of business activities. In December 2012 a contract was signed with the US based SK Capital to sell the business units Textile Chemicals, Paper Specialties and Emulsions. The project to find a buyer for the business units Leather Services and Detergents & Intermediates is pursued. For these reasons all these business units are reported as discontinued operations in the financial report.

For a description of the Business Units please refer to note 1.25.

Other assets held for sale: An amount of CHF 3 million relates to assets in the United States and in China (2011: CHF 2 million).

Other disposals: On 10 June 2011, the Group sold a building in Tsuen Wan, Hong Kong, for a sale consideration of CHF 17.4 million. The sale transaction resulted in a gain of CHF 16.9 million, recognized in »Selling, general and administrative costs« in Corporate in the income statement in 2011.

On 9 December 2011, Clariant sold land and building in Onsan, South Korea, for a sale consideration of CHF 24 million. The sales transaction resulted in a gain of CHF 17 million, recognized in »Selling, general and administrative costs« in Pigments in the income statement in 2011.

Discontinued operations:

SEGMENTS in CHF m	Textile Chemicals		Leather Services		Performance Chemicals[1]		Corporate		Total discontinued operations	
	2012	2011	**2012**	2011	**2012**	2011	**2012**	2011	**2012**	2011
Sales	678	675	266	265	800	859			1 744	1 799
Operating expenses	– 656	– 663	– 247	– 243	– 754	– 801	– 17		– 1 674	– 1 707
Income from associates and joint ventures	1	1							1	1
Restructuring and impairment	2	– 10		– 1				– 7	2	– 18
Remeasurement to fair value less costs to sell on reclassification									–	–
Operating result	**25**	**3**	**19**	**21**	**46**	**58**	**– 17**	**– 7**	**73**	**75**
Financial result									– 35	– 33
Result from discontinued operations before taxes									**38**	**42**
Taxes									– 11	– 11
Result from discontinued operations after taxes									**27**	**31**
Operating cash flows	18	26	17	22	50	77	– 17	–	68	125
thereof: Payments for restructuring	*– 30*	*– 6*	*– 1*	*– 2*	*– 2*	*– 4*			*– 33*	*– 12*
Investing cash flows	– 20	– 27	– 6	– 4	– 15	– 37			– 41	– 68
Financing cash flows									–	–
Total cash flow	**– 2**	**– 1**	**11**	**18**	**35**	**40**	**– 17**	**–**	**27**	**57**
Net assets held for sale										
Property, plant and equipment	113		53		209				375	
Inventories	115		42		111				268	
Trade receivables	119		47		117				283	
Other assets	9		144		9				162	
Total assets held for sale	**356**		**286**		**446**				**1 088**	
Trade payables	– 53		– 26		– 74				– 153	
Retirement benefit obligations	– 13		– 10		– 28				– 51	
Provisions	– 7		– 11		– 5				– 23	
Other liabilities	–		–		– 16				– 16	
Total liabilities directly associated with assets held for sale	**– 73**		**– 47**		**– 123**				**– 243**	
Total net assets held for sale	**283**		**239**		**323**				**845**	

[1] Including the Business Units Paper Specialties, Emulsions and Detergents & Intermediates

The cumulated figures in equity pertaining to discontinued operations which are to be recycled through the income statement upon disposal amount to CHF 124 million.

23. DISPOSAL OF ACTIVITIES NOT QUALIFYING AS DISCONTINUED OPERATIONS

In this section, disposals of subsidiaries, associates and activities are reported that do not qualify as discontinued operations in the sense of IFRS 5. The following disposals took place in 2012 and 2011:

On 2 March 2012, Clariant sold a product line located in Germany – pertaining to the Business Unit Masterbatches – to the US based RTP Group for a selling price of CHF 5 million. The transaction mainly included production equipment, inventories and technology. The pre-tax gain realized by Clariant on this transaction amounts to CHF 4 million and is recorded as 'gains from the disposal of activities not qualifying as discontinued operations' in the consolidated income statement.

On 4 October 2011 Clariant sold its Polysilazane coatings business pertaining to the segment Performance Chemicals. On 11 November 2011, Clariant disposed its product range of Licomer wax emulsions and acrylic polymer dispersions for floor-care applications pertaining to business unit Additives.

Considerations for sale received amounted to CHF 7.4 million. The transactions mainly included fixed assets and inventories. The pre-tax gain on these disposals was CHF 4.6 million.

24. BUSINESS COMBINATIONS

In July 2012, Clariant engaged in a small scale acquisition in Brazil for the business unit Catalysis and Energy. Combined with the purchase price adjustment for the acquisition of Octagon Process L.L.C. and its service company Katapullt L.L.C., the total consideration paid amounted to CHF 5 million. A contingent consideration of CHF 2 million was also recorded at year-end. No goodwill was recognised on the Brazilian acquisition.

Acquisition – Süd-Chemie. On 21 April 2011, Clariant acquired a 96.15 % stake in the German-based, specialty chemicals company Süd-Chemie AG (Süd-Chemie) for an overall purchase consideration of CHF 1 790 million. The transaction was officially announced on 16 February 2011.

Clariant acquired 11 384 093 shares in Süd-Chemie directly and indirectly by way of a cash payment of CHF 1 034 million and by ex-changing the newly issued shares of Clariant AG for those of Süd-Chemie in the ratio of 1:8.84, resulting in an amount of CHF 756 million.

With this acquisition Clariant aims to complement its portfolio with high growth businesses, less cyclicality and to gain access to new attractive market segments.

Since the acquisition date, Süd-Chemie is fully consolidated in Clariant's financial statements.

In 2012, the provisional fair values of the acquired net assets of Süd-Chemie were adjusted within the measurement period following the acquisition. As a result, goodwill increased by CHF 21 million to CHF 1.048 billion compared to CHF 1.027 billion at the acquisition date. The major part of the adjustment concerns the recognition of the deferred tax impact on the revaluation of acquired participations valued at equity and a new assessment of obligations from legal proceedings existing at the acquisition date based on more detailed information received.

ACQUISITION SÜD-CHEMIE

in CHF m	**2011**	Adjustments	**2011 (restated)**
Total cash outflow for the acquisition	1034		1034
Purchase of shares in Süd-Chemie from the Family Shareholders against Exchange Shares	756		756
Total consideration for purchase of 96.15 % of shares in Süd-Chemie	**1790**		**1790**
Recognized amounts of identifiable assets and liabilities assumed:			
Property plant and equipment	785		785
Intangible assets	482	1	483
Shareholdings in associated companies and joint ventures	334		334
Inventories	301		301
Receivables	228		228
Cash and cash equivalents	25		25
Financial debt	– 646		– 646
Pension plan liabilities	– 104		– 104
Other assets and liabilities	– 345	– 15	– 360
Deferred tax liabilities	– 227	– 7	– 234
Fair value of net assets acquired	**833**	**– 21**	**812**
Non-controlling interests (including reported non-controlling interests)	70		70
Goodwill	**1027**	**21**	**1048**

The goodwill arising from the acquisition of Süd-Chemie is attributable to a number of factors such as future growth potential, cost synergies and the acquired workforce. The tax deductibility of goodwill is still to be assessed. The non-controlling interest is allocated proportionately and has no goodwill allocated to it.

For this purchase, acquisition costs of CHF 26 million, comprising M&A and legal costs and tax advisory and consulting charges, are recognized in “Selling, general and administrative costs” in the year 2011.

From the acquisition date up to the end of the year 2011, Süd-Chemie reported net sales of CHF 948 million and a net loss of CHF 75 million. This result included a significant number of items of a one time nature which were incurred in connection with the takeover by Clariant. The operating result was in line with the expectations.

If the acquisition had occurred on 1 January 2011, group sales would have been CHF 404 million higher and the net result would have been CHF 2 million lower.

The activities of Süd-Chemie are represented by the two new Business Units Catalysis & Energy and Functional Materials, which are included from the acquisition date onwards.

Subsequent to the acquisition of the 96.15 % stake in Süd-Chemie, Clariant initiated a public takeover offer to acquire the remaining 455 907 shares representing a 3.85 % non-controlling interest in Süd-Chemie. By the end of 2011 Clariant has acquired all of these shares for a total consideration of CHF 72 million. The excess consideration paid to acquire the non-controlling interest over its carrying amount is recognized directly in equity.

Acquisition – Prairie Petro-Chem. On 1 April 2011, Clariant acquired the assets of the Canadian partnership entity Prairie Petro-Chem, a leading supplier of specialty oil and gas production, drilling and industrial chemicals. With this acquisition, Clariant aims to enhance its presence in Bakken Shale, positioned to be one of North America’s leading oil and gas producing regions. The purchase consideration for this acquisition amounted to CHF 35 million. The net identified assets amounted to CHF 20 million and goodwill to CHF 15 million.

Acquisition – Octagon Process. On 19 March 2011, Clariant acquired 100 % of the equity interests in US-based privately-held Octagon Process L.L.C. and its service company Katapullt L.L.C., for a total purchase consideration of CHF 75 million in cash. Octagon Process L.L.C. is a specialty manufacturer and distributor of aircraft wing de-icing and runway de-icing fluids to the airline industry. With this acquisition, Clariant is expanding its capacities in the North American de-icing market. The purchase price was adjusted in 2012 by CHF 2 million resulting in increase of the goodwill from CHF 34 million to CHF 36 million, the net assets identified remained at CHF 41 million. The 2011 balance sheet was restated accordingly (see note 1.03).

Acquisition – Italtinto S.r.l. On 15 April 2011, Clariant acquired 100 % of the corporate capital of Italtinto S.r.l., an Italian limited liability company, for a total purchase consideration of CHF 22 million in cash. Italtinto S.r.l. produces and sells integrated tinted systems for paints, colorants, automatic dispensing machines, color matching software and paint mixers. With this acquisition, Clariant gains access to attractive markets for color management systems. The net identified assets amounted to CHF 14 million and goodwill to CHF 8 million.

25. RESTRUCTURING AND IMPAIRMENT

RESTRUCTURING AND IMPAIRMENT EXPENSES FOR THE YEARS ENDED 31 DECEMBER 2012 AND 2011:

in CHF m	**2012**	2011
Restructuring expenses	**98**	**140**
Payments for restructuring	150	155
Impairment loss	**12**	**21**
thereof charged to PPE (see note 5)	*10*	*37*
thereof charged to intangible assets (see note 6)	*2*	*5*
thereof charged to financial assets (see note 8)	*–*	*– 21*
Total Restructuring and impairment	**110**	**161**
thereof reported under discontinued operations	2	– 18
Total continuing operations	**112**	**143**

In order to increase profitability over a sustained period, Clariant implemented far-reaching measures designed to improve the Group's performance. The aim of these efforts is to increase the Group's operating result and to reduce net working capital. The changes that are being made to the processes and structures in order to achieve these goals result in a substantial loss of jobs across the Group.

Restructuring. In 2012, Clariant recorded expenses for restructuring in the amount of CHF 98 million. This concerned not only site closures, but also restructuring measures regarding the subsidiaries in Germany, France, the United States and South Africa, which were acquired with Süd-Chemie.

In 2011, Clariant recorded expenses for restructuring in the amount of CHF 140 million for similar measures undertaken in the acquired subsidiaries in Germany and the United States.

Impairment. Impairment expenses recognized in 2012 and 2011 arose as a result of restructuring measures and the entailing site closures. These impairment expenses were partly offset by the repayment of an impaired loan in the amount of CHF 23 million in 2011 (see note 8).

26. FINANCE INCOME AND COSTS

FINANCE INCOME

in CHF m	**2012**	2011
Interest income	17	14
thereof interest on loans and receivables	*13*	*6*
thereof income from financial assets held to maturity	*–*	*7*
Other financial income	5	5
Total finance income	**22**	**19**

FINANCE COSTS

in CHF m	**2012**	2011
Interest expense	– 155	– 122
thereof effect of discounting of non-current provisions	*– 5*	*– 6*
Other financial expenses	– 20	– 22
Currency result, net	– 32	– 48
Total finance costs	**– 207**	**– 192**
thereof reported under discontinued operations	35	33
Total continuing operations	**– 172**	**– 159**

Other financial expenses include losses on the sale of securities, bank charges and miscellaneous finance expenses.

In the year 2012 no foreign exchange gains pertaining to the ineffective part of hedges on net investment were recognized in the income statement (2011: CHF 6 million).

Interest expense, other than the effect of discounting of non-current provisions, pertains to financial debts measured at amortized costs. Interest expenses in 2011 also include expenses for the acquisition loan facility to acquire Süd-Chemie group in the amount of CHF 12 million and the one-time effect of the repayment of the US Private Placement position of Süd-Chemie in June 2011 in the amount of CHF 16 million.

Interest costs capitalized on qualifying assets for 2012 amounted to CHF 1 million (2011: CHF 4 million).

Interest income on impaired financial assets amounted to less than CHF 1 million in 2012 (2011: less than CHF 1 million).

27. EARNINGS PER SHARE (EPS)

Earnings per share are calculated by dividing the Group net income by the average number of outstanding shares (issued shares less treasury shares).

	2012	2011
Net income attributable to shareholders of Clariant Ltd (CHF m)		
Continuing operations	198	203
Discontinued operations	19	24
Total	**217**	**227**
Diluted net income attributable to shareholders of Clariant Ltd (CHF m)		
Net income attributable to shareholders of Clariant Ltd	217	227
Impact of assumed conversion of convertible bond on net income	14	12
Total adjusted net result	**231**	**239**
Adjusted net result from continuing operation	212	215
Adjusted net result from discontinued operations	19	24
Total adjusted net result	**231**	**239**
Weighted average number of shares outstanding		
As per 1 January	264 586 754	223 544 786
Effect of the issuance of share capital and transactions with treasury shares on weighted average number of shares outstanding	16 488 611	41 041 968
Weighted average number of shares outstanding at 31 December	**281 075 365**	**264 586 754**
Adjustment for granted Clariant shares	2 526 537	2 248 782
Adjustment for dilutive share options	–	181 127
Adjustment for assumed conversion of the convertible bond, where dilutive	36 186 971	35 086 549
Weighted average diluted number of shares outstanding at 31 December	**319 788 873**	**302 103 212**
Basic earnings per share attributable to shareholders of Clariant Ltd (CHF/share)		
Continuing operations	0.70	0.77
Discontinued operations	0.07	0.09
Total	**0.77**	**0.86**
Diluted earnings per share attributable to shareholders of Clariant Ltd (CHF/share)		
Continuing operations	0.66	0.71
Discontinued operations	0.06	0.08
Total	**0.72**	**0.79**

The dilution effect is triggered by three different items. One is the effect of Clariant shares granted as part of the share-based payment plan, which have not yet vested. To calculate this dilutive potential it is assumed that they had vested on 1 January of the respective period.

The second item is the effect of options granted as part of the share-based payment plan, which have not yet vested. To calculate this dilutive potential, it is assumed that all options which were in the money at the end of the respective period had been exercised on 1 January of the same period. The effect of the services still to be rendered during the vesting period were taken into consideration.

The third dilution effect arises from the convertible bond issued in 2009. In the calculation of dilutive earnings per share, the convertible bond is assumed to have been converted into ordinary shares at the beginning of the reporting period, and the net income is adjusted for the impact of the assumed conversion.

Diluted earnings per share are calculated adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares.

In 2012, a pay-out of CHF 0.30 per share was done under the form of a capital reduction (see note 15).

No dividends were paid out to shareholders in 2011. For the distribution for the year 2012, please refer to »Appropriation of available earnings« in the financial statements of Clariant Ltd.

28. FINANCIAL INSTRUMENTS

Risk management (hedging) instruments and off-balance sheet risks. Clariant uses forward foreign exchange rate and option contracts, interest rate and currency swaps, commodity contracts and other financial instruments to hedge the Group's risk exposure to volatility in interest rates, currencies and prices and to manage the return on cash and cash equivalents. Risk exposures from existing assets and liabilities as well as anticipated transactions are managed centrally.

Interest rate management. It is the Group's policy to manage the cost of interest using fixed and variable rate debt and interest-related derivatives.

Foreign exchange management. To manage the exposure to the fluctuations in foreign currency exchange rates, the Group follows a strategy of hedging both balance sheet and revenue risk, partially through the use of forward contracts and currency swaps in various currencies. In order to minimize financial expenses, the Group does not hedge the entire exposure.

The following tables show the contract or underlying principal amounts and the respective fair value of financial instruments by type at year-end.

The contract or underlying principal amounts indicate the volume of business outstanding at the balance sheet date and do not represent the amount at risk.

FINANCIAL INSTRUMENTS

in CHF m	Contract or underlying principal amount		Positive fair values		Negative fair values	
	31.12.2012	31.12.2011	**31.12.2012**	31.12.2011	**31.12.2012**	31.12.2011
Commodity related instruments						
Commodity contracts	6	24	0	1	–	–
Interest rate related instruments						
Interest swaps	223	468	–	–	– 5	– 3
Currency related instruments						
Forward foreign exchange rate contracts	579	567	20	12	– 46	– 43
Total financial instruments	**808**	**1 059**	**20**	**13**	**– 51**	**– 46**

The fair value of these financial instruments is recorded in »Other current assets« in the balance sheet in the case of a positive fair value and in »Current financial liabilities« in the case of a negative fair value when the concerned instruments expire within the next twelve months. If the remaining lifetime of the instruments exceeds twelve months, their fair value is recorded in »financial assets« in case it is positive and in »non-current financial debts« in case it is negative. Commodity related instruments refer to raw material price risks hedged by former subsidiaries of Süd-Chemie. They were mostly discontinued in the course of 2012.

FINANCIAL INSTRUMENTS BY MATURITY

in CHF m	**31.12.2012**	31.12.2011
DUE DATES:		
Up to one month after the balance sheet date	13	9
More than one and up to three months after the balance sheet date	89	15
More than three and up to twelve months after the balance sheet date	483	277
More than one and up to five years after the balance sheet date	223	758
Total financial instruments	**808**	**1 059**

FINANCIAL INSTRUMENTS BY CURRENCY

in CHF m	31.12.2012	31.12.2011
USD	54	60
EUR	754	998
JPY	0	1
Total financial instruments	**808**	**1059**

FINANCIAL INSTRUMENTS EFFECTIVE FOR HEDGE-ACCOUNTING PURPOSES

in CHF m	31.12.2012	31.12.2011
Notional amount of hedges of net investments in foreign entities:	–	**274**
Contracts with positive values	–	**61**
Contracts with negative values	–	**213**
Borrowings denominated in foreign currencies	–1070	–1160

On 24 January 2012, Clariant issued a bond in the amount of EUR 500 million (see note 16), which on 1 June 2012 was designated as a hedge of a net investment in some of Clariant's European subsidiaries. At the same time the bond in the amount of EUR 600 million, launched in April 2006 was de-designated as a hedge of a net investment. By that time the cumulative translation difference incurred on that bond amounted to a gain of CHF 9 million (31 December 2011: CHF 22 million gain). This translation difference will remain in the cumulative translation reserves in equity until the hedged net investments are sold or disposed of in some other way. The cumulative currency difference incurred on the new bond since the designation on 1 June 2012 amounts to a loss of CHF 3 million, also recorded in the cumulative translation differences in shareholders' equity.

The forward contracts in the amount of EUR 225 million (2011: EUR 225 million) and repurchased EUR-bond tranches in the amount of EUR 11 million (2011: EUR 11 million) which were also designated as hedging instruments as a part of the hedge of net investments were also de-designated on 1 June 2012. By that time the cumulative foreign exchange loss amounted to CHF 4 million (2011: CHF 5 million loss). This translation difference will remain in the cumulative translation reserves in equity until the hedged net investments are sold or disposed of in some other way.

In October 2011 and January 2012, Clariant issued three certificates of indebtedness amounting to EUR 390 million, denominated in euros (see note 16). The certificates were designated as a hedge of a net investment in some of Clariant's European subsidiaries. The unrealized foreign exchange rate gains resulting from the translation of the certificates of indebtedness into Swiss francs amounted to CHF 3 million on 31 December 2012 (31 December 2011: CHF 7 million gain) and are recognized in the cumulative translation reserves in shareholders' equity.

In 2011, certain cash flow hedges were taken over through the acquisition of the Süd-Chemie group, but were terminated before the end of the year 2011.

Securitization. During 2011 Süd-Chemie continued to maintain factoring arrangements which were cancelled in 2012.

The volume of the factoring is disclosed in the table below.

VOLUMES OF SECURITIZATION OF TRADE RECEIVABLES

in CHF m	31.12.2012	31.12.2011
Trade receivables denominated in euros	–	18
Trade receivables denominated in US dollars	–	8
Others	–	13
Total	**0**	**39**
Related liability in the balance sheet denominated in euros	–	7
Total	**0**	**7**

29. EMPLOYEE PARTICIPATION PLANS

In 2010, the Group Senior Management – Long Term Incentive Plan (GSM-LTIP) was established, replacing the former Clariant Executive Bonus Plan (CEBP). Under this plan, a certain percentage of the actual bonus is granted to the plan participants in the form of registered shares of Clariant Ltd (investment shares). These shares vest immediately upon grant, but are subject to a three-year blocking period. The plan participants receive an additional share free of cost (matching share) for each investment share held at the end of the blocking period.

These shares were granted for the first time in 2011, based on the performance achieved in the base year 2010. A similar plan was launched in 2012, based on the performance achieved in the base year 2011. The number of shares not yet vested and thus disclosed for this period are the matching shares.

The CEBP plan established in 2005 continues to exist until all granted shares have vested. Under this plan the granted registered shares of Clariant Ltd vest and are exercisable after three years. No options are granted under the CEBP.

The options granted under the CESOP established in 1999 entitle the holder to acquire registered shares in Clariant Ltd (one share per option) at a predetermined strike price. They become vested and are exercisable after three years and expire after ten years.

In April 2008, Clariant established a new stock option plan for members of Management and the Board of Directors. Options granted under this plan entitle the holder to acquire registered shares of Clariant Ltd (one share per option) at a predetermined strike price. The plan is set up in a way that Clariant contracted a third party bank to issue tradable options to the plan participants in accordance with the rules of the plan. The plan participants can sell the options back to this bank after they have vested.

The bank in return has the right to claim a share from Clariant at the pre-determined strike price for each option that is sold to it by plan participants.

The options become vested and are exercisable after two years and expire after five years. The fair value of the stock options granted in 2012 at grant date was CHF 1.90 (2011: CHF 4.15) determined using a share price of CHF 12.59 (2011: CHF 15.02) and an exercise price of CHF 16.50 (2011: CHF 18.00). The expected volatility was determined at 33.5 % (2011: 32.0 %), based on market assumptions. As-sumed dividends range between CHF 0.30 and CHF 0.40 (2011: between CHF 0.10 and CHF 0.30) for later periods. The risk-free interest rate was determined at 0.52 % (2011: 1.69 %). The Black-Scholes valuation Model was used to determine the fair values.

The newly introduced Restricted Share Plan to members of the Board of Directors replacing the Option Plan, will have its first grant date at the end of the mandate year in 2013.

The expense recorded in the income statement spreads the costs of each grant equally over the measurement period of one year and the vesting period of three years for shares and the vesting period of two years for options. Assumptions are made concerning the forfeiture rate which is adjusted during the vesting period so that at the end of the vesting period there is only a charge for the vested amounts.

During 2012, CHF 29 million (2011: CHF 22 million) for equity-settled share-based payments and less than CHF 1 million (2011: less than CHF 1 million) for cash-settled share-based payments were charged to the income statement.

As of 31 December 2012, the total carrying value of liabilities arising from share-based payments is CHF 46 million (2011: CHF 41 million). Thereof CHF 40 million (2011: CHF 39 million) was recognized in equity for equity-settled share-based payments and CHF 6 million (2011: CHF 2 million) in non-current liabilities for cash-settled share-based payments.

An amount of CHF 5 million was reclassified from retained earnings to provisions due to the discontinued operations.

OPTIONS FOR BOARD OF DIRECTORS (NON-EXECUTIVE MEMBERS)[1]

	Base year	Granted	Exercisable from	Expiry date	Exercise price	Share price at grant date	**Number 31.12.2012**	Number 31.12.2011
	2008	2008	2010	2013	12.50	8.58	260 000	260 000
	2010	2010	2012	2015	15.50	12.74	222 400	222 400
	2011	2011	2013	2016	18.00	15.02	216 865	216 865
Total							**699 265**	**699 265**

[1] Past and current members.

OPTIONS FOR SENIOR MEMBERS OF MANAGEMENT AND EXECUTIVE COMMITTEE[1]

	Base year	Granted	Exercisable from	Expiry date	Exercise price	Share price at grant date	**Number 31.12.2012**	Number 31.12.2011
	2001	2002	2005	2012	27.20	26.87	–	166 354
	2002	2003	2006	2013	14.80	14.88	87 352	87 352
	2003	2004	2007	2014	12.00	18.74	49 326	49 326
	2003	2004	2007	2014	16.30	18.74	53 479	53 479
	2004	2005	2008	2015	19.85	19.85	146 237	146 237
Total							**336 394**	**502 748**

OPTIONS FOR MEMBERS OF MANAGEMENT AND EXECUTIVE COMMITTEE[1]

	Base year	Granted	Exercisable from	Expiry date	Exercise price	Share price at grant date	**Number 31.12.2012**	Number 31.12.2011
	2008	2008	2010	2013	12.50	8.58	727 001	954 675
	2010	2010	2012	2015	15.50	12.74	2 389 200	2 764 000
	2011	2011	2013	2016	18.00	15.02	2 243 077	2 328 807
	2012	2012	2014	2017	16.50	12.59	5 788 000	
Total							**11 147 278**	**6 047 482**

[1] Past and current members.

As per 31 December 2012, the weighted average remaining contractual life of all share options was 2.89 years (2011: 2.86 years).

SHARES FOR MEMBERS OF MANAGEMENT AND EXECUTIVE COMMITTEE

	Base year	Granted	Vesting in		Share price at grant date	**Number 31.12.2012**	Number 31.12.2011
	2008	2009	2012		7.45	–	634 306
	2009	2010	2013		12.50	808 758	862 518
	2010	2011	2014		17.15	433 712	447 018
	2011	2011	2016		16.60	–	50 000
	2011	2012	2015		12.50	575 725	–
	2012	2012	2016		9.49	32 000	–
Total						**1 850 195**	**1 993 842**

	Weighted average exercise price	**Options 2012**	**Shares 2012**	Weighted average exercise price	Options 2011	Shares 2011
Shares/options outstanding at 1 January	16.21	7 249 495	1 993 842	15.08	4 918 408	1 959 325
Granted		6 009 700	1 216 818		2 549 998	944 036
Exercised/distributed*	11.78	– 830 537	– 1 327 966	16.45	– 179 956	– 898 770
Cancelled/forfeited		– 245 721	– 32 499		– 38 955	– 10 749
Outstanding at 31 December	**16.27**	**12 182 937**	**1 850 195**	**16.21**	**7 249 495**	**1 993 842**
Exercisable at 31 December	14.86	3 934 995		14.77	1 717 423	
Fair value of shares/options outstanding in CHF		12 604 026	22 849 905		5 741 883	18 482 915

* Options exercised/distributed include 396 767 options (2011: 134 456) pertaining to the 2008, 2010 and 2011 Option plan, which were sold by the plan participants in the market and are currently held by third parties. Total options of these plans sold in the market at 31 December 2012 are 1 854 892 (31 December 2011: 1 362 225) with a fair value at 31 December 2012 of CHF 1 387 591 (31 December 2011: CHF 946 315).

The fair value of shares granted during 2012 is CHF 15 million (2011: CHF 16 million) calculated based on market value of shares at grant date.

The fair value of options granted in 2012 was CHF 11 million (2011: CHF 11 million) calculated based on the Black-Scholes valuation model.

30. PERSONNEL EXPENSES

in CHF m	**2012**	2011
Wages and salaries	– 1 240	– 1 186
Social welfare costs	– 346	– 327
Shares and options granted to directors and employees	– 29	– 23
Pension costs – defined contribution plans	– 25	– 27
Pension costs – defined benefit plans	– 69	– 54
Other post-employment benefits	– 6	– 6
Total personnel expenses	**– 1 715**	**– 1 623**
thereof reported under discontinued operations	263	282
Total continuing operations	**– 1 452**	**– 1 341**

31. RELATED PARTY TRANSACTIONS

Clariant maintains business relationships with related parties. One group consists of the associates and joint ventures, where the most important ones are described in note 7. The most important business with these companies is the purchase of services by Clariant (e.g. energy and rental of land and buildings) in Germany.

The second group of related parties is key management comprising the Board of Directors and the Executive Committee. The information required by Art. 663b bis of the Swiss Code of Obligations regarding the emoluments for the members of the Board of Directors and the Executive Committee is disclosed in the Statutory Accounts of Clariant Ltd on pages 211 to 214 of this report. More information on the relationship with the Board of Directors is given in the chapter **Corporate Governance** (non-audited).

The third group of related parties are the pension plans of major subsidiaries. Clariant provides services to its pension plans in Switzerland, the United Kingdom, and the United States. These services comprise mainly administrative and trustee services. The total cost in 2012 of these services is CHF 2 million (2011: CHF 1 million), of which approximately half is charged back to the pension plans. The number of full-time employees corresponding to these is approximately nine (2011: eight).

TRANSACTIONS WITH RELATED PARTIES

in CHF m	**2012**	2011
Income from the sale of goods to related parties	43	37
Income from the rendering of services to related parties	4	4
Expenses from the purchase of goods from related parties	– 79	– 62
Expenses from services rendered by related parties	– 193	– 208

PAYABLES AND RECEIVABLES WITH RELATED PARTIES

in CHF m	**31.12.2012**	31.12.2011
Receivables from related parties	8	13
Payables to related parties	24	31
Loans to related parties	4	3
Loans from related parties	1	31
Guarantees to third parties on behalf of related parties	55	46

TRANSACTIONS WITH KEY MANAGEMENT

in CHF m	**2012**	2011
Salaries and other short-term benefits	11	9
Termination benefit	2	–
Post-employment benefits	3	3
Share-based payments	7	5
Total	**23**	**17**

There are no outstanding loans by the Group to any members of the Board of Directors or Executive Committee.

32. COMMITMENTS AND CONTINGENCIES

Leasing commitments. The Group leases land, buildings, machinery and equipment, furniture and vehicles under fixed-term agreements. The leases have varying terms, escalation clauses and renewal rights.

Commitments arising from fixed-term operating leases mainly concern buildings in Switzerland and Germany. The most important partners for operating leases of buildings in Germany are the Infraserv companies. There exist no particular renewal options other than annual prolongations in case there is no explicit termination of the lease contract.

in CHF m	**31.12.2012**	31.12.2011
2012		48
2013	51	31
2014	32	20
2015	21	14
2016	12	10
2017	8	
Thereafter	26	20
Total	**150**	**143**
Guarantees in favor of third parties	31	31

Expenses for operating leases were CHF 72 million in 2012 (2011: CHF 74 million).

Purchase commitments. In the regular course of business, Clariant enters into relationships with suppliers whereby the Group commits itself to purchase certain minimum quantities of materials in order to benefit from better pricing conditions. These commitments are not in excess of current market prices and reflect normal business operations. At present, the purchase commitments on such contracts amount to about CHF 328 million (2011: CHF 210 million).

Contingencies. Clariant operates in countries where political, economic, social, legal, and regulatory developments can have an impact on the operational activities. The effects of such risks on the company's results, which arise during the normal course of business, are not foreseeable and are therefore not included in the accompanying financial statements.

In the aftermath to the procedure to acquire subsequent to the acquisition of Süd-Chemie the 1.36 % of shares that were still in possession of third parties (squeeze-out) at the time, a law office initiated appraisal proceedings to reassess the adequacy of the cash compensation paid to the minority shareholders. Clariant opines that the cash compensation agreed is fair and complies with all legal and economic requirements. At this time it cannot be determined to what extent these proceedings will lead to additional financial liabilities.

In the ordinary course of business, Clariant is involved in lawsuits, claims, investigations and proceedings, including product liability, intellectual property, commercial, environmental, and health and safety matters. Although the outcome of any legal proceedings cannot be predicted with certainty, Management is of the opinion that, apart from those cases where a provision has already been recognized, there are no such matters pending which would be likely to have any material adverse effect in relation to its business, financial position, or results of operations.

Environmental risks. Clariant is exposed to environmental liabilities and risks relating to its past operations, principally in respect of remediation costs. Provisions for non-recurring remediation costs are made when there is a legal or constructive obligation and the cost can be reliably estimated. It is difficult to estimate the action required by Clariant in the future to correct the effects on the environment of prior disposal or release of chemical substances by Clariant or other parties, and the associated costs, pursuant to environmental laws and regulations. The material components of the environmental provisions consist of costs to fully clean and refurbish contaminated sites and to treat and contain contamination at sites where the environmental exposure is less severe.

33. EXCHANGE RATES OF PRINCIPAL CURRENCIES

Rates used to translate the consolidated balance sheets (closing rate):

	31.12.2012	31.12.2011
1 USD	0.92	0.94
1 EUR	1.21	1.22
1 BRL	0.45	0.50
1 CNY	0.15	0.15
100 INR	1.67	1.76
100 JPY	1.06	1.21

Average sales-weighted rates used to translate the consolidated income statements and consolidated statements of cash flows:

	2012	2011
1 USD	0.94	0.89
1 EUR	1.21	1.24
1 BRL	0.48	0.53
1 CNY	0.15	0.14
100 INR	1.75	1.91
100 JPY	1.17	1.11

34. IMPORTANT SUBSIDIARIES

Country	Company name	Currency	Share/paid-in capital (in thousands)	Partici-pation in %	Holding/ Finance/ Service	Sales	Pro-duction	Research
Argentina	Clariant (Argentina) SA, Lomas de Zamora	ARS	54 650	100.0		■	■	
Australia	Clariant (Australia) Pty. Ltd., Glen Waverley	AUD	4 402	100.0		■	■	
	Süd-Chemie Australia Pty Ltd, Penrith	AUD	300	100.0		■	■	
Austria	Clariant (Österreich) GmbH, Vienna	EUR	1 035	100.0		■	■	
Belgium	Clariant Masterbatches Benelux SA, Louvain-La-Neuve	EUR	3 329	100.0		■	■	
Brazil	Clariant S.A., São Paulo	BRL	156 889	100.0		■	■	
	Clariant Administração de Bens Ltda., São Paulo	BRL	7 666	100.0	■			
	Süd-Chemie do Brasil Ltda, Jacarei	BRL	30 823	100.0			■	
British Virgin Islands	Clariant Finance (BVI) Ltd, Tortola	CHF	10	100.0	■			
	Clariant Clearwater Technologies Ltd, Tortola	USD	1	100.0	■			
Canada	Clariant (Canada) Inc., Toronto	CAD	14 415	100.0		■	■	
	Phostech Lithium Inc., Candiac	CAD	39 338	100.0			■	■
Chile	Clariant Colorquímica (Chile) Ltda., Maipú-Santiago de Chile	CLP	14 797	100.0		■	■	
China	Baotou Süd-Chemie Chemical Materials Co., Ltd, Baotou	EUR	1 700	100.0			■	
	Clariant (China) Ltd, Hong Kong	HKD	93 250	100.0	■	■	■	
	Clariant (Tianjin) Ltd, Tianjin	CNY	280 620	94.8		■	■	
	Clariant Bohai Pigments Preparations (Tianjin) Ltd	CNY	49 176	90.0		■	■	
	Clariant Chemicals (China) Ltd, Shanghai	USD	5 000	100.0		■	■	
	Clariant Chemicals (Guangzhou) Ltd, Guangzhou	USD	9 500	100.0		■	■	
	Clariant Chemicals (Huizhou) Ltd, Daya Bay, Huizhou	USD	17 000	100.0			■	
	Clariant China Holding Limited, Hong Kong	HKD	8	100.0	■			
	Clariant Masterbatches (Beijing) Ltd, Beijing	USD	1 099	100.0		■	■	
	Clariant Masterbatches (Shanghai) Ltd, Shanghai	USD	3 199	100.0		■	■	
	Clariant Specialty Chemicals (Zhenjiang) Co., Ltd, Zhenjiang	USD	8 400	100.0			■	
	Jiangsu Süd-Chemie Chemical Materials Co., Ltd, Zhenjiang	EUR	8 000	100.0		■	■	
	Jiangsu Süd-Chemie Performance Packaging Material Co., Ltd, Changshu	EUR	1 225	100.0		■	■	
	Panjin Süd-Chemie Liaohe Catalyst Co., Ltd, Panjin City	CNY	69 511	60.0		■	■	
	Shanghai Süd-Chemie Catalysts Co., Ltd, Shanghai	CNY	105 000	100.0		■	■	
	Süd-Chemie Catalysts (Nanjing) Co., Ltd, Nanjing	USD	45 000	100.0		■	■	■
	Süd-Chemie Investment Management (Shanghai) Co., Ltd, Shanghai	USD	2 000	100.0	■			
	Süd-Chemie Redhill Bentonite (Liaoning) Co., Ltd, Jianping	USD	3 070	100.0			■	
Colombia	Clariant (Colombia) SA, Cota (Cundinamarca)	COP	2 264 786	100.0		■	■	
Egypt	The Egyptian German Company for Dyes & Resins SAE, Cairo	EGP	20 000	100.0		■	■	
Finland	Clariant Masterbatches (Finland) Oy, Vantaa	EUR	169	100.0		■		
France	Airsec S.A.S., Choisy Le Roi	EUR	5 698	100.0		■	■	■
	Bentofrance S.A.S., Portes-les-Valence	EUR	1 521	100.0		■	■	
	Clariant Masterbatches (France), Trosly Breuil	EUR	7 000	100.0		■	■	■
	Clariant Production (France), Trosly Breuil	EUR	17 000	100.0			■	■
	Clariant Services (France), Trosly Breuil	EUR	10 000	100.0	■			
	Clariant Specialty Fine Chemicals (France), Trosly Breuil	EUR	60 037	100.0		■	■	■
	K.J. Quinn, Graulhet	EUR	250	100.0		■		
	Société Française des Bentonites et Dérivés S.A.S., Le Tréport	EUR	7 893	100.0	■	■	■	
Germany	Clariant Advanced Materials GmbH, Frankfurt a.M.	EUR	102	100.0		■	■	■

Country	Company name	Currency	Share/paid-in capital (in thousands)	Partici-pation in %	Holding/ Finance/ Service	Sales	Pro-duction	Research
	Clariant Masterbatches (Deutschland) GmbH, Lahnstein	EUR	53	100.0		■	■	■
	Clariant Produkte (Deutschland) GmbH, Frankfurt a.M.	EUR	9 348	100.0	■		■	■
	Clariant Vertrieb (Deutschland) GmbH und Co. KG, Frankfurt a.M.	EUR	25	100.0		■		
	Clariant Verwaltungsgesellschaft mbH, Frankfurt a.M.	EUR	2 560	100.0	■			
	Clariant SE, Frankfurt a.M.	EUR	915	100.0	■	■		
	Phostech Lithium GmbH, Munich	EUR	25	100.0	■			
	SC Beteiligungsgesellschaft mbH, Bensheim	EUR	32 185	100.0	■			
	Süd-Chemie Alvigo Catalysts GmbH, Munich	EUR	25	100.0	■			
	Süd-Chemie IP GmbH & Co KG, Munich	EUR	25	100.0	■			■
	Süd-Chemie Verwaltungs GmbH, Munich	EUR	25	100.0	■			
Great Britain	Clariant Distribution UK Limited, Yeadon, Leeds	GBP	10 000	100.0		■		
	Clariant Horsforth Limited, Yeadon, Leeds	GBP	50	100.0	■			
	Clariant Masterbatches UK Ltd, Yeadon, Leeds	GBP	3 600	100.0		■		
	Clariant Oil Services UK Ltd, Yeadon, Leeds	GBP	400	100.0		■		
	Clariant Production UK Ltd, Yeadon, Leeds	GBP	17 254	100.0			■	■
	Clariant Services UK Ltd, Yeadon, Leeds	GBP	50 000	100.0	■			
	Süd-Chemie (UK) Limited, Northwich	GBP	10	100.0		■		
Greece	Süd-Chemie Hellas Monoprosopi E.P.E., Adamas, Milos	EUR	980	100.0			■	
Guatemala	Clariant (Guatemala) SA, Guatemala City	GTQ	14 000	100.0		■	■	
	Clariant Trading (Guatemala) SA, Guatemala City	GTQ	10	100.0		■		
Honduras	Clariant Honduras S.A. de C.V., San Pedro Sula	HNL	1 900	100.0		■	■	
India	Clariant Chemicals (India) Ltd, Thane	INR	266 607	63.4		■	■	■
	Italtinto India Private Limited, Mahape Navi Mumbai	INR	100	100.0		■	■	
	Süd-Chemie Adsorbents Pvt. Ltd., New Delhi	INR	100	100.0	■			
Indonesia	PT. Clariant Indonesia, Tangerang	USD	23 950	100.0		■	■	
	P.T. Clariant Specialties Indonesia	USD	500	100.0		■		
	P.T. Süd-Chemie Indonesia, Cileungsi, Bogor	IDR	12 375 000	100.0		■	■	
Ireland	Clariant Masterbatches Ireland Limited, Naas	EUR	411	100.0		■	■	
Italy	Clariant (Italia) S.p.A., Milan	EUR	20 000	100.0	■			
	Clariant Masterbatches (Italia) S.p.A., Milan	EUR	3 000	100.0		■	■	■
	Clariant Prodotti (Italia) S.p.A., Milan	EUR	1 000	100.0			■	
	Italtinto S.r.l., Milan	EUR	100	100.0		■	■	■
	Società Sarda di Bentonite S.r.l., Santa Giusta	EUR	2 050	100.0	■	■	■	
	Süd Chemie Catalysts Italia S.r.l., Novara	EUR	7 650	100.0		■	■	■
	Süd-Chemie Imic Italia S.r.l., Silvano Pietra	EUR	3 335	75.0		■	■	
Japan	Clariant (Japan) K.K., Tokyo	JPY	450 000	100.0		■	■	■
	San-Ai Co., Ltd, Osaka	JPY	10 000	100.0		■		
	Clariant Catalysts (Japan) K.K., Tokyo	JPY	543 594	61.4	■	■	■	
Korea	Clariant (Korea) Ltd, Seoul	KRW	1 556 100	100.0		■		
	Clariant Industrial Minerals (Korea) Co., Ltd., Pohang, Gyeongbuk	KRW	7 450 000	94.8		■	■	■
Liechtenstein	Clariant Insurance AG, Triesen	CHF	5 000	100.0	■			
Luxemburg	Clariant Finance (Luxembourg) S.A., Luxemburg	EUR	52 990	100.0	■			

Country	Company name	Currency	Share/paid-in capital (in thousands)	Partici-pation in %	Holding/ Finance/ Service	Sales	Pro-duction	Research
Malawi	Süd-Chemie Water and Process Technologies (Malawi) (Pty) Ltd, Blantyre	MWK	150	100.0		■	■	
Malaysia	Chemindus Sdn. Bhd., Kuala Lumpur	MYR	1 900	55.0		■	■	
	Clariant (Malaysia) Sdn. Bhd., Kuala Lumpur	MYR	12 347	100.0		■		
	Clariant Masterbatches (Malaysia) Sdn Bhd, Petaling Jaya	MYR	2 000	60.0		■	■	
Mexico	Clariant (Mexico) S.A. de C.V., Ecatepec de Morelos	MXN	3 055	100.0		■	■	
	Clariant Productos Químicos S.A. de C.V., Ecatepec de Morelos	MXN	5 781	100.0	■			
	Minera Sumex, S.A. de C.V., Mexico-City, D.F.	MXN	50	100.0			■	
	Süd-Chemie de México, S.A. de C.V., Puebla	MXN	20 051	100.0		■	■	■
Morocco	Clariant (Maroc) S.A., Casablanca	MAD	30 000	100.0		■	■	
Netherlands	Clariant Participations (The Netherlands) B.V., Maastricht	EUR	65 312	100.0	■			
New Zealand	Clariant (New Zealand) Ltd, Albany-Auckland	NZD	1 000	100.0		■	■	
Norway	Clariant Oil Services Scandinavia AS, Bergen	NOK	4 725	100.0	■	■		■
Pakistan	Clariant Pakistan Ltd, Karachi-Korangi	PKR	341 179	75.0		■	■	
Peru	Clariant (Perú) SA, Lima	PEN	27 601	100.0		■	■	
	Minera Doña Herminia S.A., Callao	PEN	210	100.0			■	
	Süd-Chemie Perú S.A., Callao	PEN	9 582	100.0		■	■	
Poland	COLEX Spolka z o.o., Zgierz	PLN	1 546	100.0		■	■	
	Süd-Chemie Polska Sp. z o.o., Gdansk	PLN	3 885	100.0			■	
Qatar	Süd-Chemie Qatar W.L.L., Mesaieed	QAR	70 000	65.0		■	■	
Russia	Süd-Chemie Alvigo Catalysts LLC, Moscow	RUB	7 000	100.0		■		
	Süd-Chemie CIS LLC, Moscow	RUB	4 600	100.0		■		
Saudi Arabia	Clariant Masterbatches (Saudi Arabia) Ltd, Riyadh	SAR	16 000	93.0		■	■	
Singapore	Clariant (Singapore) Pte. Ltd, Singapore	SGD	2 500	100.0		■	■	
	Süd-Chemie South East Asia Pte. Ltd, Singapore	SGD	1 560	100.0	■	■		
South Africa	Clariant Southern Africa (Pty) Ltd, Weltevreden Park, Johannesburg	ZAR	27 000	100.0		■	■	
	Süd-Chemie SA (Proprietary) Limited, Chloorkop, Gauteng	ZAR	6	100.0	■			
	Süd-Chemie-Sasol Catalysts (Proprietary) Limited, Sasolburg	ZAR	1 417	80.0		■		
Spain	Clariant Ibérica Producción S.A., El Prat de Llobregat	EUR	6 023	100.0			■	■
	Clariant Ibérica Servicios S.L., El Prat de Llobregat	EUR	356	100.0	■			
	Clariant Masterbatch Ibérica S.A., Sant Andreu de la Barca	EUR	2 524	100.0		■	■	
	Süd-Chemie Iberia, S.L., Yuncos	EUR	4 868	100.0		■	■	
Sweden	Clariant (Sverige) Holding AB, Mölndal	SEK	10 000	100.0	■			
	Clariant Masterbatches Norden AB, Malmö	SEK	3 200	100.0		■	■	■
Switzerland	Clariant Beteiligungen AG, Muttenz	CHF	100	100.0	■			
	Clariant Chemiebeteiligungen AG, Muttenz	CHF	96 929	100.0	■			
	Clariant Consulting AG, Muttenz	CHF	200	100.0	■			
	Clariant International AG, Muttenz	CHF	180 704	100.0	■			
	Clariant Produkte (Schweiz) AG, Muttenz	CHF	20 000	100.0			■	■
	Clariant Reinsurance AG, Muttenz	CHF	3 000	100.0	■			
	EBITO Chemiebeteiligungen AG, Muttenz	CHF	202	100.0	■			
	LiFePO4+C Licensing AG, Muttenz	CHF	100	100.0	■			
Taiwan	Clariant Chemicals (Taiwan) Co., Ltd, Taipei	TWD	23 888	100.0		■	■	
Thailand	Clariant (Thailand) Ltd, Klongton, Bangkok	THB	400 000	100.0		■	■	
	Clariant Masterbatches (Thailand) Ltd, Chonburi	THB	225 000	100.0		■	■	

Country	Company name	Currency	Share/paid-in capital (in thousands)	Partici-pation in %	Holding/ Finance/ Service	Sales	Pro-duction	Research
Turkey	Clariant (Türkiye) A.S., Gebze	TRY	5 930	100.0		■	■	
	Süd-Chemie (TR) Madencilik Sanayi ve Ticaret A.S., Balikesir	TRY	2 200	100.0		■	■	
UAE	Clariant (Gulf) FZE, Jebel Ali, Dubai	AED	1 000	100.0		■		
Ukraine	Clariant Ukraine LLC, Severodonetsk	UAH	28 688	100.0		■	■	
Uruguay	Clariant (Uruguay) SA, Montevideo	UYU	2 222	100.0		■		
USA	Clariant Corporation, Charlotte, NC	USD	–	100.0		■	■	■
	Katapullt LLC, Albany, NY	USD	1	100.0	■			
	Octagon Process, L.L.C., Las Vegas, NV	USD	1	100.0		■	■	■
	Tecpro Holding Corporation Inc., Wilmington, DE	USD	–	100.0	■			
Venezuela	Clariant Venezuela S.A., Maracay	VEF	7 345	100.0		■	■	

35. EVENTS SUBSEQUENT TO THE BALANCE SHEET DATE

On 6 February, Clariant announced the early redemption of the 3 % convertible bond 2009 – 2014 of CHF 300 million with conversion rights into Clariant registered shares with a nominal value of CHF 3.70 each, taking effect on 21 March 2013, based on the terms of the bond. On that date, the convertible bonds will be redeemed at the total principal amount plus interest accrued as far as bondholders do not exercise their conversion rights by 14 March 2013.

In case all holders of the convertible bond make use of their conversion rights, up to 36 186 971 registered shares based on the conditional capital of Clariant Ltd will be issued against the conversion. The new shares will be entitled to distributions for the financial year 2012.

Report of the statutory auditor to the general meeting of Clariant Ltd, Muttenz

REPORT OF THE STATUTORY AUDITOR ON THE CONSOLIDATED FINANCIAL STATEMENTS

As statutory auditor, we have audited the consolidated financial statements of Clariant Ltd, which comprise the consolidated balance sheet, consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows and notes (pages 143 to 203), for the year ended 31 December 2012.

Board of Directors' Responsibility

The Board of Directors is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the International Financial Reporting Standards (IFRS) and the requirements of Swiss law. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards as well as the International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements for the year ended 31 December 2012 give a true and fair view of the financial position, the results of operations and the cash flows in accordance with the International Financial Reporting Standards (IFRS) and comply with Swiss law.

REPORT ON OTHER LEGAL REQUIREMENTS

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO and article 11 AOA) and that there are no circumstances incompatible with our independence.

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists which has been designed for the preparation of consolidated financial statements according to the instructions of the Board of Directors.

We recommend that the consolidated financial statements submitted to you be approved.

PricewaterhouseCoopers Ltd

Dr. Daniel Suter	Ruth Sigel
Audit expert	Audit expert
Auditor in charge	

Basel, 12 February 2013

Review of trends

FIVE-YEAR GROUP OVERVIEW

FIVE-YEAR GROUP OVERVIEW 2008–2012

		2012	2011	2011	2010	2009	2008
Segment sales	CHF m	**6 073**	**5 598**[2]	**7 413**	**7 190**	**6 716**	**8 189**
Change relative to preceding year							
in Swiss francs	%	8	–	3	7	– 18	– 5
in local currency	%	8	–	16	13	– 16	1
Group sales[1]	CHF m	**6 038**	**5 571**[2]	**7 370**	**7 120**	**6 614**	**8 071**
Change relative to preceding year							
in Swiss francs	%	8	–	4	8	– 18	– 5
in local currency	%	8	–	16	13	– 14	1
Operating income before exceptionals	CHF m	**531**	**624**[2]	**717**	**696**	**270**	**530**
Change relative to preceding year	%	– 15	–	3	158	– 49	– 2
as a % of sales		8.8	11.2	9.7	9.8	4.1	6.6
Operating income/loss	CHF m	**396**	**432**[2]	**507**	**366**	**– 20**	**229**
Change relative to preceding year	%	– 8	–	– 39	–	– 109	– 18
as a % of sales		6.6	7.8	6.9	5.1	– 0.3	2.8
EBITDA	CHF m	**675**	**643**[2]	**786**	**646**	**263**	**691**
Change relative to preceding year	%	5	–	22	146	– 62	10
as a % of sales		11.2	11.5	10.7	9.1	4.0	8.6
Net income/loss	CHF m	**238**	**251**	**251**	**191**	**– 194**	**– 37**
Change relative to preceding year	%	– 5	31	31	–	424	– 840
as a % of sales		–	–	3.4	2.7	– 2.9	– 0.5
Investment in property, plant and equipment	CHF m	**311**	**370**	**370**	**224**	**135**	**270**
Change relative to preceding year	%	– 16	65	65	66	– 50	– 12
as a % of sales		–	–	5	3	2	3
Personnel expenses	CHF m	**1 452**	**1 341**[2]	**1 623**	**1 646**	**1 757**	**1 759**
Change relative to preceding year	%	8	–	– 1	– 6	–	– 9
as a % of sales		24	24	22	23	27	22
Employees at year-end (total)	number	21 202	22 149	22 149	16 176	17 536	20 102
Change relative to preceding year	%	– 4	37	37	– 8	– 13	– 4

[1] Including trading
[2] restated – see note 1.04

CLARIANT LTD BALANCE SHEETS

at 31 December 2012 and 2011

	31.12.2012 in CHF	in %	31.12.2011 in CHF	in %
Assets				
Non-current assets				
Shareholdings in Group companies	1 910 768 179		2 059 579 865	
Loans to Group companies	1 804 474 604		2 278 400 300	
Loans to related parties	2 013 220		–	
Intangible assets	10 252 324		15 333 895	
Total non-current assets	**3 727 508 327**	**69.6**	**4 353 314 060**	**84.0**
Current assets				
Receivables from Group companies	328 392 574		48 899 273	
Other receivables	1 372 320		886 832	
Accrued income	1 784 365		5 489 206	
Marketable securities	209 044 941		127 661 512	
Short term deposits	205 252 900		–	
Cash and cash equivalents	880 078 523		647 726 281	
Total current assets	**1 625 925 623**	**30.4**	**830 663 104**	**16.0**
Total assets	**5 353 433 950**	**100.0**	**5 183 977 164**	**100.0**
Equity and liabilities				
Total share capital	**1 094 283 340**		**1 183 009 016**	
Reserves				
General reserve	1 475 598 598		1 454 963 681	
thereof reserves from capital contributions [1]	*2 739 896 589*		*2 719 261 672*	
thereof from retained earnings [2]	*– 1 264 297 991*		*– 1 264 297 991*	
Reserve for treasury shares	220 189 692		181 148 697	
thereof reserves from capital contributions [1]	*160 513 780*		*181 148 697*	
thereof from retained earnings	*59 675 912*		–	
Free reserves	301 741 674		236 981 551	
Total reserves	**1 997 529 964**		**1 873 093 929**	
Accumulated gains				
Gain for the financial year	127 755 224		124 436 035	
Total accumulated gains	**127 755 224**		**124 436 035**	
Total equity	**3 219 568 528**	**60.1**	**3 180 538 980**	**61.4**
Liabilities				
Non-current liabilities				
Straight bonds	1 010 000 000		300 000 000	
Convertible bond	299 990 000		299 990 000	
Certificate of indebtedness	482 178 600		451 831 100	
Financial liabilities	64 936 577		–	
Loans from Group companies	15 773 129		24 886 683	
Total non-current liabilities	**1 872 878 306**	**35.0**	**1 076 707 783**	**20.8**
Current liabilities				
Straight bonds	–		250 006 544	
Provisions	15 413 348		1 282 113	
Liabilities to Group companies	166 481 154		208 040 184	
Other liabilities	56 453 172		443 399 342	
Accrued expenses	22 639 442		24 002 218	
Total current liabilities	**260 987 116**	**4.9**	**926 730 401**	**17.8**
Total liabilities	**2 133 865 422**	**39.9**	**2 003 438 184**	**38.6**
Total equity and liabilities	**5 353 433 950**	**100.0**	**5 183 977 164**	**100.0**

[1] The Swiss Federal Tax Administration confirmed qualifying capital contributions of approximately CHF 1.6 billion. For further information see also note 8 to the financial statements of Clariant Ltd.

[2] This amount corresponds to capital contribution reserves formerly offset with losses. For further information see also note 8 to the financial statements of Clariant Ltd.

CLARIANT LTD INCOME STATEMENTS

for the years ended 31 December 2012 and 2011	**31.12.2012** in CHF	31.12.2011 in CHF
Income		
Income from participations and interests on loans	219 668 528	351 946 174
Income from cash and cash equivalents, marketable securities and short-term deposits	45 653 823	14 033 296
Exchange rate gains realized	72 780 684	164 908 886
Reversal of depreciation of financial assets	294 963 844	155 716 157
Other income	14 446 224	32 595 452
Total income	**647 513 103**	**719 199 965**
Expenses		
Financial expenses	154 663 403	475 682 354
Administrative expenses	103 857 704	118 462 800
Other expenses (including taxes)	14 668 055	618 776
Depreciation of financial assets	225 000 000	–
Exceptional expenses	21 568 717	–
Total expenses	**519 757 879**	**594 763 930**
Gain for the financial year	**127 755 224**	**124 436 035**

Notes to the financial statements of Clariant Ltd

1. ACCOUNTING POLICIES

Introduction. The statutory financial statements of Clariant Ltd comply with the requirements of the Swiss company law.

Exchange rate differences. Balance sheet items denominated in foreign currencies are converted at year-end exchange rates. Realized exchange gains and losses as well as all unrealized exchange losses are recorded in the income statement.

Financial assets. These are valued at acquisition cost less adjustments for impairment of value.

Provisions. Provisions are made to cover existing liabilities.

2. FINANCIAL ASSETS

In 2012 a write-down of a loan could be reversed and generated an income of CHF 295 million.

After a regular review of the cash generating capabilities of all subsidiaries of Clariant Ltd, investments were written down in the amount of CHF 225 million in the financial year.

In 2011, write-down on investments, including loans, were reversed in the amount of CHF 156 million.

The principal direct and indirect affiliated companies and other holdings of Clariant Ltd are shown on pages 200 to 203 of the Financial Report of the Clariant Group.

3. CASH, MARKETABLE SECURITIES, AND CURRENT FINANCIAL ASSETS

Securities include treasury shares valued at market value in the amount of CHF 198 million (prior year: CHF 117 million) (see also note 5). Because of the increasing share price a revaluation of the treasury shares of CHF 42 million was recorded.

4. SHARE CAPITAL

Capital issued	31.12.2012	31.12.2011
Number of registered shares each with a par value of CHF 3.70 (2011: CHF 4.00)	295 752 254	295 752 254
In CHF	1 094 283 340	1 183 009 016

Conditional capital	31.12.2012	31.12.2011
Number of registered shares each with a par value of CHF 3.70 (2011: CHF 4.00)	39 998 831	40 000 000
In CHF	147 995 674	160 000 000

On 27 March 2012, the Annual General Meeting of Clariant Ltd approved a share capital reduction of CHF 0.30 per registered share from a nominal value of CHF 4.00 to CHF 3.70. The share capital was therefore reduced by CHF 89 million from CHF 1.183 billion to CHF 1.094 billion.

On 31 March 2011, the Annual General Meeting of Clariant Ltd approved a capital increase, as a result of which in April 2011 Clariant Ltd issued 65 591 085 newly registered shares with a nominal value of CHF 4.00 each (the new shares). The purpose of this share capital increase was to finance the acquisition of Süd-Chemie.

5. TREASURY SHARES

	2012	2011
Holdings at January 1	12 622 649	9 002 210
Shares purchased at fair market value	4 502 452	3 440 953
Shares purchased on exercise of put options	500 000	1 200 000
Shares sold at fair market value	– 325 950	– 174 000
Shares transferred to employees	– 1 228 871	– 846 514
Holdings on 31 December	**16 070 280**	**12 622 649**

Each registered share has a par value of CHF 3.70 (2011: CHF 4.00)

The average price of shares bought in 2012 was CHF 11.87 (2011: CHF 14.94).

The average price of shares sold in 2012 was CHF 11.33 (2011: CHF 9.31).

6. RECONCILIATION OF EQUITY

in CHF	Share capital	General reserve		Reserve for treasury shares		Free reserves	Accumulated gains	**Total**
		from capital contribution [1]	from retained earnings [2]	from capital contribution [1]	from retained earnings			
Balance 31 December 2011	**1 183 009 016**	**2 719 261 672**	**– 1 264 297 991**	**181 148 697**	**–**	**236 981 551**	**124 436 035**	**3 180 538 980**
Treasury share transactions		20 634 917		– 20 634 917	59 675 912	– 59 675 912		–
Reclassification of profit carryforward to free reserves						124 436 035	– 124 436 035	–
Repayment of share capital	– 88 725 676							– 88 725 676
Profit of the financial year							127 755 224	127 755 224
Balance 31 December 2012	**1 094 283 340**	**2 739 896 589**	**– 1 264 297 991**	**160 513 780**	**59 675 912**	**301 741 674**	**127 755 224**	**3 219 568 528**

[1] The Swiss Federal Tax Administration confirmed qualifying capital contributions of approximately CHF 1.6 billion. For further information see also note 8 to the financial statements of Clariant Ltd.

[2] This amount corresponds to capital contribution reserves formerly offset with losses. For further information see also note 8 to the financial statements of Clariant Ltd.

7. BONDS AND CERTIFICATES OF INDEBTEDNESS

in CHF thousand	Interest rate %	Term	**Amount 31.12.2012**	Amount 31.12.2011
Straight bond	3.125	2007–2012	–	250 000
Convertible bond	3.000	2009–2014	299 990	299 990
Certificate of indebtedness	mixed	2011–2014	299 160	299 160
Certificate of indebtedness	mixed	2011–2016	152 671	152 671
Certificate of indebtedness	mixed	2012–2014	30 348	–
Straight bond	2.750	2011–2015	200 000	200 000
Straight bond	3.125	2011–2017	100 000	100 000
Straight bond	3.250	2012–2019	285 000	–
Straight bond	2.500	2012–2018	250 000	–
Straight bond	3.500	2012–2022	175 000	–
Total			**1 792 169**	**1 301 821**

A new certificate of indebtedness of EUR 25 million with a term of 2.8 years and a float coupon (six months Euribor plus a credit margin premium (spread)) was issued in January 2012.

On April 24, 2012, the CHF 250 million domestic bond issued by Clariant in 2007 reached maturity and was repaid. On the same date Clariant launched a new CHF 285 million domestic bond for a term of seven years, with a coupon of 3.25 % per annum and an issue price of 100.832 %.

Additionally, on 26 September 2012 Clariant launched two new domestic bonds totaling CHF 425 million. The first bond issued (CHF 250 million) has a coupon of 2.5 % per annum, a tenor of six years and an issue price of 100.417 %. The second bond issue (CHF 175 million) has a coupon of 3.5 % per annum, a tenor of 10 years and an issue price of 100.189 %.

8. GENERAL RESERVES

The general reserve must be at least 20 % of the share capital of Clariant Ltd as this is the minimum amount required by the Swiss Code of Obligations.

Under Swiss tax law, qualifying capital contributions contributed to the company Clariant Ltd by its shareholders since 1997 may be distributed without being subject to Swiss withholding tax effective 1 January 2011, if certain conditions are met. The SFTA confirmed capital contribution reserves of approximately CHF 1.6 billion.

The SFTA is of the opinion that capital contribution reserves which were formerly offset with losses of CHF 1.26 billion will not qualify as capital contribution reserves anymore (even if compensated with newly generated retained earnings). Clariant Ltd does not unconditionally share this opinion, why such potential capital contribution reserves are also documented as capital contribution reserves in the balance sheet 2012.

9. RESERVE FOR TREASURY SHARES

Clariant Ltd has met the legal requirements for treasury shares required by the Swiss Code of Obligations.

10. NET REVERSAL OF HIDDEN RESERVES

In the year 2012, hidden reserves in the net amount of CHF 39 million were reversed.

11. CONTINGENT LIABILITIES

in CHF m	**Outstanding liabilities 31.12.2012**	Outstanding liabilities 31.12.2011
Outstanding liabilities as guarantees in favor of Group companies	1 559	973
Outstanding liabilities as guarantees in favor of third parties	–	–

12. EMOLUMENTS TO MEMBERS OF THE BOARD OF DIRECTORS AND THE EXECUTIVE COMMITTEE

1. Board of Directors

EMOLUMENTS TO MEMBERS OF THE BOARD OF DIRECTORS

Name	Member of the Board of Directors	Cash compensation		Social contribution	**Cash amount 2012**	Cash amount 2011
	Membership in 2012	Honorarium in CHF	Committee fee in CHF	in CHF	in CHF	in CHF
Rudolf Wehrli	full year	287 500	122 500	28 971	438 971	312 719
Günter von Au [1]	since 01.04.2012	150 000	67 500	10 848	228 348	–
Peter Isler	full year	100 000	110 000	8 416	218 416	128 626
Peter Chen	full year	100 000	55 000	13 108	168 108	153 640
Dominik Koechlin	full year	100 000	80 000	13 827	193 827	129 228
Carlo G. Soave	full year	100 000	95 000	14 536	209 536	129 228
Hariolf Kottmann [2]	full year	–	–	–	–	–
Dolf Stockhausen	full year	100 000	27 500	7 325	134 825	47 884
Konstantin Winterstein	full year	100 000	35 000	–	135 000	45 000
Jürg Witmer	until 31.03.2012	125 000	5 000	28 173	158 173	557 878
Klaus Jenny	until 31.03.2012	62 500	15 000	3 264	80 764	330 678
Total		**1 225 000**	**612 500**	**128 468**	**1 965 968**	**1 834 881**

[1] End of March 2012, the assignment of Dr Günter von Au as CEO of Süd-Chemie AG was early terminated (original agreement was scheduled until 31 December 2013). Due to his early termination of his contractual relationship with Süd-Chemie, he was entitled to receive an additional payment from Süd-Chemie (EUR 1 072 000). In addition he received (as all senior executives of Süd-Chemie) a final payment to compensate the truncated Long-Term-Incentive (AVE III). In his case it was EUR 154 999.
[2] After taking over the function as CEO, no further Board of Directors' compensations are extended.

Name	**Share-based compensation in 2012** [3]	Share-based compensation in 2011 [3]
Rudolf Wehrli	225 004	97 228
Günter von Au	112 500	–
Peter Isler	134 396	75 410
Peter Chen	134 396	75 410
Dominik Koechlin	134 396	75 063
Carlo G. Soave	134 396	75 063
Hariolf Kottmann	–	–
Dolf Stockhausen	75 006	–
Konstantin Winterstein	75 006	–
Jürg Witmer	181 253	194 110
Klaus Jenny	90 625	97 228
Total	**1 296 978**	**689 513**

[3] The values above are in accordance with IFRS principles.

SHARES HELD

Name	**Number of shares granted**	Number of shares granted	**Number of shares within vesting period**	Number of shares within vesting period	**Number of privately held shares**	Number of privately held shares
	for 2012	for 2011	**31.12.2012**	31.12.2011	**31.12.2012**	31.12.2011
Rudolf Wehrli	16 667	–	–	–	12 490	12 490
Günter von Au	12 500	–	–	–	7 500	–
Peter Isler	8 334	–	–	–	29 554	29 554
Peter Chen	8 334	–	–	–	5 931	5 931
Dominik Koechlin	8 334	–	–	–	11 100	11 100
Carlo G. Soave	8 334	–	–	–	15 100	15 100
Hariolf Kottmann [1]	See EC Overview					
Dolf Stockhausen	8 334	–	–	–	11 776 204	11 461 304
Konstantin Winterstein	8 334	–	–	–	5 000	5 000
Jürg Witmer	–	–	–	–	–	137 628
Klaus Jenny	–	–	–	–	–	77 019
Total	**79 171**	**–**	**–**	**–**	**11 862 879**	**11 755 126**

OPTIONS HELD

Name	**Number of options granted**	Number of options granted	**Number of options within vesting period**	Number of options within vesting period	**Number of excercisable options**	Number of excercisable options
	for 2012	for 2011	**31.12.2012**	31.12.2011	**31.12.2012**	31.12.2011
Rudolf Wehrli	–	30 120	30 120	61 870	71 750	40 000
Günter von Au	–	–	–	–	–	–
Peter Isler	–	24 096	24 096	47 946	43 850	20 000
Peter Chen	–	24 096	24 096	47 946	43 850	20 000
Dominik Koechlin	–	24 096	24 096	47 946	43 850	20 000
Carlo G. Soave	–	24 096	24 096	47 946	43 850	20 000
Hariolf Kottmann [1]	See EC Overview					
Dolf Stockhausen [2]	–	–	–	–	–	–
Konstantin Winterstein	–	–	–	–	–	–
Jürg Witmer	–	60 241	–	123 741	–	80 000
Klaus Jenny	–	30 120	–	61 870	–	40 000
Total	**–**	**216 865**	**126 504**	**439 265**	**247 150**	**240 000**

[1] After taking over the function as CEO, no further Board of Directors' compensations are extended. Please refer to the Executive Committee table.

[2] Additionally holding: 20 700 options to sell.

2. Executive Committee

	Hariolf Kottmann	Others	**Total 2012**	Total 2011
Annual compensation				
Base salary	1 000 000	2 450 000	3 450 000	3 450 000
Cash bonus	1 320 000	2 833 600	4 153 600	3 114 858
Share-based bonus:				
Value	1 673 847	2 584 569	4 258 416	3 624 965
Options:				
Value	493 797	758 425	1 252 222	977 318
Other payments	1 412 824	967 525	2 380 349	2 915 435
Total annual compensation	**5 900 468**	**9 594 119**	**15 494 587**	**14 082 576**
Exceptional compensation				
Other cash payment	1 500 000	–	1 500 000	–
Payments to leaving members of the Executive Committee	–	2 397 000	2 397 000	–
Total compensation	**7 400 468**	**11 991 119**	**19 391 587**	**14 082 576**

During the year 2012, there was a personnel change within the Executive Committee. The above table considers the term of office as follows:

· Hans-Joachim Müller from 1 January to 30 June 2012

There have been no payments to leaving members of the Executive Committee except those based on valid claims under the respective employment contracts. These payments added up to CHF 2.4 million.

In 2012 the Board of Directors agreed on a special reward to be extended to the CEO in recognition of his performance in the integration of Süd-Chemie. Under the precondition that certain targets are met a total a bonus of CHF 3 million will be paid out. The first portion of CHF 1.5 million was paid out on the successful integration of Süd-Chemie Germany in 2012. The second portion of CHF 1.5 million will be paid upon the successful integration of the Süd-Chemie activities outside Germany. The assessment of the achievement of this target will take place by mid 2013.

The values above are in accordance with IFRS. Other benefits include contributions to pension funds (67 %) and social security (33 %). The totals of the table above together with the totals of the remuneration for the Board of Directors add up to the total reported in note 31. Related parties of the consolidated financial statements for the transaction with Key Management.

SHARES HELD

Name	Number of shares granted[1] for 2012	Number of shares granted[1] for 2011	Number of shares within vesting period 31.12.2012	Number of shares within vesting period 31.12.2011	Number of privately held shares 31.12.2012	Number of privately held shares 31.12.2011
Hariolf Kottmann	146 668	108 816	186 045	131 637	554 045	479 637
Patrick Jany	82 134	60 938	75 613	59 909	167 530	102 296
Christian Kohlpaintner	82 134	60 938	58 813	28 344	130 469	90 000
Mathias Lütgendorf	82 134	135 938	74 563	44 094	252 313	211 844
Hans-Joachim Müller[2]	–	65 236	–	50 000	–	–
Total	**393 070**	**431 866**	**395 034**	**313 984**	**1 104 357**	**883 777**

OPTIONS HELD

Name	Number of options granted for 2012	Number of options granted for 2011	Number of options within vesting period 31.12.2012	Number of options within vesting period 31.12.2011	Number of excercisable options 31.12.2012	Number of excercisable options 31.12.2011
Hariolf Kottmann	263 200	120 482	383 682	263 382	270 900	128 000
Patrick Jany	131 600	60 241	191 841	120 241	330 000	100 000
Christian Kohlpaintner	131 600	60 241	191 841	120 241	40 000	–
Mathias Lütgendorf	131 600	60 241	191 841	120 241	60 000	–
Hans-Joachim Müller[2]	131 600	–	–	–	–	–
Total	**789 600**	**301 205**	**959 205**	**624 105**	**700 900**	**228 000**

[1] The number of shares granted as part of the matching share program will be determined after the balance sheet date. The number disclosed is based on a bonus payout of 88 % for 2012, the amount of variable estimated remuneration accrued and an estimated fair value of the shares at the grant date. Therefore correction of the 2011 figures were made.

[2] Member of the Executive Committee until 1 July 2012.

13. VOTING AND LEGAL REGISTRATION LIMITATIONS

In accordance with article 5 of the Articles of Incorporation, no limitations exist with regard to registration of shares which are acquired in one's own name and on one's own account. Special rules exist for nominees.

In accordance with article 12 of the Articles of Incorporation, each share has the right to one vote.

14. SHAREHOLDERS HOLDING THREE PERCENT OR MORE OF TOTAL CAPITAL

At 31 December 2012, former shareholders of Süd-Chemie AG, who had exchanged their shares against Clariant shares, were holding in total 15.127 % of the share capital of Clariant (2011: 15.127 %). These shareholders are affiliated with each other for family or other reasons. In addition, the following shareholders held a participation of 3 % or more of the total share capital:

FIL Limited, Hamilton (Bermuda) 5.020 %; CS Asset Management Funds AG, Zürich (Switzerland), 3.280 % (2011: 3.0184 %); Teachers Insurance and Annuity Association of America – College Retirement Equity Fund (TIAA-CREF), New York (United States), 3.097 % (2011: 3.097 %); UBS Fund Management AG, Basel (Switzerland), 3.090 %. No other shareholder was registered as holding 3 % or more of the total share capital.

In addition, at 31 December 2011, the following shareholder held a participation of 3 % or more of the total share capital:

Fidelity Management & Research, Boston (United States), 5.23 %. No other shareholder was registered as holding 3 % or more of the total share capital.

15. RISK MANAGEMENT

The Board of Directors and Group Management annually engage in a comprehensive risk assessment procedure, which includes the risks arising on the activities of Clariant Ltd. In the process, the enterprise risks and their developments are analyzed and it is ensured that measures to the effect of their containment are implemented. Particular attention is paid to the risks of financial reporting. A more detailed description of the risk assessment can be found in the notes of the consolidated financial statements in note 2, »Enterprise risk management« on page 154.

Appropriation of available earnings

The Board of Directors proposes to allocate the 2012 accumulated profit of Clariant Ltd in the amount of CHF 127 755 224 to free reserves and to appropriate the accumulated profit as follows.

Annual result	in CHF
Carried forward from previous year	–
Profit for the year 2012	127 755 224
Available accumulated profit	**127 755 224**

Appropriation	in CHF
Free reserves as at Dec. 31, 2012	301 741 674
Transfer to free reserves	127 755 224
Free reserves as at Jan. 1, 2013	429 496 898
Balance to be carried forward	**–**

DISTRIBUTION OF RESERVES FROM CAPITAL CONTRIBUTION

The Board of Directors proposes a distribution from the confirmed capital contribution reserves of CHF 0.33 per share (following reclassification of the full distribution amount from general reserves to free reserves).

Distribution of CHF 0.33 per share from capital contribution reserves	**105 000 000** [1]

[1] Depending on the number of issued shares on the date of the distribution. Shares held by Clariant Ltd or its subsidiaries are not entitled to a distribution and are not taken into account. Clariant Ltd early redeemed the 3% 2009 – 2014 convertible bonds 2009 – 2014 of over CHF 300 million early on 6 February 2013. If all convertible bond holders exercise their conversion right by 14 March 2013, up to 36 186 971 shares would be created. The distribution amount is therefore expected to be in the region of CHF 105 000 000.

Report of the statutory auditor to the general meeting of Clariant Ltd, Muttenz

REPORT OF THE STATUTORY AUDITOR ON THE FINANCIAL STATEMENTS

As statutory auditor, we have audited the financial statements of Clariant Ltd, which comprise the balance sheet, income statement and notes (pages 206 to 215), for the year ended 31 December 2012.

Board of Directors' Responsibility

The Board of Directors is responsible for the preparation of the financial statements in accordance with the requirements of Swiss law and the company's articles of incorporation. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation of the financial statements 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 the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements for the year ended 31 December 2012 comply with Swiss law and the company's articles of incorporation.

REPORT ON OTHER LEGAL REQUIREMENTS

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO and article 11 AOA) and that there are no circumstances incompatible with our independence.

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists which has been designed for the preparation of financial statements according to the instructions of the Board of Directors.

We further confirm that the proposed appropriation of available earnings complies with Swiss law and the company's articles of incorporation. We recommend that the financial statements submitted to you be approved.

PricewaterhouseCoopers Ltd

Dr. Daniel Suter	Ruth Sigel
Audit expert	Audit expert
Auditor in charge	

Basel, 12 February 2013

Forward-looking statements

Forward-looking statements contained herein are qualified in their entirety as there are certain factors that could cause results to differ materially from those anticipated. Investors are cautioned that all forward-looking statements involve risks and uncertainty. In addition to the factors discussed above, among the factors that could cause actual results to differ materially are the following: the timing and strength of new product offerings; pricing strategies of competitors; the company's ability to 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.

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Note about forward-looking statements
This report contains forward-looking statements based on current assumptions and projections made by management. Such statements are subject to known and unknown risks, uncertainties and other factors which may cause the actual results and performance of Clariant International Ltd to differ from those expressed in, implied or projected by the forward-looking information and statements. The information published in this report is provided by Clariant International Ltd and corresponds to the status as of the date of publication of this report.

Disclaimer
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Glossary

Additive
A substance added to products in small quantities to achieve certain properties or to improve a product (Clariant Additives Business Unit).

Adsorbents
Usually solid substances which are able to selectively accumulate certain substances from adjacent gaseous or liquid phases (Clariant Functional Materials Business Unit).

Branding
The use of brands by a company to differentiate itself from its competitors, for example using the underlying vision, mission or values. Clariant established a new corporate branding through the global launch of a new brand and value system in July 2012.

BRIC
Acronym referring to a group of countries comprising Brazil, Russia, India, and China.

Business Unit
Clariant was made up of 11 Business Units as of the end of 2012: Additives; Catalysis & Energy; Emulsions, Detergents & Intermediates; Functional Materials; Industrial & Consumer Specialties; Leather Services; Masterbatches; Oil & Mining Services; Paper Specialties; Pigments; Textile Chemicals. Due to the portfolio restructuring, this organizational structure is likely to change significantly in the next few years.

Cash flow
Economic indicator representing the operational net inflow of cash and cash equivalents during a given period.

Catalyst
A substance that lowers the activation energy, thereby increasing the rate of a chemical reaction without being consumed by the reaction itself (Clariant Catalysis & Energy Business Unit).

Clariant Excellence (CLNX)
Clariant Excellence is an initiative launched in March 2009 with the aim of establishing a culture of continuous improvement. The initiative is based on a change in mindset among all employees and at all levels of the company. It aims to improve competitiveness through gains in efficiency and to create added value. The four elements of Clariant Excellence are: Operational, Commercial, People, and Innovation Excellence.

Compliance
Compliance is a key element of Corporate Governance. It refers to compliance with the law and directives as well as with voluntary codes within the company.

Coupon
The coupon is the annual interest payment on a bond, expressed as a percentage of the par value.

EBIT
Earnings before interest and taxes.

EBITDA
Earnings before interest, taxes, depreciation, and amortization.

EBITDA margin
The EBITDA margin is calculated based on the ratio of EBITDA to sales and shows the return generated through operations from sales before depreciation and amortization.

Exceptional items
Exceptional items are defined as non-recurring costs or income that have a significant impact on the result, for example expenses related to restructuring measures.

Executive Committee
Management body of joint-stock companies; at Clariant the Executive Committee currently comprises four members (see Annual Report page 109)

Free cash flow
Free cash flow is the cash flow from operating activities minus expenditure for property, plant, and equipment, and intangible assets.

GANO – Global Asset Network Optimization
Part of Project Clariant, the restructuring program launched by Clariant at the end of 2008 to optimize the company's production network. GANO was completed in mid-2012 and resulted in considerable savings.

Gearing
Gearing is an indicator of the indebtedness of a company and reflects a company's ratio of long-term debt to equity capital.

IFRS
The International Financial Reporting Standards (IFRS) are international accounting standards.

Joint venture
Joint ventures are all activities in which Clariant is involved with another partner. The accounting method applied for joint ventures depends on the specific conditions of the participation.

Net working capital
Net working capital is the difference between a company's current assets and its current liabilities.

Par value
The sum owed by the issuer of a bond (debtor) to the bearer (creditor).

Pigment
Pigments are substances used for coloring; they are used in a technical manner, for example in the manufacture of dyes, varnishes, and plastics (Clariant Pigments Business Unit).

Rating
A rating assesses the creditworthiness of a debtor. Ratings are mainly required for the issue of debt instruments and usually determine the level of necessary interest payments, among other things. Clariant currently uses the two rating agencies Moody's and Standard & Poor's for this purpose.

ROIC – return on invested capital
ROIC is the total return on assets or the return on capital invested by a company. It is calculated as the ratio of earnings before interest expenses and invested capital (total capital employed). ROIC clarifies the return on capital with which a company is working.

Spin-off
A spin-off refers to the creation of an independent company through the divestment of a business unit from a company. Clariant was created through the spin-off and subsequent IPO of the Chemicals Division of Sandoz.

Stakeholder
Stakeholders are people or groups whose interests are linked in various ways with those of a company. They include shareholders, business partners, employees, neighbors, and the community.

Value chain
The value chain describes the series of steps in the production process, from raw materials through the various intermediate stages to the finished end product.

5-year group overview
2008 – 2012

CHF m	2012	2011	2011	2010	2009	2008
Group Sales	**6 038**	**5 571** [1]	**7 370**	**7 120**	**6 614**	**8 071**
Change relative to preceding year						
in Swiss francs (%)	**8**	–	4	8	– 18	– 5
in local currencies (%)	**8**	–	16	13	– 14	1
Operating income before exceptionals	**531**	**624** [1]	**717**	**696**	**270**	**530**
Operating income	**396**	**432** [1]	**507**	**366**	**– 20**	**229**
EBITDA before exceptionals	**802**	**835** [1]	**975**	**901**	**495**	**783**
EBITDA	**675**	**643** [1]	**786**	**646**	**263**	**691**
Net income / loss	**238**	**251**	**251**	**191**	**– 194**	**– 37**
Basic earnings per share	**0.77**	**0.86**	**0.86**	**0.81**	**– 0.91**	**– 0.20**
Distribution per share	**0.33**	**0.30**	**0.30**	**–**	**–**	**–**
EBITDA margin before exceptionals (%)	**13.3**	**15.0** [1]	**13.2**	**12.7**	**7.5**	**9.7**
Return on invested capital (ROIC) (%)	**8.2**	**13.1**	**13.1**	**18.1**	**5.7**	**9.0**
Operating cash flow	**468** [2]	**314** [2]	**206**	**642**	**757**	**391**
Investment in property, plant and equipment	**311**	**370**	**370**	**224**	**135**	**270**
Research & Development expenditures	**175**	**140** [1]	**176**	**135**	**150**	**184**
Depreciation and amortization	**316**	**258**	**258**	**205**	**225**	**253**
Net working capital	**1 477**	**1 442**	**1 442**	**1 132**	**1 396**	**1 923**
in % of sales	**19.0**	19.6	19.6	15.9	21.1	23.8
Total assets	**9 525**	**9 105** [3]	**9 081**	**5 921**	**6 092**	**5 946**
Equity (including non-controlling interests)	**3 040**	**3 026**	**3 026**	**1 806**	**1 896**	**1 987**
Equity ratio (%)	**31.9**	**33.3**	**33.3**	**30.5**	**31.1**	**33.4**
Net financial debt	**1 789**	**1 740**	**1 740**	**126**	**545**	**1 209**
Gearing ratio (%)	**59**	**58**	**58**	**7**	**29**	**61**
Employees	**21 202**	**22 149**	**22 149**	**16 176**	**17 536**	**20 102**

[1] Restated for discontinued operations (see note 1.04 in the Financial Report).

[2] Starting from 2012, interest paid and received are reported as part of financing cash flow. 2011 number has been restated accordingly.

[3] Restated (see note 1.03 in the Financial Report).

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